

Evotec AG, Half Year Report 2007

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Dear shareholders,

In the first half of 2007, Evotec continued to progress its proprietary CNS pipeline and its numerous drug discovery and development collaborations. Achieving clinical proof-of-concept for our first drug candidate was a major milestone, and, we are pleased with the progress of our clinical programmes overall. In our collaborations, we continue to focus our core business on high value-added solutions and products for the pharmaceutical industry through scientific differentiation (e.g. fragment-based drug discovery) and strong process management. The transfer of a less differentiated library synthesis offering into a joint venture in India in July is further evidence of our commitment to this strategy.

Positive proof-of-concept top-line results with insomnia drug candidate EVT 201

We achieved our first Phase II clinical proof-of concept with EVT 201 in patients with chronic primary insomnia with highly competitive results. In this trial phase which was designed to validate proof-of-concept, our drug candidate EVT 201 indicated

- a strong and competitive effect in helping patients get to sleep,
- a strong profile to support high quality sleep throughout the night, a large unmet medical need, and
- a good profile with regard to next day residual effects.

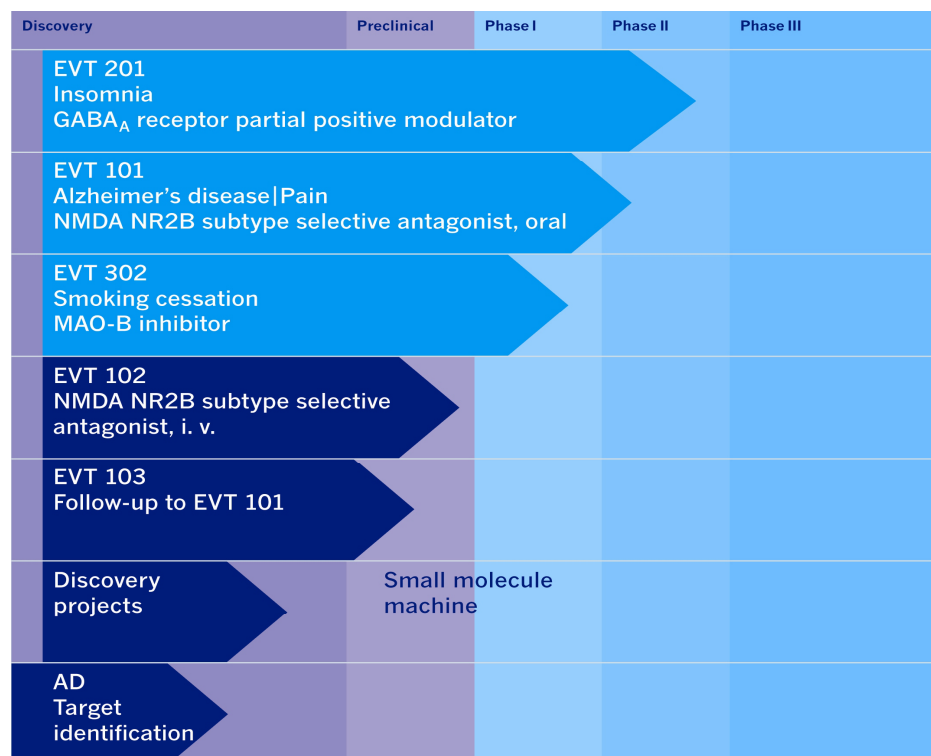
We tested 67 patients in a cross-over design study with two doses of EVT 201 tested against placebo. The results were all statistically highly significant. More specifically, the study has shown at both doses

- an increase in Total Sleep Time (TST, co-primary endpoint, $p < 0.0001$)
- reduced Wake After Sleep Onset (WASO, co-primary endpoint, $p < 0.0001$). WASO was also significantly reduced during the second half of the night. This is a fact which makes the drug candidate highly competitive against existing sleep drugs.
- significantly faster sleep onset (Latency to Persistent Sleep (LPS), secondary endpoint, $p < 0.0001$), and
- significantly improved subjectively assessed quality of sleep (secondary endpoint, $p < 0.0001$).

In summary, to date we have demonstrated, in patients, that EVT 201 has competitive and robust effects on sleep onset and sleep maintenance and appears free of any subjective evidence of hang-over. If maintained in subsequent trials, these qualities would offer superiority over existing insomnia therapies. These data form an excellent basis to progress partnering discussion on EVT 201 with the aim to out-licence the compound in 2008.

The full data set from this study will be presented at the worldsleep07 congress in Cairns, Australia, in September 2007.

Acceleration of CNS pipeline



Results of the Phase II study in elderly insomniacs in October 2007

A second Phase II clinical trial of EVT 201 in elderly patients (age 65+) with chronic insomnia is ongoing. We expect to further differentiate EVT 201 in this large and growing, yet poorly served, market segment in which patients have a higher prevalence of waking during the night and waking too early. Here EVT 201 has shown promising characteristics, given its efficacy demonstrated in early trials in maintaining sleep and potential usage of a single dosage strength. The enrolment of patients is now completed, earlier than anticipated, and top-line results are expected to be announced in October 2007.

EVT 101: First proof-of-concept study started

EVT 101 is a subtype-selective NMDA receptor antagonist with potential for clinical advantages over currently marketed drugs in Alzheimer's disease and a number of pain indications.

The first Phase Ib cognition / brain imaging study is on-going and is expected to deliver early proof-of-concept data by end 2007. In this study, healthy volunteers undergoing fMRI (functional magnetic resonance imaging) perform cognitive tasks to determine the dose-related changes in neuronal activation or deactivation in specific brain areas produced by two different single doses of EVT 101. The preparation of further Phase IIa studies is on track for a start in H2 2007.

