

24 March 2015

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## Evotec FY 2014: Strong performance in EVT Execute and acceleration of EVT Innovate

**Hamburg, Germany – 24 March 2015:** Evotec AG (Prime Standard Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today announced its financial results for the fiscal year ended 31 December 2014.

**Base revenue growth of 7% and positive adjusted EBITDA reflect strong performance; continued strong cash position; strategic alliance with Sanofi provides significant upside potential**

- Group revenues amounted to € 89.5 m, an increase of 4% compared to the previous year; base revenues increased by 7%; revenues from EVT Execute amounted to € 93.3 m (Third-party revenues: € 74.8 m)
- Adjusted Group EBITDA positive at € 7.7 m and € 22.1 m for EVT Execute
- Operating loss of € 6.4 m and net loss of € 7.0 m mainly due to impairment of DiaPep277<sup>®</sup>
- Strong liquidity position of € 88.8 m; liquidity adjusted for M&A of € 93.1 m

### **EVT Execute**

#### **Successful year for EVT Execute**

- New alliances and extended collaborations in 2014 strengthen customer and revenue base and give foundation for strong future growth
- Important milestone achievements within existing alliances
- Expansion of protein production capabilities in US

### **EVT Innovate**

#### **Broad long-term pipeline of over 70 partnered potential drug targets**

- Good progress within clinical development projects (EVT302, EVT100 series, EVT201, EVT401)
- Cure X and Target X strategy significantly expanded
- Evotec regains rights in the EVT070 programme after termination by Boehringer Ingelheim
- Strategic discovery and development collaboration with Second Genome (US) (after period-end)
- DiaPep277<sup>®</sup> programme terminated by Hyperion Therapeutics; Evotec enters settlement agreement with Andromeda/Hyperion Therapeutics (after period-end)

### **Upgrading Evotec's drug discovery platform**

- Acquisition of Bionamics GmbH to accelerate EVT Innovate
- Acquisition of Euprotec adds expertise in infectious diseases

### **Strategic collaboration with Sanofi**

- Signing of definitive agreement of major multi-component strategic alliance with Sanofi (after period-end)

### **Guidance 2015**

- Group revenues excluding milestones, upfronts and licences expected to increase by more than 20%
- Adjusted EBITDA positive
- R&D expenditure is expected to grow to € 15 m – € 20 m
- Liquidity is expected to be well in excess of € 100 m
- Capacity and capability building continued with up to € 10 m

## **1. Operational performance**

### **Base revenue growth of 7% and positive adjusted EBITDA reflect strong performance; continued strong cash position**

Evotec Group revenues amounted to € 89.5 m, an increase of 4% compared to the previous year (2013: € 85.9 m). This increase is primarily due to continued growth in the EVT Execute base business.

Total milestone, upfront and licence revenues achieved in Evotec's partnerships were € 16.1 m, a slight decrease in comparison with prior year (€ 17.1 m). The Group's base business (revenues excluding milestones, upfronts and licences) for the year 2014 increased by 7% to € 73.4 m (2013: € 68.8 m).

The gross margin of the Group was 32.8% (2013: 36.3%). The margin difference compared to 2013 is mainly attributable to the decrease in milestones, the write-off of the Andromeda receivable and adverse currency movements.

Adjusted Group EBITDA for 2014 was positive at € 7.7 m (2013: € 10.4 m). It was mainly impacted by the write-off of the Andromeda receivable.

R&D expenses increased as planned to € 12.4 m (2013: € 9.7 m). This results from higher investments in Cure X and Target X initiatives.

In 2014, selling, general and administrative ("SG&A") expenses of the Group increased by 8% to € 18.0 m (2013: € 16.6 m). This was due to an increase in business development and administrative activities to support the Company's future growth, transaction costs relating to the strategic collaboration with Sanofi as well as the acquisition of Bionamics and Euprotec during 2014.

