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I. Management report of the first half of 2014

IMPROVED OPERATIONAL PERFORMANCE AND INCREASED REVENUES; GOOD PIPELINE PROGRESS; ACQUISITION EXPANDS CAPABILITIES AND EXPERTISE IN INFECTIOUS DISEASES

FINANCIAL HIGHLIGHTS

Revenues increased in the first half of 2014 by 9% compared to the first half of 2013; adjusted H1 2014 EBITDA positive; steady margin improvements

- Group revenues +9% to € 40.1 m (2013: € 36.7 m); up 12% at constant 2013 foreign exchange rates
- Group EBITDA before contingent considerations positive at € 0.6 m; positive EBITDA before contingent considerations of € 5.5 m for EVT Execute
- Strong liquidity position of € 85.6 m
- High and stable equity ratio at 71.1%

OPERATIONAL HIGHLIGHTS

Several new and extended alliances; progress and milestone achievements in current partnerships confirm growth strategy in EVT Execute and EVT Innovate

- Pain alliance with Convergence
- Innovative partnership with Debiopharm™ to develop cancer treatment (Target *CanMet*)
- First milestone in Roche biomarker collaboration achieved
- New integrated collaboration with Shire to discover drug candidates in rare disease
- Pre-clinical milestone achieved in Boehringer Ingelheim alliance
- Collaboration with Vifor extended and expanded
- Collaboration with Active Biotech extended
- First milestones achieved in Target *AD* collaboration
- New collaboration with Fraunhofer IME in joint drug discovery programmes (after period-end)

PRODUCT PIPELINE

Product development alliances advancing well

- Recruitment for significant Phase IIb trial within Roche alliance (EVT302) in Alzheimer's disease completed in Q1 2014
- Janssen to continue developing the EVT100 series in the field of CNS diseases
- US biopharmaceutical company Hyperion Therapeutics, Inc. completes its acquisition of Andromeda Biotech Ltd, the owner of DiaPep277®; no changes to Evotec's commercial rights
- Beta cell regeneration programme with Janssen phased out; Cure *Beta*, the alliance between Harvard and Evotec, continues
- Good progress within EVT201
- Successful completion of efficacy studies for EVT401

ACQUISITION UPDATE

Upgrading the drug discovery platform and enhancing innovation offering through acquisitions

- Acquisition of Bionamics GmbH to accelerate 'EVT Innovate' strategy
- Acquisition of Euprotec adds and expands expertise and capabilities in infectious diseases

GUIDANCE 2014

Financial guidance for 2014 confirmed

- High single-digit percentage growth in Group revenues excluding milestones, upfronts and licences
- R&D expenditure is expected to be in the range of € 10 m to € 14 m
- Group EBITDA before changes in contingent considerations expected to be positive and at a similar level to 2013
- Liquidity is expected to exceed € 90 m at the end of 2014
- Positive operating cash flow at a similar level to 2013

OTHERS

- Prof. Dr Wolfgang Plischke appointed as new Chairman of the Supervisory Board; Prof. Dr Iris Löw-Friedrich and Prof. Dr Paul Linus Herrling join the Supervisory Board
- Evotec initiates expansion in Göttingen to support Cure *X* and Target *X* initiatives; construction of building, which Evotec is going to lease, started in May 2014 and is expected to be completed in H1 2015

1. OPERATIONAL PERFORMANCE

Revenues increased in the first half of 2014 by 9% compared to the first half of 2013; adjusted H1 2014 EBITDA positive; steady margin improvements

Evotec's revenues for the first half of 2014 amounted to € 40.1 m, an increase of 9% compared to the same period of the previous year (2013: € 36.7 m). This increase was primarily due to strong contributions from the drug discovery alliances and milestones, upfronts and licences. At constant 2013 foreign exchange rates, revenues for the first half of 2014 would have totalled € 41.1 m, up 12% compared to the same period of the previous year. Excluding milestones, upfronts and licences, Evotec's revenues for the first half of 2014 rose by 3% (at constant 2013 foreign exchange rates +6%) over the same period of the previous year on a like-for-like basis. This amount does not include revenue contributions from the newly acquired business of Bionamics and Euprotec.

Group EBITDA before changes in contingent consideration for the first half of 2014 amounted to € 0.6 m (first six months of 2013: € 0.5 m). 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. Note: The adjusted EBITDA of Evotec may vary significantly between quarters as a result of the timing of performance-based milestone payments and partnering events. Overall, the Company is on track to achieve a positive EBITDA at a similar level to 2013 (before changes in contingent consideration, if any) at the end of 2014.

Revenues from the EVT Execute segment amounted to € 39.7 m in the first half of 2014. The EVT Innovate segment generated revenues in the amount of € 8.6 m. The gross margin in EVT Execute amounted to 23.1% while EVT Innovate generated a gross margin of 44.7%. R&D expenses in the first half of 2014 amounted to € 0.5 m for the EVT Execute segment. The EVT Innovate segment reported R&D expenses in the amount of € 7.0 m.

Liquidity including cash, cash equivalents and investments at the end of June 2014 remained strong at € 85.6 m.

2. SEVERAL NEW AND EXTENDED ALLIANCES; PROGRESS AND MILESTONE ACHIEVEMENTS IN CURRENT PARTNERSHIPS CONFIRM GROWTH STRATEGY IN EVT EXECUTE AND EVT INNOVATE

*Evotec manages its drug discovery activities under the business segments **EVT Execute** and **EVT Innovate**. EVT Execute represents all partnerships in which the partner brings the underlying target to the collaboration. EVT Innovate comprises all partnerships derived from Evotec's internal research. Further information on the new segments EVT Execute and EVT Innovate can be found in the "Corporate objectives and strategy" section on page 26 of Evotec's Annual Report 2013.*

Pain alliance with Convergence

In March 2014, Evotec entered into a research alliance with Panion Ltd, a subsidiary of Convergence Pharmaceuticals Holdings Ltd. Convergence is a UK company which focuses on the development of novel, high-value analgesics to treat chronic pain. Panion Ltd was awarded a £ 2.4 m Technology Strategy Board Biomedical Catalyst Early Stage Round 2

grant to discover and develop compounds against a novel GPCR pain target. Evotec is responsible for undertaking key drug discovery activities and will work closely with the Convergence team in identifying pre-clinical candidates over the next three years. Subsequently, and upon meeting certain pre-clinical milestones, Convergence and Evotec will jointly progress the assets further into the clinic or via partnering.

Innovative partnership with Debiopharm™ to develop cancer treatment (TargetCanMet)

In April 2014, Evotec entered into a research collaboration and licensing deal with Debiopharm Group™, Lausanne, Switzerland. The objective of the collaboration is to identify and develop novel compounds with the potential to treat multiple forms of solid tumours and leukaemias with defined genetic alterations. Discovery and pre-clinical development efforts are driven by Evotec, whilst Debiopharm manages subsequent clinical development. Evotec receives milestone payments triggered by clinical, regulatory and commercial milestones in the high double-digit range, plus royalties on sales of resulting commercial products. This TargetCanMet (*Cancer Metabolism*) programme is based on Evotec's drug discovery efforts to investigate genetically altered targets whose 'driver' role in several cancer types has been validated and on the shared objective of identifying novel therapeutic agents in a variety of cancers, including Acute Myeloid Leukaemia ("AML"), prostate cancer and glioblastoma.

