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Presenter: Dr. Werner Lanthaler
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Dr. Werner Lanthaler: Good morning, this is Evotec speaking, my name is Werner Lanthaler and I work for Evotec. I'm here with my colleagues and we are happy to report back on our First Half Year Results of 2010 to you. I hope you were able to download the presentation otherwise I'm happy to guide you through and you can find the presentation for this on our website.

If you remember about 18 months ago we have introduced our Action Plan 2012 Evotec's Focus on Growth. There were four key elements to that. One is to get top quality capabilities, second to increase capacities, third to put innovation alliances forward, and fourth to put the right structure when it comes to our efficiency and cost structures in place. On these four priorities we now can for the first time read an almost full half year after implementing this Action Plan 2012. The summary is that we can report for the first time in the company's history a slightly positive operating H1 result, clearly increasing revenues by more than 33%, a strong growth on our gross margin and we on this basis can also update our revenue forecasts for the full year 2010 because we initially guided you to about €48-50 million in revenue, we want to increase this today €52-54 million which is actually a very good moment for the company's history.

At the same time given the strength of our contracts and the time of our contracts as they are agreed can also give you relatively good visibility for the year 2011 but we don't think that this growth will end in 2010, on the contrary we are very comfortable to mention now that we expect our solid growth to continue into 2011. What is important is we found a good balance when it comes to our cash situation and despite the fact that we have invested a lot of money for the transaction that we have recently closed with DeveloGen which is about €2 million, we can give you comfort on our cash guidance until the end of 2010 by more than €64 million.



When it comes to our clinical programmes we're very happy that we were able to start our Phase II in collaboration with Roche on treatment-resistant depression. We are very happy that we see our internal programmes, especially when it comes to newly nominated EVT 501 which is an H3 receptor antagonist, are going forward and we are also continuing to evaluate the clinical applications for our EVT 401 where we will have definite answers by the end of the year/beginning of next year.

What is important to stress is that this first half year positive income was largely supported by milestones. You know milestones are not easy to predict and we never predict milestones until we have them, but here it is a very good situation for us that we see that collaborations from the past are beginning to pay off, especially our alliance with Boehringer Ingelheim and here it's not only important that we receive milestones from early programmes, it is especially important that these programmes go into the clinics and we were very happy that in the first half together with Boehringer we managed to start a Phase I together with Boehringer.

There could be many things said about other collaborations and the progress there and I will come to that a bit later. What is more important today and I will stress this very soon is that we have done a significant effort to improve or I would say improve further the strength of our management team to support the long term growth of Evotec going forward. So it's today my very big pleasure to introduce Colin Bond to you who will be our new CFO from today onwards and as recently already announced Cord Dohrmann will be our new CSO. With the DeveloGen acquisition which also will be part of the presentation going forward we want to expand into disease areas in metabolics where we see a lot of potential to come.

Just to stress on page number 4 for a second that we are very happy to report revenue growth of 33% to now €25 million in the first half of 2010 which is a solid increase I would say. Probably more important on page number 5 is that you see for the first time our operating result really increased by more than 101% and is now for the first time in a half year profitable and we did a bit of effort to put this in historical context. You know it's always difficult to compare the full history because things change over time, certain assets were sold over time, certain assets were reorganised over time but what should be stressed is that if you look on your page number 6



and especially if you compare from 2007 going forward that we have implemented a growth paradigm into this company in the last 18 months where we do not sacrifice our gross margins for growth. This is very important and only the quality leaders in all industries can do so. This is a very, very important message to continue to bring, that we are operating by not sacrificing quality standards and also not sacrificing gross margins.

A little step back. In Austria and also in Hamburg we have the same *“eine schwalbe macht noch keinen sommer”* so we should be cautious here and if you translate this, one swallow doesn't make a summer. Having said that we are very certain that summer will come once we see the *schwalbe* or the swallows, so for us it's not a question that we will bring this company into sustainable profitability latest in 2012 and you should see that we have planted all seeds to bring this company into this new biotech paradigm where based on a solid top line which is generating cash and supporting innovation, we see our company through Action Plan 2012 quite nicely performing also going forward.

