evotec

NEWS RELEASE

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'RESEARCH NEVER STOPS'

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Evotec reports 8% revenue growth and a positive operating result of €2.9 m in the first nine months of 2012

Hamburg, Germany – 08 November 2012: Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX) today reported financial results and corporate updates for the third quarter and first nine months of 2012 ending 30 September 2012.

— **Profitable growth trend continues**
- Nine months revenues +8% to €64.2 m
- Positive nine months operating result of €2.9 m
- Gross margin trend continues to improve over H1 2012
- Strong liquidity of €55.9 m

— **EVT Execute: Continued trend towards outsourcing services for biotech and Pharma; important multi-year NIH contract awarded**
- NIH awards major contract to Evotec to manage and operate a small molecule repository
- Evotec extends ongoing collaboration with CHDI Foundation (after period-end)

— **EVT Integrate: Significant milestone achievements and new strategic multi-target alliance with Bayer**
- €2.5 m milestone payment as part of the collaboration with Boehringer Ingelheim
- Milestone achieved in drug discovery collaboration with Novartis
- Five-year, multi-target collaboration with the goal of developing three clinical candidates for the treatment of endometriosis with Bayer (after period-end)

— **EVT Innovate: Good progress in development partnerships and significant new collaboration with Janssen for Cure*Beta***
- DiaPep277 completed patient recruitment in its Phase III clinical trial for Type 1 diabetes
- Roche starts Phase II clinical trial with EVT 302 in Alzheimer's disease
- Strategic advisory agreement with Aspireo to partner Somatoprim
- Cure*Beta*: Evotec enters strategic alliance with Janssen Pharmaceuticals to license a portfolio of small molecules and biologics developed under the collaboration between Evotec and Harvard University

— **COO, CSO and CFO extend contracts until 2016**

— **Evotec CEO awarded 'Turnarounder of the Year 2012'**

— **Operating result guidance for 2012 adjusted; revenue and liquidity targets confirmed**
- Operating result now expected to be below 2011 but positive
- Double-digit revenue growth to €88 m to 90 m and year end liquidity above €60 m confirmed

1. Operational performance

Total Group **revenues** for the nine months of 2012 increased by 8% to €64.2 m (2011: €59.7 m). Growth was driven by an increase in revenues within the Company's drug discovery alliances, significant milestone revenue from Andromeda/Teva, Boehringer Ingelheim and Novartis, revenues from upfront payments from the CureBeta partnership with Janssen and contributions from acquisitions of Evotec Munich and Evotec San Francisco. The third quarter 2012 reported revenues of €22.2 m, a decrease of 16% compared to the prior period. Revenues in Q3 of the prior year were extraordinarily high as a result of a €6.9 m upfront payment from Roche in context of the new development partnership in Alzheimer's Disease. Without this upfront payment in Q3 2011, Evotec's revenues for the third quarter 2012 would have increased by 14% over the same period of the previous year. The **operating income** for the first nine months of 2012 was positive at €2.9 m (2011: €9.5 m). **Liquidity** including cash, cash equivalents and investments at the end of September 2012 amounted to €55.9 m. The outstanding milestone payments, including DiaPep277 from Andromeda/Teva (€3.9 m), were not included in this amount.

2. Evotec Action Plan 2016 – Innovation Efficiency

Update on discovery alliances, development partnerships and status of pre-clinical programmes

A. EVT Execute: Continued trend towards outsourcing services for biotech and Pharma; important multi-year NIH contract awarded

The need to improve R&D productivity is increasing pressure on pharmaceutical companies to outsource drug discovery and development. There is a clear trend towards large, multi-year contracts. EVT Execute delivers the latest science, and globally the best-in-class technology infrastructures to Evotec's partners in long-term relationships. The goal is to optimise the capital and innovation efficiency of the resources dedicated to each target that our partners are working on.

NIH awards major contract to Evotec to manage and operate a small molecule repository

In the third quarter Evotec achieved an important milestone in its compound management business. In September 2012, the Company signed a multi-year agreement with the National Institutes of Health (NIH) for the operation of a Small Molecule Repository (SMR). The NIH SMR contract will continue to provide services initiated previously under contract N01MH41001. The contract resource will support NIH-supported screening centres to acquire, store, maintain, and distribute the current library collection and the library will also be made available to select outside collaborators. The contract is funded in its entirety by NIH, covers a period of up to ten years and has a total estimated value of up to €60 m (approx. $75 m). This long-term contract will be managed through Evotec's San Francisco subsidiary. The Company is exploring options to expand its compound management capabilities into the East Coast of the USA and also into Europe.

Evotec extends ongoing collaboration with CHDI Foundation (after period-end)

In October 2012, Evotec has extended its collaboration with CHDI Foundation, Inc. (CHDI), a privately-funded not-for-profit research organisation dedicated to developing therapies for Huntington's disease (HD), until the end of 2015. This contract extension could be worth up to $ 41 m in research payments for Evotec.

