evotec

'RESEARCH NEVER STOPS'

 Evotec AG, *Manfred Eigen Campus, Essener Bogen 7, 22419 Hamburg (Germany), www.evotec.com*

II

Half-Year Report
2012

For further information, please contact

Dr Werner Lanthaler
Chief Executive Officer
+49.(0)40.560 81-242
+49.(0)40.560 81-333 Fax
werner.lanthaler@evotec.com

DATE OF PUBLICATION:
8 August 2012

I. Management Report of the First Half of 2012

BUILDING INNOVATION ON THE BACK OF PROFITABLE GROWTH

EVOTEC REPORTS STRONG PROFITABLE GROWTH IN H1 2012 WITH REVENUES UP 26% AND A POSITIVE OPERATING RESULT OF €1.3 M; NEW CUREBETA PHARMA COLLABORATION THROUGH EVT INNOVATE INITIATIVE (AFTER PERIOD-END); GUIDANCE CONFIRMED

RECENT HIGHLIGHTS:

— **Strong growth trend continues; both Q2 and H1 profitable**
  - Group revenues +26% to €42.0 m
  - Positive operating result of €1.3 m in H1 and €2.6 m in Q2
  - Gross margin improving in Q2 after weak Q1
  - Continued strong liquidity position of €53.4 m excluding milestone payment from Andromeda/ Teva (€3.9 m) and upfront payment from Janssen Pharmaceuticals (US $8 m)

— **EVT Execute: Continued double-digit growth through outsourcing services for Biotech, large and mid-size pharma**
  - Large technology upgrading initiative at all sites
  - Large counter screening initiative with large US pharma company

picking-up in volume
- Multi-year agreement with the United States Environmental Protection Agency (EPA) for Compound Management
- Evotec and 4-Antibody form strategic alliance to innovate antibody identification and selection

— **EVT Integrate: Good progress in on-going discovery alliances highlighted by milestone achievements**
- Evotec and Active Biotech extend and expand medicinal chemistry collaboration
- €4 m milestone payment as part of the collaboration with Boehringer Ingelheim received
- Good progress in other integrated alliances

— **EVT Innovate: Development partnerships and focused research investments in innovation provide upside potential**
- DiaPep277 programme delivers final results of first Phase III study
- EVT 401 partnered in China with Conba especially for inflammation
- Very good progress achieved in other research initiatives; investments started for new EVT Innovate "CureX" initiatives (e.g. Cure*Nephron*)
- Cure*Beta*, a collaboration between Evotec and Harvard University enters strategic alliance with Janssen Pharmaceuticals (after period-end)

— **Financial guidance for 2012 confirmed**
- Continued double-digit revenue growth to €88 to 90 m
- Further increase in operating result compared to 2011
- Strong liquidity position above €60 m, despite significant investments in upgrading capabilities and capacity

1. OPERATIONAL PERFORMANCE

Strong growth trend continues; both Q2 and H1 profitable

Total Group revenues for the first half of 2012 increased by 26% to €42.0 m (2011: €33.4 m) including milestones earned in Evotec's development partnership with Andromeda/Teva (€3.9 m) and in the collaboration with Boehringer Ingelheim (€4.0 m) as well as contributions from the acquisitions of Evotec Munich and Evotec San Francisco totalling €5.5 m (2011: €1.2 m). After a slight loss in the first quarter, both the second quarter and the first half of 2012 were again profitable. The operating income for the first half of 2012 amounted to €1.3 m (2011: €0.9 m). Operating income for the second quarter of 2012 increased to €2.6 m (2011: €1.7 m). Overall, the Company is on track to achieve increased full-year profitability over 2011 (before impairment and changes in contingent consideration, if any).

Liquidity including cash, cash equivalents and investments at the end of June 2012 amounted to €53.4 m. The milestone payment for DiaPep277 from Andromeda/Teva (€3.9 m) and the upfront payment from Janssen Pharmaceuticals (US $8 m) from the Cure*Beta* alliance were not yet received and are therefore not included in liquidity as of 30 June 2012.

2. EVOTEC ACTION PLAN 2016 - INNOVATION EFFICIENCY

UPDATE ON DISCOVERY ALLIANCES, DEVELOPMENT PARTNERSHIPS AND STATUS OF PRE-CLINICAL PROGRAMMES

A. EVT Execute: Continued double-digit growth through outsourcing services for Biotech, large and mid-size pharma
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 an increasingly industrialised high-tech infrastructure 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. Partners working with Evotec can access the latest science, and globally the best-in-class technology infrastructures.

Large technology upgrading initiative at all sites
In 2011, Evotec started a large technology upgrading programme at all of its sites, spent €8.1 m during the year and targets to invest more than €10 m in 2012. The goal is to expand into new areas of instrumentation to keep Evotec at the cutting edge of scientific innovation and to upgrade equipment to ensure that Evotec's customers have access to the best-in-class instrumentation. In this context, in 2011/2012, Evotec moved into a state-of-the-art 11,000 m^2 building in Hamburg, the Manfred Eigen Campus, and invested in the fit-out of this new laboratory building. The Manfred Eigen Campus was officially opened by the Nobel Prize Laureate Prof Manfred Eigen in June 2012.

