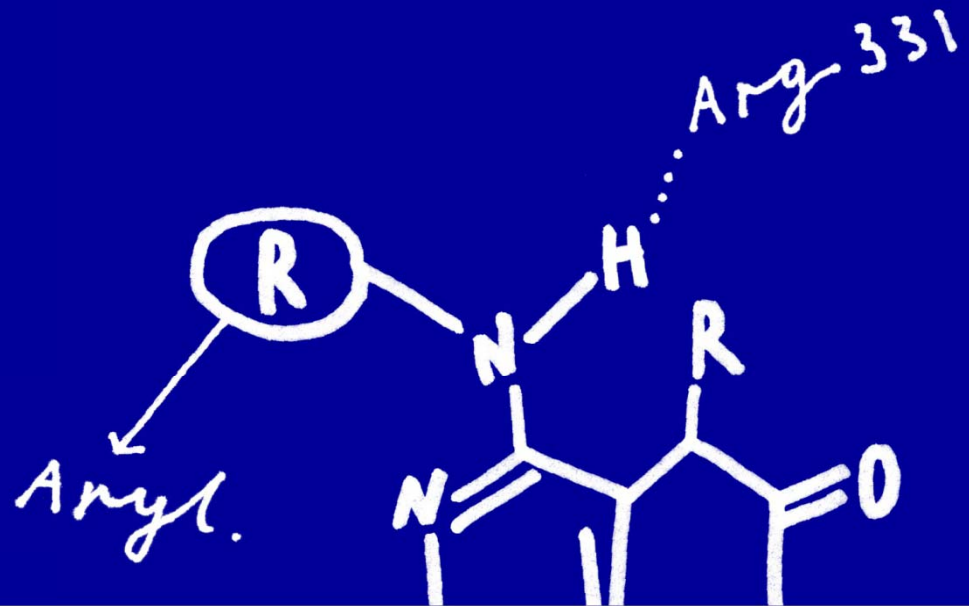


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# Q3 - nine months ended 2011 - Upside materialising



## Forward-looking statements

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*Information set forth in this presentation 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.*

# Welcome to Evotec!

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## Your management team

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**Werner Lanthaler, CEO\***



**Colin Bond, CFO\***



**Mario Polywka, COO**

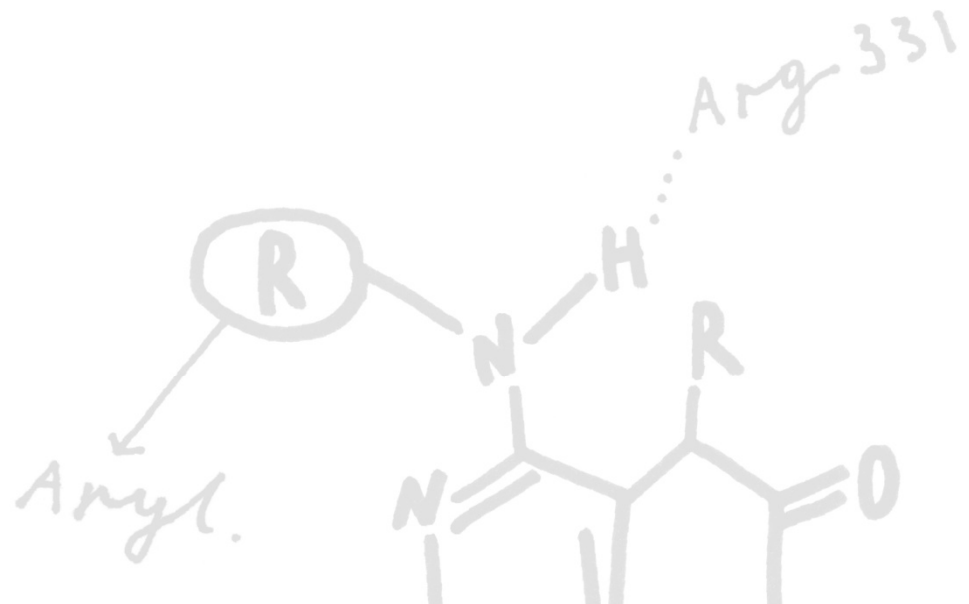


**Cord Dohrmann, CSO**

## Agenda

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- **Highlights Q3 2011**
- Update on drug discovery alliances & development partnerships
- Financial performance & initial growth outlook for 2012



# Strong base business paired with material upsides

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## Q3 2011 highlights

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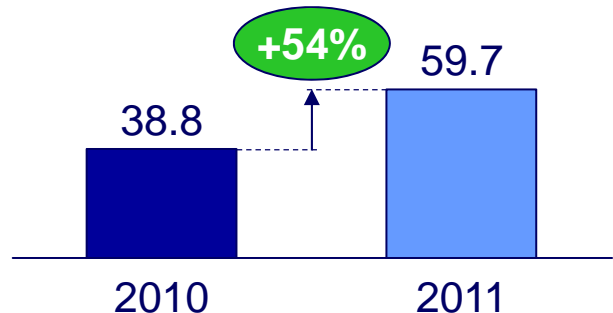
- 1 54% top-line growth, strongly improved profitability, strong gross margins, strong strategic cash position
- 2 New advanced Phase II product development alliance with Roche on EVT 302 (MAO-B inhibition) for Alzheimer's Disease (AD)
- 3 Two new strategic drug discovery alliances with UCB (one after period-end)
- 4 Strong performance in existing drug discovery alliances leading to significant scientific progress and significant milestones (e.g. BI, ONO, Shionogi)
- 5 Good progress in Phase III recruitment of DiaPep 277 in type 1 diabetes, Phase II animal health alliance, and other programs
- 6 Guidance for 2011 confirmed, strong outlook for 2012

# Strong profitable growth supported by AD deal

Key figures overview – Status first nine months 2011 vs. 2010

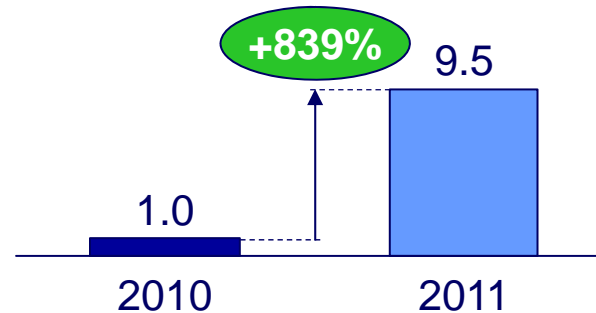
## Strong growth in discovery alliance business

