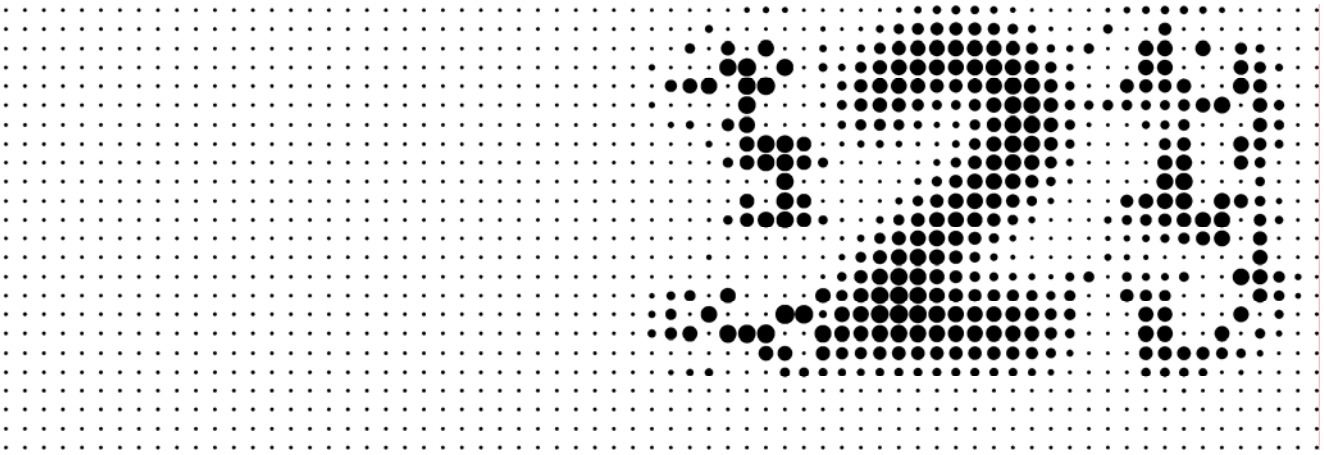

Evotec AG, Second Quarter Report 2006

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Dear Shareholders,

During Q2 we made significant progress on our central nervous systems (CNS) product pipeline:

- We successfully completed the second proof-of-principle study with our insomnia drug EVT 201, reconfirmed the positive findings of the first study with the same 2.5 mg dose as in the previous study and determined a more detailed dose-response relationship.
- We have filed the IND for EVT 201 and intend to start the first Phase II patient study in the US in September, and:
- We successfully completed Phase I with our Alzheimer's Disease and/or neuropathic pain therapeutic EVT 101 (after period end).

To realise the adequate financial flexibility in the development and expansion of our pipeline, we secured EUR 18.5 million of additional funds through a capital increase in April.

In collaborative research, part of our Services and Pharmaceuticals businesses, it is our strategy to focus more on results based projects in which our customers share success through milestone payments and royalties, thus providing longer term financial benefits. To build such partnerships it is essential that we provide access to selected promising proprietary drug discovery know-how or assets discovered using our state-of-the-art platform. This strategy paid off in Q2:

- First, we partnered one of our earlier CNS programmes with Roche. Integrating both companies' complementary strengths and sharing the research costs up to clinical candidate gives the potential to get

to clinical candidates faster, reduces our risk in our earlier CNS pipeline and provides Evotec the opportunity to earn potentially over EUR 100 million in milestones plus royalties.

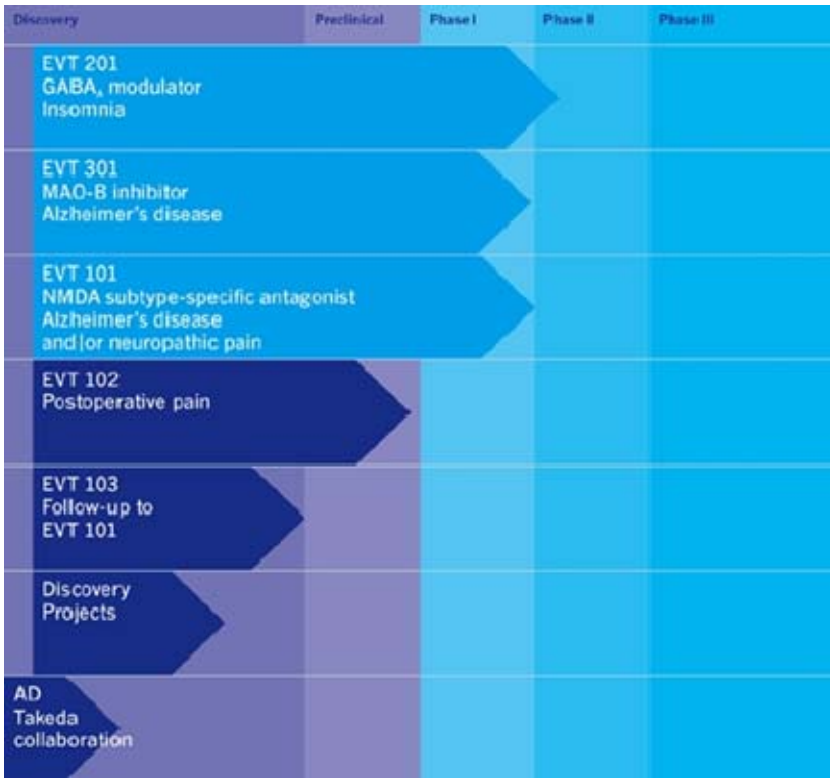
- Second, generating IP on another interesting target through our early stage drug discovery platform led to a sizable service contract with the Italian biotech company, DAC.

