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'RESEARCH NEVER STOPS'

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## Evotec reports results of the first nine months of 2014

- **STRONG OPERATIONAL PERFORMANCE, POSITIVE EBITDA**
- **UNIQUE STRATEGIC POSITION DESPITE RECENT DIAPEP277® SETBACK**
- **IMPORTANT MILESTONES EXPECTED FOR Q4**
- **VERY STRONG CASH POSITION**

**Hamburg, Germany – 12 November 2014:** Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today reported financial results and corporate updates for the first nine months of 2014.

**Revenues excluding milestones, upfronts and licences in the first nine months of 2014 up 5% compared to the first nine months of 2013; adjusted nine-month 2014 EBITDA positive**

- Group revenues amounted to € 58.9 m (2013: € 60.3m); revenues excluding milestones, upfronts and licences rose by 5%, up 7% at constant 2013 FX rates
- Positive adjusted EBITDA before contingent considerations of € 0.3 m for the Group and € 9.8 m for EVT Execute
- Impairment charges of € 8.7 m triggered by termination of DiaPep277®
- Very strong liquidity position of € 90.3 m despite acquisitions and significant investments to support further growth
- High and stable equity ratio at 72.8%

### **EVT Execute**

**Strong performance in EVT Execute business leads to contract extensions and expansions**

- Expansion of protein production capabilities initiated in US to serve a major US Pharma partner (after period-end)
- Important initial milestone achieved as part of multi-target alliance with Bayer HealthCare
- Collaboration expansion with the Jain Foundation
- Three-year extension and expansion of collaboration with CHDI Foundation to fight Huntington's disease
- Long-term compound management collaboration with Medicines for Malaria Venture

### **EVT Innovate**

**Building a partnered product pipeline comprising more than 40 projects and expanding the EVT Innovate strategy by means of new collaborations with leading German research institutions**

- Phase IIb trial of EVT302 in Alzheimer's disease within Roche alliance progressing according to plan

- Janssen continues developing the EVT100 series in the field of CNS diseases
- Successful completion of all safety studies for EVT201 and initiation of late-stage clinical programmes for registration in China
- Setback with the announcement that Hyperion is terminating its DiaPep277<sup>®</sup> programme; Evotec will take legal steps
- Further milestones achieved in TargetAD collaboration
- Public grants awarded to Evotec to develop new drug candidates to treat multiple sclerosis
- New collaboration with Fraunhofer IME in joint drug discovery programmes

**Upgrading the drug discovery platform, enhancing innovation offering through acquisitions**

- Acquisition of Bionamics GmbH to accelerate 'EVT Innovate' strategy
- Acquisition of Euprotec adds and expands expertise and capabilities in infectious diseases

**Financial guidance for 2014 confirmed; important milestones expected for the remainder of the year**

- 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 (2013: € 10.4 m)
- Liquidity is expected to exceed € 90 m at the end of 2014
- Positive operating cash flow at a similar level to 2013 (2013: € 6.7 m)

**1. Operational performance**

**Revenues excluding milestones, upfronts and licences in the first nine months of 2014 up 5% compared to the first nine months of 2013; adjusted nine-month 2014 EBITDA positive**

Evotec's revenues for the first nine months of 2014 amounted to € 58.9 m, a decrease of 2% compared to the same period of the previous year (2013: € 60.3 m). This decrease was primarily due to significantly lower milestone contributions in the first nine months of 2014 compared to the same period of the previous year, when large milestone contributions of € 7.5 m in total from Boehringer Ingelheim and a first milestone from UCB were recorded. Excluding milestones, upfronts and licences, Evotec's revenues for the first nine months of 2014 rose by 5% and were up 7% compared to the same period of the previous year at constant 2013 foreign exchange rates.

EBITDA before changes in contingent consideration amounted to € 0.3 m in the first nine months of 2014 (first nine months of 2013: € 5.9 m). EBITDA was adjusted for changes in contingent considerations as well as for extraordinary effects with regards to the bargain purchase resulting from the acquisition of Bionamics. Note: The adjusted EBITDA of Evotec may vary significantly between quarters as a result of the timing of performance-based milestone payments and partnering events. Overall, the Company is on track to achieve a positive EBITDA at a similar level to 2013 (before changes in contingent consideration, if any) at the end of 2014.

Revenues from the EVT Execute segment amounted to € 61.5 m in the first nine months of 2014 and included € 13.2 m of intersegment revenues. The EVT Innovate segment generated revenues totalling € 10.6 m. The gross margin in EVT Execute amounted to 24.8% while EVT Innovate generated a gross margin of 32.0%. R&D expenses in the first nine months of 2014 stood at € 0.7 m for the EVT Execute segment. The EVT Innovate segment reported R&D expenses in the amount of € 10.4 m. In the first nine months of 2014, the EBITDA before changes in contingent consideration of the EVT Execute segment amounted to € 9.8 m and the EVT Innovate segment reported an EBITDA before changes in contingent consideration of € (9.5) m.

Liquidity including cash, cash equivalents and investments at the end of September 2014 remained very strong at € 90.3 m.

