Evotec AG (EVT.F)

HIGHLINE RESEARCH ADVISORS

Initiation: Capturing Value as Evotec Adds Pipeline Generation to Drug Discovery Engine.

BUY

Price: €3.07 **Price Target: €4.00**

Evotec AG is a German-based drug discovery company operating two segments: a profitable drug discovery services business called EVT Execute that provides vital, early discovery work to global drug companies; and EVT Innovate which partners with drug companies allowing Evotec to retain ownership rights to clinical stage assets being funding by their partners. With scientists primarily based in Germany, the UK and the States, Evotec's headcount has grown 50% in the last five years to ~650, as the number of collaborations has increased from 3 in 2012 to 10 last year and 13 so far this year.

With revenues almost doubling over the last five years, producing growth of 18%/year versus 10% for the industry, we find Evotec's strategic focus on medical conditions that are highly valued by major pharma developers as a key strategic advantage for Evotec. The company is demonstrating they have developed unique competencies that are valued by global drug developers, which is expanding its revenue base while retention remains strong.

With Evotec's initial investment into their pipeline behind them, we encourage investors to accumulate a position here, ahead of the pipeline events and the opportunity to ride the wave of growing collaborations that feed Evotec's core, EVT Execute operating segment. Growth has been supplemented by small, strategic acquisitions, which we believe will continue over the near-term. Evotec's Group business is at break-even, as the company expands its pipeline opportunities and continues to keep its liquidity above €90 million.

Last week, Evotec's leading partner, pipeline asset (DiaPep277, for Type 1 diabetes) suffered a major setback that's fortunately quite rare in drug development: alleged data tampering of a Phase 3 trial. While the misconduct occurred at a partnered company, investors have shaved ~20% off of Evotec's valuation. We believe this sell-off has created a buying opportunity. If we assume no additional milestone payments from clinical development we find Evotec services business is worth €3.10/share and the pipeline worth another €0.98/share. Given Evotec's pace of collaborations this year and the potential for continued pipeline development; we encourage investors to accumulate shares at these levels.

We are initiating coverage of Evotec AG with a Buy rating and a €4.00 price target. Our price target is derived from a 15% discount of our 2018 EPS estimate, which excludes new business opportunities, and we apply a 35X Price/Earnings multiple to account for the 35% growth in EPS during 2018. As noted on page 23 we also account for Evotec's net cash/share and €0.98/share for the pipeline's value. **See Risks on page 2.**

Key Statistics:

Market Cap (M)	€ 404.4
Cash (M)	€ 85.6
Debt (M)	€ 20.6
Enterprise Value (M)	€ 339.4
52 Week Range	€2.80 - €5.08
Exchange	Frankfurt
Shares Outstanding (M)	131.7
30D Ave Volume (000)	1,005.10

Source: Thomson Reuters

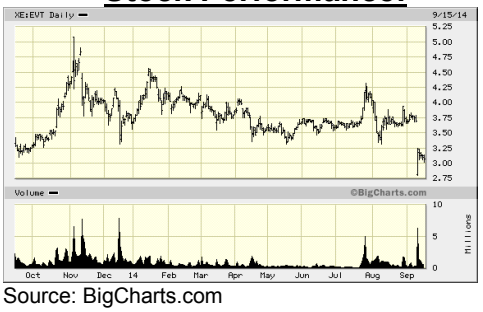
Highline's Estimates:

	2013	2014	2015
	Revenue:		
1Q	€ 17.1	€ 17.6	€ 22.0
2Q	€ 19.6	€ 22.5	€ 24.0
3Q	€ 23.6	€ 22.7	€ 26.0
4Q	€ 25.6	€ 26.6	€ 28.0
FY (Dec)	**€ 85.9**	**€ 89.4**	

	2013	2014	2015
	EPS:		
1Q	(€ 0.02)	(€ 0.03)	€ 0.01
2Q	(€ 0.01)	(€ 0.00)	€ 0.01
3Q	(€ 0.00)	(€ 0.06)	€ 0.01
4Q	€ 0.03	€ 0.01	€ 0.01
FY (Dec)	**(€ 0.00)**	**(€ 0.08)**	€ 0.04

Source: Thomson Reuters

Stock Performance:



Source: BigCharts.com

Michael J. Higgins
Senior Life Sciences Analyst
mhiggins@highlineresearchadvisors.com
917-903-5254

250 Montgomery Street, 16th Floor, San Francisco, CA 94104
(415) 248-5600 Main • (415) 248-5690 Fax • (800) 909-7897 Trading
www.merrimanco.com OTCQX: MERR Member FINRA/SIPC

Company Summary

Evotec AG is a drug discovery company headquartered in Hamburg, Germany with operations and customers worldwide. The company is strategically focused on the discovery of novel drugs and drug targets. By design, Evotec is on the cutting edge of discovering the tools, targets and etiologies of undertreated diseases. As a result, Evotec's unique expertise in drug discovery produces scientific methods that are valued by pharmaceutical and biotechnology companies worldwide. This 21 year old company has evolved with the biotechnology and drug discovery industries. While continuing to operate a profitable drug discovery services business, in the late 2000s the company began a strategic effort to retain an interest in the clinical assets that they had primarily discovered. These cores competencies are not mutually exclusive as Evotec executes similar services in their core "services business" called EVT Execute as they do in developing clinical assets that the company retains ownership of, called EVT Innovate. This overlap contributes to the high net margins (~30%) on its EVT Execute segment yet provides the company an increased opportunity to develop assets ready for clinical development that partners are funding.

Evotec's team of ~650 employees provides a range of capabilities, including early-stage assay development and screening, compound management, fragment-based drug discovery, medicinal chemistry, *in vivo* pharmacology, *in vitro* ADMET, and the largest chemical proteomics platform of any organization worldwide. Strategically, Evotec is working in several therapeutic areas, such as neuroscience, pain, metabolic diseases, oncology and inflammation. While Evotec is headquartered in Hamburg and operates two other facilities in Germany, Evotec has research laboratories in Abingdon (UK), Branford, CT and San Francisco. These US offices are reportedly gaining increasing interest from US-based research organizations. Evotec has been involved in more than 200 partnerships since its start in 1993 and has delivered more than 30 pre-clinical candidates and 20 clinical candidates both in partnerships and within its own proprietary drug discovery efforts. While Evotec traded on the NASDAQ exchange in 2008 and 2009, today its stock trades on the Frankfurt exchange with some US Bulletin Board shares trading.

Risks That Could Impact The Realization Of Our Price Target

Drug discovery and research risks
While Evotec AG is an experienced drug discovery company there is no assurance that the company can and will be able to continue to provide research services that outside parties will agree to, and pay for. We cannot define the explicit value that investors are attributing to Evotec's more stable, research services business versus the potential of its pipeline. If the expected value of Evotec's future revenue and profitability potential falls, investors should expect the value of their holdings could decline.

Currency and trading risks
Geographically, 39% of Evotec's revenues were generated with customers in Europe, 46% in the US and 15% in Japan and the rest of the world. Because Evotec offers its services to worldwide customers there are currency risks to all investors and as such, investors may experience detrimental currency changes which may cause the value of their holdings to decline.

Partnering risks
Because Evotec AG's operating model relies on the initiation and continuation of partnerships with outside parties in mixed and fluctuating degrees of research efforts, Evotec and its shareholders are reliant upon the continued "best efforts" of outside parties. These parties may change their previous intentions towards the development agreements with Evotec and/or may fail in the quality and timeliness of their own execution efforts that may be detrimental to Evotec shareholders.

Investment Summary

Evotec holds the promise of biotech's but with less binary risk than biotech's typically carry.

- Unlike most biotech's Evotec is profitable, yet with a pipeline of novel assets that are almost exclusively funded by outside parties. While Evotec doesn't hold the majority of upside value in its pipeline assets, investors today can begin to benefit from the investments the company began to make in the past several years. Today, we believe investors are undervaluing Evotec's pipeline assets. With some periods of volatility like we saw last week we're looking for the stock to steadily march higher over the next three to five years as the breadth of Evotec's shareholder base expands and new investors appreciate the pipeline that Evotec has been investing in. In time, the announced investments are likely to add value in themselves, much like the value of a generic company's ANDA filings.

The pipeline is strategically developed.

- As noted in Exhibit 1, Evotec's pipeline holds value in some of the largest challenges facing the world today: Alzheimer's disease; diabetes; oncology; anti-infective; CNS diseases; pain and inflammation. As a drug discovery company, Evotec's value can be linked to the value that worldwide drug companies, public and private institutions place on the world's most challenging and relentless medical challenges. While there's no doubt Evotec's scientists want to find cures for today's medical challenges it's the fight that's key to building shareholder value. We view the delta on price decreases across Europe over the past fifteen years as mostly behind us, a stable pricing environment in the US and ROW, with aging trends that become harder to underfund, politically. So with "the fight" continuing, we believe Evotec is well-positioned to continue to address the world's most challenging medical conditions and at these levels, we view the clinical "wins" as complete upside to our estimates and price target. Evotec is well-capitalized and in recent years has not needed to dilute shareholders to fund its operations. With a continued, small appetite for acquisitions we expect earnings growth to continue be organically driven. What should change as the pipeline matures is the number of US-based biotech hedge funds owning Evotec shares. Again, we encourage investors to accumulate shares here at these relatively quiet levels.

Exhibit 1: Evotec's EVT Innovate Pipeline

	Molecule	Indication	Partner	Discovery Pre-clinical	Phase 1	Phase 2	Phase 3	Market
Clinical	EVT302	Alzheimer's Disease	Roche					
	EVT201	Insomnia	JingXin					
	Somatriptan	Acromegaly	Aspireo					
	EVT100	CNS diseases	Janssen					
	EVT401	Inflammation	CONBA					
	Not Disclosed	Oncology	Boehringer					
	Not Disclosed	Oncology	Roche					
Pre-clinical	EVT770	T1D & T2D	MedImmune**					
	Multiple	Endometriosis	Bayer					
	Not Disclosed	Oncology	Boehringer					
	Not Disclosed	Pain	Boehringer					
	Not Disclosed	Pain	Novartis					
Discovery	EVT070	T2D	Boehringer					
	Multiple	T1D & T2D	MedImmune**					
	Multiple	T1D & T2D	Harvard Univ					
	Multiple	Inflammation	UCB					
	Multiple	Kidney disease	AstraZeneca					
	Multiple	Oncology	Debiopharm					
	Multiple	Alzheimer's Disease	JNJ					
	Multiple	CNS/MS	NEU^2 consortium					

*= RO4602522; **= AstraZeneca; ***Beta cell regeneration program with Janssen phased out. CureBeta alliance between Harvard and Evotec continues. T1D= Type 1 diabetes; T2D= Type 2 diabetes

Source: Evotec AG

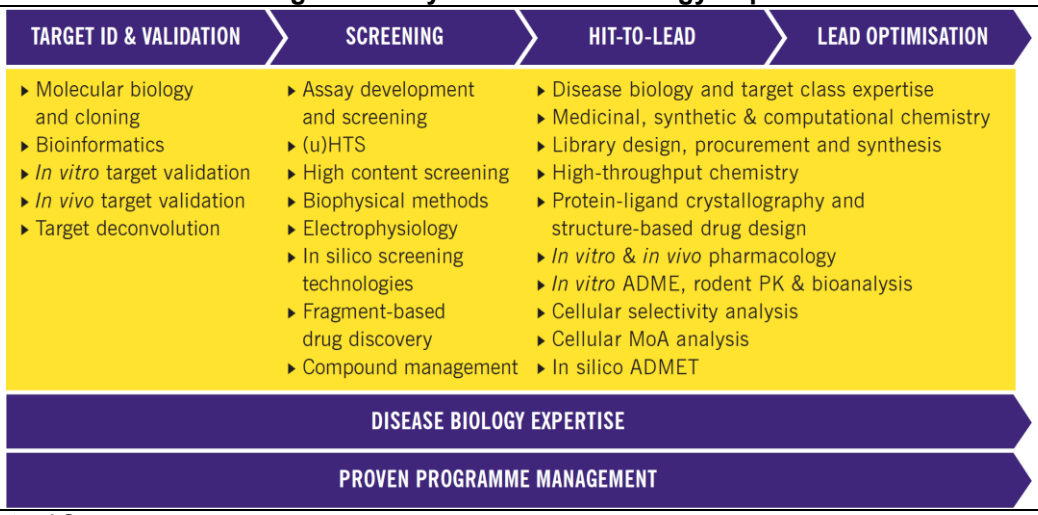
Till now, building pipeline value has come at the expense of Evotec's bottom-line performance.

