Evotec AG, Second Quarter Report 2005

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Dear Shareholders,

Q2 2005 has shown a further improvement of order book revenues and our cost structure. The key achievements which we wish to highlight are:

- Group revenues are 9% higher compared to the same quarter last year; in our Services Division they are 6% higher.
- Q2 operating income before amortisation for the Services Division was slightly positive; we continue to expect the services business to be cash generative in 2005 to support our internal programmes.
- We have made significant progress integrating our subsidiaries Evotec Neurosciences (ENS) and ProPharma; in this context we were able to write off EUR 17.9 million in-process R&D from the acquisition of ENS. This accounting treatment of intangible assets is in line with industry practice and adequately reflects the risks inherent in early drug discovery.
- Our pre-clinical projects from the subtype selective NMDA receptor family of compounds continue to be on track for the entry of the first compound into man by the end of this year.

Following the acquisition of ENS and the implementation of our strategy to focus increasingly on internal drug development, we introduced three key drivers for our future success in our first quarter report 2005. These are: the development of a CNS-related (central nervous system) pipeline, excellence in customer relations and cash generation from Services to support proprietary research. In the second quarter, we have maintained our focus and made significant progress in each of these areas. To make our achievements and their impact transparent to our investors we will continue to report our progress against these value drivers in this quarterly report.

1. Development of a sustainable CNS-related pipeline

The main value driver for Evotec is the development of a sustainable pipeline of drug candidates in CNS-related diseases. In order to be able to build a sustainable pipeline and to develop compounds through to proof-of-concept in man it is important to have sufficient financial resources to run several projects in parallel in order to cope with attrition. In addition, one requires the necessary skills and resources to develop successfully and expand the pipeline. On both fronts, Evotec made substantial progress during the quarter.

Our achievements include:

ENS fully consolidated from 26 May 2005, Company and division names adjusted accordingly

On 26 May 2005, Evotec Neurosciences (ENS) shares and control were transferred to Evotec. As a result, all numbers reported today for the first half year 2005 include the results of ENS fully consolidated in the Evotec group accounts from this date onwards.
Following the ENS integration we wanted to have a "new" name which stands for both important parts of our business. We therefore decided to change the Company's name from Evotec OAI AG to Evotec AG. At the same time, the segment definitions were revised to more clearly describe the relevant business focus of each division. As a result of this we now show all internal discovery and development activities totally separated from those performed for our customers under a service contract, resulting in a simplified segment reporting with less inter-segment business. Going forward, "Discovery and Development Services" will be called "Services Division" and the "Discovery Programs Division" has been renamed "Pharmaceuticals Division".

EUR 28.4 million raised in a capital increase to fuel pipeline expansion

Together with the acquisition of ENS, Evotec announced in March that it intended to raise additional cash via a PIPE transaction (Private Investment in a Public Entity) in order to provide funds to advance and expand its proprietary pipeline of drug candidates. This capital increase, with pre-emption rights for Evotec's existing shareholders, was authorised at the Company's AGM on 7 June 2005 and, on 24 June, 10,457,402 new Evotec shares were issued for cash. The shares were issued at the fixed price of EUR 2.72 per share, securing proceeds of EUR 28.4 million. The Company now has cash resources of almost EUR 60 million.

Drug development and CNS expertise added through appointment of Dr Tim Tasker

With the appointment of Dr Tim Tasker as Executive Vice President Clinical Development and member of the Executive Committee we have also strengthened our management team in an area which is one of the most important in building a sustainable CNS focused pipeline.

Dr Tim Tasker joined Evotec with effect from 11 July 2005 to lead our clinical development activities. He is an MD by training and brings more than 23 years of global clinical development and business expertise to the Company from his time at Beecham, SmithKline Beecham (SB) and GlaxoSmithKline (GSK). He is an ideal candidate for this position as his qualification and experience ideally fit in the strategic focus of our Company. During his career Dr Tim Tasker has gained deep drug development expertise at all stages. He has a strong background in clinical pharmacology and a particular ability in early development to proof-of-concept in man (Phase I, Phase IIa and Clinical Pharmacology Programmes), the phase of drug development in which Evotec is most actively involved. In addition, as a key member of GSK's Neurosciences Therapeutic Area Team he has gained a deep insight into and understanding of CNS-related diseases – our therapeutic area of focus.