First milestone in Roche biomarker collaboration achieved

In the first quarter of 2014, Evotec achieved a minor milestone on the decision by Roche to use a response prediction marker, identified using Evotec's Proteome Profiling platform, in an extended Phase I oncology trial. This is the first milestone achieved under the collaboration and licence agreement between Roche and Evotec signed in 2011, which is part of the *m⁴ Munich Biotech Cluster Personalized Medicine and Targeted Therapies* initiative funded by the German Federal Ministry of Education and Research. Under the initial three-year term, Evotec and Roche have conducted biomarker discovery and validation programmes for patient stratification in targeted cancer therapy. Evotec is eligible for further success-based payments upon clinical companion diagnostics development.

New integrated collaboration with Shire to discover drug candidates in rare disease

In May 2014, Evotec entered into a new drug discovery collaboration with Shire to develop novel small molecule inhibitors against a target to treat Fabry's disease, an inherited lysosomal storage disease. As part of the collaboration, Evotec will apply many facets of its world-leading drug discovery engine including high-throughput screening ("HTS"), fragment-based screening, computational chemistry and structure-based medicinal chemistry to address both hit identification and then lead optimisation. The term of the collaboration will be three years. Financial details are not being disclosed.

Pre-clinical milestone achieved in Boehringer Ingelheim alliance

In June 2014, a further milestone was achieved in Evotec's discovery collaboration with Boehringer Ingelheim. Evotec recognised milestone revenues of € 1.0 m for the transition of a back-up compound from a respiratory programme into pre-clinical development.

Collaboration with Vifor extended and expanded

In June 2014, the drug discovery agreement with Vifor, initially signed in February 2010, was extended and expanded to drive a second programme in another mineral deficiency/sufficiency-related therapeutic area. No further details about the research projects are being disclosed.

Collaboration with Active Biotech extended

In the first half of 2014, Evotec and Active Biotech extended their medicinal chemistry collaboration. The programme aims to find novel small molecule modulators of a priority biological target, selected by Active Biotech, involved in immune disorders and cancer. The programme was initiated in 2010.

First milestones achieved in TargetAD collaboration

In June 2014, Evotec achieved first small milestones in its TargetAD collaboration with Janssen Pharmaceuticals, Inc. ("Janssen") for the identification and selection of three selected targets from the TargetAD database. These target selections were achieved under the agreement between Evotec and Janssen, facilitated by the Johnson & Johnson Innovation Center in California, signed in November 2013. Under the terms of the agreement, Janssen and Evotec are collaborating to identify new drug targets for discovery of novel treatment approaches to Alzheimer's disease.

New collaboration with Fraunhofer IME in joint drug discovery programmes (after period-end)

In July 2014, Evotec announced an exclusive strategic collaboration with the Fraunhofer Institute for Molecular Biology and Applied Ecology IME in several disease areas through the combination of the relevant platforms of both organisations for internal and external drug discovery projects.

3. PRODUCT PIPELINE**Product development alliances advancing well****Recruitment for significant Phase IIb trial within Roche alliance (EVT302) in Alzheimer's disease completed in Q1 2014**

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; results are expected in 2015. This clinical trial is one of the very few late-stage small molecule trials in this specific AD patient population. EVT302 is a potent small molecule inhibitor of monoamine oxidase-B (MAO-B) which reduces the formation of toxic reactive oxygen species in the brain of Alzheimer's disease patients where overexpression of MAO-B is postulated to contribute to neuronal damage.

Janssen to continue developing the EVT100 series in the field of CNS diseases

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. In December 2013, Evotec announced that certain pre-clinical studies performed by Janssen did not confirm certain properties of the antagonist and further development of the project was evaluated by Janssen. In March 2014, Janssen informed Evotec that it would resume development of the

programme in CNS. Further details remain undisclosed.

US biopharmaceutical company Hyperion Therapeutics, Inc. completes its acquisition of Andromeda Biotech Ltd, the owner of DiaPep277®; no changes to Evotec's commercial rights

In June 2014, Hyperion Therapeutics, Inc., announced that it had completed its acquisition of Andromeda Biotech Ltd. The acquisition includes DiaPep277®, a potentially first-in-class immunotherapy for new onset Type 1 diabetes. DiaPep277® is currently being evaluated in a fully enrolled confirmatory Phase III clinical study in adult patients, with results anticipated in the first quarter of 2015. DiaPep277® holds Orphan Drug designation in the United States. Evotec holds certain royalty and milestone rights on DiaPep277®.

Beta cell regeneration programme with Janssen phased out; CureBeta, the alliance between Harvard and Evotec, continues

Effective 29 April 2014, Janssen Pharmaceuticals has decided to end the partnership on beta cell regeneration. CureBeta, the alliance between Harvard and Evotec, will remain. Evotec and Harvard will continue the alliance and try to identify alternative partners.

Good progress within EVT201

In the first half of 2014, JingXin Pharmaceutical Co., Ltd, received approval from the China State Food and Drug Administration ("SFDA") for the EVT201 Phase IIb study. JingXin Pharmaceutical plans to start in the second half of 2014. EVT201 is a GABA_A receptor partial positive allosteric modulator developed for the treatment of insomnia.

Successful completion of efficacy studies for EVT401

In the first half of 2014, as requested by SFDA, CONBA completed *in vivo* efficacy studies for EVT401 in China and received encouraging results. Further clinical trials are currently in preparation.

4. ACQUISITION UPDATE

Upgrading the drug discovery platform and enhancing innovation offering through acquisitions

Acquisition of Bionamics GmbH to accelerate 'EVT Innovate' strategy

Signed in March 2014 and effective 01 April 2014, Evotec has entered into an agreement to acquire 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. The transaction comprises the acquisition of all shares in Bionamics against cash (€ 0.5 m) and future earn-out payments amounting to € 0.7 m. The deferred earn-out payments will be due for a period of four years after the acquisition and are dependent upon the achievement of certain project revenues. In addition to an experienced management team, Bionamics brings a portfolio of attractive and fully funded projects that have potential upside for Evotec.

Acquisition of Euprotec adds and expands expertise and capabilities in infectious diseases

Effective 27 May 2014, Evotec acquired all of the shares in Euprotec Ltd, a UK-based specialist contract research organisation focusing on infectious disease drug discovery services. The acquisition of Euprotec strengthens Evotec's position as the quality leader in drug discovery

services and creates a new disease franchise to accelerate Cure X and Target X initiatives. The integration of Euprotec's unique capabilities augments and complements Evotec's high-end drug discovery platform with anti-infective screening, early PKPD (Pharmacokinetic/Pharmacodynamic) profiling, an extensive range of disease and efficacy models for characterisation of anti-bacterials, anti-fungals and anti-virals, StrainBank, a unique collection of clinical isolates, and adds core disease biology know-how in infection. The purchase price consists of a cash consideration of £ 2.5 m and a potential deferred earn-out component of £ 1.25 m in cash. The deferred earn-out payments will be due for a period of two and a half years after the acquisition and are dependent upon the achievement of certain revenue targets.

With respect to the impact of these transactions on Evotec's financial statements, please refer to pages 24 to 26 of this half-year report.