- According to Visiongain's World Market report, the global drug discovery business is expected to continue to grow roughly 10% annually from 2011's $9.7 billion levels to $21.3 billion in 2017. Evotec's top-line growth has been above par in recent years, growing an average of 18% between 2009 and 2013. As the company has invested in the pipeline the earnings have grown just 3% during this time. From 2010-2013 the net margins have been 5%, 8%, 3% and -4%. The negative margin reflects the surprise from Janssen in late 2013 to delay the start of a Phase 2 trial. In the first half of 2014 revenues were up 12% excluding foreign currency effects, or 9% on a reported basis. As found in Exhibits 6 & 7, EVT Innovate's operating performance provides the non-dilutive opportunity for Evotec to gain pipeline value for its drug discovery efforts.

Collaborations drive revenue opportunities.

- At the core of Evotec's operational performance are the research collaborations the company has reached. The company is on track to almost double the number of collaborations reached this year (13 YTD) versus a year ago (10), which are up considerably from 2012 (4). This may be driven by the increased breadth of capabilities the company is providing drug developers (see Exhibit 2). We believe Evotec has been quietly acquiring additional expertise by both internally developing these new capabilities but also by making small, strategic acquisitions. In recent years this activity has increased, including two so far this year (see Exhibit 3). These acquisitions have led to an expanded global footprint, including strategically growing its US operations which has also improved the companies' business development opportunities (see Exhibit 4). We believe Evotec has five Chief Scientific Officers from acquired companies working for them. Employee head count continues to grow as well. Starting in 2008 employment has grown from 418 employees, to 485, 519, 610, 637 and 610 in 2013, up roughly 50% growth in five years.

Exhibit 2: Evotec's Suite of Drug Discovery and Disease Biology Expertise



Source: Evotec AG

Until last week, YTD operating performance was ahead of schedule. 2014 Guidance:

1. High single-digit percentage growth in Group revenues excluding milestones, upfronts and licenses.
2. R&D expenditure is expected to be in the range of €10 to €14 million.
3. Group EBITDA before changes in contingent considerations expected to be positive and at a similar level to 2013.
4. Liquidity is expected to exceed €90 million at the end of 2014.
5. Positive operating cash flow at a similar level to 2013.

A week ago Monday, on September 8th, Hyperion (HPTX, $25.00, Not Rated) announced that clinical data from the company's recently acquired asset, DiaPep277, was believed to be manipulated by senior members of Andromeda (private) so Hyperion is terminating the program. This was a blow to Evotec's

pipeline and 2015 financial outlook given the clinical and regulatory milestone payments from the ongoing confirmatory Phase 3 trial that were somewhat expected given DiaPep277's apparent success in treating recently diagnosed Type 1 diabetic patients. Evotec announced the company would take a non-cash impairment charge of €8.7 million and that a €3.4 million "open receivable" from Hyperion was required for Evotec to reach the above listed profitability guidance. From our discussions with Hyperion management we expect the company will be seeking all legal remedies from former Andromeda employees and in doing so the €3.4 million owed to Evotec we suspect will not be paid until at least the outcome of an expected legal prosecution against Andromeda… which could take years to resolve. While Evotec has not lowered its 2014 guidance, we believe investors have already lowered their 2014 expectations with Evotec shares off ~20% last week. At these levels, with an enterprise value to sales ratio of 3.4x, we believe investors are not providing any value to Evotec's pipeline.

Exhibit 3: Evotec's Acquisition & Divestiture History

Acquisitions	Divestitures	Summary of acquisitions & divestitures
2014		Establishes anti-infective platform with the acquisition of Euprotec Ltd, accelerating Cure X and Target X initiatives.
2014		Evotec acquires Bionamics GmbH to accelerate 'EVT Innovate' strategy and expand pipeline in MS and CNS disorders.
2011		Evotec acquires compound management business from Galapagos and strengthens its innovation offering
2011		Evotec acquires Kinaxo, expanding its DD platform with cutting edge technologies
2010		Following the 2003 drug discovery and development agreement with DeveloGen in 2003, Evotec acquires the company, including rights to DiaPep277 and expands expertise in autoimmune disorders.
2009		Acquires Zebrafish Screening Operations of Summit Corporation
	2008	Sells Direvo Biotech to Bayer Healthcare
2007		Invests in European ScreeningPort GmbH, a CRO, with the support of the German Federal Ministry
	2007	Sells Chemical Development Business to Aptuit
	2007	Sells Evotec Technologies to PerkinElmer
2005		In-licenses Phase 1 candidate EVT201 from Roche
2004		In-licenses neuroscience candidates from Roche
	2002	Spun off its technology development business into a subsidiary, Evotec Technologies
2000		Merged with Oxford Asymmetry Intenational plc to form Evotec OAI AG, becoming a leading drug discovery and developer of small molecule candidates.
1999		Establishes Evotec Neurosciences GmbH in Hamburg

Sources: Evotec AG and various published press reports

Exhibit 4: Evotec's Worldwide Operations

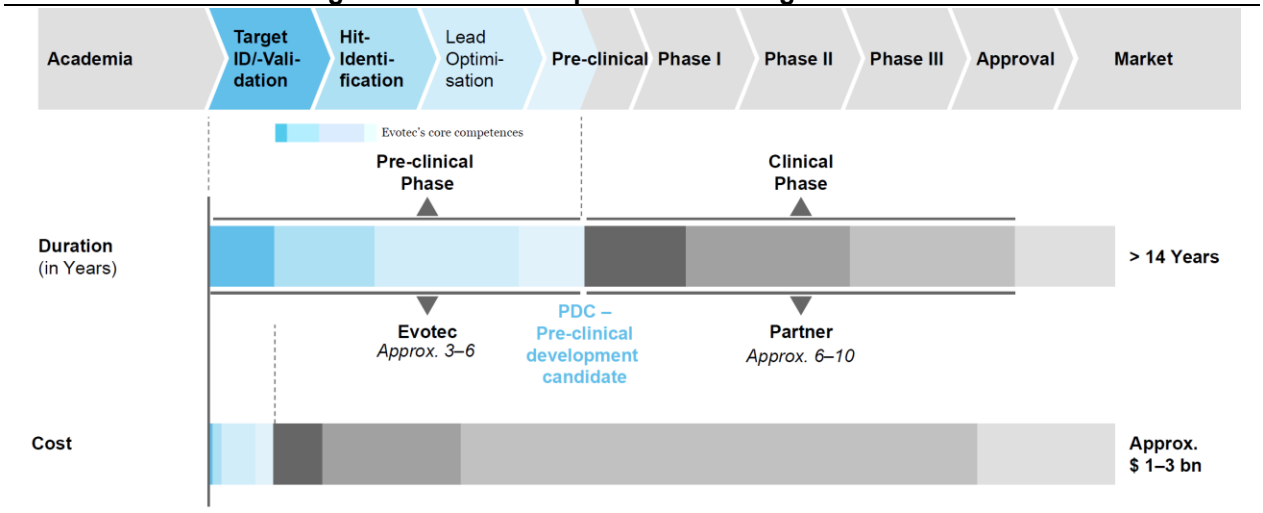
Source: Evotec AG

EVOTEC'S CORPORATE STRATEGIES – "First-in-class and Best-in-class Drug Discovery"

Evotec is a leader in the global drug discovery market with partnered and stand-alone offerings of pre-clinical drug discovery capabilities. In early 2009 the company announced a refocused strategy to meet its 2012 Action Plan goals, which included reaching profitability by 2010… a goal the company met. In early 2012 the company announced Evotec's Action Plan 2016, which built upon goals, current discovery platforms and a focus on partnerships that placed an undisclosed measure of risk on internally developed assets that were moving into clinical stage of development. During this time, Evotec has regained its reputation for cutting-edge research services while recording an average annual sales growth rate of 18% since 2008 and profitability in the last three years.

With the company's drug discovery capabilities on solid footing, the company has increasingly focused on partnered innovation, placing the development of external collaborations as a key focus in the design of the 2016 Action Plan. With the continued growth of the drug discovery industry providing the company the opportunity for increasing operating efficiencies, Evotec has been benefiting from these market dynamics and held R&D costs in check since 2010, to ~10.5% of sales. We believe the return to major pharma M&A activity has reduced the growth of the underlying business, but bigger biotech's have been an increasing source of drug discovery alliances. Further, management tells us that the recent surge of IPO capital has led to increased levels of drug discovery services among the newer and relatively smaller, public biotech companies.

Exhibit 5: Evotec's Strategic Focus and Competitive Advantage



Sources: Paul, Nature Reviews, 2013; and Evotec AG

Action Plan 2016 – Evotec´s strategy to meet customer's needs for "Innovation Efficiency":

Considering Evotec's strategy to retain financial rights to the future value of medicines they've helped discover, the company describes its initiatives along two segments: EVT Execute and EVT Innovate. EVT Execute includes the services expected an of early stage drug discovery company, while EVT Innovate may also include similar services, but in the latter Evotec is taking some degree of shared financial risk with another entity.

EVT Execute

- Offers stand-alone screening, medicinal chemistry, compound management, compound profiling and many other services
- Highest quality solution tools and processes
- No risk-exposure, lower margin, but long-term repeat business

EVT Innovate

- To build a pipeline of first-in-class drug candidates without the extensive financial risk.
- Modest R&D investment for high upfront, higher milestone and higher royalty alliances.
- Cure*Beta*, Cure*Nephron* and other Cure*X* initiatives, Product Development Partnerships

Through **EVT Execute**, Evotec provides outsourcing solutions on a purely fee-for-service basis with no shared risk on the success of the projects. Although the Execute business generates lower margins than can be reached if a drug is approved and commercialized, these services do not bear the binary risk of biotech assets while laying a stable foundation for the company to take some degree of capital risk via EVT Innovate projects. Started from "the bench" of Nobel Laureate Professor Manfred Eigen in 1993, Evotec has built a world-class infrastructure, leveraging their ability to provide services to multiple parties and reinvest into the continual discovery of both the target and candidate opportunities.

Through EVT Execute, Evotec offers a broad range of integrated or stand-alone services, including assay development and high throughput screening, hit-to-lead and lead optimization using parallel synthesis, medicinal chemistry, *in vitro* and *in vivo* biology, ADMET (Absorption, Distribution, Metabolism, Excretion and Toxicity), protein production, structural biology, computational chemistry, compound management, state-of-the-art high content histology, proteomics and biomarker discovery.

Key milestones for EVT Execute have included:

- Began a research collaboration to leverage Evotec's advanced chemical proteomics series to support compounds under development at Dow AgroSciences (DOW, Not Rated, $53.04).
- Extended drug discovery alliances with Genentech (ROG.VX, Not Rated, $276.20) & chemistry collaboration with Active Biotech.
- Evotec won a major contract with the NIH to manage and operate a small molecule repository.
- Expanding Evotec's compound management capabilities by opening a facility in Branford, CT.
- Added services, including counter screening and protein production capabilities.

In **EVT Innovate**, Evotec places measured but focused resources into target identification platforms or puts further investment into developing novel targets for the purpose of partnering to collect upfront fees, milestones and royalties. This modest-risk approach differs from the strategy of the mid-2000's where prior management "bet the farm" on the successful development of specific clinical-stage assets that failed. Via EVT Innovate, the company has built a pipeline without bearing the extensive financial and binary equity risk normally involved with such projects. From our perspective, the pay-offs into these projects are in the royalty streams which would push Evotec's bottom-line materially higher.

