

Evotec AG, Third Quarter Report 2005

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Dear Shareholders,

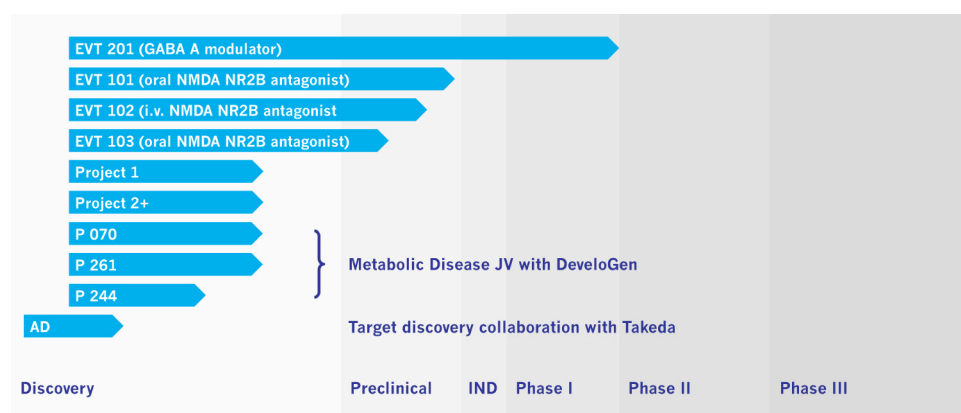
Q3 was an important quarter during which we successfully conducted our first clinical study and showed a third consecutive quarter of strong operating performance in our services business. We had set ourselves two goals for 2005:

Our goal for the Pharmaceuticals Division was to submit one compound into clinical trials. We have achieved this ahead of time by successfully completing our first clinical proof-of-principle study for EVT 201, a novel potential treatment for insomnia. The compound has a differentiated mode of action compared to commonly used sleep agents. The study provided promising results with respect to a good balance between the duration of promotion of sleep and subject alertness the following morning. EVT 201 is the second programme in-licensed from Roche and illustrates the quality of our relationship. A second programme, EVT 101, our subtype selective NMDA receptor antagonist for the potential treatment of Alzheimer's disease, neuropathic pain and Parkinson's disease, is progressing according to plan. It remains on schedule to enter clinical trials before year end.

In our Services Division we wanted to achieve at least the prior year's revenue levels and an operating result of break-even before amortisation of intangibles for the full year 2005. After having executed well on our re-direction of this division, we are getting closer to achieving this goal: We had another quarter of consistently strong performance. Q3 has shown 6%

revenue growth over the same quarter in 2004. In addition, Q3 operating result before amortisation of the Services Division was almost break-even. Total Group revenues increased by 18% over Q3 2004. The Evotec “Sales and Order Book” for the current year, which includes all contracted orders scheduled for delivery this year, reached EUR 76 million, an increase over last year’s revenues. 2005 continues to be extremely successful for Evotec.

1. Strong progress in the development of a sustainable product pipeline



The development of a sustainable pipeline of drug candidates in CNS-related diseases is a core element of our strategy.

Our achievements in the third quarter include:

Evotec’s first Phase I study for EVT 201 completed - After period end -

Positive results have been achieved in the proof-of-principle clinical study of EVT 201, our CNS-active compound in-licensed from Roche in March 2005. The compound has potential as a novel treatment of insomnia. EVT 201 acts on GABA_A receptors and has a differentiated preclinical profile compared to commonly used agents for insomnia. The preliminary results derived from a 12 subject study show that EVT 201 is well tolerated and suggest that it has a promising profile regarding duration and quality of sleep and minimal residual effects the following morning. Based on these findings we have decided to proceed with the clinical development programme.

EVT 101 on track

Pre-clinical studies for EVT 101, the oral NR2B subtype selective NMDA receptor antagonist, are progressing well. We anticipate starting phase I clinical trials before year end as originally planned.

Dr David Hallet to head CNS medicinal chemistry team

With the addition of Dr David Hallet, Evotec has further strengthened its pharmaceutical management team. Dr Hallet has over 8 years of CNS drug discovery expertise at Merck. He heads the medicinal chemistry group within the Pharmaceuticals Division of Evotec.

Pharmaceutical Scientific Advisory Board established

Evotec has now established a Pharmaceutical Scientific Advisory Board, the purpose of which is to support management in critical decisions such as project selection, go