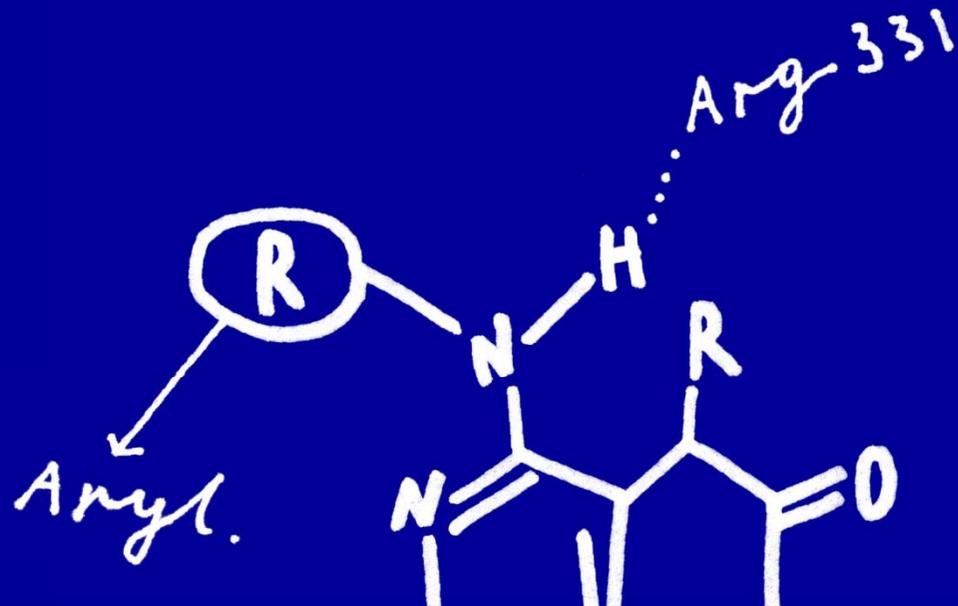




# Innovation & Profitable Growth

**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**



**Colin Bond, CFO**



**Mario Polywka, COO**

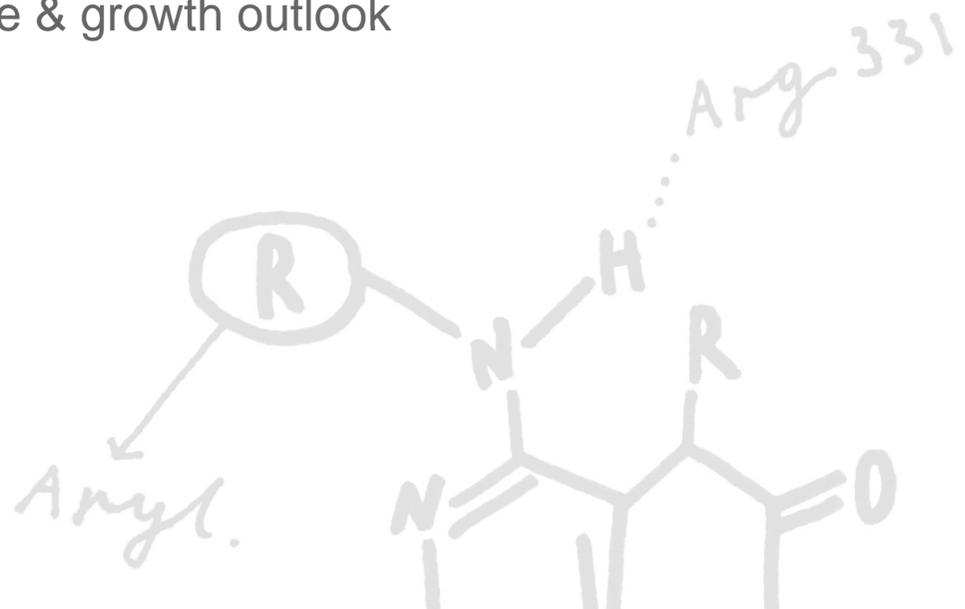


**Cord Dohrmann, CSO**

## Agenda

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- **Highlights H1 2012**
- Action Plan 2016 – Innovation Efficiency
  - EVT Execute
  - EVT Integrate
  - EVT Innovate
- Financial performance & growth outlook



# Building innovation on the back of profitable growth

Strongest H1 in company history

① Group revenues +26% to €42.0 m, positive operating result in H1 and in Q2, mix of business leads to strong financial and strategic situation, guidance 2012 confirmed

## EVT Execute:

### ② Continued double-digit growth through outsourcing services

- Significant investments in capability upgrade
- Antibody alliance with 4-Antibody in commercial offering

## EVT Integrate:

③ Good progress in ongoing discovery alliances highlighted by recent milestone achievement with Boehringer Ingelheim