in € m



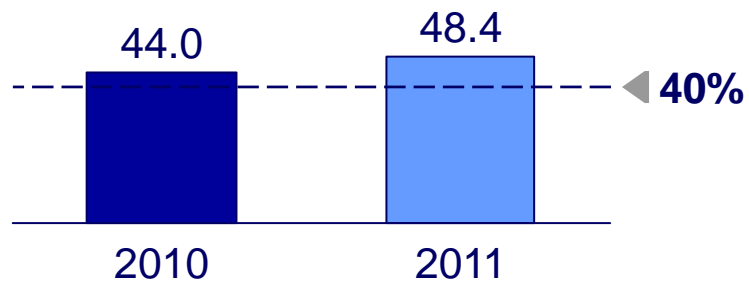
## Strong improvement of operating result

in € m



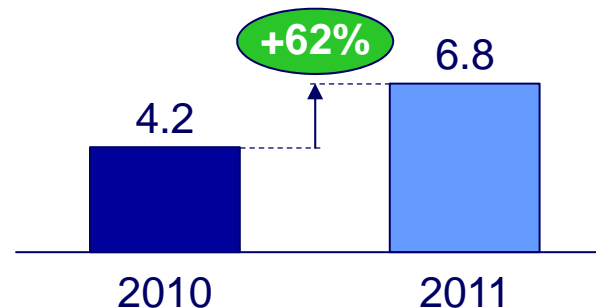
## Solid gross margins

in %



## Increased very focused R&D

in € m



# Two major new alliances impacting Q3 results

## Upside materialising

### EVT 401 antagonist licensed to top tier animal health company <sup>1)</sup>

#### About EVT 401:

- EVT 401 is a P2X7 antagonist, P2X7 is an ATP-gated ion channel that plays an important role in inflammatory processes



#### Deal terms:

- Technology-transfer payment, milestones, significant royalties <sup>2)</sup>

#### Development:

- Appr. 4 years to market, for market that represents appr. \$ 150 - 200 m opportunity - limited competition

#### Cost:

- All costs taken up by pharma partner

### EVT 302 MAO-B inhibitor licensed to Roche

#### About EVT 302:

- EVT 302 is an orally active, selective and reversible inhibitor of monoamine oxidase-B



#### Deal terms:

- USD 10 m upfront payment<sup>3)</sup>, upside through **USD 170 m** development and **USD 650 m** commercial milestones and **double-digit royalties**
- Programme represents an unique approach in AD in later stage development
- Roche committing substantial investment into Phase IIb to achieve proof-of-concept starting in 2012

#### Cost:

- All costs taken up by Roche

1) All use for human applications remains with Evotec

2) Deal-terms triggered need for reversal of impairment of €1,5 m in Q3 2011

3) All recognized in Q3 2011

# Expanding capacities, capabilities and upgrading organisation

## Preparation for further growth

### Building top-class capacities & capabilities

#### Evotec India – acquisition of 30% DIL

- Full ownership allows optimal growth strategy in India

#### Hamburg “Manfred Eigen Campus”

- New high-tech facilities allow for optimal growth in biology
- Long term Capex investments to secure and expand quality leadership of appr. € 8 - 10 m – largest quality initiative in company history

#### Acquisitions & integrations

- Kinaxo (Evotec Munich), Compound Focus (Evotec San Francisco)



### Building long-term leadership in focused innovation themes

#### Top-class beta cell team and platform

- Evotec & Harvard combine best of academia with leading drug discovery process

CURE $\beta$

#### Systematic, unbiased and comprehensive search for targets

- Identify physiological mechanisms that control beta cell mass
- Conduct mechanism-based screens for path-ways and genes controlling beta cell mass

#### Select biologically most relevant targets

- Small molecules, biologicals, peptides...

#### Cost:

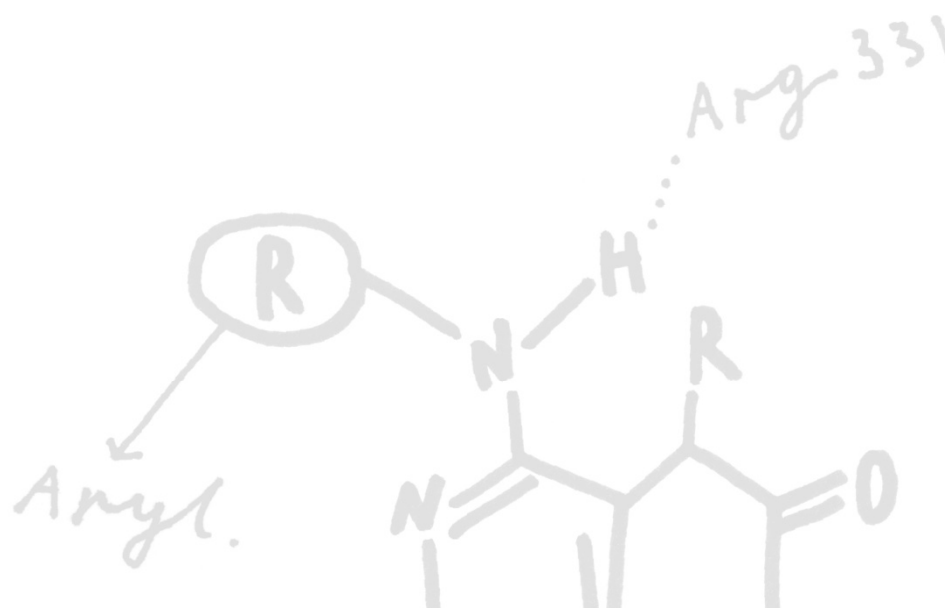
- Costs shared between Harvard and Evotec



