

Quarterly Statement First Nine Months 2019 (unaudited)

Forward-looking statement & General information

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.

Note:

The 2018 and 2019 results are not fully comparable. The difference stems from the acquisition of Evotec ID (Lyon) SAS, effective 01 July 2018. The results from Evotec ID (Lyon) SAS are only included from 01 July 2018 onwards. Furthermore, Just - Evotec Biologics (former Just Biotherapeutics) was acquired effective 02 July 2019. The results from Just - Evotec Biologics are included from 02 July 2019 onwards.

The accounting policies used to prepare this interim information are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16 which is applied at Evotec as of 01 January 2019.

Strong positive momentum across all business lines

Significant events 9M 2019 – Evotec Group

EVT Execute & EVT Innovate

- Co-owned pipeline projects advancing successfully
- Co-owned pipeline of equity engagements progressing and expanding
- Initiation of new drug discovery and development collaborations
- Extension of important existing collaborations (Celgene)
- Multiple scientific and financial milestone achievements
- Outlicensing agreement of bio-similar project to Biocon Biologics
- Expanding leading position in infectious diseases via multiple alliances

Corporate

- Placement of € 250 m promissory note (Schuldschein)
- Strategic expansion into biologics field with acquisition of Just – Evotec Biologics (formerly Just Biotherapeutics)
- Expansion of iPSC and patient-centric approaches through acquired assets from Ncardia AG
- Spin-off and significant 3rd party financing of Breakpoint Therapeutics GmbH for treatment of cancer

Base business drives strong growth and profitability

Condensed income statement 9M 2019 – Evotec Group

in € m ¹⁾	YTD 2019	YTD 2018	% vs. 2018
Revenues from contracts with customers	321.4	278.1	16%
Gross margin ²⁾	30.7%	30.1%	–
• R&D expenses	(41.3)	(20.9)	97%
• SG&A expenses	(46.2)	(40.8)	13%
• Impairment of intangible assets & goodwill	(11.9)	(4.2)	183%
• Income from bargain purchase	–	15.4	–
• Other op. income (expenses), net	47.1	26.3	79%
Operating income	46.4	59.5	(22%)
Adjusted Group EBITDA²⁾³⁾	93.2	68.7	36%
Net income	29.7	52.3	(43%)

- Strong base business and addition of Just - Evotec Biologics (€ 10.4 m) contribute to revenue growth
- One-off-impairments due to termination of SGM-1019
- Improved other operating income due to recharges for Evotec ID (Lyon) and increased R&D tax credits
- Operating income not comparable like for like as 2018 was positively impacted by one-off-effect from bargain purchase (€ 15.4 m)
- Besides overall growth, adjusted Group EBITDA positively affected by first application of IFRS 16 (€ 10.1 m) and supported from Just - Evotec Biologics

Revenue increase comes at high margin

Condensed income statement Q3 2019 – Evotec Group

in € m¹⁾

	Q3 2019	Q3 2018	% vs. 2018
Revenues from contracts with customers	114.3	99.2	15%
Gross margin ²⁾	30.6%	33.7%	–
• R&D expenses	(12.0)	(10.9)	10%
• SG&A expenses	(16.3)	(13.6)	20%
• Income from bargain purchase	–	15.4	–
• Other op. income (expenses), net	15.7	13.6	15%
Operating income	22.4	37.8	(41%)
Adjusted Group EBITDA³⁾⁴⁾	35.0	30.1	16%
Net income	19.0	34.4	(45%)

- Q3 revenue growth mainly driven by strong base business and contribution from Just - Evotec Biologics (€ 10.4m)
- Q3 2018 included higher milestone, upfront and license revenues
- SG&A increase reflects organic growth and SG&A expenses from acquired companies
- Net income decreased due to higher deferred tax expenses in Q3 2019 and positive effect in Q3 2018 from bargain purchase of the acquisition of Evotec ID (Lyon)

