evotec

NEWS RELEASE

11 November 2010

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Accelerated Positive Trend on Evotec's Revenues and Profits

Hamburg, Germany – 11 November 2010: Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX) today reported financial results and a corporate update for the first nine months of 2010.

Recent Highlights:

— **Strong improvement of key financial results**
- Evotec reports continued strong revenue growth of 33% and a positive operating result of € 1.0 m for the first nine months of 2010 (compared to € 32.9 m loss in the first nine months of 2009)
- Strong Q3 results with 33% improvement in revenues and a positive operating result of € 0.7 m (compared to € 3.8 m loss in Q3 2009)
- Following cash flow positive third quarter liquidity improved compared to the end of H1 2010 to € 70.2 m (+ € 2.3 m)

— **Several new discovery alliances initiated; progress and milestone achievements in current partnerships**
- New ion channel hit identification agreement with Almirall
- Fragment-based drug discovery alliance with Shionogi (after period-end)
- Pain alliance with Apeiron Biologics (after period-end)
- Milestone achievement with Boehringer Ingelheim
- Good progress in many alliances (e.g. Vifor, Genentech)
- Excellent capacity utilisation

— **Proprietary research programmes advancing**
- Focused research investments in proprietary platform technologies and selected discovery programmes
- Evaluation of indication for EVT 401 ongoing
- Increased research commitment to metabolic disease capability since closing of DeveloGen acquisition

— **Product development partnerships on track; first license agreement for EVT 201**
- Phase II with EVT 101 in treatment-resistant depression with Roche on track
- Jingxin Pharma in-licenses Evotec's insomnia candidate EVT 201 for development in China (after period-end)

— **DeveloGen acquisition completed**
- 6,750,014 new shares were issued from authorised capital in Q4 as consideration for the transaction

— **Financial guidance for 2010 confirmed**
- More than 20% revenue growth expected for the full year 2010, leading to revenues of € 52 to 54 m
- Strong 2010 order book (October 2010: € 51 m; +31% over 2009) supports growth target
- Liquidity guidance of >€ 64 m at year-end confirmed despite cash required for the acquisition of DeveloGen

— **Financial outlook 2011 and beyond shows continued growth**

- Revenue growth of more than 15% expected into 2011
- Well on track for sustainable profitability latest in 2012

1. OPERATIONAL PERFORMANCE

Strong improvement of key financial results
During the first nine months of 2010 Evotec's drug discovery alliances continued to grow significantly. Supported by milestone achievements, **revenues** increased by 33% to € 38.8 m (2009: € 29.1 m). **Gross margin** was strong at 44.0% (2009: 38.3%). Following the implementation of Evotec's Action Plan 2012, and successful partnering, **R&D expenses** declined by 79% to € 4.2 m (2009: € 19.5 m), and **SG&A costs** by 12% to € 11.6 m (2009: € 13.1 m). On this basis, the **operating result** was positive at € 1.0 m (2009: € 32.9 m loss). **Liquidity** including cash, cash equivalents and investments at the end of September 2010 increased from end of June 2010 to € 70.2 m.

2. DISCOVERY ALLIANCES UPDATE

Several new discovery alliances initiated; progress and milestone achievements in current partnerships
Due to its scale, strong platform of technologies combined with disease biology know-how and excellent project management, as well as its strong reputation in the industry, Evotec is ideally positioned as the partner of choice for integrated drug discovery alliances with the pharmaceutical and biotech industry. The Company signed a number of new important contracts during the third quarter and made good progress in many of its current programmes. Within its collaboration with Boehringer Ingelheim a third milestone for 2010 was achieved in July.

New ion channel hit identification agreement with Almirall
In September, Evotec announced a collaboration with **Almirall S.A.** to identify small molecule modulators of an ion channel target, selected by Almirall, involved in respiratory diseases. Evotec will apply its in-depth electrophysiology and ion channel pharmacology expertise, as well as its state-of-the-art screening platform, for the identification and validation of novel modulators of the selected ion channel.

Fragment-based drug discovery alliance with Shionogi (after period-end)
In October, Evotec announced a multiple target drug discovery collaboration with **Shionogi & Co Ltd.** to identify small molecule modulators of various protein-protein interaction targets selected by Shionogi. Evotec will apply its proprietary and integrated fragment-based drug discovery platform, EVOlution(TM) to the programme to support Shionogi in finding novel treatments for inflammation and infectious diseases.

