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## **I. Management report for the first quarter of 2014**

**CONTINUING TO ACCELERATE INNOVATION EFFICIENCY STRATEGY IN NEWLY SEGMENTED BUSINESS FORMATION**

### **FINANCIAL HIGHLIGHTS**

**Revenues increased in the first quarter of 2014 by 3% compared to the first quarter of 2013; solid revenues within EVT Execute, clear investment strategy within EVT Innovate**

- Group revenues +3% to € 17.6 m (2013: € 17.1 m); up 5% at constant 2013 foreign exchange rates
- Group EBITDA before contingent considerations at € (1.3) m; positive EBITDA before contingent considerations of € 2.3 m for EVT Execute
- Strong liquidity position at € 90.3 m
- High and stable equity ratio at 71.0%

## OPERATIONAL HIGHLIGHTS

### Several new alliances confirm growth strategy

- Pain alliance with Convergence
- Innovative partnership with Debiopharm™ to develop cancer treatment (Target*CanMet*) (after period-end)
- First milestone in Roche biomarker collaboration achieved

## PRODUCT PIPELINE – HIGHLIGHTS & LOWLIGHT

### Good progress within product development partnerships

- Recruitment for significant Phase IIb trial within Roche alliance (EVT302) in Alzheimer's disease completed in Q1 2014
- Janssen to continue developing the EVT100 series in the field of CNS diseases
- US biopharmaceutical company Hyperion Therapeutics agreed to buy Andromeda Biotech, the owner of DiaPep277®; no changes to Evotec commercial rights
- Beta cell regeneration programme will be phased out by Janssen; Cure*Beta*, the alliance between Harvard and Evotec, will remain (after period-end)

## ACQUISITION UPDATE

### Enhancing innovation offering through acquisition

- Acquisition of Bionamics GmbH to accelerate EVT Innovate strategy (effective after period-end)

## GUIDANCE 2014

### Financial guidance for 2014 confirmed

- High single-digit percentage growth in Group revenues excluding milestones, upfronts and licences
- R&D expenditure is expected to be in the range of € 10 m to € 14 m
- Group EBITDA before changes in contingent considerations expected to be positive and at a similar level to 2013
- Liquidity is expected to exceed € 90 m at the end of 2014
- Positive operating cash flow at a similar level to 2013

## OTHERS

- Evotec reports two segments from 01 January 2014 onwards

## 1. OPERATIONAL PERFORMANCE

### Revenues increased in the first quarter of 2014 by 3% compared to the first quarter of 2013; solid revenues within EVT Execute, clear investment strategy in EVT Innovate

Evotec Group revenues for the first three months of 2014 increased by 3% to € 17.6 m (2013: € 17.1 m). At constant 2013 foreign exchange rates, revenues for the first three months of 2014 would have amounted to € 18.0 m, up 5% compared to the same period of the previous year, primarily due to the Euro being significantly stronger versus the US dollar in the first quarter of 2013. Growth was driven by an increase in revenues within the Company's existing drug discovery alliances and new collaborations. Furthermore, revenues for the first three months of 2014 included a first minor milestone from Roche achieved within the biomarker alliance between Roche and Evotec signed in 2011.

Group EBITDA before changes in contingent consideration for the first quarter of 2014 amounted to € (1.3) m (first three months of 2013: € (0.4) m). As often stated, the EBITDA of Evotec may vary significantly between quarters as a result of the timing of

performance-based milestone payments and partnering events.

Revenues from the EVT Execute segment amounted to € 19.2 m in the first quarter of 2014. The EVT Innovate segment generated revenues in the amount of € 2.5 m. Gross margin in EVT Execute amounted to 23.5% while EVT Innovate generated a gross margin of 27.2%. R&D expenses in the first quarter 2014 amounted to € 0.3 m for the EVT Execute segment. The EVT Innovate segment reported R&D expenses in the amount of € 3.2 m.

Overall, the Company is on track to achieve a positive EBITDA (before changes in contingent consideration, if any) at the end of 2014. Liquidity including cash, cash equivalents and investments at the end of March 2014 remained strong at € 90.3 m.

## **2. SEVERAL NEW ALLIANCES CONFIRM GROWTH STRATEGY**

*Evotec has been managing its drug discovery activities under the business segments **EVT Execute** and **EVT Innovate** since 01 January 2014. EVT Execute represents all partnerships in which the partner brings the underlying target to the collaboration. EVT Innovate comprises all partnerships derived from Evotec's internal research. Further information on the new segments EVT Execute and EVT Innovate can be found in the "Corporate objectives and strategy" section on page 26 of Evotec's Annual Report 2013.*

### **Pain alliance with Convergence**

In March 2014, Evotec announced a research alliance with Panion Ltd, a subsidiary of Convergence Pharmaceuticals Holdings Ltd. Convergence is a UK company which focuses on the development of novel, high-value analgesics to treat chronic pain. Panion Ltd was awarded a £ 2.4 m Technology Strategy Board Biomedical Catalyst Early Stage Round 2 grant to discover and develop compounds against a novel GPCR pain target. Evotec is responsible for undertaking key drug discovery activities and will work closely with the Convergence team in identifying pre-clinical candidates over the next three years. Subsequently, and upon meeting certain pre-clinical milestones, Convergence and Evotec will jointly progress the assets further into the clinic or via partnering.

### **Innovative partnership with Debiopharm™ to develop cancer treatment (TargetCanMet) (after period-end)**

In April 2014, Evotec entered into a research collaboration and licensing deal with Debiopharm Group™ Lausanne, Switzerland. The objective of the collaboration is to identify and develop novel compounds with the potential to treat multiple forms of solid tumours and leukaemias with defined genetic alterations. Discovery and pre-clinical development efforts are driven by Evotec, whilst Debiopharm will manage subsequent clinical development. Evotec receives milestone payments triggered by clinical, regulatory and commercial milestones in the high double-digit range, plus royalties on sales of resulting commercial products. This TargetCanMet (*Cancer Metabolism*) programme is based on Evotec's drug discovery efforts to investigate genetically altered targets whose 'driver' role in several cancer types has been validated and on the shared objective of identifying novel therapeutic agents in a variety of cancers, including AML (Acute Myeloid Leukaemia), prostate cancer and glioblastoma.

