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'RESEARCH NEVER STOPS'

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## Evotec AG reports results of first quarter 2014

- **CONTINUING TO ACCELERATE INNOVATION EFFICIENCY STRATEGY IN NEWLY SEGMENTED BUSINESS FORMATION**

**Hamburg, Germany – 14 May 2014:** Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today reported financial results and corporate updates for the first quarter of 2014.

**Revenues increased in the first quarter of 2014 by 3% compared to the first quarter of 2013; solid revenues within EVT Execute, clear investment strategy within EVT Innovate**

- Group revenues +3% to € 17.6 m (2013: € 17.1 m); up 5% at constant 2013 foreign exchange rates, even without significant milestones in Q1
- Group EBITDA before contingent considerations at € (1.3) m; positive EBITDA before contingent considerations of € 2.3 m for EVT Execute
- Strong liquidity position at € 90.3 m
- High and stable equity ratio at 71.0%

**Several new alliances confirm growth strategy**

- Pain alliance with Convergence
- Innovative partnership with Debiopharm™ to develop cancer treatment (Target*CanMet*) (after period-end)
- First milestone in Roche biomarker collaboration achieved

**Product pipeline – Good progress within product development partnerships**

- Recruitment for significant Phase IIb trial within Roche alliance (EVT302) in Alzheimer's disease completed in Q1 2014
- Janssen has made the decision to continue to develop the EVT100 series in the field of depression
- US biopharmaceutical company Hyperion Therapeutics agreed to buy Andromeda Biotech, the owner of DiaPep277®; no changes to Evotec commercial rights
- Beta cell regeneration programme will be phased out by Janssen; CureBeta, the alliance between Harvard and Evotec, will remain (after period-end)

**Enhancing innovation offering through acquisition**

- Acquisition of Bionamics GmbH to accelerate EVT Innovate strategy (effective after period-end)

**Financial guidance for 2014 confirmed**

- High single-digit percentage growth in Group revenues excluding milestones, upfronts and licences
- R&D expenditure is expected to be in the range of € 10 m to € 14 m

- Group EBITDA before changes in contingent considerations expected to be positive and at a similar level to 2013
- Liquidity is expected to exceed € 90 m at the end of 2014
- Positive operating cash flow at a similar level to 2013

### 1. Operational performance

#### Revenues increased in the first quarter of 2014 by 3% compared to the first quarter of 2013; solid revenues within EVT Execute, clear investment strategy in EVT Innovate

Evotec Group revenues for the first three months of 2014 increased by 3% to € 17.6 m (2013: € 17.1 m). At constant 2013 foreign exchange rates, revenues for the first three months of 2014 would have amounted to € 18.0 m, up 5% compared to the same period of the previous year, primarily due to the Euro being significantly stronger versus the US dollar in the first quarter of 2013. Growth was driven by an increase in revenues within the Company's existing drug discovery alliances and new collaborations. Group EBITDA before changes in contingent consideration for the first quarter of 2014 amounted to € (1.3) m (first three months of 2013: € (0.4) m). As often stated, the EBITDA of Evotec may vary significantly between quarters as a result of the timing of performance-based milestone payments and partnering events.

Revenues from the EVT Execute segment amounted to € 19.2 m in the first quarter of 2014. The EVT Innovate segment generated revenues in the amount of € 2.5 m. Gross margin in EVT Execute amounted to 23.5% while EVT Innovate generated a gross margin of 27.2%. R&D expenses in the first quarter 2014 amounted to € 0.3 m for the EVT Execute segment. The EVT Innovate segment reported R&D expenses in the amount of € 3.2 m.

Overall, the Company is on track to achieve a positive EBITDA (before changes in contingent consideration, if any) at the end of 2014. Liquidity including cash, cash equivalents and investments at the end of March 2014 remained strong at € 90.3 m.

#### Segment information Q1 2014

In T€

	EVT Execute	EVT Innovate	Evotec Group
Revenues	19,175	2,469	17,611
Gross margin in %	23.5	27.2	26.2
Research and development expenses	(297)	(3,244)	(2,972)
Selling, general and administrative expenses	(3,299)	(1,057)	(4,356)
Amortisation of intangible assets	(665)	(95)	(760)
Other operating income	440	12	452
Other operating expenses	(459)	-	(459)
<b>Operating income (expense)</b>	<b>231</b>	<b>(3,713)</b>	<b>(3,482)</b>
<b>EBITDA before contingent considerations</b>	<b>2,261</b>	<b>(3,569)</b>	<b>(1,308)</b>

## **2. Several new alliances confirm growth strategy**

*Evotec has been managing its drug discovery activities under the business segments **EVT Execute** and **EVT Innovate** since 01 January 2014. EVT Execute represents all partnerships in which the partner brings the underlying target to the collaboration. EVT Innovate comprises all partnerships derived from Evotec's internal research. Further information on the new segments EVT Execute and EVT Innovate can be found in the "Corporate objectives and strategy" section on page 26 of Evotec's Annual Report 2013.*

### **Pain alliance with Convergence**

In March 2014, Evotec announced a research alliance with Panion Ltd, a subsidiary of Convergence Pharmaceuticals Holdings Ltd. Convergence is a UK company which focuses on the development of novel, high-value analgesics to treat chronic pain. Panion Ltd was awarded a £ 2.4 m Technology Strategy Board Biomedical Catalyst Early Stage Round 2 grant to discover and develop compounds against a novel GPCR pain target. Evotec is responsible for undertaking key drug discovery activities and will work closely with the Convergence team in identifying pre-clinical candidates over the next three years. Subsequently, and upon meeting certain pre-clinical milestones, Convergence and Evotec will jointly progress the assets further into the clinic or via partnering.