EVT 302: Phase I on track

EVT 302 is a highly selective MAO-B inhibitor in development for smoking cessation. We expect this approach to have a superior safety profile over other marketed MAO-B inhibitors, to show better tolerability compared to current treatments and to increase compliance through potential once-a-week dosing.

First results from the ongoing Phase I PET (positron emission tomography) study are encouraging. The repeat dose safety and tolerability study for 14 days in young healthy volunteers is now ongoing. Two of three doses have been tested without significant adverse effect findings.

Concentrating on higher-value added collaborations business

In the research collaboration market it is Evotec's strategy to differentiate from its competition, in particular against low cost providers, through high value-added solutions in drug discovery. This approach requires continuous refinements of our offering. In the first half of 2007, we progressed new approaches towards differentiating this offering.

Launch of first "Innovation Centre" for fragment-based drug discovery

We are establishing "Innovation Centres" in core areas that we believe bring significant innovation to the drug discovery process and thus result in lower attrition rates, shorter timelines for drug discovery and access to novel chemical matter. The centres combine core expertise from within Evotec with additional leading edge scientific approaches. In H1 2007,

Evotec launched its first innovation centre for fragment-based drug discovery (FBDD). Fragment-based approaches give access to novel chemical matter around targets previously intractable to traditional discovery approaches. Our EVOLution™ platform consists of a library of 20,000 fragments and combines our ultra-sensitive screening technologies with 3-dimensional drug design capabilities (protein-ligand X-ray crystallography) to identify novel fragment hits faster. To enhance our leading position in this field, in H1 2007, we acquired equipment, expertise and access to intellectual property in NMR fragment screening from Combinature Biopharm AG.

Using our strong medicinal chemistry expertise, we can rapidly progress the fragments identified to derive novel lead structures and preclinical development candidates. Evotec is collaborating with a number of partners using the EVOLution™ technology and is also using the technology to develop certain internal pipeline projects.

**Collaboration
revenues down on
2006 due to library
business, milestone
and currency effects**

Overall revenues were 8% lower than in the same period last year. There are several reasons for this, none of which were unexpected:

- As planned, our multi-year library synthesis collaboration with Merck Inc. ended in 2006. Rather than developing new business in this segment, we decided to establish a joint venture with an Indian company RSIL Ltd. through contribution of our library business in-kind. We are very proud to continue to be able to offer this service to our customers at a lower price through the collaboration with a high quality Indian chemistry provider.
- Last year we received a milestone payment from Boehringer Ingelheim in the first half. This year we are expecting such payments in Q4.
- The US dollar has weakened again by about 8.1% over the same period last year.

Adjusting for these factors, Evotec's business experienced a strong performance in H1 2007, in particular in assay development, screening and process research & development (PRD). Major discovery collaborations included *Almirall*, *Boehringer Ingelheim*, *CHDI*, *Daiichi Sankyo*, *Roche* and *Solvay*. We are pleased to have won fragment-based discovery collaborations with Solvay Pharmaceuticals, and two other undisclosed partners, and our new substantial collaboration with *Boehringer Ingelheim* in Alzheimer's disease target discovery is evidence of our excellent relationship with this client. In addition, several new discovery contracts or contract extensions/expansions were signed with companies including *Cardioxyl*, *CHDI*, and *Panacos*. In chemical and pharmaceutical development, we continue to work successfully with many customers, including *Alizyme*, *AstraZeneca*, *Astex*, *Celgene*, *Panacos*, *Serono*, and *Vernalis*. We signed significant repeat business with most of these clients as well as with *Biogen Idec* and *Achillion*.

In summary, the collaboration business is on track to achieve the financial targets set for 2007 which, as announced, now has to be adjusted for the transfer of our library business into a joint venture in India and currency effects. However, it is still dependent on the achievement of milestone payments planned for the fourth quarter.

I. Interim Management Report

Highlights

- H1 2007 **revenues** of EUR 28.5 m were 8% lower than in H1 2006 (EUR 31.0 m), primarily due to a milestone payment from Boehringer Ingelheim recorded in the same period of the prior year as well as foreign exchange effects. At constant 2006 currencies and adjusted for the milestone effect H1 2007 revenues would have been approximately in line with last year's.
- Increasing investments into the advancement and enhancement of our proprietary pipeline resulted in a 9% increase in R&D expenditures and contributed to a 15 % increase in SG&A costs, compared to last year's spend.
- The decline in gross margins and the high investment in R&D programmes and SG&A activities led to an increase in the Group **operating loss**. It amounted to EUR 22.3 m (2006: EUR 16.6 m).
- **Net loss** for the first half of 2007 improved to EUR 9.8 m (2006: EUR 16.1 m) as a result of a non-operating profit from the divestment of Evotec Technologies to PerkinElmer.
- **Cash** at the end of the first half of 2007 amounted to EUR 72.4 m (H1 2006: EUR 58.6 m).

The first half saw a strategic rationalisation of Evotec's business and equity participation portfolio, in particular through the completion of the divestment of Evotec Technologies (ET) to PerkinElmer, as well as the divestment of our equity holding in Direvo Biotech AG against EUR 0.5 million in cash, plus convertibles. The additional contribution of our library business to an Indian joint venture in July 2007 allows Evotec to further focus on our core remaining businesses: innovative discovery and development of pharmaceuticals for clients and our own account. This focus was supported by the Company's acquisitions of (i) Neuro3d S.A., a French company holding certain discovery assets in Evotec's core area of CNS, and (ii) discovery assets of Combinature Biopharm AG, which contributes to Evotec's fragment-based screening platform (see above).

Following the divestment of Evotec Technologies effective 1 January 2007, ET is no longer consolidated in the H1 2007 results. In the following disclosures, all amounts shown are related to the continuing operations for 2007 and 2006 for a better comparison.