5. GUIDANCE 2014

Financial guidance for 2014 confirmed

All financial targets published on 25 March 2014 in Evotec's Annual Report 2013 (page 69) remain unchanged. With respect to further information on the guidance, please refer to the "Financial outlook" section on page 15 of this half-year report.

A. OPERATIONS

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

During the first half of 2014, Evotec's Group **structure** changed compared to the first half of 2013 due to the acquisitions of Bionamics and Euprotec.

The Company continues to be managed in line with the **corporate objectives and strategy** described in Evotec's Annual Report 2013 on pages 25 and 26. The evolution of Evotec from being a pure service provider and an early-stage drug development company into being a drug discovery engine in its own right led to an organisational change within the Company. Two members of the Management Board were designated to separately lead the newly formed business segments named **EVT Execute** and **EVT Innovate**. Following this development, a segmentation of the business into two parts – including the associated financial reporting that represents the underlying business offerings and business model – was implemented as of 01 January 2014. EVT Execute represents all partnerships in which the partner brings the underlying target to the collaboration. EVT Innovate comprises all partnerships derived from Evotec's internal research. Further information on the operating segments EVT Execute and EVT Innovate can be found in the "Corporate objectives and strategy" section on page 26 of Evotec's Annual Report 2013. Evotec's Action Plan 2016 – "Innovation Efficiency", is on track and updates on EVT Execute and EVT Innovate are described in detail on pages 3 to 5 of this half-year report. Based on Action Plan 2016, specific objectives for 2014 were defined for the segments EVT Execute and EVT Innovate at the end of 2013 and are described in Evotec's Annual Report 2013 on page 68.

For updates on **development activities**, please refer to the “Product pipeline” section on pages 5 to 6 of this half-year report.

B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

Note: The 2013 and 2014 results are not fully comparable. The difference results from the acquisition of Euprotec effective 27 May 2014. While the results of Euprotec are fully included in the accompanying consolidated interim income statement for the first six months of 2014, they were not included in the comparable period of the previous year.

COMPARISON OF THE H1 2014 FINANCIAL RESULTS WITH THE FORECAST

Evotec does not provide forecasts on a quarterly basis.

1. RESULTS

Revenues

Evotec's **revenues** for the first half of 2014 amounted to € 40.1 m, an increase of 9% compared to the same period of the previous year (2013: € 36.7 m). This increase was primarily due to strong contributions from the drug discovery alliances and higher milestones, upfronts and licences from Janssen, AstraZeneca and an undisclosed Pharma partner. At constant 2013 foreign exchange rates, revenues for the first half of 2014 would have amounted to € 41.1 m, up 12% compared to the same period of the previous year. Excluding milestones, upfronts and licences, Evotec's revenues for the first half of 2014 would have increased by 3% (at constant 2013 foreign exchange rates +6%) over the same period of the previous year on a like-for-like basis. This growth was driven by an increase in revenues within the Company's existing drug discovery alliances and by new collaborations. Revenue contributions from the newly acquired business of Euprotec and Bionamics amounted to € 0.2 m.

Geographically, 60% of Evotec's revenues were generated with customers in the US, 38% in Europe and 2% in Japan and the rest of the world. This compares to 52%, 45% and 3%, respectively, in the same period of the previous year. Growth in the US was due to new collaborations such as the TargetAD partnership with Johnson & Johnson Innovation signed in November 2013 and increases in certain ongoing collaborations such as CHDI.

Operating cost structure

Costs of revenue for the first half of 2014 increased to € 28.3 m (2013: € 26.1 m), yielding a **gross margin** of 29.4% (2013: 28.8%). The gross margin in the second quarter of 2014 was 31.9%. It would have been 34.3% at constant 2013 foreign exchange rates.

Gross margins in the future may be volatile and the receipt of potential milestone or out-licensing payments may affect Evotec's financial results.

R&D expenses for the first half of 2014 amounted to € 6.3 m, an increase of 30% compared to the same period of the previous year (2013: € 4.8 m). This rise was due to higher strategic investments in Cure X and Target X initiatives.

SG&A expenses for the first half of 2014 climbed by 9% to € 8.9 m compared to the same period of the previous year (2013: € 8.2 m). This

increase was planned and was mainly due to an expansion of the business development team to support the Company's future growth as well as the acquisitions of Bionamics and Euprotec.

In the first half of 2014, **amortisation of intangible assets** decreased slightly to € 1.4 m from € 1.7 m in the same period of the previous year. This was primarily due to several licences and customer lists having been fully amortised during the previous year.

Other operating income and expenses, net in the first six months of 2014 amounted to an income of € 1.2 m (2013: expense of 0.2 m). This was primarily due to the termination of the strategic collaboration with 4-Antibody AG for early antibody functionality testing initiated in May 2012, which resulted in extraordinary income of € 1.0 m. In addition, other operating income was favourably affected by proceeds resulting from the preliminary purchase price allocation for the business combination with Bionamics amounting to € 0.2 m. Other operating expenses in the first six months of 2014 were extraordinarily affected by a fair value adjustment of the earn-out due to the sellers of DeveloGen in the amount of T€ 10.

Financial results

Adjusted **EBITDA** is being disclosed from 2014 onwards and replaces the adjusted operating result as the key performance indicator. The Group EBITDA before changes in contingent consideration was positive at € 0.6 m in the first six months of 2014 (first six months of 2013: € 0.5 m). EBITDA before changes in contingent consideration for the EVT Execute segment was positive at € 5.5 m. 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. Evotec's **operating loss** for the first six months of 2014 decreased to € 3.6 m (2013: € 4.4 m).

The **net result** amounted to € (4.4) m (2013: € (4.6) m).

Earnings per share for the first half of 2014 were € (0.03) (2013: € (0.04)).

Segment reporting

2. OPERATING SEGMENTS EVT EXECUTE AND EVT INNOVATE

Since 01 January 2014, the Company has been operating, managing and reporting the business under two segments, EVT Execute and EVT Innovate. Comparable figures for 2013 are not available. A more detailed description of the segments as well as a table showing the segment information can be found on pages 22 to 24 of this half-year report.

Revenues from the EVT Execute segment amounted to € 39.7 m in the first half of 2014 and included € 8.2 m of intersegment revenues. The EVT Innovate segment generated revenues of € 8.6 m consisting entirely of third-party revenues.

For the EVT Execute segment, costs of revenue amounted to € 30.5 m in the first six months of 2014, yielding a gross margin of 23.1%. The EVT Innovate segment reported costs of revenue of € 4.8 m, yielding a gross margin of 44.7%.

R&D expenses in the first half of 2014 totalled € 0.5 m for the EVT Execute segment. The EVT Innovate segment reported R&D expenses in the amount of € 7.0 m.

Cash flow and liquidity

In the first six months of 2014, SG&A expenses amounted to € 6.7 m for the EVT Execute segment and SG&A expenses for the EVT Innovate segment amounted to € 2.2 m.

In the first six months of 2014, the EBITDA before changes in contingent consideration of the EVT Execute segment was positive at € 5.5 m. The EVT Innovate segment reported an EBITDA before changes in contingent consideration of € (4.9) m. 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.