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**First milestone in Roche biomarker collaboration achieved**

In the first quarter of 2014, Evotec achieved a minor milestone on the decision by Roche to use a response prediction marker, identified using Evotec's Proteome Profiling platform, in an extended Phase I oncology trial. This is the first milestone achieved under the collaboration and licence agreement between Roche and Evotec signed in 2011, which is part of the *m<sup>4</sup> Munich Biotech Cluster Personalized Medicine and Targeted Therapies* initiative funded by the German Federal Ministry of Education and Research. Under the initial three-year term, Evotec and Roche have conducted biomarker discovery and validation programmes for patient stratification in targeted cancer therapy. Evotec is eligible for further success-based payments upon clinical companion diagnostics development.

**3. PRODUCT PIPELINE – HIGHLIGHTS & LOWLIGHT****Good progress within product development partnerships****Recruitment for significant Phase IIb trial within Roche alliance (EVT302) in Alzheimer's disease completed in Q1 2014**

At the end of 2012, Roche started a Phase IIb trial with EVT302 aimed at recruiting 495 patients in more than 140 centres worldwide to assess the efficacy and safety of this compound in patients with moderate severity Alzheimer's disease (AD). The patient recruitment was completed in the first quarter of 2014; results are expected in 2015. This clinical trial is one of the very few late-stage small molecule trials in this specific AD patient population.

**Janssen to continue developing the EVT100 series in the field of CNS diseases**

In December 2012, Evotec entered into a licence agreement with Janssen for its NR2B subtype selective NMDA-antagonist portfolio for development against diseases in the field of depression. In December 2013, Evotec announced that certain pre-clinical studies performed by Janssen did not confirm certain properties of the antagonist and further development of the project was evaluated by Janssen. In March 2014, Janssen informed Evotec that it will resume development of the programme. Further details remain undisclosed.

**US biopharmaceutical company Hyperion Therapeutics agreed to buy Andromeda Biotech, the owner of DiaPep277<sup>®</sup>; no changes to Evotec commercial rights**

The first Phase III trial on DiaPep277<sup>®</sup> demonstrated the achievement of both its primary and secondary endpoints. Results of a second pivotal trial are expected towards the end of 2014/beginning 2015. Evotec holds certain royalty and milestone rights on DiaPep277<sup>®</sup>. At the end of April 2014, Andromeda Biotech Ltd. was acquired by Hyperion Therapeutics, Inc., from Clal Biotechnology Industries. Hyperion disclosed that at the closing, expected in H1 2014, Hyperion will pay \$ 12.5 m in cash and 313,000 shares of Hyperion stock. Contingent on the continued development of DiaPep277<sup>®</sup>, Hyperion will make milestone payments totalling \$ 120 m. Once the drug achieves annual global sales of \$ 450 m, Hyperion will also pay up to \$ 430 m to Andromeda in commercial milestones. It will also pay as much as 17% in contingent sales for annual worldwide sales above \$ 1.2 bn.

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**Beta cell regeneration programme will be phased out by Janssen; CureBeta, the alliance between Harvard and Evotec, will remain (after period-end)**

Effective 29 April 2014, Janssen Pharmaceuticals has decided to phase out the partnership with focus on beta cell regeneration before the end of 2014 for strategic reasons. CureBeta, the alliance between Harvard and Evotec, will remain. Evotec and Harvard will continue to invest into this alliance and try to identify alternative partners.

#### **4. ACQUISITION UPDATE**

##### **Enhancing innovation offering through acquisition**

##### **Acquisition of Bionamics GmbH to accelerate EVT Innovate strategy (effective after period-end)**

Signed in March 2014 and effective 01 April 2014, Evotec has entered into an agreement to acquire the German-based company Bionamics GmbH, an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry. The transaction comprises the acquisition of all shares in Bionamics against cash and future earn-out payments. In addition to an experienced management team, Bionamics brings a portfolio of attractive and fully funded projects that give potential upside to Evotec.

#### **5. GUIDANCE 2014**

##### **Financial guidance for 2014 confirmed**

All financial targets published on 25 March 2014 in Evotec's Annual Report 2013 (page 69) remain unchanged. With respect to further information on the guidance, please refer to the "Financial outlook" section on page 12 of this quarterly report.

#### **6. OTHERS**

##### **Evotec reports two segments from 01 January 2014 onwards**

Since 01 January 2014, the Company has been operating and managing its business activities under the two segments EVT Execute and EVT Innovate. The Company has reallocated responsibilities within the organisation, revised compensation schemes and redesigned the internal and external reporting structures. The segment reporting is intended to further increase internal and external transparency of the business.

#### **A. OPERATIONS**

##### **Changes in Group structure, corporate strategy and objectives, product offering and business activities**

During the first quarter 2014, Evotec's **Group structure** remained unchanged compared to the first quarter of 2013.

The Company continues to be managed in line with the **corporate objectives and strategy** described in Evotec's Annual Report 2013 on pages 25 and 26. The evolution of Evotec from being a pure service provider and an early-stage drug development company into being a drug discovery engine in its own right led to an organisational change within the Company. Two members of the Management Board were designated to separately lead the newly formed business segments named **EVT Execute** and **EVT Innovate**. Following this development, a segmentation of the business into two parts – including the

associated financial reporting that represents the underlying business offerings and business model – was implemented as of 01 January 2014. EVT Execute represents all partnerships in which the partner brings the underlying target to the collaboration. EVT Innovate comprises all partnerships derived from Evotec's internal research. Further information on the new segments EVT Execute and EVT Innovate can be found in the "Corporate objectives and strategy" section on page 26 of Evotec's Annual Report 2013. Evotec's Action Plan 2016 – "Innovation Efficiency", is on track and updates on EVT Execute and EVT Innovate are described in detail on pages 3 to 5 of this quarterly report. Based on Action Plan 2016, specific objectives for 2014 were defined for the segments EVT Execute and EVT Innovate at the end of 2013 and are described in Evotec's Annual Report 2013 on page 68.