It is under this umbrella, **EVT Innovate**, that initiatives like Cure X have been developed. EVT Innovate accelerates early academic research initiatives in disease biology and positions these assets for commercial partnering. These efforts began in earnest in 2011 when Evotec entered collaborations for Cure*Beta* and Cure*Nephron* with Harvard University in March 2011 and February 2012, to address metabolic disease and chronic kidney disease, respectively. For Cure*Beta*, *Evotec* and Harvard received an upfront payment of $8 million from Janssen Pharmaceuticals (JNJ, Not Rated, $104.72) in July of 2012. Through EVT Innovate, Evotec and its shareholders are able to leverage Evotec's efforts into what we believe will be material upside to shares should any of these programs progress deeper into clinical development. We believe Evotec's market cap would be much larger today has the company held this strategy ten years ago, rather than end its rights to some assets that have since reached the market.

Key milestones for EVT Innovate have included:

<u>In 2011:</u>

1. Cure*Beta*, with Harvard Stem Cell Institute

<u>In 2012:</u>

1. Cure*Nephron* with Harvard's Brigham & Women's Hospital
2. Target*ASIC* with Germany's Federal Ministry of Education and Research, in MS & other neurodegenerative disorders
3. Somatoprim, a business development agreement with Aspireo (private).

4. Target*PicV,* target ID with Haplogen (private) against a protein to block pathogenic viruses entering cells.

In 2013:

1. Target*T-cell*, with Apeiron to develop immunomodulatory compounds for cancer;
2. Target*DBR* (DNA Break Repair) at Yale School of Medicine, cancer applications
3. Target*PGB* (peptidoglycan biosynthesis) at Harvard University, antibacterial agents
4. Target*KDM* (Lysine Demethylases) at Dana Farber's Belfer Institute for Applied Cancer Science to explore epigenetic oncology targets
5. Cure*MN* (motor neurons) Harvard Stem Cell Institute, to identify drugs to inhibit MN loss.
6. Target*EEM* (enteroendocrine mechanisms) at Harvard University to ID metabolic targets
7. Target*AD* (a customizable database linking brain tissue with Alzheimer's disease) at Janssen Pharmaceuticals, Inc.
8. Expanded from diabetes collaboration with AstraZeneca into a kidney research program.
9. Zhejiang JingXin Pharmaceutical Co (002020:CH, Not Rated, 18.06) received approval from Chinese regulator to allow EVT201, a novel candidate for insomnia, into clinical trials.
10. In late 2013, JNJ held EVT302 back from a Phase 2 in depression, citing pre-clinical data.

Through first eight months of 2014:

1. First milestones in TargetAD collaboration, signed Nov '13 with Janssen, three targets selected.
2. In March, Janssen decided to move EVT302 back into development.
3. Pain alliance with Convergence (private), identifying compounds for a novel GPCR pain target.
4. Target*CanMet* with Debiopharm to develop cancer treatment
5. First milestone in Roche (ROG.VX, Not Rated, $276.20) biomarker collaboration achieved, in Phase 1 oncology trial.
6. New integrated collaboration with Shire (SHPG, Not Rated, $256.67) to discover drug candidates in rare disease
7. Pre-clinical milestone achieved in Boehringer Ingelheim (private) alliance, respiratory asset into Phase 1.
8. Collaboration with Vifor (private) expanded, now in a mineral deficiency/sufficiency-related program.
9. Collaboration with Active Biotech (private) extended, a small molecule immunomodulatory cancer program
10. New collaboration with Fraunhofer IME (private) in joint drug discovery programs.
11. Acquired Bionamics GmbH (private), an asset management company to bolster business development.
12. Acquired Euprotec Ltd (private), establishing anti-infectives platform, extending capabilities beyond Target*PGB* and Target*PicV* programs.
13. Expanded research collaboration with CDHI Foundation (private) to discover novel Huntington's targets.

As noted above, the number of programs in the EVT Innovate segment has been growing tremendously since the start of this effort three years ago. To us, the number of programs is on track to almost double this year versus 2013, which bodes well for Evotec's efforts to bolster its pipeline and in doing so, we believe the company is develop increasing value for shareholders. Investors may be aware that in the original 2016 Action Plan there was a third segment called EVT Integrate. That segment more closely resembled EVT Innovate but was a blend also with EVT Execute in that the programs had to include some level of reimbursement for Evotec. We understand those programs have been consolidated into the EVT Innovate segment. EVT Innovate includes projects that are funded by government grants, shared by two parties or by several parties or by Evotec alone… which we believe is very uncommon.

The financial impact of each segment is shown in Exhibits 6 & 7. Investors will recognize that Evotec's financials are more impacted by the EVT Execute segment than the EVT Innovate segment. In 2013, EVT Innovate was hit by a €15.3 million impairment of the EVT302 program with Janssen. In these figures it's clear that the EVT Execute segment is very profitable and the value coming from the EVT Innovate segment is expected to be more inconsistent, driven by milestones and royalty payments. Management tells us that the terms of each EVT Innovate program are not preset within specific parameters, but can

vary by the degree of confidence the team has on each particular project and the terms offered by their development partners. For the past year, management continues to guide towards cash levels >€90 million by the end of 2013 and again in 2014, which means we are not expecting the company to return to the strategy of a decade ago when there was too much financial capital at risk in late-stage biotech assets. Earlier this year, management began reporting this segment information for the first time. We expect we'll see the gross margin in the Execute segment to be in the mid 20's (higher than Evotec's peers) and the Innovate segment to vary each quarter.

Exhibit 6: Segment Income Statement, 1H14

In € (000)	EVT Execute	EVT Innovate	Intersegment eliminations	Evotec Group
Revenues	**€ 39,690**	**€ 8,631**	**(€ 8,236)**	**€ 40,085**
Cost of Goods Sold	€ 30,522	€ 4,773	(€ 6,992)	€ 28,300
Gross Margin	23.1%	44.7%	15.1%	29.4%
Net Revenues	**€ 9,168**	**€ 3,858**	**(€ 1,244)**	**€ 11,785**
Research and development expenses	€ 518	€ 7,012	€ 1,246	(€ 6,284)
Selling, general and administrative expenses	€ 6,733	€ 2,147	-	(€ 8,880)
Amortisation of intangible assets	€ 1,163	€ 190	-	(€ 1,353)
Other operating (income)	(€ 2,119)	(€ 214)	-	€ 2,333
Other operating expenses	€ 1,172	-	-	(€ 1,172)
Total Expenses	**€ 7,467**	**€ 9,135**	**€ 1,246**	**(€ 15,356)**
Operating income (loss)	**€ 1,716**	**(€ 5,281)**	**-**	**(€ 3,565)**
EBITDA before contingent considerations*	**€ 5,520**	**(€ 4,913)**		**€ 607**

*EBITDA was adjusted for changes in contingent considerations as well as for extraordinary effects with regards to the bargain purchase resulting from the acquisition of Bionamics.

Source: Evotec AG

Exhibit 7: Segment Income Statement, 2013

In € (000)	EVT Execute	EVT Innovate	Intersegment eliminations	Evotec Group
Revenues	**€ 86,060**	**€ 9,749**	**(€ 9,871)**	**€ 85,938**
Cost of Goods Sold	€ 55,385	€ 8,284	(€ 8,954)	€ 54,715
Gross Margin	35.6%	15.0%	9.3%	36.3%
Net Revenues	**€ 30,675**	**€ 1,465**	**(€ 917)**	**€ 31,223**
Research and development expenses	€ 2,162	€ 8,419	(€ 917)	€ 9,664
Selling, general and administrative expenses	€ 12,587	€ 4,010	-	€ 16,597
Amortisation of intangible assets	€ 2,419	€ 803	-	€ 3,222
Impairment result (net)	€ 5,680	€ 19,367	-	€ 25,047
Restructuring expenses	€ 474	-	-	€ 474
Other operating expenses	€ 220	(€ 2,650)	-	(€ 2,430)
Total Expenses	**€ 23,542**	**€ 29,949**	**(€ 917)**	**€ 52,574**
Operating income (loss)	**€ 7,133**	**(€ 28,484)**	**€ 0**	**(€ 21,351)**
EBITDA before contingent considerations*	**€ 12,996**	**(€ 11,767)**	**€ 0**	**€ 1,229**

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

Source: Evotec AG

EVT Innovate – Evotec's pipeline

CNS Portfolio

While Evotec's growing and profitable drug discovery business (EVT Execute) is providing a consistent revenue stream we believe investors will begin to take interest in Evotec's maturing late-stage pipeline (EVT Innovate). Leading Evotec's pipeline of five focus areas is their CNS portfolio (including EVT302 in a Phase 2b Alzheimer's trial). The company is also focused on metabolic diseases (diabetes and kidney), oncology, pain and inflammation, followed by a growing interest in its anti-infective platform… which includes the May acquisition of Euprotec Ltd. We believe the company has developed these five focus areas out of its core expertise in drug discovery as well as their strategic decisions to pursue conditions of interest by clinical researchers worldwide.

We are highlighting four of the eight CNS pipeline assets below, including EVT302, Target*AD*, the CDHI collaboration in Huntington's disease and the on and off program, EVT100, with Janssen Pharmaceuticals. These are programs that describe what we like about Evotec… that the company is successfully partnering with companies and institutions to tackle the most complex medical conditions but ones that include the largest payoff opportunities available. It's that golden carrot that keeps researchers actively searching for solutions to the most complicated medical problems that allows Evotec the opportunity to continue to grow its revenues and earnings.

Exhibit 8: Evotec's Neurology Pipeline

Molecule	Partner	Indication (Mechanism)	Status	Next Milestone	Terms
EVT302	Roche	Alzheimer's disease (MAO-B inhibitor)	Phase 2b	Phase 2b due mid-15	$12M upfront, $170M development and $650M commercial milestones, tiered double-digit royalties
EVT100	Janssen	Treatment resistant depression	Pre-clinical review	Phase 2 start	$2m upfront, $173M milestones, significant royalties
EVT201	JingXin	Insomnia	Phase 2	Phase 2 start	Undisclosed milestones and royalties
Multiple	CHDI	Huntington's disease	Screening & proteomics platform	Discover novel drugs	CDHI funding 52 Evotec scientists full-time over next three years
Not Disclosed	Genentech	Neurodegeneration	Pre-clinical review	Not Disclosed	Research payments
Target*AD*	JNJ Innovation	Alzheimer's disease (novel MoA)	Discovery	Not Disclosed	$10m research payments, ~$135M milestones, royalties
Target*ASIC*	BMBF, Undisclosed Pharma	Multiple sclerosis	Lead generation	Lead status	Co-funded discovery effort
Cure*MN*	Harvard University	Amyotrophic lateral sclerosis	Not Disclosed	Pharma partnership	TBD

*Terms are in $'s, not €'s.

