

Report as of
Third Quarter
2013

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I. Management report of the first nine months of 2013

DRIVING INNOVATION AND CAPITAL EFFICIENCY WITH STRONG LIQUIDITY POSITION; POSITIVE NEWS FLOW CHARACTERISES THIRD QUARTER 2013

RECENT HIGHLIGHTS

Significant milestones achieved

- Nine-month revenues for 2013 amounted to € 60.3 m (2012: € 64.2 m)
- Operating loss for the first nine months of 2013 at € 4.2 m mainly due to impairment charges as a consequence of the closure of Evotec's Indian operations
- Significant improvement of gross margin excluding milestones, upfronts and licences compared to the same period of the previous year
- Strong liquidity position at € 84.7 m
- High and increased equity ratio at 72.2%

Extension agreement in EVT Execute business; Good pipeline progress with the transition of an oncology molecule into Phase I clinical trials; Cure X and Target X partnerships deliver first-in-class assets to EVT Innovate

- Extension and expansion of research collaboration with the Jain Foundation in skeletal muscular dystrophy diseases
- Evotec and The Leukemia & Lymphoma Society enter into a strategic research collaboration (after period-end)
- Important pre-clinical and clinical milestones achieved in Boehringer Ingelheim alliance
- Evotec achieves first milestones in multi-target deal with UCB
- Evotec and Harvard Stem Cell Institute form **CureMN** collaboration to advance ALS research
- Evotec enters into second research collaboration, **TargetEEM** (*Enteroendocrine Mechanisms*), with the laboratory of Doug Melton
- Evotec enters into integrated alliance with AstraZeneca in kidney diseases (after period-end)
Evotec and Johnson & Johnson Innovation form **TargetAD** alliance to identify and develop novel Alzheimer's disease therapies (after period-end)
- Significant clinical data points ahead

Indian operations closed

Financial guidance for 2013 confirmed and cash guidance adopted

- Revenues are expected to grow to a level between € 90-100 m
- Operating result before impairment and changes in contingent consideration is expected to improve over 2012
- R&D expenditure is expected to be around € 10 m
- Given the cash inflow following a capital increase, Evotec increased its cash guidance to >€ 90 m at the end of 2013

Others

- Evotec raises € 30 m from Biotechnology Value Fund ("BVF") in a capital increase
- Evotec intends to report two segments from 01 January 2014 onwards
- Evotec strengthens its management team with the appointment of Dr Thomas Hanke as Head of Immunology & Inflammation (after period-end)
- Dr Hubert Birner decided to resign from his position as member of the Supervisory Board (after period-end)

1. OPERATIONAL PERFORMANCE

Significant milestones achieved

Reported revenues for the first nine months of 2013 decreased by 6% to € 60.3 m (2012: € 64.2 m). Revenues for the first nine months of 2013 included milestones from Boehringer Ingelheim of € 7.5 m in total and a first milestone from UCB. The third quarter 2013 reported revenues of € 23.6 m, an increase of 7% compared to the same period of the previous year (2012: € 22.2 m). The operating loss for the first nine months of 2013 amounted to € 4.2 m, mainly resulting from the impairment of tangible assets (€ 1.1 m) and the impairment of goodwill (€ 1.9 m) as a consequence of the decision to cease operations at Evotec (India) Private Ltd. However, despite this significant one-time impact the operating result for the third quarter 2013 was positive at € 0.2 m. As stated before, Evotec's operating result may vary significantly between quarters as a result of the timing of performance-based milestone payments and

partnering events. Liquidity including cash, cash equivalents and investments at the end of September 2013 amounted to € 84.7 m.

Overall, the Company is expected to achieve increased full-year profitability over 2012 (before impairment and changes in contingent considerations).

2. EVOTEC ACTION PLAN 2016 – INNOVATION EFFICIENCY

Extension agreement in EVT Execute business; Good pipeline progress with the transition of an oncology molecule into Phase I clinical trials; Cure X and Target X partnerships deliver first-in-class assets to EVT Innovate

Action Plan 2016 – Innovation Efficiency is the strategic framework that was initiated in March 2012. EVT Execute aims to deliver cost-efficient and industrialised services for drug discovery on a fee-for-service basis. EVT Integrate and EVT Innovate involve accelerating promising drug discovery ideas and assets to partnerships with potential upfront payments, premium research fees, milestone payments and royalties.

A. EVT Execute

Extension and expansion of research collaboration with the Jain Foundation in skeletal muscular dystrophy diseases

In 2012, Evotec and the Jain Foundation initiated a research project to develop a cell-based high-throughput screening assay using dysferlin deficient cells. The aim of this project was to develop a simple test for the well-being of muscle cells in the absence of dysferlin so that compounds that improve the well-being of dysferlin deficient muscle cells can be identified. In August 2013, the Jain Foundation extended and expanded this research collaboration with Evotec.

Evotec and The Leukemia & Lymphoma Society enter into a strategic research collaboration (after period-end)

In November 2013, Evotec entered into an integrated research collaboration with The Leukemia & Lymphoma Society (“LLS”). Evotec will support one of LLS’s *Screen-to-Lead Programs*. In this collaboration, Evotec partners with LLS to support selected programmes and principal investigators with resources for high-throughput screening and optimisation of small molecules into drug-like compounds. Evotec delivers an industrialised, cutting-edge, comprehensive and unbiased drug discovery infrastructure to support innovation efficiency as part of a fully integrated solution.

B. EVT Integrate

Important pre-clinical and clinical milestones achieved in Boehringer Ingelheim alliance

In September 2013, Evotec reached two milestones in its alliance with Boehringer Ingelheim. The first milestone (€ 2.0 m) was for the transition of an oncology molecule into Phase I clinical trials. The second milestone, which is the 20th milestone as part of the alliance with Boehringer Ingelheim, recognises a second oncology compound transitioning into pre-clinical development and triggered revenues of € 4.0 m for Evotec.

Evotec achieves first milestones in multi-target deal with UCB

In September 2013, Evotec achieved its first milestone in its multi-year, multi-target integrated drug discovery collaboration with UCB in the field of immunology. This first milestone was achieved upon the progression of a project into the hit-to-lead phase. The second milestone was reached after period-end upon the progression of a project into lead optimisation.

C. EVT Innovate

Evotec and Harvard Stem Cell Institute form CureMN collaboration to advance ALS research

In September 2013, Evotec announced a strategic partnership with the Harvard Stem Cell Institute ("HSCI") to identify compounds that prevent or slow down the loss of motor neurons, which is characteristic of the human disease amyotrophic lateral sclerosis ("ALS"). The **CureMN** (CureMotorNeuron) collaboration leverages human motor neuron assays based on ALS patient-derived induced pluripotent stem ("iPS") cells. Prototypes of these assays were originally developed by Dr Lee Rubin, HSCI Principal Faculty member and professor in the Department of Stem Cell and Regenerative Biology at Harvard, and Dr Kevin Eggan, Early Career Scientist at the Howard Hughes Medical Institute, HSCI Principal Faculty member and professor in the Department of Stem Cell and Regenerative Biology at Harvard.

This agreement marks the third collaboration between Evotec and leading Harvard Stem Cell Institute scientists – and the fourth with Harvard scientists – and significantly expands a partnership model which combines cutting-edge academic research from Harvard with Evotec's leading drug platform and expertise.