## EVT Innovate: Very good progress in product development and new innovation initiatives

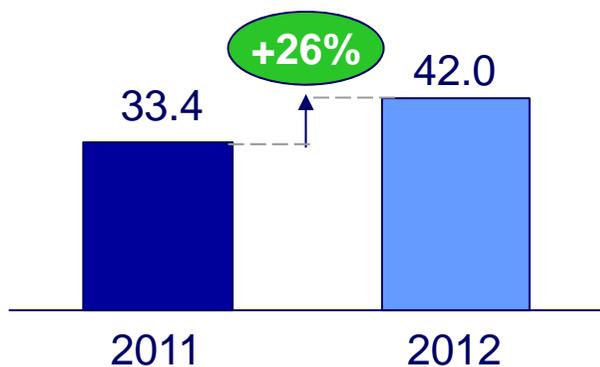
- ④
- DiaPep277 delivers significant Phase III development milestone in diabetes
  - EVT 401 development partnership with Conba in inflammation initiated
  - **CureBeta**, a collaboration between Evotec and Harvard University enters strategic alliance with Janssen Pharmaceuticals\*
  - Initiation of **CureNephron**

# Strong profitable growth, different revenue mix

Key figures overview – Status H1 2012 vs. H1 2011

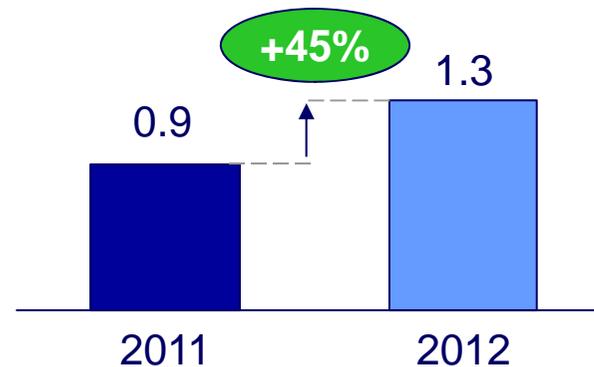
## Strong growth also with new revenue mix

in € m



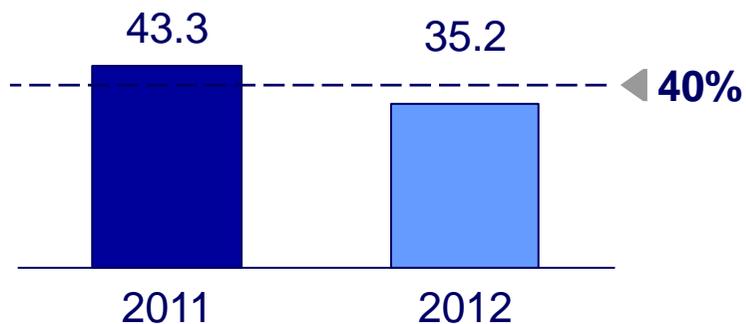
## Improvement of operating result

in € m



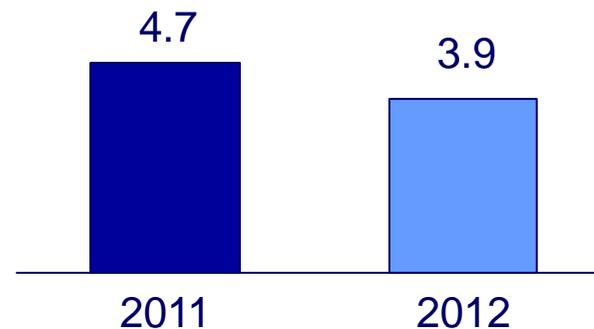
## Gross margins reflect growth of EVT Execute