### Segment information for the first nine months of 2014

In T€

	EVT Execute	EVT Innovate	Evotec Group
Revenues	61,497	10,630	58,933
Gross margin in %	24.8	32.0	28.3
Research and development expenses	(745)	(10,422)	(9,181)
Selling, general and administrative expenses	(9,821)	(2,976)	(12,797)
Amortisation of intangible assets	(1,621)	(284)	(1,905)
Impairment of intangible assets	–	(8,735)	(8,735)
Other operating income	2,667	6,212	8,879
Other operating expenses	(1,652)	–	(1,652)
<b>Operating income (loss)</b>	<b>4,082</b>	<b>(12,807)</b>	<b>(8,725)</b>
<b>EBITDA adjusted*</b>	<b>9,855</b>	<b>(9,520)</b>	<b>335</b>

\* EBITDA was adjusted for changes in contingent considerations as well as for extraordinary effects with regards to the bargain purchase resulting from the acquisition of Bionamics.

## 2. EVT Execute and EVT Innovate

### EVT Execute

**Strong performance in EVT Execute business leads to contract extensions and expansions**

#### **Expansion of protein production capabilities initiated in US to serve a major US Pharma partner (after period-end)**

Work has been initiated to establish a protein production and cell services facility on the US East Coast. The new laboratory will become operational in the first quarter of 2015. This addition complements the expansion in such services at the Abingdon facility and is to meet an increasing need to deliver services to a major US partner and the general growth in this area.

#### **Important initial milestone achieved as part of multi-target alliance with Bayer HealthCare**

In September 2014, Evotec announced that its multi-target collaboration with Bayer HealthCare ("Bayer") had reached an important initial milestone for the transition of a molecule into pre-clinical development for the treatment of endometriosis. The goal of this collaboration is to develop three pre-clinical candidates within the

five-year alliance. Both parties contribute innovative drug targets and high-quality technology infrastructures and share the responsibility for potential clinical candidates in endometriosis.

#### **Collaboration expansion with the Jain Foundation**

In September 2014, Evotec and Jain Foundation Inc. announced a further extension and expansion of the collaboration first signed in 2012. This phase of the collaboration includes the screening of compound libraries in multiple assay formats to further support the Jain Foundation's goals of understanding and curing dysferlinopathies, a group of inherited skeletal muscular dystrophy diseases.

#### **Three-year extension and expansion of collaboration with CHDI Foundation to fight Huntington's disease**

In September 2014, Evotec and CHDI Foundation, Inc. ("CHDI") announced the extension and expansion of their collaboration through to 2017. The collaboration – which aims to find new treatments for Huntington's disease, an inherited neurodegenerative disorder – means that CHDI will now fund up to 52 full-time scientists at Evotec for the next three years. The collaboration, initiated in 2006, has expanded considerably over this period to fully leverage Evotec's integrated neuroscience platform. Evotec provides a full range of research activities and expertise in the neuroscience area to CHDI, including integrated biology and chemistry supported by compound and library management, target validation, stem cell research, high-content screening, computational chemistry, *in vitro* pharmacokinetics and protein production.

#### **Long-term compound management collaboration with Medicines for Malaria Venture**

In August 2014, Evotec (US), Inc. and Medicines for Malaria Venture ("MMV") entered into a multi-year compound management agreement in support of MMV's Malaria and Pathogen Box initiatives. In this collaboration, Evotec leverages its industry-leading and long-standing compound management services to support MMV's efforts to establish, maintain and distribute vital research tools to the global malaria research community.

#### **EVT Innovate**

**Building a partnered product pipeline comprising more than 40 projects and expanding the EVT Innovate strategy by means of new collaborations with leading German research institutions**

#### **Phase IIb trial of EVT302 in Alzheimer's disease within Roche alliance progressing according to plan**

The patient recruitment for the Phase IIb multicentre, randomised, double-blind, parallel-group, placebo-controlled study to evaluate the efficacy and safety of RO4602522 (RG1577/EVT302) in patients with moderate severity Alzheimer's disease ("AD") was completed in the first quarter of 2014; Roche and its subsidiary Chugai (Japan) have also initiated and completed several Phase I safety trials during 2014. Results from the Phase IIb study are expected in H1 2015. This clinical trial is one of the very few late-stage small molecule trials in this specific AD patient population. EVT302 is a potent small molecule inhibitor of monoamine oxidase-B (MAO-B) which reduces the formation of toxic reactive oxygen species in the brain of Alzheimer's disease patients where overexpression of MAO-B is postulated to contribute to neuronal damage.

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**Janssen continues developing the EVT100 series in the field of CNS diseases**

In December 2012, Evotec entered into a licence agreement with Janssen Pharmaceuticals, Inc. ("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 would resume development of the programme in CNS.

**Successful completion of all safety studies for EVT201 and initiation of late-stage clinical programmes for registration in China**

At the end of September 2014, JingXin Pharmaceutical Co., Ltd. ("JingXin") completed all safety studies for EVT201 in China. All of the data met the required standards to progress the compound into further clinical trials for insomnia. Patient recruitment is ongoing and JingXin plans to initiate late-stage trials for China in the near future. EVT201 is a GABA<sub>A</sub> receptor partial positive allosteric modulator developed for the treatment of insomnia.