In the first half, the Services Division increased revenues and profits. Revenues grew by 4%, contributing to a Group revenue increase of 7% over the previous year. Group net income improved markedly over H1 2005 as charges from amortisation of intangible assets and impairment of goodwill were reduced by more than EUR 20 million and total non-operating result improved mainly as a result of a profit from the sale of intellectual property by Evotec Technologies to Olympus.
In summary, we have accomplished our business goals successfully in all our divisions and look forward to a good 2006 performance.

Key figures H1 2006

Euro in millions	**01-06/2006**	**01-06/2005**	Δ in %
Total revenue	**36.6**	**34.3**	**6.9**
– Services Division	30.1	29.0	4.0
Operating result	**(18.1)**	**(27.3)**	**33.8**
Net income	**(11.3)**	**(28.4)**	**60.1**
Cash at the end of second quarter	**60.7**	**58.3**	**4.1**

1. Pipeline update: Approaching Phase II



Recent accomplishments regarding our CNS product pipeline include:

Insomnia:
Positive results in second Phase I/II study with EVT 201

The second proof-of-principle Phase I/II study for our insomnia drug candidate EVT 201 was completed with positive results in an established clinical model of insomnia in 12 healthy adults. The partial positive allosteric modulator (pPAM) of the $GABA_A$ receptor significantly reduced "wake after sleep onset" (WASO) while significantly increasing "total sleep time" (TST) and quality of sleep with no subjective residual effects. As with previous clinical studies, the compound was well tolerated without significant adverse events.

The drug was tested at four doses and placebo, a dose-response relationship was established with significant efficacy at the top three doses. There were no subjective reports of residual effects and no cognitive and psychomotor effects were observed 10 hours after dosing. If confirmed in later phase II patient trials, this could be an attractive commercial product profile.

A poster presentation on the results of the first proof-of-principle study was given at the leading US sleep meeting, the 20th Anniversary Meeting of the Associated Professional Sleep Societies (APSS) in Salt Lake City on 20 June 2006. Results of the second study will be presented at the European Sleep Research Society (ESRS) meeting in Innsbruck in September.

Repeat dose study completed uneventfully

The repeat dose study for EVT 201 in young and elderly volunteers to explore safety and tolerability over extended duration and dosing was completed with no adverse events.

EVT 201 on track for start of Phase II in Q3

Timelines for the start of our Phase II efficacy study with EVT 201 remain unchanged. The pre IND meeting with the FDA was held and the IND submitted to enable a Q3 2006 start. The study will be a cross-over design study with two doses of EVT 201 and placebo in patients with primary insomnia. Based on the results obtained from the second Phase I/II trial, Evotec selected 1.5 mg and 2.5 mg as optimal doses for this Phase II study.

Alzheimer's Disease:
EVT 301 repeat one month tolerability study on schedule / PET study started as planned

The repeat one month tolerability trial with the MAO-B inhibitor EVT 301 to study safety and tolerability over an extended dosing period has completed two groups of young healthy volunteers. The first group of elderly subjects started at the end of the second quarter. The additional repeat dose PET (Positron Emission Tomography) study to demonstrate occupancy of brain MAO-B enzymes at steady state started as expected during the second quarter. This study is intended to support the identification of the optimal dose for the upcoming Phase II patient study.

Alzheimer's Disease & Neuropathic pain:
Phase I for EVT 101 completed (after period end)

Phase I with EVT 101, the NR2B subtype-specific NMDA receptor antagonist, has been successfully completed. A total of 90 young and elderly healthy subjects received single and multiple ascending doses of the compound. In all subjects EVT 101 was well absorbed, achieved good exposure levels and was well tolerated with no significant adverse events. In both young and elderly the compound had a good pharmacokinetic profile with an eleven hour half-life consistent with once or twice daily oral dosing.

