ROTH Capital Partners

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COMPANY NOTE | EQUITY RESEARCH | March 24, 2016

Healthcare: Biotechnology

Evotec AG | EVT.GR - €3.34 - FSE | Buy

Company Update

Stock Da	ta			
52-Week Shares O Mkt. Cap. 3-Mo. Avg 12-Mo.Pr Cash (mil Tot. Debt Est. 3Yr. I	1			
EPS €				
Yr Dec	—2015—		16E—	
		Curr	Prev	Curr
1Q	(0.01)A	(0.01)E		-
2Q	0.11A	0.00E		-
3Q	(0.02)A	0.00E		-
4Q	0.04A	0.02E		-
YEAR	0.13A	0.02E	0.08E	0.10E
P/E	0.0x	0.0x	0.0x	0.0x
Revenue	(€ millions)			
Yr Dec	—2015—	—20 ²	16E—	
		Curr	Prev	Curr
1Q	21.5A	34.1E		-
2Q	33.4A	35.5E		-
3Q	33.2A	38.5E		-
4Q	39.5A	40.0E		-
YEAR	127.7A	148.1E	149.1E	165.9E
E 5.0 -	VT.GR One-)	(ear Price an	d Volume Hi	story ↑5.00
4.0				4.50
3.0		~ ^-	Anthrong	4.00
	ANN L	Mm	· · ·	
2.0			M M	3.50
1.0	historia da			3.00
0.0 🕮		MANDANA NANGUNAN	UUUUUU I I I IIIIIIIIIIIIIIIIIIIIIIIII	2.50
Vol (m) ^L u Vol (m) Vol	May-15 Jun-15 Jul-15	Aug-15 Sep-15 Oct-15	Dec-15 Jan-16 Feb-16	9 Price

EVT.GR: 2015 Meets Targets; From Pipeline to Company, Topas Is Spun-out

Evotec reported a strong 4Q'15, going five-for-five in its 2015 financial guidance targets (see Exhibit 1), including 2015 revenues of \in 127.7M (up 43% YoY), Net Income of \in 16.5M (vs. $-\in$ 7.0M in '14) and cash & equivalents of \in 133.9M (vs. \in 88.8M in '14). Excluding the strategic alliance with Sanofi (SASY.PA-NC) in April for \in 250M over five years, on a pro forma basis, Evotec's EVT Execute operations were up 9%.

2015 and 2016 are transformational years: 2015 was pivotal for Evotec, considering the strategic alliance with Sanofi (\in 250M/five years, including 208 employees and the Toulouse facility), the successful integration of that group (as evidenced by the UCB compound library mgt system and 40 additional Toulouse hires), four EVT Innovate (partnered pipeline) agreements and subsequent to year-end, the announcement of the spin-out of Topas Therapeutics as a nanoparticle therapeutics company targeting immunological disorders.

Growth to continue in 2016, with upside likely: 2016 guidance calls for 15% top-line growth, which is double the industry average and at the high end of Evotec's recent trends. Guidance also calls for R&D expenses of €20M, higher adjusted EBITDA, €10M in CapEx and liquidity comparable to 2015, all of which are similar to our expectations and consensus. However, we'll continue to look for higher revenue growth since guidance excludes milestone payments and revenues from any new EVT Execute customers.

Well-positioned for the times, as model matures: Given the surge in biotech investment in recent years, we continue to recommend investors accumulate a long-term position at these levels, ahead of our expectations for further "company in a pipeline" announcements like Topas. Unlike the risk of owning shares in a biotech, Evotec is a pragmatic, funded-developer of biotech assets that is increasingly attracting interest from companies and foundations seeking to discover disease-modifying and unique pathways to address challenging diseases like Parkinson's, Huntington's, Alzheimer's, autoimmune disorders, endometriosis, diabetes and various Orphan indications. Evotec's partnered pipeline has evolved from its core, strategic business of drug discovery services, which produces mid-20% margins. Today, royalty income from a partnered pipeline is not yet a reality, but long-term options are being developed. If we see another spin-out in 2016, we believe investors will begin to acquire Evotec shares on the expectation that 2+ spin-outs may occur in '17.

Bristol-Myers' acquisition of Padlock Therapeutics has produced free publicity for Evotec. As noted in Atlas' LifeSciVC's posting this week, "we spent over 50% of the Series A funds on resourcing this single collaboration, and had 25–30 FTEs at Evotec that were fully dedicated to Padlock."

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Financial review

Evotec produced strong revenue gains in 2015, with total revenues of €127.7M, up 43% YoY from €89.5M. Most of these gains can be attributed to the €250M Sanofi collaboration allocated over a five year period. Pro forma, organic revenues were up 9%, 5% excluding currency. While 5% is short of Evotec's 5-10% historic average and the industry is expected to grow ~15% in 2016 (see Exhibit 2), management noted its organic operations are expected to grow 10-15% in 2016, partially due to a delay of revenues from 4Q'15 into 1Q'16 and the full effect from the Toulouse EVT Execute operation in 2016. While Net Income was €5.8M in 4Q, one-time items from equity investments and deferred tax income drove the bottom line higher from the near break-even performance we expected in 4Q15.