¹⁾ Differences may occur due to rounding

²⁾ 2018 data including reclasses of recharges according to IFRS 15

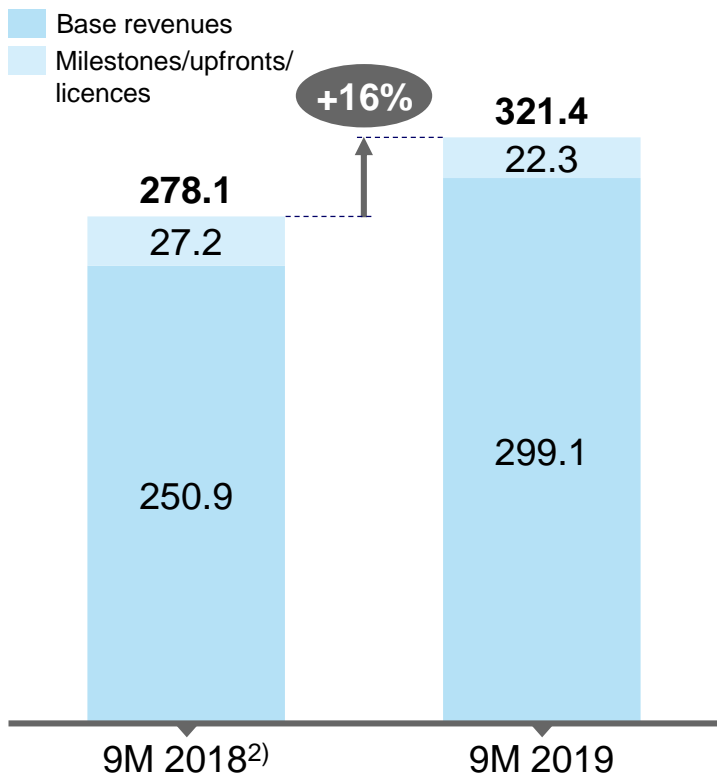
³⁾ Before contingent considerations, income from bargain purchase and excl. impairments on goodwill, other intangible and tangible assets as well as the total non-operating result

⁴⁾ 2018 is not restated for IFRS 16

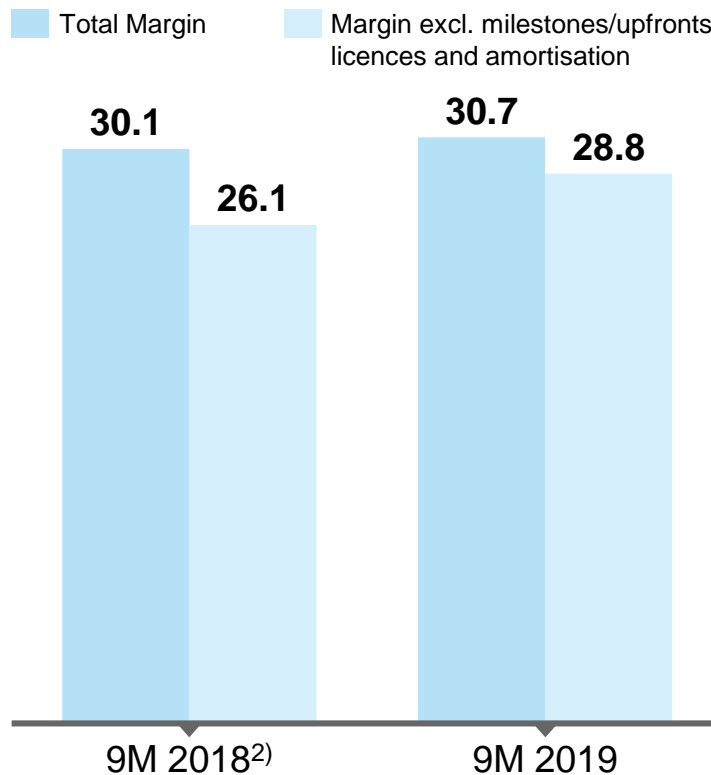
Long term growth trend fully in play

Revenues & Gross margin overview 9M 2019

Revenues from contracts with customers (in € m)



Gross margin¹⁾ (in %)



- Despite slightly lower contribution from milestones, upfronts and licenses in first 9M 2019, strong overall growth
- Increase in base margin based on good capacity utilisation and favourable FX

