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'RESEARCH NEVER STOPS'

info@evotec.com | www.evotec.com

For further information,  
please contact

**Gabriele Hansen**  
Head of Corporate Communications  
+49.(0)40.560 81-255  
+49.(0)40.560 81-222 Fax  
gabriele.hansen@evotec.com

Evotec AG  
Manfred Eigen Campus  
Essener Bogen 7  
22419 Hamburg (Germany)

## Evotec FY 2013: Execute on Innovate to create value

**Hamburg, Germany – 25 March 2014:** Evotec AG (Prime Standard Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today announced its financial results for the fiscal year ended 31 December 2013, which are in line with the revised expectations communicated in the fourth quarter 2013.

### Strongest liquidity position in 20-year history

- Revenues € 85.9 m a slight decrease of 2%, at constant 2012 foreign exchange rate +0.5% to € 87.7 m
- Operating result before impairments and contingent considerations positive at € 1.2 m; Group EBITDA +37% to € 12.9 m
- Significant impairments in 2013 led to operating loss of € 21.4 m and net loss of € 25.4 m
- Operating cash flow continued to be positive at € 6.7 m (2012: € 12.0 m)
- Strongest liquidity position of € 96.1 m in Company's history

### Good progress in both business segments achieved

- New alliances and extended collaborations announced in 2013 with Active Biotech, Dow AgroSciences, Genentech, the Jain Foundation and the Leukemia & Lymphoma Society strengthened customer and revenue base and improved foundation for future growth
- Five milestones achieved in its long-standing collaboration with Boehringer Ingelheim and also received first two milestones in its integrated drug discovery collaboration with UCB
- New facility for compound management services in Branford, US won first client and signed a five-year compound management services agreement
- Cure X and Target X strategy broadened with Apeiron (Target*ImmuniT*), Dana Farber's Belfer Institute (Target*KDM*), Harvard University with Target*EEM*, Cure*MN* and Target*PGB* as well as Johnson & Johnson (Target*AD*) and Yale University (Target*DBR*)
- New integrated alliance in the field of kidney diseases with Astra Zeneca

### Product development opportunities: Significant upside without financial risk

- DiaPep277<sup>®</sup>, positive Phase III results confirmed, data of second pivotal trial expected end of 2014
- Read-out of large Phase IIb trial with EVT302 in Alzheimer's disease expected in 2015
- Broad long-term pipeline of over 50 drug discovery programmes

### Accelerate innovation strategy through acquisitions

Acquisition of Bionamics and appointment of Dr Timm Jessen as Executive Vice President Business Development EVT Innovate to accelerate Evotec's growth in the EVT Innovate Segment (after period-end)

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## **Segment reporting from January 2014 onwards – Execute on Innovate**

From 01 January 2014 onwards, the Company operates and manages and reports the business under two segments, EVT Execute and EVT Innovate.

### **Guidance 2014**

- High single-digit percentage growth in revenue excluding milestones, upfronts and licences
- R&D expenditure is expected to be in the range of € 10 m to € 14 m
- Positive EBITDA before changes in contingent considerations expected at a similar level to 2013
- Liquidity is expected to exceed € 90 m at the end of 2014

### **1. Operational performance**

#### ***Slight increase in underlying revenues at constant foreign exchange rates***

Evotec Group revenues amounted to € 85.9 m, a slight decrease of 2% compared to the same period of the previous year (2012: € 87.3 m). This decrease primarily resulted from lower revenues from upfront payments in the financial year 2013. At constant 2012 foreign exchange rates, 2013 revenues would have amounted to € 87.7 m, primarily due to the Euro being significantly stronger versus the US dollar in 2013.

The total amount of milestone, upfront and licence revenues recognised in Evotec's partnerships was € 16.5 m and decreased in comparison with prior year (€ 20.7 m). This was mainly due to higher revenues from upfront payments in 2012 from Janssen for the EVT100 series as part of the licence agreement for the treatment of depression and from MedImmune for EVT770 for the treatment of diabetes. Excluding milestones, upfronts and licences, Evotec's revenues for the year 2013 would have increased by 4% to € 69.4 m (2012: € 66.6 m). Despite the decrease of milestones, upfronts and licence revenues the gross margin increased by 0.7% points to 36.3% in comparison with the previous year (2012: 35.6%). This mainly resulted from efficiency improvements, higher capacity utilisation and increased productivity.