A. Report on the financial situation and results

1. Results

Revenues

Evotec **revenues** for the first half of 2007 were EUR 28.5 million and thereby were 8% below last year's level (2006: EUR 31.0 million). This is

mainly the result of two effects; (i) Last year's results included a single-digit million Euro milestone payment from the collaboration with Boehringer Ingelheim, (ii) 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), revenues in the first half of 2007 would have amounted to EUR 29.2 million, and, adjusted also for the milestone, revenues would have been approximately in line with last year's H1 sales.

Revenues in Evotec's *Services Division* were EUR 28.0 million (2006: EUR 30.1 million). Excluding the milestone payment and adverse effects from foreign exchange, services revenues improved over the same period last year. This is particularly pleasing considering the underlying negative impact of (i) the successful completion of Evotec's significant, multi-year compound library collaboration with Merck and Co. Inc. at the end of 2006, and the resulting reduction in library revenues in the first half of the year, followed by the strategic decision to transfer Evotec's entire library business into a joint venture in India in July 07 (see below, page 14) and (ii) the decision to use pilot plant for Evotec's internal development projects, resulting in reduced capacity for revenue-bearing utilisation. Our strong performance in assay development and screening services as well as in laboratory scale development fully compensated for these challenges. Revenues in Evotec's *Pharmaceuticals Division* amounted to EUR 0.5 million (2006: EUR 0.9 million) resulting from ongoing database access fees in the Takeda collaboration.

For the first half of 2007, the Evotec Group recorded 51% of total revenues in Europe, 40% in the United States and 9% in Japan and the Rest of the World.

Currency effect on key financial figures

	01-06/2007	01-06/2007 const. f/x*	01-06/2006
Revenue in €m	28.5	29.2	31.0
Gross margin in %	22.4	25.2	33.2
Operating result in €m	(22.3)	(21.4)	(16.6)

* Currency pro-forma adjustment using UK Sterling and US dollar exchange rates of H1 2006.

Operating cost structure

Costs of revenue for the first half of 2007 was EUR 22.1 million (2006: EUR 20.7 million yielding a **gross margin** of 22.4% (2006: 33.2%). The decline over last year is primarily the result of the following effects: (i) the Q1 2006 single digit million Euro milestone payment from Boehringer Ingelheim contributed approximately 3.4% points to the H1 2006 margin, (ii)

multiple currency effects, i.e. the weak US dollar and the strong operating currency UK Sterling, contributed –2.8% points to the H1 2007 margin, (iii) planned full capacity utilisation in the pilot plant which resulted in full allocation of its running cost to cost of revenues, while in 2006 the equivalent of 2.2% gross margin was shown in other operating expenses (see below). The remaining gap of approximately 2% points is mainly a result of a different mix of revenues towards projects with higher risk-bearing, milestone-earning transaction models, for which the reward is potential future milestones.

R&D expenditure for the first half of 2007 increased by 9% to EUR 16.4 million (2006: EUR 15.1 million). The underlying operational expenses for ongoing discovery and development programmes grew significantly - especially in the second quarter, due to our sizable clinical development programme. R&D expenses in H1 2006 were inflated by major parts of the acquisition cost for the EVT 300 programme from Roche.

SG&A for the first half of 2007 increased by 15% to EUR 10.6 million (2006: EUR 9.2 million) mainly as a result of increased investment in Business Development and licensing resources as well as extraordinary expenses, e.g. expenses related to the acquisition of Neuro3d.

Other operating income and expenses in 2007 result mainly 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 (H1 2006: EUR 0.9 million) and are zeroed due to expected improvements of pilot plant utilisation and the reduction of facility space. From the beginning of 2007 going forward, these costs are fully included into cost of goods sold.

Financial results

The Group **operating loss** amounted to EUR 22.3 million (2006: EUR 16.6 million) and increased as a result of the lower gross profit level, higher SG&A costs, and increased investment in internal R&D programmes.

For the first half of 2007, **net loss** improved to EUR 9.8 million (2006: EUR 16.1 million) mainly as a result of a non-operating profit from the divestment of Evotec Technologies to PerkinElmer (EUR 11.2 million) but also from the divestment of shares previously owned in Direvo Biotech AG (EUR 0.5 million) and a net interest income due to the increased cash levels (EUR 0.8 million).

Earnings per share for the first half of 2007 were EUR (0.14) (2006: EUR (0.25)).

Segment reporting

Services Division for the period from 1 January to 30 June

Euro in thousands	01-06/2007	01-06/2006	Δ in %
Total revenue	28,008	30,114	(7.0)
– Thereof 3rd party	28,008	30,080	(6.9)
Gross profit	5,884	9,627	(38.9)
Gross margin	21.0%	32.0%	
– Research and development expenses	666	1,364	(51.2)
– Selling, general and administrative expenses	7,300	7,062	3.4
– Amortisation of intangible assets	28	52	(46.2)
– Other operating expenses	294	889	(66.9)
– Other operating income	(301)	-	
Operating income (loss)	(2,103)	260	(908.8)
Operating income (loss) before amortisation and impairment	(2,075)	312	(765.1)

Services Division for the period from 1 April to 30 June

Euro in thousands	04-06/2007	04-06/2006	Δ in %
Total revenue	13,142	14,718	(10.7)
– Thereof 3rd party	13,142	14,750	(10.9)
Gross profit	2,032	3,954	(48.6)
Gross margin	15.5%	26.9%	
– Research and development expenses	365	866	(57.9)
– Selling, general and administrative expenses	4,023	3,834	4.9
– Amortisation of intangible assets	20	33	(39.4)
– Other operating expenses	145	398	(63.6)
– Other operating income	(149)	-	
Operating income (loss)	(2,372)	(1,177)	(101.5)
Operating income (loss) before amortisation and impairment	(2,352)	(1,144)	(105.6)