In May, Evotec also announced the addition of Agilent Technologies' RapidFire Mass Spectrometry analysis capabilities to their facilities in Hamburg - thereby maintaining leadership in Evotec's best-in-class high-throughput screening platform. RapidFire enables ultrafast, direct analysis of native compounds for a wide variety of biochemical assays including routine ADME and lead discovery applications across a range of therapeutic areas. Evotec is the first provider in Europe to offer these services.

Large counter screening initiative with large US pharma company picking up in volume
In 2011, Evotec started a large counter screening initiative with a large US pharmaceutical company in which Evotec is performing their assay development and screening projects according to the US company's standard operating procedures. The initial phase of this collaboration was running successfully and the project is now picking up in volume. This collaboration required an initial upfront investment to set up the infrastructure necessary to perform this long-term project.

Consequently, Evotec's operational performance for the first half of 2012 reflects those investments, which were started in the second half of 2011, through a temporary effect on gross margin. Although the Company's revenue mix (e.g. lower margin Compound Management revenues) will lead to a lower level of gross margin going forward compared to previous years, the margin clearly improved in Q2 over the low level in Q1 and this is expected to be maintained.

Multi-year agreement with the United States Environmental Protection Agency (EPA) for Compound Management

Evotec's Compound Management continues to grow. In April 2012, the Company entered into a multi-year agreement with the United States EPA. The contract covers a period of five years and has a total value of up to €7.7 m (approximately US $10 m). Under the agreement Evotec, through its San Francisco operations, will provide chemical procurement, analysis, sample preparation, and management services in support of the EPA's National Computational Centre for Toxicology (NCCT).

Evotec and 4-Antibody form strategic alliance to innovate antibody identification and selection

In May 2012, Evotec and 4-Antibody entered into a strategic collaboration agreement under which Evotec will offer a fully integrated antibody discovery and development service expanding on its leading small molecule drug discovery and development expertise. Evotec's novel and unique high throughput and high content screening approach coupled with 4-Antibody's high throughput antibody selection approach will allow screening of large and diverse antibody populations for desired functionality and activity at a much earlier stage of selection. This unique combined approach is expected to substantially reduce attrition rates at later development stages. Evotec has paid an initial €2.0 m access fee to 4-Antibody, which is fully reimbursed from future returns. Going forward the parties will share profits from joint projects.

B. EVT Integrate: Good progress in on-going discovery alliances highlighted by milestone achievements

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. 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. Evotec continues to expand its core business expertise around metabolic disease, pain, oncology, and CNS drug targets. In these integrated approaches, Evotec shares some discovery risks with its partners in exchange for future returns.

Evotec and Active Biotech extend and expand medicinal chemistry collaboration

In April 2012, Evotec extended and expanded its medicinal chemistry collaboration with Active Biotech to further advance an existing programme, which has entered the lead optimisation phase after successful hit identification activities. The programme aims to find novel small molecule modulators of a priority biological target, selected by Active Biotech, involved in immune disorders and cancer.

€4 m milestone payment as part of the collaboration with Boehringer Ingelheim received

In June, Evotec announced that its research alliance with Boehringer Ingelheim has reached a milestone triggering a payment of €4.0 m to Evotec. The milestone was for the transition of a respiratory programme into pre-clinical development. This is the sixteenth milestone achieved as part of this alliance.

C. EVT Innovate: Development partnerships and focused research investments in innovation provide upside potential

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 significant milestones and royalties. Through this strategy Evotec is building a pipeline without bearing the digital risk normally involved in such projects.

To reduce Evotec's risk profile 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 programme delivers final results of first Phase III study

DiaPep277, a novel approach in diabetes treatment modulating natural pathways to slow insulin producing beta cell destruction, met its primary and secondary endpoints in a Phase III trial in type 1 diabetes conducted by Andromeda Biotech in collaboration with Teva Pharmaceuticals. 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. The Phase III data included 457 newly diagnosed individuals followed over two years. The results of this trial were encouraging and Andromeda has a confirmatory Phase III study planned, which is currently in the recruiting phase. Results of this trial are expected in H2 2014. As the number of diabetes type 1 cases is on the rise, particularly in young children, the prevention or even the delay in the progression of this disease would be of high clinical importance, particularly for those age groups.

EVT 401 partnered in China with Conba especially for inflammation

In April 2012, Evotec granted Zhejiang Jinhua Conba Bio-pharm. Co., Ltd. (Conba Pharmaceutical) a development and marketing license for its P2X7 antagonist, EVT 401, in China for human indications with exception of ophthalmological, chronic obstructive pulmonary disease (COPD) and endometriosis pain. Evotec obtained a small upfront payment and is eligible for development and commercial milestone payments in excess of €60 m, and tiered double-digit royalties on net sales.

Cure*Beta*, a collaboration between Evotec and Harvard University enters strategic alliance with Janssen Pharmaceuticals (after period-end)

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 by scientists in the Harvard University laboratory of Douglas Melton, and further analysed in collaboration with scientists from Evotec, as part of the Cure*Beta* research and development programme.

The agreement between Evotec and Janssen triggers an upfront payment of US $8 m. 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 will receive additional research support for discovery and early development work that will be conducted in collaboration with Janssen. The Cure*Beta* initiative was established by Harvard, the Howard Hughes Medical Institute (HHMI), and Evotec in 2011 to leverage the assets and expertise in industry and academia to identify and develop disease-state modifying therapeutic targets and to date has been extremely successful on multiple levels.

