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## **I. Management Report of the First Half of 2011**

### **STRONGEST H1 IN COMPANY HISTORY**

DISCOVERY ALLIANCE BUSINESS CONTINUES ON PROFITABLE GROWTH PATH WITH REVENUES UP 34% AND A POSITIVE OPERATING RESULT OF € 0.9 M; ASSET DEAL FOR EVT 401; FULL-YEAR 2011 REVENUE GUIDANCE RAISED

#### **Recent highlights:**

- **Strong H1 operational performance**
  - Discovery alliances revenues +34% to € 33.4 m
  - Positive operating result of € 0.9 m
  - Continued strong liquidity of € 56.5 m despite significant acquisitions and technology investments for growth
- **Expanding portfolio of discovery alliances; good progress and significant milestone achievements**
  - Opening the field of biomarker research in strategic partnership with Roche
  - New integrated discovery collaboration with UCB (after period-end)
  - Significant milestone achievement in H1 2011 with Boehringer

- Ingelheim: € 2 m for clinical Phase I initiation in neuropathic pain in May 2011
- Milestone achieved in alliance with Ono Pharmaceutical; collaboration expanded
- **Continued expansion of scientific and technology leadership**
- Acquisition of Kinaxo completed as of 18 April 2011
  - Strengthening integrated innovation service offering through acquisition of Compound Focus
  - Strategic alliance with PsychoGenics signed
- **Development partnerships continue to provide upside potential**
- New asset deal with EVT 401 in animal health (after period-end)
  - Diapep277 Phase III programme in diabetes progressing with Andromeda/TEVA
  - Phase II of EVT 101 in treatment-resistant depression voluntarily terminated
- **Revenue guidance for 2011 raised**
- Approximately 30% revenue growth expected within core business, leading to revenues of € 70 to 72 m (guidance before: € 68 to 70 m)
  - Strategic cash position of Evotec remains strong: liquidity guidance of > € 55 m at year-end confirmed
  - Strong order book indicates strong continuing growth
- **Others**
- Roland Oetker and Prof Andreas Pinkwart elected to the Evotec Supervisory Board at last AGM

## 1. OPERATIONAL PERFORMANCE

### **Best first half-year performance in Company history: revenues were up 34% and the operating result was positive at € 0.9 m**

Evotec reported a strong operational performance for the first half of 2011. Total Group revenues increased by 34% to € 33.4 m (2010: € 25.0 m) including € 3.9 m from the acquisitions of DeveloGen, Kinaxo and Compound Focus in H1 2011. Meanwhile R&D expenses increased by € 1.7 m (59%), mainly from the inclusion of DeveloGen and Kinaxo R&D expenses and the strategic build up of Evotec's beta cell franchise "CureBeta". Despite the acquisitions, SG&A costs declined by 2%. On this basis, Evotec's operating result for the first half of 2011 was positive at € 0.9 m (2010: € 0.3 m). The Company operates on a strong gross margin of more than 40%.

Liquidity including cash, cash equivalents and investments including long-term financial assets at the end of June 2011 remained strong at €56.5 m.

Going forward, potential milestone achievements in H2 are expected to further enhance Evotec's operating financial performance giving a strong basis for increased operating profitability over 2010 (before impairment, if any).

## 2. DISCOVERY ALLIANCES UPDATE

### **Expanding portfolio of discovery alliances leads to significant growth in sales and orders; good progress and significant 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*

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*Company signed a number of important new contracts, contract extensions and expansions and made good progress in many of its current programmes.*

**Opening the field of response prediction and biomarker research in strategic partnership with Roche**

In June 2011, Evotec announced an important strategic collaboration with Roche in novel protein-activity based biomarkers for oncology drugs in development. Evotec will employ its PhosphoScout® platform, to discover protein-phosphorylations that predict favourable dosage and efficacy of targeted cancer drugs in patients. These biomarkers are core to the development of targeted therapeutics for cancer therapy. Roche is responsible for conducting clinical trials as well as assessing the development of companion diagnostics for patient stratification. Under the initial three-year term, Evotec and Roche will conduct multiple biomarker programmes for therapeutic antibodies or small molecule inhibitors. Evotec will receive undisclosed up-front and success-based payments for each programme.

**New integrated collaboration with UCB (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. As part of the collaboration, Evotec will apply their integrated drug discovery expertise and technologies to identify interesting small molecules against the selected targets. The molecules will be further optimised and progressed through lead optimization to preclinical candidates. Evotec will receive a fixed research funding fee over the term of collaboration and will be further rewarded on achieving the goals of the research collaboration with early stage discovery, preclinical and clinical milestones. In addition, Evotec will receive royalties based on net sales of any approved drugs from the collaboration.

