

## Evotec AG, First Quarter Report 2007

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Dear shareholders,

Evotec reports a solid set of quarterly numbers today, inline with guidance for 2007. A positive operating result from the Services Division and lower R&D expenses led to an improvement in the Group operating result. This improvement was achieved despite a modest decline in revenues due to a consequence of the timing of milestones and negative foreign exchange effects. Last year we booked a collaborative research milestone in Q1. This year we expect such milestones later in the year. Group net result was positive at EUR 2.7 million, due to Evotec recording a non-operating profit of EUR 11.2 million in Q1 from the divestment of Evotec Technologies to PerkinElmer, which became effective on 1 January.

### Key figures Q1 2007

| Euro in millions                            | 01-03/2007   | 01-03/2006 <sup>1</sup> | Δ in %     |
|---|--------------|-------------------------|------------|
| <b>Total revenue</b>                        | <b>15.1</b>  | <b>15.8</b>             | <b>(4)</b> |
| <b>Operating result</b>                     | <b>(9.0)</b> | <b>(9.1)</b>            | <b>1</b>   |
| – Services Division                         | 0.3          | 1.5                     | (81)       |
| <b>Net result</b>                           | <b>2.7</b>   | <b>(8.8)</b>            | <b>131</b> |
| <b>Cash at the end of the first quarter</b> | <b>66.3</b>  | <b>41.7</b>             | <b>59</b>  |

<sup>1</sup> Excluding contributions from Evotec Technologies

The highlights of our strategic and operational performance in the first quarter:

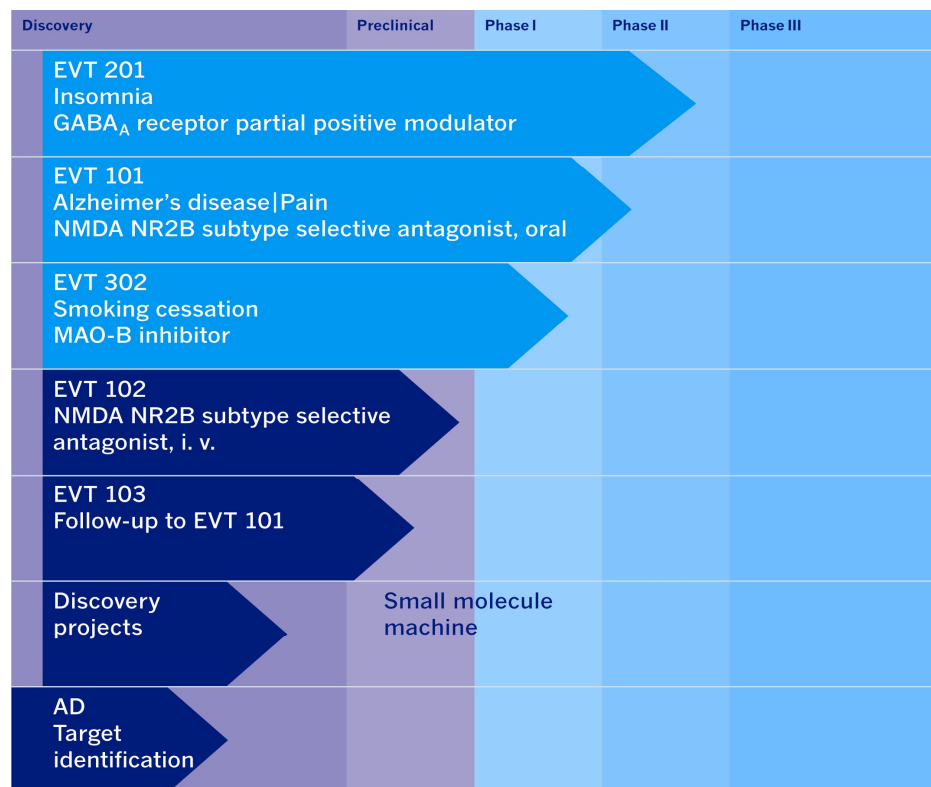
In our internal Central Nervous System (CNS) research and development, we started one Phase I study with our MAO-B inhibitor EVT 302, in development for smoking cessation, and a second has received formal approval and will start imminently. We have also submitted, for ethical approval, the protocol for our first dose-finding efficacy study of EVT 101 in cognition. More importantly, we completed the clinical phase of our first Phase II study with EVT 201 in patients with primary insomnia in April. We expect to release headline results towards the end of Q2 2007, earlier than planned. With the acquisition of Neuro3d, effective 1 April 2007, we acquired up to EUR 21.6 million in net cash to further strengthen our CNS pipeline, as well as some early discovery assets.

In our business of collaborative research, we signed a number of agreements with new and existing biotechnology and pharmaceutical partners, both in discovery and development. For example, we have built on our track record in fragment-based drug discovery through two major collaborations with Solvay Pharmaceuticals and an undisclosed partner. We also entered into a new multi-year target identification collaboration with Boehringer Ingelheim in Alzheimer's disease.

We are pleased with our Q1 performance. We are looking forward to sharing with you the headline data of our first Phase II proof-of-concept study with EVT 201 later this quarter.