As shown in Exhibit 1, Evotec met or exceeded its 2015 guidance. For 2016, the financial guidance is not surprising given Evotec's recent performance, especially when considering there are four quarters of Sanofi revenues in 2016 ($\sim \in 39M$) versus the three quarters of Sanofi revenues in 2015. Also, since 2016's revenue guidance only includes current contracts, our top-line estimate is higher than guidance, as we look for 16% revenue growth in 2016.

Exhibit 1: Financial guidance, scorecard for 2015 and outlook for 2016

	2014 Annual Report	March 2015 ¹	May 2015 ²	September 2015 ³	November 2015	2015 Actual 3/22/16	2016 Guidance 3/22/16
Group revenues⁴	>10% vs. 2014	>20% vs. 2014	>35% vs. 2014	>45% vs. 2014	Same as prior guidance	>57% vs. 2014	>15%
R&Dexpenses	In line with 2014	€15M to €20M	Sa	me as prior guida	ince	€18.3M	~€20M
EBITDA⁵	Positive, similar to 2014	Positive	Sa	me as prior guida	ince	€8.7M	Significantly improved
Capex investments	Up to €7M	Up to €10M	Sa	me as prior guida	ince	€11.2M	Up to €10M
Liquidity at year-end ⁶	>€90M	"Well in excess" of €100M	Sa	ime as prior guida	dance €134.5M		Flat YoY

¹ Varies from guidance provided in the Annual Report 2014 following the financial impact of the Sanofi transaction

² Revenue guidance raised due to refinement of the accounting treatment of the Sanofi alliance

³ Revenue guidance raised due to Evotec's strong business performance of EVT Execute, accelerated growth in the EVT Innovate business and a positive outlook for the remainder of the year

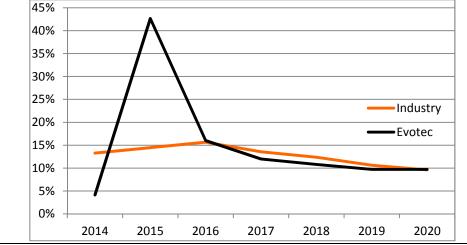
⁴ Excluding milestones, upfronts and licences

⁵ Before changes in contingent considerations and income from bargain purchase

⁶ Excluding M&A and related payments (Earn-out Euprotec)

Source: Evotec AG quarterly press releases

Exhibit 2: Growth rates of drug discovery industry and Evotec, 2014-2020



Sources: Visiongain, Drug discovery outsourcing 2015 and ROTH Capital Partners estimates

Review of Evotec's EVT Execute in 2015

As shown in the following two exhibits, Evotec continued to attract new alliance customers in 2015. We believe there are five factors that may help to explain this growth:

- 1. **Expansion:** In 2015, we attribute the continued growth to the opening of the Toulouse facility to new customers by mid-'15, although management has simply stated that the growth is due to new customers.
- Evolution: Based on Evotec's press releases, we have noticed a continual expansion in the capabilities and relevance of Evotec's drug discoveries, despite the dynamic nature of drug discovery. Versus three years ago, Evotec's current expertise (see Exhibit 5) now includes the following:
 - a. Screening: Microbiological phenotypic screening; chemo-proteomic; phosphoproteomics
 - b. Hit-to-lead: Target deconvolution
 - c. Lead optimization: early drug formulation and solid form screening
- 3. Skilled scientists: The growth could also be attributed to the quality of the scientists, given the comment by Dr. Melton, Co-Director of the Harvard Stem Cell Institute who raved about Evotec's scientists at Evotec's 2013 R&D Day. He noted that his doctoral students and fellows expect to have to teach some company scientists when they collaborate on projects. But with Evotec's scientists, he found his students were very impressed with their aptitude, experience and capabilities. This type of feedback should encourage interest from others, whether references are from this particular university or others globally.
- 4. Maintain quality: While it's possible that Evotec has lowered its research costs to attract more opportunities, based on the similar growth rates in alliance customers and the alliance customers over > €1M in revenues (up ~200, '15 vs. '08), it doesn't appear that Evotec has lowered the costs of its drug discovery services during this period. Mgt has confirmed this to us as well. The U.S. to Europe ratio of customers has ebbed back and forth a bit over the years, but it's fairly evenly split between these two regions while the scientists are primarily based in Europe, with costs in Euros.
- 5. Vision: In March 2012, the company announced its 2016 Action Plan, which created the EVT Execute and EVT Innovate groups (EVT Integrate has since been folded into EVT Innovate). The top priority of the EVT Innovate group was to develop, "First-inclass discovery and product development innovations". With over 170 alliances with universities, foundations and drug companies (see Exhibit 3), we believe the company has achieved its 2012 goals.

Based on these characteristics, we believe we will see further growth in 2016, albeit at a more moderate rate than in the past two years. By 2017, Evotec is likely to have >200 global alliance customers. R&D and SG&A costs have remained fairly steady during the past four years, with low and high-teens/sales ratios, respectively. CGS expenses have been in the mid-30's (+/-10%). We expect these ratios to remain steady going forward. These alliances are important to the continual strength of the EVT Execute business, but more so for the development of the partnered pipeline, EVT Innovate.

