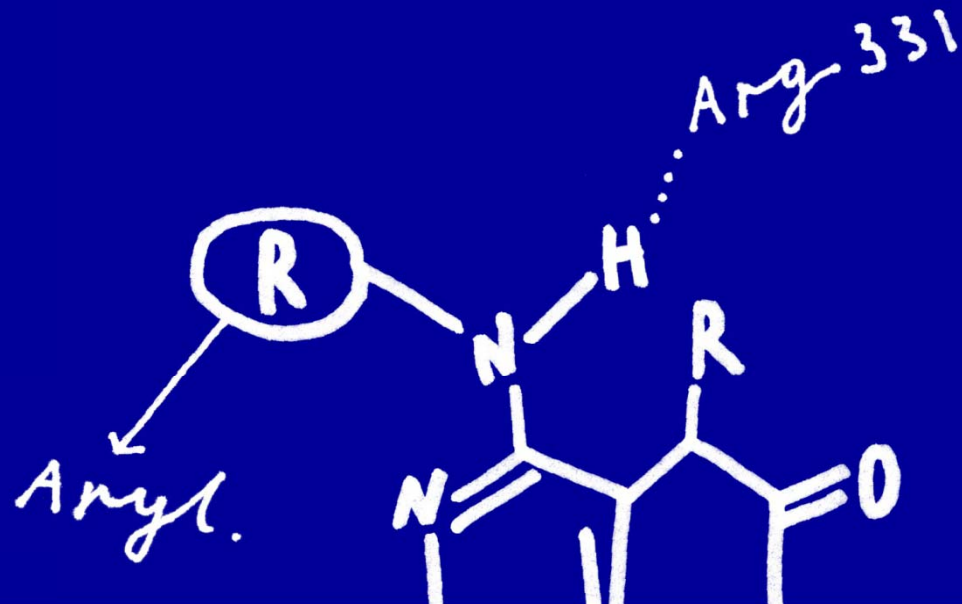


# ACTION PLAN 2016

*Innovation Efficiency*



## Forward-looking statements

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*Information set forth in this presentation 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 presentation. 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.*

# Welcome to Evotec!

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## Your management team

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**Werner Lanthaler, CEO**



**Mario Polywka, COO**



**Colin Bond, CFO**



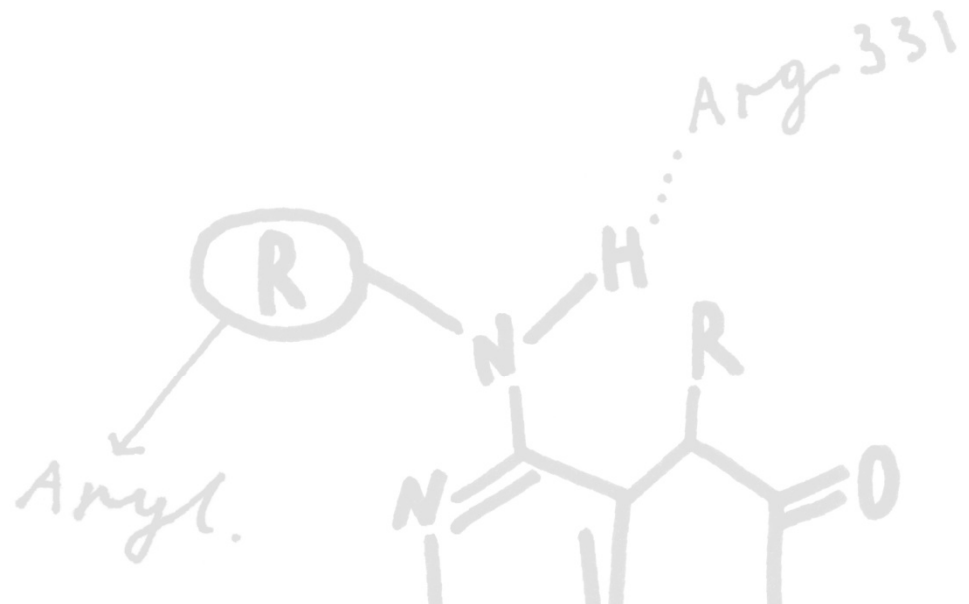
**Cord Dohrmann, CSO**

## Agenda

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- **Highlights 2011**

- Action Plan 2016 – Innovation Efficiency
- Operational & Financial Performance 2011
- Growth Outlook



# A very good year, with a strong outlook for 2012

## Key themes & Highlights 2011

<b>Strong growth</b>	<ul style="list-style-type: none"> <li>• 45% top-line growth to €80 m, 204% operating profitability growth to €5.2 m, 44% gross margin; €10 m positive operating cash flow</li> <li>• Strong order book and milestone opportunities indicate revenues of €88 m – €90 m in 2012</li> </ul>
<b>Pipeline without exposure to financial risk</b>	<ul style="list-style-type: none"> <li>• Significant near-term opportunities in Phase III and Phase II product development partnerships</li> <li>• Broad long-term pipeline of ~ 50 targets</li> </ul>
<b>Market consolidation</b>	<ul style="list-style-type: none"> <li>• Successful M&amp;A with Evotec San Francisco (Compound Focus) and Evotec Munich (Kinaxo) for €26.6 m <sup>1)</sup></li> <li>• Largest technology and infrastructure upgrade investment in company history initiated, approx. €10 m</li> </ul>
<b>First-in-class innovation</b>	<ul style="list-style-type: none"> <li>• Focused investments in highly innovative discovery research areas and academic alliances, approx. €8.4 m</li> </ul>

# Promised and delivered!

Completion of Action Plan 2012 (from 04/2009 – 03/2012)

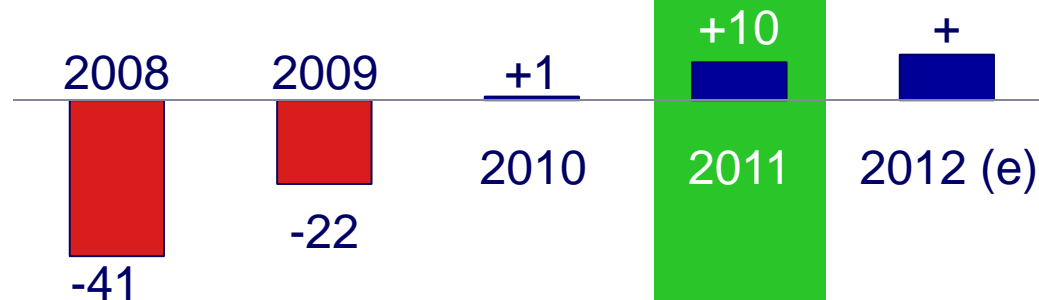
## Goals

1

Stop record cash-bleed, stabilise business and generate free cash flow for growth

## Results

### Operating cash flow



2

Restructure and build core discovery alliance business (DAB) to lead strategic outsourcing for pharma & biotech

### Number of strategic alliances with significant upside for EVT



# A good starting point for further growth


Completion of Action Plan 2012 (from 04/2009 – 03/2012)

## Goals

**3** Reposition assets from historical investments and build development partnerships for pharma pipeline without financial risk



**4** Form team as "one company" to facilitate long-term growth as leader in innovation efficiency

## Results

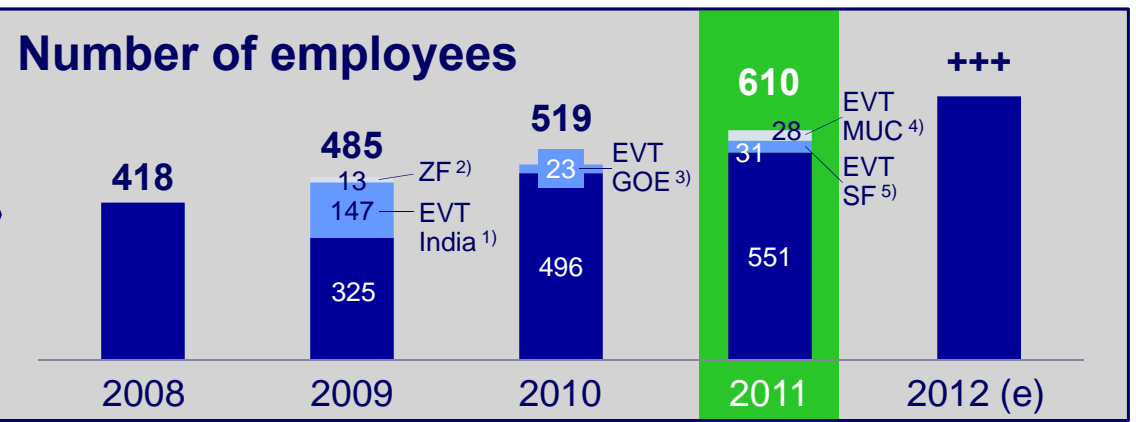


Phase IIb in Alzheimer's disease with MAO-B inhibitor will commence mid 2012

*Examples*

Final Phase III results of first pivotal Phase III study presented mid 2012



1) Acquisition RSIPL / DIL (Evotec India);  
4) Acquisition of Kinaxo (Evotec Munich);

2) Acquisition of Zebrafish technology (UK);  
5) Acquisition of Compound Focus (Evotec San Francisco)

3) Acquisition of Develgen (Evotec Goettingen)

# Revenue guidance was increased 2x following better discovery alliance business and EVT 302 upfront

## Overview financial guidance 2011

in €m

	2010	2011 <sup>1)</sup>	Δ	Guidance September <sup>2)</sup>	Guidance March
<b>Revenues</b>	55	80 ✓	+45%	77 - 79	64 – 66
<b>R&amp;D expenses</b>	6.1	8.4 ✓	+38%	~ 10	~ 10
<b>Operating income</b>	1.7	5.2 ✓	+204%	Improved over 2010	Improved over 2010
<b>Liquidity at year end</b>	70	62 <sup>3)</sup> ✓		> 60	~ 65