On page number 8 just a bit of highlight from some of the programmes, especially in the discovery alliances we want to highlight that it was possible with Genentech to certain get one of the prime partners in the industry to align with Evotec. This alliance started in June and we expect a lot of growth and positive news out of that because we are working on very interesting targets together with Genentech and this is a multi-year alliance so we are very happy to have here a solid partner for the next years to come. I already stressed Boehringer Ingelheim in our multi-target collaboration where it should really be stressed that the initiation of the Phase I together with Boehringer Ingelheim is one of the things that we see as the most important things of the first half year in 2010 because this would be a fantastic programme that we are working on and Boehringer Ingelheim is probably the best partner you can imagine for that. We're very happy with other projects here just to mention two of them, for example with Ono Pharmaceuticals with Japan.

When it comes to our product alliances and here it's very important to always appreciate the switch from making own product development to partner product development, we're very happy with our start of Phase II together with Roche in treatment-resistant depression; and the



ongoing programmes especially that we have in the early stage where we focus on because here we see the potential not only for programmes that we want to bring to certain value steps forward but also the potential to build new alliances for product development with partners going forward.

Coming to a very important point because people are the most important point of all companies, it was very important for us to prepare for growth on the shoulders of many strong and talented people. Not too many because otherwise costs get out of control, so we are very conscious that we will not enlarge our team to more than four people going forward but it is a big pleasure for me to introduce Colin Bond to you who will be from today onwards our new CFO and I would like to hand over for his own introduction to Colin for a few moments. Please.

Colin Bond: Thanks Werner. My name is Colin Bond, I've spent most of the last 25 years working for US multinationals on an international basis. Those companies generally had a religious focus on cash, performance management and corporate governance. I'm a qualified pharmacist, a chartered accountant and an MBA from London Business School. What really attracted me to come and join Evotec was the industry and the focus that the company now has and it's a real privilege to join a company where nothing is fundamentally broken but there's a huge possibility on the upside in my opinion.

Dr. Werner Lanthaler: Thank you very much. At this stage I also want to stress that Klaus Maleck will stay with Evotec and we are very happy because Klaus will be one of the most important people in Evotec going forward to really as an individual initiate our growth processes because we see a huge need for us to evaluate many things, bring many things forward and Klaus is the best qualified person because he knows the company inside out and he has the talent to bring ideas into the context of Evotec better than all other people we could imagine. At the same time we want to report back to you that we have made a significant effort to improve our business development especially in the US and we are very happy that Steve Hutchins from WuXiPharma and Brian Moloney from BioDuro, now PPD joined Evotec.



When you go to page number 11 let me stress one aspect of the last few months where we acquired DeveloGen in order to build our biology know-how and strengthen our discovery alliances. We are entering here a field in metabolics which is growing significantly and where DeveloGen represents a core of innovation which we always wanted to represent to our partners going forward and where we have a core of innovation that we can perfectly leverage with our platform technologies. With this we think we can generate the logistic expertise to show to our alliance partners in the future also in areas of diabetes and metabolic disorders the superior idea of bringing certain projects as fast as possible to their value inflection points or stop-loss points when it comes to programmes in diabetes and metabolics, so it's one of the core ideas to use the assets of DeveloGen and build new alliances despite the already existing alliances.

When you go to page number 14 you should appreciate our growing portfolio of alliances which has one certain aspect that I want to highlight. With this we are getting into a risk profile that is much stronger than it ever used to be because we are not that dependent anymore on one partner, but of course there's still a lot to do and we will do a lot to make this risk profile even better. So at this stage it's a very good situation that we can report back to you that from our capacity point of view we are very nicely utilised in the sense that it's not easy to build new alliances as long as we build new capacities, but that's a luxury problem to have and we are working on that.

The next page should just illustrate for a second the assets that we have acquired through DeveloGen and here probably because we have not done that at length last time, just a short snapshot on the Phase III development opportunity that is in place through DeveloGen together with Andromeda and Teva. Here you see a programme for the potential treatment in Type I diabetes. Here we expect value points to come in the next couple of years because there is a Phase III running which you see on page number 6 and this is certainly not the most linear clinical development up to the market that you could see if you followed the clinical trial design in the last 3-4 years, but I think now especially since Teva and Andromeda have joined forces this year we see that this programme which has recently started its second Phase III can go to a



point of registration in the next few years which will then trigger certain milestones for us by the end of Phase III, also trigger certain milestones for us at market entry. There is an IP situation behind that programme which can potentially be expanded. At this stage it would only run until 2015 but we are very confident that Andromeda and Teva especially are working here on a strategy to prolong this patent cycle.

When it comes to the new fields that we have entered on page number 17 you'll see that by increasingly going into the field of diabetes through DeveloGen that there is a core competence that we are building and we are very happy that with Boehringer Ingelheim, the same partner that is working on areas in certain pain and oncology together with us. That couldn't be a better partner for programmes like that because we know the strong appreciation of innovation in Boehringer Ingelheim.

