evotec

‘RESEARCH NEVER STOPS’

QUARTERLY REPORT

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Report as of
First Quarter
2011

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I. Management Report of the First Quarter 2011

EVOTEC REPORTS 54% REVENUE GROWTH; SIGNIFICANT EXPANSION OF PERFORMANCE BASED DRUG DISCOVERY ALLIANCE BUSINESS; ON TRACK FOR INCREASED FULL-YEAR PROFITABILITY OVER 2010

RECENT HIGHLIGHTS:

— **Strong Q1 growth; sustainability of business clearly visible**
  - Discovery alliances revenues +54% to € 15.1 m
  - Clear reduction of operating loss (-45%) to € 0.8 m
  - Continued strong liquidity position of € 68.7 m despite acquisitions

— **Expanding portfolio of performance-based long-term drug discovery alliances**
  - Extension and/or expansion of several on-going discovery alliances (e.g. CHDI, Ono Pharmaceutical, Epitherapeutics, Epizyme)
  - Milestone achieved in Boehringer Ingelheim collaboration

— **Expansion of scientific and technology leadership in innovative areas of drug discovery**
  - Acquisition of Kinaxo: Best-in-class mass spectrometry technology opens route to oncology and response prediction (effective after period-end)

- Research collaboration with Harvard University and the Howard Hughes Medical Institute in diabetes
- Initiation of most significant technology infrastructure upgrading programme of the last 10 years

— **Good progress within product development partnerships**
- DiaPep277 Phase III programme in diabetes progressing with Andromeda Biotech and TEVA, data expected in 2012
- EVT 101/103 Phase II data against Treatment Resistant Depression in partnership with Roche expected 2012
- H3 antagonist programme EVT 501 prepared for development partnership

— **Financial guidance for 2011 confirmed**
- At least 15% revenue growth to € 64 – 66 m
- Increased operating profitability over 2010
- Approximately € 65 m liquidity at year-end, despite major strategic technology upgrading investments

— **Others:**
- Deregistration from SEC completed
- New nominations for elections to supervisory board at the AGM (Roland Oetker and Prof Andreas Pinkwart) and a key strategic scientific advisor (Prof Doug Melton)
- Management service contract of Dr Werner Lanthaler extended for five years

1. OPERATIONAL PERFORMANCE

Sustainability of business clearly visible: revenues +54%; significantly decreased operating loss -45% at € 0.8 m
Evotec reported a strong top-line performance in the first quarter of 2011. Total Group revenues increased by 54% to € 15.1 m compared to the same period of the previous year (2010: € 9.8 m). Meanwhile R&D expenses increased by 33% mainly due to higher clinical expenses and the inclusion of DeveloGen post acquisition. SG&A expenses increased by 13% mainly due to transaction costs and the impact of DeveloGen. The overall operating result improved by 45% to € (0.8) m (2010: € (1.5) m). On this basis, liquidity including cash, cash equivalents and investments including long-term financial assets at the end of March remained strong at € 68.7 m. Going forward, increased milestone achievements are expected to further improve Evotec's operating performance giving a strong basis for increased operating profitability over 2010 (before impairment, if any).

2. DISCOVERY ALLIANCES UPDATE

Expanding portfolio of performance-based long-term drug discovery alliances leads to significant growth in sales
Due to its scale, strong platform of technologies combined with disease biology know-how and excellent project management Evotec is ideally positioned to take advantage of the increase in strategic drug discovery outsourcing in the pharmaceutical and biotech industry ("external innovation"). The Company signed a number of new contracts, contract extensions and expansions and made good progress in many of its current programmes.

In the first quarter of 2011, Evotec signed new contracts with ***Avixgen*** and ***NoNO*** for medicinal chemistry support and extended ongoing collaborations with ***Epitherapeutics*** and ***Epizyme***. Good progress was also achieved in Evotec's multi-year collaborations with ***CHDI*** and ***Ono Pharmaceutical***. CHDI expanded the programme by a number of scientists and Ono extended an on-going project and initiated a number of additional screening campaigns.

Milestone achievement with Boehringer Ingelheim
During the first quarter of 2011 a further milestone was achieved in Evotec's discovery collaboration with ***Boehringer Ingelheim*.** Evotec will receive € 2.0 m for the progression of an oncology drug candidate into lead optimisation.