Clinical development group up to full strength

In the course of the second quarter, Evotec has added two additional clinical project managers bringing its clinical development group up to full strength. Having a team of 7 experts in place, Evotec has executed on this strategy to rapidly build a strong development team with many years of experience in the pharmaceutical industry to manage its clinical development pipeline.

2. Success in collaborative research: Major alliances signed with Roche and DAC

Our own experience and thorough market research suggests that our clients increasingly look for broader, more creative solutions to their drug discovery issues. Their expectation is that a provider of collaborative services in certain instances accepts to share risks and rewards. Consequently, we are, to some extent looking at opportunities to focus this part of our business on projects in which our customers are willing to share

the success in terms of milestone payments and royalties for the delivery of key research results. In this regard we also provide our partners access to selected promising proprietary drug assets discovered using our state-of-the-art drug discovery platform.
We have already closed a series of new contracts with Roche, Boehringer Ingelheim and DAC which are excellent examples for the progress we are making in this area.

Global alliance with Roche to jointly discover novel drugs

Roche and Evotec share a long history of deals in collaborative research and also in licensing clinical projects. On 21 June 2006, both companies announced a deal to jointly discover and develop compounds against a high priority target for CNS diseases and other indications. Building on IP generated by Evotec on this target both companies commit R&D resources to jointly drive novel compounds into clinical development. At this stage Roche will have exclusive rights to the development of the drug candidates allowing Evotec potentially long-lasting participation via milestones that could exceed EUR 100 million and royalties.

DAC selects Evotec as partner for HSP90 cancer project and in-licences compound IP

In April, DAC, a wholly owned subsidiary of Genextra SPA, has chosen Evotec as a strategic partner to identify small molecule therapeutics in a pharmaceutical discovery project on the HSP90 target, a key protein involved in a variety of oncogenic pathways in cancer related diseases. DAC will access compound intellectual property that Evotec has generated on this disease target internally using Evotec's proprietary fragment screening platform. The aim of the collaboration will be to take active compounds identified by Evotec and further optimise them to the point of clinical development. For its contributions to the discovery project, which may run for an initial period of over 2 years, Evotec will potentially receive single digit millions R&D service revenues and additional preclinical and clinical milestone payments.

3. Services Division continues to grow profitably

One of the major goals for our Services Division is for it to provide positive cash contributions to our internal CNS projects.

H1 services revenues up 4%; Operating division result positive

H1 2006 revenues for the Services Division grew by 4% over the same period in 2005 to EUR 30.1 million (H1 2005: EUR 29.0 million), driven by both discovery and development services. As H1 in both years included a milestone payment from Boehringer Ingelheim, gross margins in the Services Division were above annual average at 32.0% (H1 2005: 32.4%). As a result, the operating divisional result was positive at EUR 0.3 million (H1 2005: (4.9) million).

Evotec continued to sign important new and repeat business with clients and partners including *Congenia, CHDI, DAC, Daiichi Sankyo, Recordati*

and Roche for discovery projects and with *Celgene, Endo, Panacos, Serono and UCB* for development services.

Broad and integrated collaboration with CHDI

CHDI, a not-for profit organisation pursuing a biotech approach to finding therapies for Huntington Disease, has chosen Evotec as a strategic drug discovery partner. Evotec will apply its breadth of skills and expertise in drug discovery coupled with its profound knowledge of CNS diseases to help CHDI advance its drug discovery programmes. Since March 2006, Evotec and CHDI have signed four agreements covering medicinal chemistry, assay development and medium-throughput screening (MTS), ultra-high-throughput screening (uHTS) and library synthesis and management services. These contracts cover most of our integrated discovery offering. With access to these resources, CHDI has all the tools in place to rapidly discover novel drugs against Huntington Disease targets and further optimise them to the point of clinical development.

Two substantial service contracts signed with Roche

On 25 April 2006, Evotec announced two significant research programmes with Roche which emphasise our leading expertise in medicinal chemistry and the continued trust of our long-term partner. They extended the global medicinal chemistry agreement signed in May 2004 for a further 12 months and the medicinal chemistry collaboration in oncology, signed in October 2003, for an additional 2 years.

Those types of long-term and/or integrated service contracts are important contributions to our business, particularly in today's continued challenging market environment for Discovery Services.

On track to achieve 2006 financial targets

With a continued strong performance in formulation and pilot plant services, Evotec remains on track to achieve financial targets for the Services Division in 2006.

4. Evotec Technologies increases focus on cell biology

Single molecule detection technology and IP portfolio sold to Olympus

Effective 3 April 2006 Evotec's Tools and Technologies Division (Evotec Technologies GmbH, ET) sold the core of its single molecule detection technology and transferred or licensed the related IP portfolio to Olympus, Japan. This transaction is a further step taken by ET to focus its business and primarily provide cutting edge cell imaging and cell handling systems for the cell biology growth market. The transaction will intensify the long-standing collaboration between ET and Olympus. Both companies also intend to jointly investigate how to best exploit single molecule detection for cellular applications and to ensure the compatibility of the Olympus single molecule detection products with ET's cell biology systems.