Pharmaceuticals Division for the period from 1 January to 30 June

Euro in thousands	01-06/2007	01-06/2006	Δ in %
Total revenue	537	905	(40.7)
– Thereof 3rd party	498	905	(45.0)
Gross profit	518	546	(5.1)
Gross margin	96.5%	60.3%	
– Research and development expenses	15,794	13,673	15.5
– Selling, general and administrative expenses	3,328	2,032	63.8
– Amortisation of intangible assets	1,594	1,594	0.0
– Other operating expenses	570	-	
– Other operating income	(585)	-	
Operating income (loss)	(20,183)	(16,753)	(20.5)
Operating income (loss) before amortisation and impairment	(18,589)	(15,159)	(22.6)

Pharmaceuticals Division for the period from 1 April to 30 June

Euro in thousands	04-06/2007	04-06/2006	Δ in %
Total revenue	285	452	(36.9)
– Thereof 3rd party	248	452	(45.1)
Gross profit	273	334	(18.3)
Gross margin	95.8%	73.9%	
– Research and development expenses	8,666	5,412	60.1
– Selling, general and administrative expenses	1,712	634	170.0
– Amortisation of intangible assets	797	796	0.1
– Other operating expenses	281	-	
– Other operating income	(290)	-	
Operating income (loss)	(10,893)	(6,508)	(67.4)
Operating income (loss) before amortisation and impairment	(10,096)	(5,712)	(76.8)

2. Financing and financial position

Cash flow and cash equivalents

Cash flow from operating activities for the first six months 2007 was EUR (19.4) million (2006: EUR (11.5) million). The decrease over H1 2006 is primarily a result of an increased operating loss and transactions with Evotec Technologies back in 2006. Adjustments to reconcile the reported 2007 net loss to net cash used in operating activities includes amortisation (EUR 1.6 million), depreciation (EUR 2.9 million), compensation expense (EUR 0.4 million) and in particular the extraordinary income from the sale of Evotec Technologies and the equity holding in Direvo Biotech AG (EUR 11.7 million).

Cash flow from investing activities was EUR 15.6 million (2006: EUR (1.2) million), thereof EUR 18.9 million due to the acquisition of cash in Neuro3d S.A. as well as EUR (2.9) million due to the purchase of laboratory equipment (including assets from Combinature) and EUR (0.7) million due to payments for minority shares in Evotec Technologies, purchased in 2006.

Cash flow from financing activities was EUR (2.1) million (2006: EUR 19.2 million). The large decrease over H1 2006 is primarily a result of a capital increase in 2006 in the amount of EUR 18.5 million, and also a net decrease of loans in the first six months 2007 in comparison to H1 2006.

In total, **cash and cash equivalents** at the end of June 2007 amounted to EUR 72.4 million (end of December 2006: EUR 78.7 million). The cash position as of 30 June 2007 includes the cash balances held by Neuro3d (EUR 18.7 million) which was acquired with an effective date of 1 April 2007. The decrease mainly results from an increase in working capital by EUR 9.1 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. In the absence of extraordinary working capital changes and with potential contributions from expected milestone payments and increased revenues, cash burn is expected to reduce sizably towards the end of the year.

3. Assets and liabilities

All material changes of assets and liabilities during the first six months 2007 are described in the attached Notes to the interim consolidated financial statements.

Evotec's **capital structure** changed in the second quarter 2007 due to the issuance of 5.7 million new shares for the acquisition of Neuro3d S.A. on a share for share basis. The price per share amounted to EUR 3.69. The capital increase was registered in the trade register on 16 July 2007. The

total number of shares outstanding now is 73,868,047. Evotec's equity ratio as of 30 June 2007 amounted to 79.4%.

4. Human resources

Employees and management

At the end of June 2007, the Evotec Group had 559 employees (year-end 2006: 527). The increase over the end of H1 2006 (509) is mainly a result of strengthening the development and pharmaceutical operations as well as the fragment-based discovery and Business Development teams.

B. Risks and Opportunities Report

During the first half of the year 2007, Evotec was not faced by exceptional, material events, other than the acquisitions and divestments described above on page 6. The Company continues to operate under its comprehensive and reliable risk management system and monitors closely business opportunities that might qualify for in-licensing, acquisition or partnering, as described in the Annual Report 2006.

General business risks, as described in the 2006 Annual Report, continue to impact our projected financial performance. Currency effects, due to a disadvantageous exchange rate between US Dollar and UK Sterling, can be increasingly, but not completely, hedged by natural hedging through expenses for clinical trials in the USA. From our latest transactions we do not foresee any material warranty or future liability claims.

Specific business risks

Evotec's operating segments differ in their specific risk profiles, reflecting their different approaches to value creation within the pharmaceutical R&D sector.

Evotec's Pharmaceuticals Division

The Pharmaceuticals Division has delivered on its ambitious targets after successful completion of a first proof-of-concept study of our lead compound EVT201, which now increases the chances for successful partnering. However, the inherent risk of clinical development remains the most likely risk to business success in this division in the next six months and thereafter. Evotec strives to minimize this risk by through programme selection, development planning and through mitigation, given our intent to partner compounds after proof-of-concept is achieved. However, despite the excellent, early efficacy data shown with EVT 201, proceeds from out-licensing, targeted for 2008, might not be realised in the foreseen time-frame and/or might not be sufficient to cover Evotec's substantial expenditures on other internal discovery and development programmes.

This might potentially expose Evotec to reduced cash reserves and altered short-to-mid-term profitability. Similarly, the timely development of the Company's clinical assets and discovery projects might require additional, unbudgeted activities to optimise value generation. Evotec will constantly review the maintenance of financial reserves and will take adequate measures to keep defined minimum levels.