## Agenda

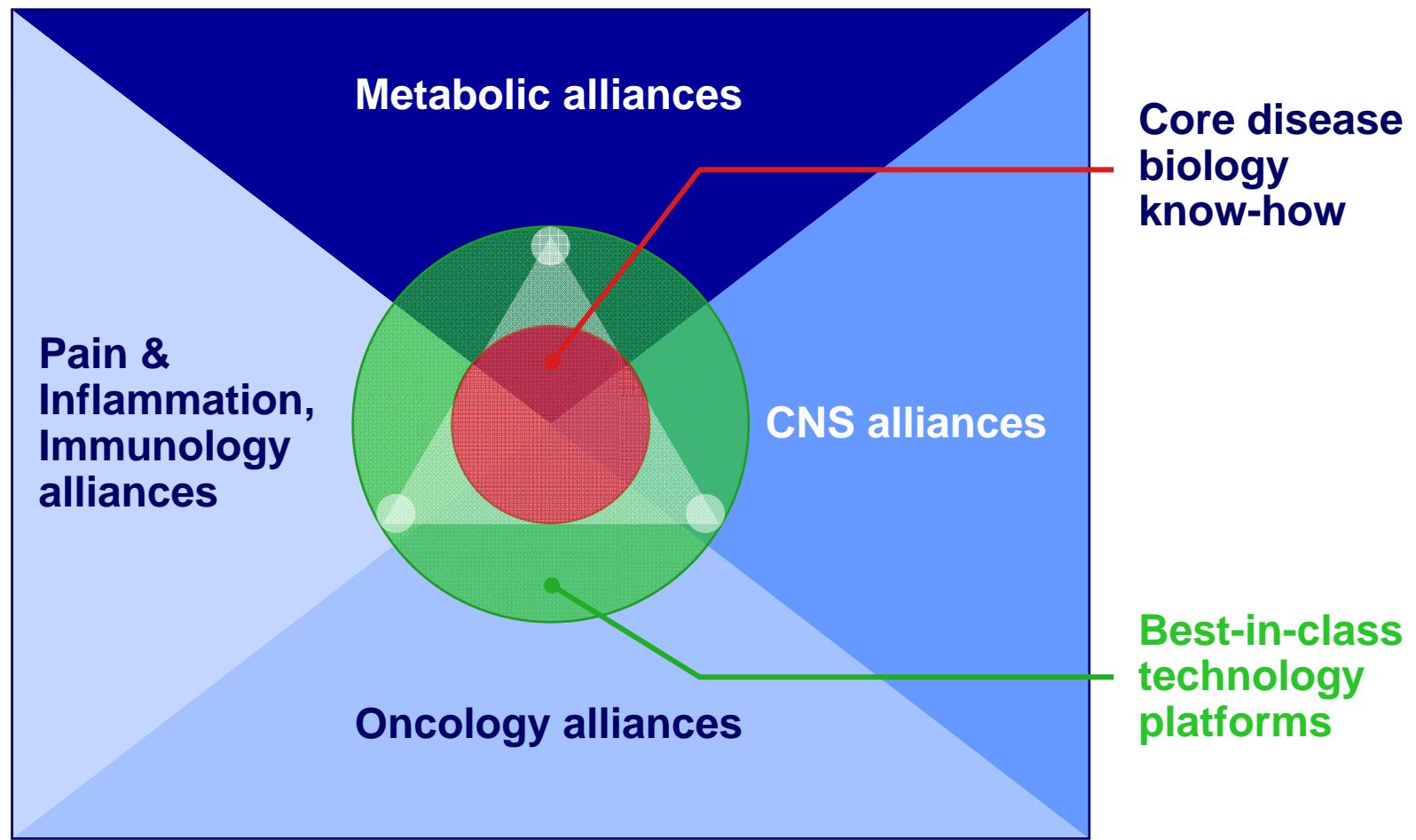
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- Highlights Q3 2011
- **Update on drug discovery alliances & development partnerships**
- Financial performance & initial growth outlook for 2012









# Drug discovery alliances & more

Our business model







# New UCB alliances underpin quality leadership

## Selected drug discovery alliances

Partners	Focus area	Upside for Evotec	Description / Highlights
	Oncology, pain, inflammation	+++	Performance-based, multi-target, long-term alliance; significant milestones achieved
	Huntington disease	++	Long-term alliance, focused on the fight against Huntington disease
	Various	++	Long-term alliance, focused on multiple targets
	1. CNS 2. Immunology	++	Performance-based, long-term alliance, focused on CNS targets, expanded into immunology
	Pain	++	Performance-based alliance, focused on pain
	Various	++	Performance-based, multi-target long-term alliance








# Upside through performance-based business model

## Selected integrated drug discovery alliances

Partners	Focus area	Upside for Evotec	Description
	Metabolics, insulin sensitizer	++++	Diabetes, obesity and metabolic syndrome Research funding, € 7 m upfront, > € 230 m milestones, royalties
	BetaCell technology	++++	Type 1 and 2 diabetes, targeting beta cell mass, Research funding, € 5 m upfront, > € 250 m milestones, royalties
	Pain	+++	VR1 Antagonist, performance-based alliance, > \$ 170 m milestones, royalties
	Response prediction	++	Performance-based alliance, focused on development of response predicting biomarkers; undisclosed financials

# Alliances for clinical pipeline without risk

## Portfolio of product development partnerships

Indication	Partner	Status	Upside for Evotec	Next milestone
Type 1 diabetes <sup>1)</sup>	 	Phase III	+++	Phase III data 2012
Alzheimer s disease 		Phase II	+++++	Phase IIb initiation in 2012
Treatment resistant depression (TRD)	open	Phase II	+++	New partnering initiative
Insomnia <sup>2)</sup>		Phase II	++	Phase IIb start
Pain		Phase I	++	Phase II start
Animal health / inflammatory diseases	 (undisclosed)	Phase I/II	+++	Phase II start in 2012
CNS; pain, UI, others <sup>3)</sup>	open	Pre-clinical	+++	Phase I / partnering

1) DiaPep277 is being developed by Andromeda Biotech Ltd and has been partnered with TEVA Pharmaceuticals Industries Ltd

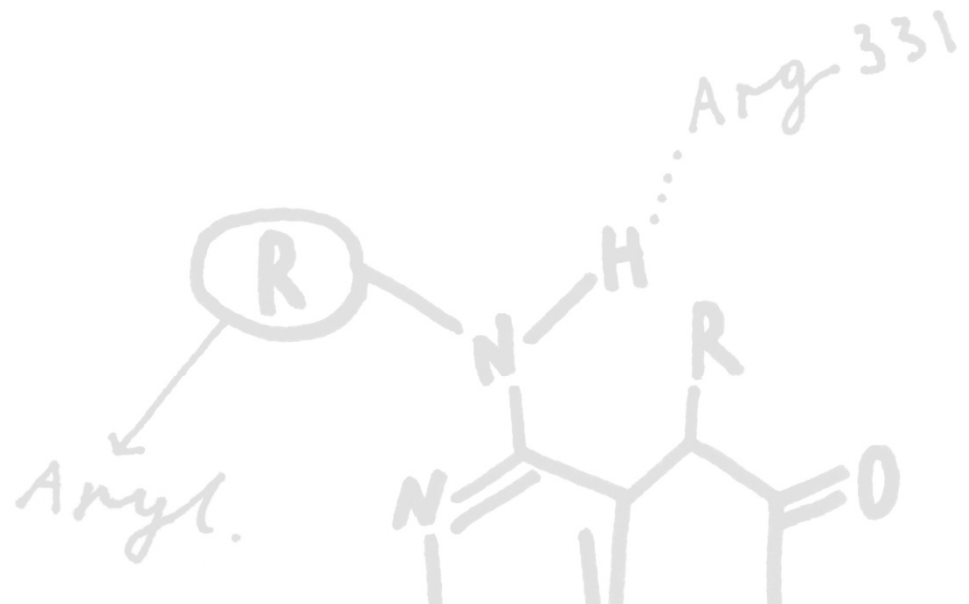
2) Chinese rights only; safety and Phase IIb study planned starting 2011

3) EVT 501(H3), P2X3, ...