There's an interesting asset which we hope we'll deliver in the next 1-2 years which is an unpartnered beta-cell technology which is clearly high science, high innovation and high risk at this stage but we want to build a discovery alliance in the sort of Boehringer Ingelheim or Genentech or as we have done it with Roche and that's one of the things that we want to drive forward in the next couple of months or quarters I'd rather say together with our new friends from DeveloGen.

When it comes to our clinical programmes let me stress that Roche – and we are very certain that the key parameter of achieving success in treatment resistant depression is to get the quality of the recruitment right and not only the speed of recruitment right, so we're working towards that goal with a very sophisticated trial design where we have achieved not only the Phase II start in June 2010 but also I think is a very, very good understanding of what it takes to potentially make such a programme successful and you know that the underlying deal potential together with Roche is significant and we are very happy to have such a biotech upside in the short term available for our shareholders. At the same time we are also conscious that it was important to take out the risks of this programme before all costs are taken by Roche.



As already mentioned our development with Boehringer Ingelheim in the first half of 2010 was significant and we are very happy that it was not only possible to achieve one milestone but multiple milestones which also probably reflect back to you that we are working on multiple targets, so until now we have achieved three milestones in this programme and it just reflects the size of this partnership and also the quality of this partnership. Our H3 antagonist has made significant progress namely not only that we achieved here funding, that's not that important but of course very helpful to us and we are also very thankful for that. What is important is that from all gate entry points when it comes to clinical programmes we have jumped over probably one of the most important hurdles, namely to nominate the development candidate for 501 where we are now basically introducing 501 as terminology to you and we will report progress on this programme going forward to you. Having said that we will not go back into own programme development for any programme here for the longer term. This is only thought to achieve potentially the Phase I viewpoint alone or potentially a Phase II development point alone but then bring this into a product development alliance.

Good progress in many other alliances on page 22 should be outlined for example with the extension of smaller projects but that should not be meant in the scientific dimension, it should really be meant in the quantitative dimension, for example Epitherapeutics and Spermatech; also very good progress for example on the clinical news that was achieved by one of our partners called Cardioxyl. When it comes to EVT 401 we are at this stage relatively certain that we will not go into rheumatoid arthritis when it comes to a Phase II programme. Here we think that the competition and the landscape of our programmes which is out there is crowded enough, so we are looking here for more interesting niches and hope that our P2X₇ antagonist could be used there. We are careful here before we spend money and we look for the right indications because we could have a potential niche here. When it comes to other assets I want to also highlight our early asset P2X₃ where we are trying to build discovery/product development alliance with partners out there. Having said that we are given our financial strength no longer under the pressure to make deals as we used to be about 18 months ago in order to make the company survive. We can do this now from a much stronger perspective which is always a good situation to have if you sit together with your partners on a negotiation table.



With this I would like to hand over for a short introduction to the details of our financials of the first half 2010 to Klaus.

Klaus Maleck: Thanks Werner and hello everybody. Evotec's financial performance clearly reflects also our excellent operational performance during the past half year. As shown on slide 24 our revenues grew by 33% driven by multiple milestones, additional Indian revenues compared to last year and the Roche deferred up front payment revenues, but of course mainly by a very strong service offering especially this time in biology. It is important to stress that the strong growth has not been brought by reducing our prices as Werner has already stressed. The gross margin is even stronger than last year helped of course by the high margin milestones. R&D and SG&A have been reduced massively following our Action Plan 2012 focus on growth. In R&D we do not run unfunded clinical programmes anymore and in SG&A total savings through the organisation are hidden this quarter somewhat by the DeveloGen AG acquisition costs which we cannot activate anymore according to the new IFRS 3 ruling and is thus included in the P&L.

Moving to slide 25, the P&L overview and taken together, in the absence of major amortisation and restructuring expenses we improved our operating income from -29 to +€0.3 million in the half year. Net income of the group was for the first time at break even confirming both the right reorganisation and the trend towards profitability, latest in 2012.

Looking at the cash flow on slide 26, operating activities have not yet generated positive cash flow in the past half year and this is due to the usual early payment at the beginning of the year and also due to the not yet cashed in milestone payment as well as the build up of some working capital. We have finances through positive investing cash flow driven mainly by the divestiture of €11.4 million of optional securities so we don't own any optional securities any more. With this we had a stable liquidity position at €67.9 million which is slightly higher than at the end of the last quarter at €66.8 million.