Source: Evotec

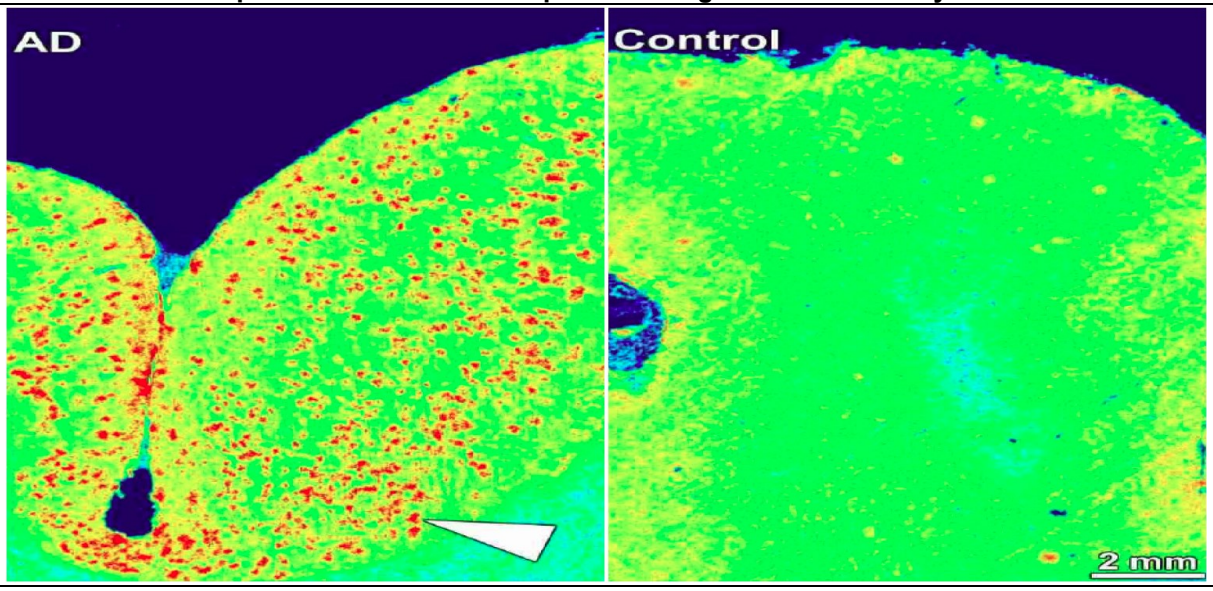
EVT302 – Evotec/Roche's Phase 2b in Alzheimer's Disease

Evotec's most advanced and most valuable clinical stage asset is EVT302, which has fully enrolled in a Phase 2b trial of 544 Alzheimer's patients. This 140 worldwide site trial began enrolling patients with moderate Alzheimer's dementia (MMSE30: 13-20 points) in Q412 and completed enrollment in Q1 of this year. The trial is being run by Evotec's partner, Roche, which is expected to release results in Q315.

EVT302 is a potent small molecule inhibitor of monoamine oxidase-B (MAO-B), an enzyme that breaks down the chemical messenger dopamine. Researchers believe EVT302's impact on dopamine leads to a reduction in the formation of toxic reactive oxygen species in the brain of Alzheimer's disease patients. Overexpression of MAO-B is postulated to contribute to neuronal damage. With high levels of MAO-B

activity in AD patients (see Exhibit 9), the inhibition of MAO-B is expected to slow down disease progression and reduce dementia. Most other late-stage clinical development programs target the beta-amyloid pathway, a concept that is still lacking clinical proof-of-concept.

Exhibit 9: MAO-B expression in Alzheimer's patient vs. age-matched healthy individual



Source: Evotec AG

Alzheimer's disease (AD) is an irreversible, progressive brain disease and the cause of approximately 70% of dementia cases. The destruction of brain cells and nerves disrupts the brains' transmission, particularly those responsible for storing memories. As AD progresses the brain shrinks as gaps develop in the temporal lobe and hippocampus, which are responsible for storing and retrieving new information. Beside degeneration of neurons, typical pathological hallmarks for AD are beta amyloid plaques and neurofibrillary tangles composed by Tau protein in the brain. Based on the evidence from the approved medications and until a pipeline candidate proves successful in the clinic, the cause and progression of AD however are still not completely understood. Like other chronic conditions, scientists believe this condition doesn't have one predominant cause, but is rather a complex result of various factors. The current approaches address the symptoms of the disease but have no disease modifying impacts, unlike EVT302. The lack of an effective drug may have prompted the study that was released just this last week, from over 5,000 nursing home patients in the US with advanced dementia. Researchers found 54% of these dementia patients received at least one medication of "questionable benefit" (Tjia, JAMA, 2014). The study found cholinesterase inhibitors (i.e. Aricept, Razadyne & Exelon) and memantine hydrochloride (i.e. Namenda) were the most commonly prescribed with "questionable benefit", at rates of 36% and 25%, respectively.

But it's not for lack of trying! According to ADIS R&D Insight (private), between 1998 and 2011 there have been 101 AD drugs that have become inactive, 83 of which discontinued and three approvals. The rate of discontinuations in the latter half of this time period is roughly double that of the earlier years and likely due to the increasing number of pipeline programs. Collectively, there's an interest in testing current and pipeline therapies in patients at earlier stages of AD. A year ago the FDA provided guidance on developing drugs for earlier stage AD patients, marking a key transition in their acceptance of trials that show a decline in the rate of decline rather than requiring improvements in cognition. Other trends in the development of AD include enrolling patients during a very early stage of disease progression, if not prior to any signs of AD, as well as the use of genetic markers to identify patients and drug discovery targets (NEJM, Friederich, 2014). There is evidence of genetic links in AD, with four genes gaining most of the attention. While investors may be dismayed by the track record in AD development, the same could have been said for cancer vaccines, immunotherapies, gene therapies and regenerative medicines just a few

years ago during the “Great Recession”. Since then, the investors in those areas have enjoyed extraordinary gains. Given the increasing interest in AD therapies, we find Evotec is well-positioned to benefit from the drug discovery services in the development of AD candidates. -

Alzheimer’s is the sixth leading cause of death in America and the only cause of death among the top 10 without any effective treatment that would prevent or cure the disease or just slow its progression. While AD patients live a mean of eight years from diagnosis survival can range from four to 20 years. While not considered to be a normal part of aging, the rate of diagnosis/thousand person years increases from 3 for 65-69 year olds to 9 for those 75-79, to 40 for those 85-89 and 69 for those ≥90. From the 60’s to the 80’s the risk of developing AD triples every decade. Research shows that in the US in 2010 there were 4.7 million senior citizens with AD, with 0.7 million 65 to 74 years old, 2.3 million were 75 to 84 years of age and 1.8 million were ≥85 (Hebert, Neurology, 2013). From 4.7 million in 2010, demographic trends are expected to triple this number to 13.8 million Americans by 2050. Worldwide there were 44 million people diagnosed with dementia in 2013. This is expected to increase to a staggering total of over 135 million people in 2050.

EVT302 originated in Roche and was licensed by Evotec in 2005 when it was a pre-clinical asset and included a number of compound series. Initial research found EVT302 had a superior safety profile over competing MAO inhibitors including the absence of potential potentially adverse food interactions (tyramine liability). Evotec developed the asset in Phase 1 and 2 trials in smoking cessation and other CNS indications. In 2011, six years after the initial transaction, Evotec entered into a worldwide agreement with Hoffman La Roche for the development and commercialization of EVT302 (RG1577/ RO4602522) in Alzheimer’s disease. Roche currently has two other AD programs running, one each in Phase 2 and 3, with different mechanisms of action.

The current Phase 2b is called the MAyflOwer roAD study. This randomized, placebo-controlled, three arm study with two doses of EVT302 completed enrollment in Q114. This one year study enrolled moderate severity Alzheimer’s patients onto background therapy of acetylcholinesterase inhibitors alone or in combination with memantine for at least four months before screening. Because of the three month window to stabilize doses, patients are on drug up to 15 months, with completion set for May of 2015. The primary endpoint is the change from baseline in the Cognitive Behavior Subscale (ADAS-Cog-11), which Roche is using in their other Phase 2 and 3 AD trials. Secondary endpoints include behavior changes and safety measures. Given the stage of EVT302’s development there are no published studies for investors to review. Several Phase 1 studies are posted to ClinicalTrials.gov, including the current QTc study. There are many studies and papers on MAO-B inhibitors in Alzheimer’s, some of which describe its combined effects with cholinesterase inhibitors (Yanez, Curr Top Med Chem. 2013), which is being tested in the MAyflOwer roAD study as well. Selegiline is a MAO-B inhibitor that has fared well in Alzheimer’s studies but is only approved in Parkinson’s disease (Birks, Cochrane Database Syst Rev. 2003).

In terms of EVT302’s revenue potential, there’s no question in our minds that if EVT302 delays onset by six months or more it would be a blockbuster. The debate would be whether or not EVT302 would be the biggest selling drug to date, but only the performance of the drug and potential competitors would determine that outcome. To us, if any AD treatment could delay onset by a mean of two years and reduce the decline in cognition in a meaningful way, only Orphan-type pricing could limit its adoption to a minority of patients… which we wouldn’t expect. Despite the mild effects of Aricept and Namenda they were/are $2 billion a year drugs and the latest entrant, Exelon patch, is expected to reach $600 million in revenues. Alzheimer’s disease accounts for $200 billion each year in direct medical costs. It’s estimated that if half of worldwide AD patients take a therapy to delay the onset by five years the cost of care would fall by $447 billion by 2050. CMS has noted that between the end of 2010 and 2013 Alzheimer’s medicines have accounted for 40% of the increase in Medicaid spending. This is despite Aricept going generic in 2011. Investors should expect a disease-modifying drug would command pricing of $30,000 - $60,000 to account for the reduction in caregiver expenses and the right-shift of the higher medical expense of Alzheimer’s patients. Should the treatment carry some effects of oncology agents in which the forestalled decline is more aggressive, that too could increase the pricing. We remind investors that Evotec is a drug discovery company with tools and expertise to aid the discovery of agents to solve the Alzheimer’s

puzzle. While we aren't naïve to the difficulty in this condition, we believe the market opportunity will continue to drive Evotec and the investments by larger private and public enterprises in Alzheimer's research.

In terms of the interest from major pharma's, in early 2013 Sanofi (FR.SAN, Not Rated, €86.57) bowed out of the race to develop Alzheimer's treatments but on the other hand we know Novartis has stepped up their commitment in AD. Besides the three late-stage programs at Roche/Genentech, other "major pharma's" researching AD include Baxter (BAX, Not Rated, $74.55) and Lilly (LLY, Not Rated, $65.19) (despite recent failures), as well as Pfizer (PFE, Not Rated,$29.92), J&J and Elan (PRGO, Not Rated, 143.68). Merck (MRK, Not Rated, $59.52) has a BACE inhibitor in Phase 3 and last night AstraZeneca (AZN, Not Rated, 73.78) announced they're getting up to $500 million from Lilly for their BACE inhibitor, AZ3293, which is set to enter Phase 3. The two companies are set to share profits if approved.

Target*AD*

Evotec's experience in Alzheimer's research has been growing aggressively in the past few years as the company has been developing an Alzheimer's discovery platform. In collecting more than 200 post-mortem human brain tissue samples from different regions of the brain, Evotec's scientists have used Braak staging to classify the degree of pathology and precisely determine the chronology of events in Alzheimer's patients' brains. The samples from sick and healthy patients are stratified by age, clinical diagnosis, medical history and genetic markers to identify potentially causative events vs. symptomatic events. The company has noted that they've identified protein phosphatase 1E (PPM1E) as being significantly up-regulated with an early-onset already at Braak stage 1. Just six weeks ago, in late July, Evotec announced that they reached the first milestone on an Alzheimer's project with Janssen that started last November. The milestone included the identification and selection of three targets from the Target*AD* database. Janssen is funding the target drug discovery research via a combination of defined research payments and progress-related milestones. In other words, Evotec is putting some muscle behind the program in an effort to take a measured level of risk with Janssen to enable Evotec to enjoy future research development milestones should the asset(s) reach the clinic and beyond. We've noticed that Evotec's collaborations seem to come in bunches. As such, should there be a second collaboration by another party before year-end we would look for at least another to follow by mid-15. And finally, we noted earlier that management has mentioned new customers from the recent wave of IPO companies. We've found at least five young, well-capitalized companies investing in Alzheimer's, including Google's well-healed investment in Calico, which aims to tackle neurodegeneration. These start-ups may be driven by the financial successes in the medical conditions mentioned earlier (immunooncology, etc.), but also the ability to target specific, genetically-related conditions, using novel diagnostic tests, epigenetic targets and others that allow for more precise matching of therapy to patient.

Huntington's disease

Last week Evotec announced another three year extension to their collaboration agreement with the CDHI Foundation to discover novel drugs to treat Huntington's disease. For perspective, this collaboration began in 2006 when Evotec began providing medicinal chemistry, assay development and medium-throughput screening ("MTS"), ultra-high-throughput screening ("uHTS") and library synthesis and management services. In late 2012 CHDI extended its collaboration with Evotec in a deal that provided Evotec up to $37 million in research payments. CDHI is a privately funded, non-profit biomedical research organization devoted to a single disease – Huntington's disease. From three US-based offices CDHI and its ~75 employees manage Huntington's projects with over 600 researchers worldwide, from public to private institutions. CHDI's strategy is to partner with the world leading research labs to de-risk therapeutic approaches and develop them to a point where they can partnered with major pharmaceutical companies.

