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Evotec Announces Encouraging FY 2006 Financial Results**For further information
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Hamburg, Germany | Oxford, UK – Evotec AG (Frankfurt Stock Exchange: EVT) today reported financial results for the year ended 31 December 2006. Total Group revenues increased by 6% to €84.7m and net income improved to €-32.5m (2005: €-33.6m). Following the divestment of Evotec Technologies GmbH to PerkinElmer effective 1 January 2007, this release focuses on the financials of the two continuing business segments of Evotec only, Services Division and Pharmaceuticals Division (defined as ‘continuing business’ or ‘the Group’). The financials of the discontinued segment of Evotec Technologies (ET) are reported in Evotec’s Annual Report 2006. The gain from the divestment will be reported in the Q1 2007 financial statements.

Evotec Group **revenues** of the continuing business increased by 5% to €67.4m (2005: €64.1m). The *Services Division* contributed growth of 5% to €64.3m (2005: €61.0m) due mainly to strong performances from the manufacturing and formulation services and a milestone payment. This is particularly satisfying because the increased focus on results-based collaborations with downstream elements means that the Company is foregoing some short-term revenues (lower direct R&D funding in exchange for later milestones and potentially royalties). The revenues of the *Pharmaceuticals Division* are predominantly a result of the ongoing collaboration with Takeda, and at €3.2m, are in line with those achieved in 2005 (2005: €3.2m).

The **net loss** of the continuing business increased to €36.3m (2005: €31.2m), the **operating loss** to €36.8m (2005: €33.0m). The vast majority thereof arises from the *Pharmaceuticals Division* reflecting Evotec’s focused investments in its proprietary research programmes. Total R&D expenses increased markedly to €30.3m (2005: €9.3m) mainly due to the commencement and support of various clinical trials including the two Phase II studies with EVT 201. This higher R&D spend as well as higher SG&A costs as a result of the transaction costs related to the divestment of ET and costs for a strategic and operational business review by an external consulting firm were not fully offset by improved gross profit, lower other operating costs and significantly lower amortisation and impairment in 2006. In total, impairment charges and regular amortisation amounted to €9.2m in 2006, compared to €27.1m in 2005. The majority of the large 2005 amount was related to the acquisition of ENS. In 2006, as a result of the Company’s regular impairment review, a non-cash intangible asset impairment charge of €6.6m and a non-cash tangible asset unimpairment benefit of €0.6m were recognised.

The operating profit before amortisation and impairment of the *Services Division* improved by 69% to €2.5m (2005: €1.5m), underlining its solid operational performance.

2006 Highlights:

- CNS pipeline approaching significant value inflection point for insomnia candidate EVT 201
 - Second Phase I/II study confirmed positive findings of the previous study
 - Two Phase II patient studies started in the US with results expected in Q3 2007
- Successful completion of Phase I studies with Alzheimer/Pain candidate EVT 101
- Reset focus on EVT 302 for smoking cessation after discontinuation of Phase I of EVT 301
- Milestone payments received from Takeda and Boehringer Ingelheim
- Signed global alliance with Roche to jointly discover novel drugs
- Evotec Technologies sold to PerkinElmer for €23m, sharpening Evotec's focus on its core business

“We are proud to report a very successful financial year 2006. We over-achieved on our revenue target of 0% to 5% growth and met all other financial guidance given for the Group in March 2006. In line with the Company's strategy and projections, we significantly ramped up our R&D activities in the Pharmaceuticals Division and continued to manage our services business for profitability and cash generation, with positive operating income before amortisation and impairment charges at €2.5m“, **said Jörn Aldag, President & CEO of Evotec AG.** „Amongst the most significant highlights in 2006 was the progress of our insomnia drug candidate EVT 201 for which Phase II data will be reported this year. This is an important value inflection point in the development of any drug. Through the divestment of ET and a capital increase in April 2006, we have increased our liquidity substantially to €79m at the end of 2006 which is a very solid position to expand and further develop our pipeline.”

Strong cash position and balance sheet structure

Cash and cash equivalents at the end of December 2006 increased to €78.7m (end of December 2005: €52.2m) due mainly to the divestment of Evotec Technologies and the capital increase in April 2006. Evotec's strong equity ratio reduced only temporarily to 67% (2005: 80%) due to accounting of the prepayment received from the divestment of this business.

Outlook

The pharmaceutical industry is facing significant challenges. High revenues historically enjoyed by companies from blockbuster drug sales are increasingly in jeopardy due to expiring patents, whilst at the same time the costs of developing a new drug have increased dramatically. The industry is responding to these pressures with cost reductions, for example by outsourcing individual elements of traditional discovery, and with pipeline building to offset revenue losses from generic competition. Pharmaceutical companies

are increasingly turning to the biotechnology industry as a prime source of new products or drug candidates - either by in-licensing or acquisitions. However, in-licensing opportunities – even at early stages of development - have become increasingly scarce and licensing competition has driven up prices of drug candidates in early clinical or late preclinical development. Companies supplying these candidates, such as Evotec, hence could benefit significantly. Evotec therefore believes that pharmaceutical companies will increase levels of outsourcing and will focus more on early stage external sources of innovation. Academic institutes, often at the forefront of medical basic research, lack the robust downstream capabilities to translate their assets into value for the pharmaceutical industry. Evotec expects to benefit from this trend by playing the role of catalyst in a powerful network connecting the pharmaceutical industry and academic research, and providing drug candidates to pharmaceutical companies at various stages of development.

Financial guidance

On this basis Evotec continues to invest in R&D. The level of spending in its clinical development programmes is increasing as Evotec advances more drug candidates into the clinic. The Company is also ramping up its internal discovery efforts to support its results-based collaborations and organic pipeline growth to capture the increasing value of early stage projects. Evotec's Group *operating result* for 2007 is therefore expected to decline slightly compared to 2006. With successful out-licensing of clinical candidates and the ability to achieve milestones from collaborations, profitability could significantly improve in 2008 and/or 2009.

As these *revenues* are subject to successful research and development activities, both results-based deals and clinical out-licensing are likely to lead to more revenue volatility in the mid-term. In 2007, Group revenues are expected to reach €65m to €70m, depending on the contribution from success-based milestone payments in the Services Division. In January 2007, the sales and order book for 2007, excluding milestones, totalled approximately €28m (2006: €27m).

In the absence of any changes in financing, Evotec's *liquidity* position to a large degree will move in line with the operating result before amortisation or impairment. Liquidity at the end of 2007 is targeted to exceed €40m.

Webcast / Conference Call

Evotec is going to broadcast today's analyst and press conference in Frankfurt starting at 10.00 am CET (09.00 am GMT) live on the internet. The presentation will be held in English.

To join the *audio webcast* and to access the *presentation slides* you will find a link on our home page www.evotec.com shortly before the event.

For those who prefer to listen to the presentation via *phone*, please dial:

From Europe: +49.(0)69.5007 1308 (Germany)
+44.(0)20.7806 1956 (UK)
From the US: +1.718.354 1389

The on-demand version of the webcast will be available on our website:
www.evotec.com - Investors – Webcasts.

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 research collaborations, 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_A receptor complex for the treatment of insomnia, EVT 101, a subtype selective NMDA receptor antagonist for the treatment of Alzheimer's disease and/or pain, and EVT 302, a MAO-B inhibitor in development for smoking cessation.

In research collaborations, 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.

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