in %



## Focused R for first-in-class innovation

in € m



# All elements of guidance comfortably confirmed

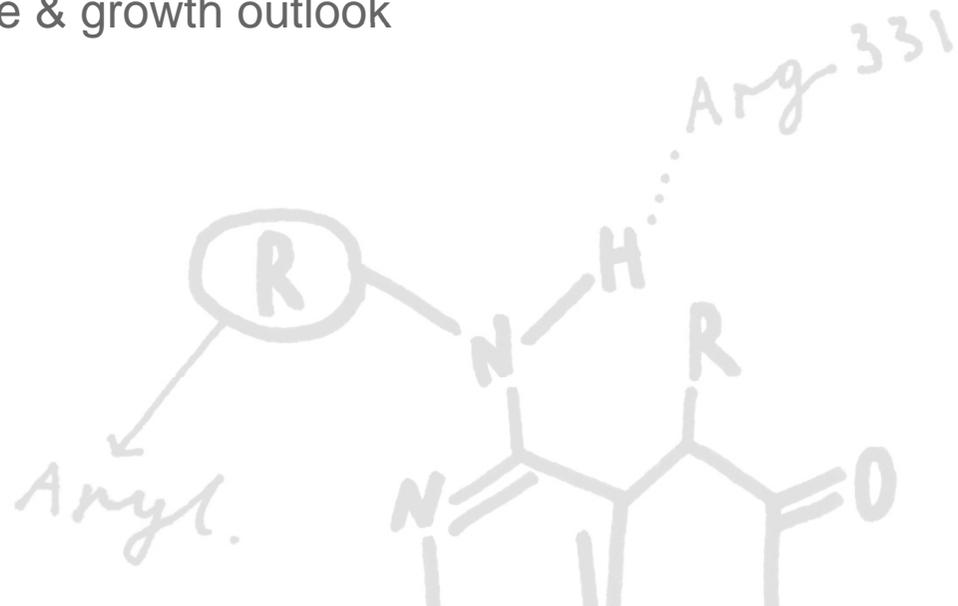
## Guidance overview

In € m	Guidance 2012	FY 2011
Revenues	88 - 90	80.1
Operating income <sup>1)</sup>	Improved over 2011	5.2
Innovation investments (R&D Expenses)	Approx. 10	8.4
Capex investments	> 10	8.1
Liquidity at period end	Above 60	62.4

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### 3 EVT Innovate

- **Product *Development* Partnerships and *Cure X* Initiatives**
- First-in-class discovery and product developments
- Investments for upfronts, higher milestones and higher royalties

### 2 EVT Integrate

- **Integrated drug discovery alliances on partner targets**
- Best-in-class integrated drug discovery 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 and built up of infrastructure

# Strong growth in high quality services

## Comprehensive Drug Discovery Platform – “EVO Apps”



The tablet displays six EVO Apps arranged in a 2x3 grid:

- Compound Management**: Image of a laboratory machine labeled 'UNIVERSAL STORE'.
- High Throughput Screening**: Image of a laboratory workstation.
- Protein Production Structural Biology**: Image of a microscope showing cells.
- Target Deconvolution Compound Profiling**: Image of a human figure with internal organs labeled (Brain, Heart, Liver, Blood stream).
- In vitro and in vivo Pharmacology**: Composite image showing cell cultures and a mouse.
- Computational and Medicinal Chemistry**: Image of a 3D molecular model.

- Strong ramp-up with undisclosed major US pharma in Q2
- Approx. € 5 m capex invested for new customer alliances in H1
- Strong growth in EVT Execute leads to different revenue mix. More stable business at lower overall gross margin

# Highest quality outsourcing services

## EVT Execute – Major milestones and actions for H2

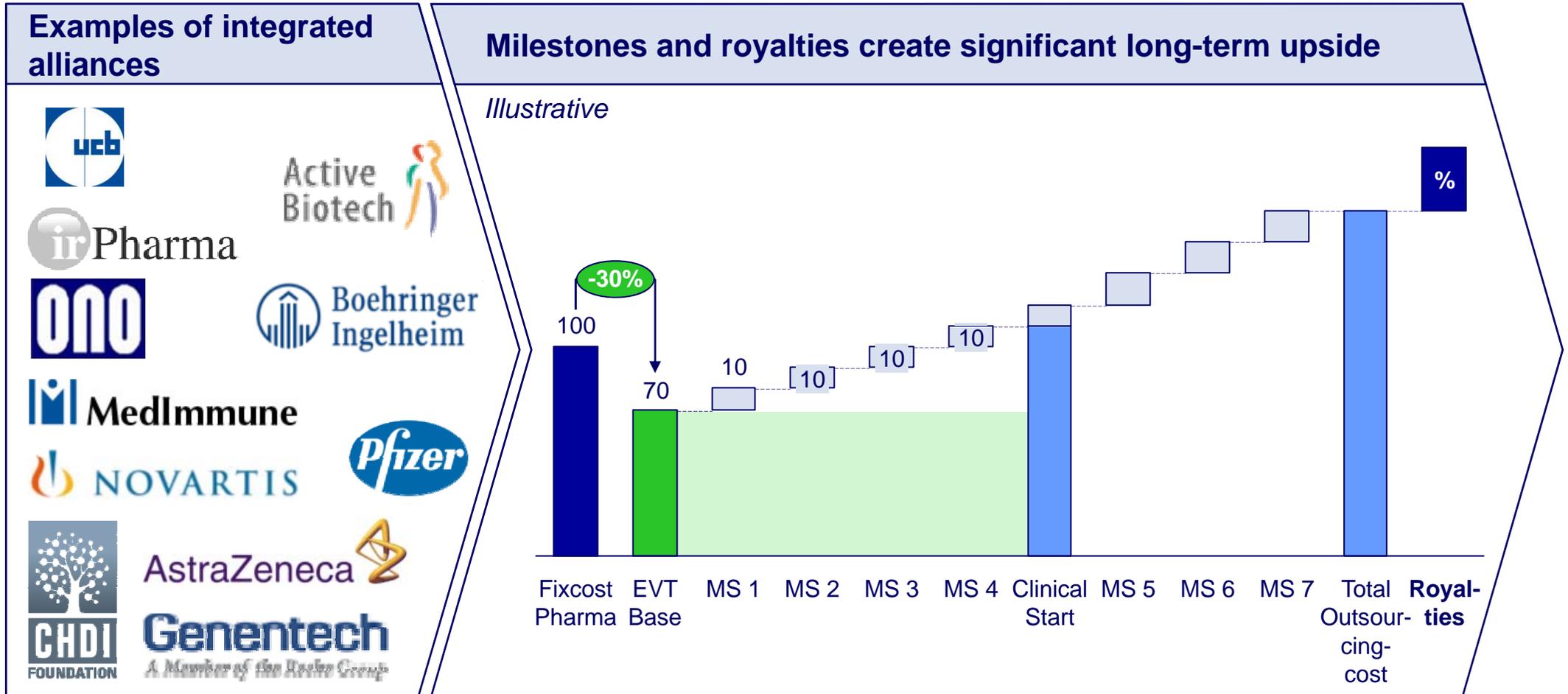
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- 1** Expansion of counter screening and protein production initiatives with improved gross margins
- 2** Improvement of compound management business
- 3** Completion of commercial offering with 4-Antibody
- 4** Expansion of EVT Execute capabilities strengthen risk shared initiatives

