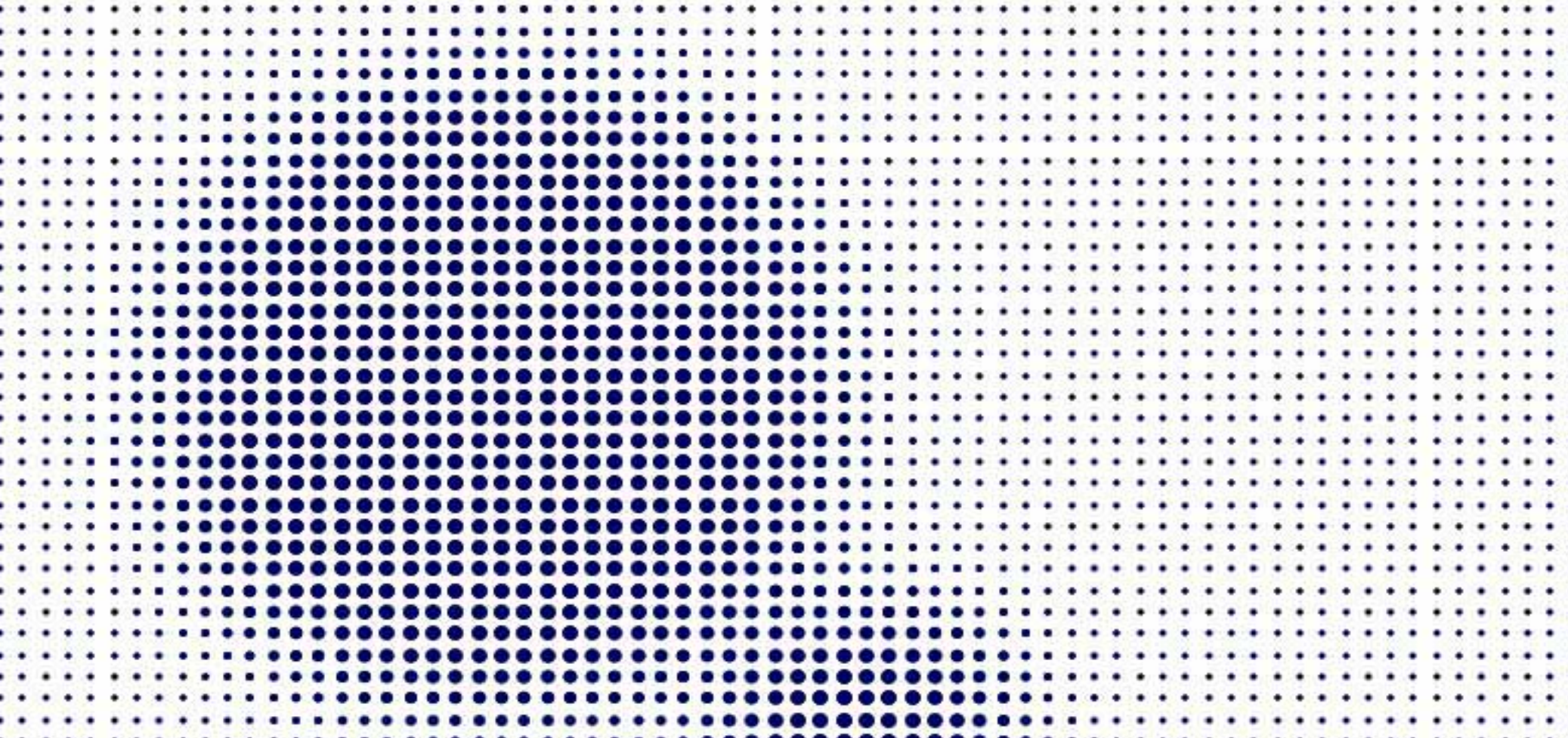


# Evotec OAI AG

IPMC 2005 Biotech/Healthcare, 10 May 2005, Frankfurt

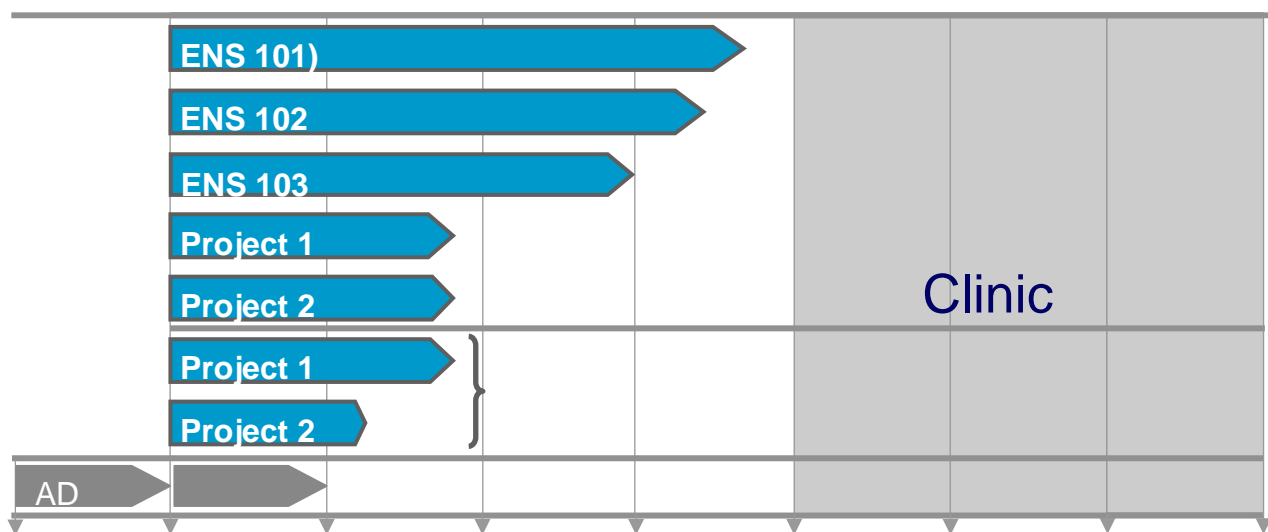


# Agenda

- 01 Evotec OAI Overview
- 02 Building a Proprietary Pipeline
- 03 Contract Research
- 04 Q1 2005 Results
- 05 Strategic Summary and Outlook

# Overview of Evotec OAI

- Excellence in drug discovery and development
  - Seamless industrialised platform from target to proof-of-concept
  - Integrated discovery and development services for Pharma and Biotech
  - Proprietary CNS pipeline approaching the clinic:



- Critical mass
  - 625 employees
  - Revenues 2004: EUR 73 m
- Serving > 120 customers
- FSE Prime Segment

