

Report as of
Third Quarter
2011

For further information,
please contact

Dr Werner Lanthaler
Chief Executive Officer
+49.(0)40.560 81-242
+49.(0)40.560 81-333 Fax
werner.lanthaler@evotec.com

DATE OF PUBLICATION:
10 NOVEMBER 2011

I. Management Report of the First Nine Months of 2011

UPSIDE MATERIALISING

DISCOVERY ALLIANCE BUSINESS REPORTS PROFITABLE GROWTH WITH REVENUES UP 54% AND A POSITIVE OPERATING RESULT OF € 9.5 M; STRONG Q3 PROPELLED BY SIGNIFICANT NEW PRODUCT PARTNERING WITH ROCHE

Recent highlights:

- **Strong improvement on all key financial results**
 - Nine months revenues +54% to € 59.7 m, Q3 revenues up 90% driven by a € 6.9 m upfront payment from Roche
 - Positive nine months operating result of € 9.5 m
 - Strong liquidity of € 60.4 m despite the use of € 15.1 m for acquisitions and earn-out payments as well as € 6.1 m for technology investments for sustainable growth
- **New product development partnership with Roche for MAO-B inhibitor in patients with Alzheimer's Disease (AD)**
 - Innovative approach to treat AD symptoms and potentially slow disease progression; Roche to initiate proof-of-concept studies in 2012

- Upfront payment of \$ 10 m (€ 6.9 m); development and commercial milestone payments of up to \$ 820 m plus tiered double-digit royalties on sales
- **Research and development programmes advancing well**
 - EVT 401 partnered in animal health indication with major animal health company
 - Diapep277 Phase III programme on track to deliver data from first Phase III study in 2012
 - Focused first-in-class research investments in proprietary platform technologies, pre-clinical assets and selected discovery programmes (e.g. CureBeta); increased partnering efforts
- **Very good progress in existing and initiation of significant new integrated discovery alliances**
 - First integrated discovery collaboration with UCB in CNS signed in July; second multi-target collaboration in the field of immunology already signed in October (after period-end)
 - Milestone achievement with Boehringer Ingelheim triggering € 4 m for initiation of pre-clinical development within oncology portfolio
- **Acquisition of remaining 30% share in Evotec (India) from DIL**
 - Acquisition for € 1.7 m in cash
 - Transaction closed on 5 October 2011 (after period-end)
 - Evotec is now able to operate and accelerate the business with full control
- **Increased financial guidance for 2011 confirmed**
 - Approximately 40% revenue growth expected for the full year 2011, leading to revenues of € 77 to 79 m (original guidance March 2011: € 64 to 66 m)
 - Liquidity guidance of > € 60 m at year-end confirmed despite cash required for the various acquisitions and earn-out payments in respect of Kinaxo, Compound Focus, DeveloGen and Evotec (India)
 - Order book indicates revenue growth into 2012 and continuing increase in operating income
- **Key management additions in scientific management positions**
 - Top-class talent joining Evotec, e.g. Dr Arnd Steuernagel as SVP Biologics, former CSO of Scil Proteins GmbH, and Dr Dirk Ullmann, as EVP Lead Discovery, former CSO of Proteros biostructures GmbH

1. OPERATIONAL PERFORMANCE

Exceptionally strong Q3 results propelled by upfront payment from development partnership with Roche

Evotec reported an exceptionally strong operational performance for the first nine months of 2011. Results were positively impacted in Q3 by a \$ 10 m (€ 6.9 m) upfront payment from a significant partnering signed with Roche. Consequently, total Group revenues for the first nine months increased by 54% to € 59.7 m (2010: € 38.8 m) including € 8.7 m (2010: € 0.2 m) from the acquisitions of DeveloGen (Evotec Göttingen), Kinaxo (Evotec Munich) and Compound Focus (Evotec San Francisco). R&D expenses increased by € 2.6 m (62%), mainly from the strategic build-up of Evotec's beta cell franchise "CureBeta" and the inclusion of Evotec Göttingen and Evotec Munich R&D expenses. Despite the aforementioned acquisitions, SG&A costs declined by 1%. On this basis, Evotec's operating income for the first nine months was € 9.5 m (2010: € 1.0 m). The Company continues to operate at a strong gross margin of more than 40%. Liquidity including cash, cash equivalents and investments including long-term financial assets at the end of September 2011 amounted to € 60.4 m.

2. STATUS OF CLINICAL AND PRE-CLINICAL PROGRAMMES

Development partnerships to provide upside potential

Evotec focuses on a number of carefully selected core assets, which the Company is progressing towards clinical development and for which it is seeking strategic product development partnerships to fund these developments. To reduce Evotec's risk profile the Company is not investing in larger clinical trials on its own. The Company's current clinical stage portfolio comprises several development partnerships. In Q3, Evotec reported a significant partnering with Roche:

New product development partnership with Roche for MAO-B inhibitor in patients with Alzheimer's Disease (AD)

In September, Evotec and Roche announced that they have entered into an exclusive worldwide agreement for the development and commercialization of Evotec's MAO-B inhibitor in AD patients. Roche paid Evotec an upfront fee of \$ 10 million and Evotec could receive further development and commercial milestone payments of up to \$ 820 million as well as tiered double-digit royalties on sales.

The addition of EVT-302 to Roche's CNS pipeline complements other approaches the company is investigating including tau- and amyloid-targeted therapies. Evotec's compound (EVT 302) is a novel, potent inhibitor of monoamine oxidase type B (MAO-B), an enzyme that breaks down the chemical messenger dopamine in the brain and contributes to the production of free radicals. Free radicals are known to cause oxidative stress which may contribute to pathogenesis of AD as demonstrated by the up-regulation of MAO-B expression in the brain of AD patients. For these reasons, this selective MAO-B inhibitor is targeted to treat AD symptoms and potentially slow disease progression. Roche will initiate proof-of-concept studies in 2012 and will be responsible for all clinical development, manufacturing and commercialization activities.

EVT 401 partnered in animal health indication with major animal health company

In August, Evotec announced it had entered into a world-wide license and collaboration agreement with a top tier animal health company that intends to develop the proprietary Evotec compound EVT 401, a selective, small molecule P2X7 antagonist, in the companion animal market. Evotec can receive technology access fees, development and commercial milestone payments, and significant tiered royalties on net sales. Evotec retains all rights to the programme for human therapeutic use. This partnering event triggered a reversal of impairment in the amount of € 1.5 m.

DiaPep277 Phase III programme on track to deliver data of first Phase III study in 2012

DiaPep277, a synthetic peptide in development for the treatment of type 1 diabetes, acquired through the acquisition of DeveloGen, is progressing as planned in Phase III studies conducted by Andromeda Biotech and Teva Pharmaceutical. First Phase III data is expected to be published in 2012.