Revenues from the EVT Execute segment amounted to € 93.3 m in 2014 and included € 18.5 m of intersegment revenues. The EVT Innovate segment generated revenues totalling € 14.7 m, consisting entirely of third-party revenues. The gross margin in EVT Execute amounted to 30.7% while EVT Innovate generated a gross margin of 23.4%. R&D expenses in 2014 stood at € 0.9 m for the EVT Execute segment. The EVT Innovate segment reported R&D expenses in the amount of € 14.1 m. In 2014, the adjusted EBITDA of the EVT Execute segment was positive at € 22.1 m and the EVT Innovate segment reported an adjusted EBITDA of € (14.4) m.

Evotec ended 2014 with a strong liquidity position of € 88.8 m (2013: € 96.1 m), composed of cash and cash equivalents (€ 48.7 m) and investments (€ 40.1 m). Liquidity in 2014 decreased in comparison with 2013, mainly due to the fact that milestones of approx. € 8 m achieved in Q4 2014 were only received in Q1 2015. Liquidity adjusted for M&A was at € 91.3 m.

## Segment information 2014

In T€

	EVT Execute	EVT Innovate	Evotec Group
Revenues	93,287	14,672	89,496
Gross margin in %	30.7	23.4	32.8
R&D expenses	(921)	(14,147)	(12,404)
SG&A expenses	(13,550)	(4,440)	(17,990)
Amortisation	(2,148)	(314)	(2,462)
Impairment result (net)	-	(8,523)	(8,523)
Other operating expenses (income)	2,206	3,414	5,620
Operating income (loss)	14,197	(20,578)	(6,381)
<i>EBITDA adjusted*</i>	22,065	(14,354)	7,711

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

## 2. EVT Execute and EVT Innovate

### EVT Execute – Successful year

#### **New alliances and extended collaborations in 2014 strengthen customer and revenue base and give foundation for strong future growth**

Evotec's repeat business, as defined by the percentage of 2014 revenues coming from customers that the Company already had in 2013, remained high at 85%. New alliances and extended collaborations were announced in 2014 with Active Biotech, CHDI, Eterniygen, Panion, a subsidiary of Convergence, Shire, Vifor, Medicines for Malaria Venture, the Jain Foundation, the Leukemia & Lymphoma Society and the Ohio State University Comprehensive Cancer Center.

#### **Important milestone achievements within existing alliances**

In April 2014, Evotec reported the achievement of a milestone in its biomarker alliance with Roche. The milestone was achieved on the decision by Roche to use a response prediction marker in an extended Phase I oncology trial.

In June 2014, Evotec disclosed that its research alliance with Boehringer Ingelheim had reached a milestone triggering revenues of € 1.0 m for Evotec. The milestone was for the transition of a back-up compound from a respiratory programme into pre-clinical development. In 2014, Evotec also reached multiple important milestones in its multi-target collaboration with Bayer for the treatment of endometriosis. The goal of this collaboration is to develop three clinical candidates during the five-year alliance.

#### **Expansion of protein production capabilities in US**

In November 2014, Evotec announced it would establish a protein production and cell services facility on the US East Coast. The new laboratory became operational in the first quarter of 2015. This addition complements the expansion of such services at the Abingdon facility and meets an increasing need to deliver services to major US partners.

### **EVT Innovate – Broad long-term pipeline of over 70 partnered potential drug targets**

#### **Good progress within clinical development projects (EVT302, EVT100 series, EVT201, EVT401)**

The patient recruitment for the Phase IIb multicentre, randomised, double-blind, parallel-group, placebo-controlled study to evaluate the efficacy and

safety of RO4602522 (RG1577/EVT302) in patients with moderate severity Alzheimer's disease was completed in the first quarter of 2014 (544 patients). Roche and its subsidiary Chugai (Japan) have also initiated and completed several Phase I safety trials during 2014. This clinical trial is one of very few late-stage trials in this AD patient population. Results from the Phase IIb study are expected in the first half of 2015.