Evotec's operating loss for 2013 amounted to € 21.4 m (2012: € 3.2 m), which was primarily due to impairments of intangible assets in the amount of € 22.0 m. The impairments were mainly taken against the EVT100 series. The operating result before impairment and changes in contingent consideration was positive at € 1.2 m and on a similar level to 2012 (€ 1.4 m). In addition restructuring expenses amounted to € 0.5 m, mainly due to retention and severance expenses resulting from the wind-down decision regarding Evotec (India) Private Ltd. Net loss amounted to € 25.4 m in 2013 (2012: net income of € 2.5 m). In 2012, Evotec incurred a deferred tax income of € 8.3 m which had a positive effect on the net result. The Group EBITDA amounted to € 12.9 m in 2013 and improved by 37% over last year (2012: € 9.4 m).

R&D expenditure increased as planned to € 9.7 m (2012: € 8.3 m). This increase is primarily due to increased investments in Cure X and Target X initiatives.

In 2013, selling, general and administrative ("SG&A") expenses of the Group slightly increased by 2% to € 16.6 m (2012: € 16.3 m). This was primarily due to the higher cost base following the acquisition of CCS and a slight increase in personnel-related costs.

Evotec ended 2013 with a strong liquidity position of € 96.1 m (2012:

€ 64.2 m), which is composed of cash and cash equivalents (€ 45.6 m) and of investments (€ 50.5 m). Due to the € 30.1 m capital increase against cash contribution from its authorised capital by issuing 11,818,613 new shares to the Biotechnology Value Fund, L.P. and other affiliates of the US biotech specialist investment firm BVF Partners and € 6.7 m cash provided by operating activities, liquidity in 2013 improved by € 31.9 m despite capital expenditure of € 5.2 m (2012: € 8.2 m) as well as acquisition costs and earn-out payments.

### Key figures of consolidated income statement Evotec AG and subsidiaries

In T€

	2013	2012	Change in %
Revenues	85,938	87,265	(2)
Gross margin in %	36.3	35.6	
R&D expenses	(9,664)	(8,340)	16
SG&A expenses	(16,597)	(16,301)	2
Amortisation of intangible assets	(3,222)	(2,768)	16
Impairment of intangible assets	(22,023)	(3,505)	
Impairment of goodwill	(1,948)	-	
Impairment of property, plant and equipment	(1,076)	-	
Restructuring expenses	(474)	-	
Other operating income and expenses, net	(2,430)	3,311	
Operating income (expense)	(21,351)	(3,202)	
Adjusted operating income*	1,229	1,401	
Net income	(25,433)	2,478	

\* Operating result excl. impairments and reversal of impairments and changes in contingent consideration

## 2. Evotec Action Plan 2016 – Execute on Innovate to create value

### Update on discovery alliances, development partnerships and status of clinical and pre-clinical programmes

#### EVT Execute – Important new and extended collaborations

In 2013, new alliances and extended collaborations were announced with Active Biotech, Dow AgroSciences, Genentech, the Jain Foundation and the Leukemia & Lymphoma Society which strengthened customer and revenue base and improved the foundation for future growth.

Five milestones were achieved within the alliance with Boehringer Ingelheim and the first two milestones with UCB.

Furthermore, in the second quarter of 2013 Evotec signed a multi-year lease on a facility located in Branford, Connecticut, that is specifically designed to expand the offering of its compound management services on the US East Coast. This new site became operational in the third quarter of 2013 and has begun servicing a five-year contract with a client.

In October Evotec closed its Chemistry Operations in Thane, India. All chemistry efforts are now undertaken at its Abingdon (UK) facility, answering to an increasing requirement to operate closer to the principal R&D laboratories of its major customers.