Important events after the end of the second quarter

1. Evotec completed Phase I with EVT 101 (see above)

Financial Report

Highlights

- H1 **revenues** for the Group up 7% to EUR 36.6 m (2005: EUR 34.3 m)
- Group **R&D expenses** increased to EUR 16.8 m (2005: EUR 4.7 m); including a significant upfront payment for the acquisition of the MAO-B inhibitors from Roche in Q1 2006 which was expensed in this period
- Group **net loss** reduced by 60% to EUR 11.3 m (2005: EUR 28.4 m) despite higher R&D expense, as a result of two extraordinary effects:
  - charges from amortisation of intangible assets and impairment of goodwill reduced from EUR 23.9 m to EUR 2.0 m
  - total non-operating result improved to EUR 6.9 m (2005: EUR -2.4 m), mainly due to a profit from the sale of IP by Evotec Technologies to Olympus Corp., Tokyo
- Strong H1 performance in the **Services Division**:
  - Revenues up 4% to EUR 30.1 m (2005: EUR 29.0 m)
  - Operating result positive at EUR 0.3 m (2005: EUR (4.9) m)
- Period end **cash** position increased to EUR 60.7 m
- **Sales and order book** for 2006 increased to EUR 74 m as of July (July 2005: EUR 69 m)
- Full-year 2006 financial **guidance** confirmed

Revenues

Evotec **revenues** for the first six months 2006 increased by 7% to EUR 36.6 million (2005: EUR 34.3 million) with all divisions up over the same period of the previous year.

Revenues in our **Services Division** increased by 4% to EUR 30.1 million (2005: EUR 29.0 million), at constant 2005 currencies growth was 3%. Similar to H1 2005, a milestone was achieved through our Boehringer Ingelheim collaboration and pilot plant and formulation services performed strongly.
Revenues in our **Pharmaceuticals Division** doubled over the same period in 2005 to EUR 0.9 million as revenues with Takeda were not consolidated until 26 May of the previous year.
Our **Tools and Technologies Division (Evotec Technologies (ET))** improved after a traditionally weak Q1. Third-party revenues in H1 increased by 15% to EUR 5.7 million (2005: EUR 4.9 million). As expected, ET recorded an increase in Opera™ sales over Q1 2006.

For the first half 2006, the Evotec Group recorded 49% of total revenues in Europe, 42% in the United States and 9% in Japan and the Rest of the World.

Operating cost structure

Cost of revenue for the first six months of 2006 was EUR 23.2 million, translating into a gross margin of 36.6% (2005: 35.7%).
The margins in the Services Division remained on the same high level as in the previous year (2006: 32.0%, 2005: 32.4%) as both, H1 2006 (Q1) and H1 2005 (Q2), included a milestone payment from Boehringer Ingelheim.

This performance cannot be extrapolated as Evotec will not receive milestone payments regularly. For Q2 2006, the margin was 26.9% which more realistically reflects the margins in the Services Division in the absence of milestone payments and with running risk shared collaborations.

As anticipated, **R&D expenditure** in Q2 was lower than in Q1 2006 but increased significantly over Q2 2005. For the first six months 2006 it was EUR 16.8 million compared to EUR 4.7 million in the previous year. The vast majority was originating from Evotec's Pharmaceuticals Division (EUR 13.7 million) due to increased clinical trials expenses for the development of pipeline projects and a significant upfront payment for the acquisition of the MAO-B inhibitors from Roche in Q1. In addition, Evotec Neurosciences, which contributed significantly to the R&D expenses in the first half of 2006, was not consolidated prior to 26 May 2005.

R&D expenses in the other divisions were reduced as planned, both in Services (-30%) and in Evotec Technologies (-31%).

For the first half of 2006, **SG&A** costs were EUR 11.8 million (+19%; 2005: EUR 9.9 million). Primarily three effects caused the increase: a) we performed a strategic review of the Services Division with a leading consulting firm, b) US sales activities of Evotec Technologies increased and c) Evotec Neurosciences was not fully consolidated until May 2005.
As anticipated, SG&A costs for Q2 2006 declined over the high Q1 level, almost coming back to a level similar to Q2 of the previous year.

Financial results

Operating loss declined by 34% to EUR 18.1 million (2005: EUR 27.3 million) due to an extraordinary effect in the previous year: 2005 included charges from acquisition related goodwill impairment of Evotec Neurosciences (EUR 18.5 million) and regular amortisation charges from Evotec's acquisition of Oxford Asymmetry International (OAI) in the year 2000 (EUR 4.8 million). The absence of these charges in 2006 was partially offset by R&D spend for Evotec's proprietary drug development projects which increased as planned.
The operating result in our Services Division was positive at EUR 0.3 million in the first half of this year.