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

Expansion of scientific and technology leadership in innovative areas of drug discovery
Evotec increasingly focuses on developing early assets in highly innovative areas of drug discovery such as beta cell biology and technologies to develop leading expertise in certain areas of oncology or metabolic diseases, which provide a basis for new discovery alliances. In 2010, the acquisition of DeveloGen added expertise and early discovery assets in two key fields of high unmet medical needs, diabetes and metabolic disorders and additionally opened the field of regenerative medicine – a key strategic step for Evotec.

In the first quarter of 2011, Evotec entered into a research collaboration with ***Harvard University and the Howard Hughes Medical Institute (HHMI)*** aimed at discovering and developing new orally available, small molecule treatments in the field of diabetes, through restoring beta cell function. Harvard, HHMI, and Evotec bring together extensive expertise and know-how in beta cell biology and diabetes along with an unparalleled set of tools to exploit beta cell related mechanisms and targets. Leveraging key insights into beta cell replication and forming alliances with pharmaceutical companies at the appropriate point in the development chain are the core strategic drivers of the collaboration. Prof Doug Melton, Thomas Dudley Cabot Professor at Harvard University, and an investigator at the Howard Hughes Medical Institute, will be the principal investigator.

Also in the first quarter of 2011, Evotec signed a definitive agreement to acquire all shares in ***Kinaxo Biotechnologies GmbH***, a Munich-based drug discovery alliance company supporting the development of targeted drugs. The transaction became effective 18 April 2011. The acquisition added proprietary technologies for compound profiling and target deconvolution and response prediction, important for timely decisions on drug efficacy and safety, especially in the area of oncology. These unique technologies significantly strengthen the Company's drug discovery offering to customers. In the first quarter of 2011, Kinaxo signed collaborations with ***Takeda Pharmaceutical*** and ***AstraZeneca*.**

DiaPep277 Phase III programme in diabetes progressing with Andromeda Biotech and TEVA
DiaPep277, a synthetic peptide in development for the treatment of type 1 diabetes, acquired through the acquisition of DeveloGen, is progressing as planned in a Phase III global study conducted by Andromeda Biotech and Teva Pharmaceutical. First Phase III data are expected to be published in 2012.

EVT 101/103 Phase II data against Treatment Resistant Depression in partnership with Roche expected 2012
The development of the EVT 100 compound family (NR2B-selective NMDA antagonists) should lead to Phase II data in the first indication –

Treatment Resistant Depression (TRD) in 2012. A long term toxicology programme in primates is also ongoing with EVT 101.

H3 antagonist programme EVT 501 prepared for development partnership

In 2010, Evotec nominated EVT 501 and a back-up candidate in its histamine H3 receptor antagonist programme. During the first quarter of 2011, kilogramme scale manufacturing of EVT 501 was completed for use in regulatory toxicology and safety pharmacology studies. It is the strategic goal to build a development partnership around this programme.

4. GUIDANCE

Financial guidance for 2011 is comfortably confirmed

Evotec confirms all financial targets for the fiscal year 2011 published on 24 March 2011: In 2011, total Group revenues are expected to grow by more than 15% to € 64 - € 66 m. Focusing on key programmes, especially in the fields of metabolic diseases and regenerative medicine, the Company expects research & development (R&D) expenses to increase to approximately € 10 m. Even on this basis, Evotec's Group operating result before impairment charges, if any, is expected to be profitable and improved over 2010.

Despite more than € 8 m investments in the long-term upgrading of the company's capabilities and capacities (see in financial outlook section on page 10), the Company expects to end 2011 with a liquidity of approximately € 65 m at constant year-end 2010 currencies, excluding any potential cash outflow for M&A or similar transactions.

A. OPERATIONS

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

During the first quarter of 2011, 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 2010 on pages 28 and 29.

Through the acquisition of Kinaxo (see above) Evotec strengthened its integrated drug discovery **offering**, adding proprietary technologies for response prediction and target identification and profiling, especially in the key area of oncology.
In addition, Evotec entered into a collaboration with ChemBridge. Through this collaboration, Evotec increased its screening library of 250,000 drug-like and lead-like compounds with the addition of 110,000 diverse and lead-like compounds from the ChemBridge library collection. These new compounds complement the chemical diversity of Evotec's existing collection and will further enhance the ability to generate high quality hits through screening.

During the first quarter of 2011, Evotec also initiated the largest technology infrastructure upgrading programme in the Company's history. More than € 8 m are planned to be invested in the long-term upgrading of Evotec's capabilities in electrophysiology and screening, ADMET and analytical services, *in-vivo* pharmacology and chemistry.

