Half-Year Report
2013

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I. Management Report of the First Half of 2013

INNOVATION EFFICIENCY STRATEGY ON TRACK; TOP-LINE GROWTH IN THE SECOND HALF OF THE YEAR 2013 DUE TO EXPECTED MILESTONES; GUIDANCE 2013 CONFIRMED

RECENT HIGHLIGHTS

- **Revenues excluding milestones, upfronts and licences up 6% compared to the first half of 2012**
 - H1 2013 revenues amounted to € 36.7 m (2012: € 42.0 m); revenues excluding milestones, upfronts and licences were up 6% compared to H1 2012 revenues on a like-for-like basis
 - Operating loss at € 4.4 m due to low milestone revenues in H1 2013
 - Stable liquidity position at € 56.1 m
 - High and stable equity ratio at 67.7%
- **Progress in EVT Execute business and new EVT Integrate/ EVT Innovate alliances support innovation efficiency strategy**
 - New collaboration with Dow AgroSciences on Cellular Target Profiling®
 - Extension of alliance with Genentech
 - Extension of Active Biotech collaboration (after period-end)

- Important strategic expansion of EVT Execute compound management capability: New site in Branford, US
- Significant milestone achievement with Boehringer Ingelheim
- Target *PGB (Peptidoglycan Biosynthesis)*: New collaboration with Harvard University to identify and develop a new class of antibacterials
- Target *KDM (Lysine Demethylases)*: New collaboration with Dana Farber's Belfer Institute for Applied Cancer Science to explore epigenetic oncology targets
- New hormone identified to treat diabetes as part of Evotec's *CureBeta* initiative
- Significant clinical data points ahead in 2013/2014/2015
- **Indian operations to be discontinued at the end of September 2013 (after period-end)**
- **Financial guidance for 2013 confirmed**
 - Revenues are expected to grow to a level between € 90-100 m
 - Operating result before impairment and changes in contingent consideration, if any, is expected to improve over 2012
 - R&D expenditure is expected to be around € 10 m
 - Strong liquidity position above € 60 m
- **Others**
 - Dr Flemming Ørnskov resigned as Chairman and member of the Supervisory Board
 - Dr Walter Wenninger appointed as new Chairman of the Supervisory Board and Dr Claus Braestrup elected as a member of the Supervisory Board
 - Strengthening of the management capacities with the following appointments (after period-end):
Dr Adrian Howd, Executive Vice President, Head of Neurology & Corporate Development; and
Dr Bastian Sauer-Odendahl, Global Head of Human Resources
 - Strengthening of business development activities in Japan through the appointment of Masahiko Ohtani as Vice President Business Development (after period-end)

1. OPERATIONAL PERFORMANCE

Revenues excluding milestones, upfronts and licences up 6% compared to the first half of 2012

Reported revenues for the first half of 2013 decreased by 13% to € 36.7 m (2012: € 42.0 m). Revenues for the first half of 2013 included a milestone from Boehringer Ingelheim of € 1.5 m. Revenues for the first half of the previous year included milestone revenues earned in Evotec's partnerships with Andromeda/Teva (€ 3.9 m) and Boehringer Ingelheim (€ 4.0 m). The total amount of revenues from milestones, upfronts and licences recognised in Evotec's partnerships decreased in comparison to the same period of the previous year (2013: € 3.4 m, 2012: € 10.7 m). Excluding milestones, upfronts and licences, Evotec's revenues for the first half of 2013 would have increased by 6% over the same period of the previous year on a like-for-like basis. Due to the comparatively low milestone revenues in H1 2013, the operating loss for the first half of 2013 amounted to € 4.4 m. As stated before, Evotec's operating result may vary significantly between quarters as a result of the timing of performance-based milestone payments and partnering events. Liquidity including cash, cash equivalents and investments at the end of June 2013 amounted to € 56.1 m.

Overall, the Company is expected to achieve increased full-year

profitability over 2012 (before impairment and changes in contingent considerations, if any).

2. EVOTEC ACTION PLAN 2016 – INNOVATION EFFICIENCY

Progress in EVT Execute business and new EVT Integrate/ EVT Innovate alliances support innovation efficiency strategy

Action Plan 2016 – Innovation Efficiency is the strategic framework that was initiated in March 2012. EVT Execute aims to deliver cost-efficient and industrialised services for drug discovery on a fee-for-service basis. EVT Integrate is the systematic approach to progress targets through the pre-clinic, on a research payments, milestone payments and royalties success basis. EVT Innovate involves accelerating promising drug discovery ideas and assets to partnerships with upfront payments, premium research fees, milestone payments and royalties.

A. EVT Execute

New collaboration with Dow AgroSciences on Cellular Target Profiling®

In June 2013, Evotec and Dow AgroSciences (“Dow”) entered into a research collaboration with the objective of leveraging Evotec’s advanced chemical proteomics services to support compounds in development at Dow. To this end, Evotec will perform quantitative chemical proteomics services (Cellular Target Profiling®) to de-convolute phenotypic screening results obtained by Dow.

Extension of alliance with Genentech

In April 2013, Evotec extended its drug discovery alliance with Genentech, a member of the Roche Group, for three additional years. The collaboration was initiated in May 2010.

Extension of Active Biotech collaboration (after period-end)

In July 2013, the medicinal chemistry collaboration with Active Biotech has been extended to further advance an existing programme, which has entered late-stage lead optimisation. The programme aims to find novel small molecule modulators of a priority biological target, selected by Active Biotech, involved in immune disorders and cancer.

Important strategic expansion of EVT Execute compound management capability: New site in Branford, US

Evotec (US), Inc. signed a multi-year lease on a facility located in Branford, Connecticut that is specifically designed to expand the offering of its compound management services on the US East Coast. The facility is expected to be fully operational within Q3 2013 and will complement the existing facility in South San Francisco, which will continue to serve existing clients.

B. EVT Integrate

Significant milestone achievement with Boehringer Ingelheim

In June 2013, a further milestone was achieved in Evotec’s discovery collaboration with Boehringer Ingelheim. Evotec recognised milestone revenues of € 1.5 m for the transition of a pain molecule into pre-clinical development.