# Evotec OAI today



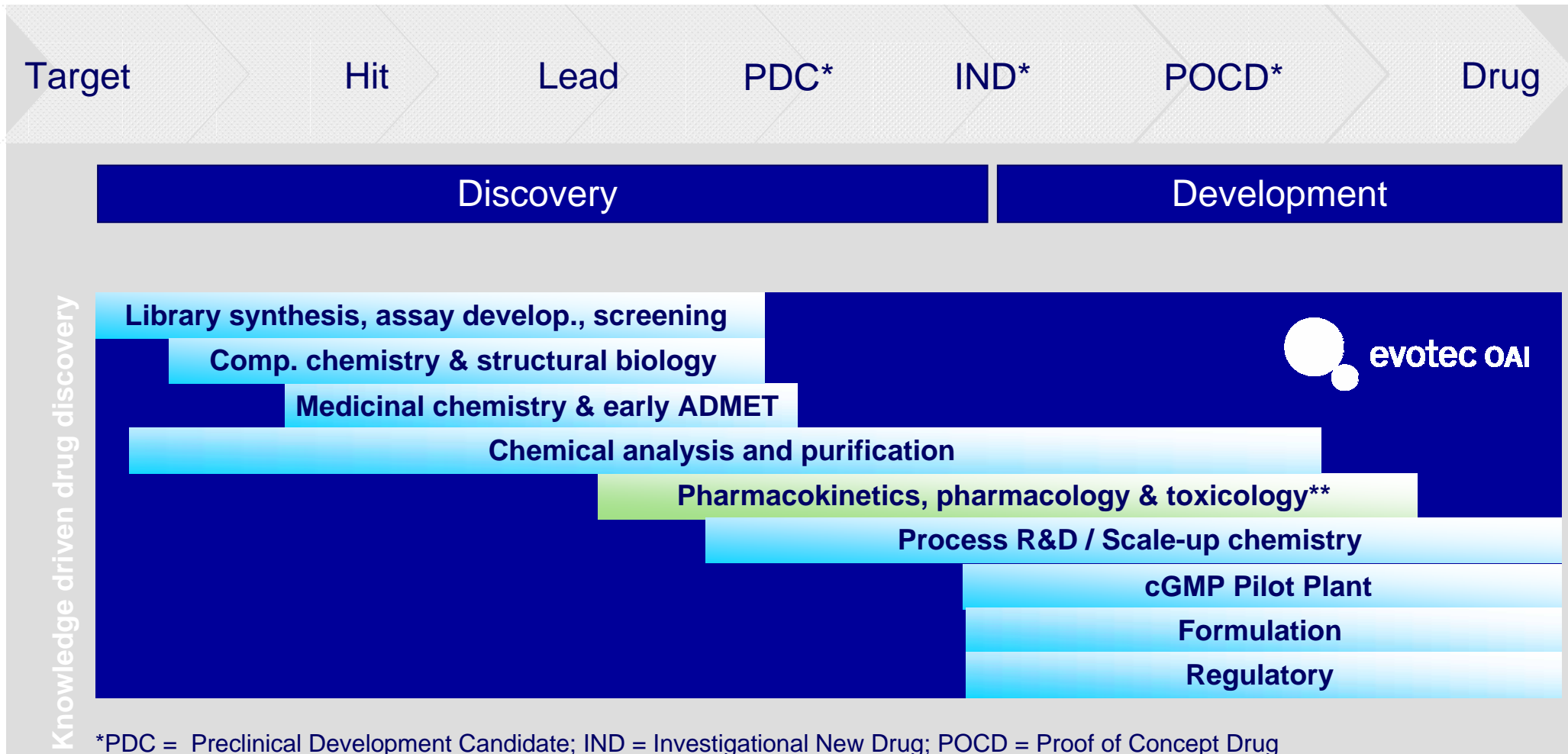
## Focus on 3 major value drivers

- **Development of a sustainable CNS-related pipeline**
  - Acquisition of Evotec Neurosciences' CNS portfolio
  - EUR 60 m available to progress and build sustainable CNS pipeline
  - Initial compound to enter Phase I in 2005
  - Potency step up for front runner metabolic disease compound
- **Excellence in customer relations**
  - Business Development management strengthened
  - Discovery chemistry contracts extensions with Roche, Solvay, Elixir, Vitex and Chroma
  - Strong growth and best position ever in Chemical and Pharmaceutical Development; commercial supply of 3 APIs enhance visibility
- **Cash generation from Services to support proprietary research**
  - Operating cost structure improved by restructuring of service business

## Q1 2005 highlights

- Revenue growth + 10% for Evotec Group, + 36% in Services
- Operating Income (before amortisation) in Services at break-even 03/05: €-0.2 m
- Strong cash position
  - Evotec cash at 31/03/05: €15.5 m
  - Acquired ENS cash at 31/03/05: €20 m
  - Secured PIPE: €27m

# Evotec's differentiating strengths (1) : Fully integrated R&D solutions from Target to Clinic



\*PDC = Preclinical Development Candidate; IND = Investigational New Drug; POCD = Proof of Concept Drug

\*\* typically done by customer or subcontracted

## Evotec's differentiating strengths (2) : Critical mass in scientific skills and facilities



- 500+ experienced scientific/technical staff
- High quality research facilities:
  - **Laboratories:**
    - 27 biology labs
    - 5 cell-culture labs
    - >35 chemistry labs
    - 8 analytical labs
    - X-ray crystallography
  - **World-class screening factory:**
    - 3 uHTS platforms for biochemical and cellular assays
  - **Production:**
    - 2 cGMP kilo laboratories
    - 2 pilot plants, with 8 vessels (FDA and European standards)
  - **Cutting-edge analytical equipment**



# Evotec's differentiating strengths (3) : Excellent customer network, outstanding references



# Pharma and biotech pressure is our opportunity

Evotec  
Neurosciences

Develop a sustainable pipeline to proof-of-concept

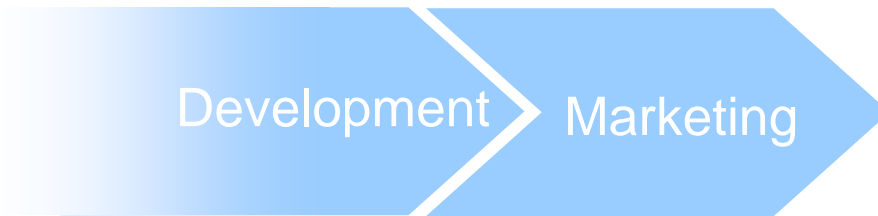
Biotech &  
Pharmaceuticals

**Critical mass**

LifeGen  
cooperation



Academia  
NIH / NINDS  
UC GRI, MGH



Pharma

## Building a sustainable CNS related pipeline based on a solid financial position

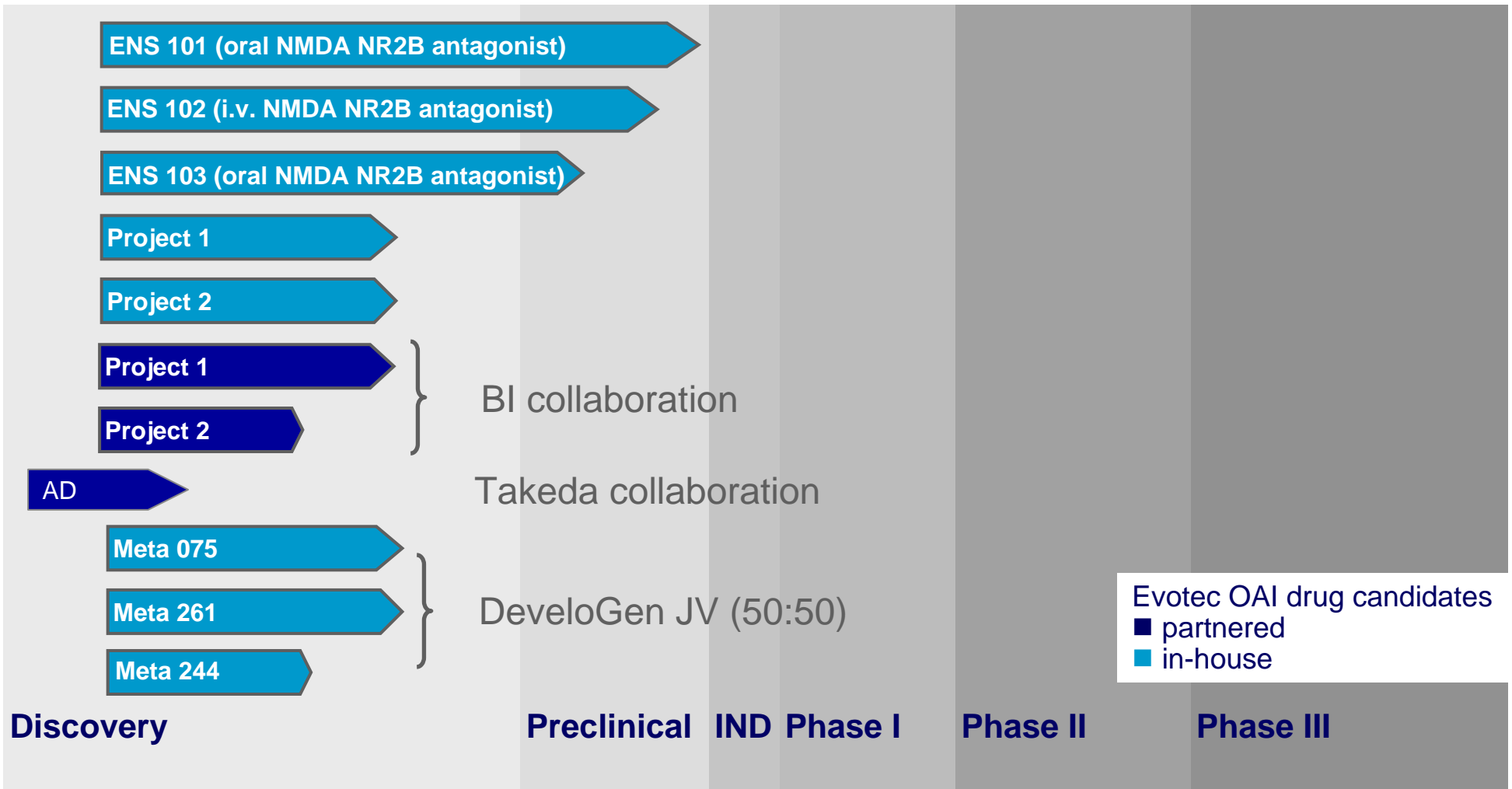
- Acquisition of Evotec Neurosciences (ENS)
  - Interesting pre-clinical portfolio plus €20m of cash
  - 1st compound to reach clinic in 2005
  - Share-for-share transaction
- Equity financing
  - Subject to shareholder approval
  - Committed subscriptions to raise €27m
  - Pre-emption rights of existing shareholders

