



Evotec OAI AG, First Quarter Report 2005

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Dear Shareholders,

2005 is an important year in the development of Evotec OAI - it is the year in which we will start executing on our business strategy to expand our proprietary drug development. We have identified three key drivers for our future success:

- 1. Development of a sustainable CNS related pipeline**
- 2. Excellence in customer relations**
- 3. Cash generation from Services to support proprietary research**

These three drivers will form the outline of our report on our progress and achievements during the first quarter.

1. Development of a sustainable CNS related pipeline

We believe that the main value driver for Evotec OAI is the development of a sustainable pipeline of drug candidates. We measure the sustainability of our pipeline by its capability to run enough promising projects in parallel to be able to cope with failure rates typical in our industry. By building our own proprietary drug discovery and development company and developing compounds through to proof-of-concept in man we can leverage our engine, skill base and critical mass we have built over many years in our Service Business. We believe this strategy will allow us to retain significantly higher value from our research for our shareholders.

With this in mind our achievements in the first quarter include:

Acquisition of Evotec Neurosciences

On 6 March 2005, we acquired the remaining 78% of Evotec Neurosciences' (ENS) shares we had not owned through a share-for-share transaction. Through this acquisition we gain ownership of an exciting pipeline of new drug candidates and world-class science in the field of central nervous systems diseases (CNS). The quality of science is validated by partnerships with some of the world's major pharmaceutical companies, including Boehringer Ingelheim and Takeda. The combination of ENS' development programmes with our powerful, industrial scale drug development engine transformed Evotec OAI into a fully integrated biotechnology company. We now have the capabilities to successfully execute on a CNS-focused strategy. With Dr John Kemp, former CEO of Evotec Neurosciences, we have been able to add to our executive team an individual with a longstanding track record and highest credentials in neurology science gained from working in large pharma companies such as Roche and Merck.

EUR 60 million in cash available to progress and expand the pipeline

In addition, we have attracted a leading group of investors who have committed to invest an additional EUR 27 million in a PIPE transaction (Private Investment in a Public Entity). The strategic rationale for this additional investment is to fuel the expansion of ENS' pipeline.

Upon completion of the acquisition of ENS and this financing (subject to shareholder approval at the Annual Shareholders Meeting on 7 June 2005 and post exercise period of pre-emption rights), Evotec OAI expects to have total cash resources of approximately EUR 60 million. The funds will be used to develop our CNS pipeline with the objective of having two products in clinical trials in 2006, and at least one developed to proof-of-concept and ready for partnering by 2008.

On track for first compound to enter Phase I in 2005

Evotec OAI's lead compound ENS 101, the oral NR2B subtype selective NMDA receptor antagonist, is now being prepared to enter Phase I clinical trials by year end. Pre-clinical studies required by regulatory authorities to

start Phase I trials are progressing and synthesis of GMP material for the study is ongoing.

Significant potency gain for front runner metabolic disease compound

Our Metabolic Disease joint venture with DeveloGen is running according to plans. Three programmes have delivered leads which are exploited for chemical validation. In 2005, we will focus our lead optimisation efforts primarily on the most promising projects, P 070, a kinase programme for advanced obesity and early type II diabetes and P 244, a synthase programme for obesity. Lead optimisation activities have delivered significant progress in terms of potency for the front runner project P 070 and efficacy for the corresponding compound family has been demonstrated in animal models. Also the second project P 244 has delivered potent compounds for *in vivo* efficacy studies.

2. Excellence in customer relations

Business Development management strengthened

The second major value driver is excellence in our relationships with our customers. To assure we continue to nurture and develop our close relationships with our partners, we have made management changes which reinforce our commitment to deliver the highest quality with regard to customer needs. Dr Mark Ashton, former President Drug Discovery Services, has now taken over the responsibility for Business Development for the entire Service Business. Outstanding experience in operations and profound knowledge of our customers and our product offering, which Mark has collected over 10 years in Evotec OAI, are powerful prerequisites for excellence in all customer interactions. Dr Mario Polywka, former President of Chemical and Pharmaceutical Development, is now responsible for operations for the entire Service Business. Ascertaining that our customers meet their timelines and milestones requires operational dedication within Evotec OAI and Mario has an outstanding track record in this regard. In addition, we have strengthened the executive team through the addition of a senior biotechnology business development manager, Jesper Wiklund. He will be responsible for in- and out-licensing of development projects and products. Jesper will work to expand our preclinical pipeline opportunities, bring in interesting clinical projects which fit in the CNS focus of the Company and secure revenues from the partnering of clinical assets with pharmaceutical firms.