## 1. Pipeline approaching major value inflection point

**Lead compound EVT 201 to yield Phase II data in insomnia patients by the end of Q2 2007**



### Insomnia (EVT 201):

Two Phase II studies are currently ongoing in the US to investigate EVT 201's, Evotec's lead programme, efficacy in patients with primary insomnia. The studies are designed to confirm, in patients, EVT 201's promising results and encouraging side-effect profile demonstrated in the two earlier proof-of-principle trials in a model of insomnia in human healthy volunteers.

### **Data of first Phase II study expected for late Q2 2007**

The most advanced of the current trials, a three-way cross-over design study in 66 patients with primary insomnia, has completed its clinical phase and is on track to deliver headline results by the end of Q2 2007, earlier than anticipated.

### **Results of the second Phase II study in the elderly to be reported in Q4 2007/Q1 2008**

In the second trial, a parallel design study with two doses of EVT 201 and placebo in 135 elderly patients with chronic primary insomnia and day-time sleepiness, recruitment is behind schedule. Evotec has taken actions to accelerate recruitment and now target to release headline results in Q4 2007/Q1 2008. Elderly patients (age 65+) represent a poorly served and large segment of insomnia patients with higher prevalence of waking during the night and waking too early compared to other age groups.

While these two trials progress, Evotec has also prepared and initiated further clinical studies with its products EVT 101 and EVT 302.

**Alzheimer's disease & pain (EVT 101):  
Preparing for short-term Phase Ib/Phase IIa dose-ranging studies**

Following successful Phase I safety and tolerability studies for EVT 101 last year, Evotec is now preparing further clinical programmes: Initially Evotec will conduct short-term Phase Ib/IIa studies in cognition and pain. The goal is to determine the therapeutic dose range in man and to obtain early proof-of-concept in these indications. The protocol for the first Phase Ib cognition / brain imaging study has been submitted for ethical approval for a start in H1 2007. This study will be a double-blind, placebo controlled, 3-way cross-over design study in healthy subjects undergoing fMRI (functional magnetic resonance imaging) while performing cognitive tasks. Its goal is to determine the dose-related changes in neuronal activation or deactivation in specific brain areas produced by two different single doses of EVT 101, comparing the results to placebo. The preparation of two further Phase IIa studies is on track for a start in H2 2007: (i) treatment during the course of third-molar extraction surgery to reduce post-operative pain and the need for post surgical opiates and (ii) a neuropathic pain study in spinal cord injury patients.

Subsequently, Evotec will determine the clinical development strategy for longer-term Phase II studies of EVT 101 based on the results of these three studies, on data from preclinical longer-term toxicology studies, and on aspects of study duration and cost, risk and reward profiles of potential future indications. Due to its subtype selectivity, the compound has the potential for clinical advantages in Alzheimer's disease and a number of pain indications.

**Smoking cessation (EVT 302):  
Phase I studies started at Evotec**

In March 2007, Evotec initiated its first Phase I study with EVT 302, a highly selective MAO-B inhibitor, in development for smoking cessation. This study is a PET (positron emission tomography) study, designed to access the occupancy of the monoamine oxidase B enzyme (MAO-B) in brain after administration of single oral doses of EVT 302. This technique helps to determine the therapeutic dose range of EVT 302 for subsequent safety and efficacy studies. A repeat dose safety and tolerability study for 14 days in young healthy volunteers has been formally approved and will start imminently. Should the Phase I results be positive, a Phase II study in smoking cessation is planned to start mid 2008.

EVT 302's preclinical and initial clinical profile supports the potential for a superior safety profile over marketed MAO-B inhibitors, better tolerability compared to current treatments and compelling pharmacokinetic properties with prolonged MAO-B inhibition, offering the potential for once a week dosing at very low exposure levels. This could be a significant advantage for a condition where smokers' motivation for quitting can vary from day to day.

There is also clinical validation for a role of MAO-B inhibitors in Alzheimer's disease. Evotec will conduct its Phase I studies such that they can readily

chose to begin Phase II studies in Alzheimer's as well, depending on the competitive landscape and the Company's financial situation at that time.

**Evotec enhances its strategic position through Neuro3d acquisition**

To strengthen its growing Central Nervous System (CNS) pipeline, Evotec announced the acquisition of all shares of Neuro3d S.A., France, at the end of March, through a share-for-share transaction in which 5,726,012 newly issued shares in Evotec AG were exchanged for 100% of the shares in privately-held Neuro3d. The assets acquired include up to EUR 21.6 million of net cash, CNS target know-how and related proprietary assays as well as a CNS focused compound library. Neuro3d will be consolidated in Evotec's group financial statements as of 01 April 2007.

## **2. Collaborations on track**

Evotec reported a strong performance in its collaborations business for Q1 2007, with many customers including *Almirall*, *Boehringer Ingelheim*, *CHDI*, *Daiichi Sankyo*, *Roche* and *Solvay*. In addition to the fragment-based discovery collaborations described in more detail below and a substantial new collaboration with *Boehringer Ingelheim* in Alzheimer's disease target discovery, several other new contracts or contract extensions/expansions were signed with companies including *Cardioxyl*, *CHDI*, *Interprotein* and *Panacos*.