For updates on **development partnerships**, please refer to the "Product pipeline – Highlights & Lowlight" section on page 4 of this report.

## B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

### COMPARISON OF THE Q1 2014 FINANCIAL RESULTS WITH THE FORECAST

Evotec does not provide forecasts on a quarterly basis.

#### 1. RESULTS

#### *Revenues*

Evotec's **revenues** for the first quarter of 2014 amounted to € 17.6 m, an increase of 3% compared to the same period of the previous year (2013: € 17.1 m). At constant 2013 foreign exchange rates, revenues for the first three months of 2014 would have amounted to € 18.0 m, up 5% compared to the same period of the previous year, primarily due to the Euro being significantly stronger versus the US dollar in the first quarter of 2013. Excluding milestones, upfronts and licences, Evotec's revenues for the first quarter of 2014 amounted to € 16.3 m and would have increased by 2% over the same period of the previous year on a like-for-like basis (2013: € 15.9 m). This growth was driven by an increase in revenues within the Company's existing drug discovery alliances and new collaborations. Furthermore, revenues for the first three months of 2014 included a first minor milestone from Roche achieved within the biomarker alliance between Roche and Evotec signed in 2011.

Geographically, 37% of Evotec's revenues were generated with customers in Europe, 61% with customers in the USA and 2% with customers in Japan and the rest of the world. This compares to 44%, 52% and 4%, respectively, in the same period of the previous year. Growth in the USA was due to new collaborations such as the TargetAD partnership with Johnson & Johnson Innovation signed in November of 2013 and increases in certain ongoing collaborations such as CHDI.

#### *Operating cost structure*

**Costs of revenue** for the first quarter of 2014 amounted to € 13.0 m (2013: € 12.6 m), yielding a **gross margin** of 26.2% (2013: 26.1%). At constant 2013 foreign exchange rates, the gross margin would have increased to 28% reflecting the benefits of continuing optimisation and improvement initiatives.

*Financial results*

Gross margins in the future may be volatile and the receipt of potential milestone or out-licensing payments may affect Evotec's financial results.

**R&D expenses** for the first quarter of 2014 increased by 28% to € 3.0 m (2013: € 2.3 m). The increase is primarily due to increased investments in Cure X and Target X initiatives.

**SG&A expenses** for the first quarter of 2014 increased by 11% to € 4.4 m (2013: € 3.9 m). The increase compared to the same period of the prior year was planned and was mainly due to an increase in the business development effort to support the Company's future growth.

In the first three months of 2014, **amortisation** slightly decreased to € 0.8 m from € 0.9 m in the same period of the previous year.

**Other operating income and expenses, net** in the first three months of 2014 amounted to € 0.0 m (2013: € 0.0 m).

**EBITDA** is being disclosed from 2014 onwards and replaces the adjusted operating result as the key performance indicator. The Group EBITDA before changes in contingent consideration amounted to € (1.3) m in the first three months of 2014 (first three months of 2013: € (0.4) m). However, EBITDA before changes in contingent consideration for the EVT Execute business was positive at € 2.3 m. Evotec's **operating loss** for the first quarter of 2014 increased to € 3.5 m (2013: € 2.7 m).

The **net result** amounted to € (4.0) m (2013: € (2.9) m).

**Earnings per share** for the first quarter of 2014 were € (0.03) (2013: € (0.02)).

*Segment reporting***2. OPERATING SEGMENTS EVT EXECUTE AND EVT INNOVATE**

Since 01 January 2014, the Company has been operating, managing and reporting the business under two segments, EVT Execute and EVT Innovate. Comparable figures for 2013 are not available. A more detailed description of the segments as well as a table showing the segment information can be found on page 20 of this quarterly report.

Revenues from the EVT Execute segment amounted to € 19.2 m in the first quarter of 2014 and included € 4.0 m of intersegment revenues. The EVT Innovate segment generated revenues in the amount of € 2.5 m consisting entirely of third party revenues.

In the EVT Execute segment, costs of revenue amounted to € 14.7 m in the first three months of 2014, yielding a gross margin of 23.5%. The EVT Innovate segment reported costs of revenue of € 1.8 m, yielding a gross margin of 27.2%.

R&D expenses in the first quarter of 2014 amounted to € 0.3 m for the EVT Execute segment. The EVT Innovate segment, reported R&D expenses in the amount of € 3.2 m.

In the first three months of 2014, SG&A expenses amounted to € 3.3 m for the EVT Execute segment and SG&A expenses for the EVT Innovate segment amounted to € 1.1 m.

*Cash flow and liquidity*

In the first three months of 2014, the EBITDA before changes in contingent consideration of the EVT Execute segment was positive at € 2.3 m. The EVT Innovate segment reported an EBITDA before changes in contingent consideration of € (3.6) m.

### 3. FINANCING AND FINANCIAL POSITION

**Cash used in operating activities** for the first three months of 2014 amounted to € 5.1 m (first three months of 2013: cash provided by operating activities of € 0.1 m) and reflects the negative operating result, the payment of annual bonuses and the payment made in context of the new research alliance with Convergence.

The line item "Adjustments to reconcile net loss to net cash used in operating activities" in the cash flow statement amounted to € 2.8 m and mainly consisted of depreciation of property, plant and equipment (€ 1.4 m), amortisation (€ 0.8 m) and compensation expenses (€ 0.3 m).

**Cash used in investing activities** for the first three months of 2014 amounted to € 1.0 m compared to cash provided by investing activities of € 3.1 m in the same period of the previous year. Capital expenditures decreased to € 0.9 m from € 1.3 m in the same period of the previous year. Purchases of long-term investments in the first three months of 2013 amounted to € 0.9 m which was attributable to the initial purchase price for the acquisition of CCS.