### **Innovative partnership with Debiopharm™ to develop cancer treatment (TargetCanMet) (after period-end)**

In April 2014, Evotec entered into a research collaboration and licensing deal with Debiopharm Group™ Lausanne, Switzerland. The objective of the collaboration is to identify and develop novel compounds with the potential to treat multiple forms of solid tumours and leukaemias with defined genetic alterations. Discovery and pre-clinical development efforts are driven by Evotec, whilst Debiopharm will manage subsequent clinical development. Evotec receives milestone payments triggered by clinical, regulatory and commercial milestones in the high double-digit range, plus royalties on sales of resulting commercial products. This TargetCanMet (*Cancer Metabolism*) programme is based on Evotec's drug discovery efforts to investigate genetically altered targets whose 'driver' role in several cancer types has been validated and on the shared objective of identifying novel therapeutic agents in a variety of cancers, including AML (Acute Myeloid Leukaemia), prostate cancer and glioblastoma.

### **First milestone in Roche biomarker collaboration achieved**

In the first quarter of 2014, Evotec achieved a minor milestone on the decision by Roche to use a response prediction marker, identified using Evotec's Proteome Profiling platform, in an extended Phase I oncology trial. This is the first milestone achieved under the collaboration and licence agreement between Roche and Evotec signed in 2011, which is part of the *m<sup>4</sup> Munich Biotech Cluster Personalized Medicine and Targeted Therapies* initiative funded by the German Federal Ministry of Education and Research. Under the initial three-year term, Evotec and Roche have conducted biomarker discovery and validation programmes for patient stratification in targeted cancer therapy. Evotec is eligible for further success-based payments upon clinical companion diagnostics development.

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### **3. Product pipeline – Good progress within product development partnerships**

#### **Recruitment for significant Phase IIb trial within Roche alliance (EVT302) in Alzheimer's disease completed in Q1 2014**

At the end of 2012, Roche started a Phase IIb trial with EVT302 aimed 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). The patient recruitment was completed in the first quarter of 2014; results are expected in 2015. This clinical trial is one of the very few late-stage small molecule trials in this specific AD patient population.

#### **Janssen has made the decision to continue to develop the EVT100 series in the field of depression**

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 further development of the project was evaluated by Janssen. In March 2014, Janssen informed Evotec that it will resume development of the programme. Further details remain undisclosed.

#### **US biopharmaceutical company Hyperion Therapeutics agreed to buy Andromeda Biotech, the owner of DiaPep277®; no changes to Evotec commercial rights**

The first Phase III trial on DiaPep277® demonstrated the achievement of both its primary and secondary endpoints. Results of a second pivotal trial are expected towards the end of 2014/beginning 2015. Evotec holds certain royalty and milestone rights on DiaPep277®. At the end of April 2014, Andromeda Biotech Ltd. was acquired by Hyperion Therapeutics, Inc., from Clal Biotechnology Industries. Hyperion disclosed that at the closing, expected in H1 2014, Hyperion will pay \$ 12.5 m in cash and 313,000 shares of Hyperion stock. Contingent on the continued development of DiaPep277®, Hyperion will make milestone payments totalling \$ 120 m. Once the drug achieves annual global sales of \$ 450 m, Hyperion will also pay up to \$ 430 m to Andromeda in commercial milestones. It will also pay as much as 17% in contingent sales for annual worldwide sales above \$ 1.2 bn.

#### **Beta cell regeneration programme will be phased out by Janssen; CureBeta, the alliance between Harvard and Evotec, will remain (after period-end)**

Janssen Pharmaceuticals will phase out one partnership with focus on beta cell regeneration in 2014. CureBeta, the alliance between Harvard and Evotec, will remain. Evotec and Harvard will continue to invest into this alliance.

### **4. Enhancing innovation offering through acquisition**

#### **Acquisition of Bionamics GmbH to accelerate EVT Innovate strategy (effective after period-end)**

Signed in March 2014 and effective 01 April 2014, Evotec has entered into an agreement to acquire 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 in Bionamics against cash and future earn-out payments. In addition to

an experienced management team, Bionamics brings a portfolio of attractive and fully funded projects that give potential upside to Evotec.

### **5. Financial guidance for 2014 confirmed**

All of the financial targets published on 25 March 2014 in Evotec's Annual Report 2013 (page 69) remain unchanged.

In 2014, total Group revenues excluding milestones, upfronts and licences are expected to see high single-digit percentage growth.

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 and 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 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**

The Company is going to hold a conference call to discuss the results as well as to provide an update on its performance. The conference will be held in English.

#### **Conference call details**

Date:	<b>Wednesday, 14 May 2014</b>
Time:	<b>09.30 am CEST (08.30 am BST, 3.30 am EST)</b>
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/> password: evotec0514.

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### 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/Investoren/Finanzberichte-2012-2014/238/6>.

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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, Roche and UCB. 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 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.*