Evotec's Services Division

Evotec's service business is on track to deliver against its financial objectives in the short- to mid-term. In the first half year 2007, different parts of the business had to cope with currency and/or pricing pressures, originating from funding restrictions of some customers and from evolving and strengthening competition in individual drug discovery and development disciplines in low-cost countries. Initiatives, such as fragment-based drug discovery, offer a unique and innovative technology platform to differentiate from the competition. In return for creating downstream value through high value result-based deals, there are however, scientific or technical delivery risks in the shorter term, which can only be partly contained by high quality project work. Evotec's financial performance and particular the service business margins are thus exposed to the possible failure or delay of certain milestone payments due later this year. Due to the expected payment dates late in the financial year, there is a risk that certain milestone payments might not be realised in 2007.

Despite successful differentiation in certain business areas, overall cost containment will continuously be of great importance to remain competitive.

Concerning Evotec's business opportunities, the Company continues to invest in the development of its proprietary CNS pipeline and high-valued added collaborations and will report on its progress on a continuous basis. In this context, Evotec may achieve its targets earlier than anticipated and may also achieve additional unexpected value creation through substantial collaborations or new endeavours. According to our systematic approach to capture external business opportunities, extraordinary expenditures for scouting and evaluating these value-driving events can, however, unforeseeably increase spending levels in the second half of the year and thereafter.

C. Important events after the end of the first half of 2007

Library Joint Venture in India

According to our strategy to focus our capabilities on high value-added technology platforms, we have decided to transfer our library business to India. In a joint venture with Research Support International Limited (RSIL), Evotec-RSIL Ltd. (in foundation) offers the design, synthesis, management

and commercialisation of compound libraries at competitive prices for our customers.

CFO Dr Dirk Ehlers leaving Evotec to take on other responsibilities

After almost six years with Evotec, Dr Dirk H. Ehlers, Chief Financial Officer, decided to accept an offer for a general management position and will leave the Company at the end of August. Dr Ehlers will not receive any extraordinary compensation upon his departure. However, due to his long and valuable service to Evotec, the Company agreed to allow Dr Ehlers to retain 140,000 of the unvested options granted to him in the past. They continue to be valid until one year after vesting.

Number of options	Vesting date	Exercise price in EUR
10,000	19 Nov 2007	2.52 – 2.65
60,000	31Aug 2008	2.71
10,000	19 Nov 2008	2.52 – 2.65
60,000	8 Jun 2009	3.19

His current functional responsibilities will be taken up by Dr Klaus Maleck, Executive Vice President Finance.

D. Outlook

2007 financial targets confirmed and adjusted for separation of library business and currency effects

Evotec confirms its financial targets given in March and May 2007. However, these need to be adjusted for the contribution from the library synthesis business, which will be transferred into a JV with RSIL (consolidated at equity), and currency effects. 2006 revenues without library sales amounted to EUR 60.8 million (2006 revenues reported: EUR 67.4 million). Hence, 2007 revenue and operating profit expectations need to be reduced by approximately EUR 3 million when adjusted for chemical library sales (six months) and currency effects. 2007 revenues are now expected to be in the range of EUR 62 million to EUR 67million. This number includes success-based milestone payments which are planned for the end of the year. Including the above effects and the investments in the joint venture and the Combinature assets, the revised targeted year-end cash position is between EUR 50 million and EUR 55 million. Gross and operating margins in the next two years will be more volatile, also depending on milestone revenues, as described in more detail in the 2006 Annual Report. As communicated, the Company will continue to invest into the development of its proprietary pipeline and high-value research collaborations.

II. Interim Consolidated Financial Statements

Condensed consolidated statements of operations for the period from 1 January to 30 June according to IFRS

Evotec AG and Subsidiaries

Euro in thousands except share data and per share data	Continuing operations		Discontinued operations	Continuing operations
	01-06/2007	01-06/2006	01-06/2006	Δ in %
Revenue:				
– Drug discovery products & development of technologies	9	-	5,650	
– Drug discovery services	28,497	30,985	-	(8.0)
Total revenue	28,506	30,985	5,650	(8.0)
Costs of revenue:				
– Drug discovery products & development of technologies	4	-	2,518	
– Drug discovery services	22,114	20,709	-	6.8
Total costs of revenue	22,118	20,709	2,518	6.8
Gross profit	6,388	10,276	3,132	(37.8)
Operating costs and expenses:				
– Research and development expenses	16,445	15,085	1,735	9.0
– Selling, general and administrative expenses	10,600	9,213	2,570	15.1
– Amortisation of intangible assets	1,622	1,646	360	(1.5)
– Other operating expenses	864	889	-	(2.8)
– Other operating income	(886)	-	-	
Total operating costs and expenses	28,645	26,833	4,665	6.8
Operating income (loss)	(22,257)	(16,557)	(1,533)	(34.4)
Other non-operating income (expense):				
– Interest income	1,065	598	16	78.1
– Interest expense	(283)	(305)	-	(7.2)
– Other income from sale of subsidiaries	11,165	-	-	
– Other income from sale of investments	511	-	-	
– Foreign currency exchange gain (loss), net	(16)	376	(50)	(104.3)
– Other non-operating expense	(5)	(325)	(268)	(98.5)
– Other non-operating income	38	262	6,623	(85.5)
Total non-operating income (loss)	12,475	606	6,321	
Income (loss) before taxes and minority interests	(9,782)	(15,951)	4,788	38.7
Current tax income (expense)	(34)	(113)	(56)	69.9
Deferred tax benefit (expense)	(8)	5	-	(260.0)
Minority interests	-	-	-	-
Net income (loss)	(9,824)	(16,059)	4,732	38.8
Weighted average shares outstanding	69,755,846	64,639,776	64,639,776	
Net income (loss) per share	(0.14)	(0.25)	0.07	