Both business segments on track

Segment information 9M 2019 – Evotec Group

in € m¹⁾

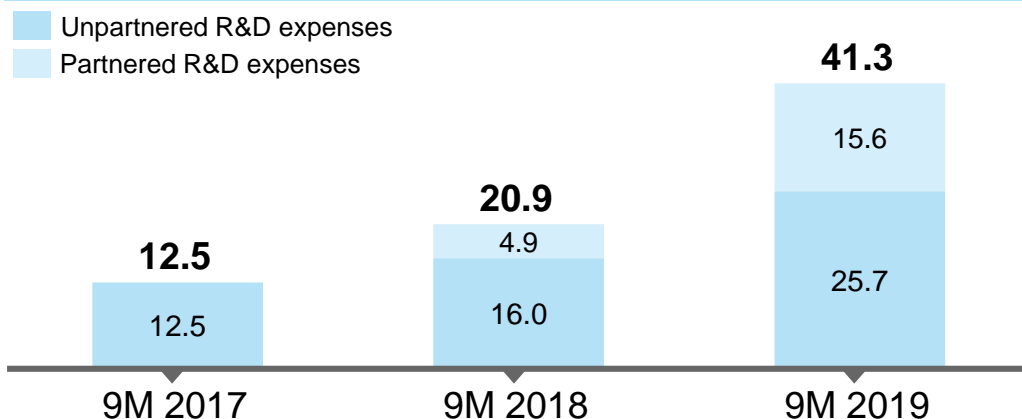
	EVT Execute	EVT Innovate	Inter- segment elimination	Not allocated (IFRS 15) ³⁾	Evotec Group
Revenues from contracts with customers	308.1	61.8	(59.1)	10.6	321.4
Gross margin	28.3%	29.7%	–	–	30.7%
• R&D expenses	(0.8)	(47.1)	6.6	–	(41.3)
• SG&A expenses	(35.9)	(10.3)	–	–	(46.2)
• Impairment of intangible assets & goodwill	–	(11.9)	–	–	(11.9)
• Income from bargain purchase	–	–	–	–	–
• Other op. income (expenses), net	14.6	32.5	–	–	47.1
Operating income	64.9	(18.5)	–	–	46.4
Adjusted EBITDA²⁾	97.4	(4.2)	–	–	93.2

- Revenue growth from contracts with customers of 21% in EVT Execute due to strong base business and contributions from Just - Evotec Biologics
- Revenue growth of 21% in EVT Innovate driven by milestones and new partnerships
- Increased R&D expenses in EVT Innovate both in unpartnered and partnered R&D according to strategy
- EVT Execute operating result increased due to good growth

R&D investments reflect co-ownership strategy

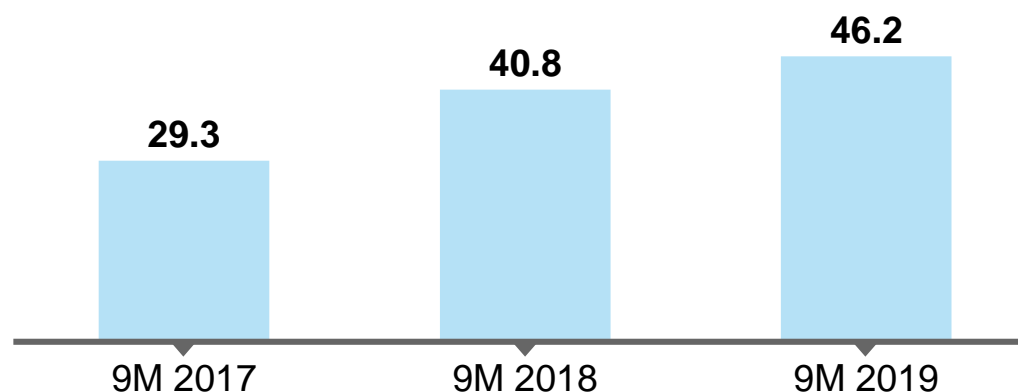
R&D and SG&A expenses overview 9M 2019

R&D expenses¹⁾ (in € m)



- Increased but focused unpartnered R&D expenses in 9M 2019 mainly in metabolic diseases, oncology and platform projects
- Partnered R&D expenses in infectious diseases are fully reimbursed by Sanofi. Reimbursement is recognised under other operating income