Evotec enters into second research collaboration, TargetEEM (Enteroendocrine Mechanisms), with the laboratory of Doug Melton

In September 2013, Evotec started a second research collaboration, **TargetEEM**, with the laboratory of Doug Melton. The objective of this collaboration is to identify novel enteroendocrine mechanisms, pathways and signals regulating key metabolic processes that have disease-modifying potential in diabetic patients. Evotec's first collaboration with the Melton laboratory was focused on beta cell replication.

TargetEEM is a comprehensive screening effort by Harvard and Evotec designed to systematically search for novel pathways and targets that have the potential to address key pathophysiological mechanisms involved in insulin resistance and energy handling. The basis of this effort is disease-relevant animal models as well as unbiased transcriptional and proteomic profiling platforms contributed by both collaboration partners. Harvard and Evotec are collaborating in a highly integrated and fashion and will share potential commercial rewards.

Evotec enters into integrated alliance with AstraZeneca in kidney diseases (after period-end)

In October 2013, Evotec signed an agreement with AstraZeneca in the field of kidney diseases. The focus of this alliance is to explore compounds and targets with novel mechanisms that have disease-modifying potential for the treatment of chronic kidney diseases.

Under the terms of this licence and collaboration agreement, AstraZeneca receives access to a selected series of molecules identified in a screening effort, which is part of Evotec's systematic kidney disease initiative. This particular programme has been designed to explore a key mechanism in the field of chronic kidney disease. AstraZeneca will provide industrial scope and scale as well as pharmaceutical development expertise and marketing capabilities.

The agreement between Evotec and AstraZeneca triggered an undisclosed upfront payment as well as pre-clinical, clinical and regulatory milestones. Evotec is also eligible for additional milestone and royalty payments related

to commercialisation. Evotec will receive research funding for work that will be conducted in collaboration with AstraZeneca.

Evotec and Johnson & Johnson Innovation form TargetAD alliance to identify and develop novel Alzheimer's disease therapies (after period-end)

In November 2013, Evotec entered into a collaboration with the Johnson & Johnson Innovation Center in California to identify new targets for Alzheimer's disease drug discovery and development. Under the terms of the agreement, Janssen Pharmaceuticals, Inc., a member of the Johnson & Johnson family of companies, and Evotec will work together to discover and develop novel treatments for Alzheimer's disease.

Termed **TargetAD** (*Alzheimer's disease*), the collaboration will seek to identify new drug targets for discovery of novel treatment approaches to Alzheimer's disease. Janssen will fund target discovery research via a combination of defined research payments and progress-related milestones over the next three years.

Janssen will have the opportunity to internalise selected targets and therapeutic candidates from the **TargetAD** database and progress them into pre-clinical and clinical development. Janssen will reimburse up to \$ 10 m in FTE-based research costs and make pre-clinical, clinical, regulatory and commercial payments up to a maximum of between approximately \$ 125 m to \$ 145 m per programme upon achieving agreed-upon milestones. In addition, Evotec will receive royalties on future sales of any products that may result from the alliance.

Evotec's proprietary **TargetAD** database provides a unique source of potentially novel Alzheimer's disease drug targets derived from the analysis of dysregulated genes in high-quality and well-characterised human brain tissues representing all stages of disease progression as well as control tissues from non-demented subjects. Identifying new targets for drug development based on disease pathology may have the potential to impact the disease at its earliest stages, resulting in greater therapeutic benefit to patients.

Significant clinical data points ahead

The first Phase III clinical trial on DiaPep277[®] demonstrated the achievement of both its primary and secondary endpoints. Moreover, results from an extension study to its Phase III clinical trial in type 1 diabetes patients demonstrating that DiaPep277[®] was well-tolerated and had a good safety profile were announced by Andromeda in June 2013. Results of a second pivotal trial are expected towards the end of 2014.

At the end of 2012, Roche started a substantial Phase IIb trial with EVT302 that aimed to recruit 495 patients in more than 140 centres worldwide to assess the efficacy and safety of this compound in patients with moderate-severity Alzheimer's disease. This clinical trial is one of very few late-stage trials in this AD patient population. Results are expected early 2015.

In December 2012, Evotec entered into a licence agreement with Janssen for its NR2B subtype selective NMDA-antagonist portfolio for development against diseases in the field of depression. Based on certain pre-clinical validation tests, which are expected to read out in 2013, Evotec forecasts to receive a significant milestone before year-end. The Company expects that Janssen will initiate Phase II clinical trials for the treatment of depression early in 2014.

In September 2013, the FDA granted Orphan Drug Designation for Aspireo's Somatoprim, a novel somatostatin analogue (SSA), for the treatment of acromegaly. Orphan drug designation is granted for novel drugs that aim to treat rare diseases and provides seven years of market exclusivity for the drug upon approval. In September 2012, Evotec and Aspireo entered into a strategic advisory agreement for support in the development and partnering of Aspireo's Somatoprim.

3. RESTRUCTURING

Indian operations closed

In July 2013, Evotec announced that it would close its Chemistry Operations in Thane, India. All project work in Thane was completed by the end of September 2013 and Evotec (India) Private Ltd is now in the process of being wound down. As a consequence, approximately 100 Thane-based employees left the Company as of 30 September 2013 and Evotec took a one-time impairment charge in the third quarter of 2013.

4. ACQUISITIONS

CCS integration – Strengthening Evotec's screening capabilities

Signed in December 2012 and effective 01 January 2013, Evotec acquired CCS Cell Culture Service GmbH ("CCS"), a Hamburg-based company which supports the cell culture needs of biotech and pharmaceutical companies on a worldwide basis. With the move into the Manfred Eigen Campus, CCS' large-scale processes for cell production, freezing and storage, including the entire team of specialised cell culture scientists and technicians, were fully integrated into Evotec's Hamburg operations during the third quarter of 2013 to realise cost synergies and efficiency improvements.

The purchase price consisted of a cash consideration of € 1.15 m and an earn-out component which could reach up to € 1.4 m in cash. The earn-out component will become due one year after the acquisition and depends on the achievement of certain revenue targets.

With respect to the impact of this transaction on Evotec's financial statements, we refer to pages 22 to 23 of this nine-month report.

5. GUIDANCE

Financial guidance for 2013 confirmed and cash guidance adopted

Given the cash inflow to Evotec of € 30 m from the increase of its share capital against cash contribution from Biotechnology Value Fund, L.P. in September this year, Evotec increased its cash guidance to >€ 90 m at the end of 2013. All other financial targets published on 26 March 2013 in Evotec's Annual Report 2012 (page 78) remain unchanged. With respect to further information on the guidance, we refer to the section "Financial outlook" on page 14 of this nine-month report.

6. OTHERS

Evotec raises € 30 m from Biotechnology Value Fund in a capital increase

In August 2013, Evotec resolved on a capital increase from its authorised capital against cash contribution by issuing 11,818,613 new shares to Biotechnology Value Fund and other affiliates of the US biotech specialist investment firm BVF Partners L.P.

In a direct placement capital increase, BVF invested € 30 m to subscribe for 11,818,613 new shares of Evotec at a share price of € 2.55 per share.

In a simultaneous transaction, BVF also purchased an option from TVM V Life Science Ventures GmbH & Co. KG ("TVM") granting BVF the right to acquire an additional 11,818,612 shares of Evotec at € 4.00 per share within the next 30 months. 50% of the options provided by TVM to BVF are subject to an option granted by ROI Verwaltungsgesellschaft mbH ("ROI") to TVM with similar conditions as in the option agreement between BVF and TVM.