Service Business Q1 revenue growth of 36% over Q1 2004

The market for contract research remains, in part, very challenging. Consequently, we are particularly proud to have signed a number of substantial collaborations in Q1. Service revenues showed strong growth of 36% when compared to a relatively weak Q1 2004. Based on this Q1 achievement we remain confident of achieving our 2005 guidance figures.

Discovery Chemistry contracts extended in a challenging environment

In Discovery Chemistry we extended existing collaborations with **Solvay, Elixir, Vitex (former Panacos), Chroma Therapeutics** and signed new deals with two Japanese pharmaceutical companies. Most notably, on 13 April, we announced the 12 month extension of our large, global medicinal chemistry agreement with **Roche**.

Chemical and Pharmaceutical Development showing good growth

Our order book and visibility in Chemical and Pharmaceutical Development has been particularly strong. While our customers focus on bringing fewer programmes through development faster and reach market earlier has hampered growth opportunities in our Discovery Services business over the past 24 months, we are now seeing growth opportunities in our Development Services business as a consequence of this trend. Our biotechnology and pharmaceutical customers continue to make extended use of our full range of development capabilities from pre-clinical synthesis to commercial API (Active Pharmaceutical Ingredient) manufacture. In 2005 we will be the commercial supplier of a number of APIs. This has the effect of giving steady production business for the plants with significantly better order visibility. Highlights in the first quarter include the:

- Process validation of Phase III compound AMD 3100 for **AnorMED**
- Chemical development and validation of the manufacturing process for a Phase III compound of a US biotechnology company
- Commercial supply agreement with a US biotechnology company
- Range of different projects with **Serono**, including lab-scale productions as well as pilot plant manufacture. Some of the clinical projects being carried out with Serono are based on compounds that Evotec OAI synthesised for Serono in the initial discovery collaboration signed in 1998.

3. Cash generation from Services to support proprietary research

The third important value driver for Evotec OAI is our ability to generate cash in our Service Business to support our proprietary development activities. In addition to building a strong and profitable revenue stream through strong customer interaction it is paramount for us to drive costs down and margins up.

Operating cost structure improved by restructuring of Service Business

Restructuring and rigorous cost control significantly improved results in our Service Business. We have restructured our Business Development team with a stronger focus on high quality customer contact. Putting some of our most experienced people from operations in charge of sales and marketing allows us to increase efficiency. Furthermore, we have made substantial savings through restructuring both our IT department and our Chemical and Pharmaceutical Development management team. With these restructuring measures we have so far taken approx. EUR 1.5 million out of operating expenses on an annual basis. In addition, we have reduced the level of

spending in technology platform R&D. We continue to work on our programme to reduce cost and improve efficiency.

In our Service Business, operating income excluding amortisation charges reached almost break-even in the first quarter (EUR (0.2) million).

**Pro-active
communication
about corporate
development
priorities**

With the increased emphasis on building our own pipeline, we are changing the risk/reward profile of our company. We believe that implementing a strategy of building a sustainable pipeline will ultimately deliver higher shareholder value. We are aware of the fact, however, that communication to capital markets explaining the rationale of this strategy is core to unlocking additional value. Therefore, we are making a conscious and significant effort to deliver our strategic message to investors. In this context, we have seen more than 40 analysts and investors and have participated in 7 investor conferences since the beginning of 2005. During the coming months we will present at:

- IPMC 2005 Biotech/Healthcare, DVFA, Frankfurt, 10 May
- BioEquity Europe 2005, Zurich, 23 May
- Bio-Tech Israel 2005, Tel Aviv, 26 May
- 8th German Corporate Conference, Deutsche Bank, Frankfurt, 1 June
- Euro-Biotech Forum, Windhover, Paris, 3 June

Financial Report

It is important to note that all numbers reported today for the first quarter include the results of Evotec Neurosciences (ENS) as net loss from equity investments under non-operating expenses for the entire reporting period. Following the acquisition of ENS by Evotec OAI, and after transfer of shares and control, ENS will be fully consolidated in the Evotec OAI group accounts from May 2005 onwards.