Janssen Pharmaceuticals perfectly complements this effort, providing industrial scope and scale as well as pharmaceutical development expertise and marketing capabilities. This new collaboration is a great example of joining forces across traditional academic and industrial boundaries to rapidly advance ground-breaking science into medicines.

Very good progress achieved in other research initiatives; investments started for new EVT Innovate 'CureX' initiatives (e.g. Cure*Nephron*)

With Cure*Beta* now being fully funded by pharma, Evotec is able to accelerate other projects to further develop and expand the CureX portfolio. The Company will invest approximately €10 m per annum in unpartnered innovative research. In January 2012, Evotec announced a second strategic alliance with Harvard University, this time including Brigham and Women's Hospital aimed at discovering and developing new biomarkers and treatments in the field of kidney disease ('Cure*Nephron*').

3. GUIDANCE

Financial guidance for 2012 confirmed

Evotec confirms all financial targets published on 20 March 2012 in Evotec's 2011 Annual Report (page 64): In 2012, Evotec forecasts double-digit growth of Group revenues to reach €88 to 90 m. R&D expenses in 2012 are expected to remain broadly in line with 2011 levels at approximately €10 m. The Company will continue to focus on first-in-class innovation. Evotec's Group operating result before impairment and changes in contingent consideration, if any, for the year 2012 is expected to further improve over 2011. However, operating result varies significantly between quarters as a result of the specific timing of performance-based milestones and partnering events having a major impact on specific quarterly reporting periods.

Top-line growth is expected to generate a positive operating cash flow. However, more than €10 m are planned to be invested in the long-term upgrading of Evotec's capacities. As a significant proportion of the cash generated from operations is thus reinvested, 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.

A. OPERATIONS

CHANGES IN GROUP STRUCTURE, CORPORATE STRATEGY AND OBJECTIVES, PRODUCT OFFERING AND BUSINESS ACTIVITIES

During the first half of 2012, Evotec's Group **structure** remained unchanged and the Company continued to be managed in line with the **corporate objectives and strategy** described in Evotec's Annual Report 2011 on pages 30 and 31. The implementation of Evotec Action Plan 2016 is progressing according to plans and updates to the individual building blocks (EVT Execute, EVT Integrate, EVT Innovate) are described in detail in the highlights section on pages 3 to 6 of this quarterly report.

In May, Evotec continued to strengthen its integrated drug discovery **offering**, establishing a new high-content screening platform for early antibody functionality testing in collaboration with 4-Antibody AG (see page 5) and adding Agilent Technologies' RapidFire Mass Spectrometry analysis capabilities (see page 3).

In addition, Evotec continues to invest in its significant infrastructure upgrading programme (see EVT Execute on page 3 of this report).

For updates on the **research and development activities** please refer to the highlights section (EVT Innovate) on page 4 of this report.

B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

Note: The 2011 and 2012 results are not fully comparable. The difference results from the acquisitions of Kinaxo Biotechnologies GmbH (Evotec Munich) effective 18 April 2011 and of Compound Focus, Inc. (Evotec San Francisco) effective 1 June 2011.
While the results of Evotec Munich and Evotec San Francisco are fully included in the accompanying consolidated interim statements of operation for the first half of 2012, they were are only partially included in the comparable period of the previous year.

COMPARISON OF H1 2012 FINANCIAL RESULTS WITH FORECAST

Evotec is not providing forecasts on a quarterly basis.

1. RESULTS

Revenues

Evotec's **revenues** for the first half of 2012 increased 26% over the same period of the previous year to €42.0 m (2011: €33.4 m). Growth was driven by an overall strong performance within the Company's drug discovery alliances, milestone payments from Andromeda/Teva and Boehringer Ingelheim as well as contributions from acquisitions totalling €5.5 m in the first half of 2012 (2011: €1.2 m). The total amount of milestone, upfront and license payments achieved in Evotec's partnerships increased over the prior year (2012: €10.7 m; 2011: €9.3 m) and remained approximately on last year's level as a percentage of total revenues. Excluding the revenue contribution from the acquired businesses of Evotec Munich and Evotec San Francisco, like-for-like revenues for the first half of 2012 increased by 13.8% over the same period of the previous year.

Geographically, 41% of revenues were generated with customers in

Europe, 36% in the US, and 23% in Japan and the Rest of the World. This compares to 54%, 32% and 14%, respectively, in the same period of the previous year. Growth came primarily from the US and Japan and the Rest of the World. The lower contribution of European revenues to Group revenues resulted primarily from prior year recognition of the remainder of the upfront payment for the EVT 100 compound family from Roche. The higher contribution of Japan and the Rest of the World revenues to the Group revenues primarily reflects the contribution from the DiaPep277 milestone from Andromeda/Teva.

Operating cost structure

Costs of revenue for the first half of 2012 amounted to €27.3 m (2011: €18.9 m) yielding a **gross margin** of 35.2% (2011: 43.3%). The gross margin in the second quarter was 37.6%. The margin difference in 2012 compared to 2011 is mainly attributable to the ramp up of capacities in EVT Execute, lower margin compound management revenues following the acquisition of the Evotec San Francisco business and the move into the new "Manfred Eigen Campus" in Hamburg at the start of 2012. Although the Company's revenue mix will lead to a lower level of gross margin going forward compared to previous years, the trend was clearly improving in Q2 over the low level in Q1 which is expected to be maintained.