Focused first-in-class research investments in proprietary platform technologies, pre-clinical assets, partnering efforts and selected discovery programmes (e.g. CureBeta)

Upgrading the scientific background and the technological infrastructure of Evotec is a key strategic initiative in 2011. As part of Evotec's unfunded research initiatives, certain pre-clinical assets (e.g. BetaCell molecules, etc.) are progressing as potential entry points for drug discovery alliances. For Evotec's NMDA antagonist EVT 101/103 a partnering initiative is

ongoing, which could result in a partnership for EVT 101/103 within the next 12 – 18 months.

The existing product development alliance with Pfizer (VR1) for neuropathic pain, is progressing well, and Pfizer expects to enter into a clinical trial in 2012. Evotec's partner Jingxin Pharma has filed for regulatory approval for the first clinical trials in China for EVT 201.

3. DISCOVERY ALLIANCES UPDATE

Expanding portfolio of discovery alliances leads to significant growth in sales; good progress and milestone achievements in collaborations

Due to its scale, strong platform of technologies combined with disease biology know-how and excellent project management, Evotec is ideally positioned to take advantage of the increase in strategic drug discovery outsourcing in the pharmaceutical and biotech industry. The Company signed a number of important new contracts, contract extensions and expansions and made good progress in many of its current programmes.

First integrated discovery collaboration with UCB in CNS signed in July; second multi-year, multi-target collaboration in the field of immunology already signed in October (after period-end)

In July 2011, Evotec entered into a three year integrated drug discovery collaboration with UCB to identify small molecule modulators of important biological targets, selected by UCB, involved in CNS disorders. In October, based on the Company's resource bandwidth and drug hunting expertise, Evotec was again selected for a second multi-target collaboration in the field of immunology to complement UCB's internal efforts.

As part of both collaborations, Evotec will apply its integrated drug discovery expertise and technologies to identify interesting small molecules against a selected number of targets. The molecules will be further optimised and progressed through lead optimization to pre-clinical candidates. Evotec will receive ongoing research funding and will be further rewarded on achieving the goals of the research collaboration with early stage discovery, pre-clinical and clinical milestones. In addition, Evotec will receive royalties based on net sales of any approved drugs from the collaboration.

Milestone achievement with Boehringer Ingelheim within an oncology programme triggering € 4 m payment

During the third quarter of 2011, Evotec reported the achievement of another milestone in its collaboration with Boehringer Ingelheim, triggering a payment of € 4 m to Evotec. The milestone was achieved for the identification and selection of a compound to be advanced into pre-clinical development within the oncology programme and represents the fourteenth milestone achieved in this multi-year, multi-target collaboration.

4. ACQUISITION UPDATE

Continued expansion of scientific and technology leadership

Evotec focuses on augmenting its technology platform to continuously strengthen its ability to provide integrated drug discovery solutions for customers. At the same time, the Company is developing early assets in highly innovative areas of drug discovery such as beta cell biology and technologies to better understand oncology or metabolic diseases to kick-start new alliances. In line with this strategy, the Company has acquired

Kinaxo and Compound Focus and has announced another transaction during the first nine months of 2011:

Acquisition of remaining 30% share in Evotec (India) from DIL

In September, Evotec signed a Share Purchase Agreement to acquire the remaining 30% of the equity of its successful Indian subsidiary for € 1.7 m. The acquisition of DIL's 30% outstanding equity in Evotec (India) gives Evotec 100% ownership of this subsidiary, allowing it to operate and accelerate the business with full control. Evotec acquired 70% of the equity of Research Support International Private Limited (RSIPL), in August 2009 which was subsequently renamed Evotec (India) Private Limited. The transaction closed on 5 October 2011 (after period-end).

With its now 100% owned Indian subsidiary Evotec has successfully expanded its global scientific resource to offer the most complete and cost efficient drug discovery solutions to the pharmaceutical and biotech industry. This transaction will allow financial optimization and a significant reduction in administration. The deal also gives Evotec complete freedom to expand its activity in India in future without any restrictions. Operating out of Thane, Mumbai, Evotec (India) has 140 scientists, focusing primarily on Medicinal Chemistry. Going forward the intention is to further grow and expand this capacity.

5. GUIDANCE

Increased financial guidance for 2011 confirmed

Following the development partnership with Roche in September 2011, Evotec for the third time in 2011 raised its revenue guidance for the current fiscal year that was originally published on 24 March: In 2011, total Group revenues are now expected to grow by approximately 40%, leading to revenues of € 77 to 79 m (March: € 64 to 66 m; June: € 68 to 70 m; August: € 70 to 72 m).

Evotec also raised its 2011 year-end liquidity target to > € 60 m at constant year-end 2010 currencies despite € 15.1 m cash required for the various acquisition and earn-out payments for Kinaxo (Evotec Munich), Compound Focus (Evotec San Francisco), DeveloGen (Evotec Göttingen) and Evotec (India).

All other financial targets remain unchanged. Focusing on key programmes, especially in the fields of innovation in metabolic diseases and regenerative medicine, the Company expects research & development (R&D) expenses to increase to approximately € 10 m from 2010 levels. On this basis, Evotec's Group operating result before impairment charges, if any, is expected to be profitable and improve over 2010.

Going forward, the Company's order book indicates revenue growth into 2012 and continuing increase in operating income before impairment charges, if any. However, operating income may vary significantly between quarters and prior year periods as the timing of performance based milestones and partnering events cannot be predicted within specific quarterly reporting periods.

A. OPERATIONS

CHANGES IN GROUP STRUCTURE, PRODUCT OFFERING, BUSINESS ACTIVITIES AND CORPORATE OBJECTIVES AND STRATEGY

During the first nine months of 2011, Evotec's **Group structure and product offering** grew compared to 2010 through the acquisitions of Kinaxo Biotechnologies GmbH and Compound Focus, Inc.

Acquisition of Kinaxo completed as of 18 April 2011

During the second quarter of 2011, Evotec completed the acquisition of Kinaxo Biotechnologies GmbH (Evotec Munich), a Munich-based drug discovery alliance company. The acquisition added proprietary technologies for compound profiling, target deconvolution and response prediction, important for timely decisions on drug efficacy and safety, especially in the key area of oncology. Synergies are expected to result in a much broader customer reach through integration of the former Evotec Munich service business into Evotec's performance-based drug discovery alliances. In the first nine months of 2011, the company signed collaborations with Takeda Pharmaceutical, AstraZeneca and Roche. The Evotec Munich business is expected to deliver revenues of € 2.0 m in 2011 with revenues and profitability expected to accelerate in 2012 and beyond.

Evotec issued 2,597,403 shares from its authorised capital as part consideration for the transaction, paid a cash component of € 3.0 m and an earn out component of € 1.5 m. A potential additional € 2.5 m payment as earn out based upon performance of the business in 2011/2012 may be due.

Acquisition of Compound Focus effective 1 June 2011

In June 2011, Evotec acquired Compound Focus, Inc. (Evotec San Francisco), the compound management business of BioFocus, based in South San Francisco, US. The company's technologies are focused on automated storage and custom design solutions for small molecule drugs. This acquisition provides critical mass to Evotec's existing compound management offering. It substantially improved the Company's ability to support its alliance partners in developing and managing their compound libraries and further strengthen its own hit identification capabilities. The current key customer base includes US federal institutes and pharma companies such as Elan, Sunovion Pharmaceuticals (formerly: Sepracor) and Procter & Gamble. In 2010, Compound Focus, Inc. had revenues of € 7.8 m with an operating profit of € 2.6 m.

