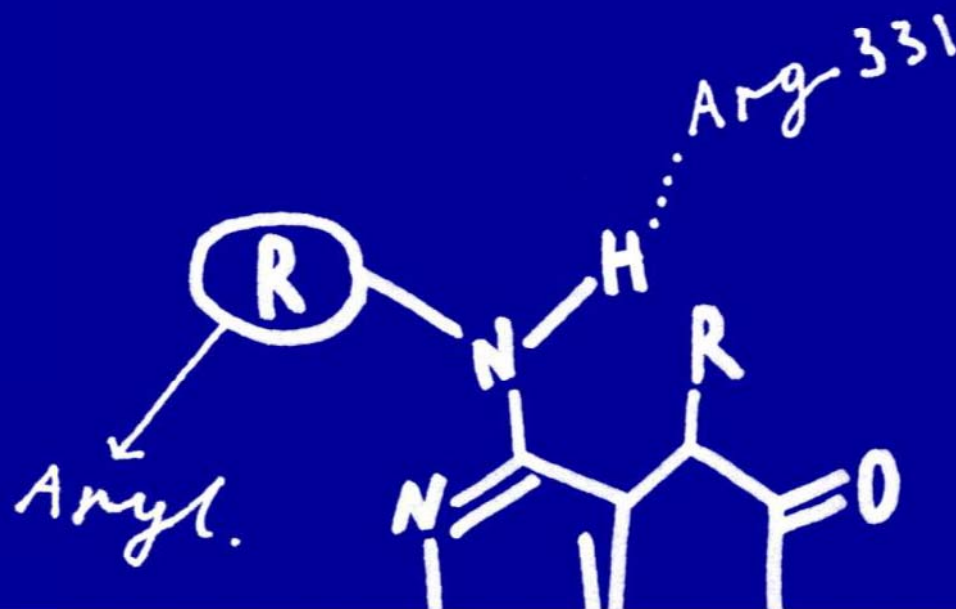


## **ACTION PLAN 2016**

*Innovation Efficiency*

# Action Plan 2016 – Gaining Momentum



## 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 presentation. 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\***

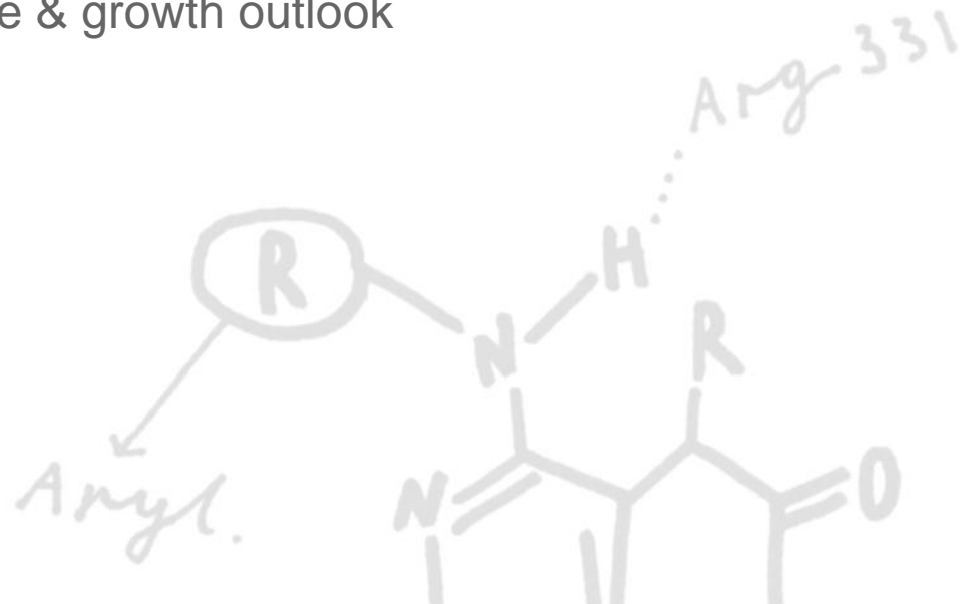


**Cord Dohrmann, CSO\***

# Agenda

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- **Highlights Q3 2012**
- Action Plan 2016 – Innovation Efficiency
  - EVT Execute
  - EVT Integrate
  - EVT Innovate
- Financial performance & growth outlook



# Action Plan 2016 – Gaining Momentum

## Highlights Q3 2012

Group revenues +8% to €64.2 m, positive operating result YTD and in Q3

### EVT Execute:

- 1 • Multi-year compound management agreement with NIH, value of up to €60 m
- Contract extension with CHDI; worth up to US\$ 41 m in research payments\*

### EVT Integrate:

- 2 • Good progress in ongoing discovery alliances highlighted by recent milestone achievements with Boehringer Ingelheim and Novartis
- Five-year, multi-target collaboration with Bayer to fight Endometriosis\* (targets provided by Bayer)