Evotec intends to report two segments from 01 January 2014 onwards

From 01 January 2014 onwards, the Company intends to operate and manage the business under two segments. In preparation for this the Company is currently in the course of reorganising responsibilities in the organisation, revising compensation schemes and redesigning the internal and external reporting structure. Those preparations are planned to be finalised by beginning of 2014. The planned segment reporting should further increase internal and external transparency of the business.

A. OPERATIONS

Changes in Group structure, corporate strategy and objectives, product offering and business activities

During the first nine months of 2013, Evotec's **Group structure** changed compared to the first nine months of 2012 due to the acquisition of CCS.

The Company continues to be managed in line with the **corporate objectives and strategy** described on pages 41 and 42 of Evotec's Annual Report 2012. Evotec's Action Plan 2016 – Innovation Efficiency is on track, and updates to the building blocks (EVT Execute, EVT Integrate and EVT Innovate) are described in detail in the highlights section on pages 3 to 6 of this nine-month report.

For updates on **research and development activities**, please refer to the highlights section (EVT Innovate) on pages 4 to 6 of this nine-month report.

B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

Note: The 2012 and 2013 results are not fully comparable. The difference results from the acquisition of CCS effective 01 January 2013. While the results of CCS are fully included in the accompanying consolidated interim statements of operation for the first nine months of 2013, they were not included in the comparable period of the previous year.

COMPARISON OF NINE MONTHS 2013 FINANCIAL RESULTS WITH FORECAST

Evotec does not provide forecasts on a quarterly basis.

1. RESULTS

Evotec's **revenues** for the first nine months of 2013 decreased by 6% to € 60.3 m compared to the same period of the previous year (2012: € 64.2 m). At constant 2012 foreign exchange rates, the first nine

Revenues

months 2013 revenues would have amounted to € 61.4 m primarily due to the Euro being significantly stronger versus the US dollar in 2013. Revenues for the first nine months of 2013 included milestones from Boehringer Ingelheim of € 7.5 m in total and a first milestone from UCB. Revenues for the first nine months of the previous year included milestone revenues earned in Evotec's partnerships with Andromeda/Teva (€ 3.9 m), Boehringer Ingelheim (€ 6.5 m) and Novartis. The total amount of revenues from milestones, upfronts and licences recognised in Evotec's partnerships decreased in comparison to the same period of the previous year (2013: € 10.8 m, 2012: € 16.0 m). Excluding milestones, upfronts and licences, Evotec's revenues for the first nine months of 2013 would have increased by 3% over the same period of the previous year or 5% on a consistent exchange rate basis. In 2013, this amount includes revenue contributions from the newly acquired business of CCS of € 1.2 m. The third quarter 2013 reported revenues of € 23.6 m (2012: € 22.2 m), an increase of 7% compared to the same period of the previous year.

Geographically, 48% of revenues were generated with customers in Europe, 49% in the US and 3% in Japan and the rest of the world. This compares to 40%, 42% and 18%, respectively, in the same period of the previous year. Growth came from the USA and from Europe. The increased contribution of the European revenues to Group revenues mainly reflects the milestone revenues from Boehringer Ingelheim, revenues from the alliance with Bayer and the acquisition of CCS. The higher contribution from customers in the USA to Group revenues primarily reflects upfront revenues and revenues from Janssen as part of the CureBeta collaboration. The decrease in revenue contributions from Japan and the rest of the world to Group revenues mainly resulted from contributions from the DiaPep277[®] milestone from Andromeda/Teva in the first quarter of 2012.

Operating cost structure

Costs of revenue for the first nine months of 2013 decreased to € 38.7 m (2012: € 40.8 m), yielding a **gross margin** of 35.9% (2012: 36.4%). Excluding milestones, upfronts and licences, the gross margin of the first nine months of 2013 improved significantly compared to 2012 from 17% to 24%. This mainly resulted from efficiency improvements and an optimised capacity utilisation and productivity. The gross margin in the third quarter 2013 amounted to 46.9% compared to the gross margin in the third quarter 2012 of 38.9%. Gross margins in the future may continue to be volatile due to the recognition of potential milestone or out-licensing revenues.

R&D expenses for the first nine months of 2013 amounted to € 7.5 m, an increase of 23% compared to the same period of the previous year (2012: € 6.1 m). This increase is primarily due to increased investments in Target X initiatives, such as the collaboration with the Belfer Institute for Applied Cancer Science to discover new oncology therapies targeting epigenetic mechanisms as well as the open innovation alliance with Yale University.

SG&A expenses for the first nine months of 2013 remained unchanged compared to the same period of the previous year (2013: € 12.3 m, 2012: € 12.3 m). On a full-year basis, SG&A expenses are forecast to increase moderately over the 2012 level.

In the first nine months of 2013, **amortisation of intangible assets** increased to € 2.4 m from € 2.0 m in the same period of the previous year. This is primarily due to the amortisation of the customer list of CCS and of the 4-Antibody licence.

Financial results

Restructuring expenses for the first nine months of 2013 amounted to € 0.4 m (2012: € 0.0 m) and mainly reflect retention and severance expenses resulting from the wind-down decision regarding Evotec (India) Private Ltd.

In the first nine months of 2013, **impairment of tangible assets** in the amount of € 1.1 m (2012: € 0.0 m) and **impairment of goodwill** in the amount of € 1.9 m (2012: € 0.0 m) as a consequence of the wind-down decision regarding Evotec (India) Private Ltd were recognised.

Other operating income and expenses, net in the first nine months of 2013 amounted to € (0.3) m (2012: € (0.2) m). The other operating expenses in the first nine months of 2013 were extraordinarily affected by a fair value adjustment in the context of the contingent consideration (earn-out) due to the sellers of Evotec (Göttingen) in the amount of € (0.3) m. The previous year period included the parallel rental for the old facility and the new Manfred Eigen Campus in Hamburg and the resulting planned underutilisation of parts of those buildings amounting to € 1.8 m in expenses. Additionally, an income of € 1.5 m relating to the fair value adjustment in the context of the contingent consideration (earn-out) due to the sellers of Evotec San Francisco and Evotec (Göttingen) was recorded in the same period of the previous year.

Evotec's **operating loss** for the first nine months of 2013 amounted to € 4.2 m (2012: operating income of € 2.9 m) mainly resulting from the impairment of tangible assets (€ 1.1 m) and goodwill (€ 1.9 m) as a consequence of the wind-down decision regarding Evotec (India) Private Ltd. The operating result before impairment and changes in contingent consideration amounted to € (1.0) m in the first nine months of 2013 (2012: € 1.4 m). Operating income for the third quarter 2013 was € 0.2 m (2012: € 1.5 m) with the Q3 operating result before impairment and changes in contingent consideration amounting to € 3.2 m. As stated before, Evotec's operating result may vary significantly between quarters as a result of the timing of performance-based milestone payments and partnering events. Overall, the Company expects to achieve increased full-year profitability over 2012 (before impairment and changes in contingent consideration).

Net result amounted to € (4.9) m (2012: € 7.5 m). In the third quarter of 2012, deferred tax income of € 5.9 m had a positive effect on the net result. Thereof € 5.8 m was due to the merger of Evotec (Göttingen) with Evotec NeuroSciences. As a result of the merger, it was possible to use losses carried forward of Evotec NeuroSciences to a higher level than anticipated at the end of 2011.