1) 2011 incl. Kinaxo from April and incl. Compound Focus from June onwards

2) Guidance adjusted with publication of partnering of EVT 302 with Roche

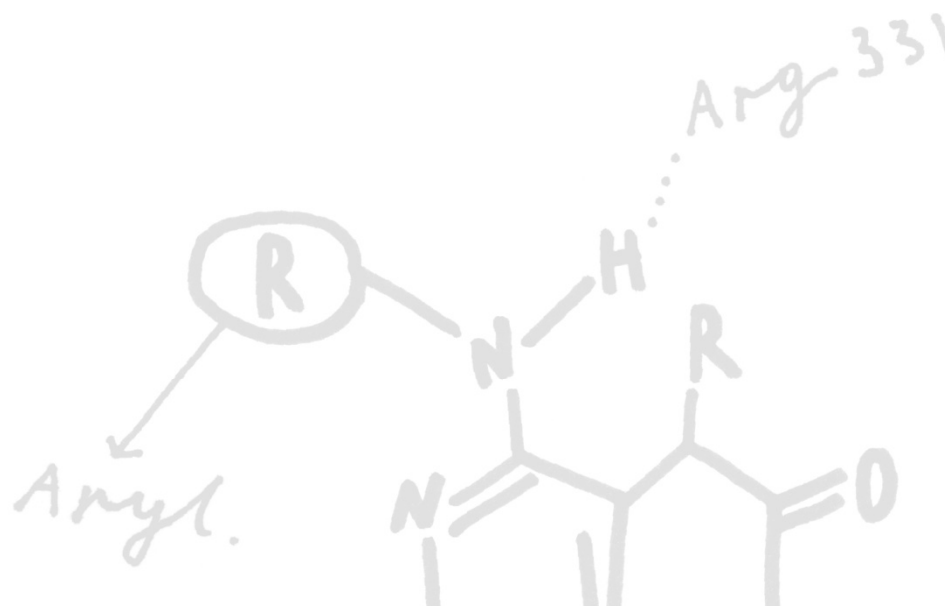
3) In 2011 a total of € 16.6m was spent in cash for acquisitions incl. earn-out payments



# Agenda

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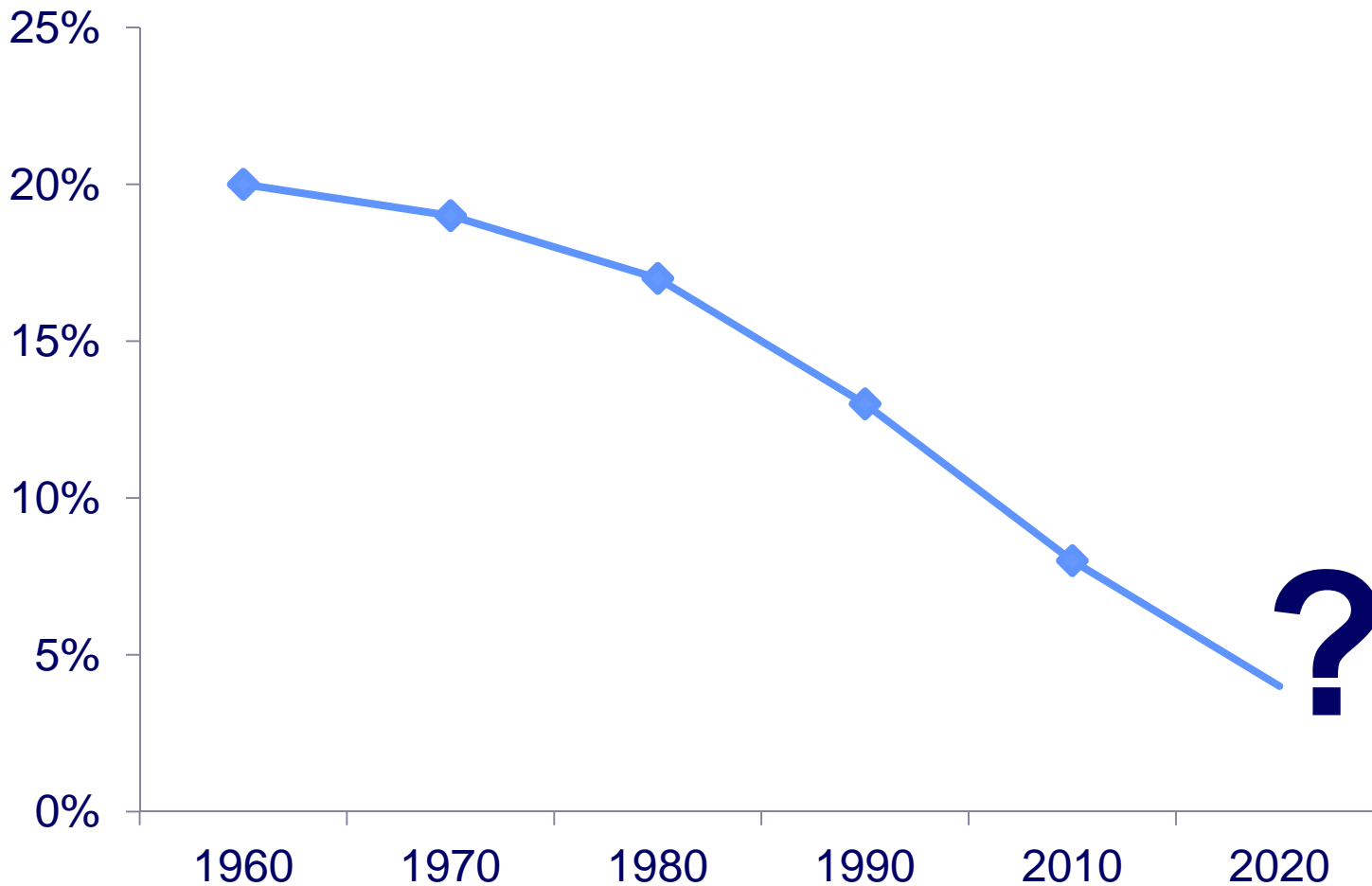
- Highlights 2011
- **Action Plan 2016 – Innovation Efficiency**
- Operational & Financial Performance 2011
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# Dramatic decline in R&D productivity

Macro starting points – Eroom’s law in Pharmaceutical R&D

IRR in %



- The number of new drugs approved by FDA has halved roughly every 10 years
- 100x decline in number of new molecules approved per \$ bn (inflation adjusted)
- High fixed costs contribute to the increasing price of success and failure

# Industry starts to appreciate increased productivity through external innovation

## Customer starting points

*Switching from fixed cost to variable costs allows us to optimise capacity utilisation*  
**UCB (2011)**

*External innovation will guide more than 30% of our research strategy*  
**Merck&Co (2011)**

*Alliances with top-class external systematic infrastructures improves the quality of investment decisions*  
**Boehringer Ingelheim (2011)**

*We want to align our discovery efforts with a very selected number of partners*  
**Roche (2011)**

# Innovation efficiency will be the driver for pharma and biotech in the next decade

## Action Plan 2016 - Forces at work

- 1 Over the next 5 years, outsourcing in discovery will grow by approx. 5 - 10% p.a., mainly driven by pharma restructuring

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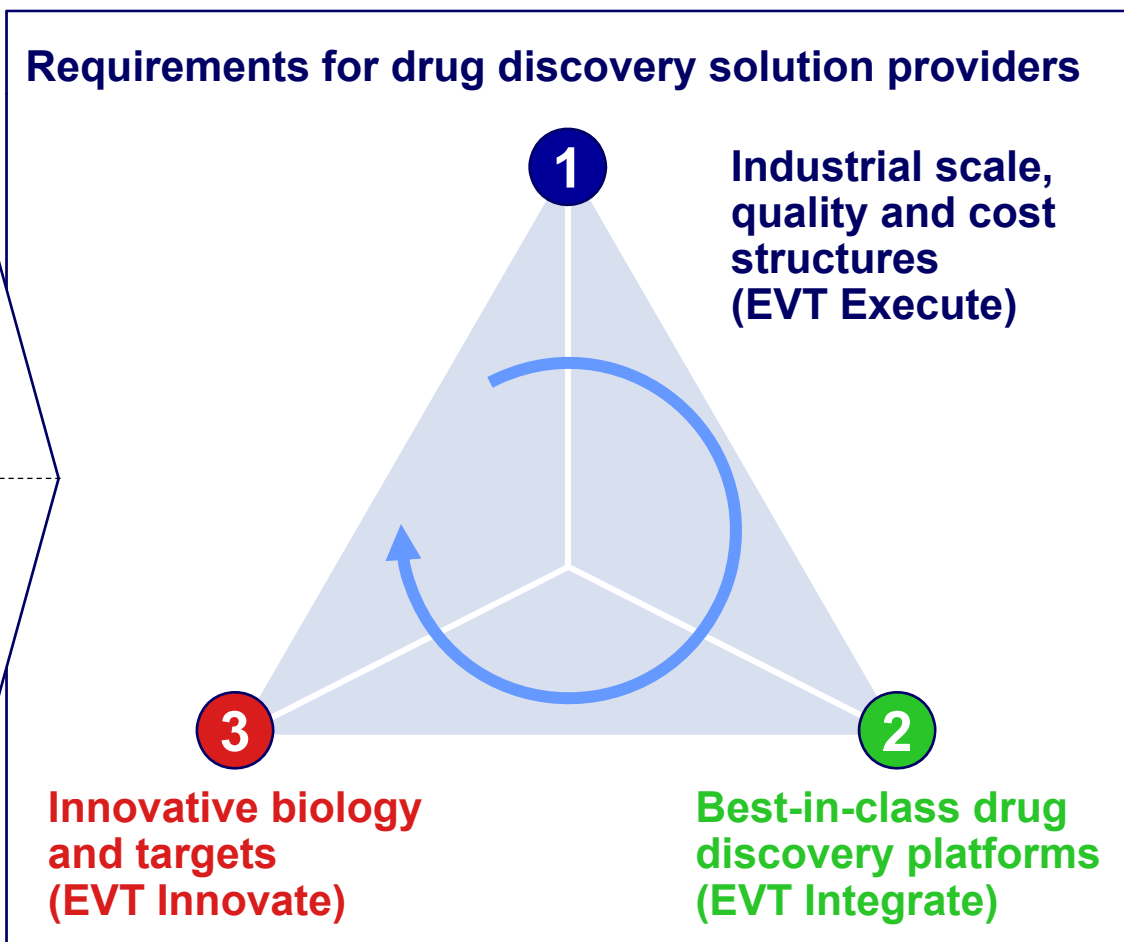
- 2 Attrition for early targets will most likely increase as hurdles for new therapies get higher