# Good progress in on-going discovery alliances highlighted by BI-milestone



## EVT Integrate - Business model



# Building an even stronger portfolio of upside opportunities

## EVT Integrate – Major milestones and actions for H2

---

1

**Expansion of portfolio with at least one more strategic multi-target alliance**

2

**Further milestone achievements in ongoing alliances**

3

**Expansion of customer reach to even more biotech, mid-sized and large pharma customers**

# A strategic pharma portfolio without financial risk

## EVT Innovate

Indication	Partner	Status	Next milestone	Commercials
Diabetes <sup>1)</sup>	 	2 Phase III close to completion	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 <sup>5)</sup>		Phase I / II	Phase II start	Approx. € 60 m milestones, royalties
Inflammation in animal health <sup>6)</sup>		Phase I/II	Phase II start	Milestones, royalties
Diabetes	Janssen / <b>CURE BETA</b>	Research	Pre-clinical	Upfront \$ 8 m; research payment; up to \$ 300 m milestones per product; royalties
Others <sup>7)</sup>	Open	Pre-clinical	Partnering	Open
<b>CURE X</b> Initiatives	Open	Pre-clinical	Initiation	Open

## 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 in AD
- Large Phase IIb trial in preparation for start in H2 2012

### EVT 401

- Exclusive licence for China only granted to Conba Pharma – one of the largest Chinese pharma companies
- Small upfront, approx. € 60 m milestones and tiered double-digit royalties for inflammation diseases
- Ongoing trials in Animal Health, partnering process for humans ongoing

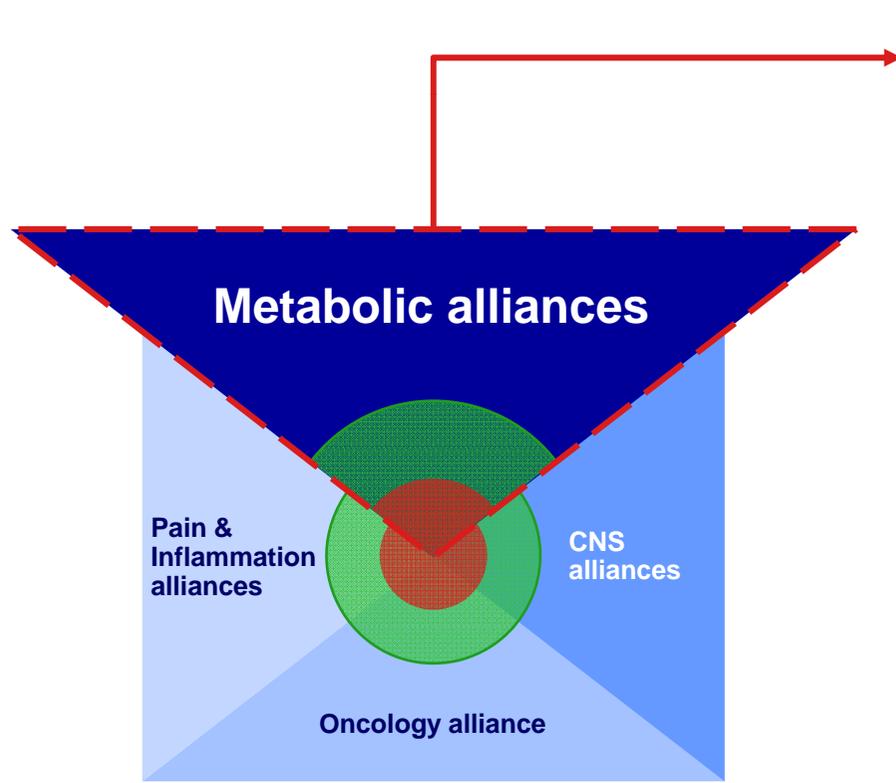
### EVT 101 / 103

- Completed multiple dose finding studies, solid safety profile
- Completed satisfactory long term-tox study for EVT 101/103
- Partnering process ongoing