**Significant milestone achievement in the multi-target collaboration with Boehringer Ingelheim**

During the second quarter of 2011, continued strong progress was made in Evotec's discovery collaboration with Boehringer Ingelheim. A second back-up compound in this strategic alliance has advanced into clinical trials as a novel treatment for neuropathic pain. With the initiation of the Phase I clinical studies, Evotec earned a milestone payment of € 2.0 m in May 2011.

As of 30 June 2011, Evotec achieved in total 13 milestones within this collaboration that was initiated in 2004.

**Milestone achieved in alliance with Ono Pharmaceutical; collaboration extended**

In June 2011, Evotec announced the achievement of specific success criteria in its research collaboration with Ono Pharmaceutical Co., Ltd. and the receipt of a milestone payment. This collaboration was initiated in October 2009 to identify small molecules targeting an ion channel implicated in cardiovascular, CNS and urological diseases and the collaboration has now successfully identified multiple compounds meeting various criteria in activity, selectivity and pharmacokinetic characteristics. Evotec and Ono have agreed to continue this research collaboration until April 2012 and to enter into lead optimisation.

### 3. 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 announced two acquisitions in H1 2011:*

#### **Acquisition of Kinaxo completed as of 18 April 2011**

During the second quarter of 2011, Evotec completed the acquisition of Kinaxo Biotechnologies GmbH, a Munich-based drug discovery alliance company supporting the development of targeted drugs. 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. These unique technologies significantly strengthen the Company's discovery offering to customers.

As a result of the transaction, first announced on 9 February 2011, Kinaxo has become a wholly-owned integrated subsidiary of Evotec.

#### **Strengthening integrated innovation offering through acquisition of Compound Focus**

Effective 1 June 2011, Evotec acquired Compound Focus, Inc., 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. The current key customer base includes US federal institutes and pharma companies such as Elan, Sunovion Pharmaceuticals (formerly: Sepracor) and Procter & Gamble.

This acquisition allows Evotec to augment its early drug discovery offering substantially and provides critical mass to its existing compound management offering. It will substantially improve the Company's ability to support its alliance partners in developing and managing their compound libraries and further strengthen its own hit identification capabilities. In addition, the acquisition adds profitable revenues further enhancing Evotec's earnings profile going forward.

### 4. STATUS OF CLINICAL AND PRECLINICAL PROGRAMMES

#### **Development partnerships continue to provide upside potential**

*Evotec is focusing 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.*

The following updates can be reported:

#### **New asset deal with EVT 401 in animal health (after period-end)**

Evotec has announced that it has 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 is entitled to 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.

#### **DiaPep277 Phase III programme in diabetes progressing with Andromeda Biotech/TEVA**

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 are expected to be published in 2012.

#### **Phase II of EVT 101 in treatment-resistant depression voluntarily terminated**

In May, Evotec and Roche decided to voluntarily terminate the first proof-of-concept study in treatment-resistant depression with their NR2B sub-type selective NMDA antagonist EVT 101. The decision was triggered by difficulties in recruiting patients under the current study protocol, resulting in the possibility of inconclusive results. EVT 101 was generally well tolerated in healthy volunteers and the patients enrolled.

Evotec now holds all rights in the EVT 100 series, including the back-up compound EVT 103, and has reinitiated partnering discussions for these assets.

### **5. GUIDANCE**

#### **Revenue guidance for 2011 raised**

Based on a strong H1 2011 operational performance, Evotec for the second time in 2011 raised its revenue guidance for the current fiscal year that was published on 24 March and first updated with the acquisition of Compound Focus on 1 June: In 2011, total Group revenues are now expected to grow by approximately 30%, leading to revenues of € 70 to 72 m (March: € 64 to 66 m; June: € 68 to 70 m). Evotec also confirmed its 2011 year-end liquidity target of > € 55 m at constant year-end 2010 currencies. This target was updated as a result of the Compound Focus acquisition in June 2011 (before: € 65 m) as €10.25 m of the potential total cash purchase price of €12.5 m is paid in 2011.

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.

### **A. OPERATIONS**

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

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

**Kinaxo**

With the acquisition of Kinaxo, Evotec expanded its drug discovery product offering with a unique combination of innovative solutions to improve drug discovery and development. Kinaxo provides 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. These skills strengthen Evotec's position as a quality leader in drug discovery. Synergies are expected to result in a much broader customer reach through integration of the former Kinaxo service business into Evotec's performance-based drug discovery alliances.

The Kinaxo business is expected to deliver revenues of € 2.0 m in 2011. Revenues and profitability are expected to accelerate in 2012 and beyond. In the first half of 2011, the company signed collaborations with Takeda Pharmaceutical, AstraZeneca, and Roche.