SG&A expenses¹⁾ (in € m)

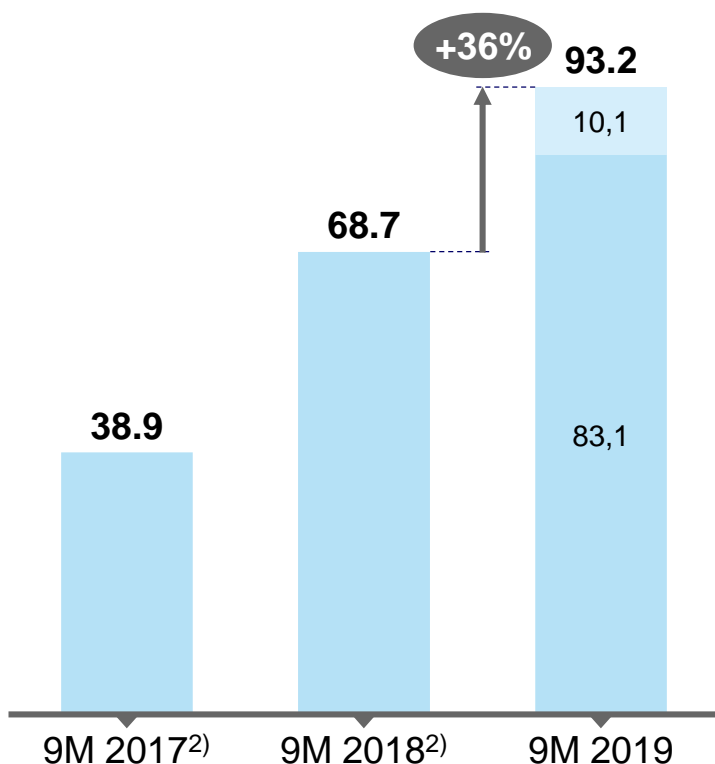


- Increase in SG&A expenses in 9M 2019 mainly due to overall company growth, including staff increases, upgrading of systems, consultancy fees, plus expenses from acquired companies, equity and financing transactions

Performance reflected in strong EBITDA growth

Adjusted Group EBITDA overview 9M 2019

Adjusted Group EBITDA¹⁾ (in € m)