Supervisory Board restructured to support implementation of drug development strategy

In the second quarter of 2005, we also restructured our Supervisory Board. The Company's Annual General Meeting (AGM) on 7 June 2005 elected Dr Hubert Birner, Dr Peter Fellner and Dr Alfred Oberholz to the Supervisory Board, replacing Dr Karsten Henco, Dr Edwin Moses and Dr Pol Bamelis, and confirmed the appointment of Mary Tanner. The new members will support Evotec in building a drug discovery and development company with a sustainable pipeline of CNS-related drug candidates.

Lead compound EVT 101 on track to enter Phase I by year end

During the second quarter, preclinical studies for our lead compound EVT 101 (formerly ENS 101), the oral NR2B subtype selective NMDA receptor antagonist, progressed as anticipated. GMP material for the forthcoming clinical studies has been prepared by our Services Division. The Phase I clinical plan and timings have been agreed and the project is on course to enter Phase I clinical trials before year end.

2. Excellence in customer relations

Services Business reports continued growth: +18% over H1 2004

The close relationships with our customers and our efforts to nurture our partnerships continued to be fruitful in the second quarter of 2005. Services revenues for the first half of the year grew by 18% over the same period in 2004. Based on current sales and orders we remain confident of achieving our 2005 guidance figures.

Chemical and Pharmaceutical Development again outstanding; ProPharma doubling sales over 2004

As in the first quarter, the performance in Chemical and Pharmaceutical Development Services has been particularly strong. Growth to date has been seen across all product lines. Highlights in the second quarter include:
- Formulation business ProPharma more than doubled sales in the first half of 2005 compared to 2004.
- Pilot plant revenues have grown significantly over Q1 2005.
- New agreements signed for custom preparations with Allergan, Astex, OxiGene and Serono and for process research and development with UCB.

Several extensions signed and new partners won: Procter & Gamble and Almirall

In terms of new business won, we have signed a number of additional collaborations in the second quarter within Discovery Services.
In addition, extensions in Discovery Services were forthcoming from companies including **Chroma Therapeutics, Elixir** and other US and European biotechnology companies. Most notably, on 13 April, we announced the 12 month extension of our large, global medicinal chemistry agreement with **Roche**.
Two substantial new contracts were signed in June. Evotec entered into a long-term focused library agreement with the Spanish pharmaceutical company **Almirall**. Evotec will design and synthesise for Almirall several thousand drug-like compounds across a wide range of chemical templates for Almirall's pharmaceutical screening and medicinal chemistry programmes. The value is in excess of EUR 2.5 million over the two-year contract period. In addition, **Procter & Gamble Pharmaceuticals, Inc**. (P&GP), a subsidiary of The Procter & Gamble Company entered into several agreements whereby Evotec will provide pharmaceutical discovery and chemical development services to P&GP. This is a broad and truly integrated relationship that involves many disciplines of pharmaceutical discovery. Under the terms of the agreements, P&GP will access a wide range of discovery and preclinical expertise offered by Evotec, ranging from assay development, screening, medicinal and computational chemistry to scale-up and pharmaceutical manufacture.

3. Cash generation from Services to support proprietary research

In addition to building a continuous revenue stream through strong customer interaction it is paramount for us to strive for maximum operational efficiency. This allows us to generate cash in our Services Business to support our proprietary development activities - the third important value driver for Evotec.

Operating costs in Services continued to improve;
Q2 operating result before amortisation positive

In the first half of 2005, we implemented significant cost savings in our Services business. These included reductions in Cost of Goods Sold, SG&A and platform R&D.
Operating income in this division continued to improve strongly over last year. Excluding amortisation charges it was positive for the second quarter of 2005 (EUR 0.4 million). We are on track to reach the cost reductions we planned for 2005.

Strong Q2 gross margins due to first milestone in Boehringer Ingelheim collaboration

In less than one year after the start of the three-year research collaboration between Boehringer Ingelheim and Evotec on selected GPCRs, the first project milestone has been successfully achieved. Under the terms of the drug discovery collaboration, Evotec received a milestone payment from Boehringer Ingelheim. The payment was granted for the identification of a number of lead series for a priority target of this collaboration. Further projects within the multi-target collaboration are progressing on schedule.
Such higher-valued, outcome-based contracts have a dilutive effect on our margins for the first phase of the collaboration. Through the achievement of pre-clinical project milestones such as the one announced in this quarter, however, they allow for significantly better average gross margins over the contract period. In addition, they provide significant upside through clinical milestones and potential royalties.