Pain alliance with Apeiron Biologics (after period-end)
Also in October, Evotec entered into a collaboration with **Apeiron Biologics** to identify small molecule modulators of DREAM (Downstream Regulatory Element Antagonistic Modulator), a novel target involved in various pain mechanisms. In a first instance, Evotec will apply its expertise in cellular assay development with opportunities for the project to rapidly move into hit identification and beyond. Further projects will be evaluated to potentially expand this collaboration in due course.

Milestone achievement with Boehringer Ingelheim
During the second quarter of 2010 strong progress was made in Evotec's discovery collaboration with **Boehringer Ingelheim**, with the first compound of this strategic alliance advancing into clinical trials. In July, a third milestone for 2010 in the amount of € 2.5 m was achieved for the progression of a candidate into pre-clinical studies. In total, Evotec has now achieved 10 milestones within this collaboration that was initiated in 2004.

Good progress in many discovery alliances (e.g. Vifor, Genentech); strong capacity utilisation
During the third quarter of 2010, the **Vifor** collaboration was expanded to include a back-up programme to the current one and new screening projects were initiated with five partners. The **Genentech** collaboration was expanded in July, and Evotec commenced work on three collaborations out of its operations in Thane, India.

3. STATUS OF CLINICAL AND PRECLINICAL PROGRAMMES AND PARTNERING OF ASSETS

Proprietary research programmes advancing; product development partnerships on track; new license agreement for EVT 201 for Chinese market (after period-end)
In addition to its continuous investment in the development of proprietary platform technologies for kick-starting discovery alliances Evotec is focused on obtaining value on a few carefully selected core assets. The Company is progressing those assets towards their optimal data points for partnering. To reduce Evotec's risk profile and limit its R&D expenses the Company is seeking strategic product development alliances to further advance these developments such as in the case of the partnership with Roche who fully fund the further development of EVT 100 compound family. The Company's early proprietary discovery programmes and high value development partnerships are all on track.

Start of Phase II with EVT 101 in treatment-resistant depression with Roche
From 30 June 2010, patient recruitment has begun for the proof-of-concept Phase II study in treatment-resistant depression with EVT 101. The study has the main objective of evaluating the safety and tolerability of EVT 101 while also exploring the efficacy of this intervention. If Roche exercises its buy-back option after completion of this Phase II trial, Evotec would receive an immediate $65 m lump-sum payment in exchange for the assignment of the rights and would be eligible for further development and sales performance milestones of up $300 m, and scalable double-digit commercial payments.

Jingxin Pharma in-licenses Evotec's insomnia candidate EVT 201 for development in China (after period-end)
In October, Evotec entered into a license and collaboration agreement with Zhejiang Jingxin Pharmaceutical Co., Ltd ("Jingxin Pharma") for EVT 201, a novel potential treatment for insomnia. The agreement grants Jingxin Pharma exclusive rights to develop and market the drug candidate in China. In return, Evotec will receive a small upfront payment, together with commercial milestones and significant royalties.
Jingxin Pharma will initiate clinical trials with EVT 201 in China in 2011. All development costs will be borne by Jingxin Pharma. Evotec will have the right to reference clinical data produced by Jingxin Pharma to support potential further development of EVT 201 in other territories. This deal allows further progression of the EVT 201 insomnia

programme at no additional cost to Evotec and therefore represents an important step in realising the drug candidate's intrinsic value.

Good progress with early discovery programmes
In the first half of 2010, Evotec nominated the final development candidate, EVT 501, in its H3 receptor antagonist programme and, in the third quarter, started API (Active Pharmaceutical Ingredient) production of the compound to support regulatory (GLP) toxicology and safety pharmacology studies. This programme is in part funded by the BMBF. The initiation of a Phase I programme is planned within the next 12 months.
The evaluation of clinical indications for the further development of the Phase I programme EVT 401 is still ongoing. Following the DeveloGen acquisition, the Company increased its research commitment to metabolic diseases.