### Other clinical / pre-clinical programmes

- EVT 201 – Phase IIb start expected for China in 2012, currently pending with Chinese regulatory authorities
- VR 1 – Update from Pfizer expected in Q4 2012 / Q1 2013
- Others: B1, P2X3, H3 still active

## Evotec's unique diabetes franchise



### Targeting the root causes of diabetes

- **Type 1 diabetes (Andromeda /Teva)**
  - DiaPep277 targeting autoimmunity, HSP60 derived peptide
  - €3.9 m milestone achieved in Q1 as DiaPep277 met primary endpoint of 1<sup>st</sup> Phase III trial (Beta cell function) – payment expected in Q4
  - Recruitment of 2<sup>nd</sup> Phase III with approx. 500 patients is expected to be completed in Q3
- **Type 2 diabetes (Boehringer Ingelheim)**
  - Insulin sensitizer targeting insulin resistance, undisclosed target identified and validated by Evotec
  - Up to €237 m milestones, significant royalties
  - Status preclinical
- **Type 1 and 2 diabetes (MedImmune/AstraZeneca)**
  - Therapeutic protein targeting beta cell mass, undisclosed target identified and validated by Evotec
  - Up to €254 m milestones, significant royalties
  - Status pre-clinical
- **Type 1 and 2 diabetes CureBeta ( Harvard – Evotec – Janssen)**
  - Largest collaboration in beta cell regeneration, undisclosed targets identified and validated by Harvard / Evotec
  - Status discovery



# CUREBETA rolled over into pharma

“Win – Win – Win” situation

<p><b>CureBeta terms</b></p>	<ul style="list-style-type: none"> <li>• Upfront \$ 8 m, potential milestones up to \$ 200 - 300 m per product (pre-clinical, clinical, regulatory, commercial)</li> <li>• Significant royalties</li> <li>• Research payments</li> </ul>
<p><b>Win/Win/Win alliance</b></p>	<ul style="list-style-type: none"> <li>• <b>Janssen:</b> Accessing first-in-class biologics and small molecule discovery and development platform and expertise in diabetes</li> <li>• <b>Evotec:</b> Expanding leadership in beta cell regeneration – highly systematic, unbiased and comprehensive approach to beta cell replication</li> <li>• <b>Harvard:</b> Accelerating development of innovative science with big commercial upside</li> </ul>
<p><b>Starting point for innovation efficiency and external innovation</b></p>	<ul style="list-style-type: none"> <li>• Pharma industry appreciates the approach &amp; seems keen to enter these type of deals</li> <li>• Optimal translational strategy for academia or early biotech ideas as targets get immediately on pharma grade infrastructures</li> </ul>

# Building a **Cure X** pipeline

High unmet medical need and paucity of disease modifying targets...

<p><b>CureBeta</b></p>	<ul style="list-style-type: none"> <li>• Started collaboration with Harvard University in March 2011</li> <li>• Partnered CureBeta with Janssen in July 2012</li> <li>• Significant research payments, milestones, royalties</li> </ul>
<p><b>CureNephron</b></p>	<ul style="list-style-type: none"> <li>• Started collaboration with Harvard University in February 2012</li> <li>• Highly productive in generating candidate targets &amp; compounds</li> </ul>
<p><b>CureNeuron</b></p>	<ul style="list-style-type: none"> <li>• Concept phase for internal projects</li> <li>• Exploring potential collaboration opportunities</li> </ul>
<p><b>CureHeart</b></p>	<ul style="list-style-type: none"> <li>• Concept phase for internal projects</li> <li>• Exploring potential collaboration opportunities</li> </ul>

# First-in-class innovation with focus in CNS, oncology and metabolics

## EVT Innovation – Major milestones and actions for H2

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**1** Define strategy for EVT 101 / 103