Condensed consolidated statements of operations for the period from 1 April to 30 June according to IFRS
Evotec AG and Subsidiaries

Euro in thousands except share data and per share data	Continuing		Discontinued	Continuing
	operations	operations	operations	operations
	04-06/2007	04-06/2006	04-06/2006	Δ in %
Revenue:				
– Drug discovery products & development of technologies	-	-	3,630	
– Drug discovery services	13,390	15,203	-	(11.9)
Total revenue	13,390	15,203	3,630	(11.9)
Costs of revenue:				
– Drug discovery products & development of technologies	-	-	1,634	
– Drug discovery services	11,097	10,806	-	2.7
Total costs of revenue	11,097	10,806	1,634	2.7
Gross profit	2,293	4,397	1,996	(47.9)
Operating costs and expenses:				
– Research and development expenses	9,019	6,420	519	40.5
– Selling, general and administrative expenses	5,714	4,205	1,318	35.9
– Amortisation of intangible assets	817	830	185	(1.6)
– Other operating expenses	426	398	-	7.0
– Other operating income	(439)	-	-	
Total operating costs and expenses	15,537	11,853	2,022	31.1
Operating income (loss)	(13,244)	(7,456)	(26)	(77.6)
Other non-operating income (expense):				
– Interest income	639	301	14	112.3
– Interest expense	(186)	(108)	-	72.2
– Other income from sale of subsidiaries	-	-	-	
– Other income from sale of investments	511	-	-	
– Foreign currency exchange gain (loss), net	(219)	195	(11)	(212.3)
– Other non-operating expense	(5)	(325)	(268)	(98.5)
– Other non-operating income	4	207	6,606	(98.1)
Total non-operating income (loss)	744	270	6,341	175.6
Income (loss) before taxes and minority interests	(12,500)	(7,186)	6,315	(73.9)
Current tax income (expense)	(30)	(55)	(50)	45.5
Deferred tax benefit (expense)	(8)	9	-	(188.9)
Minority interests	-	-	-	-
Net income (loss)	(12,538)	(7,232)	6,265	(73.4)
Weighted average shares outstanding	71,414,444	66,520,128	66,520,128	
Net income (loss) per share	(0.18)	(0.11)	0.09	

Condensed consolidated balance sheets according to IFRS Evotec AG and Subsidiaries

Euro in thousands	30/06/2007	31/12/2006	Δ in %
Assets			
Current assets:			
– Cash and cash equivalents	72,366	78,723	(8.1)
– Trade accounts receivable	10,082	6,189	62.9
– Accounts receivable due from related parties	1,041	454	129.3
– Inventories	5,296	4,782	10.7
– Current tax receivables	1,199	1,127	6.4
– Prepaid expenses and other current assets	10,049	3,115	222.6
Total current assets	100,033	94,390	6.0
Non-current assets:			
Long-term investments	-	-	-
Property, plant and equipment	34,821	34,669	0.4
Intangible assets, excluding goodwill	3,076	4,461	(31.0)
Goodwill	49,876	50,541	(1.3)
Other non-current financial assets	58	56	3.6
Convertible Bonds	8	-	-
Other non-current assets	-	1,980	(100.0)
Total non-current assets	87,839	91,707	(4.2)
Assets classified as held for sale	-	19,429	(100.0)
Total assets	187,872	205,526	(8.6)
Liabilities and stockholders' equity			
Current liabilities:			
– Current maturities of long-term loans	1,887	2,586	(27.0)
– Current portion of finance lease obligations	1,049	1,197	(12.4)
– Trade accounts payable	16,261	11,480	41.6
– Accounts payable to related parties	33	4	725.0
– Advanced payments received	44	413	(89.3)
– Provisions	5,156	5,232	(1.5)
– Deferred revenues	2,963	2,975	(0.4)
– Current tax payables	-	-	-
– Other current liabilities	1,822	24,553	(92.6)
Total current liabilities	29,215	48,440	(39.7)
Non-current liabilities:			
Long-term loans	5,378	6,296	(14.6)
Long-term finance lease obligations	1,377	1,827	(24.6)
Deferred revenues	1,016	1,119	(9.2)
Provisions	1,690	1,653	2.2

Other non-current liabilities	-	1,980	(100.0)
Total non-current liabilities	9,461	12,875	(26.5)
Liabilities classified as held for sale	-	7,035	(100.0)
Stockholders' equity:			
- Share capital	73,868	68,079	8.5
- Treasury shares	(93)	(83)	12.0
- Additional paid-in capital	626,081	610,071	2.6
- Reserve	(33,960)	(34,009)	(0.1)
- Retained deficit	(516,700)	(506,876)	1.9
- Minority interests	-	(6)	(100.0)
Total stockholders' equity	149,196	137,176	8.8
Total liabilities and stockholders' equity	187,872	205,526	(8.6)

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

Euro in thousands	30/06/2007	30/06/2006
Cash flows from operating activities:		
– Net income (loss)	(9,824)	(16,059)
– Adjustments to reconcile net income (loss) to net cash used in operating activities	(6,550)	5,330
– Change in assets and liabilities	(2,999)	(3,887)
– Transactions with discontinued operations	-	3,156
Net cash used in operating activities	(19,373)	(11,460)
Cash flows from investing activities:		
– Purchase of long-term investments	(695)	-
– Purchase of property, plant and equipment	(2,893)	(1,185)
– Purchase of intangible assets	(238)	-
– Cash acquired	18,915	-
– Proceeds from sale of investments in affiliated companies	500	-
Net cash used in investing activities	15,589	(1,185)
Cash flows from financing activities:		
– Proceeds from capital increase	147	18,708
– Transaction costs	-	(727)
– Proceeds from increase of loans	-	8,077
– Purchase of own stock	(59)	(83)
– Repayment of loans	(2,223)	(6,790)
Net cash used in financing activities	(2,135)	19,185
Net decrease in cash and cash equivalents	(5,919)	6,540
– Exchange rate difference	(438)	(130)
– Cash and cash equivalents at beginning of year	78,723	52,185
Cash and cash equivalents at end of first half year	72,366	58,595