## Agenda

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- Highlights Q3 2011
- Update on drug discovery alliances & development partnerships
- **Financial performance & growth outlook 2012**



## Operating and net income significantly improved

First 9 months 2011: Condensed consolidated statement of operations (IFRS)

in €m

	Ytd Q3 2010	Ytd Q3 2011	% vs. 2010
Revenues	38.8	<b>59.7</b>	+54%
Gross margin	44.0%	<b>48.4%</b>	
• R&D expenses	4.2	<b>6.8</b>	+62%
• SG&A expenses	11.6	<b>11.5</b>	
• Amortisation	0.3	<b>1.2</b> <sup>1)</sup>	
• Reversal of impairment	0.0	<b>(1.5)</b> <sup>2)</sup>	
• Other op. (income) expenses, net	0.0	<b>1.4</b>	
<b>Operating income</b>	<b>1.0</b>	<b>9.5</b>	
<b>Net income</b>	<b>0.7</b>	<b>9.2</b>	

## Profitability in DAB and one-time effects support Q3

Q3 2011: Condensed consolidation statement of operations (IFRS)

in €m

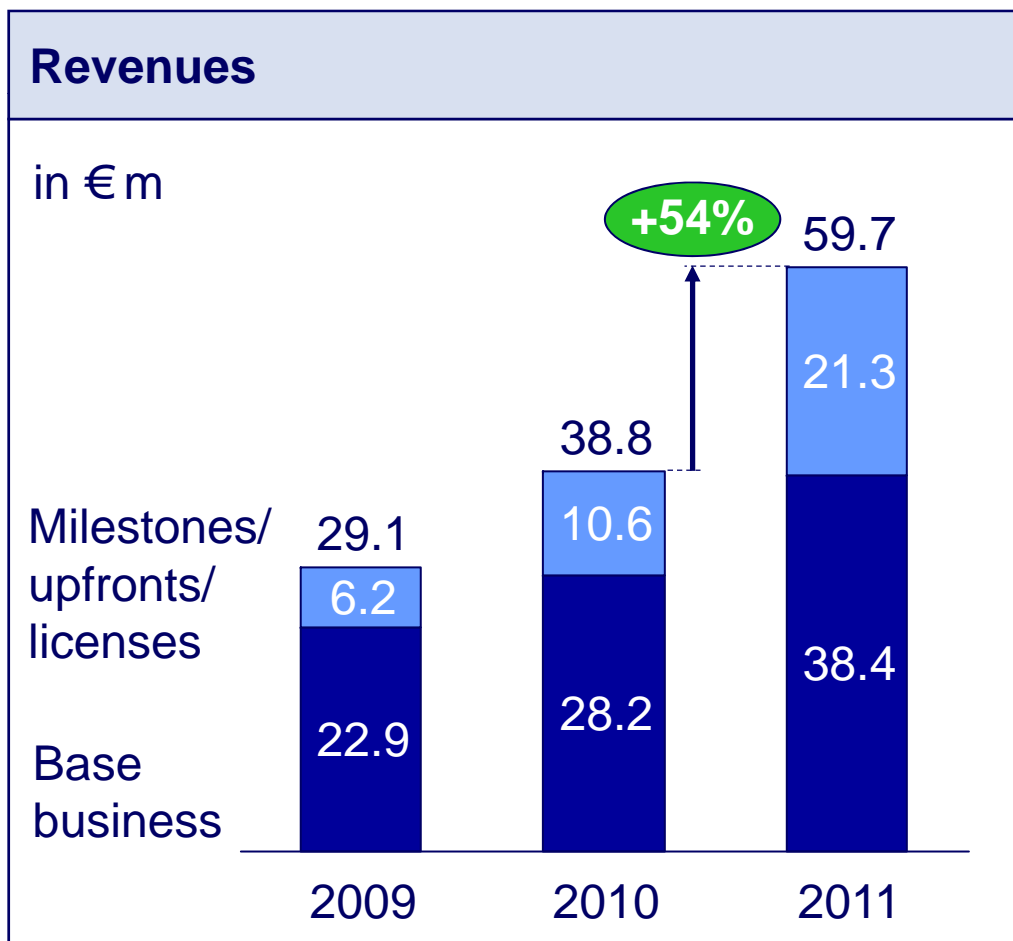
	Q3 2010	Q3 2011	% vs. 2010
Revenues	13.9	26.3	+90%
Gross margin	42.0%	54.8%	
• R&D expenses	1.2	2.1	+70%
• SG&A expenses	3.9	3.9	
• Amortisation	0.0	0.6 <sup>1)</sup>	
• Reversal of impairment	0.0	(1.5) <sup>2)</sup>	
• Other op. (income) expenses, net	0.0	0.7	
<b>Operating income</b>	<b>0.7</b>	<b>8.6</b>	
<b>Net income</b>	<b>0.6</b>	<b>8.4</b>	