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## **EVT Innovate – Key clinical read-outs ahead and Target X/Cure X initiative to fuel the project pipeline**

### **Evotec's clinical programmes are exclusively developed in partnerships with pharmaceutical companies who fund the development**

The first Phase III trial on DiaPep277<sup>®</sup> demonstrated the achievement of both its primary and secondary endpoints. Moreover, DiaPep277<sup>®</sup> continues to be well tolerated and is demonstrating a good safety profile in the completed and ongoing Phase III clinical trials in type 1 diabetes patients as well as in extension studies as announced by Andromeda. Results of a second pivotal trial are expected towards the end of 2014.

Roche started a Phase IIb trial with EVT302 at the end of 2012 aiming at recruiting 495 patients in more than 140 centres worldwide to assess the efficacy and safety of this compound in patients with moderate severity Alzheimer's disease (AD). This clinical trial is one of the very few late-stage trials in this AD patient population. Results are expected in 2015.

In December 2012, Evotec entered into a licence agreement with Janssen for its NR2B subtype selective NMDA-antagonist portfolio for development against diseases in the field of depression. In December 2013, Evotec announced that certain pre-clinical studies performed by Janssen did not confirm certain properties of the antagonist and did not justify the planned immediate development of the compound and therefore did not trigger a significant milestone payment to Evotec. The project is currently under evaluation at Janssen.

### **Targeting innovation efficiency through Cure X/Target X strategy**

In the course of 2013, Evotec made a serious effort to broaden its Cure X and Target X strategy with Apeiron (Target*ImmuniT*), Dana Farber's Belfer Institute (Target*KDM*) and Yale University (Target*DBR*) to discover and develop novel cancer treatments. Three initiatives with Harvard University such as Target*EEM* to identify novel enteroendocrine mechanisms that have disease-modifying potential in diabetic patients, Cure*MN* to identify compounds that prevent or slow down the loss of motor neurons and Target*PGB* to discover and develop novel anti-bacterial agents.

In October 2013, Evotec signed an agreement with AstraZeneca in the field of kidney diseases. The focus of this alliance is to explore compounds and targets with novel mechanisms that have disease-modifying potential for the treatment of chronic kidney diseases. The agreement triggered an undisclosed upfront payment as well as pre-clinical, clinical and regulatory milestones. Evotec is also eligible for additional milestone and royalty payments related to commercialisation. Evotec receives research funding for work that is conducted in collaboration with AstraZeneca.

Furthermore in November 2013, Evotec announced its Target*AD* collaboration with the Johnson & Johnson Innovation Center in California to identify new targets for Alzheimer's disease drug discovery and development. Janssen have the opportunity to internalise selected targets and therapeutic candidates from the Target*AD* database and progress them into pre-clinical and clinical development. Janssen will reimburse up to \$ 10 m in FTE-based research costs and make pre-clinical, clinical, regulatory and commercial payments up to a maximum of between approximately \$ 125 m to \$ 145 m per programme upon achieving agreed-upon milestones. In addition, Evotec will receive royalties on future sales of any products that may result from the alliance.

### **3. Accelerate innovation strategy through acquisitions**

In March 2014, Evotec announced the acquisition of the German-based

company Bionamics GmbH, an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry. The transaction comprises the acquisition of all shares of Bionamics against cash and future milestone payments. Next to an experienced management team, Bionamics brings a portfolio of attractive and fully funded projects as well as a participation in potential upside of certain projects to Evotec. To further enhance Evotec's expertise in translating early research into Pharma partnerships Evotec has appointed Dr Timm Jessen as Executive Vice President Business Development EVT Innovate.

#### ***4. Segment reporting from January 2014 onwards – Execute on Innovate***

Evotec will manage its drug discovery activities under the business segments **EVT Execute** and **EVT Innovate** from January 2014 onwards. EVT Execute represents all partnerships in which the partner brings the underlying target to the table. EVT Innovate comprises all partnerships derived from Evotec's internal research. All long-term, integrated partnerships will be allocated to EVT Execute whereas all innovative, early-stage drug discovery projects, the so-called Cure X and Target X initiatives, as well as the advanced drug candidates will be allocated to EVT Innovate.