Intense quarter in terms of Investor Relations

Following the announcement of the ENS acquisition in March, we have invested significant time and effort in the second quarter to communicate the rational of our strategy, our achievements and future plans to capital markets worldwide. We have since participated in 13 conferences and 7 road shows, seeing more than 50 analysts and investors.

The next presentation after the summer break will be:
- 2005 UBS Global Life Sciences Conference, New York, September 26-29.

Financial Report

Following the acquisition of Evotec Neurosciences (ENS) by Evotec, and after the transfer of shares and control on 26 May 2005, all numbers reported today for the first half year of 2005 include the results of ENS fully consolidated in the Evotec group accounts from 26 May onwards. For the period before this date they are included as a net loss from equity investments under non-operating expenses.

Revenues increased by 9%, Services Division: +18%

Evotec **revenues** for the first half 2005 increased by 9% to EUR 34.3 million (2004: EUR 31.3 million).

Growth was driven by a continued strong sales performance in our **Services Division** in the second quarter of 2005. For the first six months of 2005, revenues increased by 18% to EUR 28.9 million (2004: EUR 24.5 million). Sales improved over last year across all product lines. Growth was particularly strong in Chemical and Pharmaceutical Development Services with the formulation business (ProPharma) more than doubling sales over the first half year of 2004.

In the second quarter of 2005, revenues of EUR 0.5 million were recognised in our **Pharmaceuticals Division.** They include revenues Evotec generated with Takeda following the consolidation of ENS since 26 May. As such revenues are not equally distributed over the year pro-rata sales generated may be lower for the rest of the year.
In 2004, ENS revenues from the target discovery collaboration with Takeda were consolidated for the entire first quarter which resulted in H1 2004 revenues in the Pharmaceuticals Division of EUR 0.9 million.

For the first half 2005, third party revenues in our **Tools and Technologies Division (Evotec Technologies)** were EUR 4.9 million (2004: EUR 5.9 million). Following the recent launch of a new release of the cell imager Opera™, significant sales in cell handling technologies have been postponed. We expect to catch up until year end.

Operating cost structure continues positive trend, significant margin improvement from Services over Q2 2004 and Q1 2005

Cost of revenue for the first six months of 2005 was EUR 22.2 million (2004: EUR 20.2 million). This translates into a gross margin of 35.3%, stabilising compared to the same period in 2004 (35.6%). For the second quarter alone, gross margin was 37.2%. This is a significant improvement over Q1 2005 (33.2%) and over Q2 last year (34.1%).
The relatively strong Q2 gross margin can be attributed to a significant milestone which was achieved from our collaboration with Boehringer Ingelheim, and to increased margins from manufacturing programmes. Gross margins in our Tools and Technologies Division (Evotec Technologies) continued to be strong at 56.2%.

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R&D expenditure decreased by 30% to EUR 5.0 million for the first six months (2004: EUR 7.1 million). As in previous periods, this does not include R&D conducted in our joint venture with DeveloGen. Following up on the developments seen in Q1, the decline of group R&D is mainly a result of significantly reduced R&D in our Services Division as our fully integrated platform only requires a lower level of investment going forward. R&D for our internal programmes has not yet increased.
For the Evotec group R&D expenses are expected to increase for the full year of 2005 due to higher investments in proprietary CNS research and development as well as the renewed full consolidation of ENS from 26 May 2005 onwards.
Expenses for research activities directed towards our Metabolic Disease discovery programme in the joint venture with DeveloGen amounted to EUR 1.0 million (2004: EUR 1.4 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 half of 2005 decreased by 4% to EUR 10.0 million (2004: EUR 10.4 million). The decline is a result of diligent cost control including the restructuring of our IT department and sales and marketing management. In the second quarter, these savings have been masked mainly by one-off payments associated with the capital increase and share registrations. In addition, compared to Q1 2005, SG&A expenses originating from Evotec Neurosciences were consolidated for the period between 26 May and 30 June.
These costs have not impacted our Services Division, which in addition to cost savings benefited from lower adjusted allocation of corporate overhead cost. With increased emphasis on proprietary drug development, a higher portion of corporate overhead costs is now attributed to the Pharmaceuticals Division.

