evotec

NEWS RELEASE

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'RESEARCH NEVER STOPS'

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Evotec AG reports H1 2013 results

- **Innovation efficiency strategy on track**
- **Top-line growth in the second half of the year 2013 due to expected milestones**
- **Guidance 2013 confirmed**

Hamburg, Germany – 08 August 2013: Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today reported financial results and corporate updates for the first half of 2013.

— **Revenues excluding milestones, upfronts and licences up 6% compared to the first half of 2012**
- H1 2013 revenues amounted to € 36.7 m (2012: € 42.0 m); revenues excluding milestones, upfronts and licences were up 6% compared to H1 2012 revenues on a like-for-like basis
- Operating loss at € 4.4 m due to low milestone revenues in H1 2013
- Stable liquidity position at € 56.1 m
- High and stable equity ratio at 67.7%

— **Progress in EVT Execute business and new EVT Integrate / EVT Innovate alliances support innovation efficiency strategy**
- New collaboration with Dow AgroSciences on Cellular Target Profiling®
- Extension of alliance with Genentech
- Extension of Active Biotech collaboration (after period-end)
- Important strategic expansion of EVT Execute compound management capability: New site in Branford, US
- Significant milestone achievement with Boehringer Ingelheim
- Target*PGB* (*Peptidoglycan Biosynthesis*): New collaboration with Harvard University to identify and develop a new class of antibacterials
- Target*KDM* (*Lysine Demethylases*): New collaboration with Dana Farber's Belfer Institute for Applied Cancer Science to explore epigenetic oncology targets
- New hormone identified to treat diabetes as part of Evotec's Cure*Beta* initiative
- Significant clinical data points ahead in 2013/2014/2015

— **Indian operations to be discontinued at the end of September 2013 (after period-end)**

— **Financial guidance for 2013 confirmed**
- Revenues are expected to grow to a level between € 90-100 m
- Operating result before impairment and changes in contingent consideration, if any, is expected to improve over 2012
- R&D expenditure is expected to be around € 10 m
- Strong liquidity position above € 60 m

— **Others**
- Dr Flemming Ørnskov resigned as Chairman and member of the Supervisory Board
- Dr Walter Wenninger appointed as new Chairman of the Supervisory Board and Dr Claus Braestrup elected as a member of the Supervisory Board
- Strengthening of the management capacities with the following appointments (after period-end):
Dr Adrian Howd, Executive Vice President, Head of Neurology & Corporate Development; and
Dr Bastian Sauer-Odendahl, Global Head of Human Resources
- Strengthening of business development activities in Japan through the appointment of Masahiko Ohtani as Vice President Business Development (after period-end)

1. OPERATIONAL PERFORMANCE

Revenues excluding milestones, upfronts and licences up 6% compared to the first half of 2012

Reported revenues for the first half of 2013 decreased by 13% to € 36.7 m (2012: € 42.0 m). Revenues for the first half of 2013 included a milestone from Boehringer Ingelheim of € 1.5 m. Revenues for the first half of the previous year included milestone revenues earned in Evotec's partnerships with Andromeda/Teva (€ 3.9 m) and Boehringer Ingelheim (€ 4.0 m). The total amount of revenues from milestones, upfronts and licences recognised in Evotec's partnerships decreased in comparison to the same period of the previous year (2013: € 3.4 m, 2012: € 10.7 m). Excluding milestones, upfronts and licences, Evotec's revenues for the first half of 2013 would have increased by 6% over the same period of the previous year on a like-for-like basis. Due to the comparatively low milestone revenues in H1 2013, the operating loss for the first half of 2013 amounted to € 4.4 m. As stated before, Evotec's operating result may vary significantly between quarters as a result of the timing of performance-based milestone payments and partnering events. Liquidity including cash, cash equivalents and investments at the end of June 2013 amounted to € 56.1 m.