In March 2014, Janssen informed Evotec that despite no longer developing EVT103 it would resume development of the programme in CNS, focusing on another compound from the series and Evotec received a milestone at the end of the year 2014.

In 2014, JingXin Pharmaceutical Co., Ltd. (China) initiated a Phase II study in parallel with the Phase I multiple dose study with EVT201. Patient recruitment is ongoing.

In the first half of 2014, CONBA (China) completed *in vivo* efficacy studies for EVT401 which demonstrated that EVT401 is effective against experimental arthritis in non-human primates. Development of a clinical formulation is ongoing for use in clinical trials.

#### **Cure X and Target X strategy significantly expanded**

In the course of 2014, Evotec broadened its Cure X and Target X strategy with certain internal discovery projects and by entering the Target*CanMet* collaboration with Debiopharm to identify and develop novel compounds having the potential to treat multiple forms of solid tumours and leukaemias. In addition, Evotec entered into three novel research projects for the treatment of Multiple Sclerosis supported in part by research funds from the German Federal Ministry of Education and Research. In July, September and December 2014, Evotec achieved milestones in its Target*AD* collaboration with Janssen Pharmaceuticals Inc., entered into in 2013, for the identification and selection of targets from the Target*AD* database.

In April 2014, Janssen Pharmaceuticals decided to end the partnership on beta cell regeneration. Cure*Beta*, the alliance between Harvard and Evotec, remains active.

#### **Evotec regains rights in the EVT070 programme after termination by Boehringer Ingelheim**

In October 2014, Evotec received notice that Boehringer Ingelheim decided not to further pursue development of EVT070 for strategic reasons. This resulted in an impairment of the respective intangible asset; rights to the EVT070 project will revert back to Evotec.

#### **Strategic discovery and development collaboration with Second Genome (US) (after period end)**

In March 2015, Evotec and Second Genome, Inc. announced a collaboration in small molecule-based discovery and development activities for the treatment of microbiome-mediated diseases. The collaboration comprises the identification and optimisation of novel compounds as well as licence agreements for already existing assets developed by Evotec. Evotec and Second Genome triggers an undisclosed upfront payment. Evotec is also eligible for pre-clinical, clinical and regulatory milestones as well as royalty payments related to commercialisation of any product.

#### **DiaPep277<sup>®</sup> programme terminated by Hyperion Therapeutics; Evotec enters settlement agreement with Andromeda/Hyperion Therapeutics (after period-end)**

On 08 September 2014, US-based Hyperion announced it was discontinuing the product development of DiaPep277<sup>®</sup> for the treatment of

type 1 diabetes. Hyperion had acquired Andromeda Biotech, Ltd. ("Andromeda") in June 2014. In February 2015, Evotec and Andromeda/Hyperion entered into a release agreement to compensate Evotec especially against reputational damage in respect of DiaPep277®.

### ***3. Upgrading Evotec's drug discovery platform***

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

Effective April 2014, Evotec acquired the German-based company Bionamics GmbH, an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry.

#### **Acquisition of Euprotec adds expertise in infectious diseases**

In the first half of 2014, Evotec acquired Euprotec, based in Manchester, UK. Euprotec is a leader in anti-infective drug discovery services and has unique capabilities, which augment and complement Evotec's high-end drug discovery platform.

### ***4. Strategic collaboration with Sanofi***

On 20 March 2015, Evotec announced that a definitive agreement for a major multi-component strategic alliance over the next five years has been signed with Sanofi. The transaction is expected to close on 31 March 2015. The signing successfully concludes the exclusive negotiations for a major multi-component strategic collaboration between the two companies entered and announced on 02 December 2014.

Evotec and Sanofi will jointly progress a portfolio of primarily oncology related projects, including five advanced, pre-clinical projects and further discovery-stage assets, to IND ("Investigational New Drug"). Evotec and Sanofi will also enter into an outsourcing alliance and Evotec will acquire Sanofi's scientific operations in Toulouse, France. Evotec will integrate these scientific operations including 208 highly experienced employees into its global drug discovery platform. From this new facility, Evotec will perform collaborative research with its Pharma, biotech and academic partners as well as internal research. Evotec will also assume management of Sanofi's global screening library and will combine its own and Sanofi's compound libraries and make them available for screening projects to Evotec's partners.