With the completion of the acquisition the sellers of the shares in Kinaxo transferred 100% of their shares to Evotec and Evotec issued 2,597,403 shares from its authorised capital as part consideration for the transaction. Following the registration of these shares at the trade register, Evotec's issued share capital increased to € 118,193,132. Additionally, Evotec paid a cash component of € 3.0 m and could pay an additional € 4.0 m as earn out based upon performance of the business in 2011/2012.

**Compound Focus**

In June 2011, Evotec acquired Compound Focus, Inc., 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 allows Evotec to augment its early drug discovery offering substantially and provides critical mass to its existing compound management offering. It will substantially improve the Company's ability to support its alliance partners in developing and managing their compound libraries and further strengthen its own hit identification capabilities. In addition, the acquisition adds profitable revenues further enhancing Evotec's earnings profile going forward.

In 2010, Compound Focus 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 BioFocus, Inc., a Galapagos company, an immediate cash upfront of € 10.25 m and could pay an additional € 2.25 m as an earn out based upon performance of the business in 2012/2013.

During the first half, Evotec also entered into two collaborations that further enhanced the Company's product offering. Through a collaboration with ChemBridge, Evotec increased its screening library of 250,000 drug-like and lead-like compounds with the addition of initially 110,000 diverse and lead-like compounds from the ChemBridge library collection. These new compounds complement the chemical diversity of Evotec's existing collection. Through a strategic alliance with PsychoGenics Inc. Evotec will provide integrated CNS drug discovery solutions to pharmaceutical and biotech companies. The two companies will work together in a seamless fashion to provide existing and new clients access to their complementary drug discovery platforms for the identification and development of new therapeutics to treat CNS disorders.

Evotec also initiated the largest **technology infrastructure upgrading programme** in the Company's history. About € 8-10 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** 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 4 and 5 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 effective 3 September 2010, of Kinaxo Biotechnologies GmbH effective 18 April 2011 and of Compound Focus, Inc. effective 1 June 2011.*

*The results of DeveloGen from the period 1 January 2011 through 30 June 2011, of Kinaxo from the period 18 April 2011 through 30 June 2011 and of Compound Focus from the period 1 June through 30 June 2011 are included in the accompanying consolidated interim statements of operation for the first half of 2011. These results were not included in the comparable period of the previous year. The assets and liabilities of DeveloGen are included in the accompanying consolidated interim statement of financial position. The assets and liabilities of Kinaxo and Compound Focus are only included in the accompanying consolidated interim statement of financial position for the period as of 30 June 2011.*

### COMPARISON OF H1 2011 FINANCIAL RESULTS WITH FORECAST

Evotec is not providing forecasts on a quarterly basis.

#### 1. RESULTS

#### Revenues

Evotec's **revenues** for the first half of 2011 increased 34% over the same period of the previous year to € 33.4 m (2010: € 25.0 m). Growth was primarily driven by strong performance in the Company's drug discovery alliances, including milestone payments achieved from Boehringer Ingelheim and Ono Pharmaceutical, and contributions from the acquired businesses of DeveloGen, Kinaxo and Compound Focus totalling € 3.9 m. Without the revenues from acquisitions, Evotec's revenues for the first half of 2011 would have increased by 18%.

Geographically, 54% of Evotec's revenues were generated with customers in Europe, 32% in the US, and 14% in Japan and the Rest of the World. This compares to 50%, 35% and 15%, 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, 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 DeveloGen contributions.

*Operating cost structure*

**Costs of revenue** for the first half of 2011 amounted to € 18.9 m (2010: € 13.7 m) yielding a **gross margin** of 43.3% (2010: 45.1%). The slight margin decline over 2010 is attributable primarily to a different revenue mix during the period 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 half of 2011 increased by 59% to € 4.7 m (2010: € 2.9 m). The increase mainly resulted from the inclusion of DeveloGen and Kinaxo 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 half of 2011 decreased by 2% to € 7.6 m (2010: € 7.7 m) despite the inclusion of DeveloGen, Kinaxo and Compound Focus expenses. This was the result of judicious cost containment throughout the Company. However, going forward one should consider that in H1 2011 the Kinaxo and Compound Focus acquisitions were not yet included for the full half-year period.

**Other operating income and expenses** resulted primarily from the reimbursement of expenses incurred by the clinical programmes with EVT 101 and EVT 103 by Roche. The termination of the alliance with Roche regarding the EVT 100 series in Q2 2011 was a "triggering event" which required all on-going contracts to be re-evaluated in respect of duration and total contracted expenses. As a result of this assessment both Other Operating Income and Other Operating Expenses were decreased in Q2 because the estimated pro rata expenses were lowered compared to the end of Q1 2011.

On a net basis there was an Other Operating Expense of approximately € 0.7 m. This was primarily due to 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.