C. EVT Innovate

TargetPGB (*Peptidoglycan Biosynthesis*): New collaboration with Harvard University to identify and develop a new class of antibacterials

Evotec and Harvard University entered into a further research collaboration aimed at discovering and developing novel anti-bacterial agents based on a highly validated target family involved in bacterial cell wall biosynthesis.

Under the collaboration agreement announced in May 2013, researchers at Harvard and Evotec will identify and optimise small molecule inhibitors of bacterial cell wall synthesis based on enabling technologies and chemical starting points licensed from Harvard. Using its comprehensive drug discovery infrastructure and expertise in addressing anti-bacterial targets, Evotec will specifically target peptidoglycan biosynthesis (TargetPGB). The approach leverages promising chemical starting points, and biological and structure-guided techniques in conjunction with extensive medicinal chemistry expertise. The commercialisation of the resulting assets will be Evotec's responsibility.

TargetKDM (*Lysine Demethylases*): New collaboration with Dana Farber's Belfer Institute for Applied Cancer Science to explore epigenetic oncology targets

A collaboration to discover new oncology therapies targeting epigenetic mechanisms was signed with the Belfer Institute for Applied Cancer Science at Dana-Farber Cancer Institute (DFCI) in April 2013. The goal of the collaboration is to validate emerging epigenetic targets for oncology indications and to demonstrate the drugability of the selected target families. Evotec, DFCI and DFCI's Belfer Institute will invest in enabling technologies, experimental target validation and the generation of chemical matter by leveraging their existing expertise and drug discovery platforms.

These two new partnerships supplement the existing "CureBeta" and "CureNephron" initiatives with Harvard University.

New hormone identified to treat diabetes as part of Evotec's CureBeta initiative

In April 2013, Evotec AG announced the publication of a scientific article by Prof. Doug Melton – a key collaborator in CureBeta, a strategic alliance between Harvard University, Evotec and Janssen in the field of beta cell regeneration – and his post doc, Peng Yi, in the journal *Cell*. The paper describes the discovery of betatrophin, a new hormone that controls beta cell proliferation. All intellectual property associated with these findings was licensed to Evotec in March 2011 and subsequently sublicensed to Janssen within the CureBeta collaboration announced in July 2012.

Significant clinical data points ahead in 2013/2014/2015

The first Phase III clinical trial on DiaPep277[®] demonstrated the achievement of both its primary and secondary endpoints. Moreover, results from an extension study to its Phase III clinical trial in type 1 diabetes patients demonstrating that DiaPep277[®] was well-tolerated and had a good safety profile were announced by Andromeda in June 2013. Results of a second pivotal trial are expected towards the end of 2014.

At the end of 2012, Roche started a substantial Phase IIb trial with EVT302 that aimed to recruit 495 patients in more than 140 centres worldwide to assess the efficacy and safety of this compound in patients

with moderate-severity Alzheimer's disease (AD). This clinical trial is one of the very few late-stage trials in this AD patient population. Results are expected early 2015.

Evotec entered into a licence agreement with Janssen in December 2012 for its NR2B subtype selective NMDA-antagonist portfolio for development against diseases in the field of depression. The Company expects that Janssen will initiate Phase II clinical trials for the treatment of depression during the course of 2013/14.

In April 2013, Zhejiang JingXin Pharmaceutical Co., Ltd ("JingXin") received approval from the Chinese Center of Drug Evaluation (CDE) to commence clinical trials with EVT201, a novel potential treatment for insomnia. Evotec had previously concluded two Phase II studies, providing safety and efficacy results. Under the licence and collaboration agreement entered in October 2010, JingXin receives exclusive rights to develop and market the drug candidate in China.

3. RESTRUCTURING

Indian operations to be discontinued at the end of September 2013 (after period-end)

In July 2013, Evotec announced that it will close its Chemistry Operations in Thane, India. All chemistry efforts will now be performed at its Abingdon (UK) facility, in response to increasing demands for Evotec to operate closer to the principal R&D laboratories of its major customers. All project work in Thane will be completed by the end of September 2013, and Evotec (India) Private Ltd will then be wound down. As a consequence, approximately 120 Thane-based employees will leave the Company and Evotec will take a one-time impairment charge of up to € 4 m in Q3 2013.

4. ACQUISITION UPDATE

CCS integration – Strengthening Evotec's screening capabilities

Signed in December 2012 and effective 01 January 2013, Evotec acquired CCS Cell Culture Service GmbH ("CCS"), a Hamburg-based company which supports the cell culture needs of biotech and pharmaceutical companies on a worldwide basis. With the move into the Manfred Eigen Campus, CCS' large-scale processes for cell production, freezing and storage, including the entire team of specialised cell culture scientists and technicians, will be fully integrated into Evotec's Hamburg operations during Q3 2013 to realise cost synergies and efficiency improvements.

The purchase price consisted of a cash consideration of € 1.15 m and an earn out component which could reach up to € 1.4 m in cash. The earn out component will become due one year after the acquisition and depends on the achievement of certain revenue targets.

With respect to the impact of this transaction on Evotec's financial statements, we refer to pages 19 to 20 of this half-year report.

5. GUIDANCE

Financial guidance for 2013 confirmed

All financial targets published on 26 March 2013 in Evotec's Annual

Report 2012 (page 78) remain unchanged. With respect to further information on the guidance, we refer to the section “Financial outlook” on page 12 of this half-year report.

A. OPERATIONS

Changes in group structure, corporate strategy and objectives, product offering and business activities

During the first half of 2013, Evotec’s Group **structure** changed compared to the first half of 2012 due to the acquisition of CCS.

The Company continues to be managed in line with the **corporate objectives and strategy** described on pages 41 and 42 of Evotec’s Annual Report 2012. Evotec’s Action Plan 2016 – Innovation Efficiency is on track, and updates to the building blocks (EVT Execute, EVT Integrate and EVT Innovate) are described in detail in the highlights section on pages 3 to 5 of this half-year report.