For the acquisition of all shares in Compound Focus Inc. Evotec paid a cash upfront of € 10.25 m, received a working capital adjustment of € 0.8 m and could pay an additional € 2.25 m as an earn out based upon performance of the business in 2012/2013.

Evotec also initiated the largest **technology infrastructure upgrading programme** in the Company's history. Approximately € 8 to 10 m will be invested in 2011 in the long-term upgrading of Evotec's capabilities in electrophysiology and screening, ADMET and analytical services, *in-vivo* pharmacology and chemistry.

The Company continues to be managed in line with the corporate **objectives and strategy** "Evotec Action Plan 2012" also described in Evotec's Annual Report 2010 on pages 28 and 29. For updates on the **research and development activities** please refer to the highlights section on page 3 and 4 of this quarterly report.

B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

Note: The 2010 and 2011 results are not fully comparable. The major difference results from the acquisitions of DeveloGen AG (Evotec Göttingen) effective 3 September 2010, of Kinaxo Biotechnologies GmbH (Evotec Munich) effective 18 April 2011 and of Compound Focus, Inc. (Evotec San Francisco) effective 1 June 2011.

The results of Evotec Göttingen from the period 1 January 2011 through 30 September 2011, of Evotec Munich from the period 18 April 2011 through 30 September 2011 and of Evotec San Francisco from the period 1 June through 30 September 2011 are included in the accompanying consolidated interim statements of operation for the first nine months of 2011. These results were not fully included in the comparable period of the previous year. The assets and liabilities of Evotec Göttingen are included in the accompanying consolidated interim statement of financial position. The assets and liabilities of Evotec Munich and Evotec San Francisco are only included in the accompanying consolidated interim statement of financial position for the period as of 30 September 2011.

COMPARISON OF THE FINANCIAL RESULTS FOR THE FIRST NINE MONTHS OF 2011 WITH FORECAST

Evotec is not providing forecasts on a quarterly basis.

1. RESULTS

Revenues

Evotec's **revenues** for the first nine months of 2011 increased 54% over the same period of the previous year to € 59.7 m (2010: € 38.8 m). At constant 2010 FX rates 2011 revenues would have amounted to € 62.2 m (+60%). This was mainly due to the US dollar being weaker versus the Euro in 2011 compared to 2010. Growth in Q3 2011 compared to Q3 2010 was extraordinarily high at 90% primarily due to a € 6.9 m upfront payment from Roche in context of the development partnership in Alzheimer's Disease. Excluding this payment, Evotec's revenues for the first nine months of 2011 increased by 36%. This underlying growth was driven by a strong performance in the Company's drug discovery alliances, including significant milestones achieved from Boehringer Ingelheim and Ono Pharmaceutical, and contributions from the acquired businesses of Evotec Göttingen, Evotec Munich and Evotec San Francisco totalling € 8.7 m.

Geographically, 58% of Evotec's revenues were generated with customers in Europe, 30% in the US, and 12% in Japan and the Rest of the World. This compares to 50%, 36% and 14%, respectively, in the same period of the previous year. The Company grew revenues in all three geographic regions, in the US primarily due to a new alliance with Genentech and the US business of Evotec San Francisco; in Japan due to the extended alliance with Ono Pharmaceutical and a new collaboration with Shionogi. The relatively higher contribution of European revenues to Group revenues mainly reflects the upfront payment from Roche for EVT 302, higher milestone payments from Boehringer Ingelheim and the Evotec Göttingen contributions.

Operating cost structure

Costs of revenue for the first nine months of 2011 amounted to € 30.8 m (2010: € 21.8 m) yielding a strong **gross margin** of 48.4% (2010: 44.0%). Excluding the effect of the significant upfront payment from Roche, gross margin was 41.6%. The slight decline in the underlying margin in 2011 compared to 2010 is attributable primarily to a different revenue mix following Evotec's acquisitions as well as currency effects resulting from the

weaker US dollar.

Gross margins in the future may continue to be somewhat volatile, and significantly depend on potential milestone or out-licensing revenues.

R&D expenditure for the first nine months of 2011 increased by 62% to € 6.8 m (2010: € 4.2 m). The increase mainly resulted from the inclusion of Evotec Göttingen and Evotec Munich R&D expenses and the resulting build up of the Evotec CureBeta franchise, as well as expenses for clinical development of EVT 501.

SG&A expenses for the first nine months of 2011 decreased by 1% to € 11.5 m (2010: € 11.6 m) despite the inclusion of Evotec Göttingen, Evotec Munich and Evotec San Francisco expenses. This was the result of judicious cost containment throughout the Company – “Evotec Action Plan 2012”. However, going forward one should consider that in the first nine months of 2011 the Evotec Munich and Evotec San Francisco acquisitions were only included for 5.5 and 4 months, respectively .

In the third quarter, **amortisation** increased to € 0.6 m compared to the previous running rate of € 0.3 m in the first and second quarter 2011, thereby totalling € 1.2 m for the first nine months of 2011. This was due to the amortisation of the customer list of Evotec San Francisco.

The signing of a license and collaboration agreement for the development of Evotec's compound EVT 401 in an animal health indication was a triggering event and resulted in a **reversal of impairment of intangible assets** of € 1.5 m in the third quarter 2011.

Other operating income and expenses resulted from two effects:

1. The reimbursement of expenses incurred by the clinical programmes with EVT 101 and EVT 103 by Roche. The alliance was terminated in Q2 2011.
2. Parallel rental for the old facility in Hamburg and the new “Manfred-Eigen-Campus” in Hamburg and the resulting planned underutilisation of parts of those buildings during the transition period. This was an Other Operating Expense of approximately € 1.3 m.

Due to the higher gross profit, Evotec's **operating income** for the first nine months of 2011 improved markedly to € 9.5 m (2010: € 1.0 m). The Company is on track to achieve increased full-year profitability over 2010 (before impairment, if any).

Net income improved to € 9.2 m (2010: € 0.7 m). The net income was impacted by two exceptional effects included in financial results in the first nine months of 2011: positively, by a foreign exchange gain in the amount of € 1.1 m in accordance with IAS 21 as a result of the reduction in the capital reserve of one subsidiary paid to Evotec AG in the first quarter; negatively, by the contingent consideration for the provision for the earn-out, which is related to the Evotec Göttingen, Evotec Munich and Evotec San Francisco acquisition and which caused interest expense in the amount of € 0.9 m due to the unwind of the discount since the acquisition date. In addition, current tax expense for the first nine months increased to € 1.3 m primarily due to the higher profitability as a result of the upfront payment from Roche.

Earnings per share for the first nine months of 2011 were € 0.08 (2010: € 0.01).

