Evotec AG
FY 2006 Results Presentation, 29 March 2007

Translating Innovation into Results
Agenda

01 Highlights 2006
02 Pipeline
03 Collaborations
04 FY 2006 Results
05 Outlook 2007
CNS pipeline - value inflection points ahead
  - Phase I/II study for insomnia candidate EVT 201 confirmed findings of previous study
  - 2 US Phase II patient studies for EVT 201 - results expected in Q3/2007

Strong performance of service business
  - New partnerships, revenues grow by 5%
  - Encouraging financial results
    - Positive operating income before amortisation and impairment
    - Cash generative (Group reserves increased to €78.7m)

Divestment of Evotec Technologies sharpens focus on future business

All major financial objectives reached or exceeded
### 01 Highlights 2006

**Financial guidance for 2006 fully achieved**

<table>
<thead>
<tr>
<th>Evotec Group including ET (in €m)</th>
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</tr>
<tr>
<td>Revenues</td>
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<tr>
<td>- Continuing business</td>
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<tr>
<td>R&amp;D expenses</td>
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<tr>
<td>Net income</td>
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<td>Cash at year end</td>
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</table>
Focus on future business – migrating to a biopharmaceutical business

Evotec

Services Division

Pharmaceuticals Division

- Tools and Technologies division (ET) sold to PerkinElmer for €23m
- Total valuation of former technologies incl Olympus deal €30m
- Increases Evotec’s cash position to €78.7 by 31/12/2006
- Increases flexibility to develop and expand CNS pipeline
Small molecule machine to build internal pipeline and partnership business

Discovery

Development

€67m partnership business

EVT 201
EVT 101
EVT 302

Proprietary CNS pipeline
Pipeline progressed during 2006

- EVT 300
  - In-licensed 2 MAO-B inhibitors, EVT 301 and EVT 302
  - Changed focus to EVT 302 from EVT 301 following Phase I results

- EVT 100
  - Successful completion of Phase I studies for EVT 101
  - Progressed EVT 103 towards clinical trials

- EVT 201
  - Finished second Phase I/II proof-of-principle insomnia study, data positive and consistent with initial Phase I/II study
  - Start of 2 US Phase II trials in primary insomniacs and elderly insomnia patients with daytime sleepiness
## Our CNS pipeline

<table>
<thead>
<tr>
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<th>Discovery</th>
<th>Preclinical</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
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<tr>
<td><strong>EVT 201</strong></td>
<td>GABA&lt;sub&gt;A&lt;/sub&gt; receptor partial positive allosteric modulator</td>
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<td>Insomnia</td>
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<td><strong>EVT 101</strong></td>
<td>NMDA NR2B subtype selective antagonist</td>
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<td>Alzheimer's disease / Pain</td>
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<tr>
<td><strong>EVT 302</strong></td>
<td>MAO-B inhibitor</td>
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<td></td>
<td>Smoking cessation</td>
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<td><strong>EVT 102</strong></td>
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<td><strong>EVT 103</strong></td>
<td>Follow-up to EVT 101</td>
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<td><strong>Projects</strong></td>
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<td><strong>AD</strong></td>
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</table>
Agenda

01 Highlights 2006
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EVT 302: Smoking cessation and Alzheimer’s

- Orally active, potent, highly selective MAO-B inhibitor
- Potential in neurodegenerative diseases (AD, PD) and addiction
  - Phase II clinical validation in smoking cessation (selegiline, lazabemide)
  - Phase III clinical validation in AD
- Clinical status
  - Phase I SAD finished
  - Further Phase I studies during 2007
  - Phase II in smoking cessation planned to begin mid 2008
Smoking cessation: Enormous market potential

- Nicotine replacements - market value ~ $1bn today
- Large market, consumer driven and agile
  - 44.5 million smokers in the US
  - 70% of smokers desire to quit = 30 million
  - Average smoker will make 6 – 9 attempts to quit during their lifetime
- 2 non-nicotine prescription therapies approved
  - Bupropion SR - originally an antidepressant (available generically), branded by GSK as Zyban for smoking cessation
  - Chantix by Pfizer
    - Launched in Aug 2006
    - Cost ~ $3.50/day; treatment course (6 months) ~ $600
    - Peak sales expectation at $1bn in 2011/2012
EVT 302: Strong product characteristics