Gross margins in the future may continue to be volatile, and significantly depend on the amount and timing of potential milestone and out-licensing revenues.

R&D expenditure for the first half of 2012 amounted to €3.9 m (2011: €4.7 m). The difference is mainly due to expenses in 2011 for the continuation of a study with EVT 100 series after the termination of the Roche collaboration, supporting the future out-licensing of this compound, and for the manufacture of EVT 501.

SG&A expenses for the first half of 2012 increased by 6.2% to €8.0 m (2011: €7.6 m). This is primarily due to the higher cost base following the acquisitions of Evotec Munich and Evotec San Francisco and an increase in the size of the Business Development team to support future growth.

In the first half of 2012, **amortisation** increased to €1.2 m from €0.5 m in the previous year primarily due to the amortisation of the customer list of Evotec San Francisco.

Other operating income and expenses in the first six months 2012 of €0.3 m (2011: €0.7 m) resulted primarily from three effects:
1. Parallel rental for the old facility in Hamburg and the new "Manfred Eigen Campus" in Hamburg and the resulting planned underutilisation of parts of those buildings during the transition period. This resulted in an operating expense of approximately €1.1 m.
2. An expense of €0.3 m relating to the fair value adjustment in the context of the contingent consideration (earn-out) due to the sellers of Evotec Göttingen.
3. An income of €1.0 m relating to the fair value adjustment in the context of the contingent consideration (earn-out) due to the sellers of Evotec San Francisco.

Financial results

Evotec's **operating income** for the first half of 2012 increased by 44.7% to €1.3 m (2011: €0.9 m). Operating income for the second quarter increased by 51.5% to €2.6 m (2011: €1.7 m). The operating result before changes in contingent consideration amounted to €0.6 m in the first half of 2012 (2011: €0.9 m). Overall, the Company remains on track to achieve increased full-year profitability over 2011 (before impairment and changes in contingent consideration, if any).

Net income amounted to €1.7 m (2011: €0.8 m). In the prior year period, the net income was positively impacted by a foreign exchange gain of €1.0 m in accordance with IAS 21 as a result of the reduction in the capital reserve of one subsidiary paid to Evotec AG. In 2012, total tax income, net (deferred and current taxes) increased to €0.5 m (2011: expense of €0.6 m).

Earnings per share for the first half of 2012 were €0.01 (2011: €0.01).

2. FINANCING AND FINANCIAL POSITION

Cash flow and liquidity

Cash used in operating activities for the first half of 2012 amounted to €(3.4) m from cash provided by operating activities of €3.6 m in the same period of 2011. This resulted primarily from an increase in working capital. The change in working capital was driven by the Andromeda/Teva milestone that was invoiced in March but not paid by the end of the first half 2012 as well as a decrease in trade accounts payables in the first half of 2012 for Evotec infrastructure upgrading programme.
The line item in the cash flow statement "adjustments to reconcile net loss to net cash used in operating activities" amounting to €3.9 m consisted mainly of depreciation of property, plant and equipment (€2.0 m), amortisation (€1.2 m), accrued interest expense (€0.6 m) and non cash compensation expenses (€0.6 m).
Cash used in investing activities for the first half of 2012 was €0.9 m. The proceeds from sale of current investments amounted to €42.7 m and Evotec purchased current investments in the amount of €34.5 m. Capital expenditures increased to €5.1 m from €3.6 m in 2011. This was due to Evotec's planned infrastructure upgrade and capacity expansion programme (see page 3). In addition, Evotec has paid a €2.0 m license fee for access to 4-Antibody's high throughput antibody selection technology, which will be fully reimbursed from future returns as well as €2.0 m for the earn-out of Kinaxo.
Cash provided by financing activities for the first half of 2012 was €2.1 m mainly as a result of a loan taken by Evotec and proceeds from options exercised.
Liquidity, which includes cash and cash equivalents (€16.9 m) and investments (€36.5 m) at the end of June 2012 amounted to €53.4 m (31 Dec 2011: €62.4 m). The milestone payment for DiaPep277 from Andromeda/Teva (€3.9 m) and the upfront payment from Janssen Pharmaceuticals (US $8 m) from the Cure*Beta* alliance which will be shared with Harvard are not yet included.

3. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

Assets

Trade accounts receivables increased to €11.6 m (31 December 2011: €10.4 m). As of 30 June 2012, the milestone payment for DiaPep277 from Andromeda/Teva in the amount of €3.9 m was invoiced but not yet received. As of December 2011, the same was true for the milestone payment from Boehringer Ingelheim in the amount of €2.5 m. The increase in property, plant and equipment to €27.5 m (31 December 2011: €24.9 m) was primarily the result of higher capital investments in the context of Evotec's infrastructure upgrading

programme.
The changes in the **liquidity** position are explained in “Financing and Financial Position” above. The Company is not involved in any off-balance sheet financing transactions.