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- 3 Western technology solutions will be combined with Asian capacities and cost structures

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- 4 Significantly larger integrated drug discovery solution providers will emerge



## Goals and controlling of Action Plan 2016

### Key Performance Indicators

#### Grow

- Double revenues latest by 2016
- Operating Income at a margin of approx. 15% of revenues
- Improve quality of revenue mix through royalty, milestone and service income latest by 2016

#### Innovate

- Continue to invest approx. € 10 m p.a. in highly innovative unpartnered research (e.g. expand from small molecules also into large molecule discovery)
- Continue to upgrade technology infrastructures by approx. € 10 m p.a.
- Build even more mature pipeline without financial risk through highly selective partnering

#### Create & Consolidate

- Actively participate in strategic market consolidation
- Optimise shareholder value creation

# Leveraging innovation efficient discovery

## Action Plan 2016 – Evotec´s offering for Innovation Efficiency

### 3 EVT Innovate

- **CureBeta, CureNephron,..ProductDevelopmentPartnerships**
- First-in-class discovery and product development innovations
- Modest R&D investment for high upfront, higher milestone and higher royalty alliances

### 2 EVT Integrate

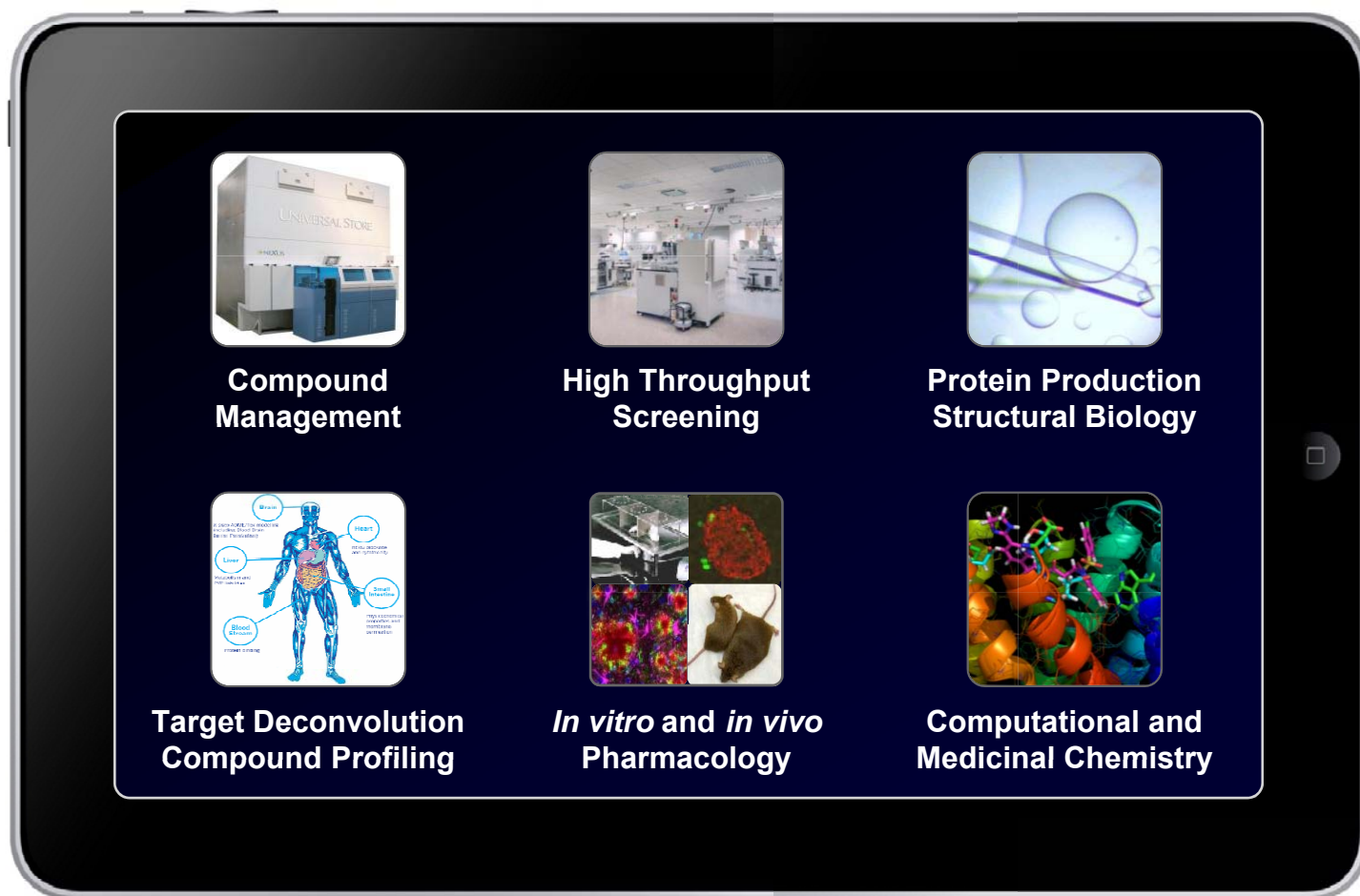
- **Integrated drug discovery alliances on partner targets**
- Best-in-class integrated drug discovery alliances (multi-target projects)
- Risk-shared performance-based alliances with research fees, milestones and royalties

### 1 EVT Execute

- **Stand alone screening, medicinal chemistry, compound management, compound profiling,...**
- Highest quality solution tools and processes
- No risk-exposure, lower margin, but long-term repeat business

# Broad stand alone execution business

## Comprehensive Drug Discovery Platform – “EVO Apps”



**Compound Management**

**High Throughput Screening**

**Protein Production Structural Biology**

**Target Deconvolution Compound Profiling**

***In vitro* and *in vivo* Pharmacology**

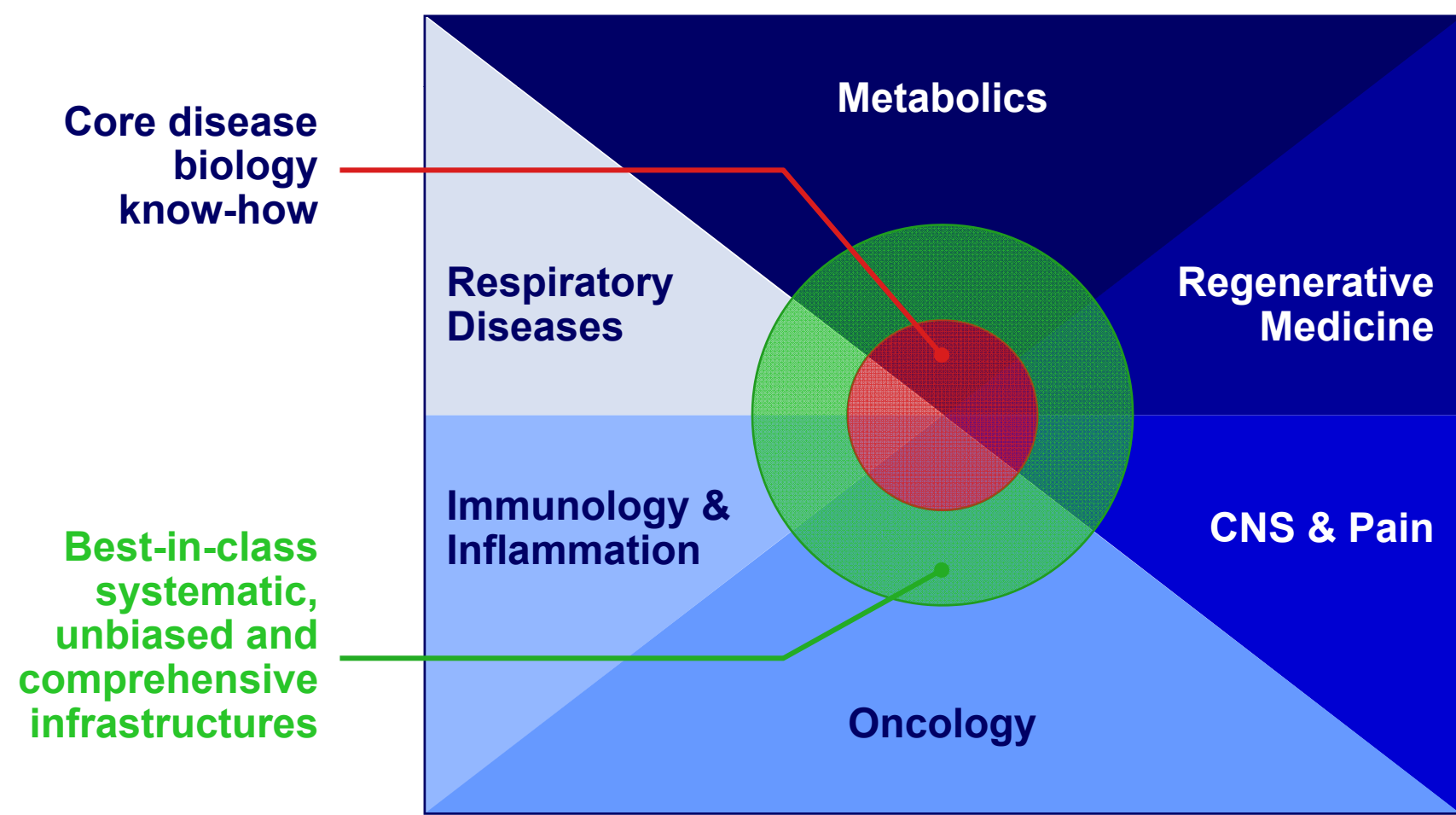
**Computational and Medicinal Chemistry**