The collaboration takes full advantage of Evotec's integrated drug discovery platform and its proficiency in neurological research, including its expertise in medicinal chemistry, in vitro and in vivo

pharmacology, and compound management.
Evotec and CHDI entered into this alliance in March 2006, and since then the collaborative relationship has grown significantly. The extension of this collaboration further validates Evotec's broad expertise in CNS drug discovery and development.

B. EVT Integrate: Significant milestone achievements and new strategic multi-target alliance with Bayer

Evotec is one of the few drug discovery businesses that can execute a comprehensive outsourcing strategy. EVT Integrate represents the most comprehensive and systematic integrated drug discovery process for drug targets in Evotec's key areas of expertise, including metabolic disease, pain, oncology, and CNS. In this process, Evotec does not simply lower costs for its customers; most importantly, the Company significantly reduces the time to go/no-go decision points for these projects. In these integrated approaches, Evotec shares some discovery risks with its partners in exchange for future returns.

€2.5 m milestone payment as part of the collaboration with Boehringer Ingelheim

In September 2012, Evotec announced that its research alliance with Boehringer Ingelheim has reached a milestone triggering a payment of €2.5 m to Evotec. The milestone was for the transition of an oncology programme into pre-clinical profiling. This is the seventeenth milestone achieved as part of this alliance.

Milestone achieved in drug discovery collaboration with Novartis

In October 2012, Evotec announced that it has received a pre-clinical milestone from its drug discovery collaboration with Novartis that started in 2008. This is further recognition of Evotec's track record in advancing compounds towards the clinic with its collaborators.

Five-year, multi-target collaboration with the goal of developing three clinical candidates for the treatment of endometriosis with Bayer (after period-end)

In October 2012, Evotec announced it had entered into a five-year, multi-target collaboration with Bayer Pharma AG, with the goal of developing three clinical candidates for the treatment of endometriosis. Because endometriosis affects women in childbearing age, there is an incredible need for new, non-surgical treatments that will preserve fertility and alleviate pain.
Both parties will contribute drug targets and high quality technology infrastructures and will share the responsibility for early research and pre-clinical characterisation of potential clinical candidates. Bayer will be responsible for any subsequent clinical development and commercialisation.
Evotec will receive €12 m as an immediate upfront payment. In total, Evotec may receive pre-clinical, clinical and sales milestones of potentially up to approximately €580 m, plus potential royalties of up to low double digit percentages of net sales, depending on which party brought the compound to the collaboration and the successful development and approval of potential drug candidates.

C. EVT Innovate: Good progress in development partnerships and significant new collaboration with Janssen for CureBeta

Evotec is committed to delivering solutions for some of the largest and most pressing global medical needs. With EVT Innovate the Company brings forward the most promising scientific ideas to make a difference in key medical areas. In its research initiatives, Evotec is progressing its pre-clinical assets to potential entry points for drug discovery alliances and partners those to pharmaceutical companies for upfront payments, on-going research fees and milestones and royalties. Through this strategy Evotec is building a pipeline without bearing the extensive financial risk normally involved in such projects.

To reduce Evotec's risk further the Company also continues to seek strategic product development partnerships to fund the further development of its clinical assets. Evotec's current clinical stage portfolio comprises several development partnerships fully funded by its partners.

DiaPep277 completed patient recruitment in its Phase III clinical trial in diabetes Type 1

In September 2012, Andromeda Biotech announced that it has completed patient recruitment in a double blind, placebo controlled confirmatory Phase III clinical trial using DiaPep277 for the treatment of Type 1 diabetes. The study includes 475 patients and is being conducted at 130 medical centres in the USA, Europe, Canada, South America, and Israel. Patients recruited to the study include adults (20-45 years old) within 6 months from diagnosis with residual insulin secreting cells. The primary outcome of the study is the ability of DiaPep277 to maintain insulin secretion. Results of this trial are expected at the end of 2014.

DiaPep277 is a novel approach in diabetes treatment modulating natural pathways to slow the destruction of insulin producing beta cells. This study is intended to confirm the encouraging results of a previous Phase III trial, in which DiaPep277 met its primary and secondary endpoints. Subjects in the treatment arm receiving DiaPep277 subcutaneously, on top of their regular insulin injections, maintained adequate diabetic control, reported reduced insulin requirements and reduced hypoglycemic events.

Roche starts Phase II clinical trial with EVT 302 in Alzheimer's disease

Roche has started a Phase II clinical trial with RG1577 (EVT302) to assess the efficacy and safety of this compound in patients with moderate severity Alzheimer's disease (AD).