Total funds available: > €60m

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# Drug discovery pipeline of the combined entity

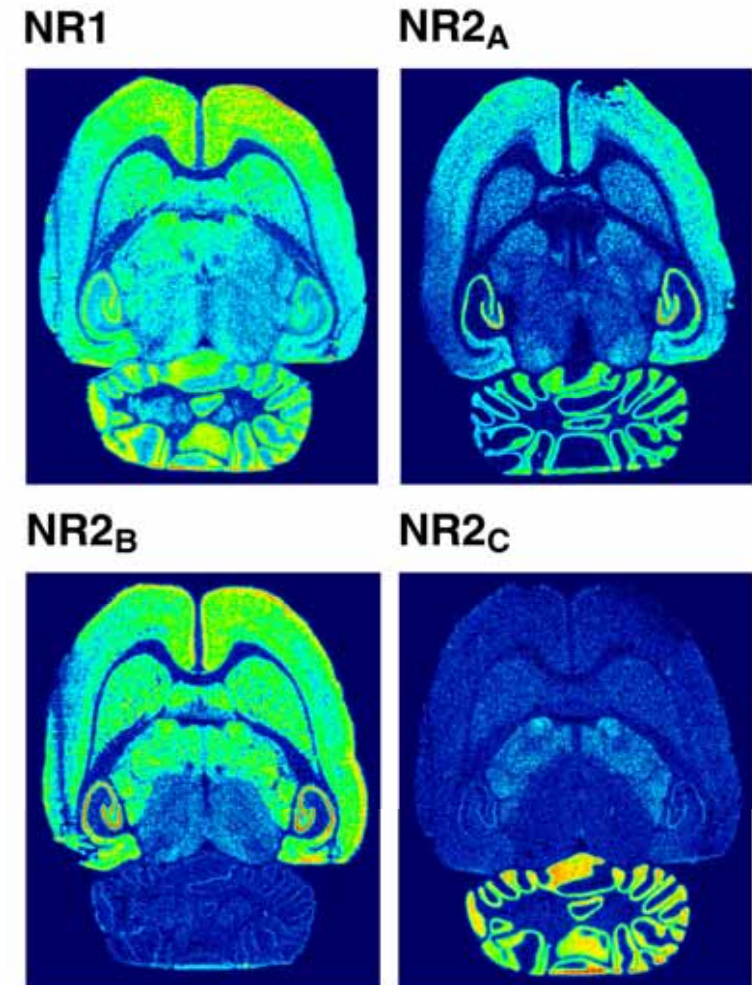


# NMDA receptor antagonists: Compelling science and market potential

- Extensive studies indicate role for NMDA antagonists in:
  - Neuropathic pain
  - Parkinson's disease
  - Alzheimer's disease
- Clinical development and use of non-selective NMDA antagonists hampered by low therapeutic window due to mechanism related side-effects
- Memantine (non-selective NMDA receptor antagonist)
  - Sold in US / EU for moderate-to-severe AD
  - US Q4 sales > \$100m shortly after launch (block buster potential)
  - EU sales are strong and growing at approximately 200% p.a.

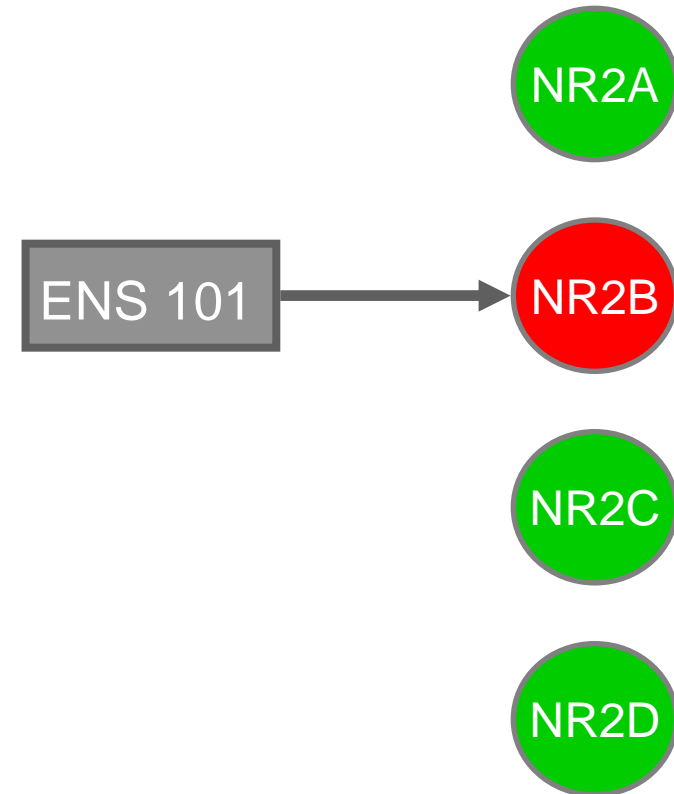
## Antagonism of NMDA receptor subtypes limits side effects

- NR2B subunit has a distribution in brain restricted to areas important in:
  - Alzheimer's disease (cortex, hippocampus)
  - Parkinson's disease (basal ganglia)
  - Pain sensation (dorsal horn, thalamus, cortex)
- Selective block of NR2B subtype
  - Retains many beneficial effects of non-selective antagonists
  - Markedly reduces side-effects mediated through other subtypes
  - Potential use in AD, PD and pain



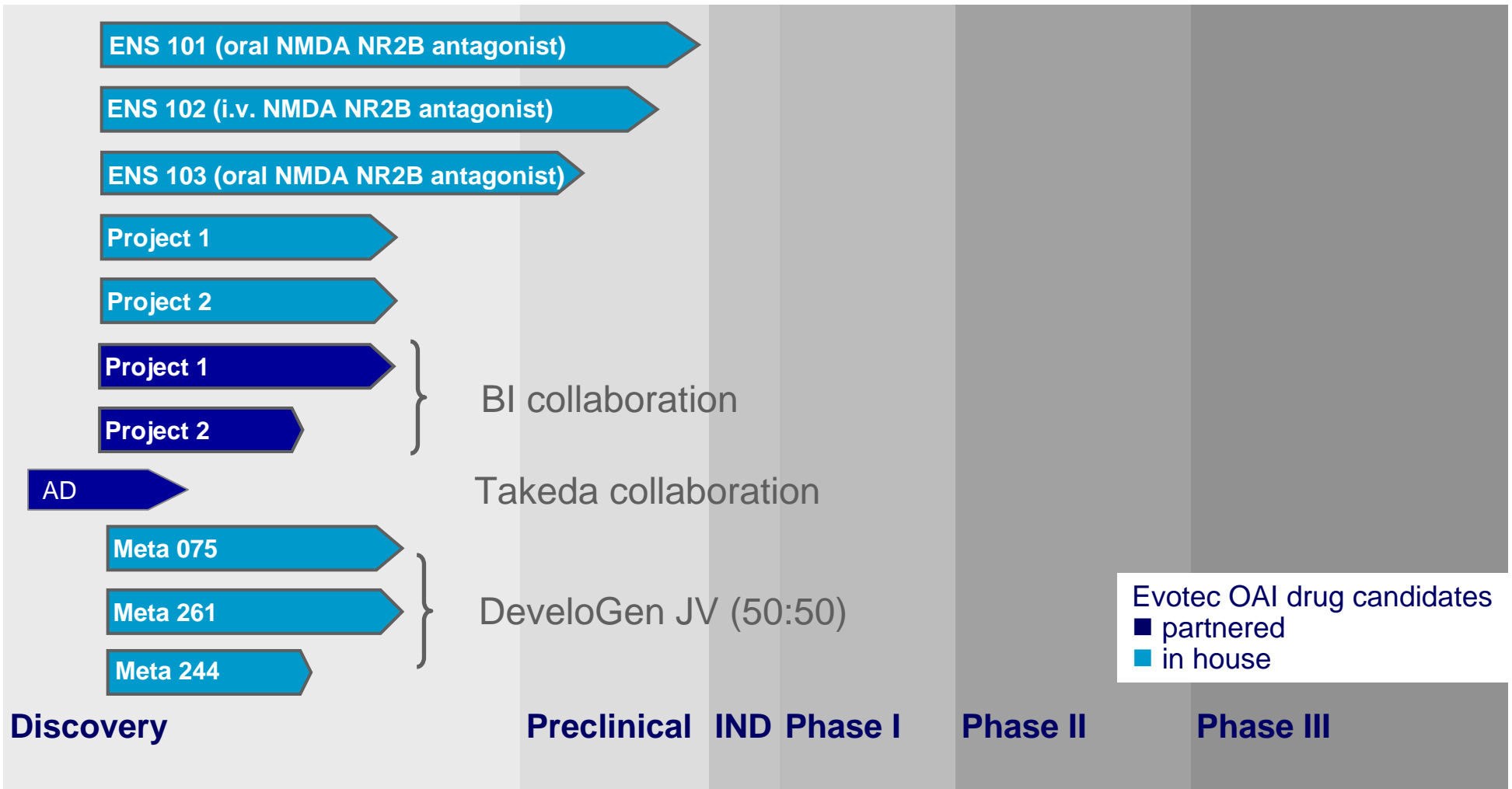
# Selective NMDA NR2B receptor antagonists: Potential benefits