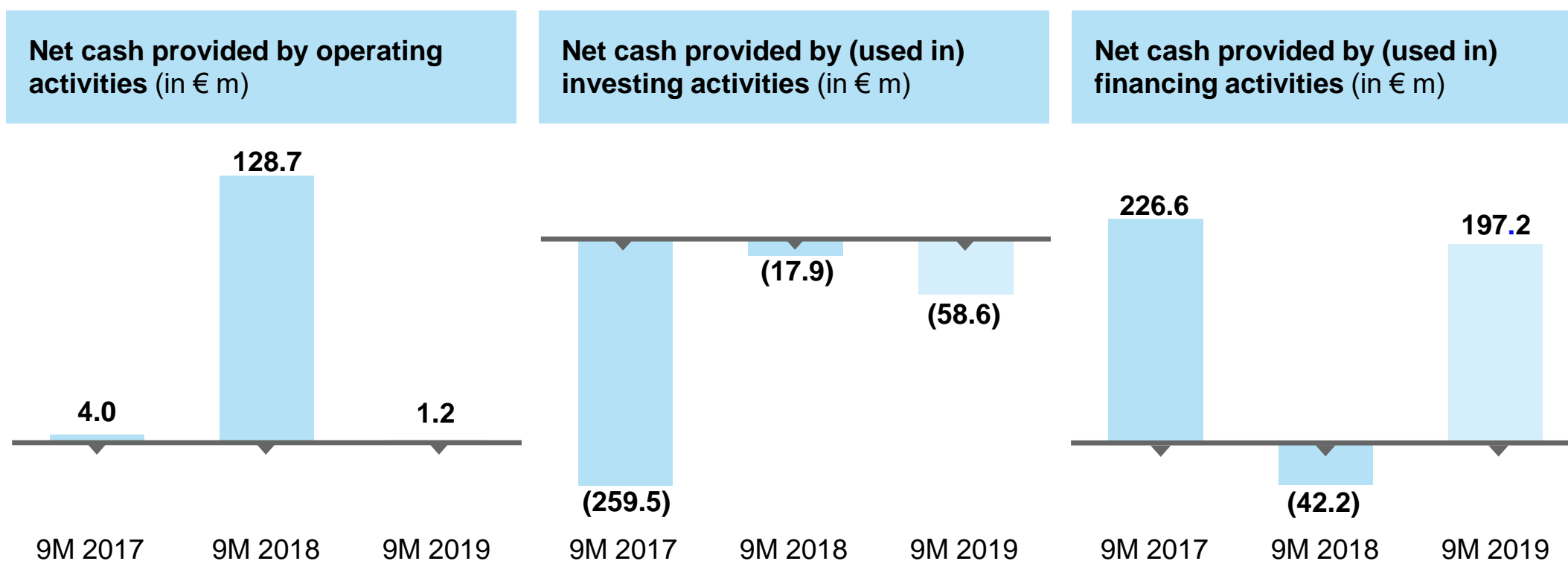


in € m ³⁾	EVT Execute	EVT Innovate	Inter- segment elimination	Evotec Group
Operating income	65.0	(18.5)	–	46.4
• plus depreciation of tangible assets	24.0	2.3	–	26.3
• plus amortisation of intangible assets	8.4	0.2	–	8.6
• plus impairment of intangible & goodwill	–	11.9	–	11.9
Adjusted EBITDA¹⁾	97.4	(4.2)	–	93.2

- Adjusted Group EBITDA increase resulted from strong performance in base business, new acquired business and effects from the first-time application of IFRS 16 (€ 10.1m) included in depreciation

Promissory note reflected in cash flow

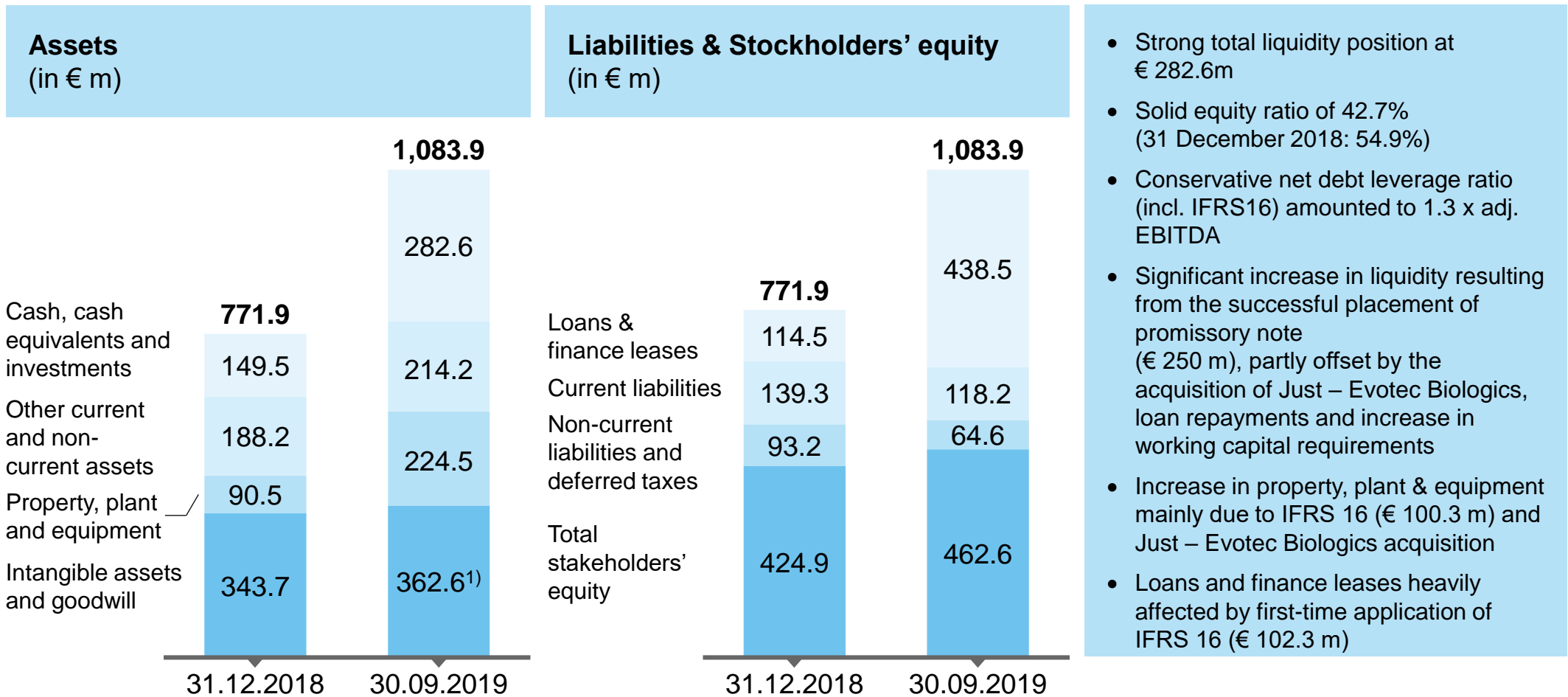
Cash flow – 9M 2019 versus prior-year periods