For updates on the **research and development activities** please refer to the highlights section on page 3 and 4 of this quarterly report.

B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

Note: The 2010 and 2011 results are not fully comparable. The major difference results from the acquisition of DeveloGen AG effective 3 September 2010.
The operating results of DeveloGen from the period 1 January 2011 through 31 March 2011 are included in the accompanying consolidated interim statements of operation for the first quarter of 2011. They were not included in the comparable period of the previous year. The assets and liabilities of DeveloGen are included in the accompanying consolidated interim balance sheet in both periods. They were not yet included as of 31 March 2010.

COMPARISON OF Q1 2011 FINANCIAL RESULTS WITH FORECAST
Evotec is not providing forecasts on a quarterly basis.

1. RESULTS

Revenues

Evotec's **revenues** for the first quarter of 2011 increased by 54% over the same period of the previous year to € 15.1 m (2010: € 9.8 m). Growth was driven by a strong performance within the Company's drug discovery alliances, including a milestone achieved in Evotec's collaboration with Boehringer Ingelheim (€ 2.0 m). Growth was also supported by a portion of the MedImmune upfront payment recognised and additional contributions from the acquired business in Göttingen both totalling € 1.4 m. Without the revenues from DeveloGen, Evotec's revenues for the first quarter of 2011 would have increased by 39% over the same period of the previous year.

Geographically, 47% of Evotec's revenues were generated with customers in Europe, 39% in the US, and 14% in Japan and the Rest of the World. This compares to 38%, 39% and 23%, respectively, in the same period of the previous year. The Company grew revenues in all three geographic regions; in the US primarily due to the new alliances with Genentech and MedImmune and in Japan due to the extended alliance with Ono Pharmaceutical. The relatively higher contribution of European revenues to the Group revenues mainly reflects the Boehringer Ingelheim milestone payment and the DeveloGen contributions.

Operating cost structure

Costs of revenue for the first quarter of 2011 amounted to € 9.2 m (2010: € 6.1 m) yielding a **gross margin** of 39.4% (2010: 37.9%). The margin increase over 2010 is attributable to the milestone payment received from Boehringer Ingelheim and recognition of part of the upfront payment from MedImmune in the first quarter of 2011.

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

R&D expenditure for the first quarter of 2011 increased by 33% to € 2.3 m (2010: € 1.7 m). The increase mainly resulted from the inclusion of DeveloGen R&D expenses and the manufacturing of EVT 501.

SG&A expenses for the first quarter of 2011 increased by 13% to € 3.8 m (2010: € 3.4 m), reflecting the integration of DeveloGen and merger and acquisition costs.

Other operating income and expenses resulted primarily from the expenses incurred for the clinical programmes with EVT 101 and EVT 103 and the corresponding reimbursement by Roche.

For the development of the **order situation** please refer to the "Financial Outlook" section on page 9 of this report.

Financial results

Due to the higher gross profit Evotec's **operating result** for the first quarter of 2011 improved markedly by 45% to € (0.8) m (2010: € (1.5) m). The Company is on track to achieve increased full-year profitability over 2010 (before impairment, if any).

Net loss decreased by 69% to € 0.4 m (2010: € 1.2 m). The net result was positively impacted by a foreign exchange gain in accordance with IAS 21 as a result of the reduction in the capital reserve of one subsidiary paid to Evotec AG in the first quarter of 2011.

Earnings per share for the first quarter of 2011 were € 0.00 (2010: € 0.01 loss).

2. FINANCING AND FINANCIAL POSITION

Cash flow and liquidity

Cash used in operating activities for the first quarter of 2011 decreased to € (0.8) m from € (5.2) m in the same period of 2010. The improvement mainly resulted from the decreased net loss and a reduction in working capital. The change in working capital in the first quarter 2011 was mainly impacted by the MedImmune upfront payment which was received in the first quarter 2011.
The line item in the cash flow statement "adjustments to reconcile net loss to net cash used in operating activities" amounting to € 0.6 m included mainly amortisation (€ 0.3 m), depreciation (€ 1.0 m) as well as non-cash foreign exchange gains (€ (1.0) m).
Cash flow from investing activities for the first quarter of 2011 was € 19.3 m. The proceeds from sale of current investments amounted to € 40.7 m and the purchase of current investments amounted to € 20.8 m. The difference reflects a shift from investments to cash and cash equivalents. Capital expenditures amounted to € 0.6 m, mainly for upgrades of Evotec's drug discovery platform. In the context of Evotec's infrastructure upgrading programme capital expenditures are expected to increase during the course of the year.
Cash flow from financing activities for the first quarter of 2011 was T€ 50.
Liquidity, which includes cash and cash equivalents (€ 39.8 m), investments (€ 25.9 m) and long-term financial investments (€ 3.0m) at the end of March 2011 amounted to € 68.7 m (31 December 2010: € 70.4 m).

3. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

As of 31 March 2011, trade accounts receivables decreased to € 7.6 m. The balance was higher at 31 December 2010 (€ 11.8 m) because the MedImmune upfront payment was invoiced in December but not received until the first quarter 2011. Other current financial assets increased to € 3.4 m mainly due to expenses not yet charged to Roche for the EVT 100 series.
Current provisions decreased to € 4.3 m mainly due to the payment of the short-term portion of the DeveloGen earn-out component and as a

consequence of annual bonuses paid in March 2011. Current and non-current deferred revenues decreased to € 9.7 m mainly due to recognition of a revenue portion of the MedImmune upfront payment and the Roche upfront payment for the EVT 100 collaboration.
The changes in the liquidity position are explained above. The Company is not involved in any off-balance sheet financing transactions. More details and all further material changes of assets and liabilities during the first quarter of 2011 are described in the Notes to the Unaudited Condensed Consolidated Interim Financial Statements.
As of 31 March 2011 Evotec's capital structure remained unchanged compared to the end of 2010. The total number of ordinary shares outstanding amounted to 115,595,729. After the balance sheet date, Evotec will issue 2,597,400 new shares from its authorised capital as part of the consideration for the Kinaxo acquisition.
Evotec's equity ratio as of 31 March 2011 continued to be high at 69.7% (31 December 2010: 69.1%).

4. HUMAN RESOURCES

Employees and Management Board

At the end of March 2011, 538 people were employed within the Evotec Group (end of December 2010: 519 employees). During the first quarter headcount increased by 19 people to support the growth of Evotec's discovery alliances. The Supervisory Board and Dr Werner Lanthaler have agreed the extension of his service contract as CEO of the Company for a further five years (from 2012 to 2017).

Supervisory Board and scientific advisors

New nominations to the Supervisory Board have been made for election at the forthcoming AGM. Roland Oetker, also one of the key investors of Evotec, was nominated to become Supervisory Board member. Prof Andreas Pinkwart, Dean of Leipzig Graduate School of Management and Professor for innovation management, was also nominated to become Supervisory Board member.
Prof Doug Melton will join Prof William Jenkins as a strategic scientific advisor to the Company. Prof Doug Melton will especially help to guide the efforts of Evotec in the field of Beta-cell technology and diabetes.

Stock-based compensation

In the first quarter of 2011, 1,631,050 options were granted to Evotec employees. No options were exercised. As of 31 March 2011, the total number of granted options available for future exercise amounted to 6,992,293 (approximately 6% of shares in issue). Options have been accounted for under IFRS 2 using the fair value method 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. Of those issued shares, no shares were released in the first quarter of 2011 from this trust, which, by the end of March, had approximately 1,328,624 remaining unreleased Evotec shares.

Directors' Holdings of Evotec AG

Number of shares

	1 Jan 11	Additions	Sales	31 Mar 11
Management Board				
Dr Werner Lanthaler	464,494	0	0	464,494
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	15,513	0	0	15,513
Dr Hubert Birner	27,897	0	0	27,897
Dr Peter Fellner	14,727	0	0	14,727
Mary Tanner	62,192	0	0	62,192
Dr Walter Wenninger	5,419	0	0	5,419

* Dr Cord Dohrmann received his shares in Evotec in part exchange for his share in DeveloGen according to the share purchase agreement signed in July 2010.

Number of share options

	1 Jan 11	Additions	Exercise	31 Mar 11
Management Board				
Dr Werner Lanthaler	900,000	140,000	0	1,040,000
Colin Bond	100,000	140,000	0	240,000
Dr Cord Dohrmann	100,000	140,000	0	240,000
Dr Mario Polywka	755,000	140,000	0	895,000
Supervisory Board				
Dr Flemming Ørnskov	0	0	0	0
Dr Hubert Birner	0	0	0	0
Dr Peter Fellner	0	0	0	0
Mary Tanner	0	0	0	0
Dr Walter Wenninger	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 31 March 2011.