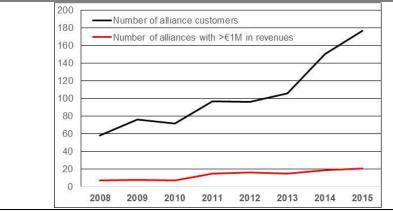
At year-end, Evotec employed exactly 1,000 employees (vs. ~650 YE'12), 865 of which are scientists. The employees average 8.6 years with the company, split equally between men and women, comprising 43 nationalities. As shown in Exhibit 6, its revenues are derived primarily from major pharmas, but revenues from foundations were almost non-existent four years ago and may be incremental to Evotec's business, rather than as a replacement for major pharma customers. In 2015, Evotec increased its headcount by 283 employees, 208 from Sanofi, which it increased by 40 to support the increased EVT Execute business being conducted in Toulouse. Another 35 employees joined in 2015, which we speculate may have been added at the Princeton protein production facility which opened in 1Q'15. Roughly €3M of the €11M in CapEx was spent in Toulouse, but reimbursed by Sanofi per the strategic alliance agreement. As noted previously, Evotec's CapEx spending is expected to remain under €10M again in 2016, with R&D likely to be less in 2017 than in 2016.

Exhibit 3: Evotec annual alliance agreements, 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015	15 vs. '08
Number of alliance customers	58	76	72	97	96	106	150	177	205%
Number of alliances with >€1M in revenues	7	8	7	15	16	15	19	21	200%
Continued alliance customers	84%	92%	95%	85%	86%	93%	85%	63%***	-25%
Number of new alliance customers, that year	21	29	22	45*	29	39	82**	67	219%
*22 of which came via acquisitions (Kinaxo & Compound F	ocus); **19	of which	via Euprot	ec acquis	ition; ***Ex	cluding Sa	anofi's im	pact on 20	15, repeat
business amounted to 89% in 2015.									

Sources: Evotec AG annual reports and ROTH Capital Partners

Exhibit 4: Evotec's alliance customers and alliances with revenues >€1M per year

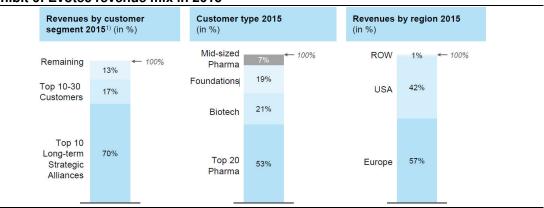


Sources: Evotec AG annual reports and ROTH Capital Partners

Exhibit 5: Overview of Evotec's drug discovery capabilities

TARGET ID & VALIDATION	SCREENING	HIT-TO-LEAD	LEAD OPTIMISATION
 Molecular biology and cloning 	 Assay development & screening 	 Medicinal chemistry 	 Medicinal chemistry
 Bioinformatics 	(u)HTS ¹⁾	 Hit expansion 	 In vitro & in vivo biology
 In vitro target validation 	 High-content screening 	 Library design 	Disease biology and target
 In vivo target validation 	 Microbiological phenotypic 	 High-throughput chemistry 	class expertise
 Target deconvolution 	screening (class 2)	 Target deconvolution 	 Cellular selectivity analysis and
	 Electrophysiology 	 Protein-ligand crystallography 	MoA ³⁾ analysis
	 In silico screening technologies 	 In vitro & in vivo biology 	 Translational assays
	 Fragment-based drug discovery 	 Early ADMET²⁾ 	 Computational chemistry and
	 Compound & Sample management 	 In vivo proof of concept 	structure-based drug design
	 Chemo-proteomic 	 Microbiological testing and 	 In silico & in vitro ADMET²⁾
	 Phosphoproteomics 	characterization (MICs, MBCs,	 Biomarker discovery
		MoA ³⁾ determination)	 PKPD Profiling and mathematical
¹⁾ Ultra-high throughput screening			modelling
²⁾ Absorption, distribution, metabolism, e	xcretion, toxicity		 Early drug formulation & solid form
³⁾ Mode of action			screening
Source: Evotec AG 2015	annual report		

Exhibit 6: Evotec revenue mix in 2015



Source: Evotec AG March 22, 2016 corporate presentation

"Free press" from Atlas Ventures may further Evotec's business

In recent months, the online posts (<u>https://lifescivc.com/</u>) from Atlas Ventures' Bruce Booth have highlighted Evotec and its capabilities. In January, a guest writer (Michael Gilman, CEO of Padlock Therapeutics) was very complimentary of Evotec, its scientists, its model and its role in the development of biotechnology companies. As many investors have likely heard this week, Padlock is being acquired by Bristol-Myers (BMY-NC) for \$225M upfront and \$375M in milestones. Dr. Gilman's comments on Evotec in January include the following:

Meanwhile, what's happening to all those great scientists who are losing their jobs as pharmas downsize their discovery teams? Many of them are being hired by contract research organizations (CROs) – providers of drug-discovery capabilities for hire. Evotec, which is Padlock's primary CRO, is now the largest employer of medicinal chemists in the UK, having scooped up scores of talented scientists from dead or dwindling UK pharma sites.