**Cash used in financing activities** for the first three months of 2014 was € 0.2 m (2013: € 0.1 m) and mainly resulted from the payment of the earn out in the context of the CCS acquisition. This was partly offset by a new long-term bank loan granted to Evotec intended to finance specific R&D projects.

**Liquidity**, which includes cash and cash equivalents (€ 39.6 m) and investments (€ 50.7 m) amounted to € 90.3 m at the end of March 2014 (31 December 2013: € 96.1 m). This decrease in liquidity was mainly driven by advances paid, bonus payments and payments related to the earn out of CCS as well as the new research alliance with Convergence.

### 4. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

The material changes in assets and liabilities during the first three months of 2014 are mentioned below. More details are described in the notes to the unaudited consolidated interim financial statements on page 21 of this quarterly report.

#### Assets

Trade accounts receivables decreased to € 13.1 m (31 December 2013: € 17.8 m) in the first quarter of 2014. This decrease is mainly due to the receipt in the first quarter 2014 of revenues recorded at the end of 2013.

Prepaid expenses and other current assets increased to € 8.0 m (31 December 2013: € 3.8 m) in the first quarter of 2014. This increase mainly resulted from various operational prepayments for the year being made at the beginning of 2014 and also prepayments being made in the context of the new research alliances with Convergence



and AstraZeneca.

Changes in **liquidity** are explained above under "Financing and financial position".

The Company was not involved in any off-balance-sheet financing transactions.

#### **Liabilities**

The decrease in current provisions to € 3.4 m (31 December 2013: € 5.8 m) in the first quarter of 2014 mainly reflects the payment of annual Management Board and employee bonuses in March 2014 as well as the earn out of CCS (€ 1.3 m).

The increase in non-current loan liabilities to € 1.0 m (31 December 2013: € 0.0 m) mainly resulted from a new long-term bank loan funded by the German KfW programme granted to Evotec, which was established to finance innovative R&D projects.

The decrease in non-current deferred revenues to € 6.9 m (31 December 2013: € 8.4 m) primarily relates to revenues recognised from the upfront payments from Janssen, Bayer and AstraZeneca.

#### **Stockholders' equity**

As of 31 March 2014, Evotec's **capital structure** remained unchanged compared to the end of 2013. As of 31 March 2014, due to the exercise of stock options, there were 131,540,823 shares issued and outstanding with a nominal value of € 1.00 per share. Included in this amount as of 31 March 2014 were 328,015 treasury shares that were generated in the course of the acquisition of Renovis, Inc. by Evotec AG.

Evotec's equity ratio as of 31 March 2014 continued to be high and stable at 71.0% (31 December 2013: 69.9%).

## **5. HUMAN RESOURCES**

#### **Employees**

At the end of March 2014, 645 people were employed within the Evotec Group (31 December 2013: 610 employees). The headcount was increased in the first quarter of 2014 to support the growth of the EVT Execute and EVT Innovate business.

Effective after period-end on 01 April 2014, Evotec strengthened its management team and further enhanced its capabilities in the translation of academic innovations into attractive assets for the biotech and Pharma industry with the appointment of Dr Timm Jessen as EVP Business Development EVT Innovate following the acquisition of Bionamics GmbH.

#### **Stock-based compensation**

In the first three months of 2014, no stock options were granted to Evotec employees and a total of 91,430 options were exercised: 10,800 options were serviced out of treasury shares, 80,630 options were serviced from contingent capital. As of 31 March 2014, the total number of options available for future exercise amounted to 3,450,698 (approximately 2.6% of shares in issue).

In 2012, the Company implemented a share performance plan. During the first quarter of 2014, no share performance awards were granted to members of the Management Board and other key employees and no share performance awards were exercised. As of 31 March 2014, the total number of share performance awards available for future exercise amounted to 1,683,450 (approximately 1.3% of shares in issue).

Options and share performance awards have been accounted for under IFRS 2 using the fair value at the measurement date. In the first three months of 2014, options and share performance awards in the amount of 34,221 held by employees of the Company continued to be valid after termination of the relating employment. Those transactions were recognised as accelerated vesting.

### Shareholdings of the Boards of Evotec AG

#### Number of shares

	01 Jan 14	Additions	Sales	31 March 14
<b>Management Board</b>				
Dr Werner Lanthaler	516,494	-	-	516,494
Colin Bond	-	-	-	-
Dr Cord Dohrmann	41,387	-	-	41,387
Dr Mario Polywka	60,000	-	-	60,000
<b>Supervisory Board</b>				
Dr Walter Wenninger	38,538	-	-	38,538
Roland Oetker	17,433,489	-	-	17,433,489
Dr Claus Braestrup	-	-	-	-
Bernd Hirsch	-	-	-	-
Prof. Dr Andreas Pinkwart	6,134	-	-	6,134
Mary Tanner	70,081	-	-	70,081

#### Number of stock options

	01 Jan 14	Additions	Exercise	31 March 14
<b>Management Board</b>				
Dr Werner Lanthaler	990,000	-	-	990,000
Colin Bond	290,000	-	-	290,000
Dr Cord Dohrmann	390,000	-	-	390,000
Dr Mario Polywka	440,000	-	19,480	420,520
<b>Supervisory Board</b>				
Dr Walter Wenninger	-	-	-	-
Roland Oetker	-	-	-	-
Dr Claus Braestrup	-	-	-	-
Bernd Hirsch	-	-	-	-
Prof. Dr Andreas Pinkwart	-	-	-	-
Mary Tanner	-	-	-	-

### Number of Share Performance Awards

	01 Jan 14	Additions	Exercise	31 March 14
<b>Management Board</b>				
Dr Werner Lanthaler	389,415	-	-	389,415
Colin Bond	146,204	-	-	146,204
Dr Cord Dohrmann	152,569	-	-	152,569
Dr Mario Polywka	150,631	-	-	150,631
<b>Supervisory Board</b>				
Dr Walter Wenninger	-	-	-	-
Roland Oetker	-	-	-	-
Dr Claus Braestrup	-	-	-	-
Bernd Hirsch	-	-	-	-
Prof. Dr Andreas Pinkwart	-	-	-	-
Mary Tanner	-	-	-	-

Pursuant to § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), the above tables lists the number of Company shares held and rights for such shares granted to each board member as of 31 March 2014 separately for each member of our Management and Supervisory Board.