*Financial results*

Due to the higher gross profit, Evotec's **operating result** for the first half of 2011 improved markedly by 169% to € 0.9 m (2010: € 0.3 m). The Company is on track to achieve increased full-year profitability over 2010 (before impairment, if any).

**Net income** improved to € 0.8 m (2010: € 0.1 m). The net income was primarily impacted by two exceptional effects in the first half 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 DeveloGen acquisition and which caused interest expense in the amount of € 0.5 m due to the unwind of the discount since the acquisition date. In addition, current tax expense amounted to € 0.6 m.

**Earnings per share** for the first half of 2011 was € 0.01 (2010: € 0.00).

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

**Cash flow from operating activities** for the first half of 2011 improved to € 3.6 m from € (5.1) m in the same period of 2010. The improvement mainly resulted from a reduced working capital and the increase in net income. While trade accounts receivables were built up during the first half of 2010, they were significantly reduced in the comparable period of 2011, primarily due to the MedImmune payment received in the first quarter.

The line item in the cash flow statement "adjustments to reconcile net income to net cash used in operating activities" amounting to € 2.7 m included mainly depreciation of property, plant and equipment (€ 2.2 m), amortisation (€ 0.5 m), accrued interest expense (€ 0.5 m), compensation expenses (€ 0.3 m) as well as non cash foreign exchange gains (€ (1.1) m).

**Cash flow from investing activities** for the first half of 2011 was € (1.1) m. The proceeds from sale of current investments in the amount of € 52.7 m were reinvested in the amount of € 37.3 m. The difference was mainly used for the purchase of long-term investments (€ 13.3 m), the cash components of the purchase prices for the acquisition of Compound Focus (€ 10.3 m) and Kinaxo (€ 3.0 m), respectively. Capital expenditures amounted to € 3.6 m, mainly for upgrades of Evotec's drug discovery platform. In the context of Evotec's infrastructure upgrading programme capital expenditures are expected to further increase during the course of the year.

**Cash flow from financing activities** for the first half of 2011 was € (0.4) m resulting from the net repayment of loans and proceeds from the exercise of stock options.

**Liquidity**, which includes cash and cash equivalents (€ 24.1 m), investments (€ 29.4 m) and long-term financial investments (€ 3.0 m) at the end of June 2011 amounted to € 56.5 m (31 December 2010: € 70.4 m).

**3. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY**

In the second quarter of 2011, Evotec acquired two businesses (see page 4 and 6). As a result, the assets and liabilities of those businesses are included in the accompanying consolidated interim balance sheet as of 30 June 2011. The most prominent changes are explained below. More details and all further material changes of assets and liabilities during the first half of 2011 are described in the Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

**Assets**

As of 30 June 2011, trade accounts receivables decreased to € 5.8 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. Other current financial assets increased to € 3.1 m mainly due to working capital purchase price adjustments relating to the acquisition of Compound Focus. The increase in three positions, property, plant and equipment to € 22.4 m (31 December 2010: € 18.5 m), goodwill to € 48.6 m (31 December 2010: € 26.0 m) as well as deferred tax assets to € 0.5 m (31 December 2010: € 0.0 m), was a result of the Kinaxo and Compound Focus acquisitions.

### **Liabilities**

Current and non-current provisions increased in total to € 24.4 mainly due to the earn out provisions in context of the Kinaxo and Compound Focus acquisitions, while the payment of the short-term portion of the DeveloGen earn out component had an underlying declining effect on provisions. Current and non-current deferred revenues decreased to € 7.8 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 June 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 Kinaxo acquisition and by 122,732 shares due to the exercise of stock options.

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

## **4. HUMAN RESOURCES**

### **Employees and Management**

At the end of June 2011, 608 people were employed within the Evotec Group (end of December 2010: 519 employees). During the first half headcount increased by 89 people through the acquisitions of Kinaxo and Compound Focus as well as additional hires to support the growth of Evotec's discovery alliances.

### **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 half of 2011, 1,631,050 options were granted to Evotec employees. 122,732 options were exercised. As of 30 June 2011, the total number of options available for future exercise amounted to 6,869,561 (approximately 6% of shares in issue). Options have been accounted for under IFRS 2 using the fair value method 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 half of 2011. At the end of June 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 Jun 11
<b>Management Board</b>				
Dr Werner Lanthaler	464,494	10,000	0	474,494
Colin Bond	0	0	0	0
Dr Cord Dohrmann	27,226*	0	0	27,226
Dr Mario Polywka	60,000	0	0	60,000
<b>Supervisory Board</b>				
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 Jun 11
<b>Management Board</b>				
Dr Werner Lanthaler	900,000	140,000	0	1,040,000
Colin Bond	100,000	140,000	0	240,000
Cord Dohrmann	100,000	140,000	0	240,000
Dr Mario Polywka	755,000	140,000	0	895,000
<b>Supervisory Board</b>				
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 June 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 HALF OF 2011**

There is no significant event to be reported.