...we receive cash directly or indirectly from pharma companies, through the intermediaries of venture capitalists. And we in turn send a big chunk of that cash to CROs like Evotec to do the actual work. At Padlock we forked over nearly half our Series A proceeds to Evotec. So, you might ask, how are we even adding value here? Are we just useless middlemen? Well, no. Because we have a very specific goal – really our only legal obligation as corporate officers – to generate a return on capital for our shareholders.

Recently, Evotec took over an entire Sanofi facility in Toulouse... Every conceivable capability you might need is available from an external provider, and the quality is high.

...by outsourcing our wet-lab work to Evotec and other entities, we have also essentially outsourced our organizational complexity. Our organization can stay flat and simple, because Evotec's isn't. We don't need an HR organization – and its endless cycle of performance reviews, promotion controversies, "managing" of poor performers – because our contractors do. Call it HR arbitrage.

Earlier this month, Evotec announced it achieved a milestone from Padlock in its third year of this ongoing alliance. Evotec has been providing a wide range of research activities and expertise to Padlock including *in vitro* biology, high-throughput screening, structural biology, medicinal and computational chemistry and DMPK. These two companies had planned to progress multiple programs through hit-to-lead and lead optimization. While we can't confirm it, we would expect Evotec to continue its development work with Bristol-Myers... a company it's had relatively little overlap with. With the announcement this week, LifeSciVC posted the following comments regarding Evotec:

Atlas startups typically work with multiple CRO partners in more of an *a la carte* fashion, with several different shops covering things like crystallography, chemistry, screening, *in vitro* profiling, *in vivo* biology, ADME/PK, etc. With Padlock, we decided to do something different – and signed up for a single, large collaboration with Evotec, where they would cover all of our research needs (beyond the academic SRAs). In fact, we spent over 50% of the Series A funds on resourcing this single collaboration, and had 25–30 FTEs at Evotec that were fully dedicated to Padlock. They were essentially our entire discovery execution team, and Padlock's scientific leadership (Mike, Raj, Mariana, Paul, Kerri) spent a lot of time either on site or by phone with them guiding and shaping their work. It's obviously worked well, and Evotec earned an important milestone recently.

To us, this unprovoked, published commentary to an audience of biotech entrepreneurs is an unparalleled promotion of Evotec and its talents, which may lead to further opportunities.



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Evotec announces first spin-out, Topas Therapeutics GmbH

In a separate press release from Evotec's earnings, the company announced it is spinning out a previously unannounced private entity, Topas Therapeutics. The new company received a Series A financing round of €14M (\$15.75M), led by Epidarex Capital (which Eli Lilly (LLY-NC) funded) as well as two other VCs, EMBL Ventures and Gimv. Topas has also received funding from the German government. Evotec will remain the largest shareholder. The proceeds will allow Topas to expand and accelerate this platform technology, including the development of proof of concept data in multiple autoimmune and inflammatory indications, including multiple sclerosis. A Phase 1 trial is expected to begin in 2017 and complete around YE'17.

Topas' unique platform has been built on proprietary nanoparticles, which selectively target liver sinusoidal endothelial cells ("LSECs") to deliver peptides. LSECs are one of the body's premier sites to induce tolerance against blood borne antigens by generating peptide-specific regulatory T cells. By targeting LSECs, this nanoparticle technology may treat autoimmune diseases, allergies and drug induced immune reactions where the antigen and its respective antigenic peptides are known.

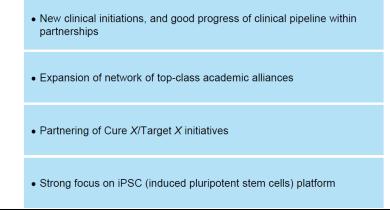
This technology has been licensed from the University Medical Center Hamburg-Eppendorf. Dr. Timm Jessen, who was formerly CEO of Bionamics, which Evotec acquired in 2014, will lead Topas. Dr. Jessen had been CSO of Evotec until 2004 and founded Bionamics in 2006. He was instrumental in the development of this technology via a German public-private consortium he founded in 2008 called NEU² to develop therapies for neurodegenerative diseases. The NEU² has received a commitment of €40 million from the German government.