For updates on **research and development activities**, please refer to the highlights section (EVT Innovate) on pages 4 to 5 of this half-year report.

B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

Note: The 2012 and 2013 results are not fully comparable. The difference results from the acquisition of CCS effective 01 January 2013. While the results of CCS are fully included in the accompanying consolidated interim statements of operation for the first six months of 2013, they were not included in the comparable period of the previous year.

COMPARISON OF H1 2013 FINANCIAL RESULTS WITH FORECAST

Evotec does not provide forecasts on a quarterly basis.

1. RESULTS

Revenues

Evotec’s **revenues** for the first half of 2013 amounted to € 36.7 m, including a milestone from Boehringer Ingelheim of € 1.5 m. This represents a decrease of 13% compared to the same period of the previous year (2012: € 42.0 m). This decrease is primarily due to lower milestone revenues and upfronts. Revenues for the first half of the previous year included milestone revenues earned in Evotec’s partnerships with Andromeda/Teva (€ 3.9 m) and Boehringer Ingelheim (€ 4.0 m). The total amount of revenues from milestones, upfronts and licences recognised in Evotec’s partnerships decreased in comparison to the same period of the previous year (2013: € 3.4 m, 2012: € 10.7 m). Excluding milestones, upfronts and licences, Evotec’s revenues for the first half of 2013 would have increased by 6% over the same period of the previous year on a like-for-like basis. Revenue contributions from the newly acquired business of CCS amounted to € 0.8 m.

Geographically, 52% of Evotec’s revenues were generated with customers in the US, 45% in Europe and 3% in Japan and the rest of the world. This compares to 36%, 41% and 23%, respectively, in the

Operating cost structure

same period of the previous year. Growth came primarily from the US due to upfront revenues and revenues per full-time equivalent from Janssen as part of the CureBeta collaboration. The difference in revenue contributions from Japan and the rest of the world to Group revenues resulted mainly from contributions from the DiaPep277[®] milestone from Andromeda/Teva in the first quarter of 2012.

Costs of revenue for the first half of 2013 decreased to € 26.1 m (2012: € 27.3 m) despite the 6% revenue growth excluding milestones, upfronts and licences, yielding a **gross margin** of 28.8% (2012: 35.2%). This was primarily due to the impact of efficiency initiatives and improved utilisation. The gross margin in the second quarter was 31.1%. The margin difference in 2013 compared to 2012 is mainly attributable to lower revenue contributions from milestones and upfronts. Gross margins in the future may continue to be volatile due to the recognition of potential milestone or out-licensing revenues.

R&D expenses for the first half of 2013 amounted to € 4.8 m, an increase of 23% compared to the same period of the previous year (2012: € 3.9 m). This increase is primarily due to increased investments in Target X initiatives, such as the collaboration with the Belfer Institute for Applied Cancer Science to discover new oncology therapies targeting epigenetic mechanisms as well as the strengthening of R&D in the field of GPCR and kinases.

SG&A expenses for the first half of 2013 increased slightly to € 8.2 m compared to the same period of the previous year (2012: € 8.0 m). On a full-year basis, SG&A expenses are forecast to increase moderately over the 2012 level.

In the first half of 2013, **amortisation of intangible assets** increased to € 1.7 m from € 1.2 m in the same period of the previous year. This is primarily due to the amortisation of the customer list of CCS and of the 4-Antibody licence.

Other operating income and expenses, net in the first six months of 2013 amounted to € (0.2) m (2012: (0.3) m). The other operating expenses in the first six months 2013 were extraordinarily affected by a fair value adjustment of the earn out due to the sellers of DeveloGen in the amount of € (0.3) m. The previous year period included the parallel rental for the old facility and the new Manfred Eigen Campus in Hamburg and the resulting planned underutilisation of parts of those buildings amounting to € 1.1 m in expenses. Additionally, an income of € 1.0 m relating to the fair value adjustment in the context of the contingent consideration (earn out) due to the sellers of Evotec San Francisco was recorded in the same period of the previous year.

Financial results

Evotec's **operating loss** for the first half of 2013 amounted to € 4.4 m (2012: operating income of € 1.3 m). Operating loss for the second quarter was € 1.7 m (2012: operating income of € 2.6 m). The operating result before changes in contingent considerations amounted to € (4.1) m in the first half of 2013 (2012: € 0.6 m). The increased loss was due to the previously mentioned milestones of € 3.9 m from Andromeda/Teva and of € 4.0 m from Boehringer Ingelheim which were recorded in the first half of 2012 in comparison to the milestone of € 1.5 m from Boehringer Ingelheim in the first half of 2013. Overall, the Company expects to achieve increased full-year profitability over 2012 (before impairment and changes in contingent consideration, if any).

Cash flow and liquidity

Net result amounted to € (4.6) m (2012: € 1.7 m).

Earnings per share for the first half of 2013 were € (0.04) (2012: € 0.01).

2. FINANCING AND FINANCIAL POSITION

Cash used in operating activities for the first half of 2013 amounted to € 3.7 m (2012: € 3.4 m) and reflects changes in assets and liabilities, primarily the decrease in deferred revenues in the first half of 2013. The line item "Adjustments to reconcile net income (loss) to net cash used in operating activities" in the cash flow statement amounted to € 6.2 m and mainly consisted of depreciation of property, plant and equipment (€ 2.9 m), amortisation (€ 1.7 m), non-cash foreign exchange losses (€ 0.7 m) and compensation expenses (€ 0.5 m).

Cash provided by investing activities for the first half of 2013 amounted to € 2.3 m compared to cash used in investing activities of € 0.9 m in the same period of 2012. This is mainly a result from the net proceeds from the sale of current investments amounting to € 5.7 m. The proceeds from the sale of current investments amounted to € 12.9 m, and Evotec purchased current investments in the amount of € 7.1 m. Capital expenditures decreased to € 2.4 m from € 5.1 m in the same period of the previous year. This decrease is mainly due to the cash outflow in the first quarter of 2012 for the move into the new facility in Hamburg. Purchase of long-term investments in the first half of 2013 in the amount of € 1.1 m is attributable to the initial purchase price in the context of the acquisition of CCS (€ 0.9 m) and the earn out of DeveloGen (€ 0.2 m).