- Operating cash flow affected by positive operating result (€ 46.4 m) and an increase in working capital (€ 48.4 m), predominantly from a decrease in contract liabilities (Celgene & Bayer prepayments)
- Investing cash flow includes € 50.6 m purchase price for Just – Evotec Biologics and capital expenditures of € 20.4 m
- Cash flow from financing activities influenced by issuance of promissory note (Schuldschein) of net € 249.1 m

Very strong balance sheet and liquidity

Balance sheet and liquidity – 9M 2019 versus 31 December 2018



- Strong total liquidity position at € 282.6m
- Solid equity ratio of 42.7% (31 December 2018: 54.9%)
- Conservative net debt leverage ratio (incl. IFRS16) amounted to 1.3 x adj. EBITDA
- Significant increase in liquidity resulting from the successful placement of promissory note (€ 250 m), partly offset by the acquisition of Just – Evotec Biologics, loan repayments and increase in working capital requirements
- Increase in property, plant & equipment mainly due to IFRS 16 (€ 100.3 m) and Just – Evotec Biologics acquisition
- Loans and finance leases heavily affected by first-time application of IFRS 16 (€ 102.3 m)

Increased Guidance for 2019 confirmed

EBITDA guidance again increased to approximately 15%

in € m

KPIs	Guidance 2019	Actual 2018
Group revenues from contracts with customers without revenues from recharges	Approx. 15% growth <i>(previously: approx. 10%)</i>	€ 364.0 m ¹⁾
Adjusted Group EBITDA ²⁾	Approx. 15% growth compared to 2018 <i>(previously: >10%)</i>	€ 92.0 m ³⁾
Unpartnered R&D expenses	Approx. € 30-40 m <i>(unchanged)</i>	€ 22.9 m

APPENDIX (unauditet)

Consolidated interim statement of financial position

Balance sheet as of 30 September 2019 - Evotec Group¹⁾

<i>in T€ except share data</i>	<i>As of 30 September 2019</i>	<i>As of 31 Dec 2018</i>
ASSETS		
Current assets:		
Cash and cash equivalents	249,619	109,055
Investments	33,008	40,394
Trade accounts receivables	51,823	45,938
Accounts receivables from related parties	2,969	2,092
Inventories	12,200	5,660
Current tax receivables	20,060	13,829
Contract assets	15,685	12,913
Other current financial assets	560	430
Prepaid expenses and other current assets	24,178	19,458
Total current assets	410,102	249,769
Non-current assets:		
Investments accounted for using the equity method and other long-term investments	30,361	28,963
Property, plant and equipment	224,513	90,519
Intangible assets, excluding goodwill	105,334	122,989
Goodwill	257,304	220,791
Deferred tax asset	36,771	43,329
Non-current tax receivables	18,609	14,601
Other non-current financial assets	20	27
Other non-current assets	907	895
Total non-current assets	673,819	522,114
Total assets	1,083,921	771,883