When focusing on the last quarter only, that is on page 27 it was not only a cash generating quarter but also very profitable for the second time in the history, Q4 last quarter 2009 was also



profitable but here clearly the milestones are both revenues and operating income of +€1.8 million despite slightly higher SG&A costs for the known reasons but our aspirations go clearly beyond a profitable quarter and on page 28 you see that the order book shows a clear increase by 21% as of the end of June and that excludes future milestones so that we have now enough confidence that we will overpass our revenue guidance for 2010 which was at €48-50 million. We also foresee the continuing strong growth in 2011 although it is clearly too early to talk about numbers here.

We move to page 29 and we see that for 2010 we increased our revenue guidance to €52-54 million. We maintained our guidance for R&D at below €10 million and we also confirmed our year end liquidity guidance despite the DeveloGen acquisition at above €64 million. We reiterate our goal to build a sustainable profitable company by 2012 at the latest. Taken together we are well on track to achieve our ambitious goals. Our alliances are developing very strongly reflected in the growth of the top line. We have the right cost structure in place reflected by the positive by 2009 and the cash generated and we drive our most valuable R&D programmes according to plan creating additional shareholder value.

With this I believe I have fulfilled my mission to build a sustainable biotech business and I'm pleased to hand over my task to Colin Bond to whom I wish all the best and I will focus then my time on creating high value alliances for Evotec assuming responsibilities for the corporate development.

Thank you very much for your ongoing support and I'll hand over to Werner.

Dr. Werner Lanthaler: Thank you very much. On page 30 for those of you who have followed us now for a longer time you know the slide. For those of you who follow us for the first time please be aware of this slide because we want you to control what we are doing and we want to be as transparent to you when it comes to overachieving or also less achieving in certain quarters when it comes to getting the right strategy in place to focus and grow beyond 2012. We are quite happy at this stage with the progress that we are making and we see certain momentum that is building up because we are on the clinical side but also on the drug discovery side



experiencing an industry which is growing and where the quality leader in this industry has to outperform and that's what we are trying to do.

When it comes to an outlook you should expect quite strong news flow in the second half of 2010 and the first half of 2011. When you play soccer it's not important that you win the first half. It is important that you win the game and that's what we will do, so 1-0 is not enough. We want to really play for more than 1-0 and you will see that we will do this for the full year. We are very happy that our alliances are working. We are very happy that you will see significant progress also on the clinical side. We are heavily working on building new alliances on the one side on drug discovery alliances from targets from partners; but we also want to see some of our early assets brought together with partners in the industry. At the same time I want to stress again that we will grow our revenues beyond 15%, more to 20% or even beyond that. We have at this stage not spent all the money that we should have spent probably in R&D in the first half. Having said that quality is driving our decisions, not quantity. We will catch up in the second half year because we see innovation potential to invest in, that was also one of the core reasons to bring us together with DeveloGen. Having said that we will not sacrifice our path to profitability and we would also not sacrifice our liquidity goals of more than 64 at the end of the year.

With this I would like to apologies that it was this time a bit longer and a few more slides but we wanted to give you a comprehensive overview of the company, we wanted to give you a snapshot of where we are so that you can see the potential that we want to deliver in the second half of 2010.

With this I am looking forward to your questions.

Operator: Thank you. Ladies and gentlemen, we're now starting the question and answer session. The question and answer session will be conducted electronically. If you'd like to ask a question please press the star or asterisk key followed by the digit 1 on your touchtone telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to



reach our equipment. If you'd like to cancel your question please press *2. The operator will announce your name when it's your turn to ask a question. Thank you.

Once again ladies and gentlemen please press *1 on your telephone keypad. We'll move to our first question today which comes from Hanns Frohnmeyer from LBBW. Please go ahead.

Hanns Frohnmeyer: Good morning everybody and congratulations to your second profitable quarter. I have a couple of question, maybe we'll start with your P&L. Your gross margin of 45% was very strong and if I would remind you correctly it was much better than you guided gross margin, so what can we expect for the remainder of the year? Is it above 40% now? In relation you mentioned it already that R&D expenses were very low, 3 million in the quarter and you are still guiding almost 10 million in the full year, so if we assume that you will give more money to DeveloGen for the R&Ds what kind of projects might be funded there? Maybe also in relation to the DeveloGen franchise better sales technology. If you plan alliance, you need probably more FTEs there because as I was reminded correctly your FTEs from DeveloGen are mainly covered by the Boehringer Ingelheim Corporation. Could you elaborate more on this issue please? Thank you.