Cash provided by financing activities for the first half of 2013 was € 0.1 m and mainly resulted from the proceeds from options exercise by employees.

Liquidity, which includes cash and cash equivalents (€ 36.7 m) and investments (€ 19.4 m), amounted to € 56.1 m at the end of June 2013 (31 December 2012: € 64.2 m). This decrease is mainly driven by annual bonus payments and payments related to the acquisition of CCS. The milestone payment from Boehringer Ingelheim has not been received by 30 June 2013.

3. ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

The material changes of assets and liabilities during the first six months of 2013 are mentioned below. More details are described in the Notes to the Unaudited Consolidated Interim Financial Statements.

Assets

Prepaid expenses and other current assets increased to € 4.8 m from € 4.5 m on 31 December 2012 mainly due to prepayments for the year being made at the beginning of 2013.

The acquisition of CCS resulted in a customer list amounting to € 1.4 m. However, the resulting increase in intangible assets excluding goodwill was more than offset by foreign exchange rate variances and amortisation. As a result, intangible assets excluding goodwill decreased to € 63.0 m (31 December 2012: € 63.3 m). The increase of goodwill to € 42.6 m (31 December 2012: € 42.3 m) is mainly attributable to the goodwill relating to the acquisition of CCS (€ 1.0 m), which was offset by

foreign exchange variances.

Changes in **liquidity** are explained above under "Financing and financial position".

The Company was not involved in any off-balance-sheet financing transactions.

Liabilities

The slight increase of short-term provisions to € 7.0 m (31 December 2012: € 6.9 m) mainly reflects an increase due to the earn out (€ 1.1 m) and the payment of the second tranche of the purchase price of CCS (€ 0.3 m) being partly offset by the payment of annual Management Board and employee bonuses in March 2013.

Other current financial liabilities amounted to € 0.7 m (31 December 2012: € 0.2 m). This increase is primarily due to fair value accounting on foreign exchange forward contracts in the amount of € 0.5 m.

The increase of non-current provisions to € 19.4 m (31 December 2012: € 18.8 m) mainly results from the change in the DeveloGen earn out (€ 0.6 m).

The decrease of non-current deferred revenues to € 10.1 m (31 December 2012: € 12.5 m) relates to revenues recognised from the upfront payments from Janssen and Bayer.

Stockholders' equity

As of 30 June 2013, Evotec's **capital structure** remained mainly unchanged compared to the end of 2012. The total number of ordinary shares outstanding increased to 118,638,339 due to the exercise of stock options. Included in this amount as of 30 June 2013 are 601,415 treasury shares that were generated in the course of the acquisition of Renovis, Inc. by Evotec AG.

Evotec's equity ratio as of 30 June 2013 continued to be high and stable at 67.7% (31 December 2012: 67.7%).

4. HUMAN RESOURCES

Employees

At the end of June 2013, 661 people were employed within the Evotec Group (31 December 2012: 637 employees). Headcount increased in the first half of 2013 to support the growth of Evotec's discovery alliances.

Stock-based compensation

In the first six months of 2013, no stock options were granted to Evotec employees and a total of 288,356 options were exercised: 196,856 options were serviced out of treasury shares, 91,500 options were serviced from contingent capital. As of 30 June 2013, the total number of options available for future exercise amounted to 5,321,601 (approximately 4.5% of shares in issue).

In 2012, the Company implemented a share performance plan. During the first half of 2013, no share performance awards were granted to members of the Management Board and other key employees and no share performance awards were exercised. As of 30 June 2013, the total number of share performance awards available for future exercise amounted to 909,693 (approximately 0.8% of shares in issue).

Options and share performance awards have been accounted for under IFRS 2 using the fair value at the measurement date. In the first six months of 2013, employees of the Company were able to keep options and share performance awards in the amount of 225,521 after termination of the corresponding employment. Those transactions were recognised as accelerated vesting.

Shareholdings of the Boards of Evotec AG Number of shares

	1 Jan '13	Additions	Sales	30 June '13
Management Board				
Dr Werner Lanthaler	516,494	-	-	516,494
Colin Bond	-	-	-	-
Dr Cord Dohrmann	27,226	14,161*	-	41,387
Dr Mario Polywka	60,000	-	-	60,000
Supervisory Board				
Dr Flemming Ørnskov**	41,738	7,801	-	49,539
Dr Walter Wenninger	27,126	11,412	-	38,538
Dr Hubert Birner	50,278	7,608	-	57,886
Dr Claus Braestrup***	-	-	-	-
Roland Oetker	17,429,685	3,804	-	17,433,489
Prof Dr Andreas Pinkwart	2,330	3,804	-	6,134
Mary Tanner	70,933	2,601	-	73,534

* Dr Cord Dohrmann received his shares in Evotec through a transfer from an escrow account in accordance with the share purchase agreement signed in July 2010 in exchange for his share in DeveloGen.

** Relates to the period until 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board at the Evotec Annual General Meeting.

*** Relates to the period from 12 June 2013 onwards, when Dr Claus Braestrup was elected to the Supervisory Board by the Evotec Annual General Meeting.

Number of stock options

	1 Jan '13	Additions	Exercise	30 June '13
Management Board				
Dr Werner Lanthaler	1,340,000	-	150,000*	1,190,000
Colin Bond	390,000	-	-	390,000
Dr Cord Dohrmann	390,000	-	-	390,000
Dr Mario Polywka	815,000	-	-	815,000
Supervisory Board				
Dr Flemming Ørnskov**	-	-	-	-
Dr Walter Wenninger	-	-	-	-
Dr Hubert Birner	-	-	-	-
Dr Claus Braestrup***	-	-	-	-
Roland Oetker	-	-	-	-
Prof Dr Andreas Pinkwart	-	-	-	-
Mary Tanner	-	-	-	-

* Exercise with immediate sale

** Relates to the period until 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board at the Evotec Annual General Meeting.