Exhibit 7: EVT Execute, expected milestones in 2016



Source: Evotec AG March 22, 2016 corporate presentation

Exhibit 8: EVT Innovate, expected milestones in 2016



Source: Evotec AG March 22, 2016 corporate presentation

Exhibit 9: Evotec's pipeline

	Molecule	Indication	Partner	Discovery	Pre-clinical	Phase 1	Phase 2	Phase 3	Market
	EVT302*	Alzheimer's disease	Roche	Evalua	ating a reacc	quisition of its	s rights		
	EVT201	Insomnia	JingXin						
7 Clinical	Somatoprim	Acromegaly	Cortendo						
lin	EVT100	CNS diseases	Janssen						
7 0	EVT401	Inflammation	CONBA						
	Not Disclosed	••	Boehringer						
	Not Disclosed	Oncology	Roche						
	Not Disclosed	Pain	Novartis						
	Not Disclosed	Oncology	Boehringer						
a	Multiple	Endometriosis	Bayer						
inic	EVT770	T1D & T2D	MedImmune**						
Pre-clinical	Not Disclosed	Respiratory	Boehringer						
Pre	Not Disclosed	Immunology & Inflammation	Second Genome	3/13/15,	Target <i>MB</i>				
6	EVT801	Oncology	Sanofi	Just anr	nounced				
	EVT701	Oncology	Sanofi	Just anr	nounced				
	EVT601	Oncology	Sanofi	Just anr	nounced				
	Various	Immunology & Inflammation							
	Various	T1D & T2D	MedImmune**						
es	Various	T1D & T2D	Harvard Univ						
Jori	Various	Kidneydisease	AstraZeneca						
Iteç	Various	Diabetes	Sanofi	8/15	Target <i>BCD</i>				
/ ca	Various	Alzheimer's disease		0/10/00/5	<i>i</i>	·			
3 Discovery categories	Various	Immunotherapies	Sanofi/Apeiron	-	Target Immu				
Š	Various	Tissue fibrosis	Pfizer	9/9/2015	Target Fibro	SIS			
lisc	Various	CNS/MS	NEU ² consortium						
3 [Various	Diabetes	>5 programs						
-	Various	Neurology	>5 programs						
	Various	Oncology	>10 programs						
	Various	Pain & Inflammation			O allahasta a				
*= F	104602522; **= st	ubsidiary of AstraZeneca	i; I1D= Type 1 diabet	es; 12D= 1ype	2 diabetes				

Source: Evotec AG March 22, 2016 corporate presentation, adjusted by ROTH Capital Partners

Exhibit 10: Evotec's largest collaborations

In € (000)	2008	2009	2010	2011	2012	2013	2014	2015
Sanofi	-	-	-	-	-	-	188	38,598
CHDI	8,258	9,090	9,211	8,915	9,905	10,423	11,177	14,011
Bayer	-	-	-	-	512	3,988	10,867	9,038
Тор 3	8,258	9,090	9,211	8,915	10,417	14,411	22,232	61,647
Top 4-10	-	-	37,419	54,079	54,783	49,787	35,222	30,072
Top 10	32,382	34,686	46,630	62,994	65,200	64,198	57,454	91,719
Top 3's Share of Top 10	na	na	20%	14%	16%	22%	39%	67%
Growth in Top 10's	na	7%	34%	35%	4%	-2%	-11%	60%
Evotec's Group Revenues	-	-	55,262	80,128	87,265	85,938	89,496	127,677
Top 10's share of Group	-	-	84%	79%	75%	75%	64%	72%
Previous leaders:								
Boehringer Ingelheim	12,588	7,988	13,754	17,022	13,546	18,262	na	na
UCB Pharma	-	-	-	1,120	9,792	8,873	na	na
Janssen	-	-	-	-	4,949	6,067	8,344	na

Sources: Evotec AG annual reports and ROTH Capital Partners estimates

VALUATION

We reiterate our Buy rating and €5.00 price target. Our PT is derived from our 2018 and 2019 EPS estimates of €0.12 and €0.15, respectively, discounted by 15% to account for Evotec's steady operations and apply a 25X PE multiple to account for the high rate of growth during these forecasted years. We include our YE17 net cash estimate of €0.95/share, plus €1.48/share for the rNPV of Evotec's pipeline. Factors that may impede shares of EVT.GR from achieving our price target include currency and trading risks, as well as execution risks that may be related to the integration of the Sanofi employees.

RISKS

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, 57% of Evotec's 2015 revenues were generated with customers in Europe and 42% in the US. 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.

COMPANY DESCRIPTION

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. Strategically, this 22-year-old company evolves 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 it had primarily discovered. These cores competencies are not mutually exclusive as Evotec executes similar services in its core "services business" called EVT Execute as it does 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 to be funded and developed by outside partners.