### EVT Innovate:

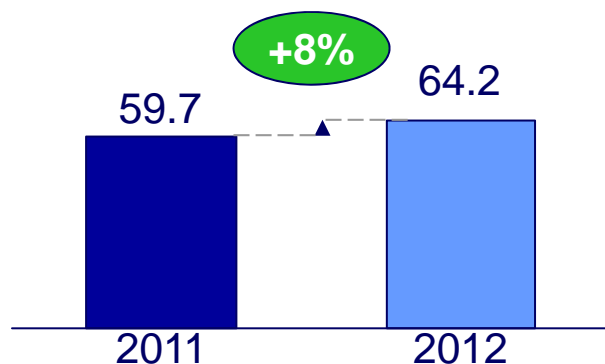
- 3 • **CureBeta**, a collaboration between Evotec and Harvard University enters strategic alliance with Janssen Pharmaceuticals
- DiaPep277 completed patient recruitment in its Phase III clinical trial in Diabetes Type 1
- Roche starts Phase II clinical trial with EVT 302 in Alzheimer's disease
- Strategic advisory agreement with Aspireo to partner Somatoprim
- Five-year, multi-target collaboration with Bayer to fight Endometriosis\* (targets provided by Evotec)

# Strong Growth in Revenue

Key figures overview – Status first nine months 2012 vs 2011

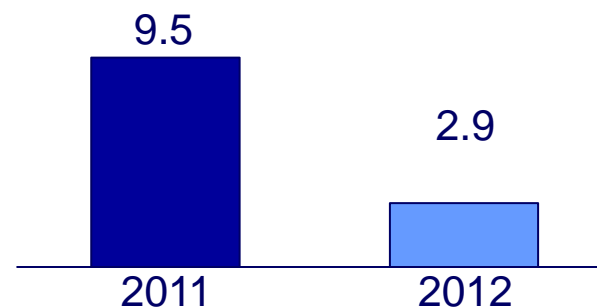
## Strong underlying growth with new revenue mix

in € m



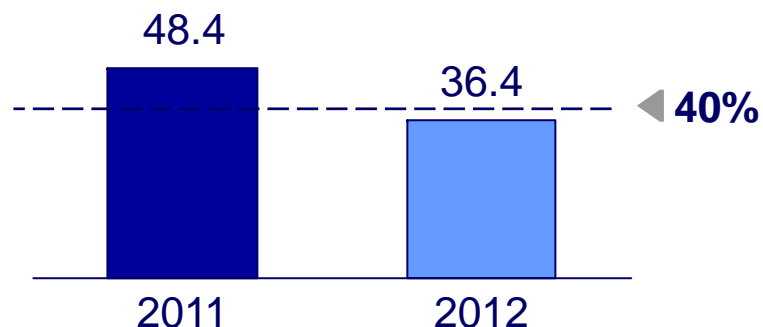
## Reduction of operating result due to exceptional Q3 in 2011

in € m



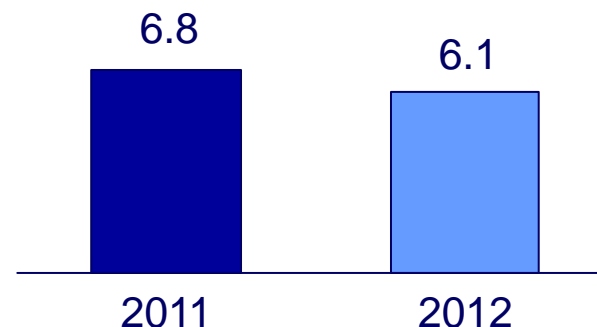
## Gross margins reflect growth and investment in EVT Execute