EVT100 Series

Evotec's EVT100 series includes NR2B sub-type selective NMDA antagonists that have been under development to treat major depression, which is a medical condition that is not well-addressed today despite a significant amount of research activity and investment. Evotec has been trying to develop and partner these internally discovered NMDA antagonists for the past several years and continues to do so. We are currently awaiting a signal from Janssen Pharmaceuticals that they are starting an EVT100 series compound in a Phase 2 study. As background, in May of 2011 Roche terminated their Phase 2 study with EVT101 and handed back the rights to Evotec. According to the press release, there was a "…need to sharpen the toxicology profile and a potential requirement for an altered dosage scheme…" which affected the rate of enrollment. EVT101 was reportedly well tolerated in healthy volunteers and in patients. A year and a half later Evotec reached a license agreement with Janssen for EVT103 (terms noted in Exhibit 8) and presumable began to run Phase 1 studies. By the end of 2012 Evotec management had expected Janssen to start a Phase 2 trial, triggering a milestone payment. But in December of 2013 Janssen and Evotec reported, "…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 of 2014 Janssen informed Evotec that they will resume development of the program, which may have included running pre-clinical trials on optimized EVT100 compounds… which we speculate. Clearly, the promise of a NR2B sub-type NMDA antagonist in major depression has intrigued several parties, but the development has not been without its challenges. It remains to be seen if Evotec and/or Janssen are having toxicity issues with EVT103 and if so, if they can be overcome. We have less concern that a drug delivery system could be leveraged to be sure the dosing is optimized. A Phase 2 start in 2014 would be upside to our estimates.

Exhibit 10: Evotec's Diabetes Pipeline

Molecule	Partner	Indication (Mechanism)	Status	Next Milestone	Terms
EVT770	AstraZeneca (MedImmune)	T1D & T2D (beta cell	Phase 1	Phase 1 start, 2014	€5M upfront, up to €254M milestones/product; significant royalties
ALM	AstraZeneca (MedImmune)	T1D & T2D (beta cell regeneration)	Phase 1	Phase 1 start, 2014	€1M upfront, high margin research payments up to €183M milestones/product, signficant royalties
EVT070	Boehringer Ingelheim	T2D (insulin resistance)	Lead identification	PDC Assay results	€7M upfront, high margin research payments, up to $300M milestones/product, royalties
Cure*Beta*	Harvard University	T1D & T2D (beta cell regeneration)	Target ID/validation	Pharma partnership	Undisclosed
Cure*Nephron*	Harvard University	Chronic kidney disease	Discovery	Pharma partnership	Undisclosed
Target*EEM*	Harvard University	T1D & T2D (enteroendocrine mechanism)	Discovery	Pharma partnership	Undisclosed
Various	AstraZeneca	Kidney disease	Not disclosed	Not disclosed	Undisclosed upfront, high margin research payments, milestones/product, royalties

Source: Evotec

Cure*Beta*

On March 10, 2011, Evotec established research collaboration with Harvard University to target beta cell regeneration with the intention to form co-development alliances with pharmaceutical companies. After forming CureBeta, the two parties reached their goal by entering a strategic alliance with Janssen Pharmaceuticals in July of 2012. Despite an increasing number of scientific publications on their beta cell

generation efforts and media attention, the alliance with Janssen began winding down in April following Janssen's strategic decision. We expect Evotec and Harvard to continue their development efforts and seek a new pharmaceutical partner.

Today there are five collaboration agreements between Evotec and Harvard University, all of which are in distinct patient types in large disease categories. The five collaboration agreements with Harvard include the following:

Mar 10, 2011:	Cure*Beta*: Evotec Establishes Research Collaboration With Harvard University and the Howard Hughes Medical Institute in Diabetes Research.
Jan 17, 2012:	Cure*Nephron*: Evotec and Harvard University Expand Strategic Alliance into Kidney Disease.
May 16, 2013:	Cure*TargetPBG*: Evotec and Harvard University to collaborate on development of new class of antibacterials.
Sep 12, 2013:	Cure*MN*: Evotec and Harvard Stem Cell Institute form collaboration to advance ALS research.
Oct 10, 2013:	Evotec and Harvard University to collaborate on exploration of entero-endocrine signals affecting key metabolic pathways.

The goal of the Cure*Beta* collaboration is to pursue a comprehensive and systematic approach towards the identification and development of physiological mechanisms and targets that regulate beta cell replication. The two parties brought together Harvard's extensive expertise in beta cell biology along with Evotec's innovative discovery tools to gain new insights into beta cell related mechanisms and targets. Harvard's efforts are being led by Professor Doug Melton, a co-director of the Harvard Stem Cell Institute and Investigator at the Howard Hughes Medical Institute. His laboratory focuses on the development of the pancreas and the use of stem cell approaches to find new treatments for diabetes. Therapies that can improve beta cell replication are expected to enhance or even restore the body's own innate abilities to produce sufficient insulin to maintain optimal glycemic control. If beta cell performance can be normalized, it's expected to reduce and/or prevent the development of chronic, debilitating diabetic complications.

A recent publication (PNAS, Wang, Oct 2013) from researchers at Howard Hughes Medical Institute has shown that the absence of betatrophin profoundly disrupts triglyceride metabolism but is not required for the maintenance of glucose homeostasis. In April of 2013, Dr. Melton described 'betatrophin' in Cell as a recently discovered hormone that controls beta cell proliferation in response to a pharmacological trigger. In the Cell paper, researchers from Harvard tested their hypothesis that betatrophin is a novel liver-derived hormone that promotes compensatory beta cell proliferation through a mechanism that is independent of insulin resistance. To test their theory they started by infusing an insulin-receptor antagonist, S961, for a week to create mice that were insulin-resistant. This spiked beta cell proliferation more than ten-fold higher, which activated regulators of the cell cycle. While beta cell numbers and mass increased, proliferation of other types of endocrine cells (as well as of pancreatic exocrine acinar and ductal cells) remained unaffected by betatrophin. Using gene-expression profiles the investigators identified the "betatrophin gene" as being upregulated in the liver and white fat of mammals. The sequence of the gene (TD26 in humans) is highly conserved across mammals and more so in the liver of humans. Hepatic betatrophin expression is known to be dramatically upregulated in other models of insulin resistance that are associated with increased beta cell proliferation and mass. However, the protein does not seem to be up-regulated during beta cell replication after experimental ablation of the beta cells, implying that betatrophin induction contributes to compensatory beta cell proliferation in response to increased metabolic demand but not during injury induced regeneration. In testing the beta cell proliferative effect in vivo, researchers transiently expressed mouse betatrophin in the liver. This induced an increase in beta cell proliferation by a factor of 17 to 33, which resulted in a tripling of the beta cell mass in eight days and was accompanied by reduced fasting glucose levels and augmented glucose clearance. During this process, beta cells remained functionally normal, despite their overwhelming proliferative recruitment. Further testing may include an assessment of betatrophin in mice older than eight weeks old, which were included in the study published in Cell.

We believe betatrophin may be most helpful in Type 2 diabetics, but also in patients with recently diagnosed juvenile diabetes by halting or even reversing beta cell loss. We aren't certain how many people at Harvard are working on this program but we understand there at 15 FTE's from Evotec and more than that from Janssen that are working on this potential blockbuster. As noted in Exhibit 11, Evotec is eligible to receive up to €300 million per each potential product plus royalty revenues. While much is being made of CureBeta, investors should recognize that this program has three "cousins" via Evotec's pre-clinical drug discovery efforts underway with MedImmune/AstraZeneca (EVT770 and ALM in Phase 1 in 2014) and Boehringer Ingelheim (EVT070, PDC assay under development).

Exhibit 11: Evotec's Pain and Inflammation Pipeline

Molecule	Partner	Indication (Mechanism)	Status	Next Milestone	Terms
EVT401	CONBA Pharmaceuticals	Inflammation	Phase 1/2	Phase 2 start	€60M in milestones plus royalties
Multiple	Boehringer Ingelheim	Pain/other	Pre-clinical	Phase 1 start	Undisclosed upfront, research payments, milestones and royalties
Multiple	Bayer	Endometriosis	Pre-clinical	Select candidate	€12M upfront, €580M milestones, royalties
Not Disclosed	Novartis	Pain/other	Pre-clinical	Validation	Undisclosed research payments, milestones and royalties
Multiple	UCB	Inflammation	Lead	Pre-clinical	Undisclosed milestones and royalties

Source: Evotec

Exhibit 12: Evotec's Oncology Pipeline

Molecule	Partner	Indication (Mechanism)	Status	Next Milestone	Terms
Somatoprim	Aspireo	Acromegaly	Phase 2a	Pharma partnership	Undisclosed consulting fees & royalties
Not Disclosed	Boehringer Ingelheim	Oncology	Phase 1	Not Disclosed	Undisclosed research payments, milestones and royalties
Target*T-cell*	Apeiron	Immunotherapy	Pre-clinical	Pharma partnership	Shared research costs, milestones and royalties
Target*KDM*	Belfer Institute	Epigenetic targets	Pre-clinical	Pharma partnership	Undisclosed
Not Disclosed	Boehringer Ingelheim	Oncology	Pre-clinical	Not Disclosed	Undisclosed research payments, milestones and royalties
Target*FGFR3*	Internal project	Bladder cancer	Hit to lead	Not Disclosed	Undisclosed
Target*IDH*	Internal project	Epigenetic targets	Hit to lead	Not Disclosed	Undisclosed

Source: Evotec

EVOTEC'S PRODUCTS AND SERVICES

We are impressed with Evotec's breadth of scientific talent and the company's constant focus on improving their own core areas of expertise. As the company knows, their expertise serves as the basis of their current business and future opportunities, both of which have led to continued top-line growth. Further, based on Evotec's discovery capabilities and the market demand we believe Evotec will be able to hit their modest growth assumptions from the EVT Execute business. Likewise, we're impressed with the tenure of their scientists and their innovation in developing multiple clinical assets that are unique to Evotec… both the research tools and the drug candidates. The intellectual input of Evotec's scientists is one of the pillar's supporting Evotec's business model.

- Across their careers, Evotec's scientists have produced >90 development candidates and have been named inventors and authors on >750 patents and publications.
- >40% of Evotec's chemists have >8 years' experience at major pharmaceutical and biotech companies prior to joining Evotec.
- Over the last 15 years, Evotec chemists have supported >125 hit-to-lead and/or lead optimization projects.
- Evotec scientists have helped identify >30 pre-clinical candidates and are named inventors on >200 client patents.
- Evotec's project teams have made major contributions to the identification of >20 compounds that have been approved for clinical trials.

Evotec is the partner of choice for stand-alone clinical research services. These services are charged on a purely fee-for-service basis and fall under Evotec's EVT Execute strategy. Alternatively, Evotec can produce comprehensive and innovative drug discovery solutions that can be marketed to outside parties. Across the EVT Execute, EVT Integrate and the EVT Innovate strategies Evotec's capabilities include the following services:

- Target Identification & Validation
- Gene Expression Profiling
- *In vivo* Target Validation
- Hit Identification - HTS
- Hit Identification - SBDD
- Compound Management
- Compound Profiling
- Proteomics
- Ion Channels
- EVOmAb

Target Identification and Validation
Evotec has established a worldwide leadership position with their target identification platform to support the discovery and validation of innovative disease-modifying targets. The identification and validation of targets for the pharmaceutical and biotechnology industries are complex processes that include laboratory techniques, outsourcing approaches, and informatics methodologies. Evotec's expertise includes:

- World-class *ex vivo* imaging technology platform using tissue sections to study cellular and molecular events
- Phenotypic screening of complex cellular systems for hit identification
- Target deconvolution using proteomics
- Screening of siRNA libraries for target identification
- Validation of specific targets in various cellular models using disease-relevant read-outs

Gene Expression Profiling
As biotech investors recognize, changes in gene expression provide researchers information on an entities' biological systems. At Evotec, they deploy its proprietary differential gene expression techniques followed by bioinformatics-driven data mining to support its data-driven hypothesis building. Evotec's researchers then leverage these bioinformatics analyses to determine differential expression and generate annotated gene lists. Knock-down and over-expression studies are executed in both *in vitro* and

in vivo disease models. Evotec has built substantial experience in this area and routinely achieves knock-down efficiencies of at least 80%.