- **Smoking cessation - lower development risk and cost, strong competitive potential**
  - Clinically effective MAO-B mechanism
  - Superior competitive safety profile over first generation MAO-B inhibitors with potential for no food restriction and better tolerability than Chantix
  - Potential for once per week dosing
  - Use as mono-therapy or in combination with nicotine based therapies

- **Alzheimer’s disease - higher development risk for disease modification**
  - Clinically validated mechanism
  - Existing preclinical and Phase I programme for smoking cessation also validates compound for Alzheimer’s disease at no extra cost
  - Go/No Go decision to start Phase II in light of competitive scenario at that time
EVT 101: Selectivity provides key differentiation

- Oral NR2B subtype selective NMDA receptor antagonist
- Potential in neurodegenerative diseases and pain
- ‘Memantine’ - a non-selective NMDA competitor drug - shows blockbuster potential in Alzheimer’s disease

Clinical status
- Phase I successfully completed
- Phase Ib/IIa to start in H1 2007
- Preclinical toxicology in progress to allow longer-term clinical studies
Multi indication potential (Alzheimer, Pain, other indications)

- Symptomatic Alzheimer’s disease treatment, potential for disease modification
  - NR2B selectivity should translate into clinical advantages over ‘memantine’
- Novel approach for treatment of neuropathic pain
  - Clinical proof-of-concept for NR2B antagonists in neuropathic pain, plus a wealth of preclinical evidence
- Novel perioperative pain indication

Status and plans:
- EVT 101 has a highly desirable preclinical profile
  - Potent and highly NR2B subtype selective NMDA antagonist
  - Excellent drug-like properties, oral adsorption, PK and brain penetration
- Phase I successfully completed; EVT 101 ready for Phase II proof-of-concept
- Choice of EVT 101 Phase II to be determined after Phase Ib/IIa studies
- Back up EVT 103 and injectable programmes
EVT 201: Insomnia candidate with differentiated mode of action

**Potential novel insomnia treatment on GABA_\text{A} receptor complex**
(partial positive allosteric modulator)

**Differentiated profile**
- Partial agonism
- Ideal T1/2: approx. 3.5 hrs
- Similar PK in young and elderly
- Strong preclinical characteristics

**Clinical status**
- Well tolerated in Phase I
- Encouraging results in 2 Phase I/II proof-of-principle studies
- 2 US Phase II studies ongoing
- Proof-of-concept expected Q3/2007
Insomnia market: Under-penetrated and consumer driven

- **Symptoms of insomnia very frequent**
  (2005 Sleep in America Poll Survey, Nature Reviews / Drug Discovery)
  - 54% encounter symptoms at least 1x per month,
  - Only 7% use RX sleep aid

- **Significant consumer driven growth potential**
  (Morgan Stanley survey of global sleep specialists (Feb 2006))
  - 62% of sleep physicians expect > 20% growth of prescriptions
  - 50% of prescriptions based on patient requests
GABA_A modulation is Gold Standard for Insomnia
> 90% of drugs use this mechanism, incl. market leaders

US market share data according to IMS, January 2007

GABA_A modulation:
*Gold Standard mechanism*
*Clinically validated*

> $3.5 bn annual US sales in 2006
Significant unmet needs remain

“One of the major challenges is to develop a drug that induces sleep quickly, helps individuals remain asleep and allows them to awaken feeling refreshed rather than hung over.”

Datamonitor, Pipeline and Commercial Perspectives: Insomnia, 12/2005

“The elderly form a large part of the insomnia population and are particularly ill served by current medicines, both in terms of efficacy and side effects.”