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 interests	Total Stockholders' equity
	Shares	Amount				Foreign currency translation				
Balance at 1 January 2006	62,759,424	62,759	596,525	-	(1,622)	(35,856)	1,271	(474,408)	-	148,669
Capital increase	5,228,701	5,229	12,606	-	-	-	-	-	-	17,835
Capital increase (stock option)	64,889	65	81	-	-	-	-	-	-	146
Stock option plan	-	-	677	-	(198)	-	-	-	-	479
Purchase of treasury stock	-	-	-	(83)	-	-	-	-	-	(83)
Minority interests	-	-	-	-	-	-	-	-	-	-
Income and expense recognised directly in equity										
- Foreign currency translation	-	-	-	-	-	(479)	-	-	-	(479)
- Revaluation	-	-	-	-	-	-	-	-	-	-
- Net loss	-	-	-	-	-	-	-	(11,328)	-	(11,328)
Total income and expense recognised directly in equity										(11,807)
Balance at 30 June 2006	68,053,014	68,053	609,889	(83)	(1,820)	(36,335)	1,271	(485,736)	-	155,239
Balance at 1 January 2007	68,078,819	68,079	610,071	(83)	(1,312)	(33,934)	1,237	(506,876)	(6)	137,176
Capital increase	5,726,012	5,726	15,403	-	-	-	-	-	-	21,129
Capital increase (stock option)	63,216	63	78	-	-	-	-	-	-	141
Stock option plan	-	-	529	-	(126)	-	-	-	-	403
Purchase of treasury stock	-	-	-	(59)	-	-	-	-	-	(59)
Transfer of treasury stock	-	-	-	49	-	-	-	-	-	49
Minority interests	-	-	-	-	-	-	-	-	6	6
Income and expense recognised directly in equity										
- Foreign currency translation	-	-	-	-	-	205	-	-	-	205
- Revaluation	-	-	-	-	-	-	(30)	-	-	(30)
- Net income	-	-	-	-	-	-	-	(9,824)	-	(9,824)
Total income and expense recognised directly in equity										(9,649)
Balance at 30 June 2007	73,868,047	73,868	626,081	(93)	(1,438)	(33,729)	1,207	(516,700)	-	149,196

Notes to the interim consolidated financial statements for the period ended 30 June 2007

1. Basis of presentation

The accompanying unaudited and unreviewed consolidated financial statements of Evotec have been prepared in accordance with International Financial Reporting Standards (IFRS) according to Section 315a HGB in conjunction with IAS 34. 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 interim consolidated financial statements do not include all of the information and footnotes required under IFRS for complete financial statements according to IAS 1. As a result, these interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2006 (2006 Annual Report).

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

2. Basis of consolidation

The basis of consolidation changed. Following the divestment of Evotec Technologies GmbH (ET), all numbers reported since 1 January 2007 exclude the results of ET. As of 01 April 2007, Evotec also acquired 100% shares in Neuro3d S.A. which was fully consolidated from this date onwards. Therefore the year-to-date financial statements 2006 and 2007 are not fully comparable. The presentation of the H1 2006 comparisons is changed such that it shows continuing and discontinued operations accordingly.

3. Basis of estimation

In the H1 2007 the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2006. No material alterations of estimations were recorded in the first six months 2007.

4. Acquisition

The Company acquired in a share-for-share deal 100% of shares in Neuro3d S.A., Mulhouse, France a company working in the field of drug discovery and development in CNS. This acquisition was effective as of 1 April 2007. Evotec issued 5,726,012 shares to acquire those shares. The purchase price was allocated to assets and liabilities acquired. The following pro forma information is based on the scenario where the investment in Neuro3d occurred as of 1 January 2006:

	Continuing operations	
Euro in thousands	01-06/2007	01-06/2006
Pro forma revenues	33,674	30,985
Pro forma net loss	5,820	20,195

The pre-acquisition carrying amounts of Neuro3d, which equal the recognised amounts as of the date of the acquisition, for total assets were T€ 22,799 including cash in the amount of T€ 18,915, and the total liabilities were T€ 1,059. Fair value adjustments have been booked for potential future adjustments in context of the Neuro3d acquisition in the amount of T€ 711 as well as an amount of T€ 100 for proprietary assays and know-how shown in R&D due to the early stage of those projects. The basis for calculating the purchase price of Neuro3d was the stock price of Evotec 20 days before signing. The net loss of Evotec starting from the date of the acquisition included a net loss of T€ 32 from Neuro3d.

5. Trade accounts receivables

The increase of trade accounts receivables as of 30 June 2007 in comparison to year-end 2006 is due to a very low level at year-end 2006 and to an exceptional accumulation of outstanding balances as of 30 June 2007.

6. Prepaid expenses and other current assets

The prepaid expenses and other current assets include as of 30 June 2007 an amount of T€ 3,166 for research and development tax credits in France from the acquisition of Neuro3d as well as T€ 1,980 for the portion of the purchase price in escrow for the sale of Evotec Technologies GmbH, which was shown under other non-current assets at 31 December 2006.

7. Long-term investments

With effective date 31 May 2007, Evotec sold its interest in DIREVO Biotech AG which was accounted for under the equity method of accounting. This sale resulted in other income from the sale of investments in the amount of T€ 511.

8. Property, plant and equipment and intangible assets

The main additions in the first half year ending 30 June 2007 relate to assets acquired in the nuclear magnetic resonance (NMR) field from Combinature Biopharm AG with effective date 1 June 2007, amounting to T€ 733 for machinery and equipment, T€ 147 for laboratory equipment and T€ 238 for intangible assets.