### **E. BUSINESS ENVIRONMENT**

#### **GLOBAL ECONOMY**

In the closing weeks of the first half 2011 growth in the World economy, the lift in stock markets and sentiment have led many to believe the second half could see further growth. During the first six months of this year political turmoil in the Middle East & North Africa, natural and nuclear disasters in Japan and issues over the US debt limit, all pulled on the worldwide economy.

Europe remained split, with growth in Germany still advancing due to exports and improving domestic demand, while the Sovereign debt crisis continued to create uncertainty in Europe and especially for Greece, Spain, Italy, Portugal and Ireland. The European Commission and the European Central Bank continued to focus on the growing Euro Zone inflationary concerns. Early April, saw the first ECB interest hike since the global financial crisis began followed by a second one in early July putting further pressure on the debt crisis. In Germany, stock market activity was encouraging. In the six months to 30 June 2011 the DAX index closed up 6.7%. In similar fashion, the German technology index TecDAX gained 5%.

#### **HEALTHCARE ENVIRONMENT AND OUTLOOK**

During the first half 2011, most European life science indices continued to endure challenging conditions, while the US indices, despite a retreat from Spring highs, continued to outperform the broader markets. Much of the positive has been on the back of financings by late-stage companies and selective gains on a full calendar of clinical and regulatory events. In the first six months over 40 product approvals helped to support sentiment. Bankers and investors reportedly remain hopeful for the second half of the year with over 90 clinical Phase III data or regulatory expected events.

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. The industry has experienced significant M&A activity and in-licensing deals over the last few quarters to make up for the loss of revenues that will occur with key products losing patent exclusivity. During the first half of 2011, for example, two positives, at opposite ends of the spectrum, for sector sentiment was the acquisition of Genzyme by sanofi-aventis for \$20.1 billion in February and more recently Pfizer's acquisition of Icagen, announced in June, for about \$50 million in cash; the deal closed mid July. At the same time, Pharma's R&D strategies increasingly include outsourced R&D on both a fee-for-service and a collaborative/co-development basis in order to increase efficacy and

*2011 revenue  
guidance raised*

reduce fixed costs. According to a study from Kalorama Information (June 2010) the global drug discovery market is expected to experience robust growth, exceeding \$8 billion in 2010 and reaching \$14 billion in 2014.

EP Vantage (May 2010) notes that one of the key dynamics limiting growth in prescription drug sales is the sharp increase in 'sales at risk' from patent expirations, which sees over \$267 billion of 'sales at risk' between 2011 and 2016. At the same time, new products are not expected to generate the same level of sales as products losing patent protection. Consequently, the M&A trend is expected to continue.

## F. FINANCIAL OUTLOOK

### **Evotec raises its revenue guidance and confirms all other financial targets for the fiscal year 2011**

Based on a strong H1 2011 operational performance, Evotec for the second time in 2011 raised its revenue guidance for the current fiscal year published in Evotec's 2010 Annual Report (page 56) on 24 March and first updated with the acquisition of Compound Focus on 1 June: In 2011, total Group revenues are now expected to grow by approximately 30%, leading to revenues of € 70 to 72 m (March: € 64 to 66 m; June: € 68 to 70 m).

Evotec also confirms its 2011 year-end liquidity target of >€ 55 m at constant year-end 2010 currencies. This target was updated as a result of the Compound Focus acquisition in June (before: € 65 m) as € 10.25 m of the potential total cash purchase price of € 12.5 m is paid in 2011.

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. Even on this basis, Evotec's Group operating result before impairment charges, if any, is expected to be profitable and improved over 2010.

In 2011, Evotec will invest to support its long-term growth aspirations. More than € 8 m are planned to 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 center for Evotec's screening and biology operations. These planned investments and the cash outflow for the acquisition of Compound Focus and Kinaxo will increase cash requirements in comparison to 2010 although top-line growth is expected to significantly reduce the cash requirements for the operating business.