Financial results

*Cash flow and liquidity***2. FINANCING AND FINANCIAL POSITION**

Cash flow from operating activities for the first nine months of 2011 improved to € 9.1 m from € (1.7) m in the same period of 2010. The improvement mainly resulted from the increase in net income and reduced working capital.

The line item in the cash flow statement "adjustments to reconcile net income to net cash used in operating activities" amounting to € 3.5 m included mainly depreciation of property, plant and equipment (€ 3.7 m), amortisation (€ 1.2 m), reversal of impairment (€ (1.5) m), accrued interest expense (€ 0.9 m), non cash compensation expenses (€ 0.6 m) as well as non cash foreign exchange gains (€ (1.1) m).

Cash flow from investing activities for the first nine months of 2011 was € (3.2) m. The proceeds from sale of current investments in the amount of € 64.7 m were reinvested in the amount of € 50.2 m. The difference was primarily used for the purchase of investments in affiliated companies (€ 12.5 m) consisting of the cash components of the purchase prices for the acquisition of Evotec San Francisco (€ 9.5 m), consisting of the initial purchase price of € 10.3 m and an offsetting working capital adjustment of € 0.8 m, and Evotec Munich (€ 3.0 m). Capital expenditures increased to € 6.1 m, mainly as a result of upgrades to Evotec's drug discovery platform. In the context of Evotec's infrastructure upgrading programme capital expenditures are expected to further increase during the remainder of the year.

Cash flow from financing activities for the first nine months of 2011 was € (0.8) m resulting from the net repayment of loans partially offset by the proceeds from the exercise of stock options.

Liquidity amounted to € 60.4 m at the end of September 2011 (31 December 2010: € 70.4 m) and included cash and cash equivalents (€ 26.3 m), investments (€ 31.1 m) and long-term financial investments (€ 3.0 m).

3. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

In the second quarter of 2011, Evotec acquired two businesses (see page 5 and 6). As a result, the assets and liabilities of those businesses are included in the accompanying consolidated interim balance sheet as of 30 September 2011. The most prominent changes are explained below. More details and all further material changes of assets and liabilities during the first nine months of 2011 are described in the Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Assets

As of 30 September 2011, trade accounts receivables decreased to € 9.0 m. Trade accounts receivable were extraordinarily high at 31 December 2010 (€ 11.8 m) because the MedImmune upfront payment was invoiced in December 2010 but not received before January 2011. They were still relatively high at the end of September 2011 due to invoicing of compound sales by Evotec San Francisco close to the period end. The increase in three positions, property, plant and equipment to € 23.5 m (31 December 2010: € 18.5 m), goodwill to € 42.1 m (31 December 2010: € 26.0 m) as well as intangible assets, excluding goodwill to € 69.0 m (31 December 2010: € 57.6 m), was primarily the result of the Evotec Munich and Evotec San Francisco acquisitions.

Liabilities

As of 30 September 2011, trade accounts payable increased to € 9.4 m (31 December 2010: € 7.0 m) primarily due to payments to be made in October in respect of expenditures for the new facility in Hamburg. Current

and non-current provisions increased in total to € 24.2 m (31 December 2010: € 19.4 m) mainly due to the earn out provisions in context of the Evotec Munich and Evotec San Francisco acquisitions, while the payment of the short-term portion of the Evotec Göttingen earn out component had an underlying declining effect on provisions. Current and non-current deferred revenues decreased to € 6.7 m (31 December 2010: € 11.2 m) mainly due to recognition of a revenue portion of the MedImmune upfront payment and the entire remaining part of the Roche upfront payment for the EVT 100 compound family following the termination of contract.

The changes in the liquidity position are explained above. The Company is not involved in any off-balance sheet financing transactions.

As of 30 September 2011, Evotec's **capital structure** changed compared to the end of 2010. The total number of ordinary shares outstanding increased to 118,315,864 following the issuance of 2,597,403 new shares from its authorised capital as part of the consideration for the Evotec Munich acquisition and by 122,732 shares due to the exercise of stock options.

Evotec's equity ratio as of 30 September 2011 continued to be high at 70.1% (31 December 2010: 69.1%).

4. HUMAN RESOURCES

Employees and Management

At the end of September 2011, 603 people were employed within the Evotec Group (end of December 2010: 519 employees). During the first nine months headcount increased by 52 people through the acquisitions of Evotec Munich and Evotec San Francisco. Additional hires support the growth of Evotec's discovery alliances.

Evotec strengthened its Management Team through the appointment of two top class individuals: Dr Arnd Steuernagel (former CSO of Scil Proteins GmbH) as SVP Biologics and Dr Dirk Ullmann (former CSO of Proteros biostructures GmbH) as EVP Lead Discovery.

Supervisory Board

At Evotec's AGM on 16 June 2011, Roland Oetker and Prof Andreas Pinkwart were elected to the Company's Supervisory Board.

Stock-based compensation

In the first nine months of 2011, 2,731,050 options were granted to Evotec employees and a total of 122,732 options were exercised. As of 30 September 2011, the total number of options available for future exercise amounted to 7,969,561 (approximately 7% of shares in issue). Options have been accounted for under IFRS 2 using the fair value at the measurement date.

In connection with the acquisition of Renovis, Evotec issued shares to a trust. These shares were meant to replace outstanding options and similar share-based compensation arrangements for Renovis employees. From those shares issued to the trust, no shares were released in the first nine months of 2011. At the end of September 2011 the trust had 1,328,624 remaining unreleased Evotec shares.

Directors' Holdings of Evotec AG

Number of shares

	1 Jan 11	Additions	Sales	30 Sep 11
Management Board				
Dr Werner Lanthaler	464,494	20,000	0	484,494
Colin Bond	0	0	0	0
Dr Cord Dohrmann	27,226*	0	0	27,226
Dr Mario Polywka	60,000	0	0	60,000
Supervisory Board				
Dr Flemming Ørnskov	15,513	0	0	15,513
Dr Walter Wenninger	5,419	0	0	5,419
Dr Hubert Birner	27,897	0	0	27,897
Roland Oetker	17,417,355**	0	0	17,417,355
Prof Andreas Pinkwart	0**	0	0	0
Mary Tanner	62,192	0	0	62,192

* Dr Cord Dohrmann received his shares in Evotec in part exchange for his share in DeveloGen according to the share purchase agreement signed in July 2010.

** Relates to 16 June 2011, when Roland Oetker and Prof Pinkwart were elected to the Supervisory Board by the Evotec AGM.

Number of share options

	1 Jan 11	Additions	Exercise	30 Sep 11
Management Board				
Dr Werner Lanthaler	900,000	640,000	0	1,540,000
Colin Bond	100,000	290,000	0	390,000
Cord Dohrmann	100,000	290,000	0	390,000
Dr Mario Polywka	755,000	440,000	0	1,195,000
Supervisory Board				
Dr Flemming Ørnskov	0	0	0	0
Dr Walter Wenninger	0	0	0	0
Dr Hubert Birner	0	0	0	0
Roland Oetker	0*	0	0	0
Prof Andreas Pinkwart	0*	0	0	0
Mary Tanner	0	0	0	0

* Relates to 16 June 2011, when Roland Oetker and Prof Pinkwart were elected to the Supervisory Board by the Evotec AGM.

