evotec

NEWS RELEASE

12 May 2010

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Evotec's Drug Discovery Business Set for Strong Growth

EXCELLENT START INTO 2010: REVENUES +19% AND STRONG DECREASE OF OPERATING LOSS BY 93%

Hamburg, Germany – 12 May 2010: Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX) today reported financial results and corporate updates for the first quarter of 2010.

RECENT HIGHLIGHTS:

- **Sustainability of business clearly visible**
  - Discovery alliances growing significantly, revenues +19%
  - Strong decrease of operating loss by 93% to € 1.5 m
  - Cash burn markedly reduced: liquidity at € 67 m
- **Increased revenues from long-term collaborations**
  - New multi-year strategic alliance with Genentech (after period-end)
  - Collaboration with CHDI to fight Huntington's Disease extended for another three years
- **Good progress with proprietary pipeline projects; increased third-party funding**
  - Positive FDA feedback to initiate Phase II with EVT 101; study to start in Q2 2010
  - Successful completion of first-in-man study with EVT 103
  - BMBF grant for H3 receptor antagonist programme (after period-end)
- **Financial guidance for 2010 confirmed**
  - At least 15% revenue growth and >€ 64m liquidity at year-end

1. OPERATIONAL PERFORMANCE

Sustainability of business clearly visible: revenues +19%; operating loss -93% at € 1.5 m

The effects of Evotec's 'Action Plan 2012' are now clearly reflected in the financial results for the first quarter 2010. Revenues from the Company's discovery alliances grew significantly. Although Q1 revenues in 2009 and 2010 did not include any milestone payments from collaborations, total Group **revenues** increased by 19% to € 9.8 m (2009: € 8.2 m). **Gross margin** remained strong at 37.9% (2009: 36.2%). R&D expenses decreased by 83% to € 1.7 m (2009: € 10.3 m), and SG&A expenses by 30% to € 3.4 m (2009: € 4.8 m). The strong decrease in R&D was supported by the fact that the costs for the development of the EVT 100 compound family are now fully borne by Roche, while they were still included in Evotec's R&D expenses for the majority of the first quarter 2009.

Due to this strong top-line performance and the significant reduction in operating expenses as well as exceptional items in Q1 2009, Evotec's **operating loss** for the first quarter decreased by 93% to € 1.5 m

(2009: € 20.2 m). **Net loss** decreased by 94% to € 1.2 m (2009: € 21.8 m). On this basis, **liquidity** including cash and cash equivalents, investments and auction rate securities at the end of March remained very strong at € 66.8 m (31 Dec 2009: € 70.6 m). Going forward, milestone achievements are expected to further enhance Evotec's financial performance; a strong basis to develop the Company to profitability latest in 2012.

2. DISCOVERY ALLIANCES UPDATE

Increased revenues from long-term collaborations
Due to its scale, integration of drug discovery technologies and disease know-how, as well as its strong reputation in the industry, Evotec is ideally positioned to take advantage of the increase in strategic drug discovery outsourcing. As a partner of choice for integrated alliances with pharmaceutical companies, Evotec further increased its share in revenues from long-term collaborations in the first quarter.

New multi-year strategic alliance with Genentech (after period-end)
On 10 May 2010, Evotec announced a new multi-year integrated drug discovery alliance with **Genentech**. Jointly, both companies aim to identify novel therapeutics against one or several targets.

Collaboration with CHDI to fight Huntington's Disease extended for another three years
In January 2010, Evotec announced the extension of its collaboration with **CHDI Foundation, Inc.** (CHDI) through the end of 2012. The collaboration represents one of the largest drug discovery alliances within Evotec and will provide the Company with up to a total of US$ 37.5 m in research funding over three years. Evotec has been providing research and innovation support to CHDI since 2006.

In the first quarter 2010, Evotec also signed a significant collaboration with **Vifor Pharma** to jointly identify a pre-clinical candidate for the treatment of anaemia and announced collaborations or extensions with **Cubist Pharmaceuticals** and **Active Biotech**.

3. STATUS OF CLINICAL PROGRAMMES AND PARTNERING OF ASSETS

Proprietary R&D increasingly funded by external partners
Evotec is focusing its proprietary programmes on fewer core assets, aggressively seeking strategic alliances to progress their development and to capture their commercial potential. The EVT 100 programme is partnered with Roche for development in treatment-resistant depression. The costs for the EVT 101 and EVT 103 studies are now fully borne by Roche, significantly reducing Evotec's R&D expenses and risk profile.

Good progress with EVT 101 and EVT 103 in Roche alliance
Early in 2010, Evotec completed the clinical part of the first-in-human Phase I study with EVT 103. The compound was safe and very well tolerated after single and multiple oral dose administration, with excellent bioavailability and only a minimal effect of food on the kinetic profile.
For EVT 101, the lead compound, Evotec received approval from the FDA to initiate the Phase II Proof-of-Concept study in treatment

resistant depression. The study will start recruiting patients in the second quarter of 2010. If Roche exercises its buy-back option after completion of the Phase II trial, Evotec will receive a $65 m payment in exchange for the assignment of all rights.