Evotec AG Income Statement, in € (000)																	ior Resear DTH Capita	ael Higgins ch Analyst al Partners @roth.com
					Actual									Projected				
Fiscal Period:	2011	2012	2013	2014	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016	2017	2018	2019	2020
Total Revenue	80,128	87,265	85,938	89,496	21,542	33,416	33,240	39,479	127,677	34,064	35,545	38,507	39,988	148,105	165,878	183,793	201,657	221,259
Cost of revenue	(45,143)	(56,242)	(54,716)	(60,118)	(14,919)	(24,273)	(22,837)	(27,661)	(89,690)	(22,823)	(23,815)	(25,800)	(26,792)	(99,231)		,	(127, 177)	(137,904)
Gross Profit	34,985	31,023	31,222	29,378	6,623	9,143	10,403	11,818	37,987	11,241	11,730	12,707	13,196	48,875	58,887	66,551	74,481	83,354
Operating income and (expenses)																		
Research & development	(8,437)	(8.340)	(9.664)	(12,404)	(3,834)	(4,672)	(4,995)	(4,842)	(18,343)	(4,658)	(4,860)	(5.265)	(5,468)	(20,250)	(18.247)	(20.217)	(22,182)	(24,338)
Selling, general & administrative	(15,760)	(16.301)	(16.597)	(17,990)	(5,118)	(7,268)	(6,661)	(6,119)	(25,166)	(6,472)	(6,754)	(7,316)	(7,598)	(28,140)	(29.858)	(32,421)	(34,861)	(37,484)
Other operating (expenses)	(5,581)	(9,584)	(26,312)	(5.365)	(971)	19,019	616	(1,502)	17,162	(988)	630	634	2,815	3,092	3.402	3.742	4.116	4,527
Amortization of intangible rights	(1.703)	(2,768)	(3.222)	(2.462)	(587)	(877)	(709)	(687)	(2,860)	(605)	(903)	(730)	(708)	(2.946)	(3.240)	(3.564)	(3.921)	(4,313)
Impairment of intangible assets	(2,058)	(3,505)	(22,023)	(14,967)	Ó	(69)	Ó	(7,173)	(7,242)	0	Ó	Ó	0	0	0	0	0	0
Income from bargain purchase	0	0	0	0	0	18,476	0	2,938	21,414	0	0	0	0	0	0	0	0	0
Other operating (income)	1,426	2,202	4,410	15,352	1,258	3,224	3,486	6,385	14,353	1,308	3,321	3,591	6,577	14,796	16,276	17,903	19,694	21,663
Other operating expenses	(4,747)	(5,513)	(1,980)	(9,732)	(1,642)	(1,735)	(2,161)	(2,965)	(8,503)	(1,691)	(1,787)	(2,226)	(3,054)	(8,758)	(9,634)	(10,597)	(11,657)	(12,823)
Total operating expenses	(29,778)	(34,225)	(52,573)	(35,759)	(9,923)	7,079	(11,040)	(12,463)	(26,347)	(12,117)	(10,983)	(11,947)	(10,250)	(45,298)	(44,703)	(48,897)	(52,927)	(57,295)
Operating income	5,207	(3,202)	(21,351)	(6,381)	(3,300)	16,222	(637)	(645)	11,640	(876)	747	761	2,946	3,577	14,184	17,655	21,553	26,059
Other non-operating income (expenses)																		
Interest income	413	655	261	469	178	82	120	153	533	183	84	124	158	549	560	571	583	594
Interest expense	(1,858)	(1,859)	(1,870)	(1,621)	(406)	(340)	(458)	(522)	(1,726)	(418)	(350)	(472)	(538)	(1,778)	(1,813)	(1,850)	(1,887)	(1,924)
Loss from equity investments	0	0	0	(10)	0	(6)	(10)	2,060	2,044	0	0	0	0	0	0	0	0	0
Total non-operating income (expense)	49	(1,812)	(2,297)	1,222	1,932	(746)	(594)	259	851	(235)	(266)	(348)	(380)	(1,229)	(1,253)	(1,278)	(1,304)	(1,330)
Income before taxes	5,256	(5,014)	(23,648)	(5,159)	(1,368)	15,476	(1,231)	(386)	12,491	(1,111)	481	412	2,566	2,348	12,930	16,376	20,249	24,729
Total tax gain (expenses)	1,395	7,492	(1,785)	(1,819)	296	(849)	(1,655)	6,233	4,025	0	0	0	0	0	0	0	0	0
Net Income (loss)	6,651	2,478	(25,433)	(6,978)	(1,072)	14,627	(2,886)	5,847	16,516	(1,111)	481	412	2,566	2,348	12,930	16,376	20,249	24,729
Average basic & diluted shares (000)	116.022	117.296	121.215	131,291	131,451	131.489	131.545	132,230	131,679	132,294	132,358	132,422	132,485	131.968	132.307	132,645	132.984	133,323
Net Income (loss) per share (basic)	€ 0.06	€ 0.02	(€ 0.21)	(€ 0.05)	(€ 0.01)	€ 0.11	(€ 0.02)	€ 0.04	€ 0.13	(€ 0.01)	€ 0.00	€ 0.00	€ 0.02	€ 0.02	€ 0.10	€ 0.12	€ 0.15	€ 0.19
Net Income (loss) per share (diluted)	€ 0.06	€ 0.02	(€ 0.21)	(€ 0.05)	(€ 0.01)	€ 0.11	(€ 0.02)	€ 0.04	€ 0.13	(€ 0.01)	€ 0.00	€ 0.00	€ 0.02	€ 0.02	€ 0.10	€ 0.12	€ 0.15	€ 0.19
Sources: Company financial reports and ROTH Capital Par	tners																	