Pursuant to §15a of the German Securities Trading Act (Wertpapierhandelsgesetz), the above tables list separately for each member of our Management and Supervisory Board, the number of Company shares held, and rights for such shares granted to each board member as of 30 September 2011.

C. RISKS AND OPPORTUNITIES REPORT

The risks and opportunities described in Evotec's 2010 Annual Report on pages 50 to 54 and on page 56 remain unchanged.

At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG.

D. IMPORTANT EVENTS AFTER THE END OF THE FIRST NINE MONTHS OF 2011

Effective 5 October 2011, Evotec acquired the remaining 30% interest in Evotec (India) Private Limited from DIL, Limited, India for T€ 1,700. This transaction is described in more detail on page 5 of this report.

E. BUSINESS ENVIRONMENT

GLOBAL ECONOMY

Macroeconomic issues continued to pull on the global markets in the third quarter. The consensus amongst investors and advisors is that the remainder of 2011 will be characterised by continued uncertainty and volatility, especially as the Sovereign debt crisis remains unresolved. Adding to this are renewed fears of double dip recession and in Asia growing worries about the global economy have replaced inflation fears.

Signs for the German economy are not positive; growth is expected to slow from 2.7% this year to 1.3% in 2012, according to the IMF, the short-term outlook could be even worse. The latest ZEW survey of analysts' expectations for the economy in six months' time suggest it is heading towards a downturn and even mild recession this year and early next. The basis of Germany's plight lies with problems in other Euro Zone economies.

In Germany, stock market activity reflected the global fall in sentiment. In the three months to September 30 the DAX index closed the quarter off 25.4% with a hike in the last week of June. In similar fashion, the German technology index TecDAX lost 25.9%. Evotec's shares followed a similar path.

HEALTHCARE ENVIRONMENT AND OUTLOOK

In the third quarter, every life science index in Europe and the US was down, eliminating any gains achieved in the first half of the year. Based on macroeconomic conditions and a general flight to safety, investors and bankers appear to have accepted that the rest of 2011 is going to be tough for the biotech space and life science sector as a whole. There is potential positive news for the sector: with over 80 Phase III and regulatory events expected by year-end, in the closing months of 2011 even the strongest life science companies may not be able to resist the macroeconomic effects. With little hope of major gains, specialist investors are using price weakness to strengthen their portfolios. In this environment Evotec is well positioned with a business model that is based on a profitably growing alliance business and an exciting development pipeline supported by funding from our partners.

The performance of the healthcare and pharmaceutical industry continues to be affected by a significant imbalance between new product introductions and patent losses and pharma companies are increasingly looking for promising pipeline candidates to acquire to make up for the loss of revenues that will occur with key products losing patent exclusivity. So far this year M&A has been relatively subdued with a few exceptions: Genzyme was acquired by Sanofi; and Icagen by Pfizer; Inspire Pharmaceuticals by Merck & Co. More recently, Alere acquired Axis-Shield and Jazz Pharmaceuticals acquired Azur Pharma.

There is also strong evidence that Pharma's R&D strategies continue to include outsourcing: Big pharmaceutical companies, such as Pfizer, Merck, AstraZeneca, Roche and GlaxoSmithKline, introduce efforts to scale back on

internal R&D costs and improve efficiency through further external partnerships. In the third quarter alone, for example, Evotec signed two multi-year multi-target deals with UCB to identify small molecule modulators of CNS and immunology targets, respectively, to complement UCB's internal drug discovery efforts.

F. FINANCIAL OUTLOOK

Increased financial guidance for 2011 confirmed

Following the development partnership with Roche in September 2011, Evotec for the third time in 2011 raised its revenue guidance for the current fiscal year that was originally published in Evotec's 2010 Annual Report (page 56) on 24 March: In 2011, total Group revenues are now expected to grow by approximately 40%, leading to revenues of € 77 to 79 m (March: € 64 to 66 m; June: € 68 to 70 m; August: € 70 to 72 m).

Evotec also raised its 2011 year-end liquidity target to > € 60 m at constant year-end 2010 currencies, despite using € 15.1 m of cash for the various initial acquisition and subsequent earn-out payments in respect of Evotec Munich, Evotec San Francisco, Evotec Göttingen and Evotec (India).

All other financial targets remain unchanged. Focusing on key programmes, especially in the fields of innovation in metabolic diseases and regenerative medicine, the Company expects research & development (R&D) expenses to increase to approximately € 10 m from 2010 levels. On this basis, Evotec's Group operating result before impairment charges, if any, is expected to be profitable and improve over 2010.

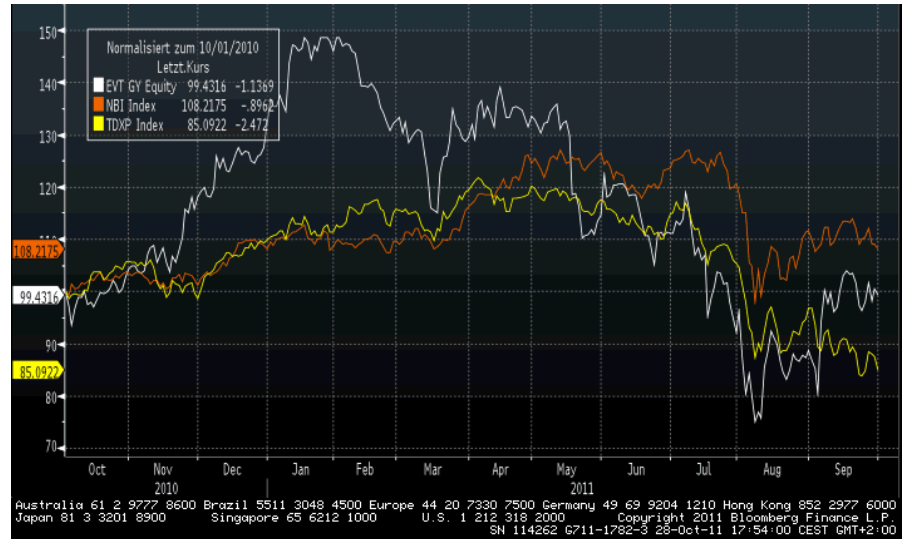
In 2011, Evotec invests to support its long-term growth aspirations. Approximately € 8 to 10 m will be invested in the long-term upgrading of Evotec's capacities and capabilities. One very visible sign of this strategy is the move into a new high-tech facility in Hamburg: The "Manfred-Eigen-Campus", which will be the centre for Evotec's screening and biology operations. These investments are expected to be predominantly financed from the cash generated by the operating business.

Going forward, the Company's order book indicates revenue growth into 2012 and this is expected to translate into continuing increase in operating income before impairment charges, if any. However, operating income may vary significantly between quarters and prior year periods as the timing of performance based milestones and partnering events cannot be predicted within specific quarterly reporting periods.