Revenues increased by 10%, Service Business: +36%

Evotec OAI revenues for the first quarter 2005 increased by 10% to EUR 15.9 million (2004: EUR 14.4 million). Performance has been driven by strong sales in Discovery and Development Services.

Business in our **Discovery and Development Services Division (DDS)** significantly improved over Q1 2004. Third-party revenues increased by 36% to EUR 13.5 million (2004: EUR 10.0 million). Growth resulted predominantly from Chemical and Pharmaceutical Development which almost doubled business over Q1 2004. Discovery Services showed a stable performance compared to last year, a success in the current environment.

Segmental revenues within the group amounted to EUR 0.9 million, originating from the delivery of services to our metabolic disease joint venture.

In the first quarter 2005, no revenues were booked in our **Discovery Programs Division (DPD)** (2004: EUR 0.9 million). From May onwards, revenues from proprietary research within ENS will be shown in our DPD division.

For the first three months 2005, third-party revenues in our **Tools and Technologies Division (Evotec Technologies)** were EUR 2.3 million (2004: EUR 3.4 million). These numbers include EUR 0.4 million from the uHTS business acquired from Carl Zeiss, effective 1 January 2005. Sales performance in the first quarter has been weak. It was affected by the launch of a new release of the cell imager Opera™ announced for the second quarter 2005. The currently observed healthy order situation, comparable to the order book recorded at the same time in the previous year, supports our belief that the full year performance of Evotec Technologies will be strong.

Operating cost structure improved, focus on cash generation in Service Business

Cost of revenue for the first quarter of 2005 was EUR 10.6 million (2004: EUR 9.0 million). Gross margin was 33.2% compared to 37.3% in 2004. This apparently adverse development, however, is not a fair representation of the underlying performance: Last year, a more significant planned under-utilisation of the pilot plant was accounted for as a “strategic under-

recovery” and recorded as Other Operating Expenses. This year the strategic under-recovery was significantly reduced due to the predicted higher utilisation of the plants. In the first quarter the manufacturing schedules of one of the pilot plants did not permit full utilisation against the predicted utilisation increase - despite a strong order situation – and hence the pressure on the margins for the plant. This impacted the overall margins in the Service Business. Excluding numbers from our pilot plant business, gross margins for the Evotec OAI group increased by an average 1%. Gross margins in our Tools and Technologies Division (Evotec Technologies) continued to be strong at 57.4%. Assuming strong pilot plant deliveries in the following quarters, the negative margin development in the first quarter should not pertain.

R&D expenditure does not include R&D conducted in our joint venture with DeveloGen and decreased by 36% to EUR 2.5 million for the first three months (2004: EUR 3.9 million). The decline is a result of (i) significantly reduced R&D in Discovery and Development Services (DDS) as our fully integrated platform now only requires a lower level of investment going forward and (ii) the non-consolidation of ENS’ R&D expenses when compared with the first quarter of 2004 following our reduction in ownership in ENS in early 2004.

For the Evotec OAI group R&D expenses are expected to increase for the full year 2005 due to higher investments in proprietary CNS research and the renewed full consolidation of ENS from May 2005 onwards.

Expenses for research activities directed towards our Metabolic Disease discovery programme with DeveloGen amounted to EUR 0.6 million. The expenses associated with the DeveloGen-related programmes are booked as a net loss from equity investments under non-operating expenses.

SG&A costs for the first quarter of 2005 decreased by 11% to EUR 4.5 million (2004: EUR 5.0 million). The decline is a result of diligent cost control including the restructuring of our IT department and sales and marketing management. In addition, compared to Q1 2004, SG&A expenses originating from Evotec Neurosciences were not fully consolidated.