*** Relates to the period from 12 June 2013 onwards, when Dr Claus Braestrup was elected to the Supervisory Board by the Evotec Annual General Meeting.

Number of Share Performance Awards

	1 Jan '13	Additions	Exercise	30 June '13
Management Board				
Dr Werner Lanthaler	209,877	-	-	209,877
Colin Bond	76,190	-	-	76,190
Dr Cord Dohrmann	76,190	-	-	76,190
Dr Mario Polywka	83,036	-	-	83,036
Supervisory Board				
Dr Flemming Ørnskov*	-	-	-	-
Dr Walter Wenninger	-	-	-	-
Dr Hubert Birner	-	-	-	-
Dr Claus Braestrup**	-	-	-	-
Roland Oetker	-	-	-	-
Prof Dr Andreas Pinkwart	-	-	-	-
Mary Tanner	-	-	-	-

* Relates to the period until 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board at the Evotec Annual General Meeting.

** Relates to the period from 12 June 2013 onwards, when Dr Claus Braestrup was elected to the Supervisory Board by the Evotec Annual General Meeting.

Pursuant to §15a of the German Securities Trading Act (Wertpapierhandelsgesetz), the above tables list separately the number of company shares held and rights for such shares granted to each board member as of 30 June 2013 for each member of our Management and Supervisory Board.

C. RISKS AND OPPORTUNITIES REPORT

The risks and opportunities described on pages 69 to 75 of Evotec's Annual Report 2012 remain unchanged. At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG.

D. IMPORTANT EVENTS AFTER THE END OF THE FIRST HALF OF 2013

In July 2013, Evotec announced that it will close its Chemistry Operations in Thane, India. All chemistry efforts will now be performed at its Abingdon (UK) facility, in response to an increasing requirement for Evotec to operate closer to the principal R&D laboratories of its major customers. All project work in Thane will be completed by the end of September 2013, and Evotec (India) Private Ltd will be wound down from then. As a consequence, approximately 120 Thane-based employees will leave the Company and Evotec will take a one-time impairment charge of approximately up to € 4.0 m in Q3 2013. At the same time, Evotec confirmed its revenue, profitability and cash guidance for 2013.

E. TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described on page 113 of the 2012 Annual Report, no other material transactions with related parties have been entered into in the first half of 2013.

F. BUSINESS ENVIRONMENT

Global economy and outlook

The World Bank expects only a slow recovery of the global economy,

and the International Monetary Fund (IMF) adjusted its April forecast regarding global growth in early July 2013. According to this update, growth in the global economy is expected to be slightly above 3% in 2013. The major reason for the subdued growth is the recession in Europe being deeper and more protracted than expected. The increases in unemployment in many European countries as well as doubts about the continuation of the US central bank's low interest rate policies also contribute to the climate of uncertainty. Furthermore, emerging economies – such as China, India and Brazil – face decelerating growth caused by a worsened external economic environment and weaker domestic demand. The pace of growth in industrialised countries continues to be substantially lower than in emerging markets. Economic output in the Eurozone was 0.2% lower in the first quarter 2013 compared to the previous quarter. Year on year, GDP rose by 1.1%. According to the German Institute for Economic Research (DIW), the German economy recorded a moderate upward trend. In the second quarter of 2013, GDP rose by 0.5% compared to the previous quarter. This is a distinct improvement in economic development after the German economy shrank during the six winter months as a result of the Eurozone crisis and the weak global economy.

Healthcare environment and outlook

During the past decade, the pharmaceutical industry experienced decreasing efficiency in new product introductions. Taking into account factors such as declined innovation, more onerous regulatory requirements and harsher market conditions, the next few years may pose a difficult environment for the pharmaceutical industry as well. However, considering trends such as a rapidly strengthening scientific base, growing demand for medicines and the removals of obstacles to free trade, the following decade may result in an era of renewed productivity. The industry faces the challenge of creating more value for patients, providers and payers – and thus for shareholders. In order to receive access to the leading science, pharmaceutical companies will have to collaborate with academia, governmental and non-governmental organisations, biotech companies, fellow life sciences companies, regulators and patient groups while entering into open innovation agreements. Improvement in scientific productivity and efficiency will require larger investments in genetics and genomics and a revision of research and development processes within this industry.

G. FINANCIAL OUTLOOK

Evotec confirms financial targets for the financial year 2013.

All financial targets published on 26 March 2013 in Evotec's Annual Report 2012 (page 78) remain unchanged.

In 2013, total Group revenues are expected to grow to a level between € 90 m and € 100 m. This assumption is based on the current order book, expected new contracts and contract extensions, as well as the achievement of certain milestone payments. Milestones are difficult to predict, but they remain a fundamental part of the business model of Evotec.

On this basis, gross margins in 2013 are expected to improve slightly on those achieved in 2012. However, quarterly margins will continue to be volatile, as they are dependent upon the timing of milestone payments. Evotec expects research and development (R&D) expenses in 2013 to increase above the levels of 2012. This is primarily due to additional investments in the strategic Cure X franchise primarily in the fields of metabolic diseases and regenerative medicine. In total, R&D expenditure

is expected to be around € 10 m in 2013.

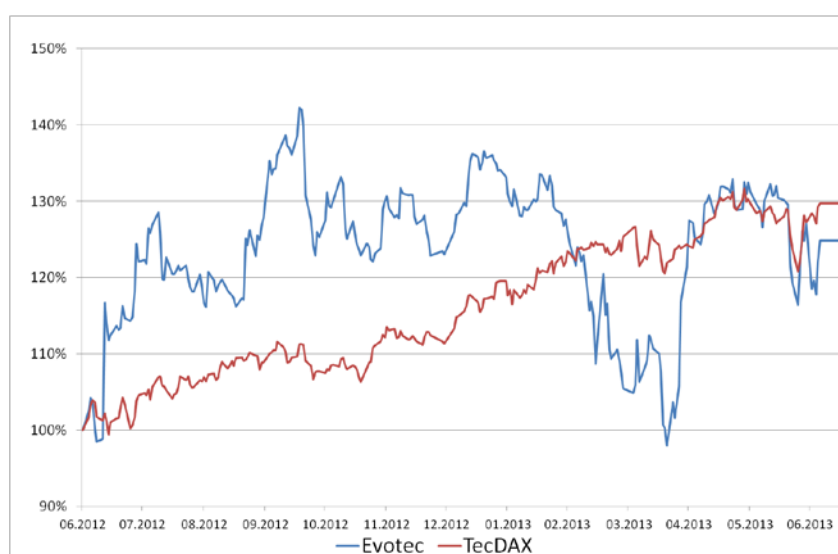
Evotec's Group operating result before impairment and changes in contingent consideration, if any, is expected to improve from its 2012 level for the year 2013.