Dr. Werner Lanthaler: Thank you very much, all very good questions. First of all on the gross margin I mean here we have to stress that in the first half it was clearly driven by the milestones. We don't give a clear guidance on the gross margin and it would be not appropriate to do so because we always only talk about milestones when we have achieved them. What is important is that we are getting to a size of the company and that was always a very critical point when you remember how we have defined Evotec going forward, you need critical mass in order to come to a potential cost structure and with this also a potential gross margin structure that makes an alliance business really profitable because covering overheads makes a big difference if you are larger than when you are smaller, so I completely agree with you, at this stage gross margins look good. I think it doesn't make a big difference so I apologise if I don't give you a guidance but they will be strong, I think that's as far as I want to go.

Hanns Frohnmeyer: Stronger than that?



Dr. Werner Lanthaler: Yes. When it comes to R&D expenses first of all you should really see here is a shift in timing especially given the evaluation that is taking place on our clinical alliances. We have not invested into all the things that should be done if you are on full speed preparing for a clinical trial and not going into RA is certainly here a decision which I can comfortably defend at this stage. At the same time we will increase our investment despite the funding from the government that we have here in H3 quite significantly in the second half and here we really want to get the quality towards a product alliance right, so this will not be a quick and dirty biotech approach, it's really going to be a product approach so therefore you know then all of a sudden costs go fast. So we will catch up here and let's see where we end at year end because there are also early programmes that we want to support not all coming out of DeveloGen, that would give a very wrong impression here, but you are absolutely right, when it comes to building an alliance around the beta cells this will not be possible without additional capacities. A lot of the capacities within DeveloGen at this stage are tied up in the diabetes programmes in Boehringer Ingelheim and I'm happy that this is the case because the last thing we want to do is go into too high unfunded spending. Having said that it's not a short term exercise to build up that quality of FTEs that we have to build up for such alliances, so you will see here the effect going forward. That's why we feel very comfortable with this 10 million investment into early stage innovation and we'll see what it looks like for 2011 but I think that's the ballpark of number that you should also expect in 2011.

Hanns Frohnmeyer: Ok. Thank you.

Operator: Thank you. We'll now move to our next question which comes from Elmar Kraus from DZ Bank

Elmar Kraus: Good morning everybody and congrats to really excellent H1 results. I have a few questions, one on the patent situation of DiaPep277. The patent is valid until 2015, you mentioned that you see a chance for extension to 2020 so what is your strategy there and what would be the likelihood? The next one is the Genentech alliance. You pointed out that it's a multi-year alliance. Can we assume multi-year being four years or what would be the number of



years? A third one on the Roche programme. I've realised that now the results are expected for the end of 2011 to beginning of 2012, my understanding was before that they would be expected by the end of 2011. Is that just a problem with my memory or is that a switch to a slightly more cautious view on that programme? Thanks.

Dr. Werner Lanthaler: The last thing that is out there is a problem with your memory. Having said that if I start with the last question it's just impossible to answer at this stage, that's why we take here a more cautious stance and as I tried to stress we really want to go for the best quality recruitment strategy and from there on define the product development stage here. For example we are talking about treatment-resistant depression individuals and there are more out of them than you would want to have, that's the first thing. The second thing is to bring them into a clinical trial is not an easy task because the typical behaviour of treatment-resistant depression is not such as with healthy volunteers in trials. There's a major effort ongoing in the US at this stage with our CRO PPD here to recruit and just to give a dimension then we make the most important step in this process to really filter out in profiling the right candidates for the effective trial, so we assume it will take about 10 to 1 individuals that we screen before we take one into the actual trial and if the trial size is around 100 to 200 individuals that we want to have in the clinical trials, then you can assume that's about 1,000 to 2,000 individuals that we have to screen here or want to screen here. It's not a bottleneck of having individuals out there, it's really a bottleneck of selecting the right individuals. The good news here, all the funding is there to get the trial right. All the efforts are highly professionally lined up to get the trial right and the trial itself, so once an individual is on treatment it's not long, so that's only six weeks treatment then, so the effective readout if you have the database closed is then very fast. We will see how it develops over this next six months and then we can give a much better and clearer end point of this study. At this stage it would just be not appropriate to give this a quarter timing. It's certainly not the first half of 2011, that's how far I can go. On your second question the biggest principle when you work with partners is that you never say anything which your partner doesn't want to say and we have defined with Genentech that the wording used is multi-year, so therefore I apologise that we used this multi-year also going forward. We are very happy, let's put it that way that it's multi-year. On the patent situation it's also a comment that I want to be relatively brief on. We are working on that, there is a very defined strategy



which you could potentially apply on that but it's not up to us to comment on that. It's really up to Andromeda and Teva to comment on that and as long as I don't have their explicit permission, I apologise if I don't do so.