**Partnership with Boehringer Ingelheim expanded into another area of strength**

With its deep knowledge in CNS related diseases, Evotec has established a strong position in the identification and validation of targets for Alzheimer's disease (AD) and other neurodegenerative diseases and has built substantial expertise and IP around novel AD targets. At the beginning of 2007, Evotec signed a new multi-year agreement with *Boehringer Ingelheim* (BI), now to jointly identify novel AD targets using Evotec's proprietary target identification platform. This is the second major target discovery alliance with a pharmaceutical partner, which Evotec entered into.

The contract includes an option to support BI also in the target validation process. If BI exercises this option, Evotec is eligible for milestone payments of up to EUR 20 million plus royalties.

**Collaboration with Panacos extended and expanded into development**

At the end of Q1, Panacos extended its ongoing discovery collaboration with Evotec into its fourth year. Applying its expertise in medicinal chemistry, Evotec has supported Panacos since 2004 in identifying novel compounds for treating viral infection. Based on excellent progress, the work programme has been extended and expanded to include Evotec's development chemistry services. This development support includes the scale-up of selected compounds for development studies and the optimisation of compounds prior to their selection for clinical studies through experiments such as salt screens.

### **a. Technology differentiation and track record in fragment-based drug discovery translates into two major new alliances**

Combining its expertise in fragment screening, structural biology and fragment-to-lead chemistry, Evotec has a powerful and very competitive platform for fragment-based drug discovery. Evotec has validated this platform against various protein targets. The Company has demonstrated that the combination of functional biological results with early three-dimensional data provides high value information for medicinal chemistry optimisation, such that the generation of novel lead structures based on fragment hits can be achieved in reduced timelines when compared to industry standards. Evotec has signed two key partnerships in this area in the first quarter:

#### **Evotec wins key contract with Solvay Pharmaceuticals**

Evotec announced in January that it had been chosen as *Solvay Pharmaceutical's* partner for fragment-based drug discovery. Solvay will access Evotec's proprietary fragment-based screening platform and fragment library to identify fragment hits against a high priority target. Evotec will produce three-dimensional structures of the fragment hits bound to the protein and then will use its expertise in fragment-to-lead activities to further optimise the fragments.

#### **Umbrella contract signed with undisclosed partner**

In March, also an undisclosed partner has signed an umbrella contract for a combined fragment-based and small molecule high-throughput discovery programme.

### **b. Chemical development and formulation continue strong trend**

Chemical development and pharmaceutical formulation collaborations continued to perform strongly. Formulation sales were particularly strong. Evotec has excelled along the value chain in collaboration with a number of discovery customers such as Panacos, now providing additional support for their clinical programmes. In addition, it is encouraging that larger pharmaceutical companies return, despite continued strong competition from India and China. During Q1, Evotec successfully delivered on significant pilot plant, custom preparation and process research & development (PRD) projects for customers including *Alizyme*, *AstraZeneca*, *Astex*, *Celgene*, *Epix*, *Serono*, and *Vernalis*. Many of those as well as *Biogen Idec* and *Achillion* also signed new contracts or contract extension in various development disciplines.

#### **Important events after the end of the first quarter**

The acquisition of Neuro3d was successfully closed on 8 May. Its accounts have been consolidated effective 1 April.

## Financial Report

### Highlights

- Q1 **revenues** of EUR 15.1 m were 4% lower than last year's level (2006: EUR 15.8 m), primarily due to a collaboration milestone which was recorded in the same period of the prior year as well as due to foreign exchange effects; at constant 2006 currencies Q1 2007 revenues would have been EUR 15.6 m.
- For similar reasons **gross margins** decreased to 27% (2006: 37%); at constant 2006 currencies the Q1 gross margin would have been 30%.
- The Group **operating loss** improved over last year's level to EUR 9.0 m (2006: EUR 9.1 m).
  - **R&D expenses** declined by 14% to EUR 7.4 m (2006: EUR 8.7 m) as Q1 2006 included the upfront acquisition cost for the MAO-B programme from Roche
  - The **Services Division's** operating result was positive at EUR 0.3 m.
- The Evotec Group achieved a Q1 **net profit** of EUR 2.7 m (2006: EUR (8.8) m) based on a non-operating profit of EUR 11.2 m from the divestment of Evotec Technologies to PerkinElmer.
- **Cash** at the end of the first quarter amounted to EUR 66.3 m (Q1 2006: EUR 41.7 m), still excluding cash acquired in the Neuro3d transaction.

Following the divestment of Evotec Technologies (ET) to PerkinElmer effective 1 January 2007, Q1 2007 is the first quarter in which ET is no longer consolidated. The year 2006 figures used for the analysis of the Q1 results exclude contributions from ET to allow pro-forma comparison.

### Revenues

Evotec **revenues** for the first quarter 2007 were EUR 15.1 million and thereby were 4% short of last year's level (2006: EUR 15.8 million). Last year's number was relatively high because of a significant, single-digit million Euro milestone payment from the collaboration with Boehringer Ingelheim. Also, the lower exchange rate of the US dollar against Evotec's reporting currency Euro affected revenues negatively. At constant 2006 currencies (UK Sterling and US dollar), Q1 2007 revenues would have amounted to EUR 15.6 million.

Revenues in Evotec's *Services Division* were EUR 14.9 million (2006: EUR 15.4 million). Excluding the Q1 2006 milestone payment, revenues improved over the same period last year. This is particularly pleasing considering the adverse effects from foreign exchange and the successful completion of Evotec's multi-year compound library collaboration with Merck and Co. Inc. at the end of 2006.