The statements on **business direction and strategy, expected research and development, business opportunities** and **dividends** continue to be valid as published in Evotec's 2010 Annual Report on pages 55 and 56.

G. SHARE PRICE PERFORMANCE AND FINANCIAL CALENDAR

PERFORMANCE OF EVOTEC SHARES OVER THE PAST TWELVE MONTHS



After a strong performance in 2010, Evotec shares underperformed the NASDAQ biotech index for the twelve months period. However, they outperformed the German TecDAX for the same period:

Evotec:	-1%
NASDAQ Biotech:	+8%
TecDAX:	-15%

FINANCIAL CALENDAR 2012

Annual Report 2011: 20 March 2012
 Q1 2012 Interim Report: 10 May 2012
 Annual Shareholders' Meeting 2012: 14 June 2012
 Q2 2012 Interim Report: 8 August 2012
 Q3 2012 Interim Report: 8 November 2012

II. Consolidated Interim Financial Statements

Evotec AG and Subsidiaries -

Condensed consolidated interim income statement for the period from 1 January to 30 September 2011

<i>in T€ except share and per share data</i>	<i>Nine months ended 30 September 2011</i>	<i>Nine months ended 30 September 2010</i>	<i>Three months ended 30 September 2011</i>	<i>Three months ended 30 September 2010</i>
Revenues	59,712	38,840	26,347	13,872
Costs of revenue	30,835	21,759	11,913	8,045
Gross profit	28,877	17,081	14,434	5,827
Operating expenses (income)				
Research and development expenses	6,781	4,175	2,116	1,248
Selling, general and administrative expenses	11,497	11,593	3,937	3,891
Amortisation of intangible assets	1,152	281	603	21
Reversal of impairment of intangible assets	(1,501)	-	(1,501)	-
Other operating income	(1,283)	(3,250)	(249)	(1,395)
Other operating expenses	2,705	3,268	923	1,390
Total operating expenses	19,351	16,067	5,829	5,155
Operating income	9,526	1,014	8,605	672
Other non-operating income (expense)				
Interest income	223	176	132	27
Interest expense	(1,259)	(307)	(519)	(66)
Other income from financial assets	300	979	300	(36)
Other expense from financial assets	(96)	(780)	(76)	(136)
Foreign currency exchange gain (loss), net	1,219	102	391	487
Other non-operating income	259	187	(38)	(88)
Total non-operating income (expense)	646	357	190	188
Income before taxes	10,172	1,371	8,795	860
Current tax income (expense)	(1,277)	(175)	(676)	(133)
Deferred tax income (expense)	277	(454)	259	(80)
Net income	9,172	742	8,378	647
thereof attributable to:				
Shareholders of Evotec AG	9,271	974	8,420	1,073
Non-controlling interest	(99)	(232)	(42)	(426)
Net income	9,172	742	8,378	647
Weighted average shares outstanding	115,691,964	107,412,660	116,982,351	107,508,118
Net income per share (basic)	0.08	0.01	0.07	0.01
Net income per share (diluted)	0.08	0.01	0.07	0.01

**Evotec AG and Subsidiaries -
Consolidated statements of comprehensive income for the period from 1 January to 30 September 2011**

<i>in T€</i>	<i>Nine months ended 30 September 2011</i>	<i>Nine months ended 30 September 2010</i>	<i>Three months ended 30 September 2011</i>	<i>Three months ended 30 September 2010</i>
Net income	9,172	742	8,378	647
Other comprehensive income				
Foreign currency translation	(1,448)	3,330	1,109	(4,218)
Revaluation and disposal of available-for-sale securities	-	(229)	-	-
Other comprehensive income	(1,448)	3,101	1,109	(4,218)
Total comprehensive income (loss)	7,724	3,843	9,487	(3,571)
Total comprehensive income (loss) attributable to:				
Shareholders of Evotec AG	7,823	4,075	10,742	(3,145)
Non-controlling interest	(99)	(232)	(73)	(426)
Total comprehensive income (loss)	7,724	3,843	10,669	(3,571)

Evotec AG and Subsidiaries -
Consolidated interim statement of financial position as of 30 September 2011

<i>in T€ except share data</i>	<i>footnote reference</i>	<i>of 30 September 2011</i>	<i>as of 31 Dec. 2010</i>
ASSETS			
Current assets:			
Cash and cash equivalents		26,316	21,091
Investments		31,084	46,303
Trade accounts receivables	6	9,047	11,841
Accounts receivable from related parties	13	-	28
Inventories		3,231	2,819
Current tax receivables		344	569
Other current financial assets	7	2,176	1,142
Prepaid expenses and other current assets		3,119	2,899
Total current assets		75,317	86,692
Non-current assets:			
Long-term investments		10	10
Property, plant and equipment		23,506	18,487
Intangible assets, excluding goodwill	8	68,964	57,615
Goodwill	9	42,047	25,979
Other non-current financial assets		3,075	3,076
Total non-current assets		137,602	105,167
Total assets		212,919	191,859
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current maturities of long-term loans		8,393	8,356
Current portion of finance lease obligations		41	109
Trade accounts payable		9,402	6,980
Advanced payments received		310	1,421
Provisions	10	9,699	6,656
Deferred revenues	12	6,467	7,675
Current tax payables		1,391	773
Other current financial liabilities		655	225
Other current liabilities		195	607
Total current liabilities		36,553	32,802
Non-current liabilities:			
Long-term loans		3,000	3,500
Long-term finance lease obligations		2	32
Deferred tax liabilities	11	9,400	6,660
Deferred revenues	12	258	3,506
Provisions	10	14,501	12,722
Total non-current liabilities		27,161	26,420
Stockholders' equity:			
Share capital		118,316	115,596
Additional paid-in capital		665,012	658,888
Accumulated other comprehensive income		(28,127)	(26,679)
Accumulated deficit		(606,373)	(615,644)
Equity attributable to shareholders of Evotec AG		148,828	132,161
Non-controlling interest		377	476
Total stockholders' equity		149,205	132,637
Total liabilities and stockholders' equity		212,919	191,859

**Evotec AG and Subsidiaries -
Condensed consolidated interim statements of cash flows for the nine months ended
30 September 2011**

<i>in T€</i>	<i>Nine months ended 30 September 2011</i>	<i>Nine months ended 30 September 2010</i>
Cash flows from operating activities:		
Net income	9,172	742
Adjustments to reconcile net income to net cash used in operating activities	3,523	3,907
Change in assets and liabilities	(3,625)	(6,345)
Net cash provided by (used in) operating activities	9,070	(1,696)
Cash flows from investing activities:		
Purchase of current investments	(50,190)	(64,666)
Purchase of investments in affiliated companies	(12,479)	-
Purchase of property, plant and equipment	(6,127)	(1,914)
Cash acquired in connection with acquisitions	283	1,202
Proceeds from sale of property, plant and equipment	562	-
Proceeds from sale of financial assets	-	11,405
Proceeds from sale of current investments	64,720	41,299
Net cash provided by (used in) investing activities	(3,231)	(12,674)
Cash flows from financing activities:		
Proceeds from option exercise	298	207
Proceeds from sale of treasury shares	-	11
Proceeds from issuance of loans	396	431
Purchase of treasury shares	-	(96)
Repayment of loans	(1,462)	(1,002)
Net cash used in financing activities	(768)	(449)
Net increase in cash and cash equivalents	5,071	(14,819)
Exchange rate difference	154	692
Cash and cash equivalents at beginning of year	21,091	32,926
Cash and cash equivalents at end of the period	26,316	18,799