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							Actual						•					Projected	0			
Fiscal Period:	2011	2012	2013	Q114	Q214	Q314	Q414	2014	Q115	Q215	Q315	Q415	2015	Q116	Q216	Q316	Q416	2016	2017	2018	2019	2020
ASSETS																						
Current assets:																						
Cash and cash equivalents	17,777	39,065	45,644	39,638	42,247	55,164	48,710	48,710	49,284	59,060	49,359	44,497	44,497	43,386	43,867	44,279	46,845	46,845	59,775	76,152	96,401	121,130
Investments	44,651	25,094	50,499	50,644	43,303	35,136	40,112	40,112	46,490	81,816	89,463	89,443	89,443	89,532	89,622	89,712	89,801	89,801	90,161	90,521	90,883	91,247
Trade accounts receivables	10,393 0	15,053 0	17,777	13,117	16,959	14,130	25,259	25,259	13,804 0	18,985	17,527 23	20,933	20,933	21,142 137	21,354 139	21,567	21,783	21,783 142	22,219 0	22,663 0	23,116	23,579
Receivables from associated companies Inventories	3.556	2.445	2,358	2.890	2.823	3,317	3,111	3,111	•	3.255	3,689	136 3,133	136 3,133	3,164	3,196	140	142 3,260	3,260	-	3,392	3,460	2 5 2 0
Current tax receivables	3,556	2,445 480	2,358	2,890	2,823	510	887	887	3,772 1,535	2,243	2,266	1,121	1,121	1,132	1,144	3,228 1,155	3,260	3,260	3,325 1,190	3,392	3,460 1,238	3,529 1,263
Other current financial assets	1.355	1.478	1,995	1,391	2,091	1,139	1,094	1,094	1,908	1,137	839	1,018	1,018	1,132	1,038	1,049	1,059	1,059	1,081	1,214	1,230	1,147
Prepaid expenses and other current assets	2.965	4.489	3,820	7.997	5.943	5.845	6,127	6,127	7.049	7.694	8.173	6.659	6.659	6,726	6.793	6.861	6,929	6,929	7.068	7.209	7.354	7,501
Total current assets	83,333	88,104	122,526	116,078	113,765	115,241	125,300	125,300	123,842	174,199	171,339	166,940	166,940	166,249	167,152	167,991	170,986	170,986	184,818	202,253	223,576	249,394
	03,333	00,104	122,520	110,070	113,703	115,241	125,500	125,500	123,042	174,133	171,555	100,340	100,340	100,243	107,132	107,331	170,300	170,300	104,010	202,233	223,370	243,334
Non-current assets:																						
Property, plant and equipment	24,946	27,181	24,239	23,791	23,962	23,407	24,045	24,045	25,816	38,241	36,901	38,334	38,334	38,717	39,105	39,496	39,891	39,891	40,688	41,502	42,332	43,179
Intangible assets, excluding goodwill	67,652	63,266	39,826	39,075	38,960	30,294	30,210	30,210	30,968	31,836	30,940	25,154	25,154	25,406	25,660	25,916	26,175	26,175	26,699	27,233	27,777	28,333
Goodwill	42,202	42,342	40,136	40,297	43,619	44,438	44,815	44,815	47,192	46,271	45,221	45,648	45,648	46,104	46,566	47,031	47,501	47,501	48,452	49,421	50,409	51,417
Deferred tax asset	0	2,815	0	0	0	0	0	0	0	0	0	8,812	8,812	8,900	8,989	9,079	9,170	9,170	9,353	9,540	9,731	9,926
Non-current tax receivables	•	0	0	0	0	0	70	0	0	0	•	2,068	2,068	2,089	2,110	2,131	2,152	2,152	2,195	2,239	2,284	2,329
Other non-current financial assets	70 0	75	77	77 297	77 227	77 183	78 139	78 139	78	78 52	78	80	80 1.502	81	82 1.532	82	83 1.563	83	85	87	88	90
Other non-current assets	•	1,634	566		227 106.857				96		10	1,502		1,517		1,548 125.283		1,563	1,594	1,626	1,659	1,692
	134,880 218.213	137,323 225.427	104,854 227,380	103,547	106,857	98,412	99,300 224,600	99,300 224,600	104,155 227,997	116,478 290.677	113,150 284.489	121,598 288,538	121,598 288,538	122,814 289,063	124,042 291.194	125,283	126,535 297.522	126,535 297,522	129,066 313,884	131,647 333.900	134,280 357,856	136,966 386,360
	210,213	220,427	221,300	219,625	220,022	213,653	224,000	224,000	221,991	290,077	204,409	200,550	200,550	209,003	291,194	293,274	291,522	291,522	313,004	333,900	357,050	300,300
LIABILITIES																						
Current Liabilities					.=	.=																
Current loan liabilities	13,174	13,223	17,222	17,177	17,133	17,088	13,363	13,363	13,512	13,886	14,031	14,213	14,213	14,355	14,499	14,644	14,790	14,790	15,086	15,388	15,695	16,009
Trade accounts payable	10,134	6,363	6,653	6,150	5,229	5,098	9,450	9,450	6,822	12,203	9,341	12,171	12,171	12,293	12,416	12,540	12,665	12,665	12,918	13,177	13,440	13,709
Advanced payments received	782	232	232	622	208	210	542	542	284	475	1,172	97	97	98	99	100	101	101	103	105	107	109
Provisions	11,045 5.875	6,914 5,548	5,788	3,440	3,895 4,037	3,596	3,694 2,806	3,694 2,806	4,618 2,439	13,982 23,980	15,383 18,327	16,694 8,763	16,694	16,861	17,030 8,939	17,200 9.029	17,372	17,372	17,719 9.301	18,074 9,487	18,435 9.677	18,804 9.870