3. FINANCING AND FINANCIAL POSITION

Cash used in operating activities for the first half of 2014 amounted to € 8.5 m (2013: cash used in operating activities of € 3.7 m). It reflected the negative operating result, the payment of annual bonuses, the payment made in the context of the new research alliance with Convergence and the decrease in deferred revenues in the first half of 2014.

The line item "Adjustments to reconcile net loss to net cash provided by (used in) operating activities" in the cash flow statement amounted to € 5.6 m and mainly consisted of depreciation of property, plant and equipment (€ 3.0 m), amortisation (€ 1.4 m) and compensation expenses (€ 0.5 m).

Cash provided by investing activities for the first half of 2014 amounted to € 2.6 m compared to cash provided by investing activities of € 2.3 m in the same period of 2013. This was mainly due to net proceeds from the sale of current investments amounting to € 7.2 m. Capital expenditures decreased slightly to € 2.2 m from € 2.4 m in the same period of the previous year. The purchase of long-term investments (€ 3.5 m) and cash acquired (€ 1.1 m) in the first half of 2014 resulted from the initial purchase price for the acquisitions of Bionamics and Euprotec.

Cash provided by financing activities for the first half of 2014 was € 1.9 m (2013: € 0.1 m). The payment of earn-outs in the context of the CCS and Kinaxo acquisition (€ 1.8 m) was more than offset by new long-term bank loans (€ 3.4 m) intended to finance specific R&D projects and the Euprotec acquisition as well as by proceeds from option exercises (€ 0.4 m).

Liquidity, which includes cash and cash equivalents (€ 42.3 m) and investments (€ 43.3 m), amounted to € 85.6 m at the end of June 2014 (31 December 2013: € 96.1 m). This decrease in liquidity was mainly due to annual prepayments and bonuses, payments related to the earn-outs of CCS and Kinaxo, the acquisitions of Bionamics and Euprotec, and the new research alliance with Convergence.

4. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

The material changes in assets and liabilities during the first six months of 2014 are mentioned below. More details are described in the notes to the unaudited consolidated interim financial statements on page 26 of this half-year report.

Assets

Prepaid expenses and other current assets rose to € 5.9 m from € 3.8 m on 31 December 2013. This was mainly due to seasonal prepayments for the year being made at the beginning of 2014 as well as prepayments to Convergence.

Intangible assets excluding goodwill decreased to € 39.0 m from € 39.8 m on 31 December 2013. This was due to amortisation which was only partially offset by the intangible assets relating to the preliminary purchase price allocation of Bionamics. The increase in goodwill to € 43.6 m (31 December 2013: € 40.1 m) was mainly attributable to the preliminary purchase price allocation of Euprotec.

Changes in **liquidity** are explained above under "Financing and financial position".

The Company was not involved in any off-balance-sheet financing transactions.

Liabilities

The fall in trade accounts payables to € 5.2 m (31 December 2013: € 6.7 m) primarily resulted from the high level of goods received neither invoiced nor paid as of 31 December 2013.

The decrease in current provisions to € 3.9 m (31 December 2013: € 5.8 m) mainly reflected the payment of the CCS earn-out (€ 1.3 m) as well as the payment of annual Management Board and employee bonuses in March 2014.

The reduction in current deferred revenues to € 4.0 m (31 December 2013: € 6.1 m) primarily related to the realisation of the current portion of the upfront resulting from the termination of the partnership focusing on beta cell regeneration by Janssen.

Current income tax payables fell to € 0.3 m from € 0.7 m on 31 December 2013. This decrease was mainly due to the payment of income tax in the first quarter of 2014.

The increase in non-current loan liabilities to € 3.5 m (31 December 2013: € 0.0 m) mainly resulted from a new long-term bank loan to partially finance the acquisition of Euprotec. Furthermore, a new long-term bank loan funded by the German KfW programme was granted to Evotec. This was established to finance innovative R&D projects.

The growth in non-current provisions to € 20.1 m (31 December 2013: € 18.6 m) mainly resulted from the unwinding of the discount relating to the DeveloGen earn-out (€ 0.7 m) as well as from the earn-outs of Euprotec (€ 0.7 m) and Bionamics (€ 0.2 m).

The decrease in non-current deferred revenues to € 5.8 m (31 December 2013: € 8.4 m) primarily related to revenues recognised from the upfront payments from Janssen, Bayer and AstraZeneca.

Stockholders' equity

As of 30 June 2014, Evotec's **capital structure** remained unchanged compared to the end of 2013. As of 30 June 2014, due to the exercise of stock options, there were 131,604,926 shares issued and outstanding with a nominal value of € 1.00 per share. Included in this amount as of

30 June 2014 were 324,315 treasury shares that were generated in the course of the acquisition of Renovis, Inc. by Evotec AG.

Evotec's equity ratio as of 30 June 2014 continued to be high and stable at 71.1% (31 December 2013: 69.9%).

5. HUMAN RESOURCES

Employees

At the end of June 2014, 674 people were employed within the Evotec Group (31 December 2013: 610 employees). The headcount was increased in the first half of 2014 to support the growth of the EVT Execute and EVT Innovate business.

Supervisory Board

Evotec held its Annual General Meeting ("AGM") in Hamburg on 17 June 2014. A new Supervisory Board was elected by the AGM. In a subsequent Supervisory Board meeting, Prof. Dr Wolfgang Plischke was elected Chairman of the Supervisory Board. Prof. Dr Iris Löw-Friedrich and Prof. Dr Paul Linus Herrling joined the Supervisory Board as new members. Three former members of the Supervisory Board – Dr Walter Wenninger, Dr Claus Braestrup and Bernd Hirsch – were re-elected as members of the new Supervisory Board of Evotec. Dr Walter Wenninger, former Chairman of the Supervisory Board, was elected as Vice Chairman.

Stock-based compensation

In the first six months of 2014, no stock options were granted to Evotec employees and a total of 159,233 options were exercised: 14,500 options were serviced out of treasury shares, 144,733 options were serviced from contingent capital. As of 30 June 2014, the total number of options available for future exercise amounted to 3,341,145 (approximately 2.5% of shares in issue).

In 2012, the Company implemented a share performance plan. During the first half of 2014, no 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 June 2014, the total number of share performance awards available for future exercise was 1,683,450 (approximately 1.3% of shares in issue).