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 during the first half of 2011. They outperformed the German TecDAX for the twelve months period:

Evotec:	+29%
NASDAQ Biotech:	+41%
TecDAX:	+24%

### FINANCIAL CALENDAR 2011

Q1 2011 Interim Report: 12 May 2011  
 Annual Stockholders' Meeting 2011: 16 June 2011  
 Q2 2011 Interim Report: 11 August 2011  
 Q3 2011 Interim Report: 10 November 2011

## II. Consolidated Interim Financial Statements

Evotec AG and Subsidiaries -

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

<i>in T€ except share and per share data</i>	<i>Six months ended 30 June 2011</i>	<i>Six months ended 30 June 2010</i>	<i>Three months ended 30 June 2011</i>	<i>Three months ended 30 June 2010</i>
Revenues	33,365	24,968	18,259	15,127
Costs of revenue	18,922	13,714	9,767	7,602
<b>Gross profit</b>	<b>14,443</b>	<b>11,254</b>	<b>8,492</b>	<b>7,525</b>
<b>Operating expenses (income)</b>				
Research and development expenses	4,665	2,927	2,351	1,193
Selling, general and administrative expenses	7,560	7,702	3,771	4,352
Amortisation of intangible assets	549	260	274	131
Other operating income	(1,034)	(1,855)	566	(945)
Other operating expenses	1,782	1,878	(201)	978
<b>Total operating expenses</b>	<b>13,522</b>	<b>10,912</b>	<b>6,761</b>	<b>5,709</b>
<b>Operating income</b>	<b>921</b>	<b>342</b>	<b>1,731</b>	<b>1,816</b>
<b>Other non-operating income (expense)</b>				
Interest income	91	149	38	65
Interest expense	(740)	(241)	(343)	(140)
Other income from financial assets	-	1,015	-	1,013
Other expense from financial assets	(20)	(644)	2	(632)
Foreign currency exchange gain (loss), net	828	(385)	87	(502)
Other non-operating income	297	275	116	215
Other non-operating expense	-	-	-	34
<b>Total non-operating income (expense)</b>	<b>456</b>	<b>169</b>	<b>(100)</b>	<b>53</b>
<b>Income before taxes</b>	<b>1,377</b>	<b>511</b>	<b>1,631</b>	<b>1,869</b>
Current tax income (expense)	(601)	(42)	(338)	10
Deferred tax income (expense)	18	(374)	(111)	(537)
<b>Net income</b>	<b>794</b>	<b>95</b>	<b>1,182</b>	<b>1,342</b>
<b>thereof attributable to:</b>				
Shareholders of Evotec AG	851	(99)	1,213	1,185
Non-controlling interest	(57)	194	(31)	157
<b>Net income</b>	<b>794</b>	<b>95</b>	<b>1,182</b>	<b>1,342</b>
<b>Weighted average shares outstanding</b>	<b>114,994,081</b>	<b>107,356,508</b>	<b>117,003,658</b>	<b>107,372,695</b>
<b>Net income per share (basic)</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>
<b>Net income per share (diluted)</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>

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

<i>in T€</i>	<i>Six months ended 30 June 2011</i>	<i>Six months ended 30 June 2010</i>	<i>Three months ended 30 June 2011</i>	<i>Three months ended 30 June 2010</i>
<b>Net income</b>	<b>794</b>	<b>95</b>	<b>1,182</b>	<b>1,342</b>
<b>Other comprehensive income</b>				
Foreign currency translation	(3,337)	7,548	(780)	4,702
Revaluation and disposal of available-for-sale securities	-	(229)	-	(246)
<b>Other comprehensive income</b>	<b>(3,337)</b>	<b>7,319</b>	<b>(780)</b>	<b>4,456</b>
<b>Total comprehensive income (loss)</b>	<b>(2,543)</b>	<b>7,414</b>	<b>402</b>	<b>5,798</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Shareholders of Evotec AG	(2,486)	7,220	433	5,641
Non-controlling interest	(57)	194	(31)	157
<b>Total comprehensive income (loss)</b>	<b>(2,543)</b>	<b>7,414</b>	<b>402</b>	<b>5,798</b>