### C. RISKS AND OPPORTUNITIES REPORT

The risks and opportunities described in Evotec's Annual Report 2013 on pages 58 to 66 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 QUARTER OF 2014

Signed in March 2014 and effective on 01 April 2014, Evotec acquired the German-based company Bionamics GmbH, an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry. For further information, please see page 5 of this report.

Effective 29 April 2014, Janssen Pharmaceuticals has decided to phase out the partnership with focus on beta cell regeneration before the end of 2014 for strategic reasons. CureBeta, the alliance between Harvard and Evotec, will remain. Evotec and Harvard will continue to invest into this alliance and try to identify alternative partners.

### E. TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described in Evotec's Annual Report 2013 on pages 111 and 112, no other material transactions with related parties were entered into in the first quarter of 2014.

### F. BUSINESS ENVIRONMENT

#### Global economy and outlook

Growth in the global economy is expected to increase in 2014. The International Monetary Fund ("IMF") forecasts an increase in global economic output of 3.6% – up from 3% in 2013 – and a further rise to 3.9% in 2015. However, the latest world economic outlook demonstrates that growth remains uneven across the globe. In the first quarter of 2014, the continued stabilisation from the Chinese market was weaker than expected and the political situation in Ukraine

was a source of potential uncertainty for the global economy. As a consequence, stock exchanges reacted nervously. However, developed economies such as the US, Europe and Japan are still struggling with slow growth and uncomfortably low inflation. Overall, the outlook remains broadly unchanged compared to the expectations in the world economic outlook report by the IMF. Growth in the Eurozone is expected to improve to 1.0% in 2014. In the USA, economic growth is expected to accelerate in 2014 to 2.8% compared to 1.9% in 2013. For Asia, growth forecasts are still higher than for the developed economies of the West, but no longer reaching the double-digit growth seen in the years 2010 and 2011.

#### **Healthcare environment and outlook**

The significant increase in costs to take a drug to market has led to a number of key trends, including an increase in outsourcing and a focus by major Pharma companies on fewer core disease areas. In terms of proprietary research and development of novel drug compounds, experts believe that sufficient financial resources will remain a critical competitive advantage for biotechnology companies as funding availability will continue to be limited for the coming years. There has been a reduction in venture capital for new enterprises since 2009. However, this situation improved in 2013 as institutional investors again showed an increasing risk appetite concerning innovative ideas coming out of the pharmaceutical and biotechnology industry in the USA. According to Burrill & Company, the year 2013 ended with 52 life sciences companies having completed initial public offerings on US exchanges, raising \$ 7 bn, compared to 16 companies that went public in the United States in 2012 and raised \$ 1.1 bn. After a strong start for biotech IPOs in 2014 in the US, the biotech industry saw a correction in March 2014, but the fundamentals of the industry remain strong. More drugs are getting to market and revenues and earnings are growing for many of the leading biotech companies.

The pharmaceutical industry has suffered from decreasing efficiency in new product introductions in the past decade. As a consequence, the pharmaceutical industry is increasingly looking to external opportunities from innovative biotech companies that offer services in drug research to deliver high-quality leads and development candidates. At the same time, the whole pharmaceutical value chain is undergoing a process of division of labour and industrialisation of biotech. Academia identifies and evaluates targets. Innovative biotech companies translate academic ideas into hit and lead products, develop technical and commercial solutions and finally license out patents to the pharmaceutical industry. This may speed up the process of developing of new life science products significantly.

Biotech companies like Evotec can secure a valuable share of associated value chains and benefit from an attractive business model. Alliances, co-operation ventures, licensing and service agreements as well as asset deals underline the Company's role both as a strategic partner and as a development and service company to the industry.

### **G. FINANCIAL OUTLOOK**

#### **Financial guidance for 2014 confirmed**

All of the financial targets published on 25 March 2014 in Evotec's Annual Report 2013 (page 69) remain unchanged.

In 2014, total Group revenues excluding milestones, upfronts and licences are expected to see high single-digit percentage growth.

Evotec expects research and development (R&D) expenses in 2014 to increase above the levels of 2013. This is primarily due to additional investments in the strategic Cure X and Target X franchise. In total, R&D expenditure is expected to be in the range of € 10 m to € 14 m in 2014. In 2014, Evotec will continue to invest in its technology platforms and capacities in order to drive its long-term growth strategy. It is therefore planned that € 5 m to € 7 m will be invested in further capacity increases and the upgrade of Evotec's technological capabilities.

Evotec's Group EBITDA before changes in contingent considerations is expected to be positive and at a similar level to 2013. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation of intangibles. EBITDA excludes impairments on intangible and tangible assets as well as the total non-operating result. EBITDA is disclosed from 2014 onwards and replaces the adjusted operating result as the key performance indicator for productivity. The reason for this change is that EBITDA better facilitates comparisons between companies and industries by eliminating the effects of financing (i.e. interest) and capital investments (i.e. depreciation and amortisation).

In 2014, top-line growth is expected to generate a positive operating cash flow at a similar level to 2013 and liquidity is expected to exceed € 90 m at 31 December 2014. This forecast excludes any potential cash outflow for M&A or similar transactions.

The Company's mid-term financial plan does not envisage the need for any additional external financing for Evotec's operating business. However, all strategically desirable moves such as potential company or product acquisitions will need to be considered separately.

The statements on **business direction and strategy, expected research and development, business opportunities** and **dividends** continue to be valid as published in Evotec's Annual Report 2013 on pages 67 to 69.