**Project management & processes deliver up to 30% faster execution**

**30% cost reduction versus pharma internal costs – accessed on a variable basis**

# Disease biology is the processor for integrated drug discovery alliances

## Alliance model





# “Faster to Decisions“ business model improves innovation efficiency

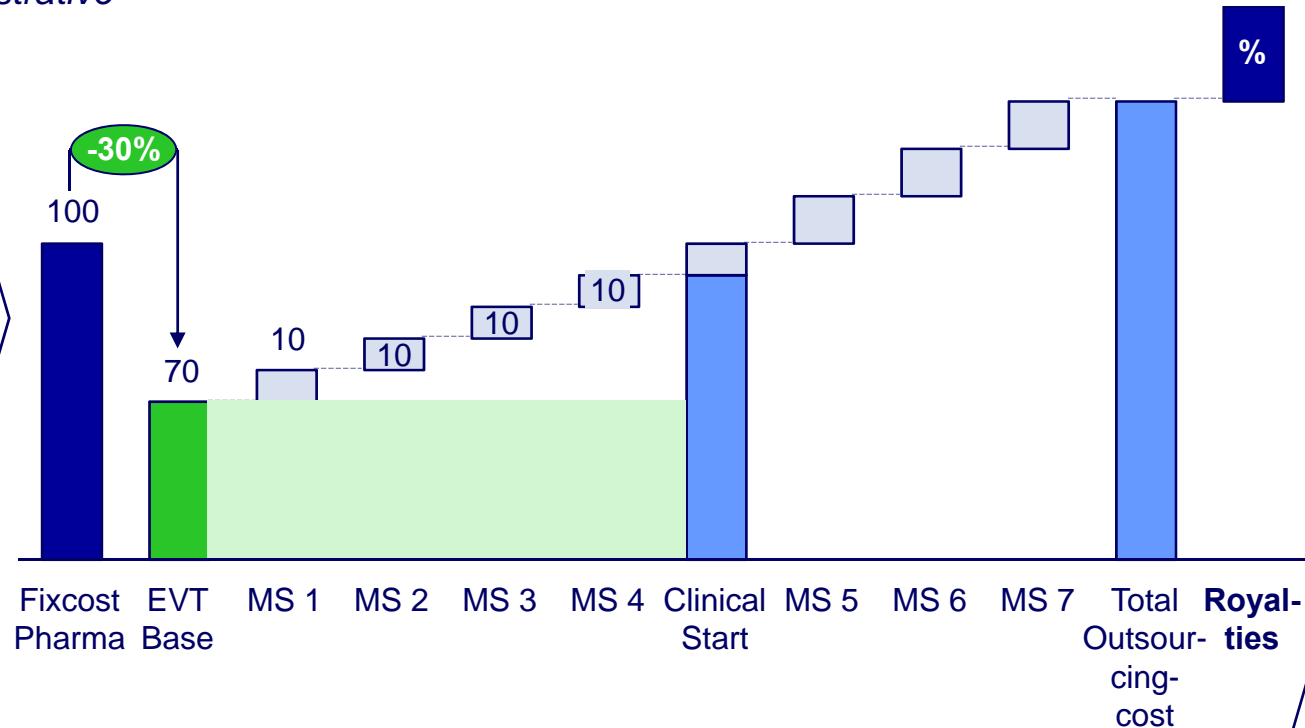
## Business model

### Examples of integrated alliances



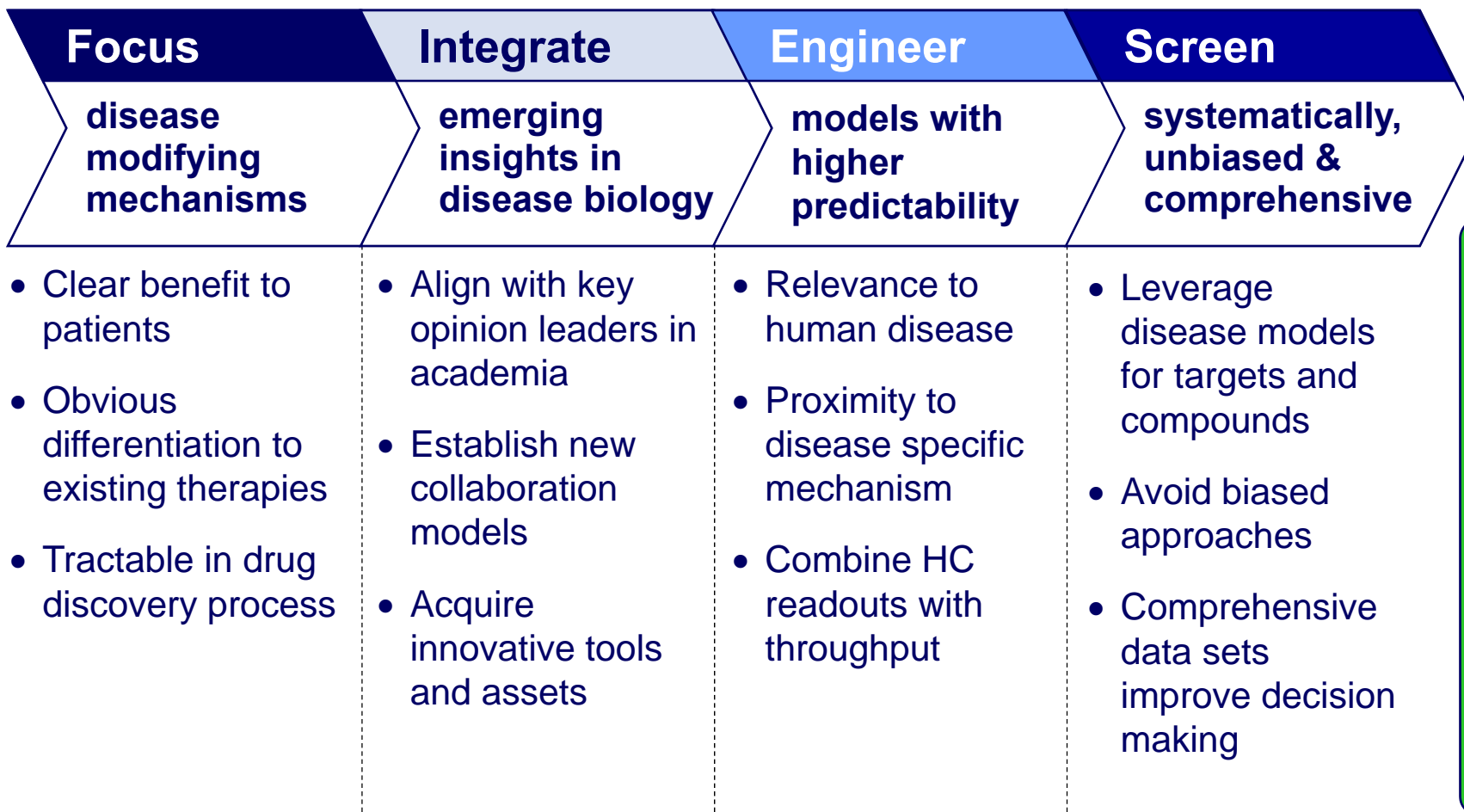
### Milestones and royalties create significant long-term upside

*Illustrative*



# Combining leading drug discovery platforms with world class science

Accelerating process for first-in-class innovation



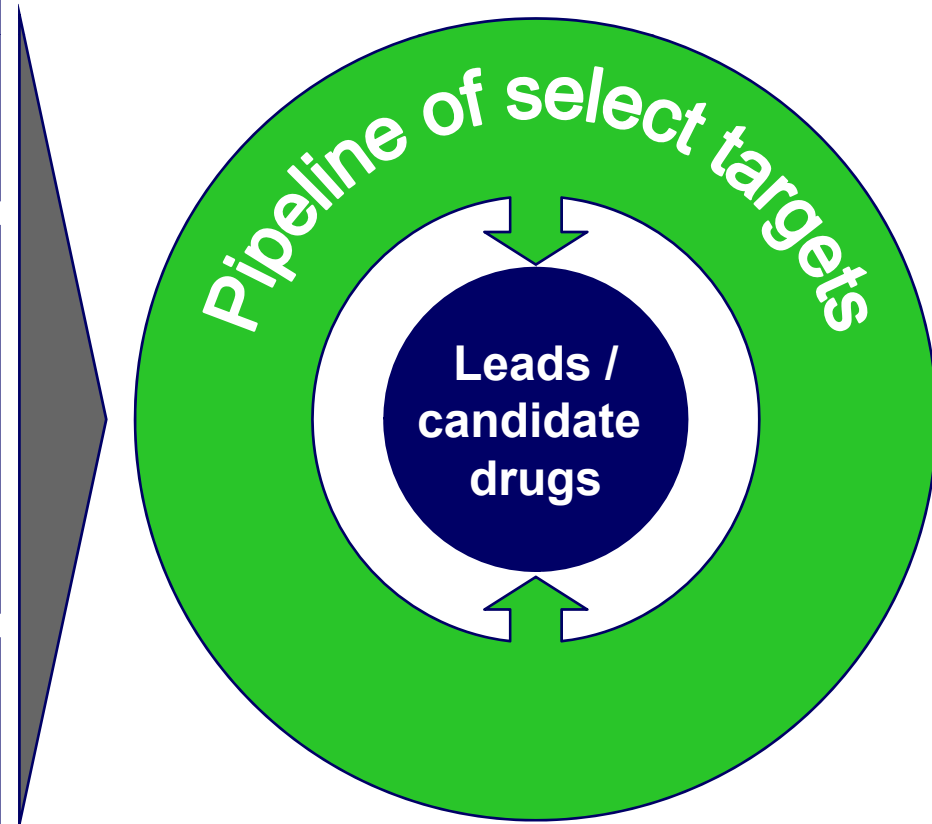
**Already existing initiatives:**  
*CureBeta*  
*CureNephron*