Financial results: Operating result before amortisation improved by 52%

Operating result excluding amortisation charges continued to improve in the second quarter, over both Q2 2004 and Q1 2005. For the full first half year it improved by 52% to EUR (4.0) million (2004: EUR (8.3) million). This significant improvement mainly results from continued growth, more favourable product mix and cost reductions in our Services business. The latter includes in particular reduced platform R&D expenses, as well as lower other operating expenses following the asset impairments in Q4 2004 and a higher expected pilot plant utilisation compared to 2004. The remaining other operating expenses reflect the cost associated with capacity which was planned not to be utilised in the period. Together with lower SG&A in the Services business, results from operations excluding amortisation charges in this division reached almost break-even for the first

half 2005 (EUR (0.1) million) and were positive (EUR 0.4 million) for the second quarter (see segment report).
The **operating result including amortisation charges** amounted to EUR (27.2) million (2004: EUR (13.4) million). We amortised acquired internal R&D projects of ENS through a one time write-off charge amounting to EUR 17.9 million. This accounting treatment of intangible assets from the ENS acquisition is in line with industry practice and adequately reflects the risks inherent in early drug discovery, in particular pre-clinical R&D and concept studies. Including linear amortisation from historically acquired intangible assets, total amortisation was EUR 23.2 million.

Net loss amounted to EUR 28.1 million (2004: EUR 11.8 million), in line with extraordinary amortisation charges exceeding operating cost savings. In addition, we accounted for a foreign exchange loss of EUR 1.2 million. This is mainly cash neutral and a result of the valuation of US-Dollar forward and option contracts at the balance sheet date, a loss which may or may not crystallise within the following months dependent upon the movements of foreign exchange markets.
Net loss before amortisation charges improved by 27% to EUR 4.9 million (2004: EUR 6.7 million).
Net loss per share for the first half of 2005 was EUR 0.68 (2004: EUR 0.33).
Net income tax benefits amounted to EUR 1.9 million. Deferred tax benefits in the UK (EUR 0.3 million) added to deferred tax benefits from the amortisation of acquisition-related non-goodwill intangible assets (EUR 1.6 million).

Earnings before interest and taxes, depreciation and amortisation (**EBITDA**) for the first half of 2005 improved by 41% to EUR (2.4) million (2004: EUR (4.1) million).

Segment reporting

It is important to note, that Evotec changed the composition of its segments due to the implementation of its strategy of more rapidly growing internal drug discovery and development. The changed composition of segments impacts on the Services Division (formerly: Discovery and Development Services) and the Pharmaceuticals Division (formerly: Discovery Programs Division). The Tools and Technologies segment is unchanged.
Under the new composition of segments the Services Division comprises only business transactions relating to third party contract research (only excluding ENS target identification and target validation projects). As a consequence, the Services Division no longer has intra-group revenues and associated costs with the Pharmaceuticals Division. Therefore the research and development expenses of the Pharmaceuticals Division declined, mainly by the former intra-group margins shown with the previous

composition of segments. This new composition of segments does not effect the overall Company's accounting principles.

All numbers reported in the segments today for the first and second quarter 2005 and 2004 have been restated accordingly. Restated segment numbers for the third and fourth quarter 2004 will be made available on the Company's website by the end of August.

Evotec Neurosciences' income statement is included from 26 May 2005 onwards and allocated to both Services and Pharmaceuticals Divisions.