C. RISKS AND OPPORTUNITIES REPORT

The risks and opportunities described in Evotec's 2010 Annual Report on pages 50 to 54 and on page 56 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 QUARTER OF 2011

Effective 18 April 2011, Evotec acquired Kinaxo Biotechnologies GmbH, Munich, a privately held drug discovery alliance company supporting the development of targeted drugs. See also page 18 of this report.

E. BUSINESS ENVIRONMENT

GLOBAL ECONOMY

In the final weeks of 2010 growth in the world economy and the improvement in stock market indices and sentiment looked set to continue. The first quarter 2011 was marked by political shocks in the Middle East & North Africa and a massive earthquake in Japan. In early April, the first ECB interest rate increase since the global financial crisis occured. In Germany, stock market activity was encouraging. In the first quarter 2011 the DAX index, following a mid February correction through mid March, closed the quarter up 1.8% and the German technology index TecDAX gained 9.4%.

HEALTHCARE ENVIRONMENT AND OUTLOOK

During the first quarter 2011, most European life science stock market indices had a challenging time. The progress of these indices had been similar to US indices until the last few weeks of March, when the US markets jumped into life, on the back of M&A and product news. Over 59 companies have clinical Phase III data or regulatory events pending. The build up to the American Society of Clinical Oncology (ASCO) in early June is expected to help drive market sentiment, once again.

The performance of the pharmaceutical industry continues to be affected by a significant imbalance between new product introductions and patent losses. The industry has experienced significant consolidation and M&A activity over the last few quarters and in-licensing deals to attempt to replace the loss of revenues that will arise with key products losing patent exclusivity. Increasingly Pharma's R&D strategies look to outsourced R&D on both a fee-for-service and a collaborative/co-development basis in order to increase efficacy and reduce fixed costs. According to a study from Kalorama Information (June 2010) the global drug discovery market is expected to experience robust growth, exceeding $8 bn in 2010 and reaching $14 bn in 2014.

F. FINANCIAL OUTLOOK

2011 financial guidance confirmed

Evotec confirms financial targets for the fiscal year 2011

All financial targets published on 24 March 2011 in Evotec's 2010 Annual Report (page 56) remain unchanged. In 2011, total Group revenues are expected to grow by more than 15% to € 64 - € 66 m. This assumption is supported by the strong April 2011 order book (includes only achieved milestones) of € 47 m (+57%, 2010: € 30 m), expected new contracts and contract extensions as well as the achievement of certain milestones. Focusing on key programmes especially in the fields of metabolic diseases and regenerative medicine, Evotec expects research & development (R&D) expenses to increase to approximately € 10 m. Even on this basis, Evotec's Group operating result before impairment, if any, is expected to be profitable and improved over 2010.

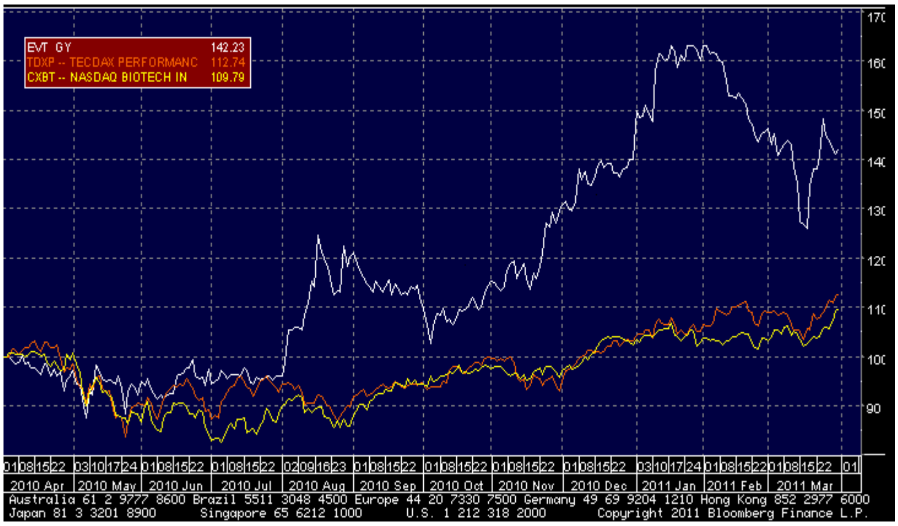
In 2011, Evotec will invest to support its long-term growth aspirations.