Earnings per share for the first nine months of 2013 were € (0.04) (2012: € 0.06).

2. FINANCING AND FINANCIAL POSITION

Cash flow and liquidity

Cash used in operating activities for the first nine months of 2013 amounted to € 4.0 m (2012: cash provided by operating activities of € 0.3 m) and reflects the negative operating result excluding depreciation, amortisation and impairments which is offset by the increase in trade accounts receivables and the reduction in deferred revenues.

The line item "Adjustments to reconcile net income (loss) to net cash used in operating activities" in the cash flow statement amounted to € 11.5 m and mainly consisted of depreciation of property, plant and equipment

(€ 4.4 m), impairment of tangible assets and goodwill (€ 3.0 m), amortisation (€ 2.4 m), non-cash foreign exchange losses (€ 0.6 m) and compensation expenses (€ 0.9 m).

Cash used in investing activities for the first nine months of 2013 amounted to € 23.4 m compared to cash provided by investing activities of € 14.0 m in the same period of the previous year. The proceeds from the sale of current investments amounted to € 17.3 m and Evotec purchased current investments in the amount of € 35.4 m. Capital expenditures decreased to € 4.1 m from € 6.3 m in the same period of the previous year. This decrease is mainly due to the cash outflow in the first quarter of 2012 for the move into the new facility in Hamburg. Purchase of long-term investments in the first nine months of 2013 in the amount of € 1.4 m is attributable to the purchase price in the context of the acquisition of CCS (€ 1.2 m) and the earn-out of DeveloGen (€ 0.2 m).

Cash provided by financing activities for the first nine months of 2013 was € 30.4 m and mainly resulted from the proceeds of the capital increase. For further information regarding the capital increase, we refer to the section "Others" on page 6 of this nine-month report.

Liquidity, which includes cash and cash equivalents (€ 41.7 m) and investments (€ 43.0 m) amounted to € 84.7 m at the end of September 2013 (31 December 2012: € 64.2 m). This increase was mainly driven by the capital increase.

3. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

The material changes of assets and liabilities during the first nine months of 2013 are mentioned below. More details are described in the Notes to the Unaudited Consolidated Interim Financial Statements.

Assets

Trade accounts receivables increased to € 20.2 m (31 December 2012: € 15.1 m) mainly due to the milestones from Boehringer Ingelheim, which were not paid by the end of September 2013.

As of 30 September 2013, property, plant and equipment decreased to € 24.7 m from € 27.2 m on 31 December 2012. This decrease is mainly attributable to the impairment of the fixed assets of Evotec (India) Private Ltd and their reclassification to assets held for sale as of 30 September 2013 (€ 0.5 m).

The acquisition of CCS resulted in a customer list amounting to € 1.4 m. However, the resulting increase in intangible assets excluding goodwill was more than offset by foreign exchange rate variances and amortisation. As a result, intangible assets excluding goodwill decreased to € 62.1 m (31 December 2012: € 63.3 m). The goodwill amounted to € 40.6 m (31 December 2012: € 42.3 m) and reflects a decrease due to the impairment of the goodwill of Evotec (India) Private Ltd resulting from the wind-down decision in the amount of € 1.9 m as well as foreign exchange variances. This decrease was partly offset by an increase relating to the acquisition of CCS (€ 1.0 m).

Liabilities

The decrease of short-term provisions to € 6.4 m (31 December 2012: € 6.9 m) mainly reflects an increase due to the earn-out (€ 1.1 m) of CCS being more than offset by changes in the maturity of the remaining earn-

out provisions and lower bonus provisions.

The increase of long-term provisions to € 20.4 m (31 December 2012: € 18.8 m) primarily relates to the earn-out of DeveloGen relating to the unwinding of discount (€ 0.8 m) as well as a fair value adjustments and the above mentioned maturity change.

The decrease of non-current deferred revenues to € 8.7 m (31 December 2012: € 12.5 m) relates to revenues recognised from the upfront payments from Janssen and Bayer.

Stockholders' equity

As of 30 September 2013, Evotec's **capital structure** changed compared to the end of 2012. In the third quarter 2013, the share capital was increased by 11,818,613 new shares against cash contribution. The price per share amounted to € 2.55. As of 30 September 2013, also due to the exercise of stock options, there were 130,569,202 shares issued and outstanding with a nominal amount of € 1.00 per share. Included in this amount as of 30 September 2013 were 586,265 treasury shares that were generated in the course of the acquisition of Renovis, Inc. by Evotec AG.

After the capital increase the authorised capital (genehmigtes Kapital) as of 30 September 2013 amounted to 11,844,559 shares.

Evotec's equity ratio as of 30 September 2013 increased to 72.2% and thus continued to be high and stable (31 December 2012: 67.7%).

4. HUMAN RESOURCES

Employees

At the end of September 2013, 670 people were employed within the Evotec Group (31 December 2012: 637 employees). Included in this amount are approximately 120 Thane-based employees of which approximately 100 will not be included from 01 October 2013 onwards. Headcount increased in the first nine months of 2013 to support the growth of Evotec's discovery alliances.

Evotec strengthened its management team with the appointment of Dr Thomas Hanke (former Director Biopharmaceuticals Innovation Sourcing at Novo Nordisk) as Head of Immunology & Inflammation (after period-end). On 11 November 2013, Dr Hubert Birner informed Evotec AG that he decided to resign from his position of member of the Supervisory Board in accordance with the Articles of Association with effect on 09 December 2013.

Stock-based compensation

In the first nine months of 2013, no stock options were granted to Evotec employees and a total of 427,506 options were exercised: 223,756 options were serviced out of treasury shares, 203,750 options were serviced from contingent capital. As of 30 September 2013, the total number of options available for future exercise amounted to 5,181,801 (approximately 4.0% of shares in issue).

In 2012, the Company implemented a share performance plan. During the first nine months of 2013, 773,757 share performance awards were granted to members of the Management Board and other key employees and no share performance awards were exercised. As of 30 September 2013, the total number of share performance awards available for future

exercise amounted to 1,683,450 (approximately 1.3% of shares in issue).

Options and share performance awards have been accounted for pursuant to IFRS 2 using the fair value at the measurement date. In the first nine months of 2013, employees of the Company were able to keep options and share performance awards in the amount of 225,521 after termination of the corresponding employment. Those transactions were recognised as accelerated vesting.

Shareholdings of the Boards of Evotec AG

Number of shares

	01 Jan '13	Additions	Sales	30 Sept '13
Management Board				
Dr Werner Lanthaler	516,494	-	-	516,494
Colin Bond	-	-	-	-
Dr Cord Dohrmann	27,226	14,161*	-	41,387
Dr Mario Polywka	60,000	-	-	60,000
Supervisory Board				
Dr Flemming Ørnskov**	41,738	7,801	-	49,539
Dr Walter Wenninger	27,126	11,412	-	38,538
Dr Hubert Birner	50,278	7,608	-	57,886
Dr Claus Braestrup***	-	-	-	-
Roland Oetker	17,429,685	3,804	-	17,433,489
Prof Dr Andreas Pinkwart	2,330	3,804	-	6,134
Mary Tanner	70,933	2,601	-	73,534

* Dr Cord Dohrmann received his shares in Evotec through a transfer from an escrow account in accordance with the share purchase agreement signed in July 2010 in exchange for his share in DeveloGen.