- Side effects and beneficial effects separated
- Effective
  - In preclinical Parkinson's disease models
  - Against neuropathic pain preclinically *and* clinically
- *Can* dose to get higher efficacy
  - High doses *do not impair* memory and learning processes
  - May actually *improve* memory and learning processes





# Drug discovery pipeline of the combined entity



# Milestones

## Clear goals to build a sustainable CNS pipeline

- First product in the clinic during 2005
- Two further clinical candidates by 2006/2007
- First product to proof-of-concept by 2008
- Future acquisitions of companies and / or products to broaden pipeline

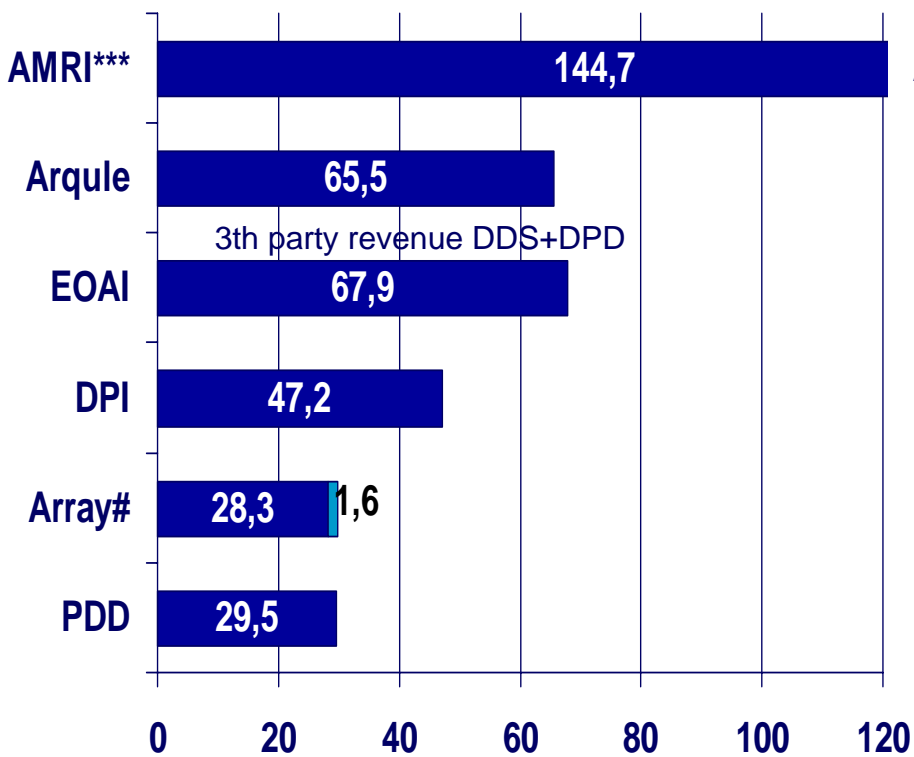
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# Strong relative performance