Revenues in our *Pharmaceuticals Division* amounted to EUR 0.3 million (2006: EUR 0.5 million) resulting from ongoing database access fees in the Takeda collaboration.

For the first quarter of 2007, the Evotec Group recorded 55% of total revenues in Europe, 35% in the United States and 10% in Japan and the Rest of the World.

### Currency effect on key figures

|                        | 01-03/2007 | 01-03/2007<br>const. f/x* | 01-03/2006 |
|------------------------|------------|---------------------------|------------|
| Revenue in €m          | 15.1       | 15.6                      | 15.8       |
| Gross margin in %      | 27.1       | 29.9                      | 37.3       |
| Operating result in €m | (9.0)      | (8.6)                     | (9.1)      |

\* Currency pro-forma adjustment using UK Sterling and US dollar exchange rates of Q1 2006.

### Operating cost structure

**Cost of revenue** for the first quarter of 2007 was EUR 11.0 million, yielding a gross margin of 27.1% (2006: 37.3%). The difference from last year is due to two effects: (i) Q1 2006 was positively impacted by the significant, single digit million Euro milestone payment from Boehringer Ingelheim which resulted in a similarly high gross profit, and (ii) multiple currency effects, i.e. the weak US dollar and the strong operating currency UK Sterling, contributed –3% points to the Q1 2007 margin.

**R&D expenditure** for the first quarter 2007 decreased by 14% to EUR 7.4 million (2006: EUR 8.7 million) as Q1 2006 included the vast majority of the acquisition cost for the EVT 300 programme from Roche. The underlying operational expenses for ongoing discovery and development programmes, however, increased over Q1 2006 as progress continues as planned and are expected to further increase during the course of the year.

**SG&A** for the first quarter 2007 decreased by 2% to EUR 4.9 million (2006: EUR 5.0 million). Increased investment in Business Development resources as well as extraordinary fees for legal support in the context of the Neuro3d acquisition were overcompensated by lower administrative expenses resulting from a consulting project, which had increased SG&A expenses in Q1 2006.

**Other operating income and expenses** in 2007 result from the sublease of facilities and administrative support services rendered to Evotec Technologies/PerkinElmer with a positive profit contribution. The other operating expenses shown in 2006 resulted from the planned unused capacities in the Services Division (Q1 2006: EUR 0.5 million) and are no longer separated out due to expected improvements of pilot plant utilisation and the reduction of facility space. From Q1 2007 going forward, these costs are fully included into cost of goods sold.

### Financial results

The Group **operating result** for the first quarter 2007 improved slightly over last year's level to EUR (9.0) million (2006: EUR (9.1) million) despite the reduced revenue and gross profit levels, mainly a result of lower R&D



expenses. The operating result of the Services business continued to be positive at EUR 0.3 million.

For the first quarter 2007, Evotec achieved a **net profit** of EUR 2.7 million (2006: EUR (8.8) million). This is the result of a non-operating profit of EUR 11.2 million from the divestment of Evotec Technologies to PerkinElmer.

**Earnings per share** for the first quarter 2007 were positive at EUR 0.04 (2006: EUR (0.14)).

## Segment reporting

### Services Division

| Euro in thousands  | 01-03/2007 | 01-03/2006 | Δ in % |
|--|------------|------------|--------|
| Total revenue  | 14,866     | 15,396     | (3.4)  |
| – Thereof 3rd party  | 14,866     | 15,330     | (3.0)  |
| Gross profit   | 3,852      | 5,673      | (32.1) |
| Gross margin   | 25.9%      | 36.9%      |        |
| – Research and development expenses                        | 301        | 498        | (39.6) |
| – Selling, general and administrative expenses             | 3,277      | 3,228      | 1.5    |
| – Amortisation of intangible assets                        | 8          | 19         | (57.9) |
| – Other operating expenses                                 | 149        | 491        | (69.7) |
| – Other operating income                                   | (152)      | -          |        |
| Operating income (loss)                                    | 269        | 1,437      | (81.3) |
| Operating income (loss) before amortisation and impairment | 277        | 1,456      | (81.0) |

### Pharmaceuticals Division

| Euro in thousands  | 01-03/2007 | 01-03/2006 | Δ in % |
|--|------------|------------|--------|
| Total revenue  | 252        | 453        | (44.4) |
| – Thereof 3rd party  | 250        | 453        | (44.8) |
| Gross profit   | 245        | 212        | 15.6   |
| Gross margin   | 97.2%      | 46.8%      |        |
| – Research and development expenses                        | 7,128      | 8,261      | (13.7) |
| – Selling, general and administrative expenses             | 1,616      | 1,398      | 15.6   |
| – Amortisation of intangible assets                        | 797        | 798        | (0.1)  |
| – Other operating expenses                                 | 289        | -          |        |
| – Other operating income                                   | (295)      | -          |        |
| Operating income (loss)                                    | (9,290)    | (10,245)   | 9.3    |
| Operating income (loss) before amortisation and impairment | (8,493)    | (9,447)    | 10.1   |

**Cash flow and cash equivalents**

**Cash flow from operating activities** for the first quarter 2007 was EUR (9.4) million (2006: EUR (8.7) million). The decrease over Q1 2006 is primarily a result of more cash being consumed by movements in assets and liabilities.