#### ***5. Guidance 2014***

Evotec pursues a business model in which revenues and operating profitability are highly dependent on the achievement and timing of milestones.

In 2014, total Group revenues excluding milestones, upfronts and licences are expected to see high single-digit percentage growth. This assumption is based on the current order book, expected new contracts and contract extensions.

Evotec expects research and development (R&D) expenses in 2014 to increase above the levels of 2013. This is primarily due to additional investments in the strategic Cure X/Target X franchise. In total, R&D expenditure is expected to be in the range of € 10 m to € 14 m in 2014.

In 2014, Evotec will continue to invest in its technology platforms and capacities in order to drive its long-term growth strategy. It is therefore planned that € 5 m to € 7 m will be invested in further capacity increases and the upgrade of Evotec's technological capabilities.

Evotec's Group EBITDA before changes in contingent considerations is expected to be positive and at a similar level to 2013. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation of intangibles. EBITDA excludes impairments on intangible and tangible assets as well as the total non-operating result. EBITDA is disclosed from 2014 onwards and replaces the adjusted operating result as the key performance indicator for productivity. The reason for this change is that EBITDA better facilitates comparisons between companies and industries by eliminating the effects of financing (i.e. interest) and capital investments (i.e. depreciation and amortisation).

In 2014, top-line growth is expected to generate a positive operating cash flow at a similar level to 2013 and liquidity is expected to exceed € 90 m at 31 December 2014. This forecast excludes any potential cash outflow for M&A or similar transactions.

The Company's mid-term financial plan does not envisage the need for any

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additional external financing for Evotec's operating business. However, all strategically desirable moves such as potential company or product acquisitions will need to be considered separately.

### **Webcast/Conference Call**

Evotec is going to hold a conference call to discuss the results as well as to provide an update on its performance. Furthermore, the Management Board will present an outlook for fiscal year 2014. The conference will be held in English.

### **Conference call details**

Date: **Tuesday, 25 March 2014**

Time: **09.30 am CET (08.30 am GMT/04.30 am EDT)**

From Germany: +49 (0) 69 2017 44 210

From UK: +44 20 7153 9154

From USA: +1 877 423 0830

Access Code: 129176#

A simultaneous slide presentation for participants dialling in *via phone* is available at <http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=2182>, password: evotec0314.

### **Webcast details**

To join the *audio webcast* and to access the *presentation slides* you will find a link on our home page [www.evotec.com](http://www.evotec.com) shortly before the event.

A replay of the conference call will be available for 24 hours and can be accessed in Europe by dialling +49 69 2017 44 221 (Germany) or +44 20 3364 5200 (UK) and in the US by dialling +1 855 839 8920. The access code is 350788#. The on-demand version of the webcast will be available on our website:

<http://www.evotec.com/article/en/Investors/Finance/Financial-Reports-2012-2014/188/6/26>

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### **ABOUT EVOTEC AG**

Evotec is a drug discovery alliance and development partnership company focused on rapidly progressing innovative product approaches with leading pharmaceutical and biotechnology companies. We operate worldwide providing the highest quality stand-alone and integrated drug discovery solutions, covering all activities from target-to-clinic. The Company has established a unique position by assembling top-class scientific experts and integrating state-of-the-art technologies as well as substantial experience and expertise in key therapeutic areas including neuroscience, pain, metabolic diseases as well as oncology and inflammation. Evotec has long-term discovery alliances with partners including Bayer, Boehringer Ingelheim, CHDI, Genentech, Janssen Pharmaceuticals, MedImmune/AstraZeneca and Ono Pharmaceutical. In addition, the Company has existing development partnerships and product candidates both in clinical and pre-clinical development. These include partnerships with Boehringer Ingelheim, MedImmune and Andromeda in the field of diabetes, with Janssen Pharmaceuticals in the field of depression and with Roche in the field of Alzheimer's disease. For additional information please go to [www.evotec.com](http://www.evotec.com).

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**FORWARD LOOKING STATEMENTS** — *Information set forth in this press release 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*

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*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.*