** Relates to the period until 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board at the Evotec Annual General Meeting.

*** Relates to the period from 12 June 2013 onwards, when Dr Claus Braestrup was elected to the Supervisory Board by the Evotec Annual General Meeting.

Number of stock options

	01 Jan '13	Additions	Exercise	30 Sept '13
Management Board				
Dr Werner Lanthaler	1,340,000	-	150,000*	1,190,000
Colin Bond	390,000	-	-	390,000
Dr Cord Dohrmann	390,000	-	-	390,000
Dr Mario Polywka	815,000	-	-	815,000
Supervisory Board				
Dr Flemming Ørnskov**	-	-	-	-
Dr Walter Wenninger	-	-	-	-
Dr Hubert Birner	-	-	-	-
Dr Claus Braestrup***	-	-	-	-
Roland Oetker	-	-	-	-
Prof Dr Andreas Pinkwart	-	-	-	-
Mary Tanner	-	-	-	-

* Exercise with immediate sale

** Relates to the period until 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board at the Evotec Annual General Meeting.

*** Relates to the period from 12 June 2013 onwards, when Dr Claus Braestrup was elected to the Supervisory Board by the Evotec Annual General Meeting.

Number of Share Performance Awards

	01 Jan '13	Additions	Exercise	30 Sept '13
Management Board				
Dr Werner Lanthaler	209,877	179,538	-	389,415
Colin Bond	76,190	70,014	-	146,204
Dr Cord Dohrmann	76,190	76,379	-	152,569
Dr Mario Polywka	83,036	67,595	-	150,631
Supervisory Board				
Dr Flemming Ørnskov*	-	-	-	-
Dr Walter Wenninger	-	-	-	-
Dr Hubert Birner	-	-	-	-
Dr Claus Braestrup**	-	-	-	-
Roland Oetker	-	-	-	-
Prof Dr Andreas Pinkwart	-	-	-	-
Mary Tanner	-	-	-	-

* Relates to the period until 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board at the Evotec Annual General Meeting.

** Relates to the period from 12 June 2013 onwards, when Dr Claus Braestrup was elected to the Supervisory Board by the Evotec Annual General Meeting.

Pursuant to §15a of the German Securities Trading Act (Wertpapierhandelsgesetz), the above tables list separately the number of company shares held and rights for such shares granted to each board member as of 30 September 2013 for each member of our Management and Supervisory Board.

C. RISKS AND OPPORTUNITIES REPORT

The risks and opportunities described on pages 69 to 75 of Evotec's Annual Report 2012 remain unchanged. At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG.

D. TRANSACTIONS WITH RELATED PARTIES

In a simultaneous transaction to the direct placement capital increase on 31 August 2013, Biotechnology Value Fund, L.P. and other affiliates of the US biotech specialist investment firm, BVF Partners L.P. also purchased an option from the Company's shareholder TVM V Life Science Ventures GmbH & Co. KG granting BVF the right to acquire an additional 11,818,612 shares of Evotec at € 4.00 per share within the next 30 months. 50% of the options provided by TVM to BVF are subject to an option granted by ROI Verwaltungsgesellschaft mbH to TVM with similar conditions as in the option agreement between BVF and TVM. Roland Oetker and Hubert Birner abstained from the final consultation and vote of the Supervisory Board on the approval of the capital increase to avoid any potential conflict of interest or potential vulnerability of the decision taken, although Roland Oetker and Hubert Birner did not consider themselves as conflicted in regard to these transactions.

Except for this transaction and the transactions described on page 113 of the 2012 Annual Report, no other material transactions with related parties have been entered into in the first nine months of 2013.

E. BUSINESS ENVIRONMENT

Global economy and outlook

In its most recent forecast (October 2013), the International Monetary Fund (IMF) sees only weak growth of the global economy with changing growth drivers and some remaining downside risks. Total world output is expected to grow by 2.9% in 2013 and 3.6% in 2014, respectively,

although China and a growing number of emerging countries face decreasing growth rates caused by both cyclical and structural reasons. However, the pace of growth in the industrialised countries continues to be substantially lower than in the emerging markets. The US economy in 2013 suffered from weak demand and is forecast to achieve GDP growth of just 1.6%. As public spending is expected to pick up in 2014, growth should increase to 2.6%. Economic output in the Eurozone is forecast to decline by 0.4% in 2013. In 2014, the Eurozone is expected to overcome the recession and get back to an economic growth rate of 1.0%. According to the German Institute for Economic Research (DIW), the German economy continues its moderate upward trend. Economic growth is forecast to reach 0.4% in 2013. The DIW predicts accelerated growth of 1.7% in 2014.

Healthcare environment and outlook

Modern biotechnology is one of the most important technologies of the 21st century. It ranks among the most attractive of all fast-growing industries with an estimated annual growth rate of above 11% p.a. Worldwide sector revenues amounted to \$ 91 bn in 2010 and are forecast to top \$ 150 bn in 2015. In the USA, drugs with annual revenues of more than \$ 100 bn will lose their patent protection by 2018. Generic manufacturers are poised to enter these markets with cheaper-priced drugs, which will produce considerable savings for healthcare systems. This will also create more capacity for new and innovative drugs from the biotech industry.

Drug discovery and development is a high-reward but high-risk process, with as few as one in 10,000 new molecular entities making the successful but costly and lengthy journey from discovery to market. The pharmaceutical industry is struggling with the decline in R&D productivity and increasing demands from reimbursement authorities who demand first- and best-in-class therapies rather than "me-toos". This, in turn, has led to a large increase in both M&A activity and partnership arrangements over the past decade. Small biotech companies with innovative technologies that lack the resources to commercialise their products can benefit from favourable deals with companies with an established sales force and market presence, which in the end leaves them more capacity for further innovation.

F. FINANCIAL OUTLOOK

Evotec confirms operating financial targets for the financial year 2013

Given the cash inflow of € 30 m from the increase of its share capital against cash contribution from Biotechnology Value Fund, L.P. in September this year, the guidance of the Company's liquidity position increased to above € 90 m by end of the year 2013. All other financial targets published on 26 March 2013 in Evotec's Annual Report 2012 (page 78) remain unchanged.

In 2013, total Group revenues are expected to grow to a level between € 90 m and € 100 m. This assumption is based on the current order book, expected new contracts and contract extensions, as well as the achievement of certain milestone revenues. Milestones are difficult to predict, but they remain a fundamental part of the business model of Evotec.

On this basis, gross margins in 2013 are expected to improve slightly on those achieved in 2012. However, quarterly margins will continue to be volatile, as they are dependent upon the timing of milestone payments.

Evotec expects research and development (R&D) expenses in 2013 to increase above the levels of 2012. This is primarily due to additional investments in the strategic Cure X franchise primarily in the fields of metabolic diseases and regenerative medicine. In total, R&D expenditure is expected to be around € 10 m in 2013.