# Strong growth and solid gross margins

Revenues & gross margins for the first nine months 2011

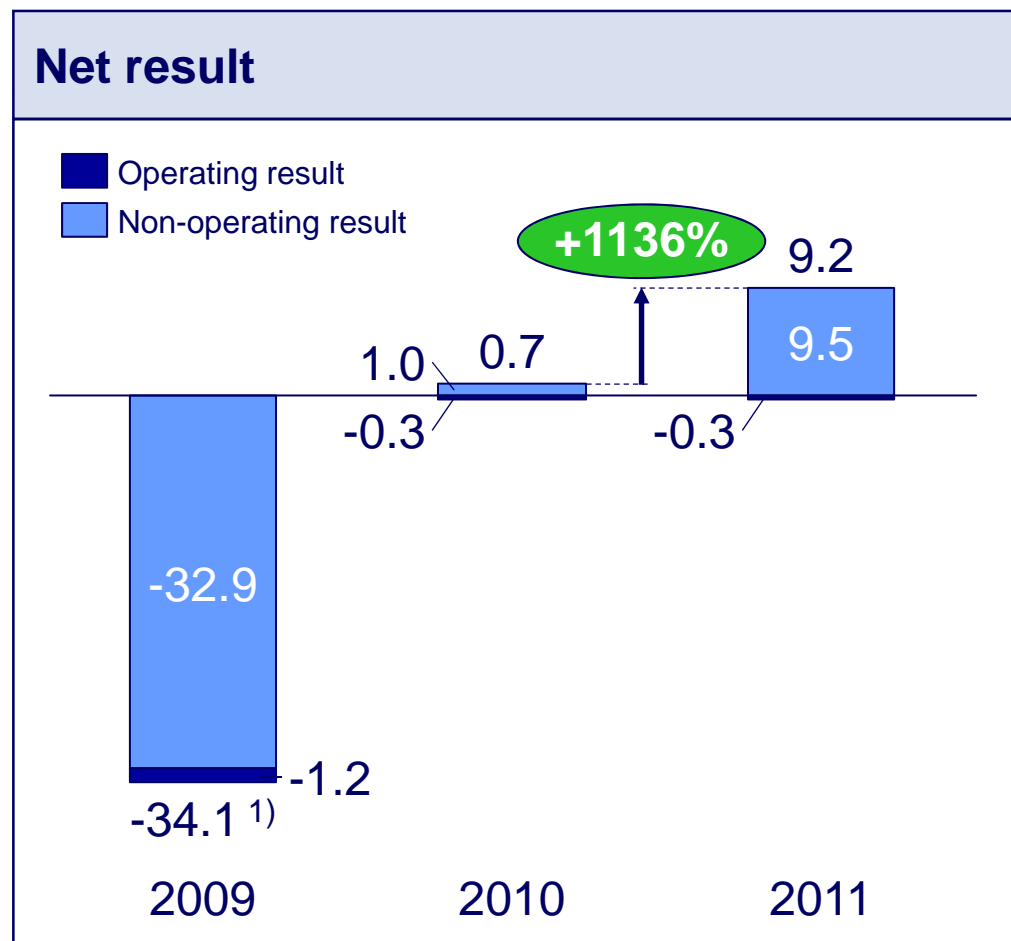
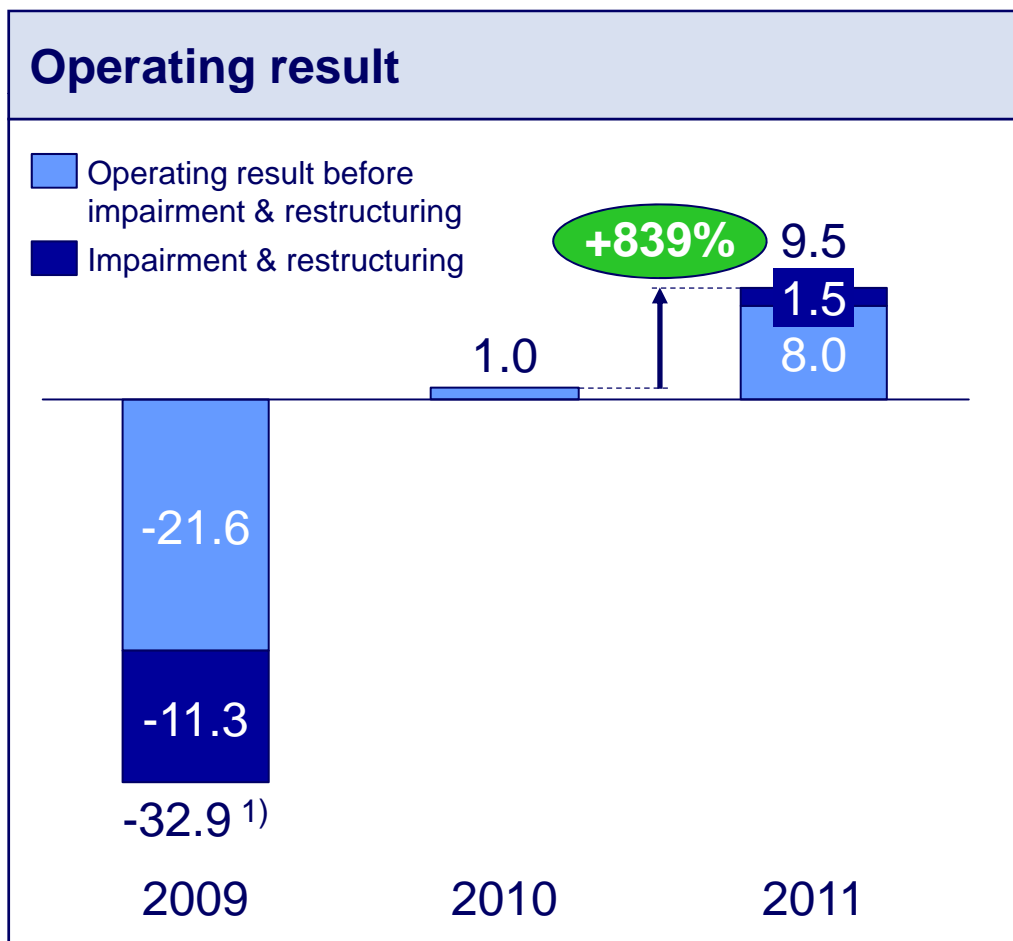
in € m