Operating loss excluding amortisation charges and impairment of goodwill increased in line with higher R&D spend to EUR 16.1 million.

Net loss declined by 60% to EUR 11.3 million (2005: EUR 28.4 million). In addition to the improved operating result, total non-operating result improved to EUR 6.9 million (2005: EUR -2.4 million). This is the result of three effects: a) a profit from the sale of intellectual property by Evotec Technologies to Olympus, b) better results from currency hedging, and c)

the absence of “loss from equity investments” following the dissolution of the JV with DeveloGen.

Net income tax expenses amounted to EUR 0.2 million. Prior years deferred tax benefits from the amortisation of non-goodwill intangible assets from the acquisition of OAI no longer occur as such assets were fully amortised by the end of Q3 2005.

Net loss per share for the first half of 2006 was EUR 0.18 (2005: EUR 0.69).

Earnings before interest and taxes, depreciation and amortisation (**EBITDA**) for the first half of 2006 amounted to EUR (5.8) million (2005: EUR (1.9) million).

Segment reporting

Services Division

Euro in thousands	**01-06/2006**	**01-06/2005**	Δ in %
Total revenue	30,114	28,969	4.0
– Thereof 3rd party	30,080	28,908	4.1
Gross profit	9,627	9,375	2.7
Gross margin	32.0%	32.4%	
– Research and development expenses	1,364	1,936	(29.6)
– Selling, general and administrative expenses	7,062	6,312	11.9
– Amortisation of intangible assets	52	4,894	(98.9)
– Impairment of goodwill	-	-	-
– Other operating expenses	889	1,127	(21.1)
Operating income (loss)	260	(4,894)	105.3
Operating income (loss) before amortisation and impairment	312	0	100.0

Euro in thousands	**04-06/2006**	**04-06/2005**	Δ in %
Total revenue	14,718	15,409	(4.5)
– Thereof 3rd party	14,750	15,366	(4.0)
Gross profit	3,954	5,377	(26.5)
Gross margin	26.9%	34.9%	
– Research and development expenses	866	1,083	(20.0)
– Selling, general and administrative expenses	3,834	3,296	16.3
– Amortisation of intangible assets	33	2,474	(98.7)
– Impairment of goodwill	-	-	-
– Other operating expenses	398	570	(30.2)
Operating income (loss)	(1,177)	(2,046)	42.5
Operating income (loss) before amortisation and impairment	(1,144)	428	(367.3)

Pharmaceuticals Division

Euro in thousands	**01-06/2006**	**01-06/2005**	Δ in %
Total revenue	905	451	100.7
– Thereof 3rd party	905	451	100.7
Gross profit	546	149	266.4
Gross margin	60.3%	33.0%	
– Research and development expenses	13,673	396	-
– Selling, general and administrative expenses	2,032	1,570	29.4
– Amortisation of intangible assets	1,594	294	442.2
– Impairment of goodwill	-	18,478	(100.0)
– Other operating expenses	-	-	-
Operating income (loss)	(16,753)	(20,589)	18.6
Operating income (loss) before amortisation and impairment	(15,159)	(1,817)	-

Euro in thousands	**04-06/2006**	**04-06/2005**	Δ in %
Total revenue	452	451	0.2
– Thereof 3rd party	452	451	0.2
Gross profit	334	149	124.2
Gross margin	73.9%	33.0%	
– Research and development expenses	5,412	377	-
– Selling, general and administrative expenses	634	967	(34.4)
– Amortisation of intangible assets	796	294	170.8
– Impairment of goodwill	-	18,478	(100.0)
– Other operating expenses	-	-	-
Operating income (loss)	(6,508)	(19,967)	67.4
Operating income (loss) before amortisation and impairment	(5,712)	(1,195)	-

Tools and Technologies

Euro in thousands	**01-06/2006**	**01-06/2005**	Δ in %
Total revenue	6,066	5,581	8.7
– Thereof 3rd party	5,650	4,922	14.8
Gross profit	3,371	3,131	7.7
Gross margin	55.6%	56.1%	
– Research and development expenses	2,002	2,890	(30.7)
– Selling, general and administrative expenses	2,782	2,193	26.9
– Amortisation of intangible assets	735	630	16.7
– Impairment of goodwill	-	-	-
– Other operating expenses	-	-	-
Operating income (loss)	(2,148)	(2,582)	16.8
Operating income (loss) before amortisation and impairment	(1,413)	(1,952)	27.6