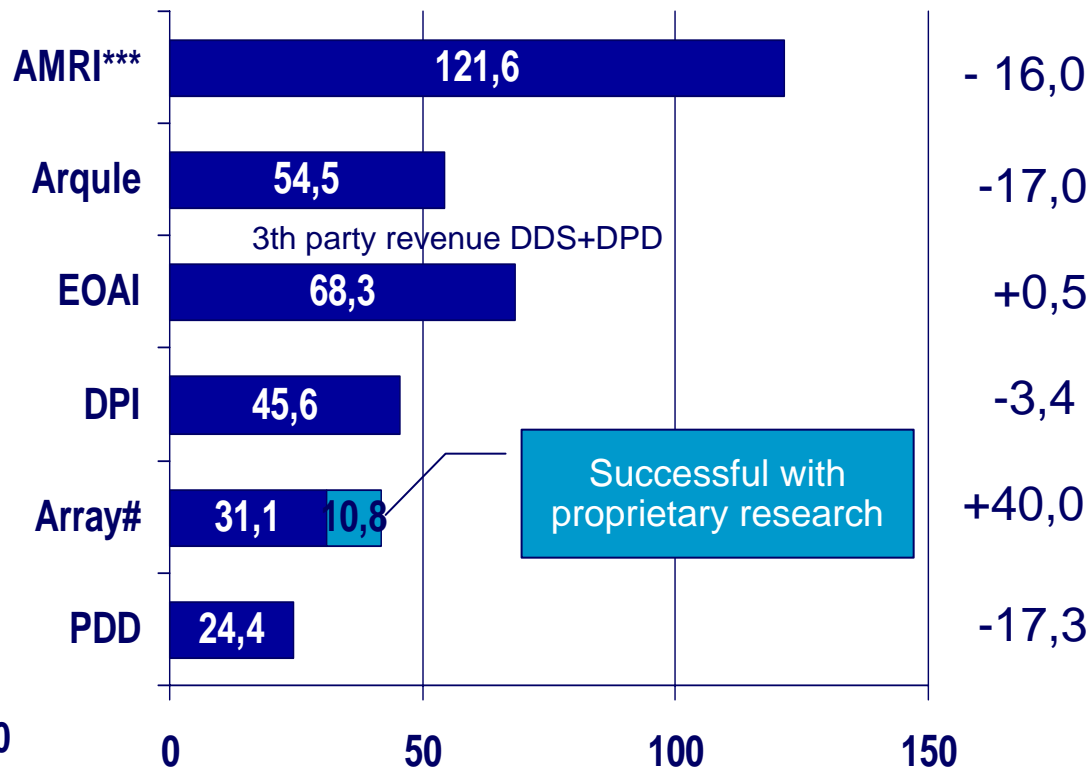
## Competitor benchmark

Service-related sales in \$  
2003\*



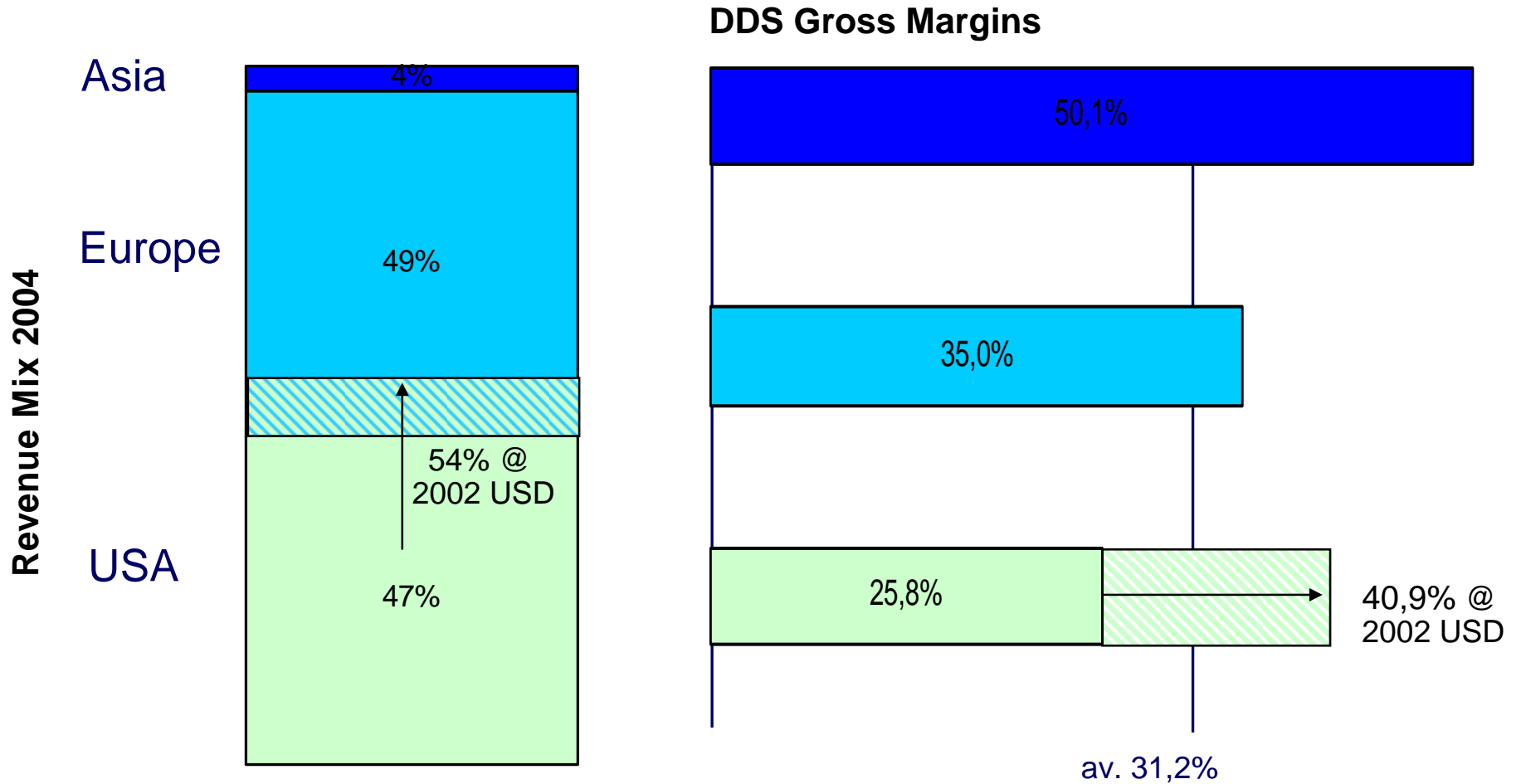
#Collaboration revenues: Licensing + milestones

Service-related sales in \$  
2004\*



\*\* -8,3% in EUR

# Margin impacted by currency

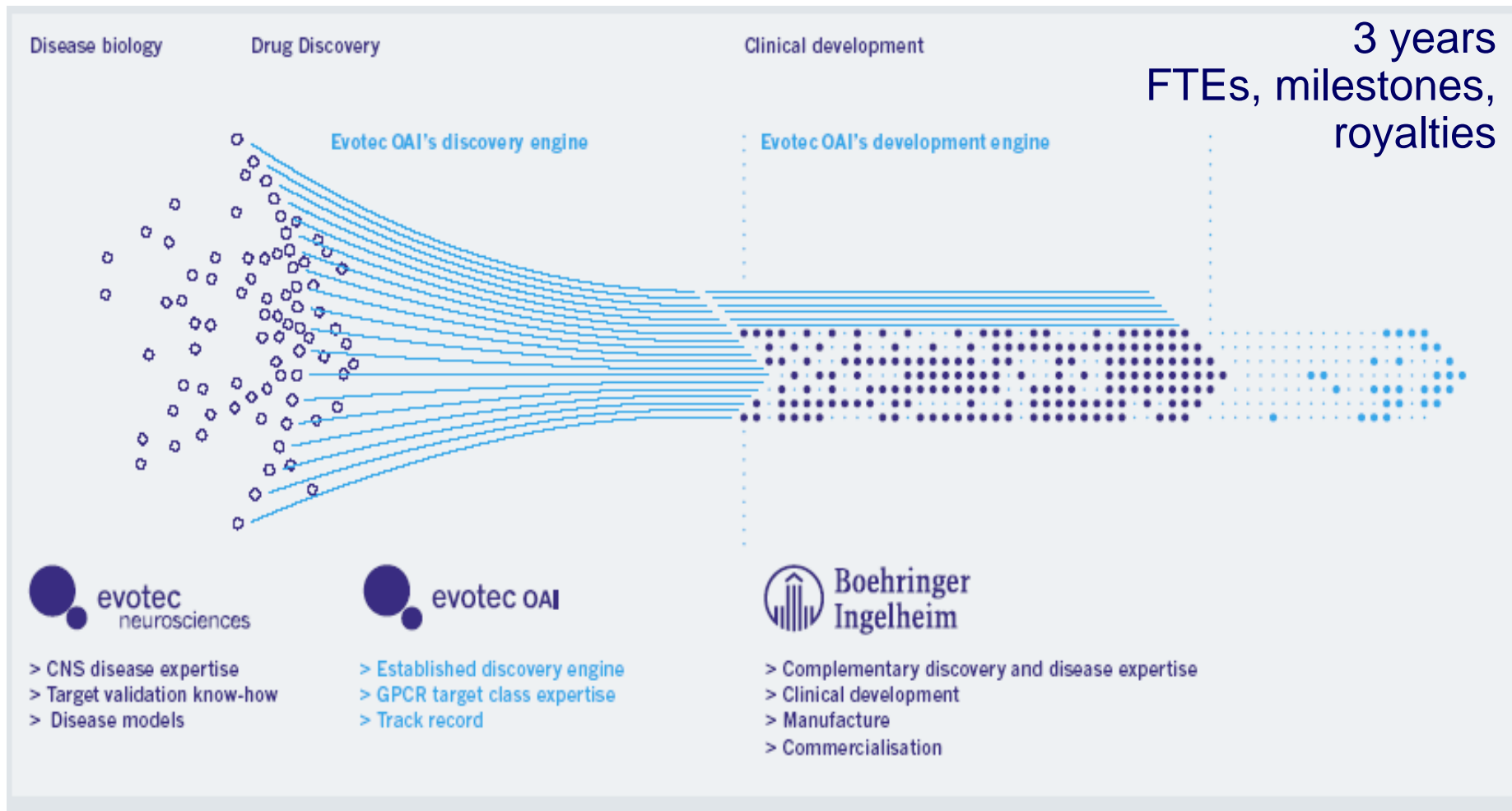


## Strategic alliance with Roche strengthens discovery business



- Long-standing relationship
  - Initiated in 2001 in chemical library synthesis
- Support of all 4 major R&D sites in the design of high quality chemical compounds for Roche's medicinal chemistry programmes
  - Extended for another year
- Extension of additional medicinal chemistry contract on a high profile oncology compound signed
- Extension of substantial hERG testing agreement signed
- In-licensing of CNS compounds by Evotec Neurosciences

# Boehringer Ingelheim collaboration: Higher value outcome-based deal



# Contract research milestones

## Clear goals for Discovery and Development Services

- Focus on cash generation
- Strong commitment to cost reductions and efficiency gains
  - Completed reduction of headcount in IT, business development and operational management
  - Further reductions in G&A in progress
- Emphasis on higher value-added contract research
  - More outcome-based collaborations (milestones, royalties)
  - Focus on gross margin rather than revenue maximisation
  - Increase consultancy role to biotech companies