Physician Interview, IMTA Survey, 2006
Road traffic noise model in a sleep laboratory: Good model to measure sleep maintenance
EVT 201 shows efficacy in sleep maintenance in both first and second half of the night

- EVT 201 (1.5, 2.0 & 2.5 mg) significantly reduced WASO over the whole night
- Significant reduction in Wake after Sleep Onset in hours 0-4 and hours 5-8
- No subjective residual effects
EVT 201 insomnia drug: Potential for differentiation

- "Gold Standard" clinical mechanism in insomnia
- High affinity, α1 preferring partial positive allosteric modulator
  - Potentially also reducing symptoms of anxiety
  - Low potential for dependence
- Sleep inducing, but not a “knock out” (partial agonist)
  - Enhanced sleep architecture
- Close to optimal PK profile supports sleep maintenance
  - 3.5 hr $T_{1/2}$ ideal for good sleep maintenance and no hangover
- Similar PK in young and elderly, ease of use across patient spectrum
- Subjective feeling of a good night’s sleep
- 2 Phase II results in primary insomnia in Q3/2007
Agenda

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Research results for a top quality customer network
Partnering at all stages of the value chain

**Fee-for-service**
e.g. FTEs for medchem

**Delivery-based fee-for-service**
e.g. screening of 200,000 compounds
kg amount of pilot plant material

**Reward**

**Collaborative with research funding**
covering cash costs, preclinical & clinical
milestones/royalties
e.g. Boehringer Ingelheim collaboration

**Risk**

**Service with milestones/royalties**

**Joint research project**
50:50 cost sharing
e.g. in Roche collaboration

**Evotec CNS pipeline**
Licensing

03 Our Collaborations
Value of early stage projects significantly increased

- Pharma’s late stage pipelines remain weak
- Pressure to in-license continues to rise
- Increased demand not matched by supply
- Terms for products have increased significantly
  - High prices for early stage projects
  - Increasing retention of co-promotion rights

Figure 15: Average cost in in-licensing drugs has gone up

Source: Roche presentation November 2006, Credit Suisse research
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<td>HTS &amp; FBS</td>
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(6 projects)

Clinical proprietary
Preclinical proprietary
Partnered

Small molecule engine allows to build significant early stage product equity
R&D networks – the future of pharmaceutical research
High-value added, results-based collaboration:

Research payments, milestones, royalties, rights back

- **Goal of collaboration**
  - Deliver preclinical candidates
  - Exploit Evotec’s GPCR and other target class expertise

- **Scope**
  - Duration 5 years
  - 76 FTE committed (36 from Evotec)

03 Our Collaborations

Milestone achieved in 2005 + 2006

Expanded scope and content

2004 2005 2006 2007 2008 2009
Expanding the partnership into another area of strength

- Multi-year collaboration to identify novel Alzheimer’s disease targets
- Applying Evotec’s proprietary and well validated disease models
- Boehringer Ingelheim (BI) will select and further validate target candidates
- Contract includes option for Evotec to support BI in the validation process
  - Milestone payments of up to €20m plus royalties
High-value, results-based collaboration

- CNS project initiated at Evotec
  - Undisclosed target
  - Assay development, initial screen, identified chemical matter

Innovative business model

- Joint research in areas of strength allows maximum efficiency
- Flexible deal structure to add further targets to grow the alliance
- Option rights, milestones (potentially > €100m), royalties
Evotec’s road to success

The leading R&D Network company

- Bring **innovation**!
- **Translate medicine**
  - from academia to practice
- **Create products** in
  Central Nervous Systems
- Share benefit and risk in
  **collaborative research based on unique skills and technologies**
Traditional Services
A strong year for chemical and pharmaceutical development

- Strong pilot plant and formulation sales
- Moving down the value chain with a number of discovery customers
  - e.g. Panacos lead project moved into preclinical development
- Large pharmaceutical companies are returning for larger FTE-based contracts
- Commercial manufacture of four APIs
  - Vernalis, Panacos, AnorMED, US biotech
- Integration of formulation business propelled further growth
  - Increased need for niche, small volume, parenteral clinical products
  - Average deal size increased, repeat orders
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## Key financials 2006: Strong performance

