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Evotec Reports Full-Year 2010 Results: A good year with a strong start into 2011

Hamburg, Germany – 24 March 2011: Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX) today reported financial results and corporate updates for the year ended 31 December 2010.

- **STRONG 2010 RESULTS DRIVEN BY DRUG DISCOVERY ALLIANCES AND MILESTONES; ALL FINANCIAL TARGETS EXCEEDED**
  - First time profitable in 18 year history: operating profit of € 1.7m (+104%), net result of € 3.0m (+107%)
  - Top-line revenue growth of +29% to € 55.3m, gross margin of 44.1%
  - Strong and stable liquidity position of € 70m despite acquisition
- **STRONG PORTFOLIO OF PERFORMANCE BASED DRUG DISCOVERY ALLIANCES: SOLID BASIS FOR GROWTH**
  - Multiple new alliances and contract extensions
  - Significant licensing deal with MedImmune/AstraZeneca in metabolic diseases
- **GOOD PROGRESS IN DEVELOPMENT PARTNERSHIPS: SIGNIFICANT UPSIDE WITHOUT DEVELOPMENT RISK**
  - Evotec's clinical programmes exclusively developed in partnerships; e.g. Phase II study ongoing with Roche in treatment resistant depression, Phase III ongoing with Teva in diabetes
- **SUCCESSFUL ACQUISITIONS OF DEVELOGEN AND KINAXO FOSTER INNOVATION POWER**
  - Acquisition of Kinaxo opens path into oncology (after period end)
  - Acquisition of DeveloGen represents Best-in-class approach for beta cell regeneration and unique position in regenerative medicine
  - Harvard collaboration to expand leadership in beta cell technology (after period end)
- **GUIDANCE 2011 – ACCELERATED PATH TO GROWTH AND SUSTAINABILITY**
  - Continued revenue growth of > 15% supported by strongest ever order book (€ 40m, +43% vs. 2010)
  - Improved operating result (before potential impairment)
  - Liquidity of more than € 65m despite significant investment programme and strong commitment to R&D platform technologies

1. Operational performance

Revenue growth of 29%, significantly improved operating result, first time profitable in Company history, strategic liquidity position stable at € 70m despite acquisition

With the Evotec 2012 Action Plan slightly ahead of plan, Evotec ended

the year with a very good financial performance and also slightly exceeded the raised guidance from August 2010. The Company delivered on all financial targets. Evotec Group revenues amounted to € 55.3m, 29% above last year's level (2009: € 42.7m). This increase was due to a strong performance of the Company's discovery alliances, significant milestone achievements, stable license and upfront income, and additional revenues from the acquisition of DeveloGen (€ 0.8m). The achievement of four milestones from Boehringer Ingelheim in 2010, amounting to € 9.0m (2009: € 4.0m), highlights the continued solid progress that was made in several research programmes with this partner. Due to these milestone achievements the gross margin for the Group increased by 0.9%-points to 44.1% (2009: 43.2%).

Based on this strong top-line performance and a tightly managed cost base (unpartnered R&D expenses –71%, SG&A cost -4%), Evotec recorded its first ever full year operating profit of € 1.7m (+104%) compared to an operating loss of € 42.3m in 2009. The operating loss in 2009 included impairments and restructuring charges of € 22.7m, while no impairment or restructuring charges were recorded in 2010.

Unpartnered R&D expenditure decreased as planned to € 6.1m (2009: € 20.9m). This reduction is mainly a consequence of focusing R&D spending on fewer core programmes, reducing the number of unfunded research and development projects and increased funding from partners. Evotec signed important development partnerships to externally fund a number of its core assets which are not reflected in the reported R&D expenses (see below Progress in development partnerships). The decrease in R&D now also reflects the full-year impact of the decision that was taken in May 2009 to close the former Renovis site in the US.

Despite successful acquisition processes Evotec ended 2010 with a liquidity of € 70.4m (2009: € 70.6m) which is composed of cash and cash equivalents (€ 21.1m) and of investments (€ 49.3m) and thereby well above its liquidity target of > EUR 64 m.

Evotec reported a strong Q4 results with 21% improvement in revenues of € 16.4m (2009: € 13.5m) and a positive operating result of € 0.7m (compared to € 9.4m loss in Q4 2009).

2. Update on discovery alliances

Evotec's strategy is to build sustainable, performance-based drug discovery alliances. Consequently, Evotec focuses on high value, revenue generating partnerships with pharmaceutical and biotechnology companies.

The Company is working with more than 70 partners on a global scale. In 2010, new and extended collaborations were announced with Active Biotech, Almirall, Apeiron Biologics, Cardioxyl, CHDI, Cubist Pharmaceuticals, Genentech, MedImmune, Merck KGaA, Shionogi and Vifor Pharma (in alphabetical order). With these deals the Company further strengthened its customer and revenue base and improved the foundation for future growth.