**Evotec AG and Subsidiaries -
Consolidated interim statements of changes in stockholders' equity
for the nine months ended 30 September 2011**

	Share capital				Accumulated other comprehensive income							
<i>in T€ except share data</i>	Shares	Amount	Additional paid- in capital	Treasury shares	Shares not yet issued	Foreign currency translation	Revaluation reserve	Accumulated deficit	attributable to shareholders of Evotec AG	Non- controlling interest	Total stockholders' equity	
Balance at 1 January 2010	108,838,715	108,839	648,417	-	-	(34,727)	7,249	(618,904)	110,874	613	111,487	
Capital increase	-	-	-	-	16,538	-	-	-	16,538	-	16,538	
Exercised shares from shares in trust	-	-	199	-	-	-	-	-	199	-	199	
Stock option plan	6,400	6	333	-	-	-	-	-	339	-	339	
Purchase of treasury shares	-	-	-	(96)	-	-	-	-	(96)	-	(96)	
Transfer of treasury shares	-	-	-	85	-	-	-	-	85	-	85	
Sale of treasury shares	-	-	-	11	-	-	-	-	11	-	11	
Non-controlling interests through acquisition of DeveloGen	-	-	-	-	-	-	-	-	-	142	142	
Total comprehensive income (loss)						3,330	(229)	973	4,074	(232)	3,842	
Balance at 30 September 2010	108,845,115	108,845	648,949	-	16,538	(31,397)	7,020	(617,931)	132,024	523	132,547	
Balance at 1 January 2011	115,595,729	115,596	658,888	-	-	(33,634)	6,955	(615,644)	132,161	476	132,637	
Capital increase	2,597,403	2,597	5,325	-	-	-	-	-	7,922	-	7,922	
Exercised stock options	22,732	23	175	-	-	-	-	-	298	-	298	
Stock option plan	-	-	624	-	-	-	-	-	624	-	624	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	
Transfer of treasury shares	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income (loss)						(1,448)	-	9,271	7,823	(99)	7,724	
Balance at 30 September 2011	118,315,864	118,316	665,012	-	-	(35,082)	6,955	(606,373)	148,828	377	149,205	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements of Evotec have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) in conjunction with IAS 34. The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments as well as available-for-sale financial instruments, which are measured at fair value. The accounting policies used to prepare interim information are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2010. Income tax expense is recognised in interim periods based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The interim consolidated financial statements do not include all of the information and footnotes required under IFRS for complete financial statements according to IAS 1. As a result, these interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2010.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included.

2. BASIS OF CONSOLIDATION

Evotec acquired all shares in Compound Focus Inc., South San Francisco, US as of 1 June 2011 as well as all shares in Kinaxo Biotechnologies GmbH, Munich as of 18 April 2011. Both acquisitions were fully consolidated from the respective closing dates onwards. Evotec acquired 99.4% of the shares in DeveloGen AG, Göttingen (DeveloGen) as of 3 September 2010 and from this date onwards DeveloGen was fully consolidated.

Due to those acquisitions the consolidated interim financial statements for 2010 and 2011 are not fully comparable.

3. BASIS OF ESTIMATION

In the consolidated interim financial statements for the nine months ended 30 September 2011, the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2010.

4. SEGMENT INFORMATION

Pursuant to IFRS 8 Evotec does not report segment information (see page 84 of Evotec's 2010 Annual Report).

5. ACQUISITIONS

Effective 1 June 2011, the Company acquired 100% of the shares in Compound Focus Inc., South San Francisco, US (Compound Focus). The purchase price of T€ 11,446 in cash includes a potential earn out. The earn out in the amount of T€ 1,967 as contingent consideration

was calculated based on estimated achievement of defined future milestones as of the date of acquisition with a discount rate of 8.0%.

The fair values of the acquired assets and liabilities were estimated based on the recognised amounts as of the date of the acquisition. Fair value adjustment has been recorded for a customer list in the amount of T€ 4,409 which has been estimated based on net present value modelling. Related deferred tax liabilities in the net amount of T€ 1,889 were also recorded. The resulting goodwill from the acquisition amounts to T€ 7,706. According to IFRS 3 and due to the preliminary assessment of the initial accounting for the acquisition of Compound Focus the initial accounting is provisional with regard to purchase price allocation as well as the fair values determined to identify the purchase price and the assets and liabilities of the combination and therefore may be subject to changes.

The net income of Evotec for the nine months ended 30 September 2011 included a net income of T€ 20 from Compound Focus as well as revenues of T€ 3,250.

The following is the breakdown of the carrying amount and the fair value of Compound Focus at the date of acquisition:

	01 June 2011 carrying amount T€	01 June 2011 fair value T€
Cash and cash equivalents	58	58
Inventories	154	154
Current assets	1,121	1,121
Property, plant and equipment	1,000	1,000
Customer list	-	4,409
Current liabilities	(216)	(216)
Provisions	(205)	(205)
Deferred revenues	(692)	(692)
Deferred tax liabilities	-	(1,889)
Net assets acquired	1,220	3,740
Goodwill	-	7,706
Cost of acquisition	-	11,446
Less cash and cash equivalents acquired	-	(58)
Less earn out	-	(1,967)
Cash outflow from acquisition	-	9,421

The following pro forma information is based on the assumption that the investment in Compound Focus occurred as of 1 January 2010:

	Nine months ended September 2011 T€	Nine months ended September 2010 T€
Pro-forma revenues	62,266	44,336
Pro-forma net income	3,160	2,103
Pro-forma basic income per share	0.03	0.02
Pro-forma diluted income per share	0.03	0.02

Evotec acquired 100% of the shares of Kinaxo Biotechnologies GmbH, Munich (Kinaxo). The acquisition was effective as of 18 April 2011 and included a share as well as a cash component. The purchase price of T€ 14,746 comprises the fair value of the shares issued from authorised capital (2,597,403 shares) of € 3.05 per share which was based on the stock price of Evotec at the date of acquisition as well as a cash component of T€ 3,000 and the fair values determined for the potential earn out. The earn out in the amount of T€ 3,824 as contingent consideration was calculated based on estimated achievement of defined future milestones as of the date of acquisition with a discount rate of 8.0%.

The fair values of the acquired assets and liabilities were estimated based on the recognised amounts as of the date of the acquisition. Fair value adjustments have been recorded for developed technologies in the amount of T€ 6,348 which have been estimated based on net present value modeling. Related deferred tax liabilities (netted with deferred tax assets on the tax loss carry forwards) in the net amount of T€ 1,145 were also recorded. The resulting goodwill from the acquisition amounts to T€ 8,515. According to IFRS 3 and due to the preliminary assessment of the initial accounting for the acquisition of Kinaxo the initial accounting is provisional with regard to purchase price allocation as well as the fair values determined to identify the purchase price and the assets and liabilities of the combination and therefore may be subject to changes.