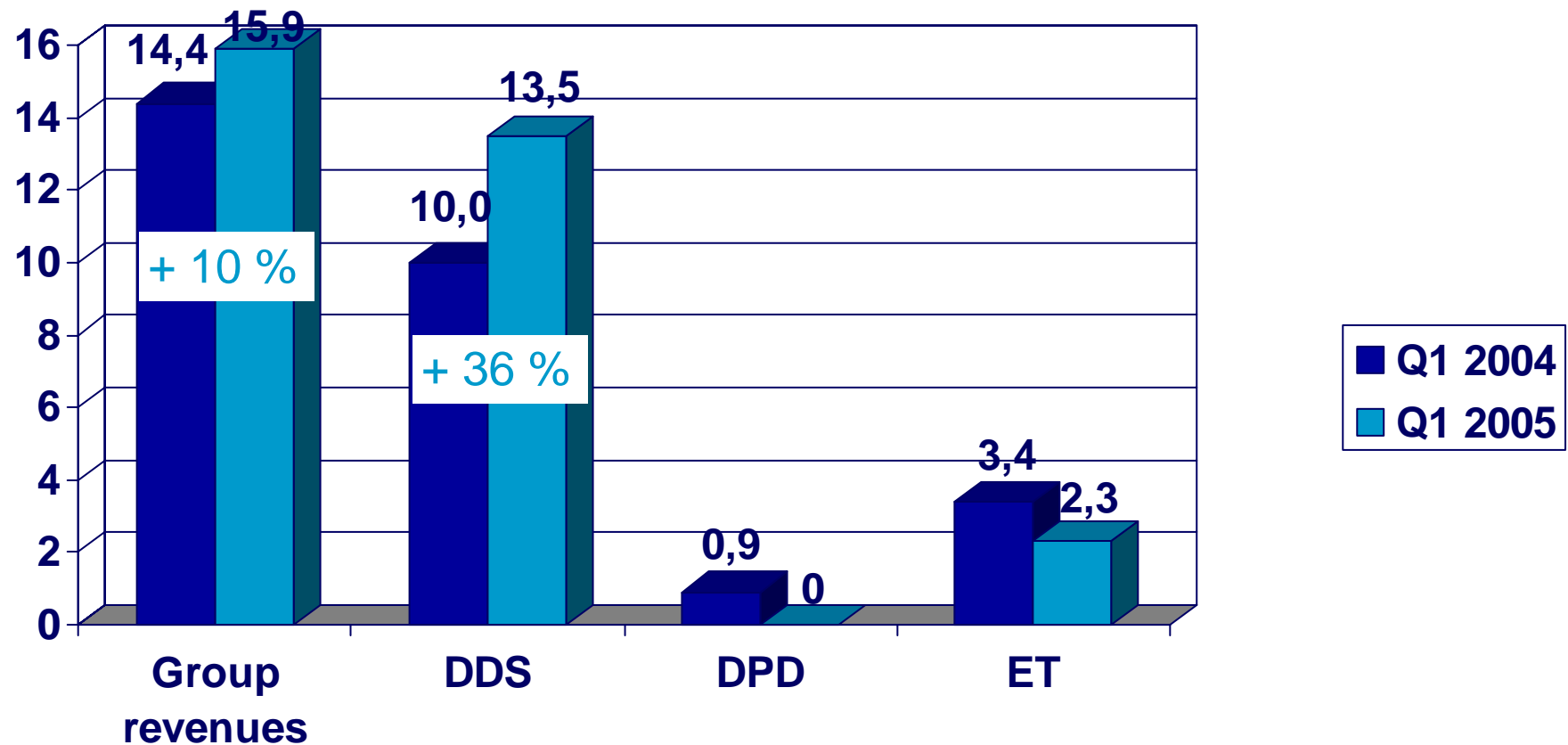


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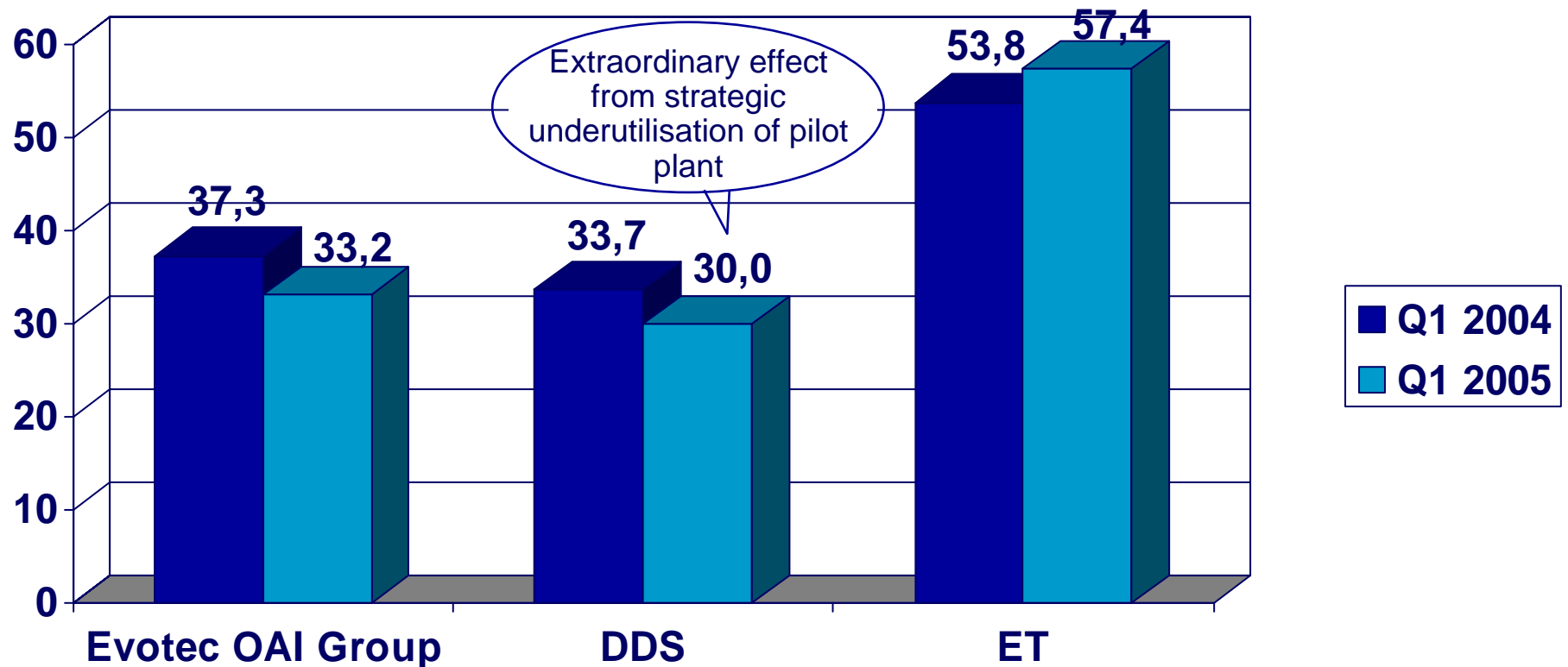
## Group revenues up 10%, Services up 36%

Revenues in EUR million



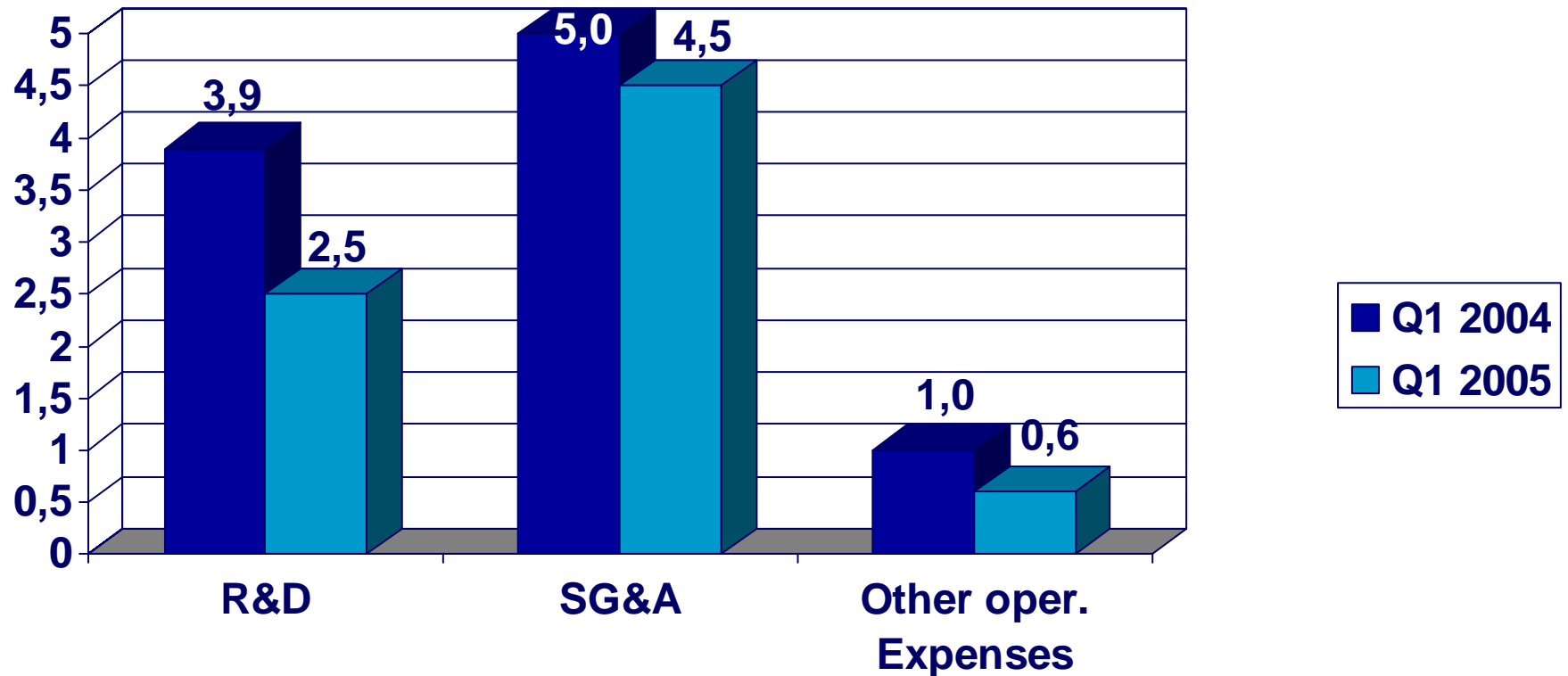
## Overall gross margin in Services down, but all areas apart from pilot plant were up