**Potential future initiatives**  
*CurePain*  
*CureNeuron*  
*CureInflammation*  
*CureHeart*  
 ....

# Systematic, unbiased and comprehensive mechanism-focused infrastructures

Accelerating first-in-class drug discovery innovation

<b>High resolution expression analysis</b>	<ul style="list-style-type: none"> <li>• Transcriptome / proteome analysis</li> <li>• Profiling of specific cells and tissues               <ul style="list-style-type: none"> <li>– Disease relevant mechanisms</li> <li>– Staged analysis of disease progression</li> </ul> </li> </ul>
<b>Mechanism focused chemical genomics</b>	<ul style="list-style-type: none"> <li>• Sophisticated high content cellular assay               <ul style="list-style-type: none"> <li>– Primary cells / tissues</li> <li>– Immortalised cells</li> </ul> </li> <li>• High content screening of               <ul style="list-style-type: none"> <li>– Annotated libraries</li> <li>– Diverse libraries</li> <li>– Natural products</li> </ul> </li> </ul>
<b>Mechanism focused functional proteomics</b>	<ul style="list-style-type: none"> <li>• Sophisticated high content cellular assay</li> <li>• Loss of function (RNAi)</li> <li>• Gain of function (ORFeome library)</li> <li>• High content readouts</li> </ul>



# Deep product pipeline without financial risk

## Portfolio of product development partnerships

CUREBETA

CURENEPHRON

Indication	Partner	Status	Next milestone	Commercials
Diabetes <sup>1)</sup>	 	Phase III	Final Phase III data	Approx. € 40 m milestones, royalties; potential market approx. € 500 m
Alzheimer's Disease <sup>2)</sup>		Phase II	Phase IIb initiation	Approx. \$ 820 m milestones, royalties; potential market \$ 3–5 bn
Treatment resistant depression <sup>3)</sup>	Open	Phase II	New partnering	Open
Insomnia <sup>4)</sup>		Phase II	Phase IIb start	Milestones, royalties
Inflammation in animal health <sup>5)</sup>		Phase I/II	Phase II start	Milestones, royalties
Others <sup>6)</sup>	Open	Pre-clinical	Partnering	Open

1) DiaPep277 is being developed by Andromeda Biotech Ltd and has been partnered with TEVA Pharmaceuticals Industries Ltd  
 2)EVT 302 (Mao-B) ; 3)EVT 101/103 series ; 4) Chinese rights only; safety and Phase IIb study planned starting 2012 (EVT 201)  
 5) Animal Health (undisclosed) (EVT 401 (P2X7) ); 6) EVT 501 (H3), P2X3, ...

## Update on assets

### EVT 302



- Development, regulatory responsibilities and all costs have been transferred to Roche
- Development profile can potentially target stand alone application or combination treatments
- Large Phase IIb trial in preparation for start in 2012
- Phase IIb completion and Phase III start end 2013/2014

### DiaPep 277



- Met primary endpoint of 1<sup>st</sup> Phase III trial (Beta cell function); demonstrated a significant preservation of C-peptide levels <sup>1)</sup>
- Recruitment of 2<sup>nd</sup> Phase III with approx. 500 patients expected to be completed by mid 2012
- Next milestone upon final completion of 1<sup>st</sup> Phase III study and continued clinical development (mid 2012);
- Final data of 2<sup>nd</sup> Phase III in 2014/2015(e); first sales projected for 2015 / 2016 (e)

### EVT 101 / 103

- Completed multiple dose finding studies, solid safety profile
- Development partnering process ongoing

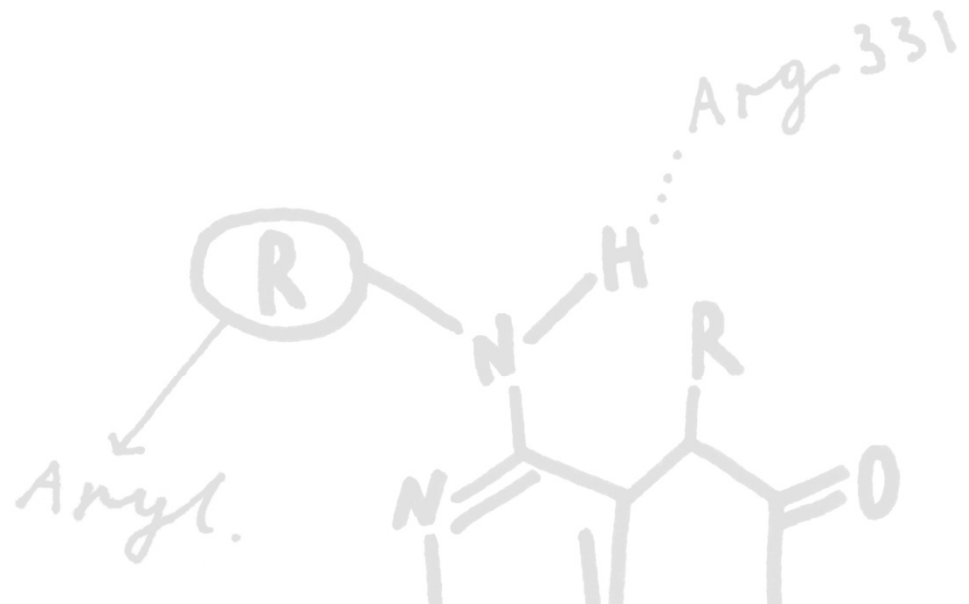
### Other clinical / pre-clinical programmes

- EVT 201 – Clinical Phase IIb start expected for China in 2012; strategic impairment for US
- EVT 401 – Ongoing trials in Animal Health, partnering process for humans ongoing
- VR 1 – In preparations for clinical entry at Pfizer
- Others: B1, P2X3, H3 still active

## Agenda

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## Strong growth and clear investment strategy drive profitability and innovation

Key financials FY 2011: Condensed profit & loss statement (IFRS)

in €m

	2009 Actual	2010 Actual	2011 Actual	% vs. Actual 10
Revenues	42.7	55.3	80.1	+45%
Gross margin	43.2%	44.1%	43.7%	
• R&D expenses	20.9	6.1	8.4	+38%
• SG&A expenses	16.7	16.0	15.8	-1%
• Amortisation	0.5	0.7	1.7	
• Impairment	18.2	0.0	2.1	
• Reversal of impairment	(0.4)	0.0	(1.5)	
• Restructuring expenses	4.8	0.0	0.0	
• Other operating expenses	(0.1)	(0.1)	3.3	
<b>Operating income (loss)</b>	<b>(42.3)</b>	<b>+1.7</b>	<b>+5.2</b>	<b>+204%</b>
<b>Net income (loss)</b>	<b>(45.5)</b>	<b>+3.0</b>	<b>+6.7</b>	<b>+123%</b>

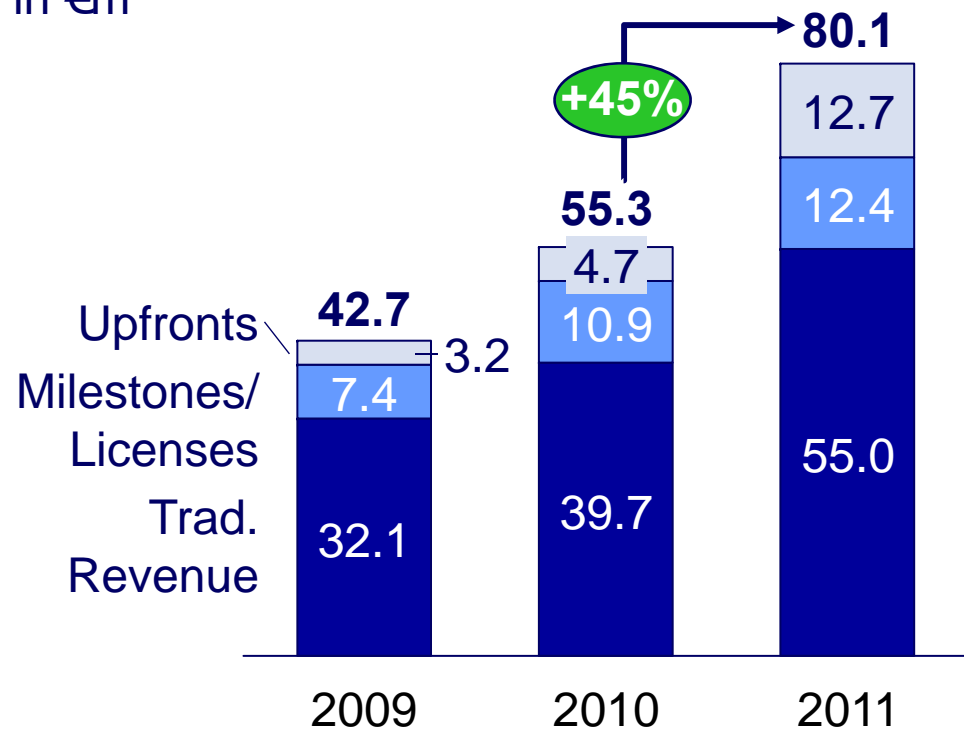
**Strong organic growth momentum - revenues excluding acquisitions +30%**