At constant year-end 2012 currencies, the Company expects to maintain its liquidity position above € 60 m at the end of 2013, excluding any potential cash outflow for M&A or similar transactions.

The statements on **business direction and strategy, expected research and development, business opportunities and dividends** continue to be valid as published on pages 76 to 78 of Evotec's Annual Report 2012.

H. SHARE PRICE PERFORMANCE AND FINANCIAL CALENDAR

Performance of Evotec shares over the past twelve months



The DAX index reached a new all-time high of 8,558 points in the first half of 2013 and closed with a gain of 4.6% as of 28 June 2013. The positive performance of the German leading stock market index – as well as the performance of many of the major international stock market indices – was carried by an ongoing expansionary monetary policy as well as non-attractive yields in the fixed income sector. Against this background, investors again showed an increasing risk appetite.

In contrast, Evotec's share price was temporarily burdened by a lack of news flow and weaker results for the financial year 2012 announced in March. From April onwards, the Evotec share benefitted from positive news regarding new research collaborations and an extension of a drug discovery alliance. Evotec's share closed the first half 2013 at a price of € 2.71. The German technology stock index TecDAX index achieved a gain of 14.3% in the reporting period.

Financial Calendar 2013

Q1 2013 Interim Report:	14 May 2013
Annual General Meeting 2013:	12 June 2013
Q2 2013 Interim Report:	08 August 2013
Q3 2013 Interim Report:	12 November 2013

II. Consolidated Interim Financial Statements

Evotec AG and Subsidiaries -

Consolidated interim income statement for the period from 1 January to 30 June 2013

<i>in T€ except share and per share data</i>	<i>Six months ended 30 June 2013</i>	<i>Six months ended 30 June 2012</i>	<i>Three months ended 30 June 2013</i>	<i>Three months ended 30 June 2012</i>
Revenues	36,690	42,046	19,626	21,936
Costs of revenue	(26,138)	(27,258)	(13,527)	(13,678)
Gross profit	10,552	14,788	6,099	8,258
Operating income and expense				
Research and development expenses	(4,819)	(3,924)	(2,491)	(2,012)
Selling, general and administrative expenses	(8,176)	(8,026)	(4,251)	(3,594)
Amortisation of intangible assets	(1,716)	(1,217)	(816)	(691)
Other operating income	416	1,572	306	1,338
Other operating expenses	(660)	(1,860)	(534)	(677)
Total operating expenses	(14,955)	(13,455)	(7,786)	(5,636)
Operating income (loss)	(4,403)	1,333	(1,687)	2,622
Other non-operating income (expense)				
Interest income	83	308	8	266
Interest expense	(579)	(1,108)	(293)	(594)
Other income from financial assets	8	396	5	396
Foreign currency exchange gain (loss), net	57	3	58	274
Other non-operating income	29	246	12	203
Total non-operating expense	(402)	(155)	(210)	545
Income (loss) before taxes	(4,805)	1,178	(1,897)	3,167
Current tax income (expense)	63	(195)	54	(111)
Deferred tax income	159	696	111	618
Net income (loss)	(4,583)	1,679	(1,732)	3,674
Weighted average shares outstanding	117,800,410	117,024,530	117,834,364	117,061,462
Net income (loss) per share (basic)	(0.04)	0.01	(0.01)	0.03
Net income (loss) per share (diluted)	(0.04)	0.01	(0.01)	0.03

Evotec AG and Subsidiaries -

Consolidated statements of comprehensive income for the period from 1 January to 30 June 2013

<i>in T€</i>	<i>Six months ended 30 June 2013</i>	<i>Six months ended 30 June 2012</i>	<i>Three months ended 30 June 2013</i>	<i>Three months ended 30 June 2012</i>
Net loss	(4,583)	1,679	(1,732)	3,674
Other comprehensive loss				
Foreign currency translation	(1,954)	1,998	(1,388)	2,367
Revaluation and disposal of available-for-sale securities	(70)	(385)	(6)	(378)
Other comprehensive loss	(2,024)	1,613	(1,394)	1,989
Total comprehensive loss	(6,607)	3,292	(3,126)	5,663

Evotec AG and Subsidiaries -
Consolidated interim statement of financial position as of 30 June 2013

<i>in T€ except share data</i>	<i>footnote reference</i>	<i>as of 30 June 2013</i>	<i>as of 31 Dec. 2012</i>
ASSETS			
Current assets:			
Cash and cash equivalents		36,683	39,065
Investments		19,372	25,094
Trade accounts receivables		15,458	15,053
Inventories		2,656	2,445
Current tax receivables		521	480
Other current financial assets		1,177	1,478
Prepaid expenses and other current assets	6	4,774	4,489
Total current assets		80,641	88,104
Non-current assets:			
Long-term investments		10	10
Property, plant and equipment		26,196	27,181
Intangible assets, excluding goodwill	7	63,043	63,266
Goodwill	8	42,619	42,342
Deferred tax asset		2,815	2,815
Other non-current financial assets		75	75
Other non-current assets	9	1,180	1,634
Total non-current assets		135,938	137,323
Total assets		216,579	225,427
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities		13,223	13,223
Current portion of finance lease obligations		5	1
Trade accounts payable		5,767	6,363
Advanced payments received		131	232
Provisions	10	6,982	6,914
Deferred revenues		5,073	5,548
Current income tax payables		285	502
Other current financial liabilities	11	701	234
Other current liabilities		665	865
Total current liabilities		32,832	33,882
Non-current liabilities:			
Non-current loan liabilities		4,087	4,178
Long-term finance lease obligations		16	-
Deferred tax liabilities		2,121	2,099
Provisions	10	19,417	18,817
Deferred revenues	12	10,097	12,516
Other non-current financial liabilities		1,311	1,388
Total non-current liabilities		37,049	38,998
Stockholders' equity:			
Share capital		118,638	118,547
Additional paid-in capital		666,585	665,918
Accumulated other comprehensive income		(27,525)	(25,501)
Accumulated deficit		(611,000)	(606,417)
Total stockholders' equity		146,698	152,547
Total liabilities and stockholders' equity		216,579	225,427