Gross margin in %



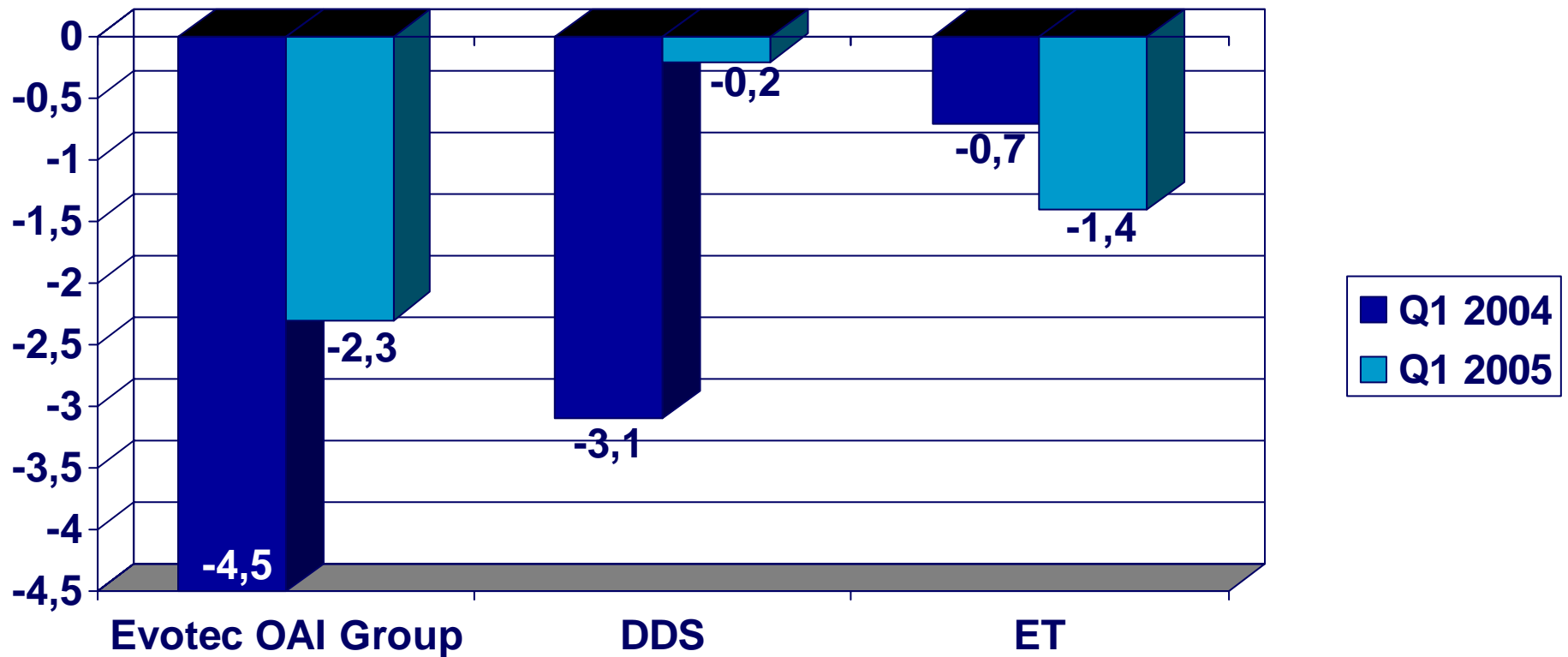
## Improved R&D, SG&A, Other Expenses by €2.5m compared to Q1 2004, mainly from Service

Evotec OAI Group spend in EUR million



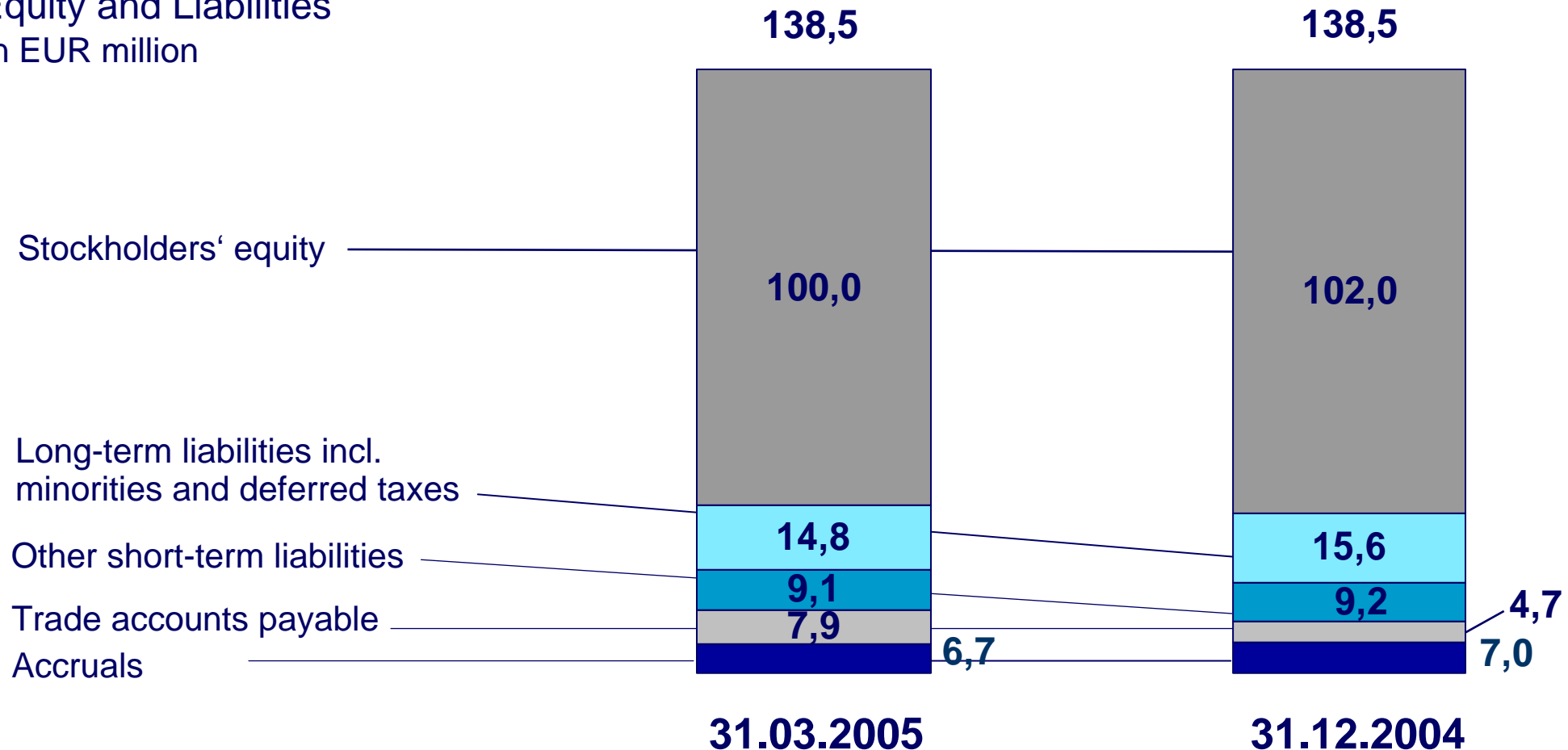
# Operating loss cut in half, Service Business at break-even