<i>in T€ except share data</i>	<i>As of 30 September 2019</i>	<i>As of 31 Dec 2018</i>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current loan liabilities	1,798	55,069
Current portion of finance lease obligations	13,883	1,850
Trade accounts payable	27,965	31,137
Provisions	23,704	27,979
Contract liabilities	44,206	49,676
Deferred income	2,325	11,511
Current income tax payables	7,685	4,232
Other current financial liabilities	516	42
Other current liabilities	11,757	14,779
Total current liabilities	133,839	196,275
Non-current liabilities:		
Non-current loan liabilities	316,293	54,680
Long-term finance lease obligations	106,564	2,866
Deferred tax liabilities	19,964	21,517
Provisions	20,984	19,986
Contract liabilities	17,031	44,041
Deferred revenues	5,847	7,000
Other non-current financial liabilities	771	638
Total non-current liabilities	487,454	150,728
Stockholders' equity:		
Share capital	150,530	149,063
Additional paid-in capital	785,826	783,154
Accumulated other comprehensive income	(25,487)	(27,200)
Accumulated deficit	(449,080)	(481,013)
Equity attributable to shareholders of Evotec AG	461,789	424,004
Non-controlling interest	839	876
Total stockholders' equity	462,628	424,880
Total liabilities and stockholders' equity	1,083,921	771,883

Consolidated interim income statement

Profit and loss period from 01 January – 30 Sept. 2019¹⁾ – Evotec Group

<i>in T€ except share and per share data</i>	<i>Nine months ended 30 September 2019</i>	<i>Nine months ended 30 September 2018</i>	<i>Three months ended 30 September 2019</i>	<i>Three months ended 30 September 2018</i>
Revenues from contracts with customers	321,362	278,088	114,274	99,213
Costs of revenue	(222,553)	(194,396)	(79,265)	(65,813)
Gross profit	98,809	83,692	35,009	33,400
Operating income and (expenses)				
Research and development expenses	(41,285)	(20,943)	(11,997)	(10,928)
Selling, general and administrative expenses	(46,230)	(40,753)	(16,325)	(13,636)
Impairment of intangible assets	(10,272)	(4,167)	–	–
Impairment of goodwill	(1,647)	–	–	–
Income from bargain purchase	–	15,400	–	15,400
Other operating income	54,008	32,751	18,122	15,553
Other operating expenses	(6,958)	(6,462)	(2,420)	(1,961)
Total operating expenses	(52,384)	(24,174)	(12,620)	4,428
Operating income	46,425	59,518	22,389	37,828
Non-operating income (expense)				
Interest income	1,108	419	633	118
Interest expense	(5,102)	(1,685)	(1,847)	(572)
Share of the loss of associates accounted for using the equity method	(3,617)	(2,434)	(1,541)	(1,021)
Other income from financial assets	13	6	10	2
Foreign currency exchange gain (loss), net	4,852	684	5,264	11
Other non-operating income (expense)	65	76	(109)	4
Total non-operating income (expense)	(2,681)	(2,934)	2,410	(1,458)
Income before taxes	43,744	56,584	24,799	36,370
Current tax expense	(8,688)	(7,390)	(3,334)	(3,290)
Deferred tax income (expense)	(5,347)	3,081	(2,418)	1,328
Total taxes	(14,035)	(4,309)	(5,752)	(1,962)
Net income	29,709	52,275	19,047	34,408
thereof attributable to:				
Shareholders of Evotec AG	29,714	52,390	19,047	34,521
Non-controlling interest	(5)	(115)	–	(113)
Weighted average shares outstanding	149,496,540	147,299,051	149,785,303	147,311,368
Net income per share (basic)	0.20	0.35	0.13	0.23
Net income per share (diluted)	0.20	0.35	0.13	0.23