in %



## Maintenance of focused R for first-in-class innovation

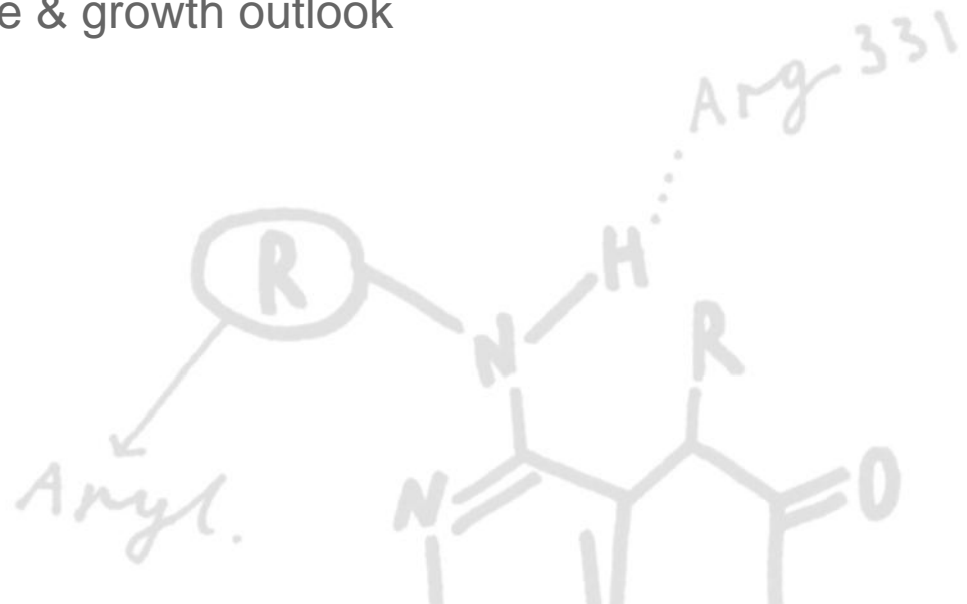
in € m



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# Innovation Efficiency – a reminder

Action Plan 2016

## 3 EVT Innovate

- **Product *Development* Partnerships and *Cure X* Initiatives**
- First-in-class discovery and product developments
- Investments for upfronts, higher milestones and higher royalties

## 2 EVT Integrate

- **Integrated drug discovery alliances on partner targets**
- Best-in-class integrated drug discovery projects
- Risk-shared performance-based alliances with research fees, milestones and royalties

## 1 EVT Execute

- **Stand-alone screening, medicinal chemistry, compound management, compound profiling, ...**
- Highest quality solution tools and processes
- No risk exposure, lower margin, but long-term repeat business and built up of infrastructure