Options and share performance awards have been accounted for under IFRS 2 using the fair value at the measurement date. In the first six months of 2014, employees of the Company were able to keep options and share performance awards in the amount of 47,867 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 14	Additions	Sales	30 June 14
Management Board				
Dr Werner Lanthaler	516,494	-	-	516,494
Colin Bond	-	-	-	-
Dr Cord Dohrmann	41,387	-	-	41,387
Dr Mario Polywka	60,000	-	-	60,000
Supervisory Board				
Prof. Dr Wolfgang Plischke	-	-	-	-
Dr Walter Wenninger	38,538	-	-	38,538
Dr Claus Braestrup	-	-	-	-
Prof. Dr Paul Herrling	-	-	-	-
Bernd Hirsch	-	-	-	-
Prof. Dr Iris Löw-Friedrich	-	-	-	-

Number of stock options

	01 Jan 14	Additions	Exercise	30 June 14
Management Board				
Dr Werner Lanthaler	990,000	-	-	990,000
Colin Bond	290,000	-	-	290,000
Dr Cord Dohrmann	390,000	-	-	390,000
Dr Mario Polywka	440,000	-	19,480	420,520
Supervisory Board				
Prof. Dr Wolfgang Plischke	-	-	-	-
Dr Walter Wenninger	-	-	-	-
Dr Claus Braestrup	-	-	-	-
Prof. Dr Paul Herrling	-	-	-	-
Bernd Hirsch	-	-	-	-
Prof. Dr Iris Löw-Friedrich	-	-	-	-

Number of Share Performance Awards

	01 Jan 14	Additions	Exercise	30 June 14
Management Board				
Dr Werner Lanthaler	389,415	-	-	389,415
Colin Bond	146,204	-	-	146,204
Dr Cord Dohrmann	152,569	-	-	152,569
Dr Mario Polywka	150,631	-	-	150,631
Supervisory Board				
Prof. Dr Wolfgang Plischke	-	-	-	-
Dr Walter Wenninger	-	-	-	-
Dr Claus Braestrup	-	-	-	-
Prof. Dr Paul Herrling	-	-	-	-
Bernd Hirsch	-	-	-	-
Prof. Dr Iris Löw-Friedrich	-	-	-	-

Pursuant to § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), the above tables list the number of Company shares held and rights for such shares granted to each board member as of 30 June 2014 separately for each member of our Management and Supervisory Boards.

C. RISKS AND OPPORTUNITIES REPORT

The risks and opportunities described in Evotec's Annual Report 2013 on pages 58 to 66 remain unchanged. At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG.

D. IMPORTANT EVENTS AFTER THE END OF THE FIRST HALF OF 2014

There are no material events to be reported.

E. TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described in Evotec's Annual Report 2013 on pages 111 and 112, no other material transactions with related parties were entered into in the first half of 2014.

F. BUSINESS ENVIRONMENT

Global economy and outlook

Overall, the global economy slowed in early 2014 as a consequence of poor weather in the United States, turbulence on the financial markets and the political conflict in Ukraine. As a result, the World Bank corrected its global growth projections for 2014 as a whole downwards from 3.2% in January to 2.8% in June 2014. The World Bank expects growth to quicken later this year as richer economies continue their recovery. It has kept its global growth forecasts for the next two years unchanged at 3.4% and 3.5%, respectively. In June, the International Monetary Fund ("IMF") cut its growth forecast for the United States and now expects the world's largest economy to grow by 2% in 2014, down from its April expectations of 2.8%. The IMF has kept its 2015 forecast unchanged at 3%, thereby giving a sign of confidence that its economic recovery is on track. The IMF expects the Eurozone to grow by 1.1% this year and growth in high-income countries is gaining momentum.

Healthcare environment and outlook

During the first six months of 2014, the Pharma and biotech industry was the most active industry. It saw more deals than any other industry and merger and acquisition activity for the first half of 2014 increased significantly compared to previous year. According to Burrill & Company, the M&A deal values jumped 194% between the first half of 2013 and the first half of 2014, driven by several multi-billion dollar deals. Major deals in the sector included the multi-billion swap of assets between GlaxoSmithKline and Novartis at the end of April, in which Novartis will pay \$ 16 bn for GSK's oncology assets and GSK will pay \$ 7.1 bn for Novartis' vaccine unit excluding flu vaccines. Furthermore, Novartis sold its Animal Health unit to Eli Lilly for \$ 5.4 bn. Life science companies raised \$ 4.7 bn globally in 68 initial public offerings during the first half of 2014, exceeding the 66 life science IPOs completed in all of 2013. Although investors' appetite for life science IPOs slowed in the second quarter of 2014, there was still plenty of interest concerning innovative ideas coming out of the pharmaceutical and biotechnology industry in the USA. The expectation is that if economic indicators continue to trend up, the markets will remain robust.

The pharmaceutical industry has suffered from decreasing efficiency in new product launches in the past decade. As a consequence, the

pharmaceutical industry is increasingly looking to external opportunities from innovative biotech companies that offer services in drug research to deliver high-quality leads and development candidates. At the same time, the whole pharmaceutical value chain is undergoing a process of division of labour and industrialisation of biotech. Academia identifies and evaluates targets. Innovative biotech companies translate academic ideas into hit and lead products, develop technical and commercial solutions and finally license out patents to the pharmaceutical industry. This may speed up the process of developing new life science products significantly.

Biotech companies like Evotec can secure a valuable share of associated value chains and benefit from an attractive business model. Alliances, co-operation ventures, licensing and service agreements as well as asset deals underline the Company's role both as a strategic partner and as a development and service company to the industry.

G. FINANCIAL OUTLOOK

Financial guidance for 2014 confirmed

All of the financial targets published on 25 March 2014 in Evotec's Annual Report 2013 (page 69) remain unchanged.

In 2014, total Group revenues excluding milestones, upfronts and licences are expected to see high single-digit percentage growth.

Evotec expects research and development (R&D) expenses in 2014 to increase above the levels of 2013. This is primarily due to additional investments in the strategic Cure X and Target X franchise. In total, R&D expenditure is expected to be in the range of € 10 m to € 14 m in 2014. In 2014, 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 € 5 m to € 7 m will be invested in further capacity increases and the upgrade of Evotec's technological capabilities.

Evotec's Group EBITDA before changes in contingent considerations is expected to be positive and at a similar level to 2013. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation of intangibles. EBITDA excludes impairments on intangible and tangible assets as well as the total non-operating result. EBITDA is disclosed from 2014 onwards and replaces the adjusted operating result as the key performance indicator for productivity. The reason for this change is that EBITDA better facilitates comparisons between companies and industries by eliminating the effects of financing (i.e. interest) and capital investments (i.e. depreciation and amortisation).

In 2014, top-line growth is expected to generate a positive operating cash flow at a similar level to 2013 and liquidity is expected to exceed € 90 m at 31 December 2014. This forecast excludes any potential cash outflow for 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 separately.

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 2013 on pages 67 to 69.

H. SHARE PRICE PERFORMANCE AND FINANCIAL CALENDAR

Performance of Evotec shares over the past twelve months



For the first six months of 2014, the NASDAQ Biotechnology Index outperformed the broad equity markets by 7.1%. The DAX closed the first half of 2014 up 3% at 9,833 points after hitting a new all-time high of 10,050 points on 20 June 2014. Following a strong performance at the beginning of the year, Evotec shares developed broadly in line with the German TecDAX during the second quarter of 2014. Evotec's share price ended the first half of 2014 at € 3.59, down 4% from its opening price for 2014.