### Condensed Profit & Loss Statement (IFRS)
in €m

<table>
<thead>
<tr>
<th></th>
<th>2005 Actual</th>
<th>2006 Actual</th>
<th>% vs. Act 05</th>
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<tbody>
<tr>
<td>Revenues</td>
<td>64.1</td>
<td>67.4</td>
<td>+5%</td>
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<tr>
<td>Gross margin</td>
<td>33.0%</td>
<td>34.1%</td>
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<tr>
<td>- R&amp;D expenses</td>
<td>9.3</td>
<td>30.3</td>
<td>+226%</td>
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<tr>
<td>- SG&amp;A expenses</td>
<td>15.5</td>
<td>18.6</td>
<td>+20%</td>
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<tr>
<td>- Amortisation &amp; impairment</td>
<td>27.1</td>
<td>9.2</td>
<td>-66%</td>
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<tr>
<td>- Other operating expenses</td>
<td>2.2</td>
<td>1.6</td>
<td>-26%</td>
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<tr>
<td><strong>Operating income (loss)</strong></td>
<td><strong>-33.0</strong></td>
<td><strong>-36.7</strong></td>
<td><strong>-11%</strong></td>
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<tr>
<td>Net income (loss)</td>
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<tr>
<td>continuing business</td>
<td>-31.2</td>
<td>-36.3</td>
<td>-16%</td>
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<tr>
<td>Net income (loss)</td>
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<tr>
<td>discontinued operations</td>
<td>-2.4</td>
<td>3.8</td>
<td>+261%</td>
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<tr>
<td><strong>Net income (loss) total</strong></td>
<td><strong>-33.6</strong></td>
<td><strong>-32.5</strong></td>
<td><strong>+3%</strong></td>
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</table>
### Consolidated key financial figures – Discontinued Operations in €m

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<th>2005 Actual</th>
<th>2006 Actual</th>
<th>% vs. Act 05</th>
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<tr>
<td>Revenues</td>
<td>15.7</td>
<td>17.3</td>
<td>+11%</td>
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<tr>
<td>Gross margin</td>
<td>50.0%</td>
<td>44.2%</td>
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<tr>
<td>- R&amp;D expenses</td>
<td>4.8</td>
<td>3.1</td>
<td>-34%</td>
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<tr>
<td>- SG&amp;A expenses</td>
<td>4.4</td>
<td>5.4</td>
<td>+24%</td>
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<td>- Amortisation</td>
<td>0.5</td>
<td>0.8</td>
<td>+68%</td>
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<tr>
<td>- Restructuring expenses</td>
<td>0.9</td>
<td>0.6</td>
<td>-34%</td>
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<tr>
<td>Operating income (loss)</td>
<td>-2.7</td>
<td>-2.3</td>
<td>+16%</td>
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<tr>
<td>Operating income (loss)</td>
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<tr>
<td>before amortisation</td>
<td>-2.2</td>
<td>-1.5</td>
<td>+34%</td>
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Solid revenue growth from Services Business

Revenues, continuing business in €m

<table>
<thead>
<tr>
<th>Year</th>
<th>Pharmaceuticals</th>
<th>Services</th>
<th>Total</th>
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<tr>
<td>2005</td>
<td>60.9</td>
<td>3.2</td>
<td>64.1</td>
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<td>2006</td>
<td>64.2</td>
<td>3.2</td>
<td>67.4</td>
</tr>
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</table>

+5% growth from 2005 to 2006.
04 FY 2006 Results

Gross margin: Product mix managed for improved margin

Group gross margin, continuing business in %

Key drivers:

- Positive effects from revenue mix
  - Milestones with Boehringer Ingelheim and Takeda
  - High utilisation in asset intensive chemical and pharmaceutical development business

- Negative effects from
  - Anticipated lower margins on results-based discovery projects in between milestones
  - Currency effect: -0.6%-points

Group gross margin: 33.0% in 2005, 34.1% in 2006
Focused R&D investments in proprietary research programmes

Group R&D spend, continuing business
in €m

- Pharmaceuticals Division: €28.1m for proprietary research and development
- Services Division: platform R&D small and stable

