New Bridges for funding Healthcare Innovation – European fund for strategic investments & EVT

EIB & Evotec AG, Brussels, September 8th 2017
Innovation opportunity space is growing every day

Cost & care gap (excluding “Reimbursement problem”)

A child born in EU today has a probability of 60% to get older than 100 years\(^1\)

**Dramatic cost gap**

In 2020, 20% of GDP will be needed for healthcare only

**Higher costs for society than ever before**

**Dramatic care gap**

In 2020, “Elderly Care” market will be €800 bn

**Bigger opportunity for biotech than ever before**

\(^1\) Source: Allianz, Handelsblatt July 2012
Cost of capital is limiting innovation

R&D output for fundamental treatments

- 2.5 bn and 15 years for one causal treatment
- Viable healthcare returns are increasingly difficult, especially for smaller indications
- Big problems remain unsolved as cost for innovation remains too high and not flexible enough (e.g. pricing of drugs)

Applied latest science delivers dramatic improvements

Patient derived approaches

**Targets based on human genetics**

% Success rate

- All programmes: ~2x
- Genetically supported programmes: ~3x

**Patient population based on biomarker**

% Success rate

- Without biomarker: ~2x
- With specific biomarker: ~3x

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2) Quelle: Bio
Early and fast validation reduces opportunity costs

Analysis of reproducibility of published data

- 66% Inconsistencies
- 21% Literature data are in line with in-house data
- 7% Main data set was reproducible
- 4% Some results were reproducible
- 2% Not applicable

“In an internal assessment of 70 projects, Bayer AG determined that only in ~20–25% of the projects were the relevant published data completely in line with their in-house findings.”

Nature Reviews Drug Discovery

“50% of the studies published even in top tier academic journals – Science, Nature, Cell, PNAS, etc. … – can’t be repeated with the same conclusions by an industrial lab.”

Nature Reviews Drug Discovery

Source: Bayer; Nature Reviews Drug Discovery 2013
2000 scientists at work

Evotec overview
Centres of excellence for external innovation

Evotec’s footprint

Hamburg (HQ), Göttingen, Munich (Germany)
~430 employees
- Hit identification
- In vitro & in vivo biology
- Chemical proteomics & Biomarker discovery and validation
- Cell & protein production
- Antibody discovery

Abingdon/ Oxford Alderley Park (UK)
~565 employees
- Medicinal chemistry
- ADME-Tox, DMPK
- Structural biology
- In vitro & in vivo anti-infective platform/screening
- Process development
- CMC and Commercial manufacture
- Pre-formulation

Toulouse (France)
~300 employees
- Compound management
- Hit identification
- In vitro & in vivo oncology
- Medicinal chemistry
- ADME & PK
- Cell, protein & antibody production

Verona (Italy), Basel (CH)
~587 employees
- Hit identification
- In vitro & in vivo biology
- Medicinal Chemistry
- Biomarker discovery and validation
- INDIGO®
- CMC

Princeton, Watertown, Branford (USA)
~110 employees
- Compound ID, selection and acquisition
- Compound QC, storage and distribution
- Cell & protein production
- ADME-Tox, DMPK
EVT Innovate – a new BRIDGE over the “Valley of death“

The funding gap

Source: Derived from an article by Sustainable Development Technology Canada (2013)
EIB augments EVT Innovate approach

Value proposition behind European fund for strategic investment & Evotec

- Eliminating invalid data points right from the start
- Accelerating slow academic scouting and research funding processes
- Dramatically reduce search costs for capital for initial “pre-seed” work plans
Reducing cost of capital & improving capital elasticity

European fund for strategic investment - first larger risk-shared deal

**European Fund for strategic investment**
- Initiative helps to overcome the current investment gap in the EU
- Aims to relaunch investment and restore EU competitiveness, thus increasing growth and creating jobs
- Improving Europe’s competitiveness in industries relevant to the future of our planet e.g. R&D and innovation, Energy, Transport etc...

**Significant upside potential for EIB & Evotec**
- Up to €75 m unsecured loan
- Internal R&D financing covered for 4 years
- Reward-sharing component for EIB
- Significant upside potential from a broad portfolio of projects
Investment themes are game changers in biotech

Key investment areas for superior returns

<table>
<thead>
<tr>
<th>Enabled by Evotec platforms and core to strategy</th>
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<tbody>
<tr>
<td><strong>First-in-class drug pipeline of EVT Innovate</strong></td>
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<td>EVT Innovate R&amp;D projects are expected to accelerate – able to drive more projects in parallel</td>
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<td><strong>BRIDGE initiatives – From Academia to Pharma</strong></td>
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<tr>
<td>Accelerate translating academic discoveries into drug discovery with unique BRIDGE initiatives</td>
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<tr>
<td><strong>EVT Equity strategy – Invest in highly innovate companies</strong></td>
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<tr>
<td>Invest in selected number of highly innovative companies with a strategic link to Evotec</td>
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<tr>
<td><strong>Build high-quality pre-competitive platforms</strong></td>
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<td>Build novel and proprietary platforms, big data as well as patient derived models, or neglected areas (e.g. Anti-Invectives)</td>
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Focus on iPSC platform, CNS, Metabolic Disease, Oncology and Anti-infectives

Focus on underlying causes

iPSC / CNS
- Genetically driven
  - Neurodegenerative diseases
  - Neurodevelopmental disorders
  - Lysosomal storage diseases
  - ...

Metabolic Disease/ Complications
- Beta cell related mechanisms
- Insulin resistance
- NASH
- Chronic kidney diseases
- ...

Oncology
- Immuno-oncology
  - Activation and recruitment of immune cells
  - Enhancing recognition and killing of tumour cells
  - ...

Anti-infectives
- Broad spectrum gram negative
- Novel antiviral
- Superbugs
- ....
Leading network in patient-derived drug discovery

Example: Strong focus on further establishing Evotec’s iPSC\(^1\) platform

\(^1\) iPSC = Induced pluripotent stem cells
Company formations with upside participation for EIB

Examples for Evotec’s innovation acceleration

Accelerating innovation on EVT platform

- Spin off valuable platforms outside of Evotec’s main areas of interest for potential broader/later stage applications
- Participate in financing rounds of promising companies, built on Evotec’s platforms, via strategic investments
- Set up new companies with the aim of developing assets to next value inflection points

Existing examples (pre-EIB partnership)

- Panion Ltd. (2013)
- Topas Therapeutics (2016)
- Carrick Therapeutics (2016)
- Eterygen (2016)
- FORGE Therapeutics (2017)
- f_cio (2017)

Pre-competitive platform/BRIDGES

- LAB282 (2016): Entitled to equity
- NURTURE (2017): Access to patient data
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