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

<i>in T€ except share data</i>	<i>footnote reference</i>	<i>as of 30 June 2011</i>	<i>as of 31 Dec. 2010</i>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		24,055	21,091
Investments		29,416	46,303
Trade accounts receivables	6	5,761	11,841
Accounts receivable from related parties	12	3	28
Inventories		3,267	2,819
Current tax receivables		439	569
Other current financial assets	7	3,077	1,142
Prepaid expenses and other current assets		3,321	2,899
<b>Total current assets</b>		<b>69,339</b>	<b>86,692</b>
<b>Non-current assets:</b>			
Long-term investments		10	10
Property, plant and equipment		22,405	18,487
Intangible assets, excluding goodwill	8	56,743	57,615
Goodwill	9	48,564	25,979
Deferred tax assets	5	527	-
Other non-current financial assets		3,067	3,076
<b>Total non-current assets</b>		<b>131,316</b>	<b>105,167</b>
<b>Total assets</b>		<b>200,655</b>	<b>191,859</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Current maturities of long-term loans		8,767	8,356
Current portion of finance lease obligations		70	109
Trade accounts payable		7,858	6,980
Advanced payments received		395	1,421
Provisions	10	9,195	6,656
Deferred revenues	11	6,870	7,675
Current tax payables		1,256	773
Other current financial liabilities		1,333	225
Other current liabilities		599	607
<b>Total current liabilities</b>		<b>36,343</b>	<b>32,802</b>
<b>Non-current liabilities:</b>			
Long-term loans		3,000	3,500
Long-term finance lease obligations		3	32
Deferred tax liabilities		6,538	6,660
Deferred revenues	11	976	3,506
Provisions	10	15,184	12,722
<b>Total non-current liabilities</b>		<b>25,701</b>	<b>26,420</b>
<b>Stockholders' equity:</b>			
Share capital		118,316	115,596
Additional paid-in capital		664,685	658,888
Accumulated other comprehensive income		(30,016)	(26,679)
Accumulated deficit		(614,793)	(615,644)
<b>Equity attributable to shareholders of Evotec AG</b>		<b>138,192</b>	<b>132,161</b>
Non-controlling interest		419	476
<b>Total stockholders' equity</b>		<b>138,611</b>	<b>132,637</b>
<b>Total liabilities and stockholders' equity</b>		<b>200,655</b>	<b>191,859</b>

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

<i>in T€</i>	<i>Six months ended 30 June 2011</i>	<i>Six months ended 30 June 2010</i>
<b>Cash flows from operating activities:</b>		
Net income	794	95
Adjustments to reconcile net income to net cash used in operating activities	2,659	3,596
Change in assets and liabilities	190	(8,818)
<b>Net cash provided by (used in) operating activities</b>	<b>3,643</b>	<b>(5,127)</b>
<b>Cash flows from investing activities:</b>		
Purchase of current investments	(37,285)	(35,941)
Purchase of long-term investments	(13,250)	-
Purchase of property, plant and equipment	(3,555)	(1,550)
Cash acquired in connection with acquisitions	283	-
Proceeds from sale of financial assets	-	11,405
Proceeds from sale of current investments	52,748	31,995
<b>Net cash provided by (used in) investing activities</b>	<b>(1,059)</b>	<b>5,909</b>
<b>Cash flows from financing activities:</b>		
Proceeds from option exercise	298	193
Proceeds from sale of treasury shares	-	11
Proceeds from issuance of loans	396	219
Purchase of treasury shares	-	(96)
Repayment of loans	(1,089)	(946)
<b>Net cash used in financing activities</b>	<b>(395)</b>	<b>(619)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,189</b>	<b>163</b>
Exchange rate difference	775	284
Cash and cash equivalents at beginning of year	21,091	32,926
<b>Cash and cash equivalents at end of the period</b>	<b>24,055</b>	<b>33,373</b>

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

	Share capital				Accumulated other comprehensive income					
<i>in T€ except share data</i>	Shares	Amount	Additional paid-in capital	Treasury shares	Foreign currency translation	Revaluation reserve	Accumulated deficit	Equity attributable to shareholders of Evotec AG	Non-controlling interest	Total stockholders' equity
<b>Balance at 1 January 2010</b>	<b>108.838.715</b>	<b>108.839</b>	<b>648.417</b>	-	<b>(34.727)</b>	<b>7.249</b>	<b>(618.904)</b>	<b>110.874</b>	<b>613</b>	<b>111.487</b>
Exercised shares from shares in trust	-	-	199	-	-	-	-	199	-	199
Stock option plan	-	-	180	-	-	-	-	180	-	180
Purchase of treasury shares	-	-	-	(96)	-	-	-	(96)	-	(96)
Transfer of treasury shares	-	-	-	85	-	-	-	85	-	85
Sale of treasury shares	-	-	-	11	-	-	-	11	-	11
<b>Total comprehensive income (loss)</b>					<b>7.548</b>	<b>(229)</b>	<b>(99)</b>	<b>7.220</b>	<b>194</b>	<b>7.414</b>
<b>Balance at 30 June 2010</b>	<b>108.838.715</b>	<b>108.839</b>	<b>648.796</b>	-	<b>(27.179)</b>	<b>7.020</b>	<b>(619.003)</b>	<b>118.473</b>	<b>807</b>	<b>119.280</b>
<b>Balance at 1 January 2011</b>	<b>115.595.729</b>	<b>115.596</b>	<b>658.888</b>	-	<b>(33.634)</b>	<b>6.955</b>	<b>(615.644)</b>	<b>132.161</b>	<b>476</b>	<b>132.637</b>
Capital increase	2.597.403	2.597	5.325					7.922	-	7.922
Exercised stock options	122.732	123	175					298	-	298
Stock option plan	-	-	297	-	-	-	-	297	-	297
<b>Total comprehensive income (loss)</b>					<b>(3.337)</b>	<b>-</b>	<b>851</b>	<b>(2.486)</b>	<b>(57)</b>	<b>(2.543)</b>
<b>Balance at 30 June 2011</b>	<b>118.315.864</b>	<b>118.316</b>	<b>664.685</b>	-	<b>(36.971)</b>	<b>6.955</b>	<b>(614.793)</b>	<b>138.192</b>	<b>419</b>	<b>138.611</b>

## **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 six months ended 30 June 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€ 11,488 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. No fair value adjustments have been recorded so far. The resulting goodwill from the acquisition amounts to T€ 10,268. 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 of the combination and therefore may be subject to changes.