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

2. EVOTEC ACTION PLAN 2016 – INNOVATION EFFICIENCY

Progress in EVT Execute business and new EVT Integrate / EVT Innovate alliances support innovation efficiency strategy

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

A. EVT Execute

New collaboration with Dow AgroSciences on Cellular Target Profiling®

In June 2013, Evotec and Dow AgroSciences ("Dow") entered into a

research collaboration with the objective of leveraging Evotec's advanced chemical proteomics services to support compounds in development at Dow. To this end, Evotec will perform quantitative chemical proteomics services (Cellular Target Profiling®) to de-convolute phenotypic screening results obtained by Dow.

Extension of alliance with Genentech
In April 2013, Evotec extended its drug discovery alliance with Genentech, a member of the Roche Group, for three additional years. The collaboration was initiated in May 2010.

Extension of Active Biotech collaboration (after period-end)
In July 2013, the medicinal chemistry collaboration with Active Biotech has been extended to further advance an existing programme, which has entered late-stage lead optimisation. The programme aims to find novel small molecule modulators of a priority biological target, selected by Active Biotech, involved in immune disorders and cancer.

Important strategic expansion of EVT Execute compound management capability: New site in Branford, US
Evotec (US), Inc. signed a multi-year lease on a facility located in Branford, Connecticut that is specifically designed to expand the offering of its compound management services on the US East Coast. The facility is expected to be fully operational within Q3 2013 and will complement the existing facility in South San Francisco, which will continue to serve existing clients.

B. EVT Integrate
Significant milestone achievement with Boehringer Ingelheim
In June 2013, a further milestone was achieved in Evotec's discovery collaboration with Boehringer Ingelheim. Evotec recognised milestone revenues of € 1.5 m for the transition of a pain molecule into pre-clinical development.

C. EVT Innovate
Target*PGB* (*Peptidoglycan Biosynthesis*): New collaboration with Harvard University to identify and develop a new class of antibacterials
Evotec and Harvard University entered into a further research collaboration aimed at discovering and developing novel anti-bacterial agents based on a highly validated target family involved in bacterial cell wall biosynthesis.

Under the collaboration agreement announced in May 2013, researchers at Harvard and Evotec will identify and optimise small molecule inhibitors of bacterial cell wall synthesis based on enabling technologies and chemical starting points licensed from Harvard. Using its comprehensive drug discovery infrastructure and expertise in addressing anti-bacterial targets, Evotec will specifically target peptidoglycan biosynthesis (Target*PGB*). The approach leverages promising chemical starting points, and biological and structure-guided techniques in conjunction with extensive medicinal chemistry expertise. The commercialisation of the resulting assets will be Evotec's responsibility.

Target*KDM* (*Lysine Demethylases*): New collaboration with Dana Farber's Belfer Institute for Applied Cancer Science to explore epigenetic oncology targets
A collaboration to discover new oncology therapies targeting epigenetic mechanisms was signed with the Belfer Institute for Applied

Cancer Science at Dana-Farber Cancer Institute (DFCI) in April 2013. The goal of the collaboration is to validate emerging epigenetic targets for oncology indications and to demonstrate the drugability of the selected target families. Evotec, DFCI and DFCI's Belfer Institute will invest in enabling technologies, experimental target validation and the generation of chemical matter by leveraging their existing expertise and drug discovery platforms.

These two new partnerships supplement the existing "Cure*Beta*" and "Cure*Nephron*" initiatives with Harvard University.

New hormone identified to treat diabetes as part of Evotec's Cure*Beta* initiative

In April 2013, Evotec AG announced the publication of a scientific article by Prof. Doug Melton – a key collaborator in Cure*Beta*, a strategic alliance between Harvard University, Evotec and Janssen in the field of beta cell regeneration – and his post doc, Peng Yi, in the journal *Cell*. The paper describes the discovery of betatrophin, a new hormone that controls beta cell proliferation. All intellectual property associated with these findings was licensed to Evotec in March 2011 and subsequently sublicensed to Janssen within the Cure*Beta* collaboration announced in July 2012.

Significant clinical data points ahead in 2013/2014/2015

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

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

Evotec entered into a licence agreement with Janssen in December 2012 for its NR2B subtype selective NMDA-antagonist portfolio for development against diseases in the field of depression. The Company expects that Janssen will initiate Phase II clinical trials for the treatment of depression during the course of 2013/14.