# Growth driven by upfront payments and milestones

## Milestones & gross margin

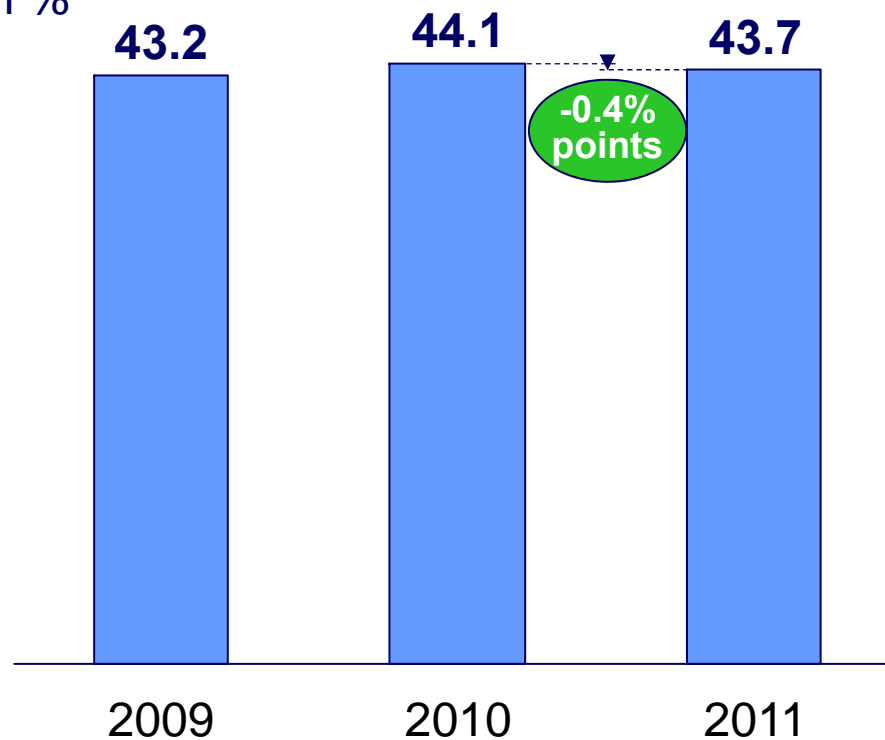
### Increased visibility of performance-based business model

in €m



### Despite strong growth stable gross margin

in %

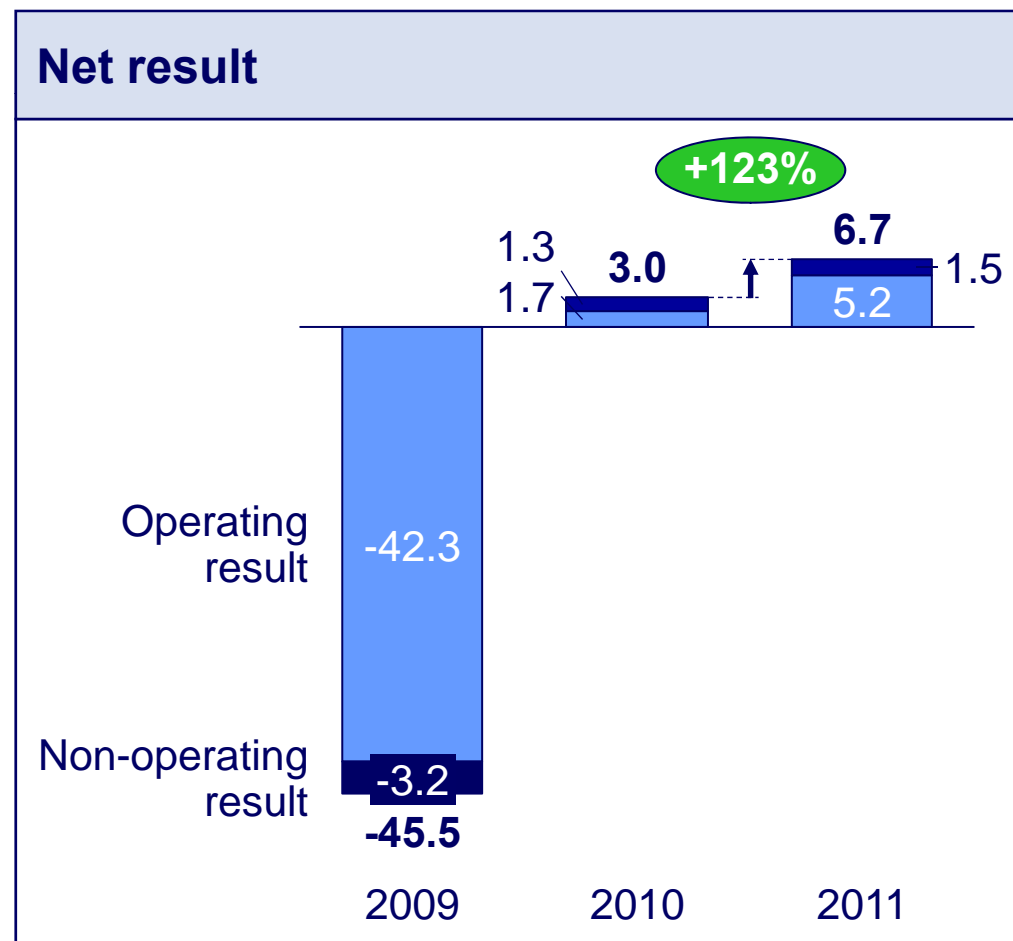
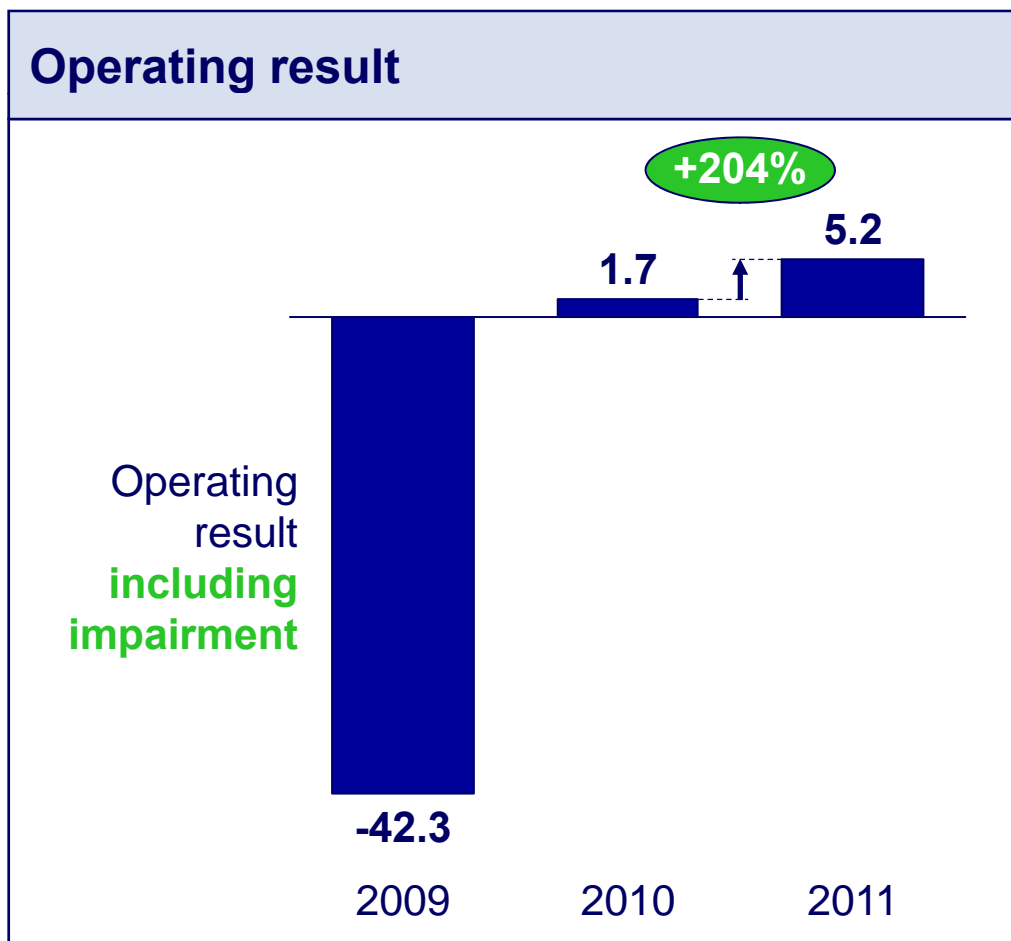