Financial Calendar 2014

Q1 2014 Interim Report:	14 May 2014
Annual General Meeting 2014:	17 June 2014
Half-year 2014 Interim Report:	12 August 2014
Nine-month 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 June 2014

<i>in T€ except share and per share data</i>	<i>Six months ended 30 June 2014</i>	<i>Six months ended 30 June 2013</i>	<i>Three months ended 30 June 2014</i>	<i>Three months ended 30 June 2013</i>
Revenues	40,085	36,690	22,474	19,626
Costs of revenue	(28,294)	(26,138)	(15,296)	(13,527)
Gross profit	11,791	10,552	7,178	6,099
Operating income and expense				
Research and development expenses	(6,284)	(4,819)	(3,312)	(2,491)
Selling, general and administrative expenses	(8,880)	(8,176)	(4,524)	(4,251)
Amortisation of intangible assets	(1,353)	(1,716)	(593)	(816)
Other operating income	2,333	416	1,881	306
Other operating expenses	(1,172)	(660)	(713)	(534)
Total operating expenses	(15,356)	(14,955)	(7,261)	(7,786)
Operating income (loss)	(3,565)	(4,403)	(83)	(1,687)
Other non-operating income (expense)				
Interest income	165	83	40	8
Interest expense	(830)	(579)	(381)	(293)
Other expense from long-term investments	(10)	-	(10)	-
Other income from financial assets	46	8	46	5
Foreign currency exchange gain (loss), net	(137)	57	136	58
Other non-operating income	36	29	11	12
Other non-operating expense	(107)	-	(107)	-
Total non-operating expense	(837)	(402)	(265)	(210)
Income (loss) before taxes	(4,402)	(4,805)	(348)	(1,897)
Current tax income (expense)	(34)	63	(34)	54
Deferred tax income	8	159	(40)	111
Net income (loss)	(4,428)	(4,583)	(422)	(1,732)
Weighted average shares outstanding	131,207,567	117,800,410	131,252,424	117,834,364
Net income (loss) per share (basic)	(0.03)	(0.04)	0.00	(0.01)
Net income (loss) per share (diluted)	(0.03)	(0.04)	0.00	(0.01)

Evotec AG and Subsidiaries -
Consolidated statement of comprehensive income for the period from 01 January to 30 June 2014

<i>in T€</i>	<i>footnote reference</i>	<i>Six months ended 30 June 2014</i>	<i>Six months ended 30 June 2013</i>	<i>Three months ended 30 June 2014</i>	<i>Three months ended 30 June 2013</i>
Net loss		(4,428)	(4,583)	(422)	(1,732)
Accumulated other comprehensive income statement					
Remeasurement of defined benefit obligation		-	-	-	-
Taxes		-	-	-	-
Items which have to be re-classified to the income statement at a later date					
Foreign currency translation		1,524	(1,954)	989	(1,388)
Revaluation and disposal of available-for-sale securities		(25)	(70)	(38)	(6)
Taxes		-	-	-	-
Other comprehensive income		1,499	(2,024)	951	(1,394)
Total comprehensive income		(2,929)	(6,607)	529	(3,126)

Evotec AG and Subsidiaries -
Consolidated interim statement of financial position as of 30 June 2014

<i>in T€ except share data</i>	<i>footnote reference</i>	<i>as of 30 June 2014</i>	<i>as of 31 Dec. 2013</i>
ASSETS			
Current assets:			
Cash and cash equivalents		42,247	45,644
Investments		43,303	50,499
Trade accounts receivables		16,959	17,777
Inventories		2,823	2,358
Current tax receivables		399	433
Other current financial assets	6	2,091	1,995
Prepaid expenses and other current assets	7	5,943	3,820
Total current assets		113,765	122,526
Non-current assets:			
Long-term investments	8	12	10
Property, plant and equipment		23,962	24,239
Intangible assets, excluding goodwill	9	38,960	39,826
Goodwill	10	43,619	40,136
Other non-current financial assets		77	77
Other non-current assets		227	566
Total non-current assets		106,857	104,854
Total assets		220,622	227,380
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities		17,133	17,222
Current portion of finance lease obligations		5	5
Trade accounts payables		5,229	6,653
Advanced payments received		208	232
Provisions	11	3,895	5,788
Deferred revenues	12	4,037	6,051
Current income tax payables		250	741
Other current financial liabilities		164	342
Other current liabilities		728	1,919
Total current liabilities		31,649	38,953
Non-current liabilities:			
Non-current loan liabilities	13	3,478	-
Long-term finance lease obligations		11	14
Deferred tax liabilities		1,508	1,245
Provisions	14	20,057	18,586
Deferred revenues	15	5,846	8,382
Other non-current financial liabilities		1,156	1,233
Total non-current liabilities		32,056	29,460
Stockholders' equity:			
Share capital		131,605	131,460
Additional paid-in capital		687,501	686,767
Accumulated other comprehensive income		(25,911)	(27,410)
Accumulated deficit		(636,278)	(631,850)
Total stockholders' equity		156,917	158,967
Total liabilities and stockholders' equity		220,622	227,380

Evotec AG and Subsidiaries -

Condensed consolidated interim statement of cash flows for the six months ended 30 June 2014

<i>in T€</i>	<i>Six months ended 30 June 2014</i>	<i>Six months ended 30 June 2013</i>
Cash flows from operating activities:		
Net loss	(4,428)	(4,583)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities	5,581	6,212
Change in assets and liabilities	(9,661)	(5,313)
Net cash used in operating activities	(8,508)	(3,684)
Cash flows from investing activities:		
Purchase of current investments	(8,709)	(7,145)
Purchase of investments in affiliated companies	(3,510)	(1,109)
Purchase of property, plant and equipment	(2,166)	(2,404)
Cash acquired in connection with acquisitions	1,069	119
Proceeds from sale of current investments	15,902	12,875
Net cash provided by investing activities	2,586	2,336
Cash flows from financing activities:		
Proceeds from option exercise	356	305
Proceeds from issuance of loans	6,977	-
Payment of subsequent earn outs	(1,813)	-
Purchase of treasury shares	-	(109)
Repayment of loans	(3,592)	(90)
Net cash provided by financing activities	1,928	106
Net decrease in cash and cash equivalents	(3,994)	(1,242)
Exchange rate difference	597	(1,140)
Cash and cash equivalents at beginning of year	45,644	39,065
Cash and cash equivalents at end of the period	42,247	36,683

Evotec AG and Subsidiaries -

Consolidated interim statement of changes in stockholders' equity for the six months ended 30 June 2014

	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
Balance at 01 January 2013	118,546,839	118,547	665,918	-	(32,542)	7,041	(606,417)	152,547
Exercised stock options	91,500	91	214	-	-	-	-	305
Stock option plan	-	-	453	-	-	-	-	453
Purchase of treasury shares	-	-	-	109	-	-	-	109
Transfer of treasury shares	-	-	-	(109)	-	-	-	(109)
Total comprehensive income (loss)					(1,954)	(70)	(4,583)	(6,607)
Balance at 30 June 2013	118,638,339	118,638	666,585	-	(34,496)	6,971	(611,000)	146,698
Balance at 01 January 2014	131,460,193	131,460	686,767	-	(34,376)	6,966	(631,850)	158,967
Exercised stock options	144,733	145	211	-	-	-	-	356
Stock option plan	-	-	523	-	-	-	-	523
Total comprehensive income (loss)					1,524	(25)	(4,428)	(2,929)
Balance at 30 June 2014	131,604,926	131,605	687,501	-	(32,852)	6,941	(636,278)	156,917

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 2013. 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 2013.

In the opinion of the management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included.

2. BASIS OF CONSOLIDATION

Evotec acquired all of the shares in Bionamics GmbH ("Bionamics") effective 01 April 2014. This acquisition has been fully consolidated since 01 April 2014. Additionally, Evotec acquired all of the shares in Euprotec Ltd ("Euprotec") effective 27 May 2014. Euprotec has been fully consolidated since this date.