**Cash flow from investing activities** was EUR (1.7) million (2006: EUR (0.7) million), thereof EUR (1.0) million due to the purchase of laboratory equipment and EUR (0.7) million due to payments for minority shares in Evotec Technologies, purchased in 2006.

**Cash flow from financing activities** was EUR (1.1) million (2006: EUR (0.8) million) due to the repayment of loans.

In total, **cash and cash equivalents** decreased to EUR 66.3 million during Q1 2007 (end of December 2006: EUR 78.7 million). The decrease mainly results from an increase in working capital by EUR 4.7 million compared to the extraordinarily low level of working capital recorded at year-end 31 December 2006 as well as from the continued high level of investment in research and development. The cash position does not yet include the cash balances held by Neuro3d. In the absence of extraordinary working capital changes and with increased contributions from expected milestone payments and revenues, cash burn is expected to reduce sizably towards the end of the year.

**Employees and management**

At the end of March 2007 the Evotec Group had 538 employees (year-end 2006: 527). The more sizeable increase over end of Q1 2006 (504) is mainly a result of strengthening the Business Development team as well as the formulation and pharmaceutical operations.

**Outlook: Evotec confirms 2007 financial guidance**

Evotec confirms its guidance given at the end of March 2007 with the exception that it now expects an additional positive liquidity impact resulting from the Neuro3d acquisition (2007: EUR 18-19 million). The targeted year-end cash position now ranges between EUR 55 million and EUR 60 million. Evotec continues to invest significantly in R&D. The level of spending in its clinical development programmes is increasing as Evotec advances more drug candidates into the clinic and into Phase II. The Company is also investing in the development of its earlier pipeline projects to support its results-based collaborations and pipeline growth. Evotec's Group operating result for 2007 is therefore expected to decline moderately compared to 2006. With successful out-licensing of clinical candidates and the ability to achieve milestones from collaborations, profitability is expected to significantly improve in 2008 and/or 2009.

Revenues associated with results-based deals and clinical out-licensing are to a significant extent subject to successful completions of milestones in research and development. Therefore, both results-based deals and clinical out-licensing are likely to lead to more revenue and gross margin volatility in the mid-term. In 2007, Group revenues are expected to reach EUR 65 million to EUR 70 million, depending on the contribution from success-based milestone payments in the Services Division planned for the end of the year.

## Condensed consolidated statements of operations according to IFRS

### Evotec AG and Subsidiaries

| Euro in thousands except share data and per share data   | Continuing operations |                   | Discontinued operations | Continuing operations |
|--|-----------------------|-------------------|-------------------------|-----------------------|
|  | 01-03/2007            | 01-03/2006        | 01-03/2006              | Δ in %                |
| <b>Revenue:</b>  |                       |                   |                         |                       |
| – Drug discovery products & development of technologies  | 9                     | -                 | 2,020                   |                       |
| – Drug discovery services                                | 15,107                | 15,782            | -                       | (4.3)                 |
| <b>Total revenue</b>                                     | <b>15,116</b>         | <b>15,782</b>     | <b>2,020</b>            | <b>(4.2)</b>          |
| <b>Costs of revenue:</b>                                 |                       |                   |                         |                       |
| – Drug discovery products & development of technologies  | 4                     | -                 | 884                     |                       |
| – Drug discovery services                                | 11,017                | 9,903             | -                       | 11.2                  |
| <b>Total costs of revenue</b>                            | <b>11,021</b>         | <b>9,903</b>      | <b>884</b>              | <b>11.3</b>           |
| <b>Gross profit</b>                                      | <b>4,095</b>          | <b>5,879</b>      | <b>1,136</b>            | <b>(30.3)</b>         |
| <b>Operating costs and expenses:</b>                     |                       |                   |                         |                       |
| – Research and development expenses                      | 7,426                 | 8,665             | 1,216                   | (14.3)                |
| – Selling, general and administrative expenses           | 4,886                 | 5,008             | 1,252                   | (2.4)                 |
| – Amortisation of intangible assets                      | 805                   | 816               | 175                     | (1.3)                 |
| – Other operating expenses                               | 438                   | 491               | -                       | (10.8)                |
| – Other operating income                                 | (447)                 | -                 | -                       |                       |
| <b>Total operating costs and expenses</b>                | <b>13,108</b>         | <b>14,980</b>     | <b>2,643</b>            | <b>(12.5)</b>         |
| <b>Operating loss</b>                                    | <b>(9,013)</b>        | <b>(9,101)</b>    | <b>(1,507)</b>          | <b>(1.0)</b>          |
| <b>Other non-operating income (expense):</b>             |                       |                   |                         |                       |
| – Interest income  | 426                   | 297               | 2                       | 43.4                  |
| – Interest expense                                       | (97)                  | (197)             | -                       | (50.8)                |
| – Other income from sale of subsidiaries                 | 11,165                | -                 | -                       |                       |
| – Foreign currency exchange gain (loss), net             | 203                   | 181               | (39)                    | 12.2                  |
| – Other non-operating expense                            | -                     | -                 | -                       | -                     |
| – Other non-operating income                             | 34                    | 55                | 17                      | (38.2)                |
| <b>Total non-operating income (loss)</b>                 | <b>11,731</b>         | <b>336</b>        | <b>(20)</b>             | <b>-</b>              |
| <b>Income (loss) before taxes and minority interests</b> | <b>2,718</b>          | <b>(8,765)</b>    | <b>(1,527)</b>          | <b>131.0</b>          |
| Current tax income (expense)                             | (4)                   | (58)              | (6)                     | 93.1                  |
| Deferred tax benefit (expense)                           | -                     | (4)               | -                       | (100.0)               |
| Minority interests                                       | -                     | -                 | -                       | -                     |
| <b>Net income (loss)</b>                                 | <b>2,714</b>          | <b>(8,827)</b>    | <b>(1,533)</b>          | <b>130.7</b>          |
| <b>Weighted average shares outstanding</b>               | <b>68,078,819</b>     | <b>62,759,424</b> | <b>62,759,424</b>       |                       |
| <b>Net income (loss) per share</b>                       | <b>0.04</b>           | <b>(0.14)</b>     | <b>(0.02)</b>           |                       |