# Operating profit of €9.5 m, net profit €9.2 m

Results for the first nine months 2011

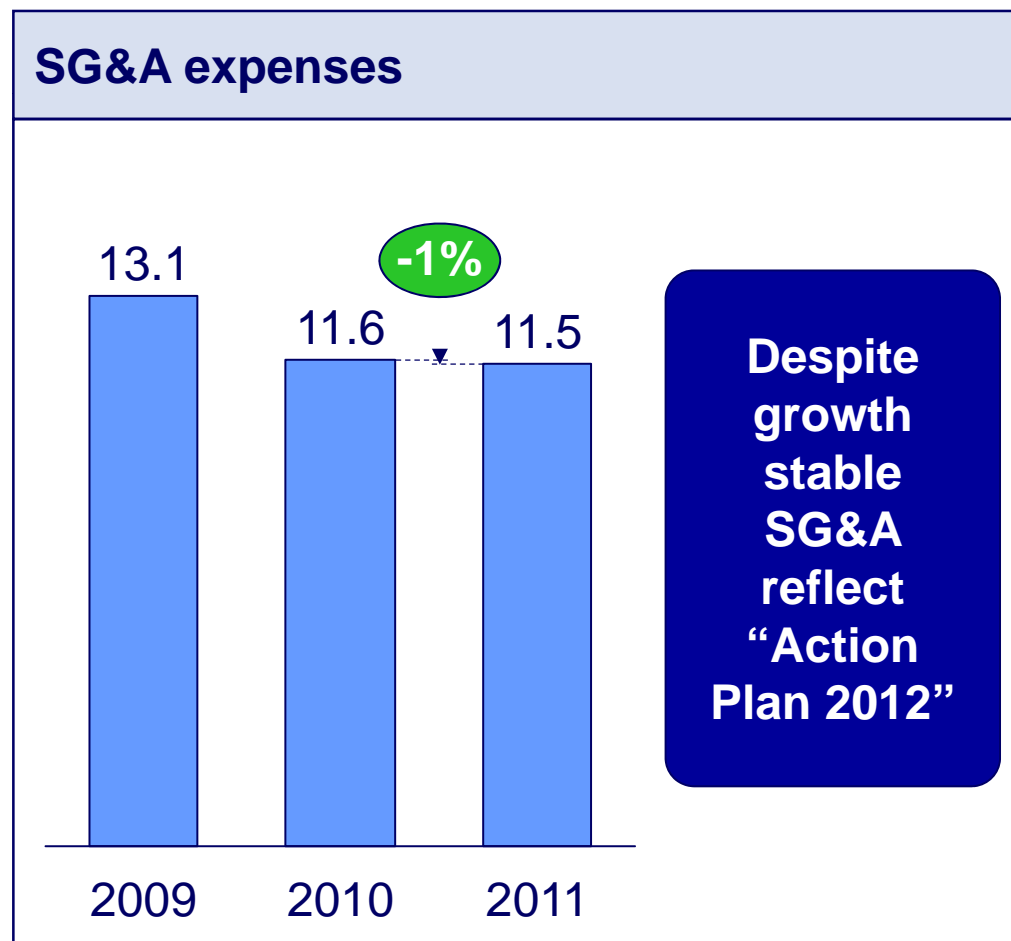
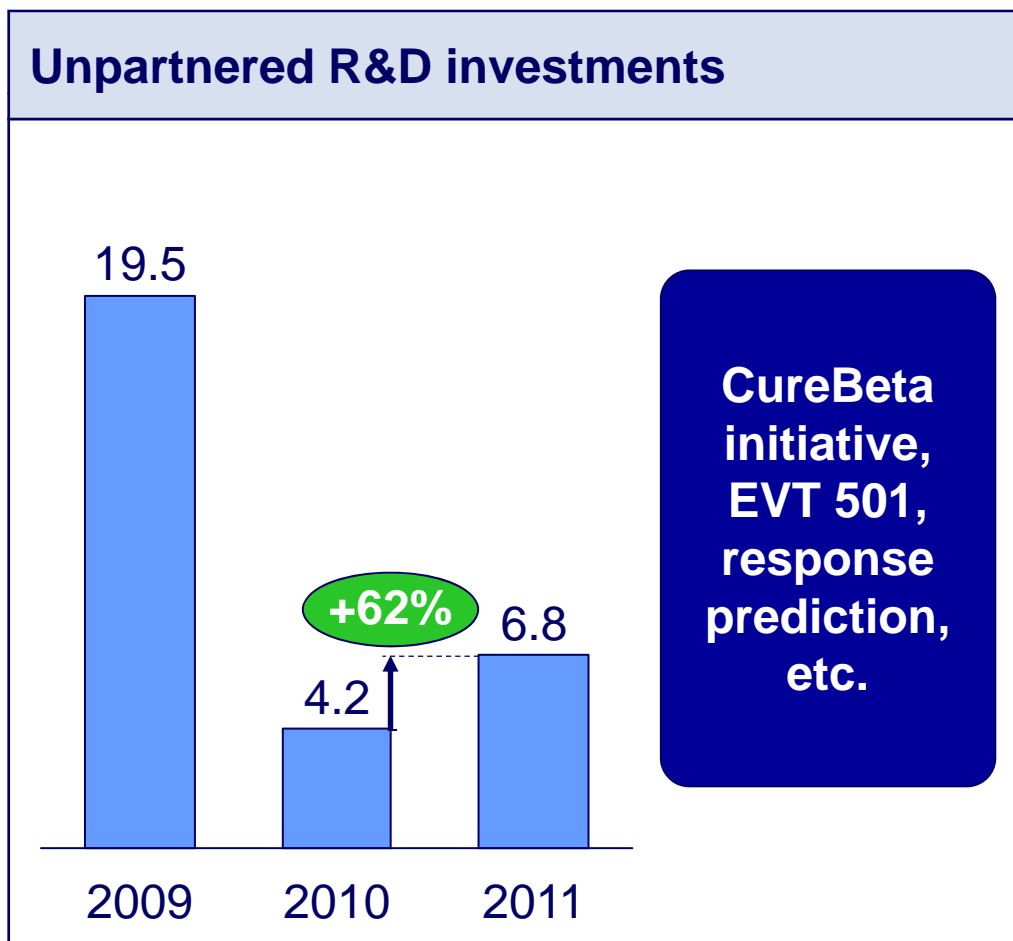
in € m



# Focused R&D investments for long-term growth, stable SG&A expenses

First nine months 2011: R&D and SG&A

in €m



## Operating cash flow well under control

First 9 months 2011: Condensed consolidated statements of cash flows (IFRS)

Liquidity in € m

	Q3 2010 <sup>1)</sup>	Q3 2011 <sup>1)</sup>
Net cash provided by (used in)		
• <b>Operating activities</b>	<b>-1.7</b>	<b>9.1</b>
• <b>Investing activities</b>	<b>-12.7</b>	<b>-3.2</b>
• <b>Financing activities</b>	<b>-0.4</b>	<b>-0.8</b>
Exchange rate difference	0.7	0.2
<b>Cash and cash equivalents at end of period</b>	<b>18.8</b>	<b>26.3</b>
• Investments	51.4	34.1
Liquidity at beginning of period	70.6	70.4
<b>Net increase/decrease in liquidity</b>	<b>-0.4</b>	<b>-10.0</b>
<b>Liquidity at end of period</b>	<b>70.2</b>	<b>60.4</b>