## H. SHARE PRICE PERFORMANCE AND FINANCIAL CALENDAR

### Performance of Evotec shares over the past twelve months



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The DAX Index closed the first quarter of 2014 up 2% at 9,556 points. Following positive expectations at the beginning of the year 2014, the major European markets became more volatile than anticipated, mainly due to the tension in Ukraine. Despite a weak news flow, Evotec's share price ended the first quarter of 2014 at € 3.86, up 3% from its opening price for 2014. This compares to an increase of 7% for the German technology stock index TecDAX in a volatile capital market environment.

#### **Financial Calendar 2014**

Q1 2014 Interim Report:	14 May 2014
Annual General Meeting 2014:	17 June 2014
Half-year 2014 Interim Report:	12 August 2014
Nine-month 2014 Interim Report:	12 November 2014

## II. Consolidated interim financial statements

Evotec AG and Subsidiaries -

Consolidated interim income statement for the period from 01 January to 31 March 2014

<i>in T€ except share and per share data</i>	<i>Three months ended 31 March 2014</i>	<i>Three months ended 31 March 2013</i>
Revenues	17,611	17,064
Costs of revenue	(12,998)	(12,611)
<b>Gross profit</b>	<b>4,613</b>	<b>4,453</b>
<b>Operating income and (expenses)</b>		
Research and development expenses	(2,972)	(2,328)
Selling, general and administrative expenses	(4,356)	(3,925)
Amortisation of intangible assets	(760)	(900)
Other operating income	452	110
Other operating expenses	(459)	(126)
<b>Total operating expenses</b>	<b>(8,095)</b>	<b>(7,169)</b>
<b>Operating loss</b>	<b>(3,482)</b>	<b>(2,716)</b>
<b>Other non-operating income (expense)</b>		
Interest income	125	75
Interest expense	(449)	(286)
Other income from financial assets	-	3
Foreign currency exchange gain (loss), net	(273)	(1)
Other non-operating income	25	17
<b>Total non-operating expense</b>	<b>(572)</b>	<b>(192)</b>
<b>Loss before taxes</b>	<b>(4,054)</b>	<b>(2,908)</b>
Current tax income	-	9
Deferred tax income	48	48
<b>Total taxes</b>	<b>48</b>	<b>57</b>
<b>Net loss</b>	<b>(4,006)</b>	<b>(2,851)</b>
<b>Weighted average shares outstanding</b>	<b>131,162,211</b>	<b>117,760,945</b>
<b>Net loss per share (basic and diluted)</b>	<b>(0.03)</b>	<b>(0.02)</b>

**Evotec AG and Subsidiaries -**  
**Consolidated statement of comprehensive income for the period from 01 January to 31 March 2014**

<i>in T€</i>	<i>footnote reference</i>	<i>Three months ended 31 March 2014</i>	<i>Three months ended 31 March 2013</i>
<b>Net loss</b>		<b>(4,006)</b>	<b>(2,851)</b>
<b>Accumulated other comprehensive income</b>			
<b>Items which are not re-classified to the income statement</b>			
Remeasurement of defined benefit obligation		-	-
Taxes		-	-
<b>Items which have to be re-classified to the income statement at a later date</b>			
Foreign currency translation		535	(566)
Revaluation and disposal of available-for-sale securities		13	(64)
Taxes		-	-
<b>Other comprehensive income</b>		<b>548</b>	<b>(630)</b>
<b>Total comprehensive income</b>		<b>(3,458)</b>	<b>(3,481)</b>



**Evotec AG and Subsidiaries -**  
**Consolidated interim statement of financial position as of 31 March 2014**

<i>in T€ except share data</i>	<i>footnote reference</i>	<i>as of 31 March 2014</i>	<i>as of 31 Dec. 2013</i>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		39,638	45,644
Investments		50,644	50,499
Trade accounts receivables	5	13,117	17,777
Inventories		2,890	2,358
Current tax receivables		401	433
Other current financial assets		1,391	1,995
Prepaid expenses and other current assets	6	7,997	3,820
<b>Total current assets</b>		<b>116,078</b>	<b>122,526</b>
<b>Non-current assets:</b>			
Long-term investments		10	10
Property, plant and equipment		23,791	24,239
Intangible assets, excluding goodwill		39,075	39,826
Goodwill		40,297	40,136
Other non-current financial assets		77	77
Other non-current assets		297	566
<b>Total non-current assets</b>		<b>103,547</b>	<b>104,854</b>
<b>Total assets</b>		<b>219,625</b>	<b>227,380</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Current loan liabilities		17,177	17,222
Current portion of finance lease obligations		5	5
Trade accounts payables		6,150	6,653
Advanced payments received		622	232
Provisions	7	3,440	5,788
Deferred revenues		5,453	6,051
Current income tax payables		162	741
Other current financial liabilities		136	342
Other current liabilities		1,246	1,919
<b>Total current liabilities</b>		<b>34,391</b>	<b>38,953</b>
<b>Non-current liabilities:</b>			
Non-current loan liabilities	8	978	-
Long-term finance lease obligations		13	14
Deferred tax liabilities		1,248	1,245
Provisions		18,911	18,586
Deferred revenues	9	6,926	8,382
Other non-current financial liabilities		1,195	1,233
<b>Total non-current liabilities</b>		<b>29,271</b>	<b>29,460</b>
<b>Stockholders' equity:</b>			
Share capital		131,541	131,460
Additional paid-in capital		687,140	686,767
Accumulated other comprehensive income		(26,862)	(27,410)
Accumulated deficit		(635,856)	(631,850)
<b>Total stockholders' equity</b>		<b>155,963</b>	<b>158,967</b>
<b>Total liabilities and stockholders' equity</b>		<b>219,625</b>	<b>227,380</b>