Equally important as the number of new collaborations and contract extensions is the further strategic development of Evotec's existing core alliances. The Company aims to develop its large strategic alliances and deliver innovation as the core of all its partnering activities. Evotec, with its broad and fully integrated drug discovery process, is uniquely positioned to execute a comprehensive outsourcing strategy in which the Company intends to employ increasing parts of its capacity for results-based deals, with the goal of keeping a share of the value created. In 2010, revenues in Evotec's TOP 10 alliances grew by 34%.

3. Progress in development partnerships

In addition to its revenue generating discovery alliances Evotec focuses on signing development partnerships to externally fund a number of assets approaching the clinic. Such partnerships allow Evotec to de-risk its exposure but keep some portion of the upside clinical assets.

Evotec's clinical programmes are exclusively developed in partnerships with pharmaceutical companies who fund the development. Good progress has been achieved during the year, and the number of compounds in clinical trials increased compared to 2009. In 2010, Evotec's insomnia drug candidate EVT 201 was partnered with Jingxin Pharma for development and marketing in China. One compound to treat neuropathic pain progressed into the clinic within Evotec's collaboration with Boehringer Ingelheim. Evotec acquired the ongoing Phase III diabetes candidate Diapep277 partnered with Andromeda/Teva through its acquisition of DeveloGen. EVT 501, Evotec's drug candidate to treat conditions such as narcolepsy and cognitive impairment is prepared for its clinical start. For this compound Evotec receives external funding from the BMBF that helps the Company to advance the programme through Phase I studies.

For EVT 101, the lead compound of the EVT 100 family, Evotec received approval from the FDA to initiate a Phase II proof-of-concept study in treatment-resistant depression in March 2010. Patient recruitment started in mid 2010 and is expected to be completed in 2011. Data of the study are expected in 2012.

As a consequence of executing on this strategy, the Company's clinical development expenses decreased significantly over the past two years and the majority of the Company's reported R&D expenses are spent on selected early discovery projects.

4. Acquisitions and partnerships opening new routes of growth and innovation

Evotec also increasingly invests in developing early assets in highly innovative areas of drug discovery such as regenerative medicine (e.g. beta cell regeneration) and technologies to better understand oncology or metabolic diseases to support further growth. To this end the Company has executed two strategic acquisition processes in 2010 to kick-start novel innovative approaches in drug discovery.

In July 2010, Evotec acquired DeveloGen, a biopharmaceutical company engaged in the discovery of novel therapeutic approaches for the treatment of metabolic and endocrine disorders. The transaction added expertise and early discovery assets in two key fields of high unmet medical needs, especially diabetes and metabolic disorders, and additionally opened the field of regenerative medicine - a key strategic step for Evotec in 2010.

The acquisition also augmented and complemented Evotec's high-end drug discovery platform and capability with DeveloGen's target discovery, validation and *in vivo*/*in vitro* pharmacology expertise and added core disease biology know-how in metabolic diseases. These skills further enhance Evotec's ability to deliver high quality, innovative solutions to its partners on a global scale.

In December 2010, Evotec entered into a license and collaboration agreement with MedImmune Ltd, a wholly owned subsidiary of AstraZeneca, in the field of diabetes with a particular focus on the regeneration of insulin producing beta cells. The license gives MedImmune exclusive access to a portfolio of research and development programmes and represents the first deal executed by

Evotec on assets and capabilities acquired through its purchase of DeveloGen. After integration of Evotec Göttingen (formerly DeveloGen) the business is profitable and strongly growing.

On 9 February 2011 (after period end), 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 acquisition complements Evotec integrated drug discovery offering, adding proprietary technology for response prediction and early decisions on drug efficacy and safety, especially in the key area of oncology. It significantly strengthened the Company's discovery offering to customers with this unique value proposition. The Kinaxo business is slightly profitable and strongly growing with an expected revenue contribution of € 2.0m in 2011.

A most visible sign of Evotec's commitment to highly innovative processes presents the recently signed collaboration with Harvard University and the Howard Hughes Medical Institute (HHMI), which is focused on beta cell technologies in diabetes (after period end).

5. Guidance 2011

Revenue growth of more than 15%, improved operating result before impairment and liquidity of approximately €65 m

In 2011, total Group revenues are expected to grow by more than 15% to € 64 to € 66m. This assumption is supported by the strong March 2011 order book of €40 m (+43%, 2010: €28m), expected new contracts and contract extensions as well as the achievement of certain milestones. Evotec expects research & development (R&D) expenses to increase in 2011 from 2010 levels. The Company will focus on key programmes and targets to invest especially in the fields of innovation in metabolic diseases and regenerative medicine. In total approximately € 10m will be spent in R&D in 2011. Even on this basis, Evotec's Group operating result before impairment is expected to improve over 2010.

In 2011, Evotec will invest to support its long-term growth aspirations. More than € 8m are planned to be invested in the long-term upgrading of the Evotec capacities. One very visible sign for this strategy will be the move into a new high-tech facility in Hamburg "Manfred-Eigen-Campus", which will be the center for Evotec's screening and early biology work.
The Evotec Group started the year with € 70m of cash and cash equivalents. In 2011, top-line growth is expected to significantly reduce the cash requirements compared to the 2010 fiscal year for the operating business. However, Evotec's planned investments into the upgrading of its capacities and capabilities will increase cash requirements over 2010. 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.