04 FY 2006 Results

- 2005: €9.3m
- 2006: €30.3m
Volatility in R&D expenditure between quarters

Segmental R&D spend, continuing business in €m

- Q1: 8.3
- Q2: 5.4
- Q3: 6.2
- Q4: 8.2

Key drivers for quarterly variances:
- Clinical trials
- License costs / milestones
Increased R&D leads to increase in net loss

Group net income, continuing business in €m

-27.1
-31.2
-36.3
-40
-35
-30
-25
-20
-15
-10
-5
0

2005
2006

Amortisation & impairment
Net income bef. amortisation & impairment

- € 3.2 m regular amortisation
- € 6.6 m goodwill impairment
- €(0.6)m unimpairment tangible fixed assets

Increased R&D leads to increase in net loss

- € 3.2 m regular amortisation
- € 6.6 m goodwill impairment
- €(0.6)m unimpairment tangible fixed assets
Pharmaceuticals Division: R&D expenses up, mainly due to clinical trials

P&L Pharmaceuticals Division (Segment) in €m

- COGS
- R&D
- SG&A
- incl. COH allocation*

Revenues

Operating income before amortisation and impairment

* 2004: €0.7m, 2005: €1.5m, 2006: €1.2m

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04 FY 2006 Results

Services Division:
Segment operating result before amortisation +67%

P&L Services Division (Segment)
in €m

<table>
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<tr>
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<th>2004 Actual</th>
<th>2005 Actual</th>
<th>2006 Actual</th>
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<tr>
<td>Revenues</td>
<td>54.5</td>
<td>61.0</td>
<td>64.3</td>
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<tr>
<td>COGS</td>
<td>38.5</td>
<td>42.0</td>
<td>GM:31.1%</td>
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<tr>
<td>R&amp;D</td>
<td>8.1</td>
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<td>11.4</td>
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<td>Other</td>
<td>14.1</td>
<td>2.2</td>
<td>2.7</td>
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<tr>
<td>SG&amp;A incl.COH allocation*</td>
<td>1.6</td>
<td>13.5</td>
<td>GM:31.6%</td>
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* 2004: €2.6m, 2005: €1.4m, 2006: €1.0m

* 2004: €2.6m, 2005: €1.4m, 2006: €1.0m

-9.9
+5%
+67%
+2.5

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### Services Division 2006 (pro-forma calculation)

<table>
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<tr>
<th>Category</th>
<th>Value</th>
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<tr>
<td>Operating income before amortisation &amp; impairment</td>
<td>2.5</td>
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<tr>
<td>Depreciation</td>
<td>+5.9</td>
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<tr>
<td>“Operating cash flow”*</td>
<td>8.4</td>
</tr>
<tr>
<td>Capex**</td>
<td>-3.1</td>
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<tr>
<td>Cash flow before lease finance*</td>
<td>5.3</td>
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</tbody>
</table>

* Not including change of working capital  
** Incl. capex with lease financing
Cash development 2006: Capital increase and divestment of ET improve cash level in €m

<table>
<thead>
<tr>
<th>Date</th>
<th>Capital increase</th>
<th>Net debt repayment</th>
<th>Investments</th>
<th>ET divestment (pre-payment)</th>
<th>Operating CF + F/X difference</th>
<th>31.12.2006</th>
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<tbody>
<tr>
<td>31.12.2005</td>
<td>52.2</td>
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<td>31.12.2006</td>
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<td></td>
<td>+22.2</td>
<td>-8.9</td>
<td>78.7</td>
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Changes/effects 2006 vs. 2005:
+17.8
-1.8
-2.8
+22.2
-8.9
78.7

Incl benefit from reduced working capital
Increase of operational headcount post 2004 restructuring

Employees as of 31/12, continuing business

- 2002: 547
- 2003: 560
- 2004: 555
- 2005: 512
- 2006: 527

Growing clinical development team and formulation operations
Significantly increased cash position strengthens balance sheet