Segment reporting

Services Division

Euro in thousands	**01-06/2005**	**01-06/2004**	Δ in %
Total revenue	28,969	24,685	17.4
– Thereof 3rd party	28,908	24,521	17.9
Gross profit	9,233	7,628	21.0
Gross margin	31.9%	30.9%	
- Research and development expenses	1,929	4,079	(52.7)
- Selling, general and administrative expenses	6,231	7,648	(18.5)
- Amortisation of intangible assets	4,894	4,966	(1.4)
- Other operating expenses	1,127	1,922	(41.4)
Operating income (loss)	(4,948)	(10,987)	55.0
Operating income (loss) before amortisation and impairment	(54)	(6,021)	99.1

Euro in thousands	**04-06/2005**	**04-06/2004**	Δ in %
Total revenue	15,409	14,622	5.4
– Thereof 3rd party	15,366	14,525	5.8
Gross profit	5,300	4,412	20.1
Gross margin	34.4%	30.2%	
- Research and development expenses	1,080	1,690	(36.1)
- Selling, general and administrative expenses	3,261	4,296	(24.1)
- Amortisation of intangible assets	2,474	2,508	(1.4)
- Other operating expenses	570	976	(41.6)
Operating income (loss)	(2,085)	(5,058)	58.8
Operating income (loss) before amortisation and impairment	389	(2,550)	115.3

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Pharmaceuticals Division

Euro in thousands	**01-06/2005**	**01-06/2004**	∆ in %
Total revenue	451	927	(51.3)
– Thereof 3rd party	451	925	(51.2)
Gross profit	149	348	(57.2)
Gross margin	33.0%	37.6%	
- Research and development expenses	400	732	(45.4)
- Selling, general and administrative expenses	1,725	933	84.9
- Amortisation of intangible assets	18,155	70	-
- Other operating expenses	-	-	-
Operating income (loss)	(20,131)	(1,387)	-
Operating income (loss) before amortisation and impairment	(1,976)	(1,317)	(50.0)

Euro in thousands	**04-06/2005**	**04-06/2004**	∆ in %
Total revenue	451	-	100
– Thereof 3rd party	451	-	100
Gross profit	149	-	100
Gross margin	33.0%	-	
- Research and development expenses	381	539	(29.3)
- Selling, general and administrative expenses	1,140	262	335.1
- Amortisation of intangible assets	18,155	11	-
- Other operating expenses	-	-	-
Operating income (loss)	(19,527)	(812)	-
Operating income (loss) before amortisation and impairment	(1,372)	(801)	(71.3)

Tools and Technologies

Euro in thousands	**01-06/2005**	**01-06/2004**	∆ in %
Total revenue	5,581	6,836	(18.4)
– Thereof 3rd party	4,922	5,895	(16.5)
Gross profit	3,135	3,870	(19.0)
Gross margin	56.2%	56.6%	
- Research and development expenses	3,235	3,044	6.3
- Selling, general and administrative expenses	2,179	1,922	13.4
- Amortisation of intangible assets	570	404	41.1
- Other operating expenses	-	-	-
Operating income (loss)	(2,849)	(1,500)	(89.9)
Operating income (loss) before amortisation and impairment	(2,279)	(1,096)	(107.9)

Euro in thousands	**04-06/2005**	**04-06/2004**	∆ in %
Total revenue	3,152	3,234	(2.5)
– Thereof 3rd party	2,612	2,455	6.4
Gross profit	1,741	1,932	(9.9)
Gross margin	55.2%	59.7%	
- Research and development expenses	1,483	1,475	0.5
- Selling, general and administrative expenses	1,167	883	32.2
- Amortisation of intangible assets	287	203	41.4
- Other operating expenses	-	-	-
Operating income (loss)	(1,196)	(629)	(90.1)
Operating income (loss) before amortisation and impairment	(909)	(426)	(113.4)

Capital expenditure and asset acquisition

In the first half of 2005 Evotec invested EUR 3.6 million in cash in fixed assets (2004: EUR 1.3 million). The majority of this investment was made into new facilities of our fast growing subsidiary ProPharma in Scotland and upgrades of our screening facility in Hamburg. In addition, Evotec Technologies acquired intangible assets to the amount of EUR 1.9 million. They mainly comprise developed technologies and new customer contracts from the acquisition of the uHTS business of Carl Zeiss in the first quarter.

The acquisition of ENS and the resulting increase of assets and liabilities arise from a share for share transaction. They comprise EUR 0.6 million of fixed assets and EUR 26.5 million of intangible assets. Of those intangible assets EUR 17.9 have been immediately written off and EUR 0.3 million amortised. Future regular amortisation charges will be offset partially by associated EUR 2.8 million deferred tax benefits.