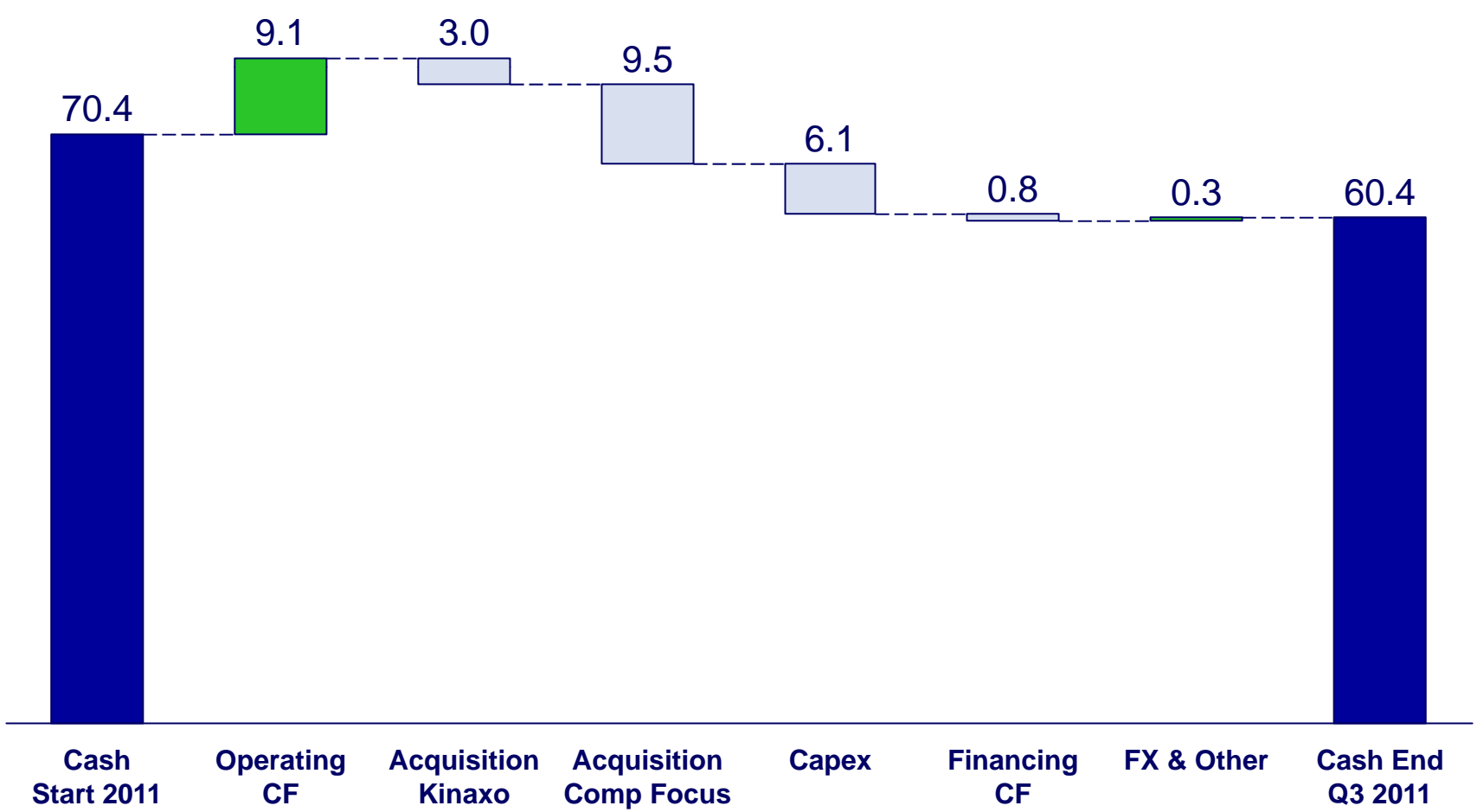
- Cash generative operating result

- Includes acquisitions of € 12.5 m <sup>2)</sup>
- Includes significant Capex investments of € 6.1 m
- Partially financed by sale of current investments

# Investments based on cash generating business

## Cash development for the first nine months 2011

in € m



**Acquisitions:**

- Kinaxo € 3 m
- Compound Focus €9.5 m <sup>1)</sup>

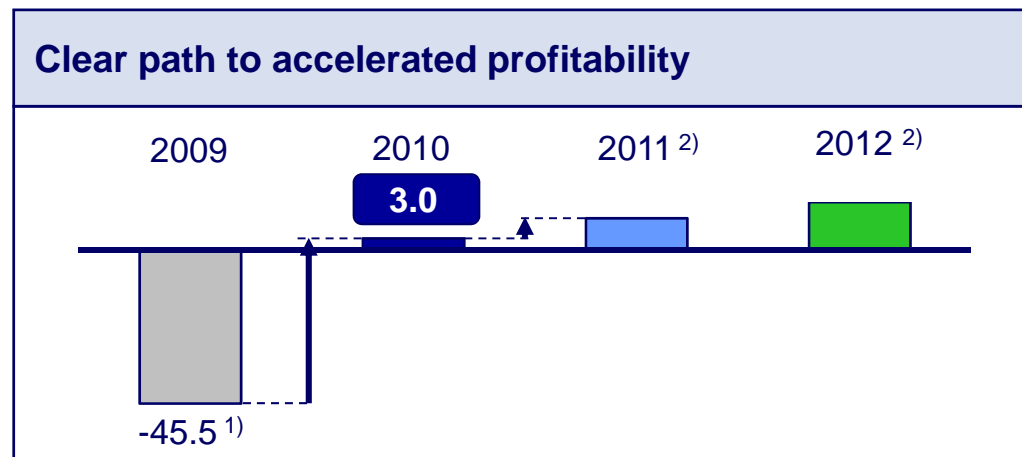
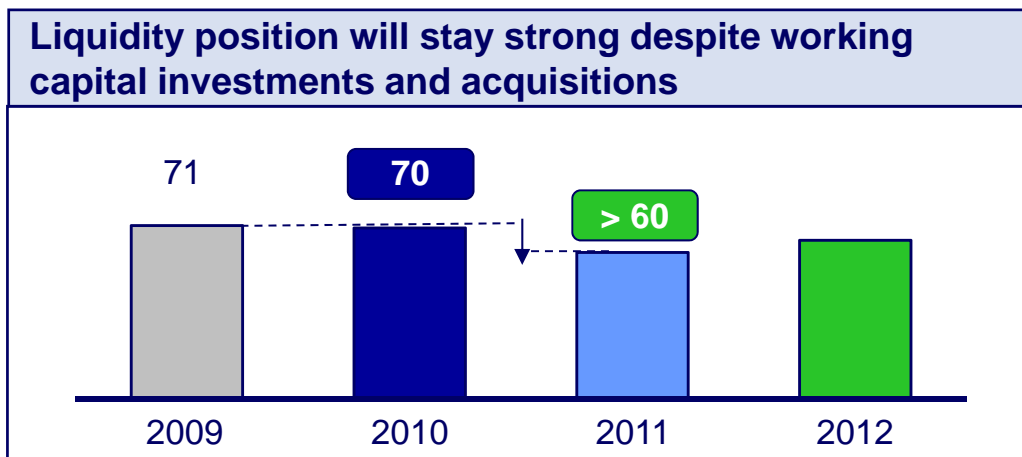
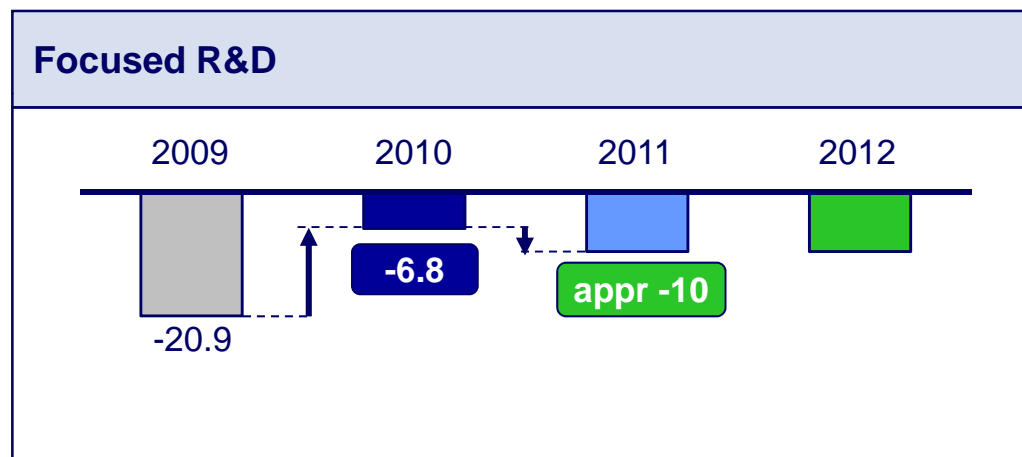
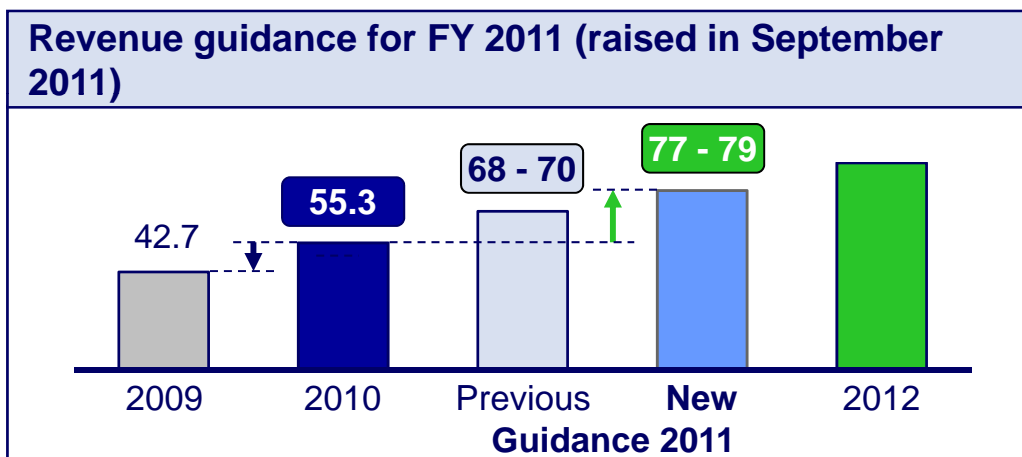
**2011 Guidance**  
 High tech up-  
 grading initiative  
 appr. €8 - 10 m