## Evotec AG and Subsidiaries -

## Condensed consolidated interim statement of cash flows for the three months ended 31 March 2014

<i>in T€</i>	<i>Three months ended 31 March 2014</i>	<i>Three months ended 31 March 2013</i>
<b>Cash flows from operating activities:</b>		
Net loss	(4,006)	(2,851)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities	2,820	3,713
Change in assets and liabilities	(3,944)	(733)
<b>Net cash provided by (used in) operating activities</b>	<b>(5,130)</b>	<b>129</b>
<b>Cash flows from investing activities:</b>		
Purchase of current investments	(4,934)	(3,128)
Purchase of investments in affiliated companies	-	(900)
Purchase of property, plant and equipment	(867)	(1,305)
Cash acquired in connection with acquisitions	-	118
Proceeds from sale of current investments	4,762	8,328
<b>Net cash provided by (used in) investing activities</b>	<b>(1,039)</b>	<b>3,113</b>
<b>Cash flows from financing activities:</b>		
Proceeds from option exercise	163	18
Proceeds from issuance of loans	978	-
Payment of subsequent earn outs	(1,313)	-
Purchase of treasury shares	-	(109)
Repayment of loans	(46)	(45)
<b>Net cash used in financing activities</b>	<b>(218)</b>	<b>(136)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6,387)</b>	<b>3,106</b>
Exchange rate difference	381	(1,562)
Cash and cash equivalents at beginning of year	45,644	39,065
<b>Cash and cash equivalents at end of the period</b>	<b>39,638</b>	<b>40,609</b>

**Evotec AG and Subsidiaries -  
Consolidated interim statement of changes in stockholders' equity  
for the three months ended 31 March 2014**

	Share capital			Accumulated other comprehensive income				
<i>in T€ except share data</i>	Shares	Amount	Additional paid-in capital	Treasury shares purchased on stock exchange	Foreign currency translation	Revaluation reserve	Accumulated deficit	Total stockholders' equity
<b>Balance at 01 January 2013</b>	<b>118,546,839</b>	<b>118,547</b>	<b>665,918</b>	<b>-</b>	<b>(32,542)</b>	<b>7,041</b>	<b>(606,417)</b>	<b>152,547</b>
Exercised stock options	-	-	18	-	-	-	-	18
Stock option plan	-	-	355	-	-	-	-	355
Purchase of treasury shares	-	-	-	109	-	-	-	109
Transfer of treasury shares	-	-	-	(109)	-	-	-	(109)
<b>Total comprehensive income (loss)</b>					<b>(566)</b>	<b>(64)</b>	<b>(2,851)</b>	<b>(3,481)</b>
<b>Balance at 31 March 2013</b>	<b>118,546,839</b>	<b>118,547</b>	<b>666,291</b>	<b>-</b>	<b>(33,108)</b>	<b>6,977</b>	<b>(609,268)</b>	<b>149,439</b>
<b>Balance at 01 January 2014</b>	<b>131,460,193</b>	<b>131,460</b>	<b>686,767</b>	<b>-</b>	<b>(34,376)</b>	<b>6,966</b>	<b>(631,850)</b>	<b>158,967</b>
Exercised stock options	80,630	81	82	-	-	-	-	163
Stock option plan	-	-	291	-	-	-	-	291
<b>Total comprehensive income (loss)</b>					<b>535</b>	<b>13</b>	<b>(4,006)</b>	<b>(3,458)</b>
<b>Balance at 31 March 2014</b>	<b>131,540,823</b>	<b>131,541</b>	<b>687,140</b>	<b>-</b>	<b>(33,841)</b>	<b>6,979</b>	<b>(635,856)</b>	<b>155,963</b>

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## **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 their interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) in conjunction with IAS 34. The consolidated interim financial statements have been prepared on 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 2013. Income tax income and 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 consolidated interim financial statements do not include all of the information and footnotes required under IFRS for complete financial statements according to IAS1. 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 2013.

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

### **2. BASIS OF CONSOLIDATION**

The basis of consolidation did not change compared to 01 January 2013.

### **3. BASIS OF ESTIMATION**

In the consolidated interim financial statements for the three months ended 31 March 2014, the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2013.

### **4. SEGMENT INFORMATION**

Pursuant to IFRS 8, reporting on the financial performance of the segments has to be prepared in accordance with the management approach. The internal organisation as well as the reporting to the Management Board as chief operating decision maker, were changed as of 01 January 2014 so that two different segments are reported. In 2014, the allocation of resources as well as the internal evaluation of Evotec's performance by management are done according to those segments. The evaluation of each operating segment by the management is performed on the basis of revenues and EBITDA before changes in contingent consideration. For the EVT Innovate segment, R&D expenses are another key performance indicator. Expenses and income below operating result are not part of the segment results. EVT Execute and EVT Innovate were identified by the Management

Board as operating segments. The responsibility for EVT Execute was allocated to the COO, Dr Mario Polywka, while the responsibility for EVT Innovate was allocated to the CSO, Dr Cord Dohrmann. The organisation of the whole Evotec Group was structured accordingly.

The main activities in each of the segments are as follows:

- **EVT Execute:** Evotec has evolved into one of the global leaders in providing complete drug discovery solutions on a stand-alone basis or through holistic, fully integrated drug discovery solutions. In EVT Execute, these services are provided on a typical fee-for-service basis only or through a variety of commercial structures including research fees, milestones and/or royalties, but with Evotec never taking development risks.
- **EVT Innovate:** The segment EVT Innovate includes the advanced drug candidates and the early-stage internal discovery programmes. Evotec's internal programmes focus on first-in-class and best-in-class projects based on innovative biology. These so called "Cure X" or "Target X" initiatives largely follow indication areas that are firmly established at Evotec: metabolic and inflammatory disease, neurology, oncology and pain as well as infectious diseases. Projects are selected to match Evotec's expertise and technology and positioned for partnering with Pharma customers, usually at pre-clinical stages. Ensuing partnerships usually involve upfront and research payments as well as milestones and product royalties. In the future, Evotec prepares to take unfunded development risks in this business segment, but only in very carefully selected projects and in early stage phases of drug discovery (pre-clinic).

The segments' key performance indicators are used monthly by the Management Board to evaluate the resource allocation as well as Evotec's performance. Intersegment revenues are valued with a price comparable to other third-party revenues.