More than € 8 m is planned for investment in the long-term upgrading of the Evotec capacities and capabilities. One very visible sign for this strategy will be the move into a new facility in Hamburg: The "Manfred-Eigen-Campus", which will be the center for Evotec's screening and biology operations. These planned investments will increase cash requirements over 2010, although top-line growth in operating activities is expected to significantly reduce the cash requirements compared to the 2010 fiscal year. At constant year-end 2010 currencies, the Company therefore expects to end 2011 with a liquidity of approximately € 65m, excluding any potential cash outflow for M&A or similar transactions.

The statements on **business direction and strategy, expected research and development, business opportunities** and **dividends** continue to be valid as published in Evotec's 2010 Annual Report on pages 55 and 56.

G. SHARE PRICE PERFORMANCE AND FINANCIAL CALENDAR

PERFORMANCE OF EVOTEC SHARES OVER THE PAST TWELVE MONTHS



Evotec shares significantly outperformed the German TecDAX and the NASDAQ biotech index during the past twelve months.

FINANCIAL CALENDER 2011

Q1 2011 Interim Report: 12 May 2011
Annual Stockholders' Meeting 2011: 16 June 2011
Q2 2011 Interim Report: 11 August 2011
Q3 2011 Interim Report: 10 November 2011

II. Consolidated Interim Financial Statements

Evotec AG and Subsidiaries -
Condensed consolidated interim income statement for the period from 1 January to 31 March 2011

in T€ except share and per share data	*Three months ended 31 March 2011*	*Three months ended 31 March 2010*
Revenues	15,106	9,841
Costs of revenue	9,155	6,112
Gross profit	**5,951**	**3,729**
Operating expenses (income)		
Research and development expenses	2,314	1,734
Selling, general and administrative expenses	3,789	3,350
Amortisation of intangible assets	275	129
Other operating income	(1,600)	(910)
Other operating expenses	1,983	900
Total operating expenses	**6,761**	**5,203**
Operating loss	**(810)**	**(1,474)**
Other non-operating income (expense)		
Interest income	53	84
Interest expense	(397)	(101)
Other income from financial assets	-	2
Other expense from financial assets	(22)	(12)
Foreign currency exchange gain (loss), net	741	117
Other non-operating income	181	60
Other non-operating expense	-	(34)
Total non-operating income	**556**	**116**
Loss before taxes	**(254)**	**(1,358)**
Current tax expense	(263)	(52)
Deferred tax income	129	163
Net loss	**(388)**	**(1,247)**
thereof attributable to:		
Shareholders of Evotec AG	(362)	(1,284)
Non-controlling interest	(26)	37
Net loss	**(388)**	**(1,247)**
Weighted average shares outstanding	**114,262,216**	**107,335,773**
Net loss per share (basic and diluted)	**(0.00)**	**(0.01)**

Evotec AG and Subsidiaries -
Consolidated statements of comprehensive income for the period from 1 January to 31 March 2011

in T€	*Three months ended 31 March 2011*	*Three months ended 31 March 2010*
Net loss	**(388)**	**(1,247)**
Other comprehensive income		
Foreign currency translation	(2,557)	2,846
Revaluation of available-for-sale securities	-	17
Other comprehensive income	**(2,557)**	**2,863**
Total comprehensive income (loss)	**(2,945)**	**1,616**
Total comprehensive income (loss) attributable to:		
Shareholders of Evotec AG	(2,919)	1,579
Non-controlling interest	(26)	37
Total comprehensive income (loss)	**(2,945)**	**1,616**

Evotec AG and Subsidiaries -
Consolidated interim statement of financial position as of 31 March 2011