Due to these acquisitions, the condensed consolidated interim financial statements for the six-month periods 2013 and 2014 are not fully comparable.

3. BASIS OF ESTIMATION

In the consolidated interim financial statements for the six months ended 30 June 2014, the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2013.

4. SEGMENT INFORMATION

Pursuant to IFRS 8, reporting on the financial performance of the segments has to be prepared in accordance with the management approach. The internal organisation as well as the reporting to the Management Board as chief operating decision maker, were changed as of 01 January 2014 so that two different segments are reported. In 2014, the allocation of resources and the internal evaluation of Evotec's performance by the management are done according to those segments. The evaluation of each operating segment by the

management is performed on the basis of revenues and EBITDA before changes in contingent consideration. For the EVT Innovate segment, R&D expenses are another key performance indicator. Expenses and income below operating result are not part of the segment results.

EVT Execute and EVT Innovate were identified by the Management Board as operating segments. The responsibility for EVT Execute was allocated to the COO, Dr Mario Polywka, while the responsibility for EVT Innovate was allocated to the CSO, Dr Cord Dohrmann. The organisation of the whole Evotec Group was structured accordingly.

The main activities in each of the segments are as follows:

- **EVT Execute:** Evotec has evolved into one of the global leaders in providing complete drug discovery solutions on a stand-alone basis or through holistic, fully integrated drug discovery solutions. In EVT Execute, these services are provided on a typical fee-for-service basis only or through a variety of commercial structures including research fees, milestones and/or royalties, but with Evotec never taking development risks.
- **EVT Innovate:** The segment EVT Innovate includes the advanced drug candidates and the early-stage internal discovery programmes. Evotec's internal programmes focus on first-in-class and best-in-class projects based on innovative biology. These so called "Cure X" or "Target X" initiatives largely follow indication areas that are firmly established at Evotec: metabolic and inflammatory disease, neurology, oncology and pain as well as infectious diseases. Projects are selected to match Evotec's expertise and technology and positioned for partnering with Pharma customers, usually at pre-clinical stages. Ensuing partnerships usually involve upfront and research payments as well as milestones and product royalties. In the future, Evotec prepares to take unfunded development risks in this business segment, but only in very carefully selected projects and in early stage phases of drug discovery (pre-clinic).

The segments' key performance indicators are used monthly by the Management Board to evaluate the resource allocation as well as Evotec's performance. Intersegment revenues are valued with a price comparable to other third-party revenues.

The segment information for the first six months of 2014 is as follows:

<i>In T€</i>	<i>EVT Execute</i>	<i>EVT Innovate</i>	<i>Intersegment eliminations</i>	<i>Evotec Group</i>
Revenues	39,690	8,631	(8,236)	40,085
Costs of revenue	(30,507)	(4,777)	6,990	(28,294)
Gross profit	9,183	3,854	(1,246)	11,791
Operating income and (expenses)				
Research and development expenses	(518)	(7,012)	1,246	(6,284)
Selling, general and administrative expenses	(6,733)	(2,147)	-	(8,880)
Amortisation of intangible assets	(1,163)	(190)	-	(1,353)
Other operating income	2,119	214	-	2,333
Other operating expenses	(1,172)	-	-	(1,172)
Total operating expenses	(7,467)	(9,135)	1,246	(15,356)
Operating income (loss)	1,716	(5,281)	-	(3,565)
EBITDA before contingent considerations	5,520	(4,913)		607

The segment information for the three months ended 30 June 2014 is as follows:

<i>in T€</i>	<i>EVT Execute</i>	<i>EVT Innovate</i>	<i>Intersegment eliminations</i>	<i>Evotec Group</i>
Revenues	20,515	6,162	(4,203)	22,474
Costs of revenue	(15,843)	(2,979)	3,526	(15,296)
Gross profit	4,672	3,183	(677)	7,178
Operating income and (expenses)				
Research and development expenses	(221)	(3,768)	677	(3,312)
Selling, general and administrative expenses	(3,434)	(1,090)	-	(4,524)
Amortisation of intangible assets	(498)	(95)	-	(593)
Other operating income	1,679	202	-	1,881
Other operating expenses	(713)	-	-	(713)
Total operating expenses	(3,187)	(4,751)	677	(7,261)
Operating income (loss)	1,485	(1,568)	-	(83)
EBITDA before contingent considerations	3,259	(1,344)		1,915

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.

5. ACQUISITIONS

Effective 01 April 2014, the Company acquired 100% of the shares in Bionamics GmbH, Hamburg, a company focused on the translation of academic innovations into attractive assets for the biotech and Pharma industry.

The purchase price of T€ 618 in cash includes a potential earn-out as contingent consideration. The earn-out was calculated based on estimated future revenues in the next 48 months as of the date of acquisition with a discount of 1.56%. The estimated maximum potential earn-out payment amounts to T€ 711.

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 developed technologies in the amount of T€ 443, which was estimated based on net present value modelling. Related deferred tax liabilities of T€ 143 net were also recorded. The resulting bargain purchase from the acquisition totals T€ 151. According to IFRS 3 and due to the preliminary assessment of the initial accounting for the acquisition of Bionamics, the initial accounting is provisional with regard to purchase price allocation and the fair values used to identify the purchase price and the assets and liabilities of the combination and may therefore be subject to changes.

The net loss of Evotec for the six months ended 30 June 2014 included a net loss of T€ 23 from Bionamics and no revenues. Acquisition-related costs in the amount of T€ 5 were recognised through profit and loss.

Below is a breakdown of the carrying amount and the fair value of Bionamics at the date of acquisition:

	01 April 2014 Carrying amount T€	01 April 2014 Fair value T€
Cash and cash equivalents	375	375
Trade accounts receivable	87	87
Other current assets	8	8
Long-term investments	12	12
Property, plant and equipment	2	2
Developed technologies	-	443
Provisions	(6)	(6)
Trade accounts payables	(1)	(1)
Other current liabilities	(8)	(8)
Deferred tax liabilities	-	(143)
Net assets acquired	469	769
Bargain purchase	-	(151)
Cost of acquisition	-	618
Less cash and cash equivalents acquired	-	(375)
Less deferred earn-out component	-	(133)
Cash outflow from acquisition	-	110

Evotec acquired 100% of the shares in Euprotec Ltd, Manchester, UK, effective 27 May 2014. Euprotec is a specialist contract research organisation and a recognised leader in anti-infective drug discovery services. These capabilities further enhance Evotec's ability to deliver high-quality innovative solutions to its partners on a global scale.

The purchase price of T€ 3,698 in cash includes a potential earn-out as contingent consideration. The earn-out in the amount of T€ 677 as contingent consideration was calculated based on estimated future revenues as well as estimated achievement of a defined future milestone in the next 31 months as of the date of acquisition with a discount rate of 2.03%. The maximum potential earn-out payment amounts to T€ 1,544.

The fair values of the acquired assets and liabilities were estimated based on the recognised amounts as of the date of the acquisition. No fair value adjustments have been recorded for customer lists and related deferred taxes as of 30 June 2014 because the valuation was not yet available. The preliminary goodwill resulting from the acquisition amounts to T€ 2,743. According to IFRS 3 and due to the preliminary assessment of the initial accounting for the acquisition of Euprotec, the initial accounting is provisional with regard to purchase price allocation and the fair values used to identify the purchase price and the assets and liabilities of the combination and may therefore be subject to changes.