The segment information for the first three months of 2014 is as follows:

<i>In T€</i>	<i>EVT Execute</i>	<i>EVT Innovate</i>	<i>Intersegment eliminations</i>	<i>Evotec Group</i>
Revenues	19,175	2,469	(4,033)	17,611
Costs of revenue	(14,664)	(1,798)	3,464	(12,998)
<b>Gross profit</b>	<b>4,511</b>	<b>671</b>	<b>(569)</b>	<b>4,613</b>
	23.53%	27.18%		26.19%
<b>Operating income and (expenses)</b>				
Research and development expenses	(297)	(3,244)	569	(2,972)
Selling, general and administrative expenses	(3,299)	(1,057)	-	(4,356)
Amortisation of intangible assets	(665)	(95)	-	(760)
Other operating income	440	12	-	452
Other operating expenses	(459)	-	-	(459)
<b>Total operating expenses</b>	<b>(4,280)</b>	<b>(4,384)</b>	<b>569</b>	<b>(8,095)</b>
<b>Operating income (loss)</b>	<b>231</b>	<b>(3,713)</b>	<b>-</b>	<b>(3,482)</b>
<b>EBITDA before contingent considerations</b>	<b>2,261</b>	<b>(3,569)</b>	<b>-</b>	<b>(1,308)</b>

## 5. TRADE ACCOUNTS RECEIVABLES

The decrease in trade accounts receivables from 31 December 2013 to 31 March 2014 is primarily due to the collection in the first quarter of 2014 of outstanding trade accounts receivables as of 31 December 2013.

## 6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of 31 March 2014

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primarily consist of prepaid expenses in the amount of T€ 5,166 (31 December 2013: T€ 3,234) which are recognised over different time periods. The increase in prepaid expenses as of 31 March 2014 compared to 31 December 2013 mainly relates to a payment in the context of the Convergence collaboration.

#### **7. CURRENT PROVISIONS**

The decrease in provisions as of 31 March 2014 in comparison with 31 December 2013 primarily relate to the annual Management Board and employee bonuses recognised at 31 December 2013, which were paid in March 2014 as well as the payment of the earn out relating to the acquisition of CCS Cell Culture Service GmbH.

#### **8. NON-CURRENT LOAN LIABILITIES**

The increase in non-current loan liabilities relates to the issuance of a new loan agreement. The loan is unsecured and has a maturity until 31 March 2021. Repayment of the loan will start on 30 June 2016 in equal instalments until the maturity date. The loan carries an interest at a rate of 1.25%.

#### **9. NON-CURRENT DEFERRED REVENUES**

The decrease in non-current deferred revenues relates to revenues recognised from the upfront payments received from Janssen Pharmaceuticals, Bayer Pharma AG and Astra Zeneca AB.

#### **10. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet as of 31 March 2014, are as follows:

In T€	31 March 2014	
	Carrying amount	Fair value
<b>Cash and cash equivalents</b>	<u>39,638</u>	<u>39,638</u>
<b>Available-for-sale financial assets</b>		
Investments	50,644	50,644
Long-term investments	<u>10</u>	<u>10</u>
<b>Total available-for-sale financial assets</b>	<u>50,654</u>	<u>50,654</u>
<b>Financial assets measured at fair value</b>		
Derivative financial instruments	259	259
Other non-current financial assets	<u>77</u>	<u>77</u>
<b>Total financial assets measured at fair value</b>	336	336
<b>Loans and receivables</b>		
Trade accounts receivables	13,117	13,117
Other current financial assets	<u>1,132</u>	<u>1,132</u>
<b>Total loans and receivables</b>	<u>14,249</u>	<u>14,249</u>
<b>Financial liabilities measured at amortised cost</b>		
Current loan liabilities	(17,177)	(17,177)
Non-current loan liabilities	(978)	(969)
Current portion of finance lease obligations	(5)	(5)
Long-term finance lease obligations	(13)	(13)
Trade accounts payables	(6,150)	(6,150)
Other current financial liabilities	<u>(136)</u>	<u>(136)</u>
<b>Total financial liabilities measured at amortised cost</b>	<u>(24,459)</u>	<u>(24,450)</u>
<b>Financial liabilities measured at fair value</b>		
Derivative financial instruments	(91)	(91)
Contingent consideration	<u>(17,550)</u>	<u>(17,550)</u>
<b>Total financial liabilities measured at fair value</b>	<u>(17,641)</u>	<u>(17,641)</u>
	<u>62,777</u>	<u>62,786</u>
Unrecognised (gain)/loss		<u>(9)</u>

The following table allocates financial assets and financial liabilities as of 31 March 2014 to the three levels of the fair value hierarchy as defined in IFRS 7:

	31 March 2014			Total T€
	Level 1 T€	Level 2 T€	Level 3 T€	
Available-for-sale financial assets	50,644	-	10	50,654
Financial assets measured at fair value	-	336	-	336
Financial liabilities measured at fair value	-	(91)	(17,550)	(17,641)

The following table shows a reconciliation from the beginning balances to 31 March 2014 for fair value measurements in Level 3 of the fair value hierarchy:

In T€	January to March 2014	
	Investments	Contingent consideration
Balance at 01 January 2014	10	18,519
Consumption	-	(1,303)
<b>Included in other operating expense</b>		
Changes in fair value, unrealised	-	-
<b>Included in other operating income</b>		
Changes in fair value, unrealised	-	-
<b>Included in interest expense</b>		
Interest change in net present value, unrealised	-	334
Balance at 31 March 2014	10	17,550

The levels of the fair value hierarchy and its application to Evotec's financial assets and financial liabilities are described below:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

## 11. TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described in Evotec's Annual Report 2013 on page 111 and 112, no other material transactions with related parties were entered into in the first three months of 2014.

## 12. SUBSEQUENT EVENTS

Effective 01 April 2014, Evotec acquired all shares in the German-based company Bionamics GmbH, an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry.

Effective 29 April 2014, Janssen Pharmaceuticals has decided to phase out the partnership with focus on beta cell regeneration before the end of 2014 for strategic reasons. CureBeta, the alliance between Harvard and Evotec, will remain. Evotec and Harvard will continue to invest into this alliance and try to identify alternative partners.

## 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.*