04 FY 2006 Results

Balance sheet – Assets
in €m

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>52.2</td>
<td>78.7</td>
</tr>
<tr>
<td>Other current assets</td>
<td>16.9</td>
<td>15.7</td>
</tr>
<tr>
<td>Intangible assets + other long-term assets</td>
<td>62.8</td>
<td>57.0</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>36.4</td>
<td>34.7</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>17.8</td>
<td>19.4</td>
</tr>
</tbody>
</table>

31.12.2005  205.5

31.12.2006
Strong equity ratio reduced only temporarily (67%)
Agenda

01 Highlights 2006
02 Pipeline
03 Collaborations
04 FY 2006 Results
05 Outlook 2007
2007 Sales and Order Book status as of January
in €m

2006: 27
2007: 28
Revenues are expected to reach €65m - €70m
- Depending on success-based milestone payments
- Results-based deals and clinical out-licensing are likely to lead to more revenue volatility in the mid-term

Operating result expected to decline slightly compared to 2006
- Ramp up of internal discovery effort to capture value of early stage research
- Increased level of spending in clinical development
- Profitability could improve significantly in 2008/2009 with successful out-licensing and milestone payments

Liquidity at year end is targeted to exceed €40m
## Our research plan 2007

<table>
<thead>
<tr>
<th>Evt</th>
<th>Budget 2007</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVT 201</td>
<td>✓</td>
<td>Completion Phase II studies</td>
</tr>
<tr>
<td>EVT 101</td>
<td>✓</td>
<td>Phase Ib/IIa studies</td>
</tr>
<tr>
<td>EVT 302</td>
<td>✓</td>
<td>Completion Phase I</td>
</tr>
<tr>
<td>EVT 102</td>
<td>✓</td>
<td>Further toxicity studies</td>
</tr>
<tr>
<td>EVT 103</td>
<td>✓</td>
<td>Completion of preclinical</td>
</tr>
<tr>
<td>Discovery</td>
<td>✓</td>
<td>3 lead optimisation projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>by year-end 2007 resulting from:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 2 hit to lead projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 6 FBS and HTS projects</td>
</tr>
</tbody>
</table>
## Significant clinical news flow in 2007

<table>
<thead>
<tr>
<th>H1 2007</th>
<th>EVT 302: Start of further Phase I studies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EVT 101: Start of Phase I cognition studies</td>
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<tr>
<td>H2 2007</td>
<td>EVT 101: Start of Phase IIa in third molar extraction (TME) pain</td>
</tr>
<tr>
<td></td>
<td>EVT 201: Results from Phase II trial in primary insomnia patients</td>
</tr>
<tr>
<td></td>
<td>EVT 201: Results from Phase II study in elderly insomnia patients</td>
</tr>
<tr>
<td></td>
<td>EVT 101: Start of Phase IIa in neuropathic pain (spinal cord injury)</td>
</tr>
<tr>
<td></td>
<td>EVT 101: Proof-of-concept results (Phase I) in cognition</td>
</tr>
<tr>
<td></td>
<td>EVT 101: Proof-of-concept results (Phase IIa) in TME</td>
</tr>
<tr>
<td></td>
<td>EVT 302: Completion of Phase I tolerance and PET studies</td>
</tr>
<tr>
<td></td>
<td>EVT 101: Decision on indications for Phase IIb studies</td>
</tr>
</tbody>
</table>
### Major milestones 2008+

<table>
<thead>
<tr>
<th>Project</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVT 201</td>
<td>Partnering with positive proof-of-concept data</td>
</tr>
<tr>
<td>EVT 302</td>
<td>Start of Phase II in smoking cessation</td>
</tr>
<tr>
<td></td>
<td>Headline results in smoking cessation by early 2009</td>
</tr>
<tr>
<td>EVT 100 series</td>
<td>Decision about development for Alzheimer’s disease</td>
</tr>
<tr>
<td>EVT 101</td>
<td>Start of Phase IIb trials for EVT 101</td>
</tr>
<tr>
<td>EVT 102 and/or EVT 103</td>
<td>Move into Phase I studies</td>
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</tbody>
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