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## Evotec Reports Encouraging Results for the First Half Year and Confirms Guidance

**For further information  
please contact:**

Joern Aldag  
President &  
Chief Executive Officer

+49.(0)40.560 81-242  
+49.(0)40.560 81-333 Fax  
joern.aldag@evotec.com

Anne Hennecke  
Director,  
Investor Relations &  
Corporate Communications

+49.(0)40.560 81-286  
+49.(0)40.560 81-333 Fax  
anne.hennecke@evotec.com

Evotec AG  
Schnackenburgallee 114  
22525 Hamburg  
Germany  
www.evotec.com

**Hamburg, Germany | Oxford, UK** – Evotec AG (ISIN: DE000 5664809, EVT) today reported financial results for the second quarter 2006. Revenues for the second quarter 2006 increased by 2% to EUR 18.8 million (Q2 2005: EUR 18.4 million). Net result increased by 96% to EUR -1.0 million (Q2 2005: EUR -23.4 million). This is the result of two extraordinary effects: First, charges from amortisation of intangible assets and impairment of goodwill reduced by more than EUR 20 million compared to Q2 2005. Second, Evotec achieved a total non-operating result of EUR 6.6 million (Q2 2005: EUR -1.5 million), mainly due to a profit from the sale of intellectual property assets, better results from currency hedging as well as the absence of “loss from equity investments”. As anticipated, total R&D expenditure increased significantly over 2005 from EUR 2.3 million to EUR 6.9 million, mainly driven by increased investment for the development of Evotec’s pipeline projects.

### Q2 Highlights:

- Positive results in second proof-of-principle study with insomnia drug candidate EVT 201; EVT 201 on track for start of Phase II in Q3
- Phase I completed for Alzheimer’s Disease and/or neuropathic pain drug candidate EVT 101 (after period end)
- Signed global alliance with Roche to jointly discover novel drugs
- Detection technology and IP portfolio sold to Olympus

“The encouraging results from our operations and our progress in developing our CNS pipeline indicate that we are on the right track”, **said Joern Aldag, President & CEO of Evotec AG.** „We have successfully completed the second Phase I/II proof-of-principle study with our insomnia drug candidate EVT 201, reconfirming the positive findings of the first study. We have filed the IND with the FDA and intend to start the first Phase II patient study in September. In the second quarter, we have accomplished our business goals successfully in all our divisions and look forward to a strong 2006 performance.”

### Positive H1 financial results

Evotec revenues for the first six months 2006 increased by 7% to EUR 36.6 million (H1 2005: EUR 34.3 million) with all three divisions up over the same period of the previous year: Services Division up 4% to EUR 30.1 million, Pharmaceuticals Division up 101% to EUR 0.9 million, Tools & Technologies Division (3rd party) up 15% to EUR 5.7 million. Gross margin improved to 36.6% (2005: 35.7%). R&D expenditure for the first half of 2006 increased from EUR 4.7 million to EUR 16.8 million. The vast majority

was from Evotec's Pharmaceuticals Division (EUR 13.7 million) due to increased clinical trials expenses for the development of our pipeline and a significant upfront payment for the acquisition of the MAO-B inhibitors from Roche in Q1. In addition, Evotec Neurosciences, which contributed significantly to the R&D expenses in the first half of 2006, was not consolidated prior to 26 May 2005. All other operating expenses including SG&A, amortisation of intangible assets, impairment of goodwill as well as "other operating expenses" were EUR 34.9 million (H1 2005: EUR 14.7 million).

Group operating result increased by 34%, from EUR -27.3 million to EUR -18.1 million. The operating result in Evotec's Services Division was positive at EUR 0.3 million in the first half of this year. Group net result increased from EUR -28.4 million to EUR -11.3 million as of 30 June 2006.

#### **Solid balance sheet structure**

Cash and cash equivalents of Evotec AG at the end of June increased to EUR 60.7 million (end of December 2005: EUR 53.5 million) following the capital increase in April 2006. The equity ratio was 79% (end of December 2005: 80%)

#### **Financial guidance confirmed**

The Evotec Management Board remains positive with regard to its ability to meet financial targets for 2006 and confirms the guidance given on 28 March 2006.

Evotec continues to anticipate 0 to 5% revenue growth for the full year 2006 on its remaining business, i.e. adjusted for the portion of Evotec Technology's business which was transferred to Olympus in Q2 (approximately EUR 2.5 million revenues in 2005). Revenues and operating profitability (before amortisation) in absolute terms for the Company's Services Division are expected to remain similar to the good 2005 performance. The Group sales and order book for 2006 has increased to EUR 74 million as of July (July 2005: EUR 69 million).

In line with increasing investment into internal drug development within the Pharmaceuticals Division as well as the purchase costs for EVT 301, R&D spend is expected to increase significantly over 2005. Including expenses for the start of a second Phase II differentiation study for EVT 201, the Company expects Group R&D spend in 2006 to be at the high end of its anticipated range of EUR 30 million to EUR 35 million. Based on this guidance, Evotec's liquidity position at the end of 2006 is targeted to exceed EUR 48 million.

#### **Conference Call**

Evotec will hold a conference call today at 02.00 p.m. CET (01.00 p.m. BST/08.00 a.m. US time East Coast) to discuss the financial results as well as Q2 progress. Joern Aldag, President & CEO, Dr Dirk Ehlers, CFO, and Dr John Kemp, Executive Vice President Research & Development Pharmaceuticals Division, will lead the call.

**Conference call numbers (listen only):**

Europe: +49.(0)69.2222 3105 (Germany)

+44.(0)20.7138 0841 (UK)

US: +1.718.354 1358

Webcast: [www.evotec.com](http://www.evotec.com)

A replay of the conference call will be available for 24 hours and can be accessed in Europe by dialing +49.(0)69.22222 0418 (Germany) or +44.(0)20.7806 1970 (UK) and in the US by +1.718.354 1112. The access code is 9956420#. The on-demand version of the webcast will be available on our website: [www.evotec.com](http://www.evotec.com) - Investors – Financial Reports.

**About Evotec AG**

Evotec is a leader in the discovery and development of novel small molecule drugs. Both through its own discovery programmes and through contract research partnerships, the Company is generating the highest quality research results to its partners in the pharmaceutical and biotechnology industries.

In proprietary projects, Evotec specialises in finding new treatments for diseases of the Central Nervous System. Evotec has three programmes in clinical development: EVT 201, a partial positive allosteric modulator (pPAM) of the GABA<sub>A</sub> receptor complex for the treatment of insomnia, EVT 101, a subtype selective NMDA receptor antagonist for the treatment of Alzheimer's disease and/or neuropathic pain and EVT 301, a selective and reversible inhibitor of MAO-B for the treatment of Alzheimer's disease.

In contract research, Evotec has established itself as the partner of choice for pharmaceutical and biotechnology companies worldwide. The Company provides innovative and often integrated solutions from drug target to clinic through an unmatched range of capabilities, including early stage assay development and screening through to medicinal chemistry and drug manufacturing.

In 2005, Evotec has generated sales of EUR 80 million with 600 employees located in Hamburg, Germany and near Oxford and in Glasgow, UK.

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