***In vivo* target validation**

Studying the dynamic processes of a disease-relevant target cell offers enormous potential and has become increasingly popular in recent years as more complex and disease relevant cellular systems have become available. Over the past fifteen years Evotec and its scientists have developed disease models in a number of areas such as diabetes, diabetic complications, kidney diseases, neuro-degeneration, oncology, inflammation and pain that are being used for target validation. Classical pharmacodynamic and efficacy read-outs as well as a world-class *ex vivo* histology and immunohisto-chemistry platforms investigating cellular and molecular markers in tissue sections are prepared from treated animals. These efforts have allowed Evotec to produce a variety of read-outs that allow the investigation of target modulation. The company has a small molecule compound library of 350,000 compounds, including 70,000 proprietary Evotec compounds and a set of 280,000 maximally diverse "islands". For structure-based approaches to drug discovery, Evotec has a 20,000 fragment set available for biochemical screening and a 3,000 fragment set specifically selected for nuclear magnetic resonance (NMR) and surface plasmon resonance (SPR) screening.

Hit identification, High-Throughput Screening (HTS)

Evotec has twenty years of experience in assay development, specifically in HTS, but also in hit-to-lead and optimization programs. Evotec has developed a world class, broad portfolio of assays covering all of the major target classes. Remarkably, Evotec has developed over 400 unique assays with >95% success rate, including biochemical and cellular assays. Evotec's data analysis platform, Aplus, is suited to support all screening processes from HTS including multivariate analysis.

The assays developed at Evotec encompass both a target centric as well as phenotypic approach with emphasis on primary cells from appropriate hosts. These assays epitomize the identification of new drugs using disease-relevant models with disease-relevant endpoints. The nature of high content screening (HCS) describes primarily a target agnostic approach measuring phenotypic/morphological changes associated with target engagement. These assays are designed to investigate subtle or rare subcellular events. Ultimately, the use of phenotypic screening provides Evotec's clients with a whole new realm of drug discovery opportunities that otherwise could not be addressed. Currently, Evotec's main focus areas of HCS are in kidney disease, diabetes, pain, inflammation and neurodegeneration. Here, the strengths of HCS are combined with regenerative medicine concepts to probe and discover new treatment paradigms such as beta cell regeneration for diabetes and podocyte protection for diabetic neuropathy. Applying HCS to stem cell biology is also an area of active research at Evotec, including the discovery of new treatment paradigms for ALS and other degenerative diseases. Clearly, assays have come a long way since Evotec was founded twenty years ago by founders that included a Nobel Laureate.

Hit Identification – Structure-Based Drug Design (SBDD)

Evotec's SBDD group includes a comprehensive fragment-based drug discovery platform and sensitive screening techniques that are proprietary to Evotec as well as mass spectrometry combined with specifically selected fragment compound collections to identify diverse, active low molecular weight fragments. This provides Evotec's researchers and clients multiple highly efficient starting points for chemical optimization. Evotec has employed its NMR screening platform on more than 30 protein targets covering a wide range of target classes from frequently studied enzymes (including kinases and proteases) from nucleotide binding proteins or epigenetic targets to protein:protein interaction targets and receptor domains. One example of Evotec's efforts in this regard is an aurora-B kinase inhibitor that was developed alongside Roche using Evotec's extensive SBDD. Evotec employs multiple structure-based analytical tools to help prioritize compound ideas, alongside collaborative tools for communication with medicinal chemists.

Evotec's UK SBDD facilities are located within a few miles of the UK's third generation synchrotron (www.diamond.ac.uk), which, when coupled with Evotec's own in-house X-ray capabilities offers the ideal infrastructure for rapid cycle times in X-ray crystallography. The Structural Biology team is led by eight

crystallographers who provides solutions in discovering novel structure elucidation of drug targets and optimization of crystal systems, which supports industrialization of protein:ligand complex crystallography. Evotec has a comprehensive SBDD platform comprising state-of-the-art capabilities in:

- Computational chemistry
- Protein engineering
- X-ray crystallography
- Biophysical screening tools such as NMR, SPR, MS and ITC

Compound Management

Given Evotec's history and expertise in assay development it should come as no surprise that its Compound Management services are first rate. The company expanded its operational presence in 2013 by adding a second location in Branford, CT, which is strategically positioned to support Evotec's current and future clients along the eastern corridor of the US. Evotec's Compound Management services offer multi-format plating and reformatting, inert atmosphere and low temperature storage and processing, as well as multi-site disaster recovery and can "in-source" compounds to client sites. Evotec's expertise goes beyond the operational efficiencies such as having one lead Project Manager, to quality control systems and large-scale expertise coming from such programs as a HTS with a capacity for 500,000 injections per year. Evotec's proprietary data management systems and software platforms have produced the following, compelling metrics:

- Evotec has shipped almost 40 million samples to 377 recipients in 30 countries.
- Over three million samples have been acquired and processed for clients.
- Evotec has worked with over 200 compound suppliers from 18 countries.
- Its largest individual library consists of ~490,000 compounds.
- Over 25 client collaborations have been established to individual specifications.

Compound Profiling

In the development of drug candidates it's important to measure the potential for adverse events, including detrimental drug interactions. After all, confidence early on can lead researchers to optimize the course of a drug candidate. Evotec's panel of cytochrome P450 reversible inhibition assays for the six main CYP450 isoforms are used in combination with time-dependent inhibition and induction of CYP450 3A4 to give researchers more direction and details to guide the development of a series of drug candidates. Among the additional critical ADME assays Evotec identifies inhibitors of the hERG, Nav1.5 and Cav1.2 ion channels which are implicated in adverse cardiovascular events. These assays are typically completed within seven working days and are scalable.

Proteomics

Evotec's protein analysis platform is designed to provide highly reliable results, both for in-depth bioinformatics involving enrichment, cluster, network and motif analyses, as well as for expert data interpretation on the level of site-specific changes. Accurate quantification is enabled by differential isotope labeling, in which highly optimized peptide enrichment and analysis on fast, sensitive and accurate mass spectrometers ensure highest phosphoproteome or acetylome coverage. The platform is designed to identify and quantify more than 10,000 phosphorylation sites or 1,000 lysine acetylation sites in a single experiment, which may be performed in cells, tissues or patient samples. Unlike competing technologies, Evotec's Cellular Target Profiling technology captures target specificity and affinity information by quantifying target binding across defined sets of affinity purification and drug competition experiments. Evotec scientists have pioneered chemical proteomics applications for the identification of cellular small molecule targets while the quantitative phosphoproteomics platform investigates the signaling pathways to delineate the cellular modes of action for kinase inhibitors. Also, Evotec's acetylomics platform offers similar applications for HDAC and sirtuin inhibitors using highly optimized workflows with regard to sensitivity and selectivity.

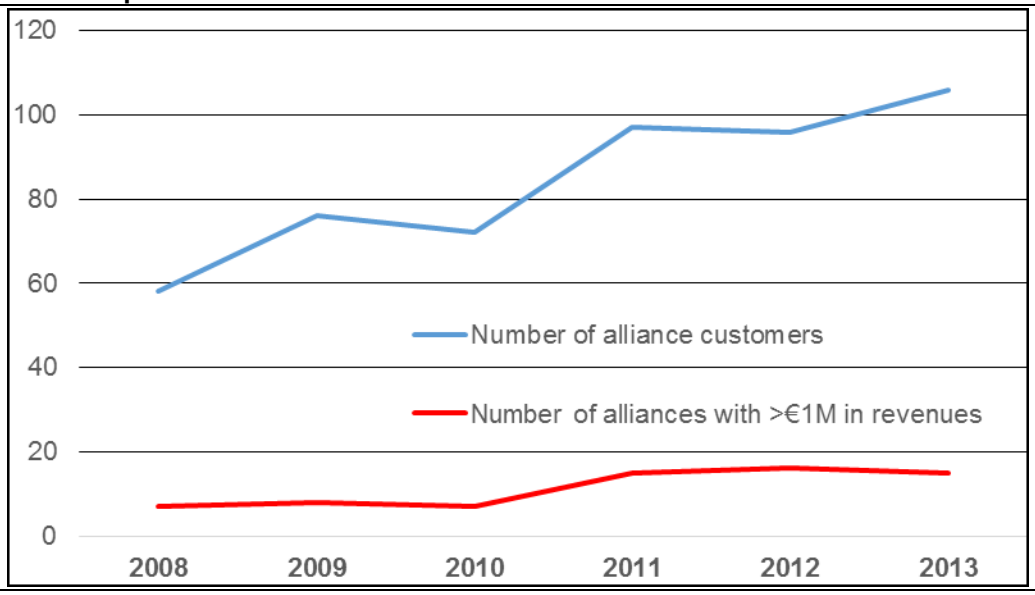
Ion Channels
Evotec has a successful history of running hit identification campaigns against ion channel targets. On average more than 235,000 compounds per target are screened towards a fixed compound concentration. Typically, campaign results in "primary" hit rates of roughly 1% with confirmation rates showing strong assay performance. Secondary assays using electrophysiology to confirm compound activity are part of the routine HTS follow-up and are the key to the successful identification of relevant starting points for medicinal chemistry projects.

EVOmAb
Evotec has established its antibody screening platform to incorporate functional screening early in the antibody discovery and selection process. Also, Evotec can take the clients' antibody libraries and identify cell lines that are over-expressing a given target structure as well as identify targets for primary selections. Evotec can reformat virtually every output of antibody selection platforms into suitable HTS formats and can produce quantities of drug necessary for testing in animal models. Evotec has developed specific expertise in the field of GPCRs, ion channels and other cell surface proteins. EVOmAb assays can illustrate ligand binding, target translocation, mitochondrial potential, changes in nuclear morphology, cell differentiation and replication.

DRUG DISCOVERY ALLIANCES

As a drug discovery company, Evotec partners with drug developers and produces above average margins in the 20's, more than enough to cover its operating costs yet yielding opportunities for greater profitability as Evotec's partners succeed in clinical and regulatory development. Therefore, these alliances are important in assessing Evotec's growth potential because they often turn into pipeline candidates, with the accompanying milestone payments and potential royalty revenues. As noted in the following exhibits Evotec's drug discovery operations are being valued and recognized by its customers and potential customers. In every important benchmark, we are impressed with Evotec's execution. The number of alliances is growing, the breadth of Evotec's customers is growing, and business from current customers is also growing.

Exhibit 13: Development of Evotec's Alliances



Source: Evotec AG

Exhibit 14: Evotec's Alliances – Development and Retention Rates

	2008	2009	2010	2011	2012	2013
Number of alliance customers	58	76	72	97	96	106
Number of alliances with >€1M in revenues	7	8	7	15	16	15
Continued alliance customers	84%	92%	95%	85%	86%	93%
Number of new alliance customers	21	29	22	45*	29	39

*22 of which came via acquisitions (Kinaxo & Compound Focus)
Source: Evotec AG

Exhibit 15: Annual Revenues of Top Collaborators

In € (000)	2008	2009	2010	2011	2012	2013
Boehringer Ingelheim	12,588	7,988	13,754	17,022	13,546	18,262
CHDI	8,258	9,090	9,211	8,915	9,905	10,423
UCB Pharma	-	-	-	1,120	9,792	8,873
Top 4-10	11,539	17,608	23,665	35,937	31,957	26,650
Top 10	32,382	34,686	46,630	62,994	65,200	64,208
Top 2's Share of Top 10	64%	49%	49%	41%	36%	45%
Growth in Top 10's	-	7%	34%	35%	4%	-2%

Source: Evotec AG

Evotec has signed >50 new alliance agreements over the past four years. To us, the growth in the recent alliances, the number of companies with three or more agreements and the retention rates are bullish evidence that Evotec's recurrent revenue streams have the potential to accelerate over the next two to three years (Exhibit 13 & 14). As shown in Exhibit 15, Boehringer and CDHI have consistently represented the two largest partners for Evotec. But notably, there's been considerable expansion in the growth of the "Top 4 – 10" collaborators. In fact, while the revenues of the Top 2 have been trending higher over the past five years their share of the revenues within the Top 10 has not continued to trend higher. The increased breadth of revenues may be Evotec's most supportive benchmark and should give investor's confidence in the stability of Evotec's operating performance.