Liabilities
As of 30 June 2012, trade accounts payable decreased to €6.4 m (31 December 2011: €10.1 m) primarily because invoices at year-end 2011 in the context of the move to the new Manfred Eigen Campus were paid during the first half. Current and non-current provisions decreased in total to €22.5 m (31 December 2011: €25.7 m) mainly due to the payment of annual management board and employee bonuses in March 2012, the fair value accounting of the Compound Focus earn-out, resulting in a €1.0 m decrease, as well as the payment of a Kinaxo earn-out in the amount of €2.0 m. Long-term loans increased to €4.0 m (31 December 2011: €2.4 m) mainly due to a €2.0 m loan taken by Evotec.
More details about changes of assets and liabilities during the first half of 2012 are described in the Notes to the Unaudited Condensed Consolidated Interim Financial Statements.
As of 30 June 2012 Evotec’s **capital structure** remained unchanged compared to the end of 2011. The total number of ordinary shares outstanding amounted to 118,315,864.
Evotec’s equity ratio as of 30 June 2012 continued to be high at 70.2% (31 December 2011: 67.5%).

4. HUMAN RESOURCES

Employees and Management
At the end of June 2012, 644 people were employed within the Evotec Group (31 December 2011: 610 employees). Headcount increased significantly in the first three months of 2012 to support the growth of Evotec’s discovery alliances.

Stock-based compensation
In the first half of 2012, no options were granted to Evotec employees and a total of 270,013 options were exercised. As of 30 June 2012, the total number of options available for future exercise amounted to 6,860,556 (approximately 6% of shares in issue). Options have been accounted for under IFRS 2 using the fair value at the measurement date.

In connection with the acquisition of Renovis, Evotec issued shares to a trust. These shares were meant to replace outstanding options and similar share-based compensation arrangements for Renovis employees. In the first quarter of 2012, these shares were released from the trust and are now available for other uses. In the first half of 2012 a total of 270,013 of these shares were used to support the stock option plans of Evotec and at the end of June 2012 a total of 1,058,611 shares were remaining.

Directors' Holdings of Evotec AG

Number of shares

	1 Jan 12	Additions	Sales	30 Jun 12
Management Board				
Dr Werner Lanthaler	496,494	0	0	496,494
Colin Bond	0	0	0	0
Dr Cord Dohrmann	27,226	0	0	27,226
Dr Mario Polywka	60,000	0	0	60,000
Supervisory Board				
Dr Flemming Ørnskov	32,954	8,784	0	41,738
Dr Walter Wenninger	23,131	12,851	0	35,982
Dr Hubert Birner	41,711	8,567	0	50,278
Roland Oetker	17,427,355	2,330	0	17,429,685
Prof Dr Andreas Pinkwart	0	2,330	0	2,330
Mary Tanner	68,005	2,928	0	70,933

Number of share options

	1 Jan 12	Additions	Exercise	30 Jun 12
Management Board				
Dr Werner Lanthaler	1,540,000	0	0	1,540,000
Colin Bond	390,000	0	0	390,000
Dr Cord Dohrmann	390,000	0	0	390,000
Dr Mario Polywka	1,195,000	0	0	1,195,000
Supervisory Board				
Dr Flemming Ørnskov	0	0	0	0
Dr Walter Wenninger	0	0	0	0
Dr Hubert Birner	0	0	0	0
Roland Oetker	0	0	0	0
Prof Dr Andreas Pinkwart	0	0	0	0
Mary Tanner	0	0	0	0

Pursuant to §15a of the German Securities Trading Act (Wertpapierhandelsgesetz), the above tables lists separately for each member of our Management and Supervisory Board, the number of Company shares held, and rights for such shares granted to each board member as of 30 June 2012.

C. RISKS AND OPPORTUNITIES REPORT

The risks and opportunities described in Evotec's 2011 Annual Report on pages 59 to 62 and on page 65 remain unchanged.
At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG.

D. IMPORTANT EVENTS AFTER THE END OF THE FIRST HALF OF 2012

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 agreement between Evotec and Janssen triggers an upfront payment of US $8 m. 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 will receive additional research support for discovery and early development work that will be conducted in collaboration with Janssen.

E. BUSINESS ENVIRONMENT

GLOBAL ECONOMY

The first half of 2012 continued to be dominated by the sovereign debt crisis, although some relief was seen at the very end of the period when EU heads of state announced plans to relieve the crisis and lay the foundations for fiscal union. Corresponding with this overdue news, a risk reassessment by investors pushed up the global markets, which had been sluggish throughout the second quarter. Going forward, the US economic climate appears set for a gloomy period with no sign of support from the Federal Reserve System. In China, also, growth is expected to decline in the coming months, even after Beijing cut interest rates twice and encouraged banks to lend more to small businesses.

In Germany, the Ifo Business Climate Index for industry and trade continued to fall in June, despite a pickup in the index from earlier in the quarter. In fear of potential Euro crisis affects, German companies reported lower expectations for the six month business outlook. Similarly, the Center for European Economic Research survey in mid July showed sentiment had dropped for the third month in a row, although still in positive territory. Looking into 2013 the Center notes that economic expectations are flattening out gently, leading to potentially encouraging developments.

HEALTHCARE ENVIRONMENT AND OUTLOOK

In the second quarter, life science indices in the Europe and the US outperformed the general markets. In the first six months of 2012, the DAX posted gains of 8.8%, despite a drop 7.6% in the second quarter. The German stock market subsector Biotechnology index climbed 20.7% on the first six months adding a small gain of 4% in the last quarter. The positive first half for the sector looks set to remain through 2012, with the global biotech and pharma companies anticipating over 34 PDUFA dates and at least 40 Phase III data milestones. For the second half this year, there are more than 117 expected results from clinical Phase III trials and registration-relevant decisions by the approval authorities (Source: BioCentury 2 July 2012).