The collaboration will result in a minimum guaranteed commitment from Sanofi to Evotec of € 250 m over the next five years, including more than € 40 m upfront cash payment.

### ***5. Guidance 2015***

Evotec pursues a business model in which revenues and operating profitability are highly dependent on the achievement and timing of milestones.

In 2015, total Group revenues excluding milestones, upfronts and licences are expected to increase more than 20%. This assumption is based on the current order book, expected new contracts and contract extensions.

Evotec's Group EBITDA before changes in contingent considerations is expected to be positive. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation of intangibles. EBITDA excludes

impairments on intangible, tangible assets and goodwill as well as the total non-operating result.

Evotec expects research and development (R&D) expenses to grow to € 15 m – € 20 m in 2015.

In 2015, Evotec will continue to invest in its technology platforms and capacities in order to drive its long-term growth strategy. It is therefore planned that up to € 10 m will be invested in further capacity increases and the upgrade of Evotec's technological capabilities.

Liquidity is expected to be well in excess of € 100 m at 31 December 2015. This forecast excludes any potential cash outflow from M&A or similar transactions.

The Company's mid-term financial plan does not envisage the need for any additional external financing for Evotec's operating business. However, all strategically desirable moves such as potential company or product acquisitions will need to be considered on a case by case basis.

### **Webcast/Conference Call**

Evotec will hold a conference call to discuss the 2014 FY results as well as to provide an update on its performance. Furthermore, the Management Board will present an outlook for fiscal year 2015. The conference will be held in English.

### **Conference call details**

Date: **Tuesday, 24 March 2015**

Time: **02.00 pm CET (01.00 pm GMT/09.00 am EDT)**

From Germany: +49 69 22 22 29 043

From UK: +44 20 300 92452

From USA: +1 855 402 7766

Access Code: 37969784#

A simultaneous slide presentation for participants dialling in *via phone* is available at <http://www.audio-webcast.com/>, password: evotec0315.

### **Webcast details**

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

A replay of the conference call will be available for 24 hours and can be accessed in Europe by dialling +49 69 22 22 33 985 (Germany) or +44 20 3426 2807 (UK) and in the US by dialling +1 866 535 8030. The access code is 654573#. The on-demand version of the webcast will be available on our website:

<http://www.evotec.com/article/en/Investoren/Finanzen/Finanzberichte-2013-2015/238/6/26>

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### **ABOUT EVOTEC AG**

Evotec is a drug discovery alliance and development partnership company focused on rapidly progressing innovative product approaches with leading pharmaceutical and biotechnology companies, academics, patient advocacy groups and venture capitalists. We operate worldwide providing the highest quality stand-alone and integrated drug discovery solutions, covering all activities from target-to-clinic. The Company has established a unique position by assembling top-class scientific experts and integrating state-of-the-art technologies as well as substantial experience and expertise in key therapeutic areas including neuroscience, pain,

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metabolic diseases as well as oncology, inflammation and infectious diseases. Evotec has long-term discovery alliances with partners including Bayer, Boehringer Ingelheim, CHDI, Genentech, Janssen Pharmaceuticals, MedImmune/AstraZeneca, Roche and UCB. In addition, the Company has existing development partnerships and product candidates both in clinical and pre-clinical development. These include partnerships with Boehringer Ingelheim and MedImmune in the field of diabetes, with Janssen Pharmaceuticals in the field of depression and with Roche in the field of Alzheimer's disease. For additional information please go to [www.evotec.com](http://www.evotec.com).

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**FORWARD LOOKING STATEMENTS** — *Information set forth in this press release contains forward-looking statements, which involve a number of risks and uncertainties. The forward-looking statements contained herein represent the judgement of Evotec as of the date of this 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.*