in T€ except share data	*footnote reference*	*as of 31 March 2011*	*as of 31 Dec. 2010*
ASSETS			
Current assets:			
Cash and cash equivalents		39,798	21,091
Investments		25,882	46,303
Trade accounts receivables	6	7,630	11,841
Accounts receivable from related parties	11	11	28
Inventories		2,928	2,819
Current tax receivables		554	569
Other current financial assets	7	3,388	1,142
Prepaid expenses and other current assets		2,719	2,899
Total current assets		**82,910**	**86,692**
Non-current assets:			
Long-term investments		10	10
Property, plant and equipment		17,791	18,487
Intangible assets, excluding goodwill	8	57,092	57,615
Goodwill		25,442	25,979
Other non-current financial assets		3,065	3,076
Total non-current assets		**103,400**	**105,167**
Total assets		**186,310**	**191,859**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current maturities of long-term loans		8,829	8,356
Current portion of finance lease obligations		87	109
Trade accounts payable		7,198	6,980
Advanced payments received		1,039	1,421
Provisions	9	4,349	6,656
Deferred revenues		6,769	7,675
Current tax payables		1,068	773
Other current financial liabilities	10	1,337	225
Other current liabilities		454	607
Total current liabilities		**31,130**	**32,802**
Non-current liabilities:			
Long-term loans		3,000	3,500
Long-term finance lease obligations		17	32
Deferred tax liabilities		6,472	6,660
Deferred revenues		2,926	3,506
Provisions		12,924	12,722
Total non-current liabilities		**25,339**	**26,420**
Stockholders' equity:			
Share capital		115,596	115,596
Additional paid-in capital		659,037	658,888
Accumulated other comprehensive income		(29,236)	(26,679)
Accumulated deficit		(616,006)	(615,644)
Equity attributable to shareholders of Evotec AG		**129,391**	**132,161**
Non-controlling interest		450	476
Total stockholders' equity		**129,841**	**132,637**
Total liabilities and stockholders' equity		**186,310**	**191,859**

Condensed consolidated interim statements of cash flows for the three months ended 31 March 2011

in T€	*Three months ended 31 March 2011*	*Three months ended 31 March 2010*
Cash flows from operating activities:		
Net loss	(388)	(1,284)
Adjustments to reconcile net loss to		
net cash used in operating activities	551	1,127
Change in assets and liabilities	(976)	(5,014)
Net cash used in operating activities	**(813)**	**(5,171)**
Cash flows from investing activities:		
Purchase of current investments	(20,806)	(21,640)
Purchase of property, plant and equipment	(604)	(295)
Proceeds from sale of financial assets	-	72
Proceeds from sale of current investments	40,662	16,555
Net cash provided by (used in) investing activities	**19,252**	**(5,308)**
Cash flows from financing activities:		
Proceeds from option exercise	-	41
Proceeds from sale of own stock	-	11
Proceeds from issuance of loans	194	-
Purchase of own stock	-	(96)
Repayment of loans	(144)	(393)
Net cash provided by (used in) financing activities	**50**	**(437)**
Net increase (decrease) in cash and cash equivalents	**18,489**	**(10,916)**
Exchange rate difference	218	2,830
Cash and cash equivalents at beginning of year	21,091	32,926
Cash and cash equivalents at end of the period	**39,798**	**24,840**

Evotec AG and Subsidiaries -
Consolidated interim statements of changes in stockholders' equity
for the three months ended 31 March 2011

	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 2010	**108,838,715**	**108,839**	**648,417**	**-**	**(34,727)**	**7,249**	**(618,904)**	**110,874**	**613**	**111,487**
Exercised shares from shares in trust	-	-	41	-	-	-	-	41	-	41
Stock option plan	-	-	67	-	-	-	-	67	-	67
Purchase of treasury shares	-	-	-	(96)	-	-	-	(96)	-	(96)
Transfer of treasury shares	-	-	-	85	-	-	-	85	-	85
Sale of treasury shares	-	-	-	11	-	-	-	11	-	11
Total comprehensive income (loss)					**2,846**	**17**	**(1,284)**	**1,579**	**37**	**1,616**
Balance at 31 March 2010	**108,838,715**	**108,839**	**648,525**	**-**	**(31,881)**	**7,266**	**(620,188)**	**112,561**	**650**	**113,211**
Balance at 1 January 2011	**115,595,729**	**115,596**	**658,888**	**-**	**(33,634)**	**6,955**	**(615,644)**	**132,161**	476	**132,637**
Stock option plan	-	-	149	**-**	-	-	-	149	-	149
Total comprehensive income (loss)					**(2,557)**	**-**	**(362)**	**(2,919)**	**(26)**	**(2,945)**
Balance at 31 March 2011	**115,595,729**	**115,596**	**659,037**	**-**	**(36,191)**	**6,955**	**(616,006)**	**129,391**	**450**	**129,841**

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 historical 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 2010. 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 2010.
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 99.4% of the shares in DeveloGen AG, Göttingen (DeveloGen) as of 3 September 2010 and from this date onwards DeveloGen was fully consolidated. Therefore the consolidated interim financial statements for 2010 and 2011 are not fully comparable.