In the first half, the main driver for the sector were the mid and big cap biotech companies among which known or expected acquisition targets Amylin, Human Genome Sciences and BioMarin, helped to sustain enthusiasm. Going forward investors are split on the sectors fortunes that are dependent on the biotech sector continuing to flout macroeconomic issues and weakness in the broader markets. What is clear is that investors are happier putting their money into revenue growth companies rather than pure research players.

In this environment Evotec is well positioned with a business model based on a growing alliance business and an exciting proprietary pipeline supported by funding from partners, for instance Janssen Pharmaceuticals and our Cure*Beta* partnership with Harvard University, as announced after period-end. Furthermore, there continues to be clear evidence that pharma's R&D strategies include outsourcing; AstraZeneca, Merck, Pfizer, Roche and GlaxoSmithKline, continue to cut back on internal R&D costs and improve efficiency through external partnerships. Furthermore, there is a clear trend towards large, multi-year contracts within a full-service outsourcing model.

F. FINANCIAL OUTLOOK

2012 financial guidance confirmed

Evotec confirms financial targets for the financial year 2012
All financial targets published on 20 March 2012 in Evotec's 2011 Annual Report (page 64) remain unchanged.
In 2012, Evotec forecasts double-digit growth of Group revenues to reach €88 to 90 m. This assumption is based on a strong order book, expected new contracts and contract extensions as well as good milestone opportunities. R&D expenses in 2012 are expected to remain broadly in line with 2011 levels at approximately €10 m with the Company continuing to focus on first-in-class innovation. On that basis Evotec's Group operating result before impairment and changes in contingent consideration, if any, for the year 2012 is expected to further improve over 2011. However, operating result varies significantly between quarters as a result of the specific timing of performance-based milestones and partnering events having a major impact on specific quarterly reporting periods.
Top-line growth is expected to generate a positive operating cash flow. However, more than €10 m are planned to be invested in the long-term upgrading of Evotec's capacities. As a significant proportion of the cash generated from operations is thus reinvested, 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.

The statements on **business direction and strategy, expected research and development, business opportunities** and **dividends** continue to be valid as published in Evotec's 2011 Annual Report on pages 63 to 65.

G. SHARE PRICE PERFORMANCE AND FINANCIAL CALENDAR

PERFORMANCE OF EVOTEC SHARES OVER THE PAST TWELVE MONTHS

While Evotec's stock price developed broadly in line with the NASDAQ Biotech index for the first nine months of the of the past twelve months period and significantly outperformed the general markets, it fell back to the level of the German technology index TecDAX during the second quarter of 2012. This was potentially been driven by investors being disappointed by the slight loss Evotec reported early May for the first quarter of 2012 although the Company regularly explained that operating result varies significantly between quarters as a result of the specific timing of performance-based milestones and partnering events. After period end, supported by several positive news, Evotec's stock reversed this trend, climbing more than 20% in July.

FINANCIAL CALENDER 2012

Q1 2012 Interim Report: 10 May 2012
Annual Stockholders' Meeting 2012: 14 June 2012
Q2 2012 Interim Report: 08 August 2012
Q3 2012 Interim Report: 08 November 2012

II. Consolidated Interim Financial Statements

Evotec AG and Subsidiaries -

Condensed consolidated interim income statement for the period from 1 January to 30 June 2012

in T€ except share and per share data	*Six months ended 30 June 2012*	*Six months ended 30 June 2011*	*Three months ended 30 June 2012*	*Three months ended 30 June 2011*
Revenues	42,046	33,365	21,936	18,259
Costs of revenue	27,258	18,922	13,678	9,767
Gross profit	**14,788**	**14,443**	**8,258**	**8,492**
Operating expenses (income)				
Research and development expenses	3,924	4,665	2,012	2,351
Selling, general and administrative expenses	8,026	7,560	3,594	3,771
Amortisation of intangible assets	1,217	549	691	274
Other operating income	(1,572)	(1,034)	(1,338)	566
Other operating expenses	1,860	1,782	677	(201)
Total operating expenses	**13,455**	**13,522**	**5,636**	**6,761**
Operating income	**1,333**	**921**	**2,622**	**1,731**
Other non-operating income (expense)				
Interest income	308	91	266	38
Interest expense	(1,108)	(740)	(594)	(343)
Other income from financial assets	396	-	396	-
Other expense from financial assets	-	(20)	-	2
Foreign currency exchange gain (loss), net	3	828	274	87
Other non-operating income	246	297	203	116
Total non-operating income (expense)	**(155)**	**456**	**545**	**(100)**
Income before taxes	**1,178**	**1,377**	**3,167**	**1,631**
Current tax income (expense)	(195)	(601)	(111)	(338)
Deferred tax income (expense)	696	18	618	(111)
Net income	**1,679**	**794**	**3,674**	**1,182**
thereof attributable to:				
Shareholders of Evotec AG	1,679	851	3,674	1,213
Non-controlling interest	-	(57)	-	(31)
Weighted average shares outstanding	**117,024,530**	**114,994,081**	**117,061,462**	**117,003,658**
Net income per share (basic)	**0.01**	**0.01**	**0.03**	**0.01**
Net income per share (diluted)	**0.01**	**0.01**	**0.03**	**0.01**