# Broad stand alone execution business

## Comprehensive Drug Discovery Platform – “EVO Apps”



**Project management & processes deliver up to 30% faster execution**

**30% cost reduction versus pharma internal costs – accessed on a variable basis**

# Highest quality outsourcing services

## EVT Execute – Major milestones and actions for H2

**1** Improved gross margins in core activities such as protein production, counter screening, *in vitro* pharmacology

**2** Major contract won with NIH in compound management

**3** Three-year extension of CHDI contract<sup>1</sup>

**4** Expansion of EVT Execute capabilities strengthen risk shared initiatives

# “Faster to Decisions“ Integrate business model aligns incentives of both parties

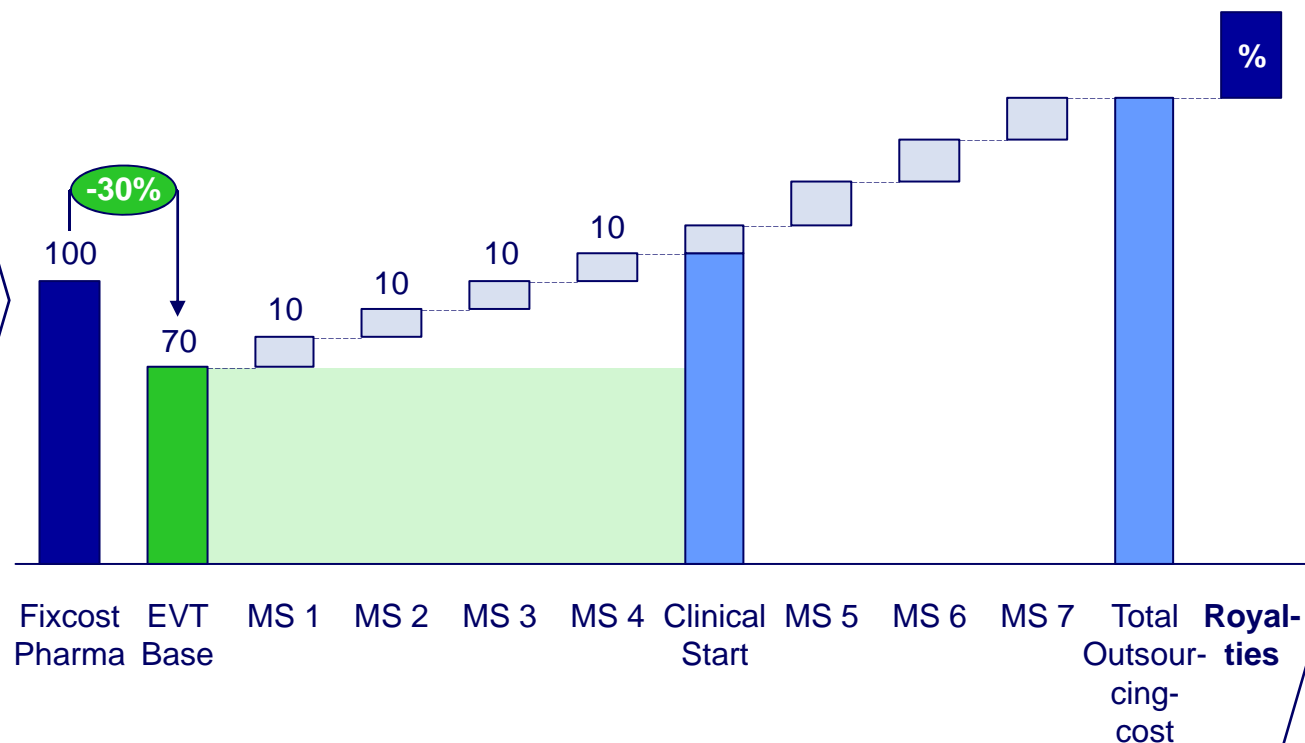
## Business model

### Examples of integrated alliances



### Milestones and royalties create significant long-term upside

*Illustrative*



# Building an even stronger portfolio of upside opportunities

## EVT Integrate – Major milestones and actions for H2

---

1

**Expansion of portfolio with strategic multi-target alliance (Bayer)**

2

**Further milestone achievements in ongoing alliances, e.g. with Boehringer Ingelheim, Novartis**

3

**Expansion of customer reach to even more biotech, mid-sized and large pharma customers**

# Integrated discovery agreement with Bayer

Long-term potential from early assets and pain expertise

## About the collaboration

- Five-year, multi-target collaboration with Bayer
- Focused on novel treatments for endometriosis
- Goal of developing three clinical candidates

## Deal terms

- Upfront payment of € 12 m
- Potential preclinical, clinical and sales milestones of up to approximately € 580 m
- Potential royalties of up to low double-digit percent

## Development

- Both parties contribute innovative drug targets and high quality technology infrastructures
- Share the responsibility for pre-clinical research characterisation of potential clinical candidates
- Bayer is responsible for all clinical development

# A strategic pharma portfolio without financial risk

## EVT Innovate – clinical assets

Indication	Partner	Status	Next milestone	Commercials
Diabetes <sup>1)</sup>	<b>TEVA / Andromeda</b>	2 <sup>nd</sup> Phase III recruitment closed	Final Phase III data	Approx. € 40 m milestones, royalties; potential market approx. € 500 m
Alzheimer's Disease <sup>2)</sup>	<b>Roche</b>	Start Phase II	Completion of Phase II Phase III start	Approx. \$ 820 m milestones, royalties; potential market \$ 3-5 bn
Treatment resistant depression <sup>3)</sup>	<b>Open</b>	Phase II	New partnering	Open
Insomnia <sup>4)</sup>	<b>Jingxin</b>	Phase II	Phase IIb start	Milestones, royalties
Inflammation <sup>5)</sup>	<b>Conba</b>	Phase I / II	Phase II start	Approx. € 60 m milestones, royalties
Inflammation in animal health <sup>6)</sup>		Phase I/II	Development stopped	Milestones, royalties
Acromegaly, Diabetic Retinopathy, others	<b>Aspireo</b>	Phase I	Partnering	Advisory fees; royalties on Somatoprim

**NEW**

# Driving value through commercial network

## Aspireo agreement

### About the collaboration

- Strategic advisory agreement
- Support development and partnering of Aspireo's Somatoprim

### Deal terms

- Advisory fees and participation in economic success of Somatoprim

### Development

- Somatoprim (DG3173) is a new molecular entity somatostatin analogue
- Unique, potentially best-in-class, pharmacological profile
- Possible indications include acromegaly, carcinoid tumours, and Cushing's disease
- Somatoprim is currently in phase I of clinical development

# Enhancing the scope of the pharmaceutical portfolio

## EVT Innovate and EVT Integrate - early assets

Indication	Partner	Status	Next milestone	Commercials
Endometriosis	Bayer	Pre-clinical	Pre-clinical	Upfront € 12 m; total value up to approx. € 580 m; royalties <b>NEW</b>
Undisclosed	Novartis	Pre-clinical	Phase II completion	Upfront payment, research funding milestone payments and royalties
Various	Boehringer Ingelheim	Pre-clinical	Clinical candidate	Milestone payment, royalties
Pain	Pfizer	Pre-clinical	Phase I start	Milestones more than \$ 170 m, double-digit royalties
Type 2 Diabetes Insulin Sensitizer	Boehringer Ingelheim	Research	Pre-clinical	Up to € 237 m milestones, significant royalties
<b>CureBeta</b> Type 1 and 2 Diabetes	Janssen Pharmaceuticals	Research	Pre-clinical	Upfront \$ 8 m; research payment; up to \$ 300 m milestones per product; royalties <b>NEW</b>
Type 1 and 2 Diabetes EVT 770	MedImmune/ AstraZenca	Research	Pre-clinical	Up to € 254 m milestones, significant royalties
<b>CureNephron</b> Kidney diseases	Harvard	Research	Partnering	Open