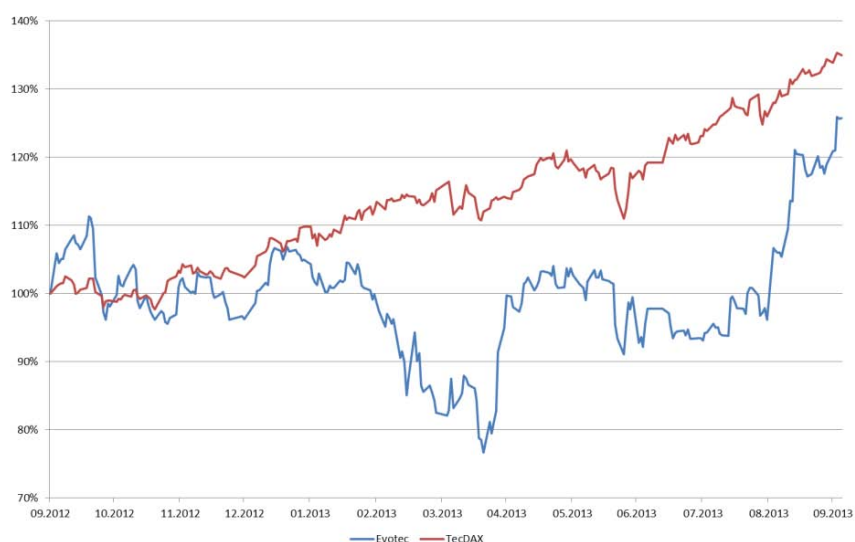
Evotec's Group operating result before impairment and changes in contingent consideration is expected to improve from its 2012 level for the year 2013.

At constant year-end 2012 currencies, the Company increases its cash guidance to above € 90 m by the end of 2013, excluding any potential cash outflow for M&A or similar transactions due to the capital inflow to Evotec of € 30 m from the increase of its share capital against cash contribution.

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 2012 on pages 76 to 78.

G. SHARE PRICE PERFORMANCE AND FINANCIAL CALENDAR

Performance of Evotec shares over the past twelve months



In the first nine months 2013, the DAX index reached a new all-time high of 8,770 points. As of 30 September at 8,607 points, the DAX reached a year-to-date performance of 13.1%. The upward trend of the German stock market – as well as the performance of many international stock markets – is based on an ongoing expansionary monetary policy and on the expectation that Europe and the US will overcome the current weakness in economic growth. Moreover, there continue to be non-attractive yields in the fixed income sector.

The year 2013 is also turning out to be a good year for the biotech industry. The defensive growth characteristics coupled with the increasing number of new product approvals, growth in R&D investments and a record number of products in clinical trials support the excitement about the future of the biotech sector, which lead to increased investor confidence in the sector, especially biotech mid-caps. The attractive valuations among many small and mid-cap companies are expected to drive their better

performance vs. large caps over the next twelve months.

Evotec's share developed very positively during the third quarter 2013. The share price climbed around 32% from € 2.50 by to € 3.30 in the course of the third quarter of 2013. Compared to Evotec's share price at year-end 2012, this is equivalent to a performance of 25.5%. The share price development was primarily driven by a positive news flow regarding new or extended collaborations. Additional upward potential in regard to Evotec's share price was demonstrated by the US biotech specialist investment firm Biotechnology Value Fund, L.P. and other subsidiaries of BVF Partners L.P. subscribing for new Evotec shares which were issued in a direct placement capital increase in August 2013.

Financial calendar 2014

2013 Annual Report:	25 March 2014
Q1 2014 Interim Report:	14 May 2014
Annual General Meeting 2014:	17 June 2014
Q2 2014 Interim Report:	12 August 2014
Q3 2014 Interim Report:	12 November 2014

II. Consolidated Interim Financial Statements

Evotec AG and Subsidiaries -

Consolidated interim income statement for the period from 1 January to 30 September 2013

<i>in T€ except share and per share data</i>	<i>Nine months ended 30 September 2013</i>	<i>Nine months ended 30 September 2012</i>	<i>Three months ended 30 September 2013</i>	<i>Three months ended 30 September 2012</i>
Revenues	60,320	64,201	23,630	22,155
Costs of revenue	(38,681)	(40,805)	(12,543)	(13,547)
Gross profit	21,639	23,396	11,087	8,608
Operating income and expense				
Research and development expenses	(7,475)	(6,091)	(2,656)	(2,167)
Selling, general and administrative expenses	(12,331)	(12,274)	(4,155)	(4,248)
Amortisation of intangible assets	(2,419)	(1,997)	(703)	(780)
Restructuring expenses	(380)	-	(380)	-
Impairment of tangible assets	(1,076)	-	(1,076)	-
Impairment of goodwill	(1,948)	-	(1,948)	-
Other operating income	910	2,505	494	933
Other operating expenses	(1,161)	(2,669)	(501)	(809)
Total operating expenses	(25,880)	(20,526)	(10,925)	(7,071)
Operating income (loss)	(4,241)	2,870	162	1,537
Other non-operating income (expense)				
Interest income	134	357	51	49
Interest expense	(1,012)	(1,498)	(433)	(390)
Other income from financial assets	8	397	-	1
Foreign currency exchange gain (loss), net	(672)	(536)	(729)	(539)
Other non-operating income	97	347	68	101
Total non-operating expense	(1,445)	(933)	(1,043)	(778)
Income (loss) before taxes	(5,686)	1,937	(881)	759
Current tax income (expense)	61	(994)	(2)	(799)
Deferred tax income	759	6,590	600	5,894
Net income (loss)	(4,866)	7,533	(283)	5,854
Weighted average shares outstanding	118,146,894	117,170,597	118,828,586	117,459,556
Net income (loss) per share (basic)	(0.04)	0.06	-	0.05
Net income (loss) per share (diluted)	(0.04)	0.06	-	0.05

Evotec AG and Subsidiaries -
Consolidated statements of comprehensive income for the period from 1 January to 30 September 2013

<i>in T€</i>	<i>Nine months ended 30 September 2013</i>	<i>Nine months ended 30 September 2012</i>	<i>Three months ended 30 September 2013</i>	<i>Three months ended 30 September 2012</i>
Net income (loss)	(4,866)	7,533	(283)	5,854
Other comprehensive income (loss)				
Foreign currency translation	(1,602)	2,227	352	229
Revaluation and disposal of available-for-sale securities	(55)	(328)	15	57
Other comprehensive income (loss)	(1,657)	1,899	367	286
Total comprehensive income (loss)	(6,523)	9,432	84	6,140

Evotec AG and Subsidiaries -
Consolidated interim statement of financial position as of 30 September 2013

<i>in T€ except share data</i>	<i>footnote reference</i>	<i>as of 30 September 2013</i>	<i>as of 31 December 2012</i>
ASSETS			
Current assets:			
Cash and cash equivalents		41,685	39,065
Investments		42,980	25,094
Trade accounts receivables	6	20,154	15,053
Inventories		2,766	2,445
Current tax receivables		634	480
Other current financial assets		1,524	1,478
Prepaid expenses and other current assets	7	4,333	4,489
Assets held for sale	8	544	-
Total current assets		114,620	88,104
Non-current assets:			
Long-term investments		10	10
Property, plant and equipment		24,662	27,181
Intangible assets, excluding goodwill	9	62,147	63,266
Goodwill	10	40,636	42,342
Deferred tax asset		2,815	2,815
Other non-current financial assets		75	75
Other non-current assets	11	911	1,634
Total non-current assets		131,256	137,323
Total assets		245,876	225,427
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities		13,223	13,223
Current portion of finance lease obligations		5	1
Trade accounts payable		5,481	6,363
Advanced payments received		95	232
Provisions	12	6,379	6,914
Deferred revenues		5,065	5,548
Current income tax payables		199	502
Other current financial liabilities		306	234
Other current liabilities	13	1,404	865
Total current liabilities		32,157	33,882
Non-current liabilities:			
Non-current loan liabilities		4,043	4,178
Long-term finance lease obligations		15	-
Deferred tax liabilities		1,580	2,099
Provisions	12	20,383	18,817
Deferred revenues	14	8,735	12,516
Other non-current financial liabilities		1,272	1,388
Total non-current liabilities		36,028	38,998
Stockholders' equity:			
Share capital	15	130,569	118,547
Additional paid-in capital		685,563	665,918
Accumulated other comprehensive income		(27,158)	(25,501)
Accumulated deficit		(611,283)	(606,417)
Total stockholders' equity		177,691	152,547
Total liabilities and stockholders' equity		245,876	225,427