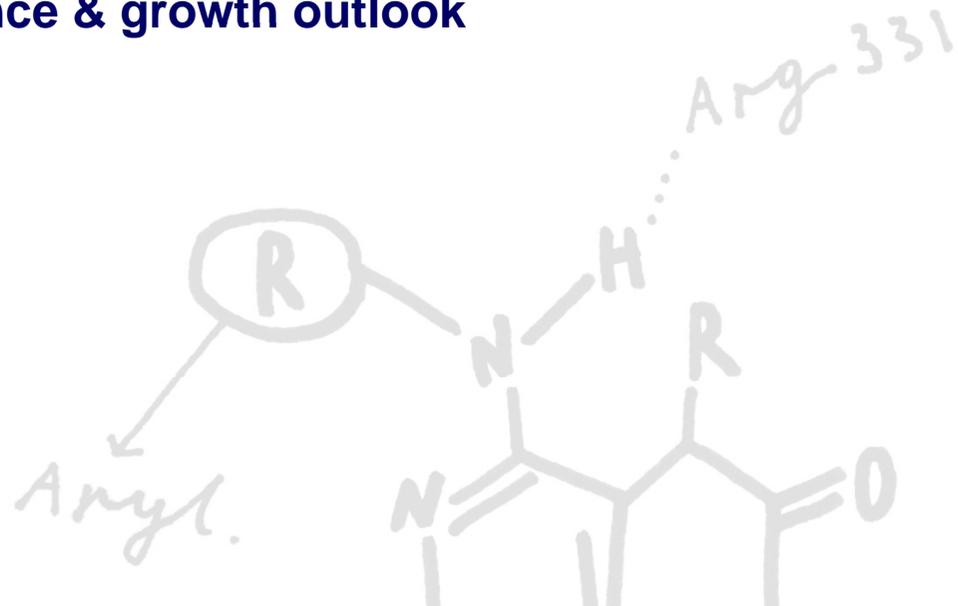
**2** Build portfolio of more academic partnerships

**3** Define 1 – 2 more strategic **Cure X** initiatives for 2013

## Agenda

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- Highlights H1 2012
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  - EVT Innovate
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## Strong profitable growth

### H1 2012: Condensed consolidated statement of operations

in € m

	H1 2011	H1 2012	% vs. 2011
Revenues	33.4	<b>42.0</b>	+26%
Gross margin	43.3%	<b>35.2%</b>	
• R&D expenses	4.7	<b>3.9</b>	-16%
• SG&A expenses	7.6	<b>8.0</b>	+6%
• Amortisation	0.5	<b>1.2<sup>1)</sup></b>	
• Other op. (income) expenses net	0.7	<b>0.3<sup>2)</sup></b>	
<b>Operating income</b>	<b>0.9</b>	<b>1.3</b>	<b>+45%</b>
<b>Net income</b>	<b>0.8</b>	<b>1.7</b>	<b>+115%</b>

<sup>1)</sup> Mainly amortisation for Evotec San Francisco customer list

<sup>2)</sup> Including expenses for planned underutilisation from parallel rental in Hamburg (€ 1.1m) and fair value adjustments in the context of the contingent consideration (earn-out) for Evotec Goettingen (€ 0.3m) and Evotec San Francisco (€ -1.0m)

## Operating and net income clearly improved

### Q2 2012: Condensed consolidation statement of operations

in € m

	Q2 2011	Q2 2012	% vs. 2011
Revenues	18.3	<b>21.9</b>	+20%
Gross margin	46.5%	<b>37.7%</b>	
• R&D expenses	2.4	<b>2.0</b>	-14%
• SG&A expenses	3.8	<b>3.6</b>	-5%
• Amortisation	0.3	<b>0.7<sup>1)</sup></b>	
• Other op. (income) expenses net	0.4	<b>(0.7)<sup>2)</sup></b>	
<b>Operating income</b>	<b>1.7</b>	<b>2.6</b>	<b>+51%</b>
<b>Net income</b>	<b>1.2</b>	<b>3.7</b>	<b>+211%</b>

<sup>1)</sup> Mainly amortisation for Evotec San Francisco customer list

<sup>2)</sup> Includes expenses for planned underutilisation from parallel rental in Hamburg (€ 0.5m) and fair value adjustment in the context of the contingent consideration (earn-out) for Evotec San Francisco (€ -1.0m)