New BMBF grant for H3 receptor antagonist programme (after period-end)

On 27 April 2010 Evotec announced it will receive up to € 1.5 m funding from the German Federal Ministry of Education and Research (BMBF) to advance its H3 receptor antagonist programme through Phase I clinical studies. H3 receptor antagonists have potential in a number of CNS indications, including excessive fatigue associated with conditions such as multiple sclerosis.

4. GUIDANCE

Financial guidance for 2010 confirmed

The Company confirms all financial targets for the fiscal year 2010 published on 25 March 2010: Total Group revenues before out-licensing income are expected to grow by at least 15%. These assumptions are based on the strong order book of approximately € 30 m at the end of March 2010 (2009: € 24 m), expected new contracts and contract extensions as well as the achievement of certain milestones.

With the restructuring measures taken in 2009, Evotec has significantly reduced its cost base. SG&A expenses will decrease due to cost reductions in all parts of the Group. In addition, Evotec expects R&D expenses to decrease considerably from 2009 levels. The Company will focus on key programmes and targets to invest approximately € 10 m in R&D in 2010. As a result, Evotec's Group operating result before impairment is expected to improve significantly over 2009.

Top-line growth and the adjusted cost base are expected to significantly reduce the cash requirements compared to the 2009 fiscal year. Consequently, at constant year-end 2009 currencies, the Company expects to end 2010 with a liquidity of more than € 64 m.

CONFERENCE CALL

The Company is going to hold a conference call to discuss the results as well as to provide an update on its performance:

Conference call details

Date:	Wednesday, 12 May 2010
Time:	09.30 a.m. CEST
	08.30 a.m. BST
	03.30 a.m. US time (East Coast)
From Europe:	+49.(0)69.9897 2631 (Germany)
	+44.(0)20.7138 0814 (UK)
From the US:	+1.718.354 1359
Access Code:	8395457

A simultaneous slide presentation for participants dialing in *via* phone is available at www.equitystory.com, password: evotec0510.

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 shortly before the event.

A replay of the conference call will be available for 24 hours and can be accessed in Europe by dialing +49.(0)69.2222 2236 (Germany) or +44.(0)20.7111 1244 (UK) and in the US by dialing +1.347.366 9565. The

access code is 8395457#. The on-demand version of the webcast will be available on our website: www.evotec.com/Investors/Finance.

ABOUT EVOTEC AG

Evotec is a leader in the discovery and development of novel small molecule drugs with operational sites in Europe and Asia. The Company has built substantial drug discovery expertise and an industrialised platform that can drive new innovative small molecule compounds into the clinic. In addition, Evotec has built a deep internal knowledge base in the treatment of diseases related to neuroscience, pain, oncology and inflammation. Leveraging these skills and expertise the Company intends to develop best-in-class differentiated therapeutics and deliver superior science-driven discovery alliances with pharmaceutical and biotechnology companies. Evotec has long-term discovery alliances with partners including Boehringer Ingelheim, CHDI, Novartis, Ono Pharmaceutical and Roche. Evotec has product candidates in clinical development and a series of preclinical compounds and development partnerships, including for example a strategic alliance with Roche for the EVT 100 compound family, subtype selective NMDA receptor antagonists for use in treatment-resistant depression. For additional information please go to www.evotec.com.

FORWARD-LOOKING STATEMENTS

Information set forth in this press release contains forward-looking statements, which involve a number of risks and uncertainties. Such forward-looking statements include, but are not limited to, statements about our 2010 financial outlook and our expected financial results in future quarters, our ability to deliver on our liquidity guidance, our belief that we are on course to profitability in 2012, our expectations and assumptions concerning regulatory, clinical and business strategies, the progress of our clinical development programs and timing of the commencement and results of our clinical trials, strategic collaborations and management's plans, objectives and strategies. These 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. In particular, the risks and uncertainties include, among other things; risks that product candidates may fail in the clinic or may not be successfully marketed or manufactured; the risk that we will not achieve the anticipated benefits of our collaborations, partnerships and acquisitions in the timeframes expected, or at all; risks relating to our ability to advance the development of product candidates currently in the pipeline or in clinical trials; our inability to further identify, develop and achieve commercial success for new products and technologies; the risk that competing products may be more successful; our inability to interest potential partners in our technologies and products; our inability to achieve commercial success for our products and technologies; our inability to protect our intellectual property and the cost of enforcing or defending our intellectual property rights; our failure to comply with regulations relating to our products and product candidates, including FDA requirements; the risk that the FDA may interpret the results of our studies differently than we have; the risk that clinical trials may not result in marketable products; the risk that we may be unable to successfully secure regulatory approval of and market our drug candidates; and risks of new, changing and competitive technologies and regulations in the U.S. and internationally.

The list of risks above is not exhaustive. Our most recent Annual Report on Form 20-F, filed with the Securities and Exchange Commission, and other documents filed with, or furnished to the Securities and Exchange Commission, contain additional factors that could impact our businesses and financial performance. 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.