The net income of Evotec for the nine months ended 30 September 2011 included a net loss of T€ 386 from Kinaxo as well as revenues of T€ 1,150.

The following is the breakdown of the carrying amount and the fair value of Kinaxo at the date of acquisition:

	18 April 2011 carrying amount	18 April 2011 fair value
	T€	T€
Cash and cash equivalents	225	225
Current assets	589	589
Property, plant and equipment	2,226	2,226
Developed technologies	-	6,348
Other intangible assets	18	18
Loans	(685)	(685)
Provisions	(146)	(146)
Current liabilities	(859)	(859)
Deferred revenues	(340)	(340)
Deferred tax liabilities	-	(1,145)
Net assets acquired	1,028	6,231
Goodwill	-	8,515
Cost of acquisition	-	14,746
Less fair values of shares issued	-	(7,922)
Less cash and cash equivalents acquired	-	(225)
Less earn out	-	(3,824)
Cash outflow from acquisition	-	2,775

The following pro forma information is based on the assumption that the investment in Kinaxo occurred as of 1 January 2010:

	Nine months ended September 2011 T€	Nine months ended September 2010 T€
Pro-forma revenues	60,286	39,971
Pro-forma net income	8,649	386
Pro-forma basic income per share	0.07	0.00
Pro-forma diluted income per share	0.07	0.00

Effective as of 3 September 2010, the Company acquired 99.4% of the shares in DeveloGen AG, Göttingen (DeveloGen). In October 2010, Evotec issued 6,750,014 shares to acquire the underlying shares of DeveloGen. From those shares, 2,773,676 shares were held in escrow. They are held in trust for the sellers and Evotec as joint trustee. 1,398,678 Escrow shares were released in April 2011 from this escrow to the sellers, following the signing of the beta cell agreement by DeveloGen. The remaining 1,374,998 shares held in escrow are subject to certain representations.

The net income of Evotec for the nine months ended 30 September 2011 included a net income of T€ 1,454 from DeveloGen as well as revenues of T€ 4,346.

The following unaudited pro forma information is based on the assumption that the acquisition of DeveloGen occurred as of 1 January 2010:

	Nine months ended September 2010 T€
Pro-forma revenues	40,317
Pro-forma net loss	(2,914)
Pro-forma basic and diluted loss per share	(0.03)

6. TRADE ACCOUNTS RECEIVABLE

The movement on the trade accounts receivable from 31 December 2010 to 30 September 2011 primarily relate to the upfront payment from MedImmune in the amount of T€ 5,000 which was received in the first three months of 2011 and the acquisitions of Compound Focus and Kinaxo.

7. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of 30 September 2011 consist primarily of accrued revenues and accrued income in the amount of T€ 1,317 (31 December 2010: T€ 974) and deposits in the amount of T€ 448 (31 December 2010 T€ 91).

8. INTANGIBLE ASSETS

The main additions to intangible assets in the first nine months of 2011 relate to the acquisition of Compound Focus and Kinaxo. The acquisition of Compound Focus resulted in a customer list amounting to T€ 4,409. This customer list is amortised over 5 years. The developed technologies relating to the acquisition of Kinaxo amount to T€ 6,348. The developed technologies acquired in a business combination are not amortised until they are likely to generate benefits.

In the first quarter of 2011, the upfront payment from MedImmune of T€ 5,000 was received which was included in the net present value model of the developed technology from the acquisition of DeveloGen. Based on this received payment the Company reviewed the relating developed technologies for impairment and concluded that no impairment has to be recorded in the first three months of 2011. In the second quarter of 2011 Evotec AG and Roche decided to voluntarily terminate the clinical development of the EVT 100 compound family which has been the key part of an alliance between Evotec and Roche. This event made the Company review the related developed technologies for impairment. The impairment test is based on a discounted cash flow model using the assumptions of a Long Range Plan (LRP) for 12 years to determine a value for the cash generating project. The discount rate was 10.48%. As a result, the Company concluded that no impairment was deemed necessary.

In the third quarter 2011, Evotec entered into an agreement with a top tier animal health company regarding the Evotec compound EVT 401. This event made the Company review the related developed technologies for a reversal of impairment. The impairment test is based on a discounted cash flow model using the assumptions of a Long Range Plan (LRP) for 17 years to determine a value for the cash generating project. The discount rate was 10.48%. As a result, the Company concluded that a reversal of impairment in the amount of T€ 1,501 was deemed necessary.

9. GOODWILL

The main additions to goodwill in 2011 relate to the acquisition of Compound Focus and Kinaxo. The acquisition of Compound Focus resulted in a goodwill in the amount of T€ 7,706. The goodwill relating to the acquisition of Kinaxo amounts to T€ 8,515. However, both of these amounts are still provisional.

10. PROVISIONS

The provisions as of 30 September 2011 increased in comparison to 31 December 2010 mainly due to the estimated earn out liabilities relating to the acquisition of Compound Focus T€ 2,018 and the acquisition of Kinaxo T€ 3,900. Earn out liabilities totaling T€ 5,405 are estimated to be due in the next twelve months. This amount also includes liabilities in respect of the acquisition of DeveloGen. Payments for bonuses and earn out payments relating to the acquisition of DeveloGen were made in the first quarter 2011 and decreased the provisions as of 30 September 2011.

11. DEFERRED TAX LIABILITIES

The increase of deferred tax liabilities as of 30 September 2011 in comparison to 31 December 2010 mainly relates to the deferred tax liabilities recognized in the context of the purchase price allocations for the business combinations with Kinaxo and Compound Focus.

12. DEFERRED REVENUES

The decrease of deferred revenues as of 30 September 2011 in comparison to 31 December 2010 mainly relate to the recognition of the Roche upfront payment in the context of the terminated EVT 100 alliance and the partly recognition of revenues in the context of the license and collaboration agreement with MedImmune Limited.

13. TRANSACTIONS WITH RELATED PARTIES

A share loan in the amount of 150,000 shares was provided by Dr Werner Lanthaler to the Company in Q2 2011 for the processing of the stock option exercise by employees. This loan was provided without any interest expense for Evotec and was fully repaid in July 2011. Except for this and the granted options to Management Board members described under Directors Holdings in this report on page 11, as well as the transactions described in the 2010 Annual Report on page 87, no other material transactions with related parties have been entered into in the first nine months of 2011.

14. SUBSEQUENT EVENTS

Effective 5 October 2011, Evotec acquired the remaining 30% interest in Evotec (India) Private Limited from DIL, Limited, India for T€ 1,700. Evotec (India) was already fully consolidated before this transaction therefore the acquisition of the remaining 30% interest is not a business combination and will only have an impact on equity.

FORWARD-LOOKING STATEMENTS

Information set forth in this report 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.