# CUREBETA rolled over into Janssen deal

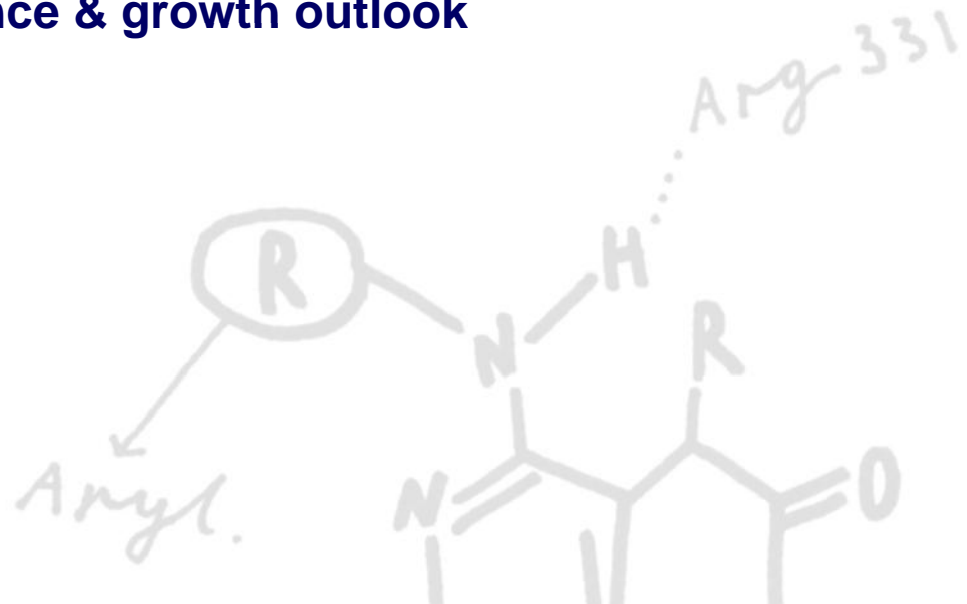
“Win – Win – Win” situation

<b>CureBeta terms</b>	<ul style="list-style-type: none"> <li>• Upfront \$ 8 m, potential milestones up to \$ 200 - 300 m per product (pre-clinical, clinical, regulatory, commercial)</li> <li>• Significant royalties</li> <li>• Research payments</li> </ul>
<b>Win/Win/Win alliance</b>	<ul style="list-style-type: none"> <li>• <b>Janssen:</b> Accessing first-in-class biologics and small molecule discovery and development platform and expertise in diabetes</li> <li>• <b>Evotec:</b> Expanding leadership in beta cell regeneration – highly systematic, unbiased and comprehensive approach to beta cell replication</li> <li>• <b>Harvard:</b> Accelerating development of innovative science with big commercial upside</li> </ul>
<b>Starting point for innovation efficiency and external innovation</b>	<ul style="list-style-type: none"> <li>• Optimal translational strategy for academia or early biotech ideas as targets get immediately on pharma grade infrastructures</li> <li>• Unique deal approach finding traction with Pharma</li> </ul>

## Agenda

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- Highlights Q3 2012
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  - EVT Innovate
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## The momentum of H1 maintained into Q3

First 9 months 2012: Condensed consolidated statement of operations (IFRS)

in € m

	Ytd Q3 2012	Ytd Q3 2011	% vs. 2011
Revenues	64.2	59.7 <sup>1)</sup>	8%
Gross margin	36.4%	48.4%	
• R&D expenses	6.1	6.8	(10%)
• SG&A expenses	12.3	11.5	7%
• Amortisation	2.0	1.2 <sup>2)</sup>	
• Reversal of impairment	-	(1.5) <sup>3)</sup>	
• Other op. (income) expenses, net	0.2	1.4	
<b>Operating income</b>	<b>2.9</b>	<b>9.5</b>	<b>(70%)</b>
<b>Net income</b>	<b>7.5</b>	<b>9.2</b>	<b>(18%)</b>

# Strong Q3 2012 despite conservative recognition of CureBeta deal

Q3 2012: Condensed consolidated statement of operations (IFRS)