Evotec AG and Subsidiaries -

Condensed consolidated interim statement of cash flows for the six months ended 30 June 2013

<i>in T€</i>	<i>Six months ended 30 June 2013</i>	<i>Six months ended 30 June 2012</i>
Cash flows from operating activities:		
Net income (loss)	(4,583)	1,679
Adjustments to reconcile net income (loss) to net cash used in operating activities	6,212	3,937
Change in assets and liabilities	(5,313)	(9,046)
Net cash used in operating activities	(3,684)	(3,430)
Cash flows from investing activities:		
Purchase of current investments	(7,145)	(34,495)
Purchase of investments in affiliated companies	(1,109)	(2,000)
Purchase of property, plant and equipment	(2,404)	(5,137)
Purchase of intangible assets	-	(2,000)
Cash acquired in connection with acquisitions	119	-
Proceeds from sale of property, plant and equipment	-	43
Proceeds from sale of current investments	12,875	42,676
Net cash provided by (used in) investing activities	2,336	(913)
Cash flows from financing activities:		
Proceeds from option exercise	305	281
Proceeds from issuance of loans	-	2,000
Purchase of treasury shares	(109)	(113)
Repayment of loans	(90)	(97)
Net cash provided by financing activities	106	2,071
Net decrease in cash and cash equivalents	(1,242)	(2,272)
Exchange rate difference	(1,140)	1,404
Cash and cash equivalents at beginning of year	39,065	17,777
Cash and cash equivalents at end of the period	36,683	16,909

**Evotec AG and Subsidiaries -
Consolidated interim statements of changes in stockholders' equity
for the six months ended 30 June 2013**

	Share capital			Accumulated other comprehensive income				
<i>in T€ except share data</i>	Shares	Amount	Additional paid-in capital	Treasury shares purchased on stock exchange	Foreign currency translation	Revaluation reserve	Accumulated deficit	Total stockholders' equity
Balance at 1 January 2012	118,315,864	118,316	663,820	(1)	(33,350)	7,355	(608,895)	147,245
Exercised stock options	-	-	281	-	-	-	-	281
Stock option plan	-	-	560	-	-	-	-	560
Purchase of treasury shares	-	-	-	(113)	-	-	-	(113)
Transfer of treasury shares	-	-	-	114	-	-	-	114
Total comprehensive income (loss)					1,998	(385)	1,679	3,292
Balance at 30 June 2012	118,315,864	118,316	664,661	-	(31,352)	6,970	(607,216)	151,379
Balance at 1 January 2013	118,546,839	118,547	665,918	-	(32,542)	7,041	(606,417)	152,547
Exercised stock options	91,500	91	214	-	-	-	-	305
Stock option plan	-	-	453	-	-	-	-	453
Purchase of treasury shares	-	-	-	109	-	-	-	109
Transfer of treasury shares	-	-	-	(109)	-	-	-	(109)
Total comprehensive income (loss)					(1,954)	(70)	(4,583)	(6,607)
Balance at 30 June 2013	118,638,339	118,638	666,585	-	(34,496)	6,971	(611,000)	146,698

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements of Evotec have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) in conjunction with IAS 34. The consolidated interim financial statements have been prepared on cost basis, except for derivative financial instruments as well as available-for-sale financial instruments, which are measured at fair value. The accounting policies used to prepare interim information are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2012. Income tax income and expense is recognised in interim periods based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The consolidated interim financial statements do not include all of the information and footnotes required under IFRS for complete financial statements according to IAS 1. As a result, these interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2012.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included.

2. BASIS OF CONSOLIDATION

Evotec acquired all shares in CCS Cell Culture Service GmbH ("CCS") effective 01 January 2013. This acquisition is fully consolidated from 01 January 2013 onwards.

Due to this acquisition, the condensed consolidated interim financial statements for the six-month periods 2012 and 2013 are not fully comparable.

3. BASIS OF ESTIMATION

In the consolidated interim financial statements for the six months ended 30 June 2013, the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2012.

4. SEGMENT INFORMATION

Pursuant to IFRS 8, Evotec does not report segment information (see page 108 of Evotec's Annual Report 2012).

5. ACQUISITIONS

Effective 01 January 2013, the Company acquired 100% of the shares in CCS Cell Culture Service GmbH, Hamburg ("CCS"), a leading supplier of custom cells and cell-based reagents. This acquisition

strengthens Evotec's cell-based screening and reagent platform.

The purchase price of T€ 2,270 in cash includes a potential earn out as contingent consideration. In the first quarter of 2013, T€ 900 from the purchase price was paid and the remaining amount was recognised in provisions. The earn out was calculated based on estimated future revenues as of the date of acquisition with no discounting due to the short-term nature of this contingent consideration. The estimated maximum potential earn out payment amounts to T€ 1,120.

The fair values of the acquired assets and liabilities were estimated based on the recognised amounts as of the date of the acquisition. A fair value adjustment has been recorded for a customer list in the amount of T€ 1,385, which has been estimated based on net present value modelling. Related deferred tax liabilities in the net amount of T€ 301 were also recorded. The resulting goodwill from the acquisition amounts to T€ 953. The factors which make up this goodwill are the expected synergies resulting from the combination of Evotec's and CCS' product offering.

The net loss of Evotec for the six months ended 30 June 2013 included net income of T€ 197 from CCS as well as revenues of T€ 791.