Cash flow and cash equivalents

Cash flow from operating activities for the first half of 2005 was EUR (0.1) million (2004: EUR (4.8) million). The improvement was influenced strongly by the increased operating result before amortisation charges and a reduction in working capital.
Trade accounts receivable decreased from the high December level (EUR 15.7 million) to EUR 11.3 million, while trade accounts payable increased by EUR 4.1 million to EUR 8.9 million mainly due to period end effects and full year invoices payable in several instalments. In addition, parts of the assets acquired from Zeiss by Evotec Technologies are due to be paid in the second half of 2005. Total inventories increased since December, by EUR 5.3 million to EUR 15.3 million. The effect includes (i) an increase in inventories in our Services Division following a strong December business which resulted in a low inventory level at year end, and (ii) the acquisition of Zeiss instruments and spare parts. The further increase in inventories in the second quarter resulted mainly from newly synthesised libraries due to be dispatched to the customer during Q3.

Cash flow from investing activities totalled EUR 12.5 million (2004: EUR (2.4) million). This positive cash contribution is mainly the result of EUR 19.2 million cash acquired through the acquisition of ENS which was only to a small extent offset by the capital expenditures.

Cash flow from financing activities amounted to EUR 29.1 million (2004: EUR 1.3 million) following the capital increase in the amount of EUR 28.4 million in June.

As a result, cash and cash equivalents at the end of June increased significantly to EUR 58.3 million.

Employees and management

At the end of December 2004 the Evotec group employed 646 people. Due to restructuring in our Services Division this number declined to 631 at the end of June. This includes already the addition of 30 people from the consolidation of ENS, effective 26 May 2005.

Following the acquisition of ENS, Dr John Kemp has been appointed Executive Vice President Research & Development Pharmaceuticals Division and Member of the Executive Committee. At the same time, Prof. Ian Hunneyball, formerly CSO and President Discovery Programs Division, stepped down from the Vorstand to fully focus on corporate projects.

The restructuring of our Supervisory Board is described on page 3.

Stock options programme

In the first quarter 120,000 stock options were issued at an exercise price of EUR 3.61. In the second quarter no options were granted, 8,736 were exercised. As of 30 June 2005, the total number of options available for future exercise amounted to 2,554,569 (approximately 4% of shares in issue). Options have been accounted for under the APB 25 pricing model.

Guidance for 2005 confirmed

After completion of the first half year 2005, Evotec again confirms the guidance given for the current year on 22 March 2005.
The sales and order book for 2005 has increased to EUR 69 million as of July (+11% relative to July 2004: EUR 62 million) and is supporting our projections.

Shareholdings of the Boards of Evotec 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	132,480	0
Peer Schatz	3,892	0
Dr Hubert Birner	0	0
Dr Peter Fellner	0	0
Dr Alfred Oberholz	0	0
Mary Tanner	45,000	0

30 June 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 30 June 2005.

Segment reporting according to US GAAP
Evotec AG and Subsidiaries

Euro in thousands	Services Division	Pharmaceuticals Division	Tools and Technologies	Consolidation
Revenue:				
– Drug discovery products & development of technologies	231	-	5,581	(659)
– Drug discovery services	28,738	451	-	(61)
Total revenue	**28,969**	**451**	**5,581**	**(720)**
– Cost of revenue	19,736	302	2,446	(309)
Gross Profit	**9,233**	**149**	**3,135**	**(411)**
– Research and development expenses	1,929	400	3,235	(567)
– Selling, general and administrative expenses	6,231	1,725	2,179	(170)
– Amortisation of intangible assets	4,894	18,155	570	(397)
– Other operating expenses	1,127	-	-	-
Operating income (loss)	**(4,948)**	**(20,131)**	**(2,849)**	**723**