# Significantly improved profitability

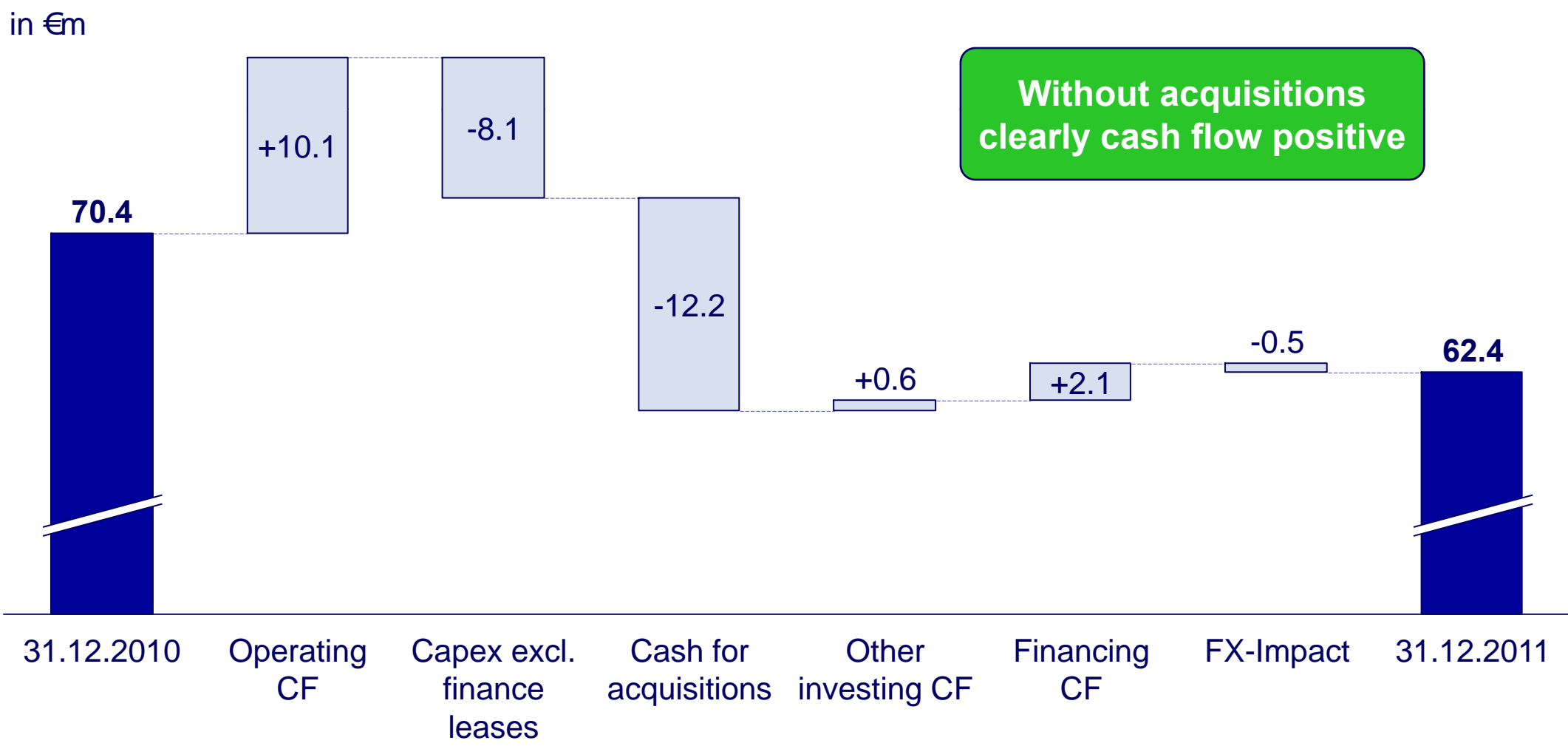
## Operating and net result

in €m



# Strong operating cash flow invested in infrastructure upgrade and strategic acquisitions

## Cash development in 2011



# Visit the Manfred Eigen Campus in Hamburg

Significant upgrading processes at all sites



- Sales representation (Boston, Tokyo)
- Operations & sales representation

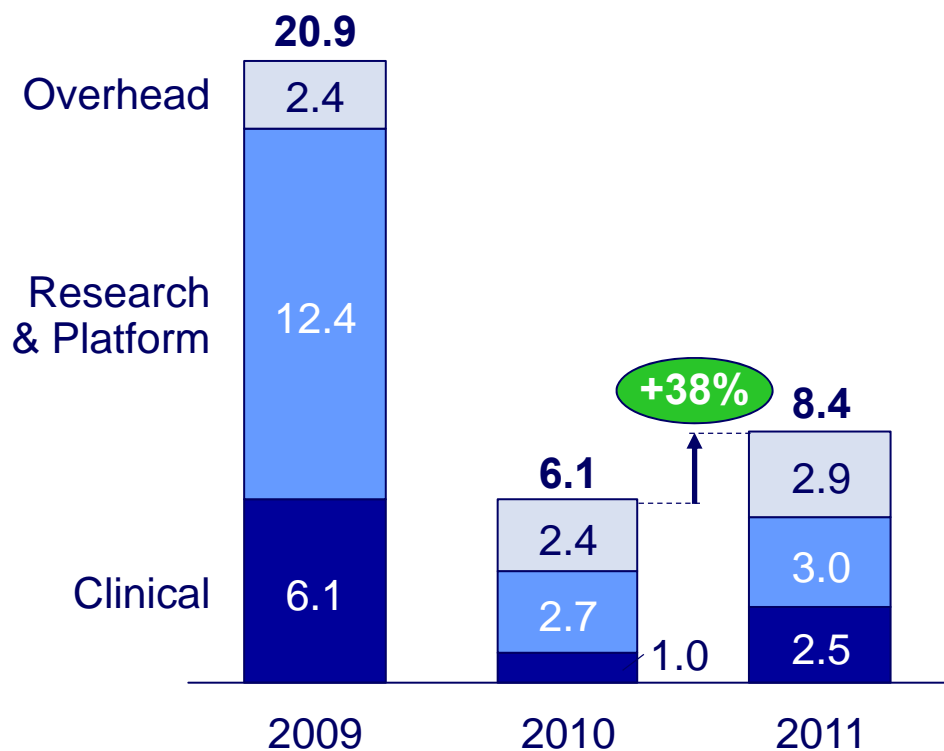
1) Manfred Eigen (\*1927), German biophysical chemist and one of the worldwide leading pioneers in biotechnology. In 1967, he won the Nobel Prize in Chemistry for his work on a special measuring method of fast chemical reactions, which, until then, were considered to be immeasurable. He initiated the foundation of Evotec AG.