Evotec AG and Subsidiaries -

Condensed consolidated interim statement of cash flows for the nine months ended 30 September 2013

<i>in T€</i>	<i>Nine months ended 30 September 2013</i>	<i>Nine months ended 30 September 2012</i>
Cash flows from operating activities:		
Net income (loss)	(4,866)	7,533
Adjustments to reconcile net income (loss) to net cash used in operating activities	11,520	1,790
Change in assets and liabilities	(10,703)	(8,996)
Net cash provided by (used in) operating activities	(4,049)	327
Cash flows from investing activities:		
Purchase of current investments	(35,394)	(36,364)
Purchase of investments in affiliated companies	(1,359)	(2,000)
Purchase of property, plant and equipment	(4,105)	(6,270)
Purchase of intangible assets	-	(2,000)
Cash acquired in connection with acquisitions	119	-
Proceeds from sale of property, plant and equipment	-	43
Proceeds from sale of current investments	17,313	60,608
Net cash provided by (used in) investing activities	(23,426)	14,017
Cash flows from financing activities:		
Proceeds from capital increase	30,137	-
Proceeds from option exercise	550	623
Proceeds from issuance of loans	-	2,446
Purchase of treasury shares	(109)	(113)
Repayment of loans	(134)	(141)
Net cash provided by financing activities	30,444	2,815
Net increase in cash and cash equivalents	2,969	17,159
Exchange rate difference	(349)	631
Cash and cash equivalents at beginning of year	39,065	17,777
Cash and cash equivalents at end of the period	41,685	35,567

**Evotec AG and Subsidiaries -
Consolidated interim statements of changes in stockholders' equity
for the nine months ended 30 September 2013**

	Share capital				Accumulated other comprehensive income				
<i>in T€ except share data</i>	Shares	Amount	Additional paid-in capital	Treasury shares purchased on stock exchange	Foreign currency translation	Revaluation reserve	Accumulated deficit	Total stockholders' equity	
	footnote reference								
Balance at 1 January 2012		118,315,864	118,316	663,820	(1)	(33,350)	7,355	(608,895)	147,245
Exercised stock options		157,932	158	465	-	-	-	-	623
Stock option plan		-	-	1,122	-	-	-	-	1,122
Purchase of treasury shares		-	-	-	(113)	-	-	-	(113)
Transfer of treasury shares		-	-	-	114	-	-	-	114
Total comprehensive income (loss)						2,227	(328)	7,533	9,432
Balance at 30 September 2012		118,473,796	118,474	665,407	-	(31,123)	7,027	(601,362)	158,423
Balance at 1 January 2013		118,546,839	118,547	665,918	-	(32,542)	7,041	(606,417)	152,547
Capital increase	15	11,818,613	11,818	18,319	-	-	-	-	30,137
Exercised stock options	16	203,750	204	342	-	-	-	-	546
Stock option plan	16	-	-	984	-	-	-	-	984
Purchase of treasury shares		-	-	-	109	-	-	-	109
Transfer of treasury shares		-	-	-	(109)	-	-	-	(109)
Total comprehensive income (loss)						(1,602)	(55)	(4,866)	(6,523)
Balance at 30 September 2013		130,569,202	130,569	685,563	-	(34,144)	6,986	(611,283)	177,691

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 their interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) in conjunction with IAS 34. The consolidated interim financial statements have been prepared on 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 2012. Income tax income and 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 consolidated interim 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 2012.

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 CCS Cell Culture Service GmbH ("CCS") effective 01 January 2013. This acquisition is fully consolidated from 01 January 2013 onwards.

Due to this acquisition, the condensed consolidated interim financial statements for the nine-month periods 2012 and 2013 are not fully comparable.

3. BASIS OF ESTIMATION

In the consolidated interim financial statements for the nine months ended 30 September 2013, the Company used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2012.

4. SEGMENT INFORMATION

Pursuant to IFRS 8, Evotec does not report segment information (see page 108 of Evotec's Annual Report 2012).

5. ACQUISITIONS

Effective 01 January 2013, the Company acquired 100% of the shares in CCS Cell Culture Service GmbH, Hamburg, a leading supplier of custom cells and cell-based reagents. This acquisition strengthens Evotec's cell-based screening and reagent platform.

The purchase price of T€ 2,270 in cash includes a potential earn-out as

contingent consideration. The earn-out was calculated based on estimated future revenues as of the date of acquisition with no discounting due to the short-term nature of this contingent consideration. The estimated maximum potential earn-out payment amounts to T€ 1,120.

The fair values of the acquired assets and liabilities were estimated based on the recognised amounts as of the date of the acquisition. A fair value adjustment has been recorded for a customer list in the amount of T€ 1,385, which has been estimated based on net present value modelling. Related deferred tax liabilities in the net amount of T€ 301 were also recorded. The resulting goodwill from the acquisition amounts to T€ 953. The factors which make up this goodwill are the expected synergies resulting from the combination of Evotec's and CCS' product offering.

The amount of net income and revenues of CCS could only be approximately determined due to the merger of CCS Cell Culture GmbH into Evotec AG. The amounts are determined on the basis of cost centre and project accounting. The net loss of Evotec for the nine months ended 30 September 2013 included net income of T€ 318 from CCS as well as revenues of T€ 1,229. Acquisition-related costs in the amount of T€ 13 are recognised through profit and loss.

The following is the breakdown of the carrying amount and the fair value of CCS at the date of acquisition:

	01 January 2013 carrying amount T€	01 January 2013 fair value T€
Cash and cash equivalents	119	119
Trade accounts receivable	158	158
Inventories	52	52
Other current assets	70	70
Property, plant and equipment	155	155
Customer list	-	1,385
Finance leases	(24)	(24)
Provisions	(268)	(268)
Trade accounts payables	(20)	(20)
Other current liabilities	(9)	(9)
Deferred tax liabilities	-	(301)
Net assets acquired	233	1,317
Goodwill	-	953
Cost of acquisition	-	2,270
Less cash and cash equivalents acquired	-	(119)
Less deferred earn-out component	-	(1,120)
Cash outflow from acquisition	-	1,031

6. TRADE ACCOUNTS RECEIVABLES

The increase in trade accounts receivables as of 30 September 2013 in comparison to 31 December 2012 relates to the Boehringer Ingelheim milestones reached in September 2013 that had not been paid by quarter end.

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of 30 September 2013 primarily consisted of prepaid expenses in the amount of T€ 3,340 (31 December 2012: T€ 3,327). The prepaid expenses mainly relate to the collaboration with Harvard.