Condensed consolidated statements of operations according to US GAAP

Evotec AG and Subsidiaries

Euro in thousands except share data and per share data	01-06/2005	01-06/2004	Δ in %	04-06/2005	04-06/2004	Δ in %
Revenue:						
– Drug discovery products & development of technologies	5,153	5,962	(13.6)	2,692	2,506	7.4
– Drug discovery services	29,128	25,379	14.8	15,737	14,474	8.7
Total revenue	**34,281**	**31,341**	**9.4**	**18,429**	**16,980**	**8.5**
– Cost of revenue	22,175	20,199	9.8	11,579	11,198	3.4
Gross profit	**12,106**	**11,142**	**8.7**	**6,850**	**5,782**	**18.5**
– Research and development expenses	4,997	7,105	(29.7)	2,499	3,194	(21.8)
– Selling, general and administrative expenses	9,965	10,424	(4.4)	5,468	5,389	1.5
– Amortisation of intangible assets[1]	23,222	5,043	360.5	20,717	2,523	721.1
– Other operating expenses	1,127	1,922	(41.4)	570	976	(41.6)
Operating income (loss)	**(27,205)**	**(13,352)**	**(103.8)**	**(22,404)**	**(6,300)**	**(255.6)**
– Interest income (expense)	(137)	(89)	53.9	(28)	(92)	(69.6)
– Income from investments and participations	-	-	-	-	-	-
– Net loss from equity investments	(1,692)	(1,770)	(4.4)	(754)	(698)	8.0
– Foreign currency exchange gain (loss), net	(1,234)	107	-	(992)	62	-
– Other non-operating income, net	398	508	(21.7)	74	256	(71.1)
Result before taxes and minority interests	**(29,870)**	**(14,596)**	**(104.6)**	**(24,104)**	**(6,772)**	**(255.9)**
Income tax benefit	1,919	2,745	(30.1)	826	1,162	(28.9)
Extraordinary income (expenses)	-	-	-	-	-	-
Result before minority interests	**(27,951)**	**(11,851)**	**(135.9)**	**(23,278)**	**(5,610)**	**(314.9)**
Minority interests	(144)	98	(246.9)	(77)	36	(313.9)
Net income / loss	**(28,095)**	**(11,753)**	**(139.0)**	**(23,355)**	**(5,574)**	**(319.0)**
Net loss per share (basic)	(0.68)	(0.33)		(0.53)	(0.16)	
Net loss per share (diluted)[2]	-	-		-	-	
Weighted average shares outstanding (basic)	41,117,507	35,510,130		44,190,738	35,510,130	
Weighted average common share outstanding (diluted)	-	-		-	-	
Depreciation of property, plant and equipment included in total operating expense	4,227	5,277	(19.9)	1,993	2,744	(27.4)

[1] In 2004: Amortisation of goodwill amongst other things

[2] According to US GAAP the definition of net income per share does not allow to report diluted net income per share as long as the Company shows a net loss.

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

Euro in thousands	30/06/2005	31/12/2004	Δ in %
Assets			
Current assets:			
– Cash and cash equivalents	58,318	15,277	281.7
– Marketable securities, at fair value	-	-	-
– Trade accounts receivable, net	10,971	14,689	(25.3)
– Accounts receivable due from associated companies	-	183	(100.0)
– Accounts receivable due from related parties	321	852	(62.3)
– Inventories	15,342	10,080	52.2
– Deferred tax assets	105	99	6.1
– Current tax receivables	1,264	620	103.9
– Prepaid expenses and other current assets	4,870	3,149	54.7
Total current assets	**91,191**	**44,949**	**102.9**
Long-term investments	324	2,796	(88.4)
Property, plant and equipment, net	44,038	41,545	6.0
Intangible assets, excluding goodwill, net	13,151	7,507	75.2
Notes receivable / loans	-	-	-
Goodwill, net	44,060	41,685	5.7
Deferred taxes	-	-	-
Other non-current assets	52	52	0.0
Total assets	**192,816**	**138,534**	**39.2**

Liabilities and stockholders' equity			
Current liabilities:			
– Current portion of capital lease obligations	955	786	21.5
– Current maturities of long-term loans	1,627	1,240	31.2
– Trade accounts payable	8,867	4,679	89.5
– Accounts payable to related parties	26	117	(77.8)
– Advanced payments received	1,333	609	118.9
– Accrued expenses	8,485	7,042	20.5
– Deferred revenues	4,626	4,833	(4.3)
– Current tax payables	78	7	-
– Deferred taxes	-	-	-
– Other current liabilities	1,615	1,573	2.7
Total current liabilities	**27,612**	**20,886**	**32.2**
Long-term loans	9,872	9,591	2.9
Long-term capital lease obligations	2,313	2,055	12.6
Deferred tax liabilities	3,520	2,466	42.7
Deferred revenues	799	845	(5.4)
Other non-current liabilities	110	107	2.8
Minority interests	719	574	25.3