Euro in thousands	**04-06/2006**	**04-06/2005**	Δ in %
Total revenue	3,869	3,151	22.8
– Thereof 3rd party	3,630	2,612	39.0
Gross profit	2,130	1,739	22.5
Gross margin	55.1%	55.2%	
– Research and development expenses	765	1,300	(41.2)
– Selling, general and administrative expenses	1,395	1,170	19.2
– Amortisation of intangible assets	363	317	14.5
– Impairment of goodwill	-	-	-
– Other operating expenses	-	-	-
Operating income (loss)	(393)	(1,048)	62.5
Operating income (loss) before amortisation and impairment	(30)	(731)	95.9

Capital expenditure

Evotec invested EUR 1.4 million in **fixed assets** during H1 2006 (2005: EUR 3.6 million). Year-to-date the Services Division restricted capital expenditure to laboratory equipment replacement and this, together with higher investment in the facilities for the formulation business in H1 2005, has led to the period on period reduction seen.

Investment in **intangible assets** amounted to EUR 0.5 million. A result through Evotec Technologies capitalising certain development costs under IFRS (2005: EUR 0.4 million).The higher investment in H1 2005 of EUR 1.7 million related mainly to intangible assets acquired with the uHTS business of Carl Zeiss.

Cash flow and cash equivalents

Cash flow from operating activities for the first half of 2006 was EUR (9.5) million (2005: EUR 0.5 million). This reduction results from the higher R&D spend in the Pharmaceuticals Division, including acquisition cost for the MAO-B inhibitors, and cash consumed by working capital movements, partially offset by the profit from the sale of IP to Olympus.
Cash flow from investing activities was EUR (2.0) million (2005: EUR 12.0 million). In 2005, it included cash acquired from the acquisition of Evotec Neurosciences (EUR 19.2 million) offset by expenses in context of the DeveloGen Joint Venture as well as higher capital expenditures compared to 2006.
Cash flow from financing activities was EUR 18.8 million (2005: EUR 29.1 million) due to the capital increases in April 2006 and June 2005, respectively.
As a consequence, **cash and cash equivalents** at the end of June increased to EUR 60.7 million (end of December 2005: EUR 53.5 million).

Employees and management

At the end of June 2006 the Evotec Group employed 598 individuals, a decrease of 6 employees in comparison to the end of December 2005 (604). The slight reduction in headcount is a result from restructuring

initiatives in the Services Division and in Evotec Technologies which continued into 2006, while the Pharmaceuticals Division clinical team and the formulation team in Glasgow were strengthened.

Guidance for 2006 confirmed

We remain positive with regard to our ability to meet financial targets for 2006 and confirm the guidance given on 28 March.

Evotec continues to anticipate 0 to 5 % revenue growth for the full year 2006 on its remaining business, i.e. adjusted for the part of ET's business which was transferred to Olympus in Q2 (approximately EUR 2.5 million revenues in 2005). Revenues and operating profitability (before amortisation) in absolute terms for the Company's Services Division are expected to remain similar to the strong 2005 performance. The Group sales and order book for 2006 has increased to EUR 74 million as of July (July 2005: EUR 69 million) and is supporting our targets.

In line with increasing investment into internal drug development within the Pharmaceuticals Division R&D spend is expected to increase significantly over 2005. This increase will primarily be related to clinical trial expenses for the three clinical programmes EVT 101, EVT 201 and EVT 301, and the purchase costs for EVT 301. Including expenses for the start of a second Phase II differentiation study for EVT 201, the Company expects Group R&D spend in 2006 to be at the high end of its anticipated range of EUR 30 million to EUR 35 million. Based on this guidance, and including proceeds from the capital increase in April, Evotec's targeted liquidity position at the end of 2006 remains unchanged at over EUR 48 million.