Boehringer Ingelheim

In 2004, Evotec entered into a multi-year, multi-target drug discovery alliance with Boehringer Ingelheim to jointly identify and develop pre-clinical development candidates for the treatment of various disease areas including CNS, inflammation, cardiometabolic and respiratory diseases. In 2009, the collaboration was extended for an additional four years and the scope was expanded to include oncology targets. Under the terms of the agreement, Boehringer Ingelheim has full ownership and global responsibility for clinical development, manufacturing and commercialization of the compounds identified. In return, Evotec receives ongoing research payments and pre-clinical milestones. Most notably, the contract provides substantial long-term upside for Evotec via continued clinical milestone payments plus the potential for royalty revenues. At this point, none of the Boehringer compounds have moved into Phase 2 development.

MANAGEMENT SUMMARY

Chief Executive Officer
Dr. Werner Lanthaler was appointed Chief Executive Officer of Evotec in March of 2009. From March 2000 to March 2009 he was Chief Financial Officer at Intercell AG. During his tenure, Intercell developed from a venture-backed biotechnology company into a global vaccine player. Dr. Lanthaler played a pivotal role in many of the company's major corporate milestones including the product approval of Intercell's Japanese Encephalitis Vaccine, the company's acquisitions and strategic pharma partnerships, as well as the company's Initial Public Offering in 2005. From 1998 to 2000 Dr. Lanthaler served as Director of the Federation of Austrian Industry and from 1995 to 1998 as Senior Management Consultant at the consulting firm McKinsey & Company. He holds a doctorate in economics from Vienna University, earned his Master's degrees from Harvard University, and holds a degree in Psychology.

Chief Financial Officer
Colin Bond joined Evotec AG as Chief Financial Officer and Member of the Management Board in August 2010. He is a citizen of Great Britain and Switzerland and has almost 25 years of experience in leading finance positions, most recently as Chief Financial Officer of Novelis Europe based in Switzerland. During his early career he worked as pharmacist, auditor and management consultant for Procter & Gamble, Arthur Andersen and PricewaterhouseCoopers, respectively. He moved into industry with Great Lakes Chemicals and then became Chief Finance Officer of Jet Aviation Group before becoming CFO EMEA for Ecolab. Colin Bond is a qualified chartered accountant and pharmacist. He is a fellow of the Institute of Chartered Accountants in England and Wales and is a member of the Royal Pharmaceutical Society of Great Britain. In addition, he received his MBA degree from London Business School. He is a board member and Head of the Audit Committee of Siegfried Holding AG quoted on the Swiss SIX exchange.

Chief Scientific Officer
Dr. Cord Dohrmann joined Evotec AG as Chief Scientific Officer and Member of the Management Board in September 2010. Dr. Dohrmann has spent over 20 years in biomedical research at leading academic institutions and in the biotech industry. He started his academic career in 1983 studying Biology at Tübingen University in Germany and conducting research as a DAAD scholar at Duke University, Durham, USA. Dr. Dohrmann completed his MA thesis at the Max-Planck Institute in Tübingen and subsequently enrolled at the Harvard Medical School in Boston, USA, where he received his Ph.D. in Cell and Developmental Biology in 1996. Dr. Dohrmann continued his career as a Shiseido research fellow at the Massachusetts General Hospital in Boston before joining DeveloGen in 1999. He served the company in various management positions including CEO, leading DeveloGen from a start-up to an internationally recognized metabolic disease company with a pipeline of highly innovative preclinical and clinical products for the treatment of diabetes and related disorders. Dr. Dohrmann has been advising the European Commission, the Max-Planck-Institute as well as venture capital firms and authored and co-authored a number of publications and patents.

Chief Operating Officer
Dr. Mario Polywka is Chief Operating Officer of Evotec. In 1991, he was a founding chemist of Oxford Asymmetry International plc (OAI), became Director of Chemistry in 1993 and a Board Director in 1996. In 1999, Dr. Polywka was appointed Chief Operating Officer and in 2001 Chief Executive Officer of OAI. Following the merger of EVOTEC BioSystems AG with OAI in 2000 he was Chief Operating Officer until 2002. Between 2002 and 2004 Dr. Polywka ran a number of spin-out companies in the Oxford area, and still serves as Chairman on the boards of Pharminox and Glycoform. Dr. Polywka received a doctorate from the University of Oxford in mechanistic organometallic chemistry and continued at Oxford with post-doctoral studies on the biosynthesis of penicillins. He held a number of college lectureships at Oxford University between 1988 and 1994. Dr. Polywka is a Fellow of the Royal Society of Chemistry and has a number of publications and patents mainly in the field of asymmetric synthesis.

Exhibit 16: Sums of the Parts' Valuation of Evotec's Pipeline

	Peak Sales	Drug's Value at launch	Royalty Rate	Value of Royalty Stream*	Years Till Peak Revenues	Discount till Launch***	Probability	Royalty's NPV	Milestone's NPV	Product's NPV
EVT302	$8,000,000,000	$24,000,000,000	15%	$3,600,000,000	7	$1,471,232,147	6%	$88,273,929	$8,336,982	$96,610,911
EVT201	$150,000,000	$450,000,000	15%	$67,500,000	8	$24,275,330	20%	$4,855,066	$7,192,690	$12,047,757
Somatriptan**	$500,000,000	$1,500,000,000	5%	$75,000,000	8	$26,972,589	20%	$5,394,518	$14,385,381	$19,779,899
4 Phase 1s	NA	NA	NA	NA	10	NA	NA	$0	$0	$0
5 Preclinical	NA	NA	NA	NA	12	NA	NA	$0	$0	$0
8 Discovery	NA	NA	NA	NA	15	NA	NA	$0	$0	$0
Evotec's Pipeline Totals:								$98,523,513	$29,915,054	**$128,438,566**

Source: Highline Research Advisors estimates

Exhibit 17: Valuation Matrix

2018		Discount rate						
		0%	5%	**10%**	**15%**	**20%**	25%	30%
Multiple	15	€ 1.70	€ 1.47	€ 1.28	€ 1.12	€ 0.98	€ 0.87	€ 0.77
	20	€ 2.27	€ 1.96	€ 1.70	€ 1.49	€ 1.31	€ 1.16	€ 1.03
	25	€ 2.83	€ 2.45	€ 2.13	€ 1.86	€ 1.64	€ 1.45	€ 1.29
	30	€ 3.40	€ 2.94	€ 2.55	€ 2.23	€ 1.97	€ 1.74	€ 1.55
	35	€ 3.96	€ 3.42	€ 2.98	**€ 2.61**	€ 2.29	€ 2.03	€ 1.80
	40	€ 4.53	€ 3.91	€ 3.40	€ 2.98	€ 2.62	€ 2.32	€ 2.06
	45	€ 5.10	€ 4.40	€ 3.83	€ 3.35	€ 2.95	€ 2.61	€ 2.32
	50	€ 5.66	€ 4.89	€ 4.25	€ 3.72	€ 3.28	€ 2.90	€ 2.58
	55	€ 6.23	€ 5.38	€ 4.68	€ 4.10	€ 3.61	€ 3.19	€ 2.84

Earnings value	€ 2.61
Cash & equivalents	€ 85.55
Current debt	€ 20.61
Net cash position	€ 64.94
Diluted share count (M)	131.3
Net cash per share	€ 0.49
Earnings + Cash value	€ 3.10
Pipeline value (M)	€ 128
Pipeline value/share	€ 0.98
Price target	**€ 4.08**

Source: Highline Research Advisors estimates

HIGHLINE RESEARCH ADVISORS

Evotec AG
Income Statement, in € (000)

Michael J Higgins
Managing Director, Equity Research
Highline Research Advisors, LLC
917-903-5254, mhiggins@highlineresearchadvisors.com

	Actual						Projected						
Fiscal Period:	**2010**	**2011**	**2012**	**2013**	**Q114**	**Q214**	**Q314**	**Q414**	**2014**	**2015**	**2016**	**2017**	**2018**
Revenue	**55,262**	**80,128**	**87,265**	**85,938**	**17,611**	**22,474**	**22,691**	**26,637**	**89,413**	**100,143**	**112,160**	**125,619**	**140,693**
Cost of revenue	(30,916)	(45,143)	(56,242)	(54,716)	(12,998)	(15,296)	(14,522)	(17,048)	(59,864)	(60,025)	(65,053)	(71,603)	(77,381)
Gross Profit	**24,346**	**34,985**	**31,023**	**31,222**	**4,613**	**7,178**	**8,169**	**9,589**	**29,549**	**40,117**	**47,107**	**54,016**	**63,312**
Operating income and (expenses)													
Research & development	(6,116)	(8,437)	(8,340)	(9,664)	(2,972)	(3,312)	(3,135)	(3,681)	(13,100)	(14,020)	(15,702)	(17,587)	(19,697)
Selling, general & administrative	(15,956)	(15,760)	(16,301)	(16,597)	(4,356)	(4,524)	(3,730)	(4,379)	(16,988)	(19,027)	(21,310)	(23,868)	(26,732)
Amortization of intangible rights	(672)	(1,703)	(2,768)	(3,222)	(760)	(593)	(677)	(677)	(2,706)	(2,760)	(2,815)	(2,872)	(2,929)
Restructuring	0	0	0	(474)	0	0	0	0	0	0	0	0	0
Impairment of property, plant & equipment	0	0	0	(1,076)	0	0	0	0	0	0	0	0	0
Impairment of intangible assets	0	(2,058)	(3,505)	(22,023)	0	0	(8,700)	0	(8,700)	0	0	0	0
Reversal of impairment of intangible assets	0	1,501	0	0	0	0	0	0	0	0	0	0	0
Impairment of goodwill	0	0	0	(1,948)	0	0	0	0	0	0	0	0	0
Other operating income	4,536	1,426	2,202	4,410	452	1,881	1,167	1,167	4,666	4,538	4,629	4,721	4,816
Other operating expenses	(4,423)	(4,747)	(5,513)	(1,980)	(459)	(713)	(586)	(586)	(2,344)	(2,162)	(2,205)	(2,249)	(2,294)
Total operating expenses	**(22,631)**	**(29,778)**	**(34,225)**	**(52,573)**	**(8,095)**	**(7,261)**	**(15,661)**	**(8,155)**	**(39,172)**	**(33,431)**	**(37,404)**	**(41,854)**	**(46,836)**
Operating income	**1,715**	**5,207**	**(3,202)**	**(21,351)**	**(3,482)**	**(83)**	**(7,493)**	**1,434**	**(9,623)**	**6,686**	**9,703**	**12,163**	**16,476**
Other non-operating income (expenses)													
Interest income	241	413	655	261	125	40	83	83	330	337	343	350	357
Interest expense	(866)	(1,858)	(1,859)	(1,870)	(449)	(381)	(415)	(415)	(1,660)	(1,693)	(1,727)	(1,762)	(1,797)
Other income from financial assets	979	0	406	26	0	(10)	0	0	(10)	0	0	0	0
Other expense from financial assets	(755)	(77)	0	(174)	0	46	0	0	46	0	0	0	0
Foreign currency exchange gain (loss), net	2,729	1,360	(1,185)	(556)	(273)	136	0	0	(137)	0	0	0	0
Other non-operating income	221	211	171	16	25	11	0	0	36	0	0	0	0
Other non-operating expense	(397)	0	0	0	0	(107)	0	0	(107)	0	0	0	0
Total non-operating income (expense)	**2,152**	**49**	**(1,812)**	**(2,297)**	**(572)**	**(265)**	**(333)**	**(333)**	**(1,502)**	**(1,357)**	**(1,384)**	**(1,411)**	**(1,440)**
Income before taxes	**3,867**	**5,256**	**(5,014)**	**(23,648)**	**(4,054)**	**(348)**	**(7,825)**	**1,102**	**(11,125)**	**5,330**	**8,319**	**10,751**	**15,036**
Current tax income (expense)	(676)	(1,153)	(793)	(299)	0	(34)	0	0	(34)	0	0	0	0
Deferred tax income (expense)	(206)	2,548	8,285	(1,486)	48	(40)	0	0	8	0	0	0	0
Total taxes	**(882)**	**1,395**	**7,492**	**(1,785)**	**48**	**(74)**	**0**	**0**	**(26)**	**0**	**0**	**0**	**0**
Net Income (loss)	**2,985**	**6,651**	**2,478**	**(25,433)**	**(4,006)**	**(422)**	**(7,825)**	**1,102**	**(11,151)**	**5,330**	**8,319**	**10,751**	**15,036**
Weighted average shares outstanding	109,012,908	116,022,213	117,295,847	121,215,288	131,162,211	131,252,424	131,342,699	131,433,036	131,297,593	131,659,190	132,021,409	132,384,625	132,748,840
Net Income (loss) per share (basic)	**€ 0.03**	**€ 0.06**	**€ 0.02**	**(€ 0.21)**	**(€ 0.03)**	**(€ 0.00)**	**(€ 0.06)**	**€ 0.01**	**(€ 0.08)**	**€ 0.04**	**€ 0.06**	**€ 0.08**	**€ 0.11**
Net Income (loss) per share (diluted)	**€ 0.03**	**€ 0.06**	**€ 0.02**	**(€ 0.21)**	**(€ 0.03)**	**(€ 0.00)**	**(€ 0.06)**	**€ 0.01**	**(€ 0.08)**	**€ 0.04**	**€ 0.06**	**€ 0.08**	**€ 0.11**