## Condensed consolidated balance sheets according to IFRS

### Evotec AG and Subsidiaries

| Euro in thousands                              | 31/03/2007     | 31/12/2006     | Δ in %         |
|--|----------------|----------------|----------------|
| <b>Assets</b>                                  |                |                |                |
| <b>Current assets:</b>                         |                |                |                |
| – Cash and cash equivalents                    | 66,288         | 78,723         | (15.8)         |
| – Trade accounts receivable                    | 8,249          | 6,189          | 33.3           |
| – Accounts receivable due from related parties | 482            | 454            | 6.2            |
| – Inventories                                  | 5,000          | 4,782          | 4.6            |
| – Current tax receivables                      | 1,118          | 1,127          | (0.8)          |
| – Prepaid expenses and other current assets    | 4,873          | 3,115          | 56.4           |
| <b>Total current assets</b>                    | <b>86,010</b>  | <b>94,390</b>  | <b>(8.9)</b>   |
| <b>Non-current assets:</b>                     |                |                |                |
| Long-term investments                          | -              | -              | -              |
| Property, plant and equipment                  | 34,085         | 34,669         | (1.7)          |
| Intangible assets, excluding goodwill          | 3,691          | 4,461          | (17.3)         |
| Goodwill                                       | 49,363         | 50,541         | (2.3)          |
| Other non-current financial assets             | 56             | 56             | 0.0            |
| Other non-current assets                       | 1,980          | 1,980          | 0.0            |
| <b>Total non-current assets</b>                | <b>89,175</b>  | <b>91,707</b>  | <b>(2.8)</b>   |
| <b>Assets classified as held for sale</b>      | <b>-</b>       | <b>19,429</b>  | <b>(100.0)</b> |
| <b>Total assets</b>                            | <b>175,185</b> | <b>205,526</b> | <b>(14.8)</b>  |
| <b>Liabilities and stockholders' equity</b>    |                |                |                |
| <b>Current liabilities:</b>                    |                |                |                |
| – Current maturities of long-term loans        | 1,951          | 2,586          | (24.6)         |
| – Current portion of finance lease obligations | 1,131          | 1,197          | (5.5)          |
| – Trade accounts payable                       | 14,149         | 11,480         | 23.2           |
| – Accounts payable to related parties          | 1              | 4              | (75.0)         |
| – Advanced payments received                   | 46             | 413            | (88.9)         |
| – Provisions                                   | 4,177          | 5,232          | (20.2)         |
| – Deferred revenues                            | 2,178          | 2,975          | (26.8)         |
| – Current tax payables                         | -              | -              | -              |
| – Other current liabilities                    | 1,982          | 24,553         | (91.9)         |
| <b>Total current liabilities</b>               | <b>25,615</b>  | <b>48,440</b>  | <b>(47.1)</b>  |
| <b>Non-current liabilities:</b>                |                |                |                |
| Long-term loans                                | 6,117          | 6,296          | (2.8)          |
| Long-term finance lease obligations            | 1,624          | 1,827          | (11.1)         |
| Deferred revenues                              | 1,064          | 1,119          | (4.9)          |
| Provisions                                     | 1,656          | 1,653          | 0.2            |
| Other non-current liabilities                  | -              | 1,980          | (100.0)        |
| <b>Total non-current liabilities</b>           | <b>10,461</b>  | <b>12,875</b>  | <b>(18.7)</b>  |

|   |                |                |                |
|---|----------------|----------------|----------------|
| <b>Liabilities classified as held for sale</b>    | -              | <b>7,035</b>   | <b>(100.0)</b> |
| <b>Stockholders' equity:</b>                      |                |                |                |
| - Share capital                                   | 68,079         | 68,079         | 0.0            |
| - Treasury shares                                 | (142)          | (83)           | 71.1           |
| - Additional paid-in capital                      | 610,071        | 610,071        | 0.0            |
| - Reserve   | (34,737)       | (34,009)       | 2.1            |
| - Retained deficit                                | (504,162)      | (506,876)      | (0.5)          |
| - Minority interests                              | -              | (6)            | (100.0)        |
| <b>Total stockholders' equity</b>                 | <b>139,109</b> | <b>137,176</b> | <b>1.4</b>     |
| <b>Total liabilities and stockholders' equity</b> | <b>175,185</b> | <b>205,526</b> | <b>(14.8)</b>  |