Condensed consolidated statements of operations according to IFRS

Evotec AG and Subsidiaries

Euro in thousands except share data and per share data						
	01-06/2006	01-06/2005	Δ in %	04-06/2006	04-06/2005	Δ in %
Revenue:						
– Drug discovery products & development of technologies	5,650	5,153	9.6	3,630	2,692	34.8
– Drug discovery services	30,985	29,128	6.4	15,203	15,737	(3.4)
Total revenue	**36,635**	**34,281**	**6.9**	**18,833**	**18,429**	**2.2**
– Cost of revenue	23,227	22,037	5.4	12,440	11,504	8.1
Gross profit	**13,408**	**12,244**	**9.5**	**6,393**	**6,925**	**(7.7)**
Operating costs and expenses:						
– Research and development expenses	16,821	4,655	261.4	6,940	2,315	199.8
– Selling, general and administrative expenses	11,782	9,905	19.0	5,522	5,332	3.6
– Amortisation of intangible assets	2,006	5,421	(63.0)	1,015	2,886	(64.8)
– Impairment of goodwill	-	18,478	(100.0)	-	18,478	(100.0)
– Other operating expenses	889	1,127	(21.1)	398	570	(30.2)
Total operating costs and expenses	**31,498**	**39,586**	**(20.4)**	**13,875**	**29,581**	**(53.1)**
Operating loss	**(18,090)**	**(27,342)**	**(33.8)**	**(7,482)**	**(22,656)**	**(67.0)**
Other non-operating income (expense):						
– Interest income	614	238	158.0	315	130	142.3
– Interest expense	(306)	(374)	(18.2)	(109)	(157)	(30.6)
– Loss from equity investments	-	(1,473)	(100.0)	-	(535)	(100.0)
– Foreign currency exchange gain (loss), net	326	(1,234)	(126.4)	184	(992)	(118.6)
– Other non-operating income	6,885	398	-	6,813	75	-
– Other non-operating expense	(593)	-	100.0	(593)	-	100.0
Total non-operating income	**6,926**	**(2,445)**	**(383.3)**	**6,610**	**(1,479)**	**(546.9)**
Loss before taxes and minority interests	**(11,164)**	**(29,787)**	**(62.5)**	**(872)**	**(24,135)**	**(96.4)**
Income tax benefit (expense)	(164)	1,568	(110.5)	(96)	852	(111.3)
Minority interests	-	(144)	(100.0)	-	(77)	(100.0)
Net loss	**(11,328)**	**(28,363)**	**(60.1)**	**(968)**	**(23,360)**	**(95.9)**
Weighted average shares outstanding	**64,639,776**	**41,117,507**		**66,520,128**	**44,190,738**	
Net loss per share	(0.18)	(0.69)		(0.01)	(0.53)	

Condensed consolidated balance sheets according to IFRS
Evotec AG and Subsidiaries

Euro in thousands	30/06/2006	31/12/2005	Δ in %
Assets			
Current assets:			
– Cash and cash equivalents	60,729	53,520	13.5
– Trade accounts receivable	12,384	12,758	(2.9)
– Accounts receivable due from related parties	230	840	(72.6)
– Inventories	14,686	10,502	39.8
– Current tax receivables	1,059	531	99.4
– Prepaid expenses and other current assets	6,966	3,822	82.3
Total current assets	**96,054**	**81,973**	**17.2**
Non-current assets :			
Long-term investments	-	-	-
Property, plant and equipment	35,990	38,163	(5.7)
Intangible assets, excluding goodwill	9,466	10,927	(13.4)
Goodwill	54,777	54,994	(0.4)
Deferred tax assets	-	-	-
Other non-current assets	54	54	0.0
Total non-current assets	**100,287**	**104,138**	**(3.7)**
Total assets	**196,341**	**186,111**	**5.5**

Liabilities and stockholders' equity			
Current liabilities:			
– Current maturities of long-term loans	1,443	1,702	(15.2)
– Current portion of finance lease obligations	4,228	6,042	(30.0)
– Trade accounts payable	10,113	8,105	24.8
– Accounts payable to related parties	1	6	(83.3)
– Advanced payments received	2,653	801	231.2
– Provisions	5,792	6,563	(11.7)
– Deferred revenues	3,482	4,417	(21.2)
– Current tax payables	-	125	(100.0)
– Other current liabilities	2,347	1,911	22.8
Total current liabilities	**30,059**	**29,672**	**1.3**
Non-current liabilities:			
Long-term loans	6,529	3,399	92.1
Long-term finance lease obligations	1,988	2,130	(6.7)
Deferred tax liabilities	-	-	-
Deferred revenues	983	726	35.4
Provisions	1,543	1,515	1.8
Total non-current liabilities	**11,043**	**7,770**	**42.1**
Stockholders' equity:			
– Share capital	68,053	62,759	8.4

– Additional paid-in capital	609,889	596,525	2.2
– Reserve	(36,884)	(36,207)	(1.9)
– Retained deficit	(485,736)	(474,408)	2.4
– Minority interests	-	-	-
Subtotal stockholders' equity	**155, 322**	**148,669**	**4.5**
– Own shares	(83)	-	100.0
Total stockholders' equity	**155,239**	**148,669**	**4.4**
Total liabilities and stockholders' equity	**196,341**	**186,111**	**5.5**