Sources: SEC, company reports and Highline Research Advisors estimates

Evotec AG
Balance Sheet, in € (000)

Michael J Higgins
Managing Director, Equity Research
Highline Research Advisors, LLC
917-903-5254, mhiggins@highlineresearchadvisors.com

	Actual						Projected						
Fiscal Period:	**2010**	**2011**	**2012**	**2013**	**Q114**	**Q214**	**Q314**	**Q414**	**2014**	**2015**	**2016**	**2017**	**2018**
ASSETS													
Current assets:													
Cash and cash equivalents	21,091	17,777	39,065	45,644	39,638	42,247	43,122	44,224	44,224	49,553	57,872	68,623	83,660
Investments	46,303	44,651	25,094	50,499	50,644	43,303	43,346	43,390	43,390	43,563	43,738	43,913	44,088
Trade accounts receivables	11,869	10,393	15,053	17,777	13,117	16,959	15,038	15,113	15,113	15,418	15,726	16,041	16,361
Inventories	2,819	3,556	2,445	2,358	2,890	2,823	2,857	2,871	2,871	2,929	2,987	3,047	3,108
Current tax receivables	569	201	480	433	401	399	400	402	402	410	418	427	435
Deferred tax asset	0	2,373	0	0	0	0	0	0	0	0	0	0	0
Other current financial assets	1,142	1,355	1,478	1,995	1,391	2,091	1,741	1,750	1,750	1,785	1,821	1,857	1,894
Prepaid expenses and other current assets	2,899	2,965	4,489	3,820	7,997	5,943	6,970	7,005	7,005	7,146	7,289	7,435	7,583
Assets classified as held for sale	0	62	0	0	0	0	0	0	0	0	0	0	0
Total current assets	**86,692**	**83,333**	**88,104**	**122,526**	**116,078**	**113,765**	**113,474**	**114,754**	**114,754**	**120,804**	**129,851**	**141,342**	**157,130**
Non-current assets:													
Long-term investments	10	10	10	10	10	12	11	11	11	11	12	12	12
Property, plant and equipment	18,487	24,946	27,181	24,239	23,791	23,962	23,877	23,996	23,996	24,479	24,969	25,468	25,978
Intangible assets, excluding goodwill	57,615	67,652	63,266	39,826	39,075	38,960	39,018	39,213	39,213	40,003	40,803	41,619	42,451
Goodwill	25,979	42,202	42,342	40,136	40,297	43,619	41,958	42,168	42,168	43,017	43,878	44,755	45,651
Deferred tax asset	0	0	2,815	0	0	0	0	0	0	0	0	0	0
Other non-current financial assets	3,076	70	75	77	77	77	77	77	77	79	81	82	84
Other non-current assets	0	0	1,634	566	297	227	262	263	263	269	274	279	285
Total non-current assets	**105,167**	**134,880**	**137,323**	**104,854**	**103,547**	**106,857**	**105,202**	**105,728**	**105,728**	**107,858**	**110,016**	**112,216**	**114,460**
Total assets	**191,859**	**218,213**	**225,427**	**227,380**	**219,625**	**220,622**	**218,676**	**220,482**	**220,482**	**228,663**	**239,867**	**253,558**	**271,590**
LIABILITIES AND STOCKHOLDERS' EQUITY													
Current Liabilities													
Current loan liabilities	8,356	13,174	13,223	17,222	17,177	17,133	17,155	17,241	17,241	17,588	17,940	18,299	18,665
Current portion of finance lease obligations	109	32	1	5	5	5	5	5	5	5	5	5	5
Trade accounts payable	6,980	10,134	6,363	6,653	6,150	5,229	5,690	5,718	5,718	5,833	5,950	6,069	6,190
Advanced payments received	1,421	782	232	232	622	208	415	417	417	425	434	443	452
Provisions	6,656	11,045	6,914	5,788	3,440	3,895	3,668	3,686	3,686	3,760	3,835	3,912	3,990
Deferred revenues	7,675	5,875	5,548	6,051	5,453	4,037	4,745	4,769	4,769	4,865	4,962	5,061	5,163
Current income tax payables	773	492	502	741	162	250	206	207	207	211	215	220	224
Other current financial liabilities	225	1,147	234	342	136	164	150	151	151	154	157	160	163
Other current liabilities	607	152	865	1,919	1,246	728	987	992	992	1,012	1,032	1,053	1,074
Total current liabilities	**32,802**	**42,833**	**33,882**	**38,953**	**34,391**	**31,649**	**33,020**	**33,185**	**33,185**	**33,854**	**34,531**	**35,221**	**35,926**
Non-current liabilties													
Non-current loan liabilties	3,500	2,359	4,178	0	978	3,478	3,495	3,513	3,513	3,584	3,655	3,728	3,803
Long-term finance lease obligations	32	1	0	14	13	11	12	12	12	12	13	13	13
Deferred tax liabilities	6,660	9,904	2,099	1,245	1,248	1,508	1,378	1,385	1,385	1,413	1,441	1,470	1,499
Provisions	12,722	14,618	18,817	18,586	18,911	20,057	19,484	19,581	19,581	19,976	20,376	20,783	21,199
Deferred revenues	3,506	9	12,516	8,382	6,926	5,846	6,386	6,418	6,418	6,547	6,678	6,812	6,948
Other non-current financial liabilities	0	1,244	1,388	1,233	1,195	1,156	1,176	1,181	1,181	1,205	1,229	1,254	1,279
Total non-current liabilities	**26,420**	**28,135**	**38,998**	**29,460**	**29,271**	**32,056**	**31,931**	**32,091**	**32,091**	**32,737**	**33,392**	**34,060**	**34,741**
Stockholders' equity:													
Share capital	115,596	118,316	118,547	131,460	131,541	131,605	131,678	131,750	131,750	132,697	133,867	135,048	136,240
Treasury shares	0	(1)	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	658,888	663,820	665,918	686,767	687,140	687,501	692,537	692,976	692,976	694,099	695,023	695,976	696,958
Accumulated other comprehensive income	(26,679)	(25,995)	(25,501)	(27,410)	(26,862)	(25,911)	(26,387)	(26,518)	(26,518)	(27,053)	(27,594)	(28,146)	(28,709)
Accumulated deficit	(615,644)	(608,895)	(606,417)	(631,850)	(635,856)	(636,278)	(644,103)	(643,001)	(643,001)	(637,672)	(629,353)	(618,602)	(603,565)
Non-controlling interest	476	0	0	0	0	0	0	0	0	0	0	0	0
Total Stockholders' equity	**132,637**	**147,245**	**152,547**	**158,967**	**155,963**	**156,917**	**153,725**	**155,206**	**155,206**	**162,071**	**171,944**	**184,277**	**200,924**
Total liabilities and stockholders' equity	**191,859**	**218,213**	**225,427**	**227,380**	**219,625**	**220,622**	**218,676**	**220,482**	**220,482**	**228,662**	**239,867**	**253,558**	**271,591**

Sources: SEC, company reports and Highline Research Advisors estimates

Third Party Research Disclosure

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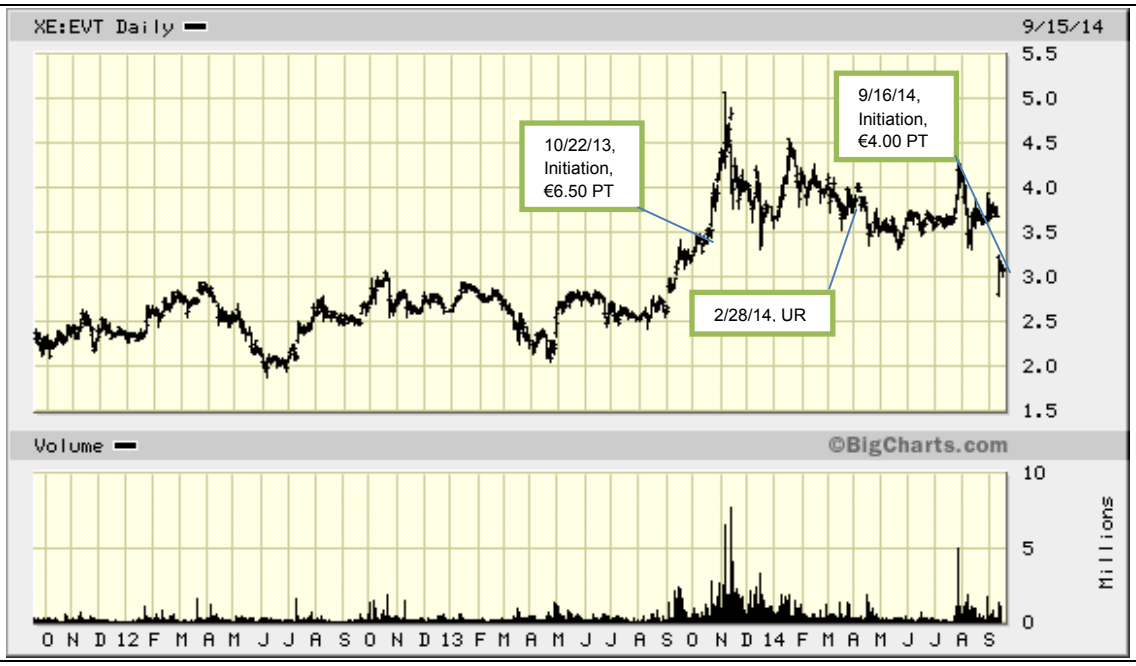
Evotec AG (EVT.F)

3 Year Price Chart – Evotec AG



Source: Big Charts

3 Year Price Chart – MERRIMAN CAPITAL INC.

Source: Big Charts

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Rating	Count	Ratings Distribution	Count	*Investment Banking
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Spec Buy	7	29.17%	0	0%
Neutral	1	4.17%	0	0%
Sell	0	0.00%	0	0%
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