Through the implementation of "Evotec 2012 – Action Plan to Focus and Grow" Evotec has managed to stop the permanent cash outflow over the last years and is currently "cash generating" or at least "cash neutral", despite its strong commitment to R&D. This is the first step towards a truly sustainable business.

Webcast / Conference Call
Evotec is going to broadcast its press & analyst conference in Frankfurt live on the internet. The Management Board of Evotec AG will inform you about the FY 2010 results as well as the status of the Discovery Alliance Business and the Company's development projects. Moreover, they will provide an update on the "Evotec 2012 – Action Plan to Focus and Grow" and the business outlook for 2011. The conference will be

held in English

Date: **Thursday, 24 March 2011**
Time: **10.00 am CET (09.00 am GMT / 05.00 am EDT)**

To join the *audio webcast* and to access the *presentation slides* you will find a link on our home page www.evotec.com shortly before the event.

For those who prefer to listen to the presentation via *phone*, please dial:

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The on-demand version of the webcast will be available on our website: www.evotec.com - Investors – Events - Financial Calendar.

ABOUT EVOTEC AG
Evotec is a leader in the discovery and development of novel small molecule drugs with operational sites in Europe and Asia. The Company has built substantial drug discovery expertise and an industrialized platform that can drive new innovative small molecule compounds into the clinic. In addition, Evotec has built a deep internal knowledge base in the treatment of diseases related to neuroscience, pain, oncology, inflammation and metabolic diseases. Leveraging these skills and expertise the Company intends to develop best-in-class differentiated therapeutics and deliver superior science-driven discovery alliances with pharmaceutical and biotechnology companies. Evotec has long-term discovery alliances with partners including Boehringer Ingelheim, MedImmune, CHDI, Genentech, Novartis, Ono Pharmaceutical and Roche. Evotec has product candidates in clinical development and a series of preclinical compounds and development partnerships, including for example a strategic alliance with Roche for the EVT 100 compound family, subtype selective NMDA receptor antagonists for use in treatment-resistant depression and an alliance in the field of diabetes with Andromeda (Teva). Most recently, the Company has established a top-class beta cell technology platform, which collaborates with the Harvard University for the discovery of novel potentially disease modifying approaches to treat diabetes. For additional information please go to www.evotec.com.

FORWARD-LOOKING STATEMENTS *— Information set forth in this press release contains forward-looking statements, which involve a number of risks and uncertainties. Such forward-looking statements include, but are not limited to, statements regarding our expectation that our current cash, cash equivalents, investments, and operating revenues will be sufficient to fund our planned activities beyond 2015; our financial outlook for 2011 and 2012, including statements regarding our expected operating results and financing and financial position, our belief that our cash situation should remain strong throughout 2011, and our expected liquidity at the end of 2011; our revised business model providing a sound basis for long-term sustainable growth; the anticipated advantages of our acquisitions and collaborations, including the expected revenue contribution from our acquisition of Kinaxo Biotechnologies GmbH; our expectations regarding the market for drug discovery alliances, including anticipated growth of the pharmaceutical outsourcing drug discovery market and the opportunities such growth will provide us, and our ability to take advantage of such market developments; our goal to reach operating profitability and to generate cash sustainable by 2012; our beliefs regarding the sufficiency of our existing liquidity reserves; our capital-raising plans; the expected timing of the effectiveness of our deregistration with the SEC; our expectations and assumptions concerning regulatory, clinical, and business strategies; and the progress of our clinical development programs and timing of the results of our clinical trials, strategic collaborations, acquisitions, and management's plans, objectives and strategies. These 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. In particular, the risks and uncertainties include, among other things: risks that we may be unable to achieve the anticipated benefits of our revised business model or recognise the results of our revised business model within expected timeframes; risks that we will not achieve the anticipated benefits of*

our collaborations, partnerships and acquisitions in the timeframes expected, or at all; risks that product candidates may fail in the clinic or may not be successfully marketed or manufactured; risks relating to our ability to advance the development of product candidates currently in the pipeline or in clinical trials; our inability to further identify, develop and achieve commercial success for new products and technologies; the risk that competing products may be more successful; our inability to interest potential partners in our technologies and products; our inability to achieve commercial success for our products and technologies; our inability to protect our intellectual property and the cost of enforcing or defending our intellectual property rights; our failure to comply with regulations relating to our products and product candidates, including FDA requirements; the risk that the FDA may interpret the results of our studies differently than we have; the risk that clinical trials may not result in marketable products; the risk that we may be unable to successfully secure regulatory approval of and market our drug candidates; risks of new, changing and competitive technologies and regulations in the U.S. and internationally; general worldwide economic conditions and related uncertainties; future legislative, regulatory, or tax changes as well as other economic, business and/or competitive factors; and the effect of exchange rate fluctuations on our international operations. The list of risks above is not exhaustive. This press release contains additional factors that could impact our businesses and financial performance. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.