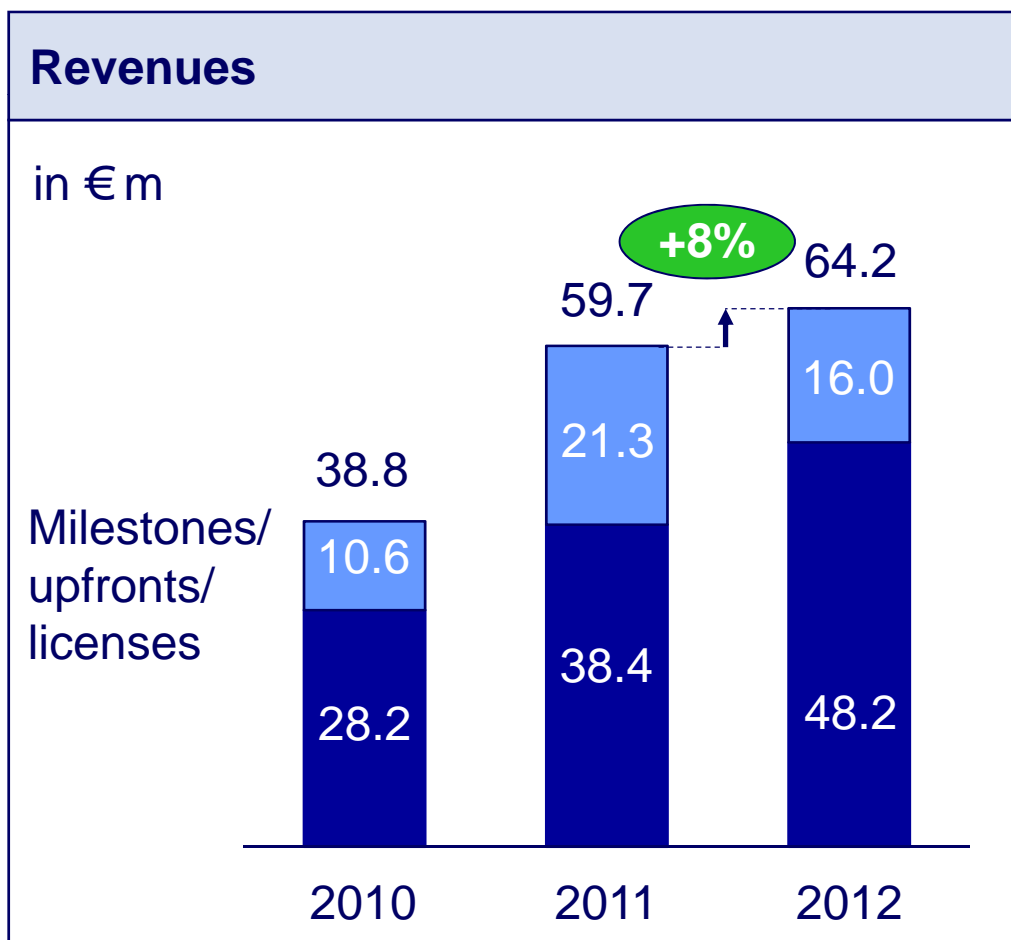
in € m

	Q3 2012	Q3 2011	% vs. 2011
Revenues	22.2	26.3 <sup>1)</sup>	(16%)
Gross margin	38.9%	54.8%	
• R&D expenses	2.2	2.1	2%
• SG&A expenses	4.2	3.9	8%
• Amortisation	0.8	0.6	
• Reversal of impairment	-	(1.5) <sup>2)</sup>	
• Other op. (income) expenses net	(0.1)	0.7	
<b>Operating income</b>	<b>1.5</b>	<b>8.6</b>	<b>(82%)</b>
<b>Net income</b>	<b>5.9</b>	<b>8.4</b>	<b>(30%)</b>