Acquisition related costs in the amount of T€ 13 are recognised through profit and loss.

The following is the breakdown of the carrying amount and the fair value of CCS at the date of acquisition:

	01 January 2013 carrying amount T€	01 January 2013 fair value T€
Cash and cash equivalents	119	119
Trade accounts receivable	158	158
Inventories	52	52
Other current assets	70	70
Property, plant and equipment	155	155
Customer list	-	1,385
Finance leases	(24)	(24)
Provisions	(268)	(268)
Trade accounts payables	(20)	(20)
Other current liabilities	(9)	(9)
Deferred tax liabilities	-	(301)
Net assets acquired	233	1,317
Goodwill	-	953
Cost of acquisition	-	2,270
Less cash and cash equivalents acquired	-	(119)
Less deferred earn out component	-	(1,120)
Cash outflow from acquisition	-	1,031

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of 30 June 2013 primarily consisted of prepaid expenses in the amount of T€ 4,151 (31 December 2012: T€ 3,327). The prepaid expenses mainly relate to the collaboration with Harvard.

7. INTANGIBLE ASSETS

The main addition to the intangible assets in the first six months of 2013 relates to the customer list acquired in the business combination with CCS amounting to T€ 1,385. This customer list is amortised from 01 January 2013 onwards over the estimated useful life of seven years.

8. GOODWILL

The addition to goodwill in 2013 relates to the acquisition of CCS, which resulted in a goodwill in the amount of T€ 953. CCS is not considered to be a separate cash generating unit because it is fully integrated in Evotec AG and is therefore part of the cash generating unit OAI.

9. OTHER NON-CURRENT ASSETS

The decrease of the non-current assets compared to 31 December 2012 results from the prepayment relating to the Harvard collaboration, which is accrued over the time of the collaboration.

10. PROVISIONS

The change in current and non-current provisions in comparison to 31 December 2012 as of 30 June 2013 mainly relate to the earn out of DeveloGen relating to the unwinding of discount in the amount of T€ 507 as well as a fair value adjustment in the amount of T€ 267. Further Evotec recognised an earn out in the amount of T€ 1,120 relating to the acquisition of CCS. This effect is mainly offset by the annual Management Board and employee bonuses, which were paid in March 2013.

Earn out liabilities totalling T€ 17,193 are estimated to be due after twelve months, and T€ 3,181 are estimated to be due in the next twelve months.

11. OTHER CURRENT FINANCIAL LIABILITIES

The increase in the other current financial liabilities relate to the fair value accounting of foreign currency forward contracts amounting to T€ 539.

12. NON-CURRENT DEFERRED REVENUES

The decrease in non-current deferred revenues relates to revenues recognised from the upfront payments received from Janssen Pharmaceuticals and Bayer Pharma AG.

13. STOCK-BASED COMPENSATION

In 2012, Share Performance Awards ("SPAs") in the amount of 909,693 were granted. Those SPAs can only be exercised, if, when and to the extent that key performance indicators are achieved within a performance measurement period of three years. In the second quarter

of 2013, the estimated achievement of the key performance indicators changed, resulting in an income in the second quarter of 2013 in the amount of T€ 197.

14. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet as of 30 June 2013, are as follows:

In T€	30 June 2013	
	Carrying amount	Fair value
Cash and cash equivalents	36,683	36,683
Available-for-sale financial assets		
Investments	19,372	19,372
Long-term investments	10	10
Total available-for-sale-financial assets	19,382	19,382
Financial assets measured at fair value		
Other non-current financial assets	75	75
Loans and receivables		
Trade accounts receivables	15,458	15,458
Other current financial assets	1,177	1,177
Total loans and receivables	16,635	16,635
Financial liabilities measured at cost		
Current loan liabilities	(13,223)	(13,223)
Non-current loan liabilities	(4,087)	(4,029)
Current portion of finance lease obligations	(5)	(5)
Long-term finance lease obligations	(16)	(16)
Trade accounts payable	(5,767)	(5,767)
Other current financial liabilities	(701)	(701)
Total financial liabilities measured at cost	(23,799)	(23,741)
Financial liabilities measured at fair value		
Derivative financial instruments	(216)	(216)
Contingent consideration	(20,374)	(20,374)
Total financial liabilities measured at fair value	(20,590)	(20,590)
	28,386	28,444
Unrecognised (gain)/loss		(58)

The following table allocates financial assets and financial liabilities as of 30 June 2013 to the three levels of the fair value hierarchy as defined in IFRS 7:

	30 June 2013			
	Level 1 T€	Level 2 T€	Level 3 T€	Total T€
Available-for-sale financial assets	19,372	-	10	19,382
Financial assets measured at fair value	-	75	-	75
Financial liabilities measured at fair value	-	(216)	(20,374)	(20,590)

The following table shows a reconciliation from the beginning balances as of 30 June 2013 for fair value measurements in Level 3 of the fair value hierarchy:

In T€	January to June 2013	
	Available-for-sale financial assets	Financial liabilities measured at fair value
Balance at 1 January 2013	10	(18,689)
Total gains and losses recognised in profit and loss	-	(774)
Consumption	-	209
Addition from business combination with CCS	-	(1,120)
Balance at 30 June 2013	10	(20,374)

The gains and losses recognised in profit and loss of the financial liabilities measured at fair value relate to the unwinding of discount of the earn out provision and is included in interest expense.

The levels of the fair value hierarchy and its application to Evotec's financial assets and financial liabilities are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data

15. TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described on page 113 of the Annual Report 2012, no other material transactions with related parties were entered into in the first six months of 2013.

16. SUBSEQUENT EVENTS

On 08 July 2013, the Company decided to close its Chemistry Operations in India. This could result in impairments of up to € 4 m in the third quarter of 2013.

FORWARD-LOOKING STATEMENTS

Information set forth in this report contains forward-looking statements, which involve a number of risks and uncertainties. The forward-looking statements contained herein represent the judgement of Evotec as of the date of this report. Such forward-looking statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from those contemplated in these forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.