Operating Result before amortisation in EUR million



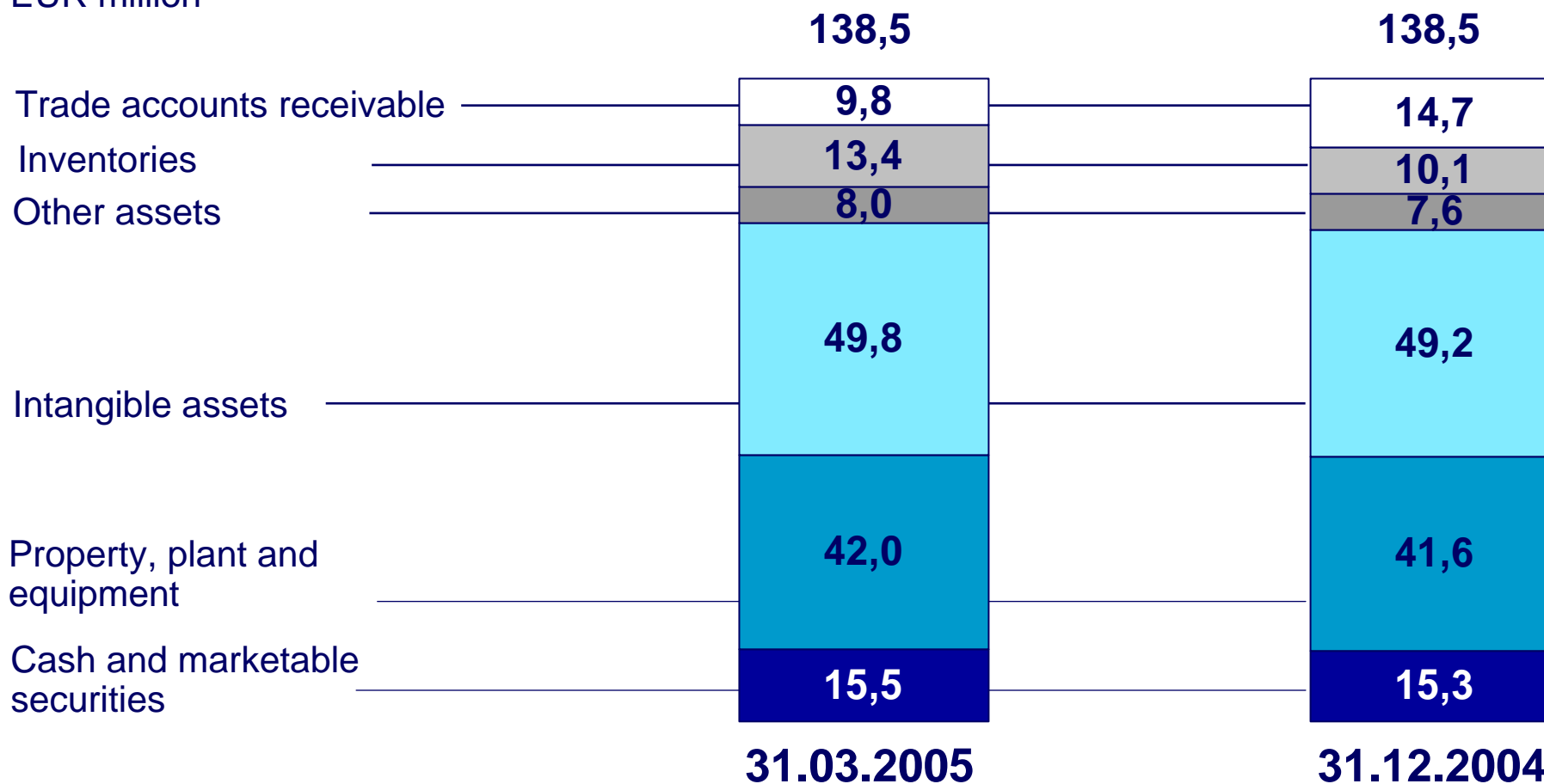
# No significant changes to Equity/Liabilities; Strong equity ratio

Equity and Liabilities  
in EUR million



## Slightly reduced current assets since 2004 end

Asset Base  
in EUR million



## Operating cash flow positive

T€	Q1 2005	Q1 2004
Net cash (used in) provided by operating activities	3,310	(2,707)
Net cash used in investing activities	(3,609)	(865)
Net cash provided by financing activities	95	871
<b>Net decrease in cash and cash equivalents</b>	<b>(204)</b>	<b>(2,701)</b>
Exchange rate difference	463	273
Cash and cash equivalents		
- at beginning of year	15,277	18,763
- at end of the first quarter	15,536	16,335
<b>Cash and cash equivalents incl marketable securities at the end of the first quarter</b>	<b>15,536</b>	<b>16,335</b>

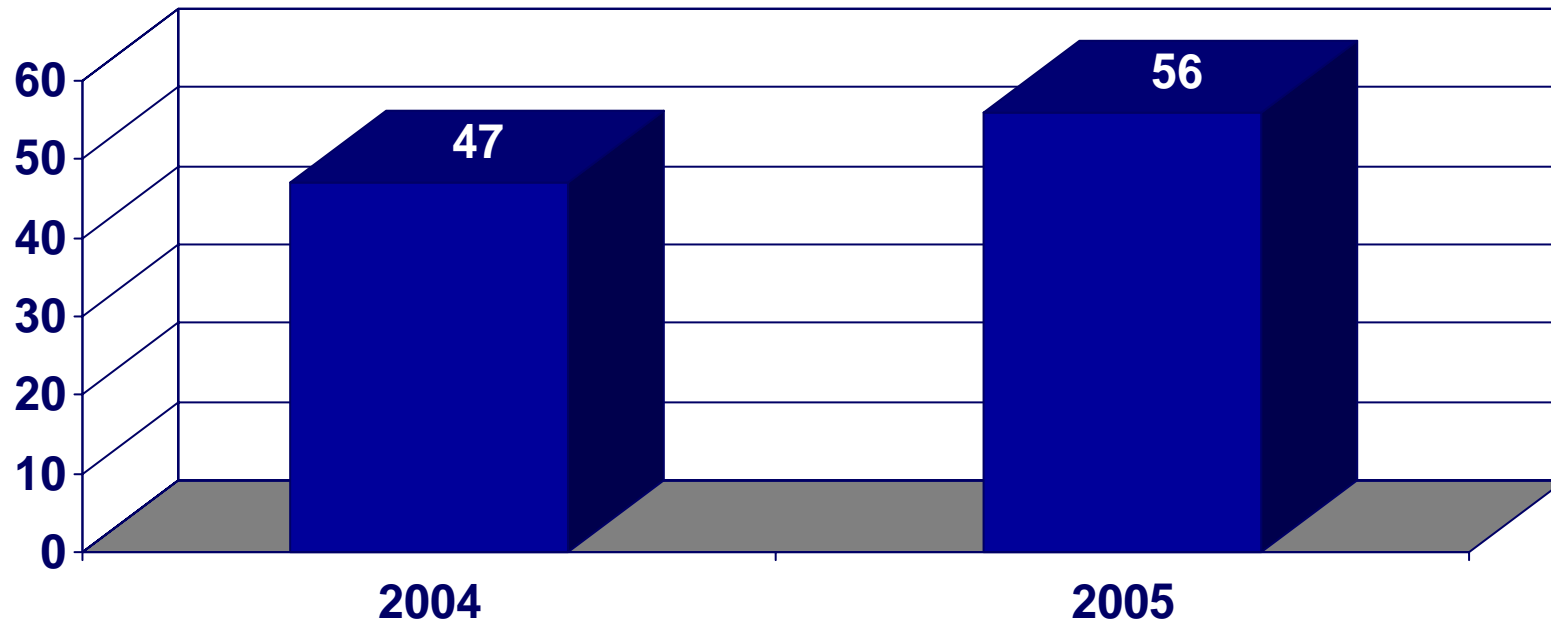


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## Better order book than a year ago

Sales and order book status as of April  
in EUR million



- Discovery: challenging markets, stabilising
- Development: strong momentum

## 2005 guidance

- Group revenues to grow by up to 5%
- Discovery Services (DDS) guidance
  - Revenues: no change over last year (2004: EUR 54m)  
(as revenues from Evotec Neurosciences are now consolidated)
  - DDS Operating Income before amortisation approx. break-even
    - Improved capacity utilisation in Chemical and Pharmaceutical Development
    - Positive results from restructuring programme (R&D, SG&A)
    - Significant improvement over 2004 (2004: EUR -7.8m)
- Group R&D expenses to increase significantly
  - CNS drug development strategy requires higher R&D efforts
  - Minimum of EUR 12-14m for internal drug discovery and development
    - First product in the clinic during 2005

## Evotec OAI in the future: 3 year plan

- Clear focus on building a **sustainable CNS pipeline**
  - First product in the clinic during 2005
  - Two further clinical candidates by 2006/2007
  - First product to proof-of-concept by 2008
  - Future acquisitions of companies and / or products to broaden pipeline
- **Margin and cash driven contract research**
- **Strong financial position**
  - Approximately €60 million cash available
  - Supplemented by cash flow from contract research
  - Early out-licensing to generate additional cash

# Taking the lead



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