# Strong underlying revenue growth and solid gross margins

Revenues & gross margins for the first nine months 2012

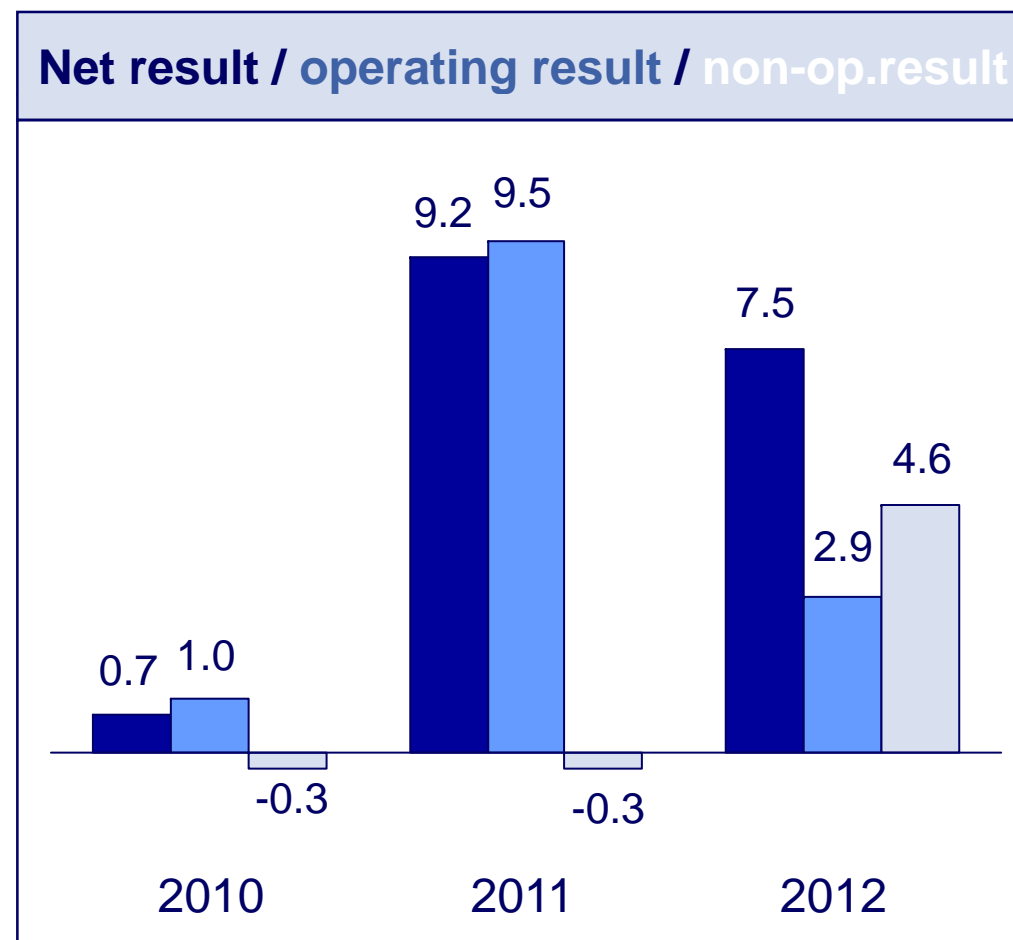
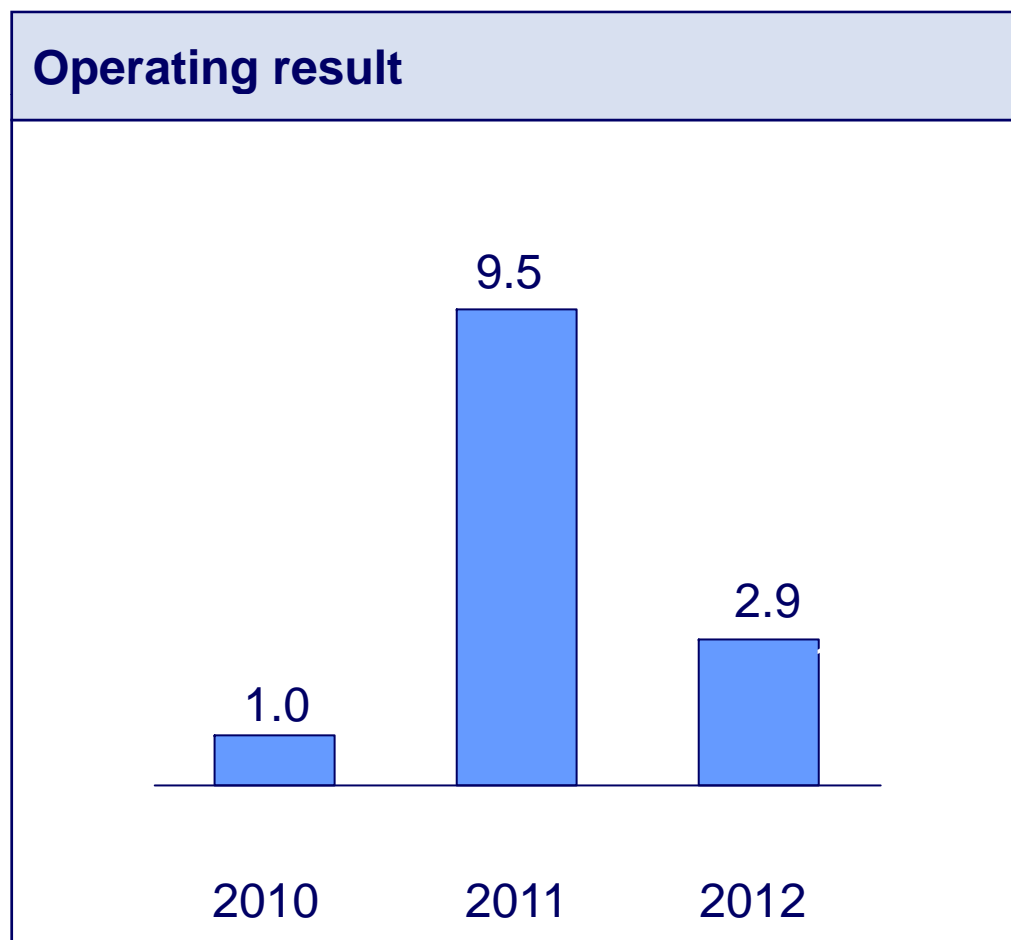
in € m