# Clear investment focus and good cost control

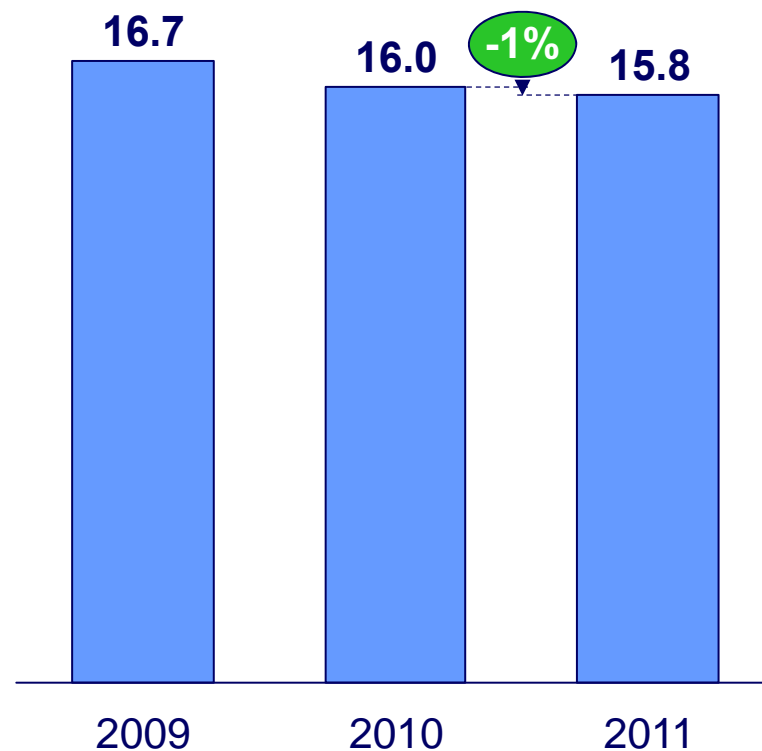
## Overview R&D spend & SG&A

in €m

### Focused unpartnered R&D spend



### Overall group SG&A spend reduced – despite strong growth

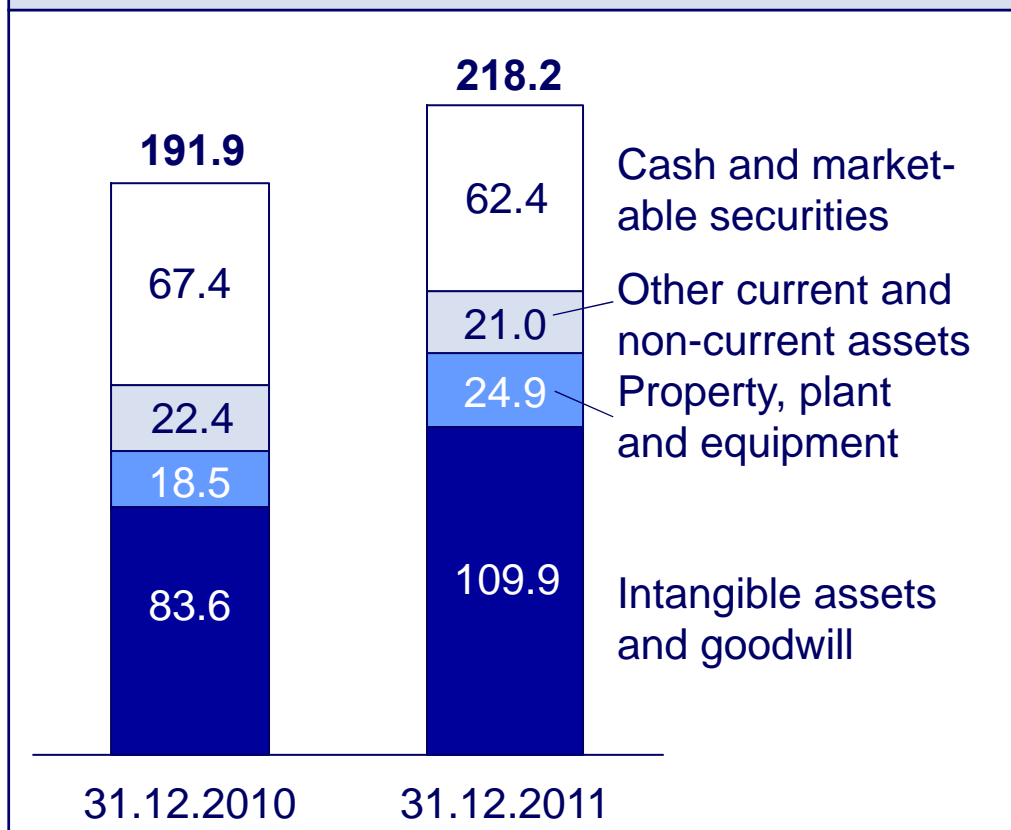


# Acquired technologies and research reflected on balance sheet

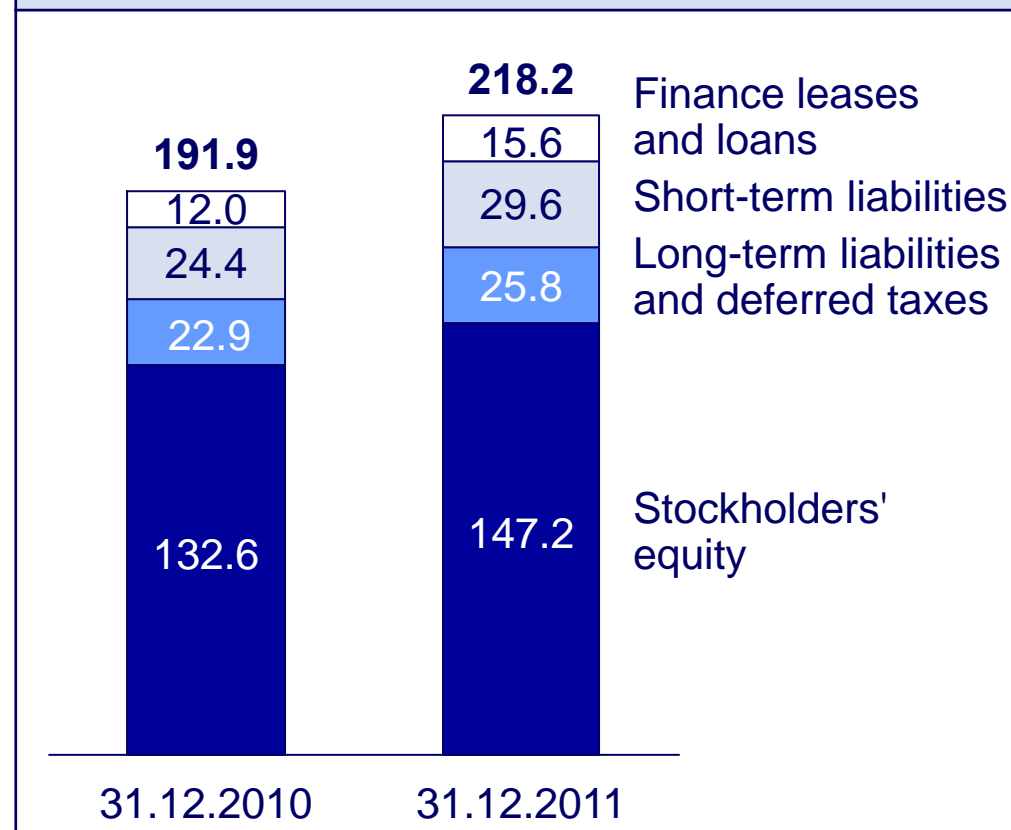
## Balance sheet overview

in €m

### Strong asset base and liquidity



### Very high equity ratio of 67%



## Revenue momentum maintained in Q4

### Q4 2011 results

in €m

	Q4 2010 Actual	Q4 2011 Actual	% vs. Actual 10
Revenues	16.4	20.4	+24%
Gross margin	44.2%	30.0%	
• R&D expenses	1.9	1.7	-15%
• SG&A expenses	4.4	4.3	-2%
• Amortisation	0.4	0.5	
• Impairment	0.0	2.1	
• Reversal of impairment	0.0	0.0	
• Restructuring expenses	0.0	0.0	
• Other operating expenses	-0.1	1.9	
<b>Operating income (loss)</b>	<b>+0.7</b>	<b>-4.3</b>	
<b>Net income (loss)</b>	<b>+2.2</b>	<b>-2.5</b>	

- € 2.1 m impairment of EVT201
- Margin reduction due to phasing of milestones
- Different revenue mix (compound management)
- Increase in other operating expenses due to one-time costs of Manfred Eigen Campus

# Double digit revenue growth and further improved financial performance in 2012 ff

Guidance 2012: Double digit growth, higher profitability, more innovation

1

## Revenues € 88 m - € 90 m

- Even on top of high upfront one-time effect of EVT 302 in 2011 double digit growth
- Increased quality of revenues due to expanded customer base and longer term agreements
- Increase in milestones compared to 2011, but high volatility of milestones from quarter to quarter

2

## Significantly improved profitability

- Significantly improved operating results <sup>1)</sup>
- Positive free operating cash flow <sup>2)</sup>
- Several significant clinical / preclinical data points

3

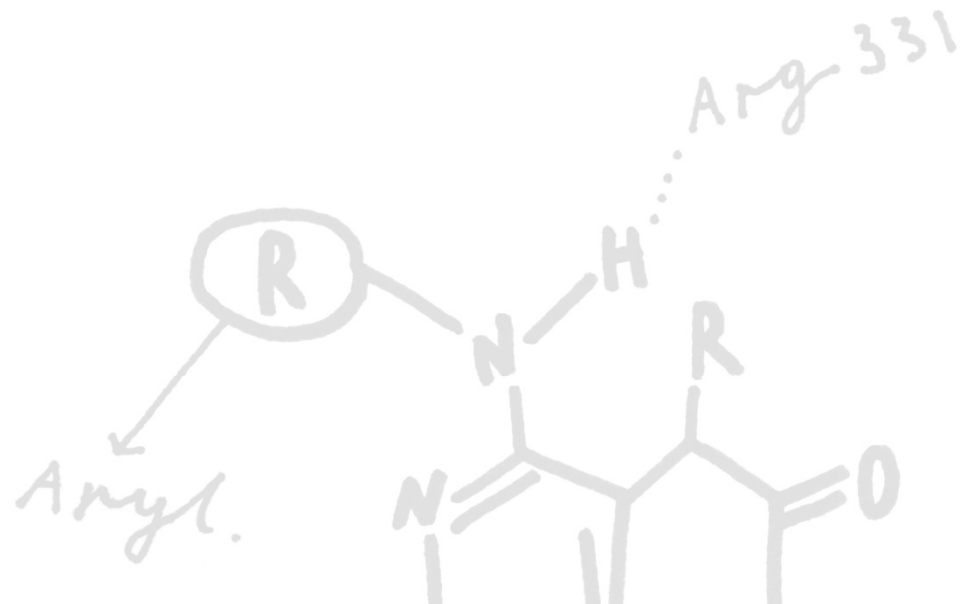
## Innovation R&D € 10 m CAPEX approx. € 12 m

- Investments of € 10 m in innovative disease biology
- Capacity and capability building continued with approx. € 12 m investments in 2012
- Significant increase of workforce to approx. 700 almost exclusively in scientific operations

## Agenda

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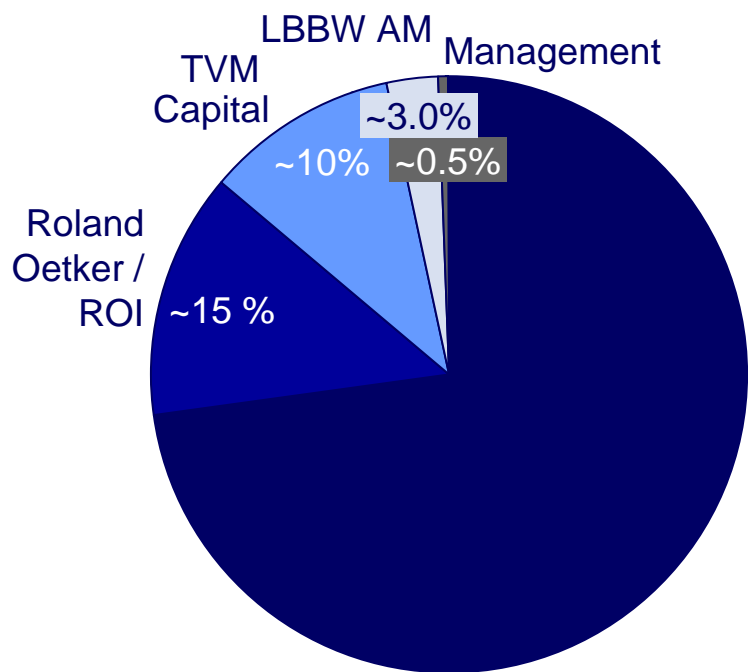
- Highlights 2011
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# Go for 2012!

## Shareholder structure, upcoming key events & initiatives 2012



- **Number of shares:** 118.3 m
- **Listing:** Frankfurt TecDAX, OTCBB
- **52 week high/low:** €3.48 / €1.58

### Dates

- Q1 10<sup>th</sup> May                      AGM: 14<sup>th</sup> June
- Q2 8<sup>th</sup> August
- Q3 8<sup>th</sup> November

### Campus Manfred Eigen – Opening

- Hamburg, 14<sup>th</sup> June 2012

## Strong news flow to come

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Outlook and next steps for 2012 ff

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### Key milestones for 2012

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#### 1 EVT Execute

- Double digit revenue growth 2012 – 2016
- Expansion success of existing alliances
- Significant long-term deals with major pharma

#### 2 EVT Integrate

- At least 2 significant new integrated technology/disease alliances
- Deliver significant and accelerated preclinical/clinical milestones
- Show operational synergies of recent acquisitions

#### 3 EVT Innovate

- At least 1 strategic deal for early assets
- Even more innovation upsides (e.g. Cure X, ...)
- Phase III data in DiaPep277 and Phase II b start within product development partnerships

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