Stockholders' equity:			
– Share capital	62,753	38,010	65.1
– Additional paid-in capital	595,069	550,533	8.1
– Treasury stock	-	-	-
– Retained earning/accumulated deficit	(475,546)	(447,451)	6.3
– Accumulated other comprehensive loss	(34,405)	(39,082)	(12.0)
– Total stockholders' equity	147,871	102,010	45.0
Total liabilities and stockholders' equity	**192,816**	**138,534**	**39.2**

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Condensed consolidated statements of cash flows according to US GAAP

Evotec AG and Subsidiary

Euro in thousands	30/06/2005	30/06/2004
Cash flows from operating activities:		
Net loss	(28,095)	(11,753)
Adjustments to reconcile net loss to net cash used in operating activities	27,686	9,200
Change in assets and liabilities	342	(2,266)
Net cash (used in) provided by operating activities	**(67)**	**(4,819)**
Cash flows from investing activities:		
Acquisition costs	(154)	-
Purchase of marketable securities	-	-
Purchase of long-term investments	(1,025)	(1,861)
Purchase of property, plant and equipment	(3,628)	(1,318)
Purchase of intangible assets	(1,936)	(1)
Cash acquired	19,245	-
Proceeds from sale of property, plant and equipment	22	58
Proceeds from sale of shares in long-term investments	-	-
Proceeds from sale of marketable securities	-	732
Net cash (used in) provided by investing activities	**12,524**	**(2,390)**
Cash flows from financing activities:		
Net proceeds from capital increase	28,460	-
Net proceeds from increase of bank loan	3,476	3,725
Repayment of bank loan	(2,838)	(2,423)
Net cash (used in) provided by financing activities	**29,098**	**1,302**
Net increase (decrease) in cash and cash equivalents	**41,555**	**(5,907)**
Exchange rate difference	1,486	147
Cash and cash equivalents at beginning of year	15,277	18,763
Cash and cash equivalents at end of the second quarter	**58,318**	**13,003**
Cash, cash equivalents and marketable securities at end of the second quarter	**58,318**	**13,003**

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Consolidated statements of changes in stockholders' equity according to US GAAP
Evotec AG and Subsidiaries

Euro in thousands except share data	Share capital Shares	Amount	Additional paid-in capital	Unearned compen-sation	Other comprehen-sive loss	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	53	-	-	58
Share capital in ENS	-	-	5,475	-	-	-	5,475
Comprehensive loss:							
- Foreign currency translation	-	-	-	-	8,829	-	8,829
- Net loss	-	-	-	-	-	(11,753)	(11,753)
Total comprehensive loss							**(2,924)**
Balance at June 30, 2004	**35,510,130**	**35,510**	**545,515**	**(97)**	**(31,217)**	**(375,001)**	**174,710**
Balance at January 1, 2005	**38,010,130**	**38,010**	**550,533**	**(77)**	**(39,005)**	**(447,451)**	**102,010**
Acquisition of ENS	14,276,883	14,277	26,525	-	-	-	40,802
Share capital increase 24 June	10,457,402	10,457	17,987	-	-	-	28,444
Share capital increase (stock options)	8,736	9	14	-	-	-	23
Stock option plan	-	-	10	13	-	-	23
Stock option plan acquired	-	-	-	(956)	-	-	(956)
Comprehensive loss:							
– Foreign currency translation	-	-	-	-	5,620	-	5,620
– Net loss	-	-	-	-	-	(28,095)	(28,095)
Total comprehensive loss							**(22,475)**
Balance at June 30, 2005	**62,753,151**	**62,753**	**595,069**	**(1,020)**	**(33,385)**	**(475,546)**	**147,871**

Basis of presentation

The accompanying unaudited consolidated financial statements of Evotec 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 consolidated financial statements for the year ended 31 December 2004.

The composition of segments has been changed as described, and prior periods shown in the segment report have been restated accordingly.

The basis of consolidation changed as of 26 May 2005. Evotec NeuroSciences GmbH was consolidated at equity from 31 March 2004 to 26 May 2005. From this date onwards ENS is fully consolidated in the Evotec group accounts. Therefore the financial statements are not fully comparable to the ones published in the previous year. 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 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.