# Strong operating and net result

Results for the first nine months 2012

in € m

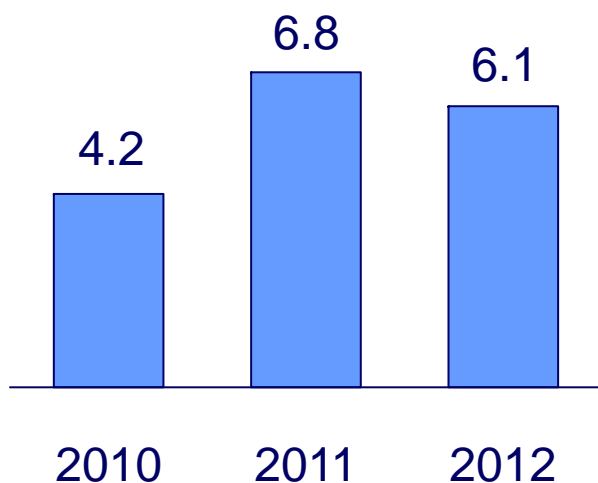


# Focused R&D investments for long-term growth, stable SG&A expenses

First nine months 2012: R&D and SG&A

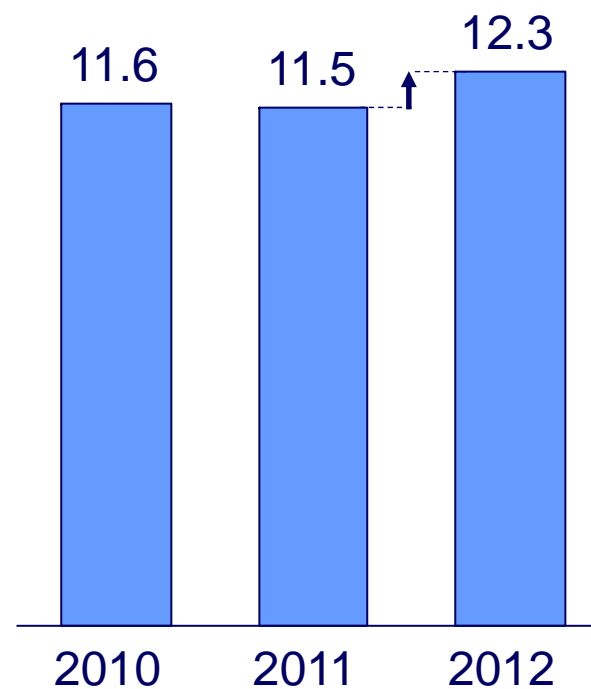
in € m

## Unpartnered R&D investments



**Maintaining  
focus on  
Action Plan  
2016 CureX  
Initiatives**

## SG&A expenses



**Despite  
strong  
growth &  
acquisitions  
SG&A  
stable**

## On track to achieve guidance (> €60 m at end 2012)

First 9 months 2012: Condensed consolidated statements of cash flows (IFRS)

Liquidity in € m

	2011 <sup>1)</sup>	2012 <sup>1)</sup>
Net cash provided by (used in)		
• <b>Operating activities</b>	<b>9.1</b>	<b>0.3</b>
• <b>Investing activities</b>	<b>-3.2</b>	<b>14.0</b>
• <b>Financing activities</b>	<b>-0.8</b>	<b>2.8</b>
Exchange rate difference	0.2	0.6
<b>Cash and cash equivalents at end of period</b>	<b>26.3</b>	<b>35.5</b>
+ Investments	34.1	20.4
<b>= Liquidity at end of period</b>	<b>60.4</b>	<b>55.9</b>
Liquidity at beginning of period	70.4	62.4
<b>Net increase/decrease in liquidity</b>	<b>-10.0</b>	<b>-6.5</b>

- Cash generative operating result offset by:
- Increase in working capital of €9.0m due to increased revenues, outstanding milestone payments, payment of annual bonuses

- Includes significant Capex investments of €6.3 m
- Includes investment in 4-Antibody of €2.0 m
- Movement in investments

# Delay of Q4 milestones drops profitability guidance

## Guidance overview

in €m	Guidance Oct 2012	Guidance Mar 2012	FY 2011
Revenues	88 - 90	88 - 90	80.1
Adjusted Operating income <sup>1)</sup>	Less than 2011	Improved over 2011	5.8
Innovation investments (R&D Expenses)	Approx. 10	Approx. 10	8.4
Capex investments	Approx. 10	More than 10	8.1
Liquidity at period end	Above 60	Above 60	62.4

# Action Plan 2016 – Gaining Momentum

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Outlook and next steps for 2012 ff

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## Key milestones for 2012

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### 1 EVT Execute

- Double digit revenue growth 2012 - 2016
- Expansion success of existing alliances
- Significant long-term deals with major pharma

### 2 EVT Integrate

- At least 2 significant new integrated technology/disease alliances (Bayer)
- Deliver significant and accelerated pre-clinical/clinical milestones
- Show operational synergies of recent acquisitions
- Expand offering into larger molecules offering (e.g. Antibodies)

### 3 EVT Innovate

- At least 1 strategic deal for early assets
- Commercialise innovation (e.g. Cure X, ...)
- Phase III data in DiaPep277 and Phase II start within AD product development partnership

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