**Condensed consolidated statements of cash flows according to IFRS**  
Evotec AG and Subsidiary

| Euro in thousands   | 31/03/2007      | 31/03/2006      |
|---|-----------------|-----------------|
| <b>Cash flows from operating activities:</b>  |                 |                 |
| – Net income (loss)   | 2,714           | (8,827)         |
| – Adjustments to reconcile net income (loss) to net cash used in operating activities | (8,742)         | 2,617           |
| – Change in assets and liabilities  | (3,375)         | (2,260)         |
| – Transactions with discontinued operations   | -               | (190)           |
| <b>Net cash used in operating activities</b>  | <b>(9,403)</b>  | <b>(8,660)</b>  |
| <b>Cash flows from investing activities:</b>  |                 |                 |
| – Purchase of long-term investments   | (695)           | -               |
| – Purchase of property, plant and equipment   | (991)           | (686)           |
| – Purchase of intangible assets   | -               | -               |
| <b>Net cash used in investing activities</b>  | <b>(1,686)</b>  | <b>(686)</b>    |
| <b>Cash flows from financing activities:</b>  |                 |                 |
| – Proceeds from increase of loans   | 38              | 2,374           |
| – Purchase of own stock   | (59)            | -               |
| – Repayment of loans  | (1,071)         | (3,203)         |
| <b>Net cash used in financing activities</b>  | <b>(1,092)</b>  | <b>(829)</b>    |
| <b>Net decrease in cash and cash equivalents</b>                                      | <b>(12,181)</b> | <b>(10,175)</b> |
| – Exchange rate difference  | (254)           | (278)           |
| – Cash and cash equivalents at beginning of year                                      | 78,723          | 52,185          |
| <b>Cash and cash equivalents at end of the first quarter</b>                          | <b>66,288</b>   | <b>41,732</b>   |

## Consolidated statements of changes in stockholders' equity according to IFRS

### Evotec AG and Subsidiaries

| Euro in thousands except share data |                   |               |                            |              |                       |                              |   |                     |                  |                   |                            |
|-------------------------------------|-------------------|---------------|----------------------------|--------------|-----------------------|------------------------------|---|---------------------|------------------|-------------------|----------------------------|
|                                     | Share capital     |               | Additional paid-in capital | Own shares   | Unearned compensation | Reserve                      |   | Revaluation reserve | Retained deficit | Minority interest | Total Stockholders' equity |
|                                     | Shares            | Amount        |                            |              |                       | Foreign currency translation |   |                     |                  |                   |                            |
| <b>Balance at 1 January 2006</b>    | <b>62,759,424</b> | <b>62,759</b> | <b>596,525</b>             | -            | (1,622)               | (35,856)                     |   | 1,271               | (474,408)        | -                 | <b>148,669</b>             |
| Capital increase                    | -                 | -             | -                          | -            | -                     | -                            | - | -                   | -                | -                 | -                          |
| Stock option plan                   | -                 | -             | -                          | -            | 239                   | -                            | - | -                   | -                | -                 | 239                        |
| Foreign currency translation        | -                 | -             | -                          | -            | -                     | (923)                        | - | -                   | -                | -                 | (923)                      |
| Net loss                            | -                 | -             | -                          | -            | -                     | -                            | - | -                   | (10,360)         | -                 | (10,360)                   |
| Minority interests                  | -                 | -             | -                          | -            | -                     | -                            | - | -                   | -                | -                 | -                          |
| <b>Balance at 31 March 2006</b>     | <b>62,759,424</b> | <b>62,759</b> | <b>596,525</b>             | -            | <b>(1,383)</b>        | <b>(36,779)</b>              |   | <b>1,271</b>        | <b>(484,768)</b> | -                 | <b>137,625</b>             |
| <b>Balance at 1 January 2007</b>    | <b>68,078,819</b> | <b>68,079</b> | <b>610,071</b>             | (83)         | (1,312)               | (33,934)                     |   | 1,237               | (506,876)        | (6)               | <b>137,176</b>             |
| Capital increase                    | -                 | -             | -                          | -            | -                     | -                            | - | -                   | -                | -                 | -                          |
| Stock option plan                   | -                 | -             | -                          | -            | 214                   | -                            | - | -                   | -                | -                 | 214                        |
| Purchase of treasury stock          | -                 | -             | -                          | (59)         | -                     | -                            | - | -                   | -                | -                 | (59)                       |
| Foreign currency translation        | -                 | -             | -                          | -            | -                     | (912)                        | - | -                   | -                | -                 | (912)                      |
| Net income                          | -                 | -             | -                          | -            | -                     | -                            | - | -                   | 2,714            | -                 | 2,714                      |
| Revaluation                         | -                 | -             | -                          | -            | -                     | -                            | - | (30)                | -                | -                 | (30)                       |
| Minority interests                  | -                 | -             | -                          | -            | -                     | -                            | - | -                   | -                | 6                 | 6                          |
| <b>Balance at 31 March 2007</b>     | <b>68,078,819</b> | <b>68,079</b> | <b>610,071</b>             | <b>(142)</b> | <b>(1,098)</b>        | <b>(34,846)</b>              |   | <b>1,207</b>        | <b>(504,162)</b> | -                 | <b>139,109</b>             |

## Notes to the consolidated financial statements

### 1. Basis of presentation

The accompanying unaudited consolidated financial statements of Evotec have been prepared in accordance with International Financial Reporting Standards (IFRS). 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 2006.