1) Compound Focus: € 10.3m initial purchase price minus € 0.8m working capital adjustment

# Guidance confirmed

## Overview – Growth parameters

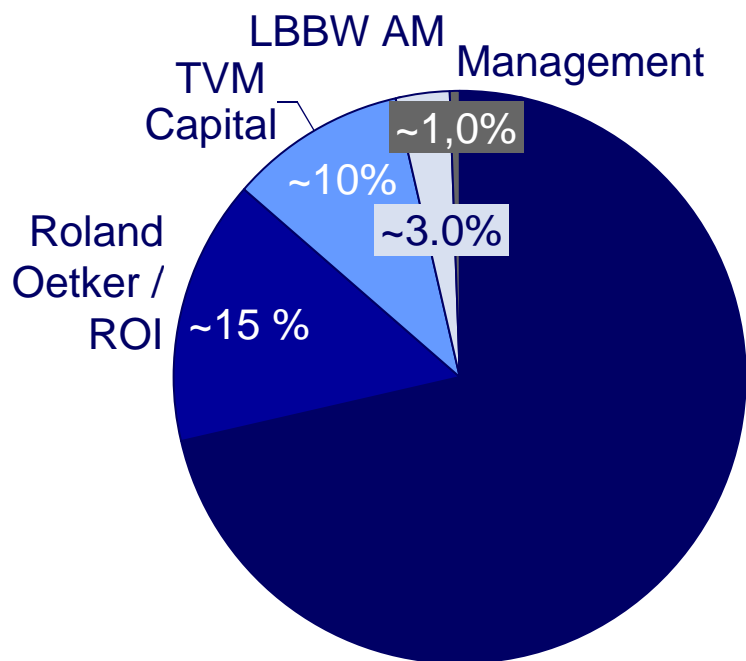
in € m



1) Including impairment and restructuring expenses of € 22.7m  
 2) Net income before extraordinary effects

# Scientific hiring initiative continued into 2012

## Shareholder structure & company growth in 2011

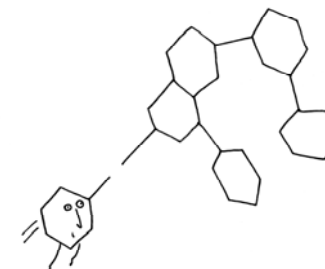


- **Number of shares:** 118.2 m
- **Listing:** Frankfurt TecDAX, OTCBB
- **52 week high/low:** €3.48 / €1.62

### More than 600 Evotec employees worldwide

#### Organic growth

During the first nine months headcount increased by 84 people, mainly due to acquisitions and new hires to support growth of discovery alliances



#### Upgrading organisation

Top-class talent joining Evotec, e.g. Dr Arnd Steuernagel as SVP Biologics, former CSO of Scil Proteins GmbH, and Dr Dirk Ullmann, as EVP Lead Discovery former CSO of Proteros biostructures GmbH

# Action Plan 2012 getting close to completion<sup>1)</sup>

## Key performance indicators – status Q3 2011

Key parameters		Better	Neutral	Worse		
		+2	+1	0	-1	-2
<b>Defend and expand discovery alliances</b>	• Overall cost impact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Status of order book	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Extension of technology offering	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Extension of customer reach	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Focus on high value development programmes</b>	• Value of supported own programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Status of clinical progress	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Value of partnered programmes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Number of INDs	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Balance risk for sustainable growth</b>	• Costs in unpartnered research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Milestone/upfront income	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Alliance formation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• Overall cash reach & path to profitability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



# Strong news flow to come

## Overview

### Key milestones

- 1** **Grow discovery alliances, build joint innovation alliances**
  - Build at least two significant new integrated DAB alliances (e.g. UCB) ✓
  - Deliver significant and accelerated preclinical/clinical milestones ✓
  - Show expansion success of existing alliances (e.g. ONO) ✓
  - Show operational synergies of acquisitions ✓
- 2** **Generate optimal pipeline progress & biotech values**
  - At least 1 strategic deal for an early asset (P2x7 and EVT 302) ✓
  - Generate more innovation upsides (e.g. Harvard cooperation, ...) ✓
  - Partner further clinical, pre-clinical assets (e.g. EVT 101, P2x3) ✓
- 3** **Manage innovation and path to profitability**
  - Prepare growth of revenues by more than 15% y-o-y into 2012ff
  - Build profitability, without infringing innovation power
  - Keep strong strategic cash position

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