The net loss of Evotec for the six months ended 30 June 2014 included a net income of T€ 5 from Euprotec as well as revenues of T€ 166. Acquisition-related costs in the amount of T€ 56 were recognised through profit and loss.

Below is a breakdown of the carrying amount and the fair value of Euprotec at the date of acquisition:

	27 May 2014 Carrying amount T€	27 May 2014 Fair value T€
Cash and cash equivalents	695	695
Trade accounts receivables	260	260
Other current assets	111	111
Property, plant and equipment	146	146
Trade accounts payables	(49)	(49)
Other current liabilities	(208)	(208)
Net assets acquired	955	955
Goodwill	-	2,743
Cost of acquisition	-	3,698
Less cash and cash equivalents acquired	-	(695)
Less deferred earn-out component	-	(677)
Cash outflow from acquisition	-	2,326

6. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of 30 June 2014 mainly included a T€ 1,000 receivable due to the termination of a licence agreement with 4-Antibody. This increase in other current financial assets was partly offset by the realisation of the fair value accounting of foreign currency forward contracts amounting to T€ 473.

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of 30 June 2014 primarily consisted of prepaid expenses totalling T€ 3,989 (31 December 2013: T€ 3,234) which are recognised over different time periods. The increase in prepaid expenses as of 30 June 2014 compared to 31 December 2013 mainly related to a payment in the context of the Convergence collaboration.

8. LONG-TERM INVESTMENTS

The long-term investments as of 30 June 2014 changed compared to 31 December 2013 because the investment in European ScreeningPort was written off and a 50% investment in NANODELIVER GmbH was acquired in the course of the business combination with Bionamics GmbH.

9. INTANGIBLE ASSETS EXCLUDING GOODWILL

In the second quarter of 2014, a milestone payment for biomarker was received which was included in the net present value model of the developed technology from the acquisition of Kinaxo. Based on this milestone payment, the Company reviewed the relating developed technology for impairment in the second quarter of 2014 and concluded that no impairment has to be recorded in the first six months of 2014.

Furthermore, an intangible asset resulting from the acquisition of

Renovis, was out-licensed in the second quarter of 2014. Due to this contract, the assumptions regarding the net present value model changed. Therefore, the Company reviewed this intangible asset for impairment and concluded that no impairment has to be recorded in the first six months of 2014.

In the second quarter of 2014, development phases of an intangible asset which is recorded within Evotec International were redefined. This led to a change in timing of future milestones. Therefore, the Company reviewed this intangible asset for impairment and concluded that no impairment has to be recorded in the first six months of 2014.

10. GOODWILL

The main additions to goodwill in 2014 related to the acquisition of Euprotec. The acquisition of Euprotec resulted in goodwill of T€ 2,743. However, this amount is still provisional.

11. CURRENT PROVISIONS

The decrease in current provisions as of 30 June 2014 in comparison with 31 December 2013 primarily related to the annual Management Board and employee bonuses for 2013 recognised at 31 December 2013. These were paid in March 2014 and are only accrued for half of 2014. The fall also reflected the payment of the earn-out relating to the acquisition of CCS Cell Culture Service GmbH.

12. CURRENT DEFERRED REVENUES

The decrease in current deferred revenues related to revenues recognised from the upfront payments received from Janssen Pharmaceuticals due to the termination of the collaboration agreement in respect of beta cell regeneration.

13. NON-CURRENT LOAN LIABILITIES

The increase in non-current loan liabilities pertained to the issuance of two new loan agreements. The first loan has an amount of T€ 978. It is unsecured and has a maturity until 31 March 2021. Repayment of the loan will start on 30 June 2016 in equal instalments until the maturity date. The loan carries an interest at a rate of 1.25%.

The second loan has an amount of T€ 2,498. It is unsecured and has a maturity until 26 September 2019. Repayment of the loan will start at the end of September 2015 in equal instalments until the maturity date. The loan carries an interest at the three-month LIBOR rate plus 1.5%.

14. NON-CURRENT PROVISIONS

The increase in non-current provisions as of 30 June 2014 compared to 31 December 2013 mainly related to earn-out liabilities from the acquisitions of Euprotec and Bionamics as well as the unwinding of the discount of the DeveloGen earn-out.

15. NON-CURRENT DEFERRED REVENUES

The decrease in non-current deferred revenues stemmed from revenues recognised from the upfront payments received from Janssen Pharmaceuticals, Bayer Pharma AG and Astra Zeneca AB. The upfront

payment from Janssen Pharmaceuticals was fully realised due to the termination of the collaboration.

16. 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 June 2014, are as follows:

In T€	30 June 2014	
	Carrying amount	Fair value
Cash and cash equivalents	42,247	42,247
Available-for-sale financial assets		
Investments	43,303	43,303
Long-term investments	12	12
Total available-for-sale financial assets	43,315	43,315
Financial assets measured at fair value		
Derivative financial instruments	-	-
Other non-current financial assets	77	77
Total financial assets measured at fair value	77	77
Loans and receivables		
Trade accounts receivables	16,959	16,959
Other current financial assets	2,091	2,091
Total loans and receivables	19,050	19,050
Financial liabilities measured at amortised cost		
Current loan liabilities	(17,133)	(17,133)
Non-current loan liabilities	(3,478)	(3,284)
Current portion of finance lease obligations	(5)	(5)
Long-term finance lease obligations	(11)	(11)
Trade accounts payables	(5,229)	(5,229)
Other current financial liabilities	(164)	(164)
Total financial liabilities measured at amortised cost	(26,020)	(25,826)
Financial liabilities measured at fair value		
Derivative financial instruments	(49)	(49)
Contingent consideration	(18,195)	(18,195)
Total financial liabilities measured at fair value	(18,244)	(18,244)
	60,425	60,619
Unrecognised (gain)/loss		(194)

The following table allocates financial assets and financial liabilities as of 30 June 2014 to the three levels of the fair value hierarchy as defined in IFRS 7:

	30 June 2014			
	Level 1 T€	Level 2 T€	Level 3 T€	Total T€
Available-for-sale financial assets	43,303	-	12	43,315
Financial assets measured at fair value	-	77	-	77
Financial liabilities measured at fair value	-	(49)	(18,195)	(18,244)

The following table shows a reconciliation from the beginning balances to 30 June 2014 for fair value measurements in Level 3 of the fair value hierarchy:

In T€	January to June 2014	
	Investments	Contingent consideration
Balance at 01 January 2014	10	18,519
Acquisition of businesses	12	810
Consumption	-	(1,803)
Included in other operating expense		
Changes in fair value, unrealised	-	-
Included in other operating income		
Changes in fair value, unrealised	-	-
Included in expense from long-term investments		
Changes in fair value, unrealised	(10)	-
Included in interest expense		
Interest change in net present value, unrealised	-	669
Balance at 30 June 2014	12	18,195

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); and

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

17. TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described in Evotec's Annual Report 2013 on pages 111 and 112, no other material transactions with related parties were entered into in the first six months of 2014.

18. SUBSEQUENT EVENT

There are no material events to be reported.

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.