# Gross margins reflect investments in new businesses and capacities

H1 2012: Revenues & gross margins

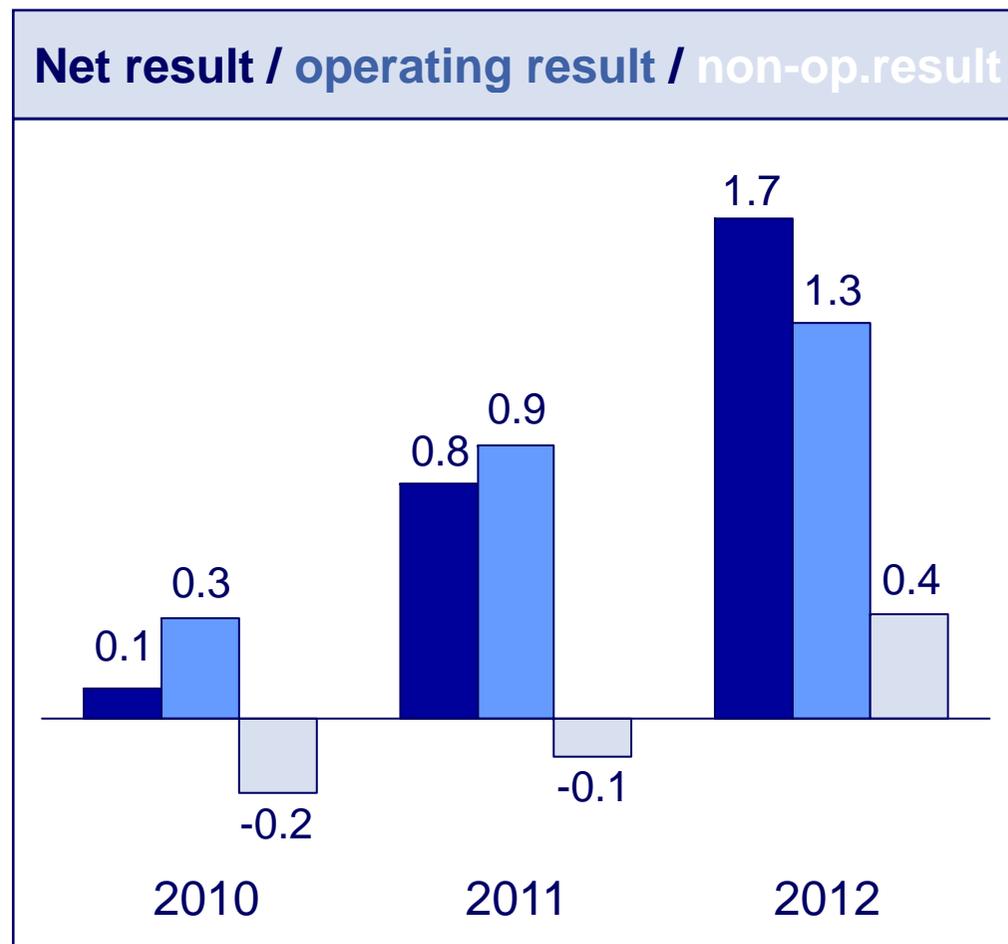
in € m



# Positive trend in operating and net result continued

## H1 2012: Results

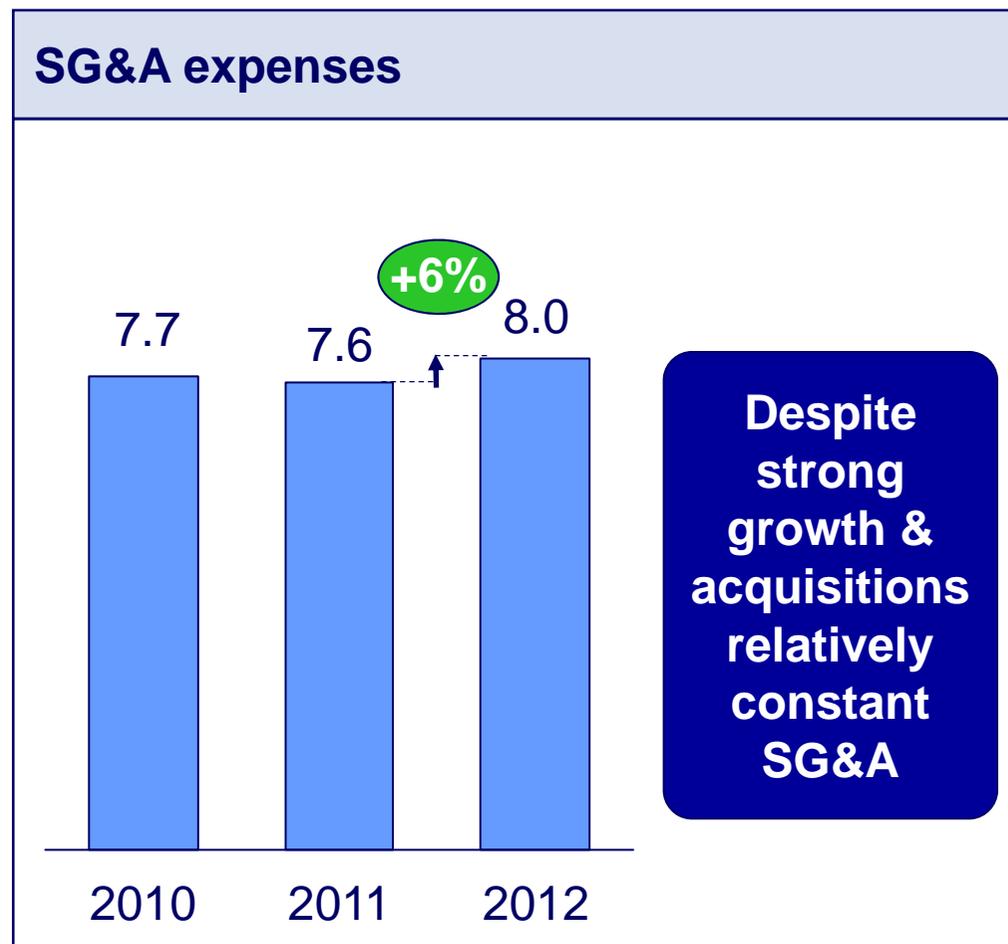
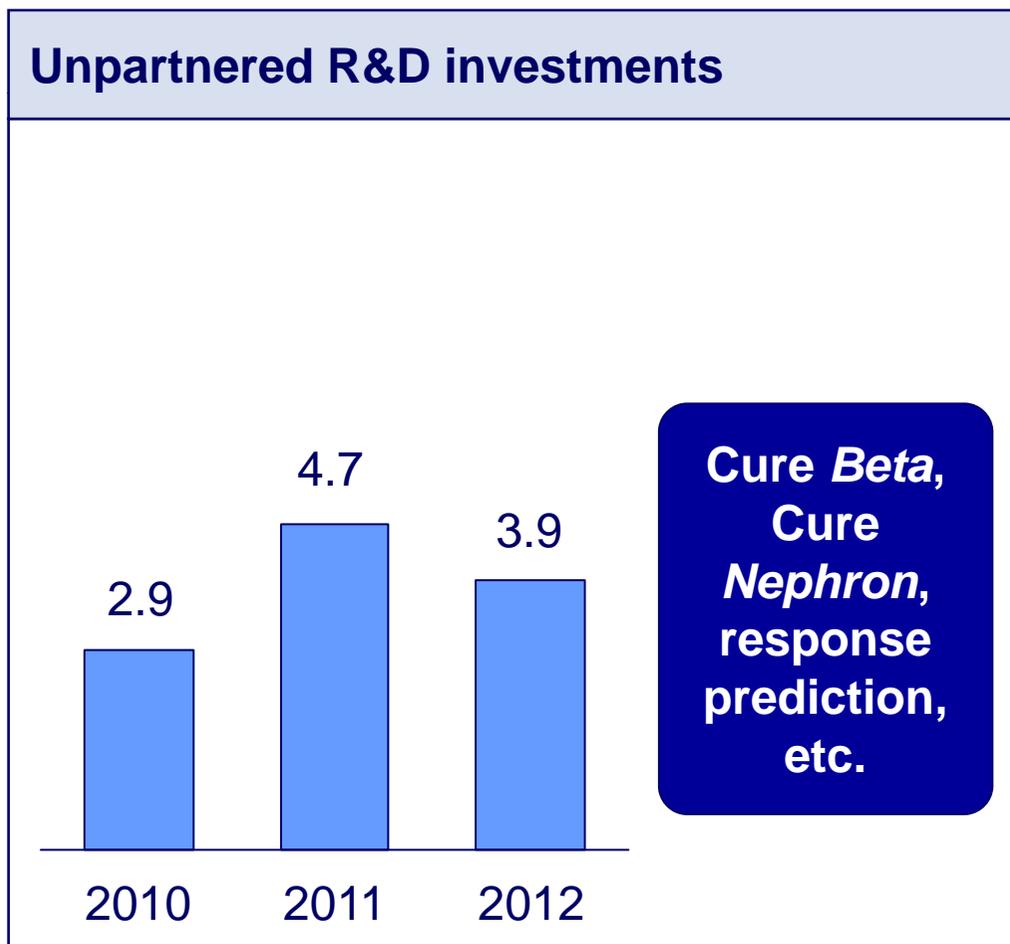
in € m



# Focused R&D investments for long term growth

H1 2012: R&D and SG&A

in €m



# Liquidity expected to increase in H2 in accordance with guidance (> € 60 m)

H1 2012: Condensed consolidated statement of cash flows

Liquidity in € m

	H1 2011 <sup>1)</sup>	H1 2012 <sup>1)</sup>
Net cash provided by (used in)		
• <b>Operating activities</b>	3.6	-3.4
• <b>Investing activities</b>	-1.1	-0.9
• <b>Financing activities</b>	-0.4	2.1
Exchange rate difference	0.8	1.4
<b>Cash and cash equivalents at end of period</b>	<b>24.1</b>	<b>16.9</b>
+ Investments	32.4	36.5
<b>= Liquidity at end of period</b>	<b>56.5</b>	<b>53.4 <sup>2)</sup></b>
Liquidity at beginning of period	70.4	62.4
<b>Net increase/decrease in liquidity</b>	<b>-13.9</b>	<b>-9.0</b>

- Cash generative operating result offset by:
- Increase in working capital of € 9.0 m due to increased revenues, outstanding milestone and earn-outs

- Includes significant Capex investments of € 5.1 m
- Includes investment in 4-Antibody of € 2.0 m
- Financed by reduction in investments

# Strong news flow to come

Outlook and next steps for 2012 ff

## Key milestones for 2012

### 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 IIb start within product development partnerships ✓

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