The net income of Evotec for the six months ended 30 June 2011 included a net income of T€ 46 from Compound Focus as well as revenues of T€ 660.

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
Current liabilities	(216)	(216)
Provisions	(205)	(205)
Deferred revenues	(692)	(692)
Net assets acquired	1,220	1,220
Goodwill	-	10,268
Cost of acquisition	-	11,488
Less cash and cash equivalents acquired	-	(58)
Less earn out	-	(1,967)
Cash outflow from acquisition	-	9,463

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

	2011 T€	2010 T€
Pro-forma revenues	35,919	28,669
Pro-forma net income (loss)	(5,218)	996
Pro-forma basic income (loss) per share	(0.05)	0.01
Pro-forma diluted income per share		0.01

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 deferred tax assets on the tax loss carry forwards in the amount of T€ 527. The resulting goodwill from the acquisition amounts to T€ 13,191. 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 of the combination and therefore may be subject to changes.

The net income of Evotec for the six months ended 30 June 2011 included a net income of T€ 139 from Kinaxo as well as revenues of T€ 554.

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 T€	18 April 2011 fair value T€
Cash and cash equivalents	225	225
Current assets	589	589
Intangible assets	18	18
Property, plant and equipment	2,226	2,226
Deferred tax assets	-	527
Loans	(685)	(685)
Provisions	(146)	(146)
Current liabilities	(859)	(859)
Deferred revenues	(340)	(340)
<b>Net assets acquired</b>	<b>1,028</b>	<b>1,555</b>
Goodwill	-	13,191
<b>Cost of acquisition</b>	<b>-</b>	<b>14,746</b>
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:

	2011 T€	2010 T€
Pro-forma revenues	33,939	25,652
Pro-forma net income (loss)	271	(72)
Pro-forma basic income (loss) per share	0.00	0.00
Pro-forma diluted income per share	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.

According to IFRS 3 and due to the preliminary assessment of certain tax issues the initial accounting for the acquisition of DeveloGen is provisional with regard to purchase price allocation and therefore may be subject to changes.

The net income of Evotec for the six months ended 30 June 2011 included a net income of T€ 763 from DeveloGen as well as revenues of T€ 2,700.

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

	<b>2010</b>
	T€
Pro-forma revenues	26,070
Pro-forma net loss	(123)
Pro-forma basic and diluted loss per share	0.00

## **6. TRADE ACCOUNTS RECEIVABLE**

The trade accounts receivable primarily decreased from 31 December 2010 to 30 June 2011 due to the upfront payment from MedImmune in the amount of T€ 5,000 which was received in the first three months of 2011.

## **7. OTHER CURRENT FINANCIAL ASSETS**

Other current financial assets as of 30 June 2011 consist primarily of accrued revenues and accrued income in the amount of T€ 1,381 (31 December 2010: T€ 974) and a closing purchase price adjustment relating to the acquisition of Compound Focus in the amount of T€ 729.

## **8. INTANGIBLE ASSETS**

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 by using the assumptions of a Long Range Plan (LRP) for 12 years to determine a value for the cash generating project. The discount rate considering the risks and rewards of the activities used in the impairment test was 10.48%. As a result,

the Company concluded that no impairment 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€ 10,268. The goodwill relating to the acquisition of Kinaxo amounts to T€ 13,191. The amounts of both goodwills are still provisional.

#### **10. PROVISIONS**

The provisions as of 30 June 2011 in comparison to 31 December 2010 mainly increased due to the estimated earn out liabilities relating to the acquisition of Compound Focus T€ 1,967 and the acquisition of Kinaxo T€ 3,824. An amount of T€ 4,750 of those earn out liabilities is estimated to be due in the next twelve months. Payments for bonuses and payments relating to the earn out from the DeveloGen acquisition were made in the first quarter 2011 and decreased the provisions as of 30 June 2011.

#### **11. DEFERRED REVENUES**

The decrease of deferred revenues as of 30 June 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.

#### **12. 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 has been 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 six months of 2011.

### **III. Claim of the Executive Board Members as required by German Securities Trade Act (WpHG)**

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

**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.*