3. BASIS OF ESTIMATION

In the consolidated interim financial statements for the three months ended 31 March 2011, the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2010.

4. SEGMENT INFORMATION

Pursuant to IFRS 8 Evotec does not report segment information (see page 84 of Evotec's 2010 Annual Report).

5. ACQUISITIONS

The Company acquired 99.4% of the shares in DeveloGen AG, Göttingen (DeveloGen), This transaction included a share as well as a potential cash component. The acquisition was effective as of 3 September 2010 with the application for the capital increase at the trade register and the transfer of DeveloGen shares to the Company. In October 2010, Evotec issued 6,750,014 shares to acquire the underlying shares of DeveloGen. From those shares, 2,773,676 shares were held in escrow. They are held in trust for the sellers and Evotec

as joint trustee. 1,398,678 Escrow shares were released in April 2011 from this escrow to the sellers, following the signing of the beta cell agreement by DeveloGen. The remaining 1,374,998 shares held in escrow are subject to certain representations.
The purchase price of T€ 31,385 comprises the fair value of the shares issued for common stock of € 2.45 per share which was based on the stock price of Evotec at the date of acquisition as well as the fair values determined for the potential performance-related deferred payments (earn-out). The earn out in the amount of T€ 14,847 as contingent consideration was calculated based on estimated future revenues as of the date of acquisition with a discount rate of 8.0%. The underlying estimated revenues were calculated in the same manner like the fair values of the acquired assets. According to IFRS 3 and due to the preliminary assessment of certain tax issues the initial accounting for the acquisition of DeveloGen is provisional with regard to purchase price allocation and therefore may be subject to changes.
The net income of Evotec for the three months ended 31 March 2011 included a net loss of T€ 34 from DeveloGen as well as revenues of T€ 1,350.

The following unaudited pro forma information is based on the assumption that the acquisition of DeveloGen occurred as of 1 January 2010:

	Three months ended 31 March 2010 T€
Pro-forma revenues	10,388
Pro-forma net loss	(1,444)
Pro-forma basic and diluted loss per share	(0.01)

6. TRADE ACCOUNTS RECEIVABLE

The trade accounts receivable primarily decreased from 31 December 2010 to 31 March 2011 due to the upfront payment from MedImmune in the amount of T€ 5,000 which was received in the first three months of 2011.

7. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of 31 March 2011 consist primarily of accrued revenues and accrued income in the amount of T€ 2,739 (31 December 2010: T€ 974).

8. INTANGIBLE ASSETS

In the first quarter of 2011 the upfront payment from MedImmune was received which was included in the net present value model of the developed technology from the acquisition of DeveloGen. Based on this received payment the Company reviewed the relating developed technologies for impairment and concluded that no impairment has to be recorded in the first three months of 2011.
In the first quarter of 2011 the clinical development of the EVT 100 compound family showed some delay which made the Company review the related developed technologies for impairment. Even with this delay, the Phase II data is currently still expected for 2012. As a result, the Company concluded that no impairment was deemed

necessary.

9. PROVISIONS

The provisions as of 31 March 2011 in comparison to 31 December 2010 mainly decreased due to the payments for bonuses and payments relating to the earn out from the DeveloGen acquisition in the first quarter 2011.

10. OTHER CURRENT FINANCIAL LIABILITIES

The increase in the other current financial liabilities mainly relate to the increased wage tax and social security relating to bonus payments in March 2011.

11. TRANSACTIONS WITH RELATED PARTIES

Except for the granted options to Management Board members described under Directors Holdings in this report on page 8 as well as the transactions described in the 2010 Annual Report on page 87, no other material transactions with related parties have been entered into in the first three months of 2011.

12. SUBSEQUENT EVENTS

Effective 18 April 2011, Evotec acquired Kinaxo Biotechnologies GmbH, Munich, a privately held drug discovery alliance company supporting the development of targeted drugs. The purchase price consists of a cash consideration of T€ 3,000 and 2,597,400 shares from authorised capital. All Evotec shares which are going to be issued are subject to certain lock-up provisions. In addition an earn out component of up to T€ 4,000 in cash will become due if certain performance-based milestones are reached. Parts of the shares will be held in escrow and their release is subject to certain company events and representations.

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.