Evotec AG and Subsidiaries -
Consolidated statements of comprehensive income for the period from 1 January to 30 June 2012

in T€	*Six months ended 30 June 2012*	*Six months ended 30 June 2011*	*Three months ended 30 June 2012*	*Three months ended 30 June 2011*
Net income	**1,679**	**794**	**3,674**	**1,182**
Other comprehensive income (loss)				
Foreign currency translation	1,998	(3,337)	2,367	(780)
Revaluation and disposal of available-for-sale securities	(385)	-	(378)	-
Other comprehensive income (loss)	**1,613**	**(3,337)**	**1,989**	**(780)**
Total comprehensive income (loss)	**3,292**	**(2,543)**	**5,663**	**402**
Thereof attributable to:				
Shareholders of Evotec AG	3,292	(2,486)	5,663	433
Non-controlling interest	-	(57)	-	(31)

Evotec AG and Subsidiaries -
Consolidated interim statement of financial position as of 30 June 2012

in T€ except share data	*footnote reference*	*as of 30 June 2012*	*as of 31 Dec. 2011*
ASSETS			
Current assets:			
Cash and cash equivalents		16,909	17,777
Investments		36,471	44,651
Trade accounts receivables		11,642	10,393
Inventories		3,484	3,556
Current tax receivables		146	201
Other current financial assets		1,196	1,355
Prepaid expenses and other current assets	6	4,114	2,965
Assets classified as held for sale		-	62
Total current assets		**73,962**	**80,960**
Non-current assets:			
Long-term investments		10	10
Property, plant and equipment		27,540	24,946
Intangible assets, excluding goodwill	7	68,748	67,652
Goodwill		43,047	42,202
Deferred tax asset	8	2,373	2,373
Other non-current financial assets		70	70
Total non-current assets		**141,788**	**137,253**
Total assets		**215,750**	**218,213**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities		13,447	13,174
Current portion of finance lease obligations		5	32
Trade accounts payable	9	6,398	10,134
Advanced payments received		216	782
Provisions	10	6,895	11,045
Deferred revenues		5,582	5,875
Current income tax payables		103	492
Other current financial liabilities		892	1,147
Other current liabilities		406	152
Total current liabilities		**33,944**	**42,833**
Non-current liabilities:			
Non-current loan liabilities		4,000	2,359
Long-term finance lease obligations		-	1
Deferred tax liabilities		9,383	9,904
Provisions	10	15,616	14,618
Deferred revenues		109	9
Other non-current financial liabilities		1,319	1,244
Total non-current liabilities		**30,427**	**28,135**
Stockholders' equity:			
Share capital		118,316	118,316
Treasury shares		-	(1)
Additional paid-in capital		664,661	663,820
Accumulated other comprehensive income		(24,382)	(25,995)
Accumulated deficit		(607,216)	(608,895)
Equity attributable to shareholders of Evotec AG		**151,379**	**147,245**
Non-controlling interest		-	-
Total stockholders' equity		**151,379**	**147,245**
Total liabilities and stockholders' equity		**215,750**	**218,213**

Evotec AG and Subsidiaries -
Condensed consolidated interim statement of cash flows for the six months ended 30 June 2012

in T€	*Six months ended 30 June 2012*	*Six months ended 30 June 2011*
Cash flows from operating activities:		
Net income	1,679	794
Adjustments to reconcile net income to		
net cash used in operating activities	3,937	2,659
Change in assets and liabilities	(9,046)	190
Net cash provided by (used in) operating activities	**(3,430)**	**3,643**
Cash flows from investing activities:		
Purchase of current investments	(34,495)	(37,285)
Purchase of long-term investments	(2,000)	(13,250)
Purchase of property, plant and equipment	(5,137)	(3,555)
Purchase of intangible assets	(2,000)	-
Cash acquired in connection with acquisitions	-	283
Proceeds from sale of property, plant and equipment	43	-
Proceeds from sale of current investments	42,676	52,748
Net cash used in investing activities	**(913)**	**(1,059)**
Cash flows from financing activities:		
Proceeds from option exercise	281	298
Proceeds from issuance of loans	2,000	396
Purchase of treasury shares	(113)	-
Repayment of loans	(97)	(1,089)
Net cash provided by (used in) financing activities	**2,071**	**(395)**
Net increase (decrease) in cash and cash equivalents	**(2,272)**	**2,189**
Exchange rate difference	1,404	775
Cash and cash equivalents at beginning of year	17,777	21,091
Cash and cash equivalents at end of the period	**16,909**	**24,055**

Evotec AG and Subsidiaries -
Consolidated interim statements of changes in stockholders' equity
for the six months ended 30 June 2012