Deferred revenues	5,875 492	5,548 502	6,051 741	5,453 162	4,037	4,772 198		2,806	2,439	23,980	1,038	232	8,763 232	8,851 234	8,939 237	9,029	9,119 241	9,119 241	9,301	9,487	9,677	9,870
Current income tax payables Other current financial liabilities	1.147	234	342	136	164	135	1,046 1,384	1,384	998	197	320	633	633	639	646	652	659	659	672	685	699	713
Other current liabilities	1,147	865	1,919	1,246	728	818	783	783	1,294	1,392	2,787	3,597	3,597	3,633	3,669	3,706	3,743	3,743	3,818	3,894	3,972	4,052
Total current liabilities	42.833	33.882	38,953	34,391	31,649	31,920	33,068	33,068	30,817	66,372	62,399	56,400	56,400	56,964	57,534	58,109	58,690	58,690	59,864	61,061	62,282	63,528
	42,000	33,002	30,333	34,331	51,045	51,520	33,000	33,000	30,017	00,372	02,335	30,400	50,400	30,304	57,554	30,103	30,030	30,030	33,004	01,001	02,202	03,320
Non-current liabilities																						
Non-current loan liabilties	2,359	4,178	0	978	3,478	4,319	8,186	8,186	8,719	8,676	8,900	8,730	8,730	8,817	8,905	8,995	9,084	9,084	9,266	9,451	9,641	9,833
Deferred tax liabilities	9,904	2,099	1,245	1,248	1,508	1,095	1,583	1,583	1,643	1,963	1,719	1,538	1,538	1,553	1,569	1,585	1,600	1,600	1,632	1,665	1,698	1,732
Provisions	14,618	18,817	18,586	18,911	20,057	14,428	17,957	17,957	18,900	29,620	27,734	27,342	27,342	27,615	27,892	28,170	28,452	28,452	29,021	29,602	30,194	30,798
Deferred revenues	9	12,516	8,382	6,926	5,846	5,140	4,344	4,344	3,550	2,496	5,390	6,509	6,509	6,574	6,640	6,706	6,773	6,773	6,909	7,047	7,188	7,332
Other non-current financial liabilities	1,244	1,388	1,233	1,195	1,156	1,118	1,079	1,079	1,041	1,002	964	925	925	934	944	953	963	963	982	1,001	1,021	1,042
Total non-current liabilities	28,135	38,998	29,460	29,271	32,056	26,108	33,149	33,149	33,853	43,757	44,707	45,044	45,044	45,494	45,949	46,409	46,873	46,873	47,810	48,767	49,742	50,737
STOCKHOLDERS EQUITY																						
		118,547	131,460	131,541	131,605	131,685	131,711	131,711	131,735	131,783	132,364	132,584	132,584	133,910	135,249	136,601	137,967	137,967	139,185	140,412	141,651	142,901
	663,820	665,918	686,767	687,140	687,501	687,527	688,669	688,669	689,082	691,042	692,554	693,740	693,740	694,812	694,286	693,755	693,217	693,217	693,706	694,357	695,029	695,723
Accumulated other comprehensive income	(25,995)	(25,501)	(27,410)	(26,862)	(25,911)	(23,742)	(23,169)	(23,169)	(17,590)	(17,004)	(19,376)	(18,510)	(18,510)	(18,695)	(18,882)	(19,071)	(19,262)	(19,262)	(19,647)	(20,040)	(20,441)	
	(608,895)	(,,	(631,850)	(635,856)	(636,278)	(639,845)	(638,828)	(638,828)	(639,900)	(625,273)	(628,159)	(622,312)	(622,312)	(623,423)	N 11 1		(619,964)	(619,964)	(607,034)	(590,657)	(570,408)	
1	147,245	152,547	158,967	155,963		155,625	158,383	158,383	163,327	180,548	177,383	185,502	185,502	186,604	187,711	188,756	191,959	191,959	206,210	224,072	245,831	272,095
Non-controlling interest	0	0	0	0	0	0	0	0	0	0	0	1,592	1,592	0	0	0	0	0	0	0	0	0
	147,245	152,547	158,967	155,963	156,917	155,625	158,383	158,383	163,327	180,548	177,383	187,094	187,094	186,604	187,711	188,756	191,959	191,959	206,210	224,072	245,831	272,095
Total liabilities and stockholders' equity	218,213	225,427	227,380	219,625	220,622	213,653	224,600	224,600	227,997	290,677	284,489	288,538	288,538	289,062	291,194	293,274	297,522	297,522	313,884	333,900	357,856	386,360



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Disclosures:

On September 28, 2010, ROTH changed its rating system in order to replace the Hold rating with Neutral. On May 26, 2011, ROTH changed its rating system in order to incorporate coverage that is Under Review.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. Distribution Ratings/IB Services shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

			IB Serv./Past 12 Mos. as of 03/24/16					
Rating	Count	Percent	Count	Percent				
Buy [B]	231	78.84	131	56.71				
Neutral [N]	39	13.31	23	58.97				
Sell [S]	4	1.37	0	0				
Under Review [UR]	18	6.14	12	66.67				

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12month price target.

Ratings System Definitions - ROTH employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH does not publish research or have an opinion about this security.

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