**Setback with the announcement that Hyperion is terminating its DiaPep277<sup>®</sup> programme; Evotec will take legal steps**

Hyperion Therapeutics, Inc. ("Hyperion") announced in September 2014 that it would be terminating the development of DiaPep277<sup>®</sup> for newly diagnosed Type 1 diabetes. Hyperion claimed that it had uncovered evidence that certain employees of the Israel-based Andromeda Biotech, Ltd. ("Andromeda"), which Hyperion acquired from the Israeli firm Clal Biotechnology Industries Ltd. ("Clal") in June 2014, engaged in serious misconduct involving the trial data of DiaPep277<sup>®</sup>. Evotec holds certain royalty and milestone rights on DiaPep277<sup>®</sup> and still has an open receivable against Andromeda, which amounts to € 3.4 m. After careful evaluation, Evotec will take legal steps against Andromeda to recover all Evotec claims and potential damages resulting from this misconduct.

**Further milestones achieved in TargetAD collaboration**

In September 2014, Evotec achieved further milestones in its TargetAD collaboration with Janssen for the identification and selection of additional targets from the TargetAD database. These target selections were achieved under the collaboration between Evotec and Janssen, facilitated by the Johnson & Johnson Innovation Center in California, signed in November 2013. Under the terms of the agreement, Janssen and Evotec are collaborating to identify new drug targets for discovery of novel treatment approaches to Alzheimer's disease.

**Public grants awarded to Evotec to develop new drug candidates to treat multiple sclerosis**

In September 2014, Evotec announced it had entered into three novel research projects for the treatment of multiple sclerosis ("MS") supported by research funds from the German Federal Ministry of Education and Research ("BMBF"). The projects originate from the Deutsches Rheuma-Forschungszentrum ("DRFZ"; an institute of the Leibniz Association) and the University Medical Center Hamburg-Eppendorf ("UKE") comprising cytokine regulation, neuroprotection and tolerance induction. Evotec will utilise its drug discovery platform, its project management capabilities and its market presence to identify drug candidates in these novel approaches to tackle MS and to commercialise these at a later stage. Current MS treatments mostly

constitute symptomatic approaches while more specific, well-differentiated disease-modifying treatment modes are eagerly looked for by the industry. The three projects have a term of between 1.5 and 3 years and have a total budget of about € 5 m.

#### **New collaboration with Fraunhofer IME in joint drug discovery programmes**

In July 2014, Evotec announced an exclusive strategic collaboration with the Fraunhofer Institute for Molecular Biology and Applied Ecology ("IME") in several disease areas by combining the relevant platforms of both organisations for internal and external drug discovery projects.

### ***3. Upgrading the drug discovery platform, enhancing innovation offering through acquisitions***

#### **Acquisition of Bionamics GmbH to accelerate 'EVT Innovate' strategy**

Signed in March 2014 and effective 01 April 2014, Evotec acquired the German-based company Bionamics GmbH ("Bionamics"), 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 (€ 0.5 m) and potential future earn-out payments amounting to € 0.4 m. The deferred earn-out payments will be due for a period of four years after the acquisition and are dependent upon the achievement of certain project revenues. In addition to an experienced management team, Bionamics brings a portfolio of fully funded projects that have potential upside for Evotec.

#### **Acquisition of Euprotec adds and expands expertise and capabilities in infectious diseases**

Effective 27 May 2014, Evotec acquired all of the shares in Euprotec Ltd ("Euprotec"), a UK-based specialist contract research organisation focusing on infectious disease drug discovery services. The acquisition of Euprotec strengthens Evotec's position as the quality leader in drug discovery services and creates a new disease franchise to accelerate Cure X and Target X initiatives. The purchase price consists of a cash consideration of £ 2.5 m and a potential deferred earn-out component of £ 1.25 m in cash. The deferred earn-out payments will be due for a period of two and a half years after the acquisition and are dependent upon the achievement of certain revenue targets. The integration of Euprotec into Evotec has been completed and already synergies across Evotec's business segments EVT Execute and EVT Innovate have been realised.

### ***4. Financial guidance for 2014 confirmed; important milestones expected for the remainder of the year***

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.

### Webcast/Conference Call

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

#### Conference call details

Date: **Wednesday, 12 November 2014**  
Time: **09.30 am CET (08.30 am GMT, 3.30 am EST)**

From Germany: +49 (0) 69 2017 44 210  
From UK: +44 20 7153 9154  
From USA: +1 877 423 0830  
Access Code: 129176#

A simultaneous slide presentation for participants dialling in *via phone* is available at <http://www.audio-webcast.com/> password: evotec1114.

#### Webcast details

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

A replay of the conference call will be available for 24 hours and can

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be accessed in Europe by dialling +49 69 2017 44 221 (Germany) or +44 20 3364 5200 (UK) and in the US by dialling +1 855 839 8920. The access code is 350788#. The on-demand version of the webcast will be available on our website:

<http://www.evotec.com/article/en/Investoren/Finanzberichte-2012-2014/238/6>.

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#### **ABOUT EVOTEC AG**

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

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