The consolidated financial statements do not include all of the information and footnotes required under IFRS for complete financial statements. As a result, these financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2006.

### 2. Basis of consolidation

The basis of consolidation changed as of 1 January 2007. Following the divestment of Evotec Technologies GmbH (ET), all numbers reported since that date exclude the results of ET. Therefore the year-to-date financial statements 2006 and 2007 are not fully comparable. The presentation of the Q1 2006 comparisons is changed such that it shows continuing and discontinued operations

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

### 3. Segment reporting

Following the divestment of ET the Company's primary segments include from 1 January 2007 onwards two reportable operating segments which are: (i) Pharmaceuticals Division and (ii) Services Division.

#### Segment reporting according to IFRS

| Euro in thousands                                       | Pharmaceuticals<br>Division | Services<br>Division | Not allocated | Total          |
|---|-----------------------------|----------------------|---------------|----------------|
| Revenue:  |                             |                      |               |                |
| - Drug discovery products & development of technologies | -                           | 9                    | -             | 9              |
| - Drug discovery services                               | 252                         | 14,857               | (2)           | 15,107         |
| <b>Total revenue</b>                                    | <b>252</b>                  | <b>14,866</b>        | <b>(2)</b>    | <b>15,116</b>  |
| - Costs of revenue                                      | 7                           | 11,014               | -             | 11,021         |
| <b>Gross Profit</b>                                     | <b>245</b>                  | <b>3,852</b>         | <b>(2)</b>    | <b>4,095</b>   |
| - Research and development expenses                     | 7,128                       | 301                  | (3)           | 7,426          |
| - Selling, general and administrative expenses          | 1,616                       | 3,277                | (7)           | 4,886          |
| - Amortisation of intangible assets                     | 797                         | 8                    | -             | 805            |
| - Other operating expenses                              | 289                         | 149                  | -             | 438            |
| - Other operating income                                | (295)                       | (152)                | -             | (447)          |
| <b>Operating income (loss)</b>                          | <b>(9,290)</b>              | <b>269</b>           | <b>8</b>      | <b>(9,013)</b> |
| - Interest income                                       | -                           | -                    | 426           | 426            |
| - Interest expense                                      | -                           | -                    | (97)          | (97)           |
| - Other income from sale of subsidiaries                | -                           | -                    | 11,165        | 11,165         |
| - Foreign currency exchange gain (loss)                 | -                           | -                    | 203           | 203            |
| - Other non-operating expense                           | -                           | -                    | -             | -              |
| - Other non-operating income                            | 508                         | -                    | (474)         | 34             |
| <b>Net income (loss) before taxes and minorities</b>    | <b>(8,782)</b>              | <b>269</b>           | <b>11,231</b> | <b>2,718</b>   |
| - Total assets  | 7,918                       | 98,485               | 68,782        | 175,185        |
| - Total liabilities                                     | 8,829                       | 15,655               | 11,592        | 36,076         |
| - Capital expenditures                                  | 235                         | 748                  | -             | 983            |
| - Depreciation  | 118                         | 1,292                | (1)           | 1,409          |

### 4. Cash flows

Adjustments to reconcile the reported net loss to net cash used in operating activities (EUR (8.7) million) includes amortisation (EUR 0.8 million), depreciation (EUR 1.4 million), compensation expense (EUR 0.2 million) and the income from sale of subsidiaries (EUR 11.2 million).



## 5. Shareholdings of the Boards of Evotec AG

|                           | Number of shares | Share options |
|---------------------------|------------------|---------------|
| <b>Management Board</b>   |                  |               |
| Joern Aldag               | 298,056          | 402,600       |
| Dr Dirk H. Ehlers         | 4,540            | 231,500       |
| <b>Supervisory Board</b>  |                  |               |
| Prof Dr Heinz Riesenhuber | 132,480          | 0             |
| Peer Schatz               | 3,892            | 0             |
| Dr Hubert Birner          | 0                | 0             |
| Dr Peter Fellner          | 0                | 0             |
| Dr William Jenkins        | 0                | 0             |
| Mary Tanner               | 46,690           | 0             |

31 March 2007

Pursuant to §15a of the German Securities Trading Act (Wertpapierhandelsgesetz), the above table lists separately for each member of our Management and Supervisory Board, the number of Company shares held, and rights for such shares granted to each board member as of 31 March 2007.

## 6. Stock options programme

In Q1, options were neither granted nor exercised. As of 31 March 2007, the total number of options available for future exercise amounted to 3,697,887 (approximately 5% of shares in issue). Options have been accounted for under IFRS 2 using the fair value method at the measurement date.

## Forward looking statements

This press release contains forward-looking statements that involve risks and uncertainties. The forward-looking statements contained herein represent the judgement of Evotec as of the date of this release. These forward-looking statements are no guarantees for future performance, and the forward-looking events discussed in this report may not occur. Evotec disclaims any intent or obligation to update any of these forward-looking statements.