Elmar Kraus: Thank you.

Operator: Thank you. Once again ladies and gentlemen, to ask a question today please press *1 on your telephone keypad. We'll now move to our next question from Victoria English from Mednous. Please go ahead.

Victoria English: Yes, good morning Werner. I just have a quick question and that is given the strength of your results and the incredible consistency of your predictions, would there be any possibility that you would seek to go back for a US listing having dropped the listing that you had?

Dr. Werner Lanthaler: Thank you very much for the question. Actually the blame on taking off and trying to take off the listing has to be brought to this management, so especially to Klaus and me and we are very happy to take this blame. The last intention that I have is to go back to NASDAQ. There is a very simple reason for that. Liquidity these days goes to the company independent of where the company lists and we'd rather see ourselves performing strongly in the Germany TecDAX than on the US NASDAQ.

Victoria English: Thank you.

Operator: Thank you. As a final reminder ladies and gentlemen if you'd like to ask a question please press *1 on your telephone keypad. We'll move to our next question from Mick Cooper from Edison Investment Research. Please go ahead.

Mick Cooper: Good morning, I've got a couple of questions. First of all with the strong growth that you're achieving, are there any capacity constraints that you've got? Secondly with the announcement that WuXi is not going to be bought by Charles River, how are you seeing the competitive environment?



Dr. Werner Lanthaler: First of all capacity constraints, yes, there are capacity constraints because one thing we don't want to sacrifice is the quality to our partners, so we see certain areas especially when it comes to biology at this stage where we just cannot offer at this stage because we never go below a certain quality level for our partners. The good news is that we have realised the potential capacity constraints relatively early already in the year, so we are working here on quality upgrades already for a certain number of months, so here the detection of the potential growth has been within the company relatively early and that's also very comforting because we see capacity constraints hopefully going away latest early 2011 and for 2010 it's a good situation to be in anyway. Having said that there is also as always in companies like that certain capacity which is under-utilised and it's finding the right balance of adopting capacity and here you know once there would be a sign of under-utilisation going forward we would not be hesitant in adopting our cost structure going forward. This is at this stage not at all the case which is a good situation to be in. On the industrial landscape I don't want to talk too long about that but it's actually something which is not surprising to us, that there is a consolidation process and not an easy consolidation process ongoing but what is interesting to see is that the mid sized CROs are really in search for a long term strategy but that's their problem. We focus on what we are good at, we focus on our core competence and we are focusing on delivering the best quality of drug discovery to our partners, so therefore we add quality wherever quality is needed for our partners in Evotec and all these M&A plays, that's what investment bankers should do. We focus on delivering for our customers. I don't want to be cynical on that and I've said this many, many times. You have 200 players in this industry and I'm very certain that the same thing will happen as it happened in the airline industries in the 80s and 90s, as it happened in the IT industry in the 80s and 90s, here it's a bit later but you will see consolidation so if Charles River and WuXi didn't come together now it's just a question of when the next consolidation will happen in this industry because size matters and quality matters and therefore for us I think the best thing is to work on those parameters.

Mick Cooper: Just a follow-up on the capacity issue, so you are near slightly constrained but it isn't actually going to really be a constraint because of the steps you're taking you feel?



Dr. Werner Lanthaler: We are very active, for example hiring at this stage in Hamburg, in Oxford and in India when it comes to high quality capacities that we at this stage feel that they could be constrained going forward, just to give you an example when it comes to electrophysiology. We could do significantly more in electrophysiology than we are doing right now but you only can do it if you have the right people in place and if you have the right project leverage in place. We are conservative when it comes to that but we are adding capacity.

Mick Cooper: Excellent. Thank you very much.

Operator: Thank you. As there are no more questions we will now conclude the question and answer session. Dr. Lanthaler, I'd like to turn the call back over to you for any additional or closing remarks.

Dr. Werner Lanthaler: I want to thank you very much and I want to reiterate *eine schwalbe macht noch keinen sommer* but we are very certain that the summer will come. Bye bye.