	Share capital				Accumulated other comprehensive income					
in T€ except share data	Shares	Amount	Additional paid-in capital	Treasury shares	Foreign currency translation	Revaluation reserve	Accumulated deficit	Equity attributable to shareholders of Evotec AG	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2011	**115,595,729**	**115,596**	**658,888**	**-**	**(33,634)**	**6,955**	**(615,644)**	**132,161**	476	**132,637**
Capital increase	2,597,403	2,597	5,325	-	-	-	-	7,922	-	7,922
Exercised stock options	122,732	123	175	-	-	-	-	298	-	298
Stock option plan	-	-	297	-	-	-	-	297	-	297
Total comprehensive income (loss)					**(3,337)**	**-**	**851**	**(2,486)**	**(57)**	**(2,543)**
Balance at 30 June 2011	**118,315,864**	**118,316**	**664,685**	**-**	**(36,971)**	**6,955**	**(614,793)**	**138,192**	**419**	**138,611**
Balance at 1 January 2012	**118,315,864**	**118,316**	**663,820**	**(1)**	**(33,350)**	**7,355**	**(608,895)**	**147,245**	**-**	**147,245**
Exercised stock options	-	-	281	-	-	-	-	281	-	281
Stock option plan	-	-	560	-	-	-	-	560	-	560
Purchase of treasury shares				(113)				(113)	-	(113)
Transfer of treasury shares	-	-	-	114	-	-	-	114	-	114
Total comprehensive income (loss)					**1,998**	**(385)**	**1,679**	**3,292**	**-**	**3,292**
Balance at 30 June 2012	**118,315,864**	**118,316**	**664,661**	**-**	**(31,352)**	**6,970**	**(607,216)**	**151,379**	**-**	**151,379**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements of Evotec have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) in conjunction with IAS 34. The consolidated financial statements have been prepared on the cost basis except for derivative financial instruments as well as available-for-sale financial instruments, which are measured at fair value. The accounting policies used to prepare interim information are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2011. Income tax expense is recognised in interim periods based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The interim consolidated financial statements do not include all of the information and footnotes required under IFRS for complete financial statements according to IAS 1. As a result, these interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2011.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included.

2. BASIS OF CONSOLIDATION

Evotec acquired all shares in Compound Focus, Inc., South San Francisco, US as of 1 June 2011 as well as all shares in Kinaxo Biotechnologies GmbH, Munich as of 18 April 2011. Both acquisitions were fully consolidated from the respective closing dates onwards. Due to those acquisitions the consolidated interim financial statements for the first half year periods 2011 and 2012 are not fully comparable. With respect to the impact of both transactions on Evotec's financial statements we refer to the 2011 Annual Report on pages 84 to 85 as well as to the first Half-Year report 2011 on pages 20 to 23.

3. BASIS OF ESTIMATION

In the consolidated interim financial statements for the six months ended 30 June 2012, the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2011.

4. SEGMENT INFORMATION

Pursuant to IFRS 8 Evotec does not report segment information (see page 95 of Evotec's 2011 Annual Report).

5. ACQUISITIONS

Evotec acquired the remaining 0.6% of the shares of Evotec (Göttingen) AG (formerly DeveloGen AG) effective 8 November 2011 due to the Evotec (Göttingen) AG shareholders vote in favour of the squeeze out.

Effective 5 October 2011, Evotec acquired the remaining 30% interest in Evotec (India) Private Limited for T€ 1,700. Evotec (India) was already fully consolidated before this transaction therefore the acquisition of the remaining 30% interest was not a business combination and had only an impact on equity.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of 30 June 2012 consisted primarily of prepaid expenses in the amount of T€ 2,970 (31 December 2011: T€ 2,092). The increase in prepaid expenses mainly relates to payments in the beginning of the year for the whole year in the context of rent and rates, insurances and software licences.

7. INTANGIBLE ASSETS

In the first three months of 2012, the milestone for DiaPep277 was reached which was included in the net present value model of the developed technology from the acquisition of DeveloGen. Based on this milestone the Company reviewed in the first quarter 2012 the relating developed technologies for impairment and concluded that no impairment has to be recorded in the first six months of 2012.
In the second quarter 2012, one of the defined earn outs relating to the Compound Focus acquisition, that was included in the net present value model of the goodwill was not achieved. Based on this event the Company reviewed the relating goodwill for impairment and concluded that no impairment has to be recorded in the first six months of 2012.

8. DEFERRED TAX ASSET

The deferred tax asset in the amount of T€ 2,373 due to the release of tax loss carry forwards from the valuation allowance as of 31 December 2011 is now classified as non-current asset. The prior year classification was changed accordingly.

9. TRADE ACCOUNTS PAYABLE

The trade accounts payable primarily decreased from 31 December 2011 to 30 June 2012 due to the payment of invoices in 2012 relating to the construction work and subsequent move to the new facility at the Manfred Eigen Campus.

10. PROVISIONS

The provisions as of 30 June 2012 decreased in comparison to 31 December 2011 mainly due to the earn out provisions relating to the business combinations with Evotec (Göttingen), Evotec San Francisco and Evotec Munich. The earn out provision relating to Evotec Munich decreased due to the payment of T€ 2,000 after achievement of a defined earn out milestone in the second quarter 2012. The fair value of the Evotec San Francisco earn out decreased by T€ 1,000 because a defined earn out milestone was not achieved, while the fair value of the Evotec (Göttingen) earn out increased by T€ 315. Earn out liabilities totaling T€ 14,719 are estimated to be due after twelve months and T€ 2,753 are estimated to be due in the next 12 months.

11. TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described in the 2011 Annual Report on page 101, no other material transactions with related parties have been entered into in the first six months of 2012.

12. SUBSEQUENT EVENTS

In July 2012, Evotec announced, that it entered into a license and collaboration agreement with Janssen Pharmaceuticals, Inc. Janssen will receive access to a portfolio of small molecules and biologics designed to trigger the regeneration of insulin-producing beta cells. The agreement between Evotec and Janssen triggers an upfront payment of US $8 million.

III. Claim of the Executive Board Members as required by German Securities Trade Act (WpHG)

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.“

FORWARD-LOOKING STATEMENTS

Information set forth in this report 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.