8. ASSETS HELD FOR SALE

Due to the decision on 08 July 2013 to close the Chemistry Operations in Thane, India and performing the work out of Abingdon, UK, the Company recognises assets held for sale as of 30 September 2013. Those assets held for sale consist of property, plant and equipment and are recorded with the net realisable value as of that date. Recognising the property, plant and equipment of India with the net realisable value resulted in an impairment of tangible assets in the amount of T€ 1,076.

9. INTANGIBLE ASSETS

The main addition to the intangible assets in the first nine months of 2013 relates to the customer list acquired in the business combination with CCS amounting to T€ 1,385. This customer list is amortised from 01 January 2013 onwards over the estimated useful life of seven years. In the third quarter 2013, the Company reviewed two of the developed technologies recognised in Evotec International for impairment. The reason for this was that one phase of the research period was extended resulting in a postponement of future milestones. The Company concluded that no impairment of these developed technologies had to be recorded in the first nine months 2013.

10. GOODWILL

Due to the decision to close the Chemistry Operations in Thane, India, the goodwill relating to this cash generating unit was fully impaired resulting in impairment expenses in the amount of T€ 1,948 as of 30 September 2013.

The addition to goodwill in 2013 relates to the acquisition of CCS, which resulted in a goodwill in the amount of T€ 953. CCS is not considered to be a separate cash generating unit because it is fully integrated in Evotec AG and is therefore part of an already existing cash generating unit.

11. OTHER NON-CURRENT ASSETS

The decrease of the non-current assets compared to 31 December 2012 results from the prepayment relating to the Harvard collaboration, which is accrued over the time of the collaboration.

12. PROVISIONS

The increase in current and non-current provisions in comparison to 31 December 2012 as of 30 September 2013 mainly relate to the earn-out of DeveloGen relating to the unwinding of discount in the amount of T€ 768 as well as a fair value adjustment in the amount of T€ 267. Furthermore, Evotec recognised an earn-out in the amount of T€ 1,120 relating to the acquisition of CCS. Those effects are partly offset by lower provisions for annual Management Board and employee bonuses.

Earn-out liabilities totalling T€ 18,027 are estimated to be due after twelve months and T€ 2,607 are estimated to be due in the next twelve months.

13. OTHER CURRENT LIABILITIES

The increase in the other current liabilities mainly relates to value added taxes.

14. NON-CURRENT DEFERRED REVENUES

The decrease in non-current deferred revenues relates to revenues recognised from the upfront payments received from Janssen Pharmaceuticals and Bayer Pharma AG.

15. STOCKHOLDERS' EQUITY

In the third quarter 2013, the share capital was increased by 11,818,613 new shares against cash contribution. The price per share amounted to € 2.55. As of 30 September 2013, there are 130,569,202 shares issued and outstanding with a nominal amount of € 1.00 per share including equity instruments acquired in the business combination with Renovis.

After the capital increase the authorised capital (genehmigtes Kapital) as of 30 September 2013 amounts to 11,844,559 shares.

16. STOCK-BASED COMPENSATION

In the third quarter of 2013, a total of 773,757 Share Performance Awards ("SPAs") were granted to the Management Board and key employees. Thereof 393,526 SPAs were granted to the members of the Management Board.

The fair value of the grant of SPAs was estimated on the date of grant using a Monte-Carlo-Simulation model with the following assumptions:

04 September 2013

Risk-free interest rate in %	0.67
Volatility in %	35.0
Fluctuation in %	0.0 – 5.0
Exercise price in Euro	1.00
Share price at grant date in Euro	2.90
Fair value at grant date per SPA in Euro	1.55

The performance measurement period for this vesting started on 01 January 2013. The expected dividend yield is zero; the expected life is 4 years.

In 2012, SPAs in the amount of 909,693 were granted. SPAs can only be exercised, if, when and to the extent that key performance indicators are achieved within a performance measurement period of three years. In the second quarter of 2013, the estimated achievement of the key performance indicators for the 2012 grant changed, resulting in an income in the second quarter of 2013 in the amount of T€ 197.

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet as of 30 September 2013, are as follows:

In T€	30. Sep 13	
	Carrying amount	Fair value
Cash and cash equivalents	41,685	41,685
Available-for-sale financial assets		
Investments	42,980	42,980
Long-term investments	10	10
Total available-for-sale-financial assets	42,990	42,990
Financial assets measured at fair value		
Other non-current financial assets	75	75
Loans and receivables		
Trade accounts receivables	20,154	20,154
Other current financial assets	1,524	1,524
Total loans and receivables	21,678	21,678
Financial liabilities measured at cost		
Current loan liabilities	(13,223)	(13,223)
Non-current loan liabilities	(4,043)	(3,985)
Current portion of finance lease obligations	(5)	(5)
Long-term finance lease obligations	(15)	(15)
Trade accounts payable	(5,481)	(5,481)
Other current financial liabilities	(306)	(306)
Total financial liabilities measured at cost	(23,073)	(23,015)
Financial liabilities measured at fair value		
Derivative financial instruments	(179)	(179)
Contingent consideration	(20,634)	(20,634)
Total financial liabilities measured at fair value	(20,813)	(20,813)
	62,542	62,600
Unrecognised (gain)/loss		(58)

The following table allocates financial assets and financial liabilities as of 30 September 2013 to the three levels of the fair value hierarchy as defined in IFRS 7:

	30 September 2013			
	Level 1 T€	Level 2 T€	Level 3 T€	Total T€
Available-for-sale financial assets	42,980	-	10	42,990
Financial assets measured at fair value	-	75	-	75
Financial liabilities measured at fair value	-	(179)	(20,634)	(20,813)

The following table shows a reconciliation from the beginning balances as of 30 September 2013 for fair value measurements in Level 3 of the fair value hierarchy:

In T€	January to September 2013	
	Available-for-sale financial assets	Financial liabilities measured at fair value
Balance at 1 January 2013	10	(18,689)
Total gains and losses recognised in profit and loss	-	(1,034)
Consumption	-	209
Addition from business combination with CCS	-	(1,120)
Balance at 30 September 2013	10	(20,634)

The gains and losses recognised in profit and loss of the financial liabilities measured at fair value relate to the unwinding of discount of the earn-out provision and were included in interest expense.

The levels of the fair value hierarchy and its application to Evotec's financial assets and financial liabilities are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data

18. TRANSACTIONS WITH RELATED PARTIES

In a simultaneous transaction to the direct placement capital increase on 31 August 2013, Biotechnology Value Fund, L.P. and other affiliates of the US biotech specialist investment firm, BVF Partners L.P. also purchased an option from the Company's shareholder TVM V Life Science Ventures GmbH & Co. KG granting BVF the right to acquire an additional 11,818,612 shares of Evotec at € 4.00 per share within the next 30 months. 50% of the options provided by TVM to BVF are subject to an option granted by ROI Verwaltungsgesellschaft mbH to TVM with similar conditions as in the option agreement between BVF and TVM. Roland Oetker and Hubert Birner abstained from the final consultation and vote of the Supervisory Board on the approval of the capital increase to avoid any potential conflict of interest or potential vulnerability of the decision taken, although Roland Oetker and Hubert Birner did not consider themselves as conflicted in regard to these transactions.

Except for this transaction and the transactions described on page 113 of the 2012 Annual Report, no other material transactions with related parties have been entered into in the first nine months of 2013.

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.