9. Trade accounts payables

The increase of trade accounts payables as of 30 June 2007 in comparison to year end is mainly due to the increased activities of the Pharmaceutical Division in the field of clinical trials and longer payment periods.

10. Other current liabilities

Due to the sale of Evotec Technologies GmbH being effective 1 January 2007, the other current liabilities decreased by the purchase price received before year end (T€ 22,167).

11. Income taxes

Income taxes were calculated at 30 June 2007 using the expected weighted average tax rates for the year 2007. As at 30 June 2007, Evotec recorded additional valuation allowances with respect to tax benefits of tax losses carried forward.

12. Stock options programme

In H1, 475,000 options were granted and 63,216 options were exercised. As of 30 June 2007, the total number of options available for future exercise amounted to 3,954,961 (approximately 5% of shares in issue). Options have been accounted for under IFRS 2 using the fair value method at the measurement date.

13. Segment information

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. Segmentation is based on the same basis as those used for the consolidated financial statements for the year ended 31 December 2006.

The following represents segment data of the Company's primary segments for the interim period ended 30 June 2007:

Euro in thousands	Pharmaceuticals Division	Services Division	Not allocated	Total
Revenue:				
– Drug discovery products & development of technologies	-	9	-	9
– Drug discovery services	536	27,999	(38)	28,497
Total revenue	536	28,008	(38)	28,506
– Costs of revenue	18	22,124	(24)	22,118
Gross Profit	518	5,884	(14)	6,388
– Research and development expenses	15,794	666	(15)	16,445
– Selling, general and administrative expenses	3,328	7,300	(28)	10,600
– Amortisation of intangible assets	1,594	28	-	1,622
– Other operating expenses	570	294	-	864
– Other operating income	(585)	(301)	-	(886)
Operating income (loss)	(20,183)	(2,103)	29	(22,257)
– Interest income	-	-	1,065	1,065
– Interest expense	-	-	(283)	(283)
– Other income from sale of subsidiaries	-	-	11,165	11,165
– Other income from sale of investments	-	-	511	511
– Foreign currency exchange gain (loss)	-	-	(16)	(16)
– Other non-operating expense	(5)	-	-	(5)
– Other non-operating income	247	24	(233)	38
Net income (loss) before taxes and minorities	(19,941)	(2,079)	12,238	(9,782)
– Total assets	9,152	126,617	52,103	187,872
– Total liabilities	12,697	20,312	5,667	38,676
– Capital expenditures	494	2,641	-	3,135
– Depreciation	248	2,834	(1)	3,081

The following represents segment data of the Company's primary segments for the interim period ended 30 June 2006:

Euro in thousands	Pharmaceuticals Division	Services Division	Discontinued operations (Tools and Technologies)	Not allocated	Total
Revenue:					
- Drug discovery products & development of technologies	-	-	6,066	(416)	5,650
- Drug discovery services	905	30,114	-	(34)	30,985
Total revenue	905	30,114	6,066	(450)	36,635
- Costs of revenue	359	20,487	2,695	(314)	23,227
Gross Profit	546	9,627	3,371	(136)	13,408
- Research and development expenses	13,673	1,364	2,002	(218)	16,821
- Selling, general and administrative expenses	2,032	7,062	2,782	(94)	11,782
- Amortisation of intangible assets	1,594	52	735	(375)	2,006
- Impairment of goodwill	-	-	-	-	-
- Other operating expenses	-	889	-	-	889
Operating income (loss)	(16,753)	260	(2,148)	551	(18,090)
- Interest income	-	-	16	598	614
- Interest expense	-	-	(563)	257	(306)
- Foreign currency exchange gain (loss)	-	-	(51)	377	326
- Other non-operating income	113	244	6,693	(165)	6,885
- Other non-operating expense	-	-	(593)	-	(593)
Net loss before taxes and minorities	(16,640)	504	3,354	1,618	(11,164)
- Total assets	7,382	104,993	25,042	58,924	196,341
- Total liabilities	4,459	14,741	25,551	(3,649)	41,102
- Capital expenditures	291	869	807	-	1,967
- Depreciation	163	3,027	466	(29)	3,627

A detailed analysis of segment data as well as a description of material changes to prior year's profit and loss statement, including the Company's development in the interim period is given in the interim management report.

14. Material related party transactions

During the first six months of 2007, the Company recorded material related party transactions with Astex Therapeutics Ltd, Cambridge, UK of which Dr Peter Fellner, member of Evotec's Supervisory Board, is Non-Executive Chairman of the Board of Directors. Related revenues for the first half of 2007 amounted to T€ 542 and accounts receivable as of 30 June 2007 amounted to T€ 213. Dr Peter Fellner is also Non-Executive Member of the Board of Directors of UCB SA. Related revenues for the first six months amounted to T€ 140 and accounts receivable as of 30 June 2007 amounted to T€ 140. He is also Executive Chairman of Vernalis plc with whom the Company entered into a service agreement in the ordinary course of business. Related revenues in the first six months 2007 amounted to T€ 739, accounts receivable as of 30 June 2007 amounted to T€ 679.

Dr William J Jenkins, also member of Evotec's Supervisory Board, is Non-Executive Member of the Board of Directors of BTG plc., London. Related revenues for the first half of 2007 amounted to T€ 349. The accounts receivables as of 30 June 2007 amounted to T€ 9.

15. Shareholdings of the Boards of Evotec AG

	Number of shares	Share options
Management Board		
Joern Aldag	298,056	602,600
Dr Dirk H. Ehlers	4,540	231,500
Supervisory Board		
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

30 June 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 30 June 2007.

III. Claim of the Executive Board Members

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.”

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.