4. ACQUISITION UPDATE

DeveloGen acquisition completed
On 2 September, Evotec announced the closing of the acquisition of DeveloGen as published in detail on 14 July 2010 (see also page 5 of this report). Following the successful fulfilment of various closing conditions, the sellers of 99.4% of the shares in DeveloGen transferred their shares to Evotec. As part of the consideration for the transaction Evotec issued 6,750,014 new Evotec shares from its authorised capital in October. Consequently, Evotec's issued share capital increased to €115,595,129 after the balance sheet date of this report. The completion of the acquisition triggered payments in October 2010 (after period-end) in the amount of 2.5 m regarding a repayment of a loan and a bonus payment to the Management Board of DeveloGen.

5. GUIDANCE 2010 AND OUTLOOK

Financial guidance for 2010 confirmed
Evotec confirms its financial guidance for the fiscal year 2010 published on 25 March 2010 and updated on 12 August 2010 with the only minor adjustment that R&D expenses are now expected to be slightly lower than originally anticipated (approx. € 8 m instead of € 10 m) due to successful partnering: Total Group revenues are expected to grow by more than 20% to € 52 to 54 m. This growth target is supported by a strong 2010 order book of € 51 m in October. Despite approximately € 2 m cash to be used for the acquisition of DeveloGen, Evotec also confirms its 2010 year-end liquidity target of comfortably >€ 64 m at constant year-end 2009 currencies.

Financial outlook 2011 and beyond shows continued growth
The Company expects continuing growth of more than 15% into 2011 and remains on track to reach sustainable profitability by 2012 at the latest. A detailed 2011 financial guidance will be published in March 2011.

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, 11 November 2010
Time:
09.30 a.m. CET
08.30 a.m. BST
03.30 a.m. US time (East Coast)

From Europe:
+49 (0)69.2222 3105 (Germany)
+44 (0)20.7784 1036 (UK)
From the US: +1 718.354.1152

Access Code: 7562847

A simultaneous slide presentation for participants dialing in via phone is available at www.equitystory.com, password: evotec1110.

Webcast details
To join the audio webcast and to access the presentation slides you will find a link on our home page www.evotec.com shortly before the event.

A replay of the conference call will be available for 24 hours and can be accessed in Europe by dialing +49 (0)69 2222 2236 (Germany) or +44 (0)20 7111 1244 (UK) and in the US by dialing +1 347 366 9565. The access code is 7562847#. The on-demand version of the webcast will be available on our website:www.evotec.com/Investors/Financial-Reports-2009-2010/

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

FORWARD-LOOKING STATEMENTS
Information set forth in this press release contains forward-looking statements, which involve a number of risks and uncertainties. Such forward-looking statements include, but are not limited to, statements about our expected 2010 financial results and financial growth in 2011, our anticipated financing needs, our ability to deliver on our liquidity guidance, our belief that we are on course to sustainable profitability latest in 2012, our expectations and assumptions concerning regulatory, clinical and business strategies, the progress of our clinical development programmes and timing of the commencement and results of our clinical trials, strategic collaborations and management's plans, objectives and strategies. These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from those contemplated in these forward-looking statements. In particular, the risks and uncertainties include, among other things: risks that product candidates may fail in the clinic or may not be successfully marketed or manufactured; the risk that we will not achieve the anticipated benefits of our collaborations, partnerships and acquisitions in the timeframes expected, or at all; risks relating to our ability to advance the development of product candidates currently in the pipeline or in clinical trials; our inability to further identify, develop and achieve commercial success for new products and technologies; the risk that competing products may be more successful; our inability to interest potential partners in our technologies and products; our inability to achieve commercial success for our products and technologies; our inability to protect our intellectual property and the cost of enforcing or defending our intellectual property rights; our failure to comply with regulations relating to our products and product candidates, including FDA requirements; the risk that the FDA may interpret the results of our studies differently than we have; the risk that clinical trials may not result in marketable products; the risk that we may be unable to successfully secure regulatory approval of and market our drug candidates; and risks of new, changing and competitive technologies

and regulations in the U.S. and internationally.
The list of risks above is not exhaustive. Our most recent Annual Report on Form 20-F, filed with the Securities and Exchange Commission, and other documents filed with, or furnished to the Securities and Exchange Commission, contain additional factors that could impact our businesses and financial performance. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.