**Financial results:
Operating result
improved by 32%**

As a result of the reduced R&D and SG&A expenses, as well as lower Other Operating Expenses following the impairments in Q4 2004, the **operating result** for the first quarter 2005 improved by 32% to EUR (4.8) million (2004: EUR (7.1) million). Excluding amortisation charges, results from operations amounted to EUR (2.3) million (2004: EUR (4.5) million) and reached almost break-even for Discovery and Development Services in the first quarter (EUR (0.2) million).

Net loss improved to EUR 4.7 million (2004: EUR 6.2 million). **Net loss per share** for the first quarter of 2005 was EUR 0.12 (2004: EUR 0.17).

Net income tax benefits amounted to EUR 1.1 million. Deferred tax benefits in the UK (EUR 0.4 million) added to deferred tax benefits from the amortisation of merger-related non-goodwill intangible assets (EUR 0.7 million).

Earnings before interest and taxes, depreciation and amortisation (**EBITDA**) for the first quarter 2005 improved by 64% to EUR (1.0) million (2004: EUR (2.7) million), despite almost unchanged investments in our Discovery Programs Division.

Segment reporting

Discovery and Development Services

Euro in thousands	01-03/2005	01-03/2004	Δ in %
Total revenue	14,412	11,085	30.0
– Thereof 3rd party	13,542	9,996	35.5
Gross profit	4,326	3,736	15.8
Gross margin	30.0%	33.7%	
- Research and development expense	849	2,389	(64.5)
- Selling, general and administrative expenses	3,155	3,464	(8.9)
- Other operating expenses	557	946	(41.1)
- Amortisation of goodwill amongst other things	2,420	2,458	(1.5)
Operating income (loss)	(2,655)	(5,521)	51.9
Operating income (loss) before amortisation and impairment	(235)	(3,063)	92.3

Discovery Programs Division

Euro in thousands	01-03/2005	01-03/2004	Δ in %
Total revenue	-	927	(100.0)
– Thereof 3rd party	-	925	(100.0)
Gross profit	-	348	(100.0)
Gross margin	-	37.6%	
- Research and development expense	311	713	(56.4)
- Selling, general and administrative expenses	399	559	(28.6)
- Other operating expenses	-	-	-
- Amortisation of goodwill amongst other things	-	59	(100.0)
Operating income (loss)	(710)	(983)	27.8
Operating income (loss) before amortisation and impairment	(710)	(924)	23.2

Tools and Technologies

Euro in thousands	01-03/2005	01-03/2004	Δ in %
Total revenue	2,429	3,602	(32.6)
– Thereof 3rd party	2,310	3,440	(32.8)
Gross profit	1,394	1,938	(28.1)
Gross margin	57.4%	53.8%	
- Research and development expense	1,752	1,569	11.7
- Selling, general and administrative expenses	1,012	1,039	(2.6)
- Other operating expenses	-	-	-
- Amortisation of goodwill amongst other things	283	201	40.8
Operating income (loss)	(1,653)	(871)	(89.8)
Operating income (loss) before amortisation and impairment	(1,370)	(670)	(104.5)

Capital expenditure

Evotec OAI invested EUR 1.4 million in fixed assets in the first quarter of 2005 (2004: EUR 0.6 million). The majority of this investment was made into new facilities of our fast growing subsidiary ProPharma in Scotland. In addition, the Company acquired intangible assets in the amount of EUR 1.6 million which mainly comprise developed technologies and new customer contracts from the acquisition of the uHTS business of Carl Zeiss by Evotec Technologies.

Cash flow and cash equivalents

Cash flow from operating activities for the first quarter was positive. It amounted to EUR 3.3 million (2004: EUR (2.7) million). The improvement was strongly influenced by the increased operating result and a reduction in working capital (EUR 3.9 m). As expected, trade accounts receivable decreased from the high December level by EUR 5.6 million to EUR 10.2 million. Inventories increased by EUR 3.3 million to EUR 13.4 million. This includes an increase in inventories in our service operations following a strong December business which resulted in a low inventory level at year end, in addition to the instruments and spare parts from the acquisition of the uHTS business from Carl Zeiss. This acquisition also led to an increase in trade accounts payable. They increased by EUR 3.1 million to EUR 7.9 million.