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

Euro in thousands	30/06/2006	30/06/2005
Cash flows from operating activities:		
– Net loss	(11,328)	(28,363)
– Adjustments to reconcile net loss to net cash used in operating activities:	6,130	28,491
– Change in assets and liabilities	(4,337)	399
Net cash provided by (used in) operating activities	**(9,535)**	**527**
Cash flows from investing activities:		
– Acquisition costs	-	(366)
– Purchase of long-term investments	-	(1,025)
– Purchase of property, plant and equipment	(1,427)	(3,628)
– Purchase of intangible assets	(545)	(2,294)
– Cash acquired	-	19,244
– Proceeds from sale of property, plant and equipment	-	22
– Proceeds from sale of marketable securities	-	-
Net cash provided by (used in) investing activities	**(1,972)**	**11,953**
Cash flows from financing activities:		
– Proceeds from capital increase	18,708	28,460
– Transaction costs	(727)	-
– Purchase of own stock	(83)	-
– Proceeds from increase of loans	7,737	3,476
– Repayment of loans	(6,790)	(2,838)
Net cash provided by financing activities	**18,845**	**29,098**
Net increase (decrease) in cash and cash equivalents	**7,338**	**41,578**
– Exchange rate difference	(129)	1,463
– Cash and cash equivalents at beginning of year	53,520	15,277
Cash and cash equivalents at end of the second quarter	**60,729**	**58,318**
Cash, cash equivalents and marketable securities at end of the second quarter	**60,729**	**58,318**

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	Unearned compen-sation	Reserve Foreign currency translation	Revaluation reserve	Retained deficit	Minority interest	Total Stock-holders' equity
	Shares	Amount							
Balance at 1 January 2005	**38,010,130**	**38,010**	**552,360**	**(1,716)**	**(39,005)**	**1,110**	**(440,825)**	**574**	**110,508**
Acquisition of ENS Holdings, Inc.	14,276,883	14,277	26,266	-	-	-	-	-	40,543
Capital increase 24 June	10,457,402	10,457	17,880	-	-	-	-	-	28,337
Capital increase (stock options)	8,736	9	14	-	-	-	-	-	23
Stock option plan	-	-	-	237	-	-	-	-	237
Stock option plan acquired	-	-	-	(655)	-	-	-	-	(655)
Foreign currency translation	-	-	-	-	5,788	-	-	-	5,788
Revaluation	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	(28,363)	-	(28,363)
Minority interests	-	-	-	-	-	-	-	144	144
Balance at 30 June 2005	**62,753,151**	**62,753**	**596,520**	**(2,134)**	**(33,217)**	**1,110**	**(469,188)**	**718**	**156,562**
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 options)	64,889	65	81	-	-	-	-	-	146
Stock option plan	-	-	677	(198)	-	-	-	-	479
Foreign currency translation	-	-	-	-	(479)	-	-	-	(479)
Revaluation	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	(11,328)	-	(11,328)
Minority interests	-	-	-	-	-	-	-	-	-
Balance at 30 June 2006	**68,053,014**	**68,053**	**609,889**	**(1,820)**	**(36,335)**	**1,271**	**(485,736)**	**-**	**155,322**

Notes to the consolidated financial statements

1. Basis of presentation

The accompanying unaudited consolidated financial statements of Evotec AG have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies used to prepare interim information are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2005.

The consolidated financial statements do not include all of the information and footnotes required under IFRS for complete financial statements. As a result, these financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2005.

2. Basis of consolidation

The change in external reporting from United States generally accepted accounting principles (US GAAP) to IFRS was made for the full year 2005 including comparatives. Therefore, Q1 and Q2 2005 comparisons are restated to IFRS. In the opinion of management there are only a few areas of impact, described in detail in the notes to our consolidated financial statements 2005.

In addition, the basis of consolidation changed as of 26 May 2005. Following the acquisition of EVOTEC NeuroSciences GmbH (ENS) by Evotec, and after the transfer of shares and control on 26 May 2005, all numbers reported for Q1 and Q2 2006 include the results of ENS fully consolidated in the Evotec group accounts. For the corresponding period in 2005 the results were included as a net loss from equity investments under non-operating expenses until 26 May. 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.

3. Segment reporting

In Q2 2005 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 and the Pharmaceuticals Division. The Tools and Technologies segment is unchanged.

Under this composition of segments the Services Division shows regular revenues only from third party contract research (only excluding ENS target identification and target validation projects). 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.

Segment reporting according to IFRS

Euro in thousands	Pharmaceuticals Division	Services Division	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

4. Cash flows

Adjustments to reconcile the reported net loss to net cash used in operating activities (EUR 6.1 million) includes amortisation (EUR 2.0 million), depreciation (EUR 3.4 million), compensation expense (EUR 0.5 million) and other non-cash items.

5. Shareholdings of the Boards of Evotec AG

	Number of shares	Share options
Management Board		
Joern Aldag	298,056	402,600
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 2006

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 2006.

6. Stock options programme

In Q2 Evotec issued 629,996 new stock options to employees at an exercise price of EUR 3.19; 64,889 options were exercised. In Q1, stock options were neither issued nor exercised. As of 30 June 2006, the total number of options available for future exercise amounted to 3,622,951 (approximately 5% of shares in issue). Options have been accounted for under IFRS 2 using the fair value method at the measurement date.

Forward looking statements

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