Condensed consolidated interim cash flow statement

Cash flow for the nine months ended 30 September 2019¹⁾ – Evotec Group

<i>in T€</i>	<i>Nine months ended 30 Sept 2019</i>	<i>Nine months ended 30 Sept 2018</i>
Cash flows from operating activities:		
Net income	29,709	52,275
Adjustments to reconcile net income to net cash provided by operating activities	56,790	14,327
Change in assets and liabilities	(85,261)	62,059
Net cash provided by operating activities	1,238	128,661
Cash flows from investing activities:		
Purchase of current investments	(15,005)	(16,035)
Purchase of investments in affiliated companies net of cash acquired	(39,784)	18,065
Purchase of investments in associated companies and other long-term investments	(4,958)	(3,136)
Purchase of property, plant and equipment	(20,365)	(20,659)
Purchase of intangible assets	(803)	(489)
Payment of subsequent contingent considerations	(149)	(2,140)
Proceeds from sale of property, plant and equipment	-	40
Proceeds from sale of current investments	22,426	6,483
Net cash used in investing activities	(58,638)	(17,871)
Cash flows from financing activities:		
Proceeds from option exercise	1,529	51
Proceeds from issuance of promissory note	249,125	-
Proceeds from loans	28,669	47,732
Proceeds from lease obligation	684	-
Repayment lease obligation	(9,837)	(691)
Repayment of loans	(72,972)	(89,287)
Net cash provided by (used in) financing activities	197,198	(42,195)
Net increase (decrease) in cash and cash equivalents	139,798	68,595
Exchange rate difference	766	(472)
Cash and cash equivalents at beginning of year	109,055	67,017
Cash and cash equivalents at end of the period	249,619	135,140

Condensed segment information

Segment information 9M 2018 & 2019 – Evotec Group¹⁾

9M 2019 in T€	EVT Execute	EVT Innovate	Intersegment eliminations	Transition	Evotec Group	9M 2018 in T€	EVT Execute	EVT Innovate	Intersegment eliminations	Not allocated	Transition	Evotec Group
External revenues	248,946	61,807	-	10,609	321,362	External revenues	218,745	51,272	-	-	8,071	278,088
Intersegment revenues	59,126	-	(59,126)	-	-	Intersegment revenues	35,607	-	(35,607)	-	-	-
Costs of revenue	(220,940)	(43,481)	52,477	(10,609)	(222,553)	Costs of revenue	(191,845)	(26,256)	31,776	-	(8,071)	(194,396)
Gross profit	87,132	18,326	(6,649)	-	98,809	Gross profit	62,507	25,016	(3,831)	-	-	83,692
Operating income and (expenses)						Operating income and (expenses)						
Research and development expenses	(841)	(47,093)	6,649	-	(41,285)	Research and development expenses	(652)	(24,122)	3,831	-	-	(20,943)
Selling, general and administrative expenses	(35,889)	(10,341)	-	-	(46,230)	Selling, general and administrative expenses	(34,478)	(6,275)	-	-	-	(40,753)
Impairment of intangible assets	-	(10,272)	-	-	(10,272)	Impairment of intangible assets	-	(4,167)	-	-	-	(4,167)
Impairment of goodwill	-	(1,647)	-	-	(1,647)	Income from bargain purchase	-	-	-	15,400	-	15,400
Other operating income	20,660	33,348	-	-	54,008	Other operating income	26,346	14,476	-	-	(8,071)	32,751
Other operating expenses	(6,098)	(860)	-	-	(6,958)	Other operating expenses	(13,337)	(1,196)	-	-	8,071	(6,462)
Total operating income and (expenses)	(22,168)	(36,865)	6,649	-	(52,384)	Total operating income and (expenses)	(22,121)	(21,284)	3,831	15,400	-	(24,174)
Operating income (loss)	64,964	(18,539)	-	-	46,425	Operating income	40,386	3,732	-	15,400	-	59,518
Interest result					(3,994)	Interest result						(1,266)
Share of the profit or loss of associates accounted for using equity method					(3,617)	Share of the loss of associates accounted for using equity method						(2,434)
Other income (expense) from financial assets, net					13	Other income (expense) from financial assets, net						6
Foreign currency exchange gain (loss), net					4,852	Foreign currency exchange gain (loss), net						684
Other non-operating income					65	Other non-operating income						76
Income before taxes					43,744	Income before taxes						56,584
Adjusted EBITDA	97,412	(4,196)	-	-	93,216	Adjusted EBITDA	62,143	6,574	-	-	-	68,717

Stay tuned

Financial calendar 2020

Annual Report 2019	26 March 2020
Quarterly Statement Q1 2020	14 May 2020
Annual General Meeting 2020	16 June 2020
Half-year 2020 Interim Report	12 August 2020
Quarterly Statement 9M 2020	12 November 2020

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