Cash flow from investing activities totalled EUR (3.6) million (2004: EUR (0.9) million) which in addition to the higher capital expenditures also include research expenses related to the DeveloGen joint venture (EUR 0.6 million). Cash and cash equivalents at the end of March amounted to EUR 15.5 million, almost unchanged to EUR 15.3 million as of 31 December 2004.

Employees and management

At the end of March, 625 people were employed within the Evotec OAI group. The reduction reported in comparison to the end of 2004 (646) was

due to the reduction of temporary staff which had been hired to overcome high work load in Q4, and due to the restructuring described above.

Stock options programme

In the first quarter 120,000 stock options were issued at an exercise price of EUR 3.61. As of 31 March 2005, the total number of options available for future exercise amounted to 2,660,908 (approximately 7% of shares in issue). Options have been accounted for under the APB 25 pricing model.

Guidance for 2005 confirmed

After completion of the first quarter 2005, Evotec OAI confirms guidance given for the current year on 22 March 2005:

For the Evotec OAI group we expect revenues for the full year 2005 to grow by up to 5%. This scenario is based on our strategy to increase the portion of our resources dedicated to proprietary research instead of maximising third party revenues in contract research. The sales and order book for 2005 continues to build positively and is supporting our projections. As of April, it amounted to EUR 56 million, an increase of 19% over the same period in 2004 (April 2004: EUR 47 million).

Third party revenues in Discovery and Development Services (DDS) are anticipated to reach levels similar to last year (2004: EUR 54 million). The underlying growth trend in this division is expected to be masked by the fact that following the recent re-acquisition of Evotec Neurosciences (ENS) business with ENS will not be accounted as revenues anymore.

Based on these revenue assumptions, as well as on an improved capacity utilisation in Chemical and Pharmaceutical Development and positive results from our restructuring programme, operating income of DDS excluding charges for the amortisation of intangibles is expected to reach levels close to break-even. We are pleased that the results of the first quarter of 2005 confirm our guidance.

R&D expenses of the Evotec OAI group will significantly increase with the implementation of our CNS drug development strategy. We expect to invest a minimum of EUR 12 -14 million in internal discovery and development programmes, including our joint venture with DeveloGen. This level of investment in our proprietary pipeline will reduce our short-term profitability, but is expected to benefit our mid- to long-term value generation. Evotec OAI expects to have two products in clinical trials by 2006, and at least one product developed to proof-of-concept and ready for partnering by 2008.

Shareholdings of the Boards of Evotec OAI AG

	Number of shares	Share options
Management Board		
Joern Aldag	298,056	222,600
Dr Dirk H. Ehlers	4,540	111,500
Prof Dr Ian M. Hunneyball	0	73,500
Supervisory Board		
Prof Dr Heinz Riesenhuber	110,400	0
Peer Schatz	3,892	0
Dr Pol Bamelis	1,500	0
Dr Karsten Henco	1,328,190	26,732
Dr Edwin Moses	313,058	15,000
Mary Tanner	0	0

31 March 2005

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 2005.

Segment reporting according to US GAAP Evotec OAI AG and Subsidiaries

Euro in thousands	Discovery and Development Services	Discovery Programs Division	Tools and Technologies	Consolidation
Revenue:				
– Drug discovery products & development of technologies	151	-	2,429	(119)
– Drug discovery services	14,261	-	-	(870)
Total revenue	14,412	-	2,429	(989)
– Cost of revenue	10,086	-	1,035	(525)
Gross Profit	4,326	-	1,394	(464)
– Research and development expenses	849	311	1,752	(414)
– Selling, general and administrative expenses	3,155	399	1,012	(69)
– Amortisation of goodwill amongst other things	2,420	-	283	(198)
– Other operating expenses	557	-	-	-
Operating income (loss)	(2,655)	(710)	(1,653)	217