In April 2013, Zhejiang JingXin Pharmaceutical Co., Ltd ("JingXin") received approval from the Chinese Center of Drug Evaluation (CDE) to commence clinical trials with EVT201, a novel potential treatment for insomnia. Evotec had previously concluded two Phase II studies, providing safety and efficacy results. Under the licence and collaboration agreement entered in October 2010, JingXin receives exclusive rights to develop and market the drug candidate in China.

3. RESTRUCTURING

Indian operations to be discontinued at the end of September 2013 (after period-end)

In July 2013, Evotec announced that it will close its Chemistry Operations in Thane, India. All chemistry efforts will now be performed at its Abingdon (UK) facility, in response to increasing demands for

Evotec to operate closer to the principal R&D laboratories of its major customers. All project work in Thane will be completed by the end of September 2013, and Evotec (India) Private Ltd will then be wound down. As a consequence, approximately 120 Thane-based employees will leave the Company and Evotec will take a one-time impairment charge of up to € 4 m in Q3 2013.

4. ACQUISITION UPDATE

CCS integration – Strengthening Evotec's screening capabilities
Signed in December 2012 and effective 01 January 2013, Evotec acquired CCS Cell Culture Service GmbH ("CCS"), a Hamburg-based company which supports the cell culture needs of biotech and pharmaceutical companies on a worldwide basis. With the move into the Manfred Eigen Campus, CCS' large-scale processes for cell production, freezing and storage, including the entire team of specialised cell culture scientists and technicians, will be fully integrated into Evotec's Hamburg operations during Q3 2013 to realise cost synergies and efficiency improvements.

The purchase price consisted of a cash consideration of € 1.15 m and an earn out component which could reach up to € 1.4 m in cash. The earn out component will become due one year after the acquisition and depends on the achievement of certain revenue targets.
With respect to the impact of this transaction on Evotec's financial statements, we refer to pages 19 to 20 of the half-year report.

5. GUIDANCE

Financial guidance for 2013 confirmed
All financial targets published on 26 March 2013 in Evotec's Annual Report 2012 (page 78) remain unchanged.
In 2013, total Group revenues are expected to grow to a level between € 90 m and € 100 m. This assumption is based on the current order book, expected new contracts and contract extensions, as well as the achievement of certain milestone payments. Milestones are difficult to predict, but they remain a fundamental part of the business model of Evotec.
On this basis, gross margins in 2013 are expected to improve slightly on those achieved in 2012. However, quarterly margins will continue to be volatile, as they are dependent upon the timing of milestone payments.
Evotec expects research and development (R&D) expenses in 2013 to increase above the levels of 2012. This is primarily due to additional investments in the strategic Cure *X* franchise primarily in the fields of metabolic diseases and regenerative medicine. In total, R&D expenditure is expected to be around € 10 m in 2013.
Evotec's Group operating result before impairment and changes in contingent consideration, if any, is expected to improve from its 2012 level for the year 2013.
At constant year-end 2012 currencies, the Company expects to maintain its liquidity position above € 60 m at the end of 2013, excluding any potential cash outflow for M&A or similar transactions.

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 August 2013**
Time: **09.30 am CET (08.30 am GMT, 03.30 am EDT)**

From Germany: +49 (0) 6103 485 3001
From UK: +44 207 153 2027
From USA: +1 480 629 9726
Access Code: 4629924

A simultaneous slide presentation for participants dialling in *via phone* is available at www.equitystory.com, password: evotec0813.

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 4629924#. The on-demand version of the webcast will be available on our website: http://www.evotec.com/article/en/Investors/Finance/Financial-Reports-2011-2013/188/6/26.

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, Janssen Pharmaceuticals, MedImmune/AstraZeneca and Ono Pharmaceutical. In addition, the Company has existing development partnerships and product candidates both in clinical and pre-clinical development. These include partnerships with Boehringer Ingelheim, MedImmune and Andromeda (Teva) in the field of diabetes, with Janssen Pharmaceuticals in the field of depression and with Roche in the field of Alzheimer's disease. For additional information please go to www.evotec.com.

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.*