EVT302 is a novel, potent inhibitor of monoamine oxidase type B (MAO-B), an enzyme that breaks down the chemical messenger dopamine in the brain and contributes to the production of free radicals. Free radicals are known to cause oxidative stress, which may contribute to pathogenesis of AD. For these reasons, EVT302 is targeted to treat AD symptoms and potentially slow disease progression. Under the terms of Evotec's agreement with Roche Evotec could receive development and commercial milestone payments of up to $820 m as well as tiered double-digit royalties on sales.

Strategic advisory agreement with Aspireo to partner Somatoprim

In September 2012, Evotec and Aspireo Pharmaceuticals Ltd. announced that they entered into a strategic advisory agreement for support in the development and partnering of Aspireo's Somatoprim, a new molecular entity somatostatin analogue (SSA) with a unique, potentially best-in-class, pharmacological profile currently in phase I of clinical development. SSAs have been approved for the treatment of Acromegaly, carcinoid tumours, and Cushing's disease but also have demonstrated significant potential in Diabetic Retinopathy.

Under the terms of the agreement, Evotec will provide Aspireo with strategic and operational advice on the partnering of Somatoprim. In addition, Evotec will consult Aspireo on matters of clinical and pre-clinical development. In return, Evotec will retain advisory fees as well as participate in the economic success of Somatoprim.

This agreement marks a new business model for asset centric biotech companies who want to combine capital efficiency with access to Evotec's high quality and often highly specialised pre-clinical, clinical, regulatory expertise and reach into the pharmaceutical industry.

CureBeta: Evotec enters strategic alliance with Janssen Pharmaceuticals to license a portfolio of small molecules and biologics developed under the collaboration between Evotec

and Harvard University

In July 2012, Evotec announced that it has licensed to Janssen Pharmaceuticals, Inc. a portfolio of small molecules and biologics designed to trigger the regeneration of insulin-producing beta cells.
The small molecules and biologics were identified in collaboration with Dr Douglas Melton's laboratory at Harvard University and further developed in collaboration with scientists from Evotec, as part of the CureBeta research and development programme.
The agreement between Evotec and Janssen triggered an upfront payment of US $8 m. This amount will be recognised straight-line over the three-year term of the collaboration agreement. Upon achievement of certain pre-clinical, clinical, regulatory and commercial goals, Janssen would make future milestone payments, of up to US $300 m per product. In addition, Janssen will pay royalties on future sales of any products that result from this collaboration. The upfront, milestone and royalty payments will be shared by Evotec and Harvard according to pre-agreed terms. Evotec receives ongoing research support for discovery and early development work that is conducted in collaboration with Janssen.

This new collaboration is an excellent example of successfully joining forces across traditional academic and industrial boundaries to rapidly advance ground-breaking science into medicines.

3. Guidance 2012

Evotec adjusts operating result guidance for the financial year 2012; revenue and liquidity targets confirmed

Due to a shift in revenues from milestones from Q4 2012 into 2013, Evotec corrected its operating result guidance published in Evotec's 2011 Annual Report (page 64) on 20 March 2012. The operating result before impairment and changes in contingent consideration for the fiscal year 2012 is now expected to be less than that achieved in 2011. Original guidance was for the adjusted operating result in 2012 to be greater than 2011 (€5.8 m).
The 2012 revenue and liquidity targets remained unchanged: Evotec forecasts double-digit growth of Group revenues to reach €88 to 90 m. R&D expenses are expected to remain broadly in line with 2011 levels at approximately €10 m and up to €10 m are planned to be invested in the long-term upgrading of Evotec's capacities. On that basis, the Company expects to maintain its liquidity above €60 m at the end of 2012 at constant year-end 2011 currencies, excluding any potential cash outflow for M&A transactions and related payments.

Webcast / 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: Thursday, 08 November 2012
Time:
09.30 a.m. CET
08.30 a.m. BST
03.30 a.m. US time (East Coast)

+49-(0)-69 58 999 0805 (Germany)
+44-207-153-2027 (UK)
+1-480-629-9726 (US)

Access Code: 4572580

A simultaneous slide presentation for participants dialling in *via* phone is available at www.equitystory.com, password: evotec1112.

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 dialling +49 69 58 99 90 568 (Germany) or +44 207 154 2833 (UK) and in the US by dialling +1 303 590 3030. The access code is 4572580#. The on-demand version of the webcast will be available on our website: http://www.evotec.com/article/en/Investors/Finance/Financial-Reports-2010-2012/188/6/26.

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. 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, metabolic diseases as well as oncology and inflammation. Evotec has long-term discovery alliances with partners including Bayer, Boehringer Ingelheim, CHDI, Genentech, Medimmune/Astra Zeneca, Novartis, Ono Pharmaceutical and Roche. In addition, the Company has existing development partnerships and product candidates both in clinical and preclinical development. These include a strategic alliance with Roche for the development of subtype-selective NMDA receptor antagonists for use in treatment-resistant depression as well as other partnerships with Boehringer Ingelheim, MedImmune and with Andromeda (Teva) in the field of diabetes. 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. 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.*