Condensed consolidated statements of operations according to US GAAP

Evotec OAI AG and Subsidiaries

Euro in thousands except share data and per share data

	01-03/2005	01-03/2004	Δ in %
Revenue:			
– Drug discovery products & development of technologies	2,461	3,456	(28.8)
– Drug discovery services	13,391	10,905	22.8
Total revenue	15,852	14,361	10.4
– Cost of revenue	10,596	9,001	17.7
Gross profit	5,256	5,360	(1.9)
– Research and development expenses	2,498	3,911	(36.1)
– Selling, general and administrative expenses	4,497	5,035	(10.7)
– Amortisation of intangible assets ¹	2,505	2,520	(0.6)
– Other operating expenses	557	946	(41.1)
Operating income (loss)	(4,801)	(7,052)	31.9
– Interest income (expense)	(109)	3	(3733.3)
– Income from investments and participations	-	-	-
– Net loss from equity investments	(938)	(1,072)	(12.5)
– Foreign currency exchange gain (loss), net	(242)	45	(637.8)
– Other non-operating income, net	324	252	28.6
Result before taxes and minority interests	(5,766)	(7,824)	26.3
Income tax benefit	1,093	1,583	(31.0)
Extraordinary income (expenses)	-	-	-
Result before minority interests	(4,673)	(6,241)	25.1
Minority interests	(67)	62	(208.1)
Net income / loss	(4,740)	(6,179)	23.3
Net loss per share (basic)	(0.12)	(0.17)	
Net loss per share (diluted)	-	-	
Weighted average shares outstanding (basic)	38,010,130	35,510,130	
Weighted average shares outstanding (diluted)	-	-	
Depreciation of property, plant and equipment included in total operating expense	2,234	2,533	

¹ In 2004: Amortisation of goodwill amongst other things

Condensed consolidated balance sheets according to US GAAP Evotec OAI AG and Subsidiaries

Euro in thousands	31/03/2005	31/12/2004	Δ in %
Assets			
Current assets:			
– Cash and cash equivalents	15,536	15,277	1.7
– Marketable securities, at fair value		-	-
– Trade accounts receivable, net	9,793	14,689	(33.3)
– Accounts receivable due from associated companies	290	183	58.5
– Accounts receivable due from related parties	79	852	(90.7)
– Inventories	13,367	10,080	32.6
– Deferred tax assets	102	99	3.0
– Current tax receivables	721	620	16.3
– Prepaid expenses and other current assets	4,303	3,149	36.6
Total current assets	44,191	44,949	(1.7)
Long-term investments	2,461	2,796	(12.0)
Property, plant and equipment, net	42,019	41,545	1.1
Intangible assets, excluding goodwill, net	6,729	7,507	(10.4)
Notes receivable / loans	-	-	-
Goodwill, net	43,048	41,685	3.3
Deferred taxes	-	-	-
Other non-current assets	52	52	0.0
Total assets	138,500	138,534	0.0
Liabilities and stockholders' equity			
Current liabilities:			
– Current portion of capital lease obligations	897	786	14.1
– Current maturities of long-term loans	1,335	1,240	7.7
– Trade accounts payable	7,873	4,679	68.3
– Accounts payable to related parties	1	117	(99.1)
– Advanced payments received	708	609	16.3
– Accrued expenses	6,647	7,042	(5.6)
– Deferred revenues	4,502	4,833	(6.8)
– Current tax payables	-	7	(100.0)
– Deferred taxes	-	-	-
– Other current liabilities	1,756	1,573	11.6
Total current liabilities	23,719	20,886	13.6
Long-term loans	9,682	9,591	0.9
Long-term capital lease obligations	2,086	2,055	1.5
Deferred tax liabilities	1,438	2,466	(41.7)
Deferred revenues	813	845	(3.8)
Other non-current liabilities	108	107	0.9
Minority interests	641	574	11.7

Stockholders' equity:			
– Share capital	38,010	38,010	0.0
– Additional paid-in capital	550,543	550,533	0.0
– Treasury stock	-	-	-
– Retained earning/accumulated deficit	(452,191)	(447,451)	1.1
– Accumulated other comprehensive loss	(36,349)	(39,082)	(7.0)
– Total stockholders' equity	100,013	102,010	(2.0)
Total liabilities and stockholders' equity	138,500	138,534	0.0

**Condensed consolidated
statements of cash flows according to US GAAP**
Evotec OAI AG and Subsidiary

Euro in thousands	31/03/2005	31/03/2004
Cash flows from operating activities:		
Net loss	(4,740)	(6,179)
Adjustments to reconcile net loss to net cash used in operating activities	4,663	4,450
Change in assets and liabilities	3,387	(978)
Net cash (used in) provided by operating activities	3,310	(2,707)
Cash flows from investing activities:		
Purchase of marketable securities	-	-
Purchase of long-term investments	(603)	(1,006)
Purchase of property, plant and equipment	(1,395)	(593)
Purchase of intangible assets	(1,631)	(1)
Proceeds from sale of property, plant and equipment	20	3
Proceeds from sale of shares in long-term investments	-	-
Proceeds from sale of marketable securities	-	732
Net cash (used in) provided by investing activities	(3,609)	(865)
Cash flows from financing activities:		
Net proceeds from capital increase	-	-
Net proceeds from increase of bank loan	2,547	1,864
Repayment of bank loan	(2,452)	(993)
Net cash (used in) provided by financing activities	95	871
Net increase (decrease) in cash and cash equivalents	(204)	(2,701)
Exchange rate difference	463	273
Cash and cash equivalents at beginning of year	15,277	18,763
Cash and cash equivalents at end of the first quarter	15,536	16,335
Cash, cash equivalents and marketable securities at end of the first quarter	15,536	16,335

Consolidated statements of changes in stockholders' equity according to US GAAP

Evotec OAI AG and Subsidiaries

Euro in thousands except share data

	Share capital Shares	Share capital Amount	Additional paid-in capital	Unearned compen- sation	Other comprehen- sive loss	Unrealised gains (losses) on securities	Retained deficit	Total stock- holders' equity
Balance at December 31, 2003	35,510,130	35,510	540,035	(150)	(40,046)	-	(363,248)	172,101
Share capital increase	-	-	-	-	-	-	-	-
Stock option plan	-	-	5	26	-	-	-	31
Share capital in ENS	-	-	5,475	-	-	-	-	5,475
Comprehensive loss:								
- Foreign currency translation	-	-	-	-	9,612	-	-	9,612
- Net unrealised holding losses on available-for-sale securities	-	-	-	-	-	-	-	-
- Net loss	-	-	-	-	-	-	(6,179)	(6,179)
Total comprehensive loss	-	-	-	-	-	-	-	3,433
Balance at March 31, 2004	35,510,130	35,510	545,515	(124)	(30,434)	-	(369,427)	181,040
Balance at January 1, 2005	38,010,130	38,010	550,533	(77)	(39,005)	-	(447,451)	102,010
Share capital increase	-	-	-	-	-	-	-	-
Stock option plan	-	-	10	1	-	-	-	11
Comprehensive loss:								
- Foreign currency translation	-	-	-	-	2,732	-	-	2,732
- Net loss	-	-	-	-	-	-	(4,740)	(4,740)
Total comprehensive loss	-	-	-	-	-	-	-	(2,008)
Balance at March 31, 2005	38,010,130	38,010	550,543	(76)	(36,273)	-	(452,191)	100,013

Basis of presentation

The accompanying unaudited consolidated financial statements of Evotec OAI AG have been prepared in accordance with United States generally accepted accounting principles (US GAAP) for interim financial information. The accounting policies used to prepare interim information are the same as those used to prepare the audited financial statements for the year ended 31 December 2004. The basis of consolidation changed as of 31 March 2004. EVOTEC NeuroSciences GmbH is since then consolidated at equity. Therefore the profit and loss statement is not fully comparable to the one of the first quarter 2004. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included.

The consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. As a result, these financial statements should be read along with the audited consolidated financial statements and notes thereto for the year ended 31 December 2004.

Forward looking statements

This report contains forward-looking statements that involve risks and uncertainties. The forward-looking statements contained herein represent the judgement of Evotec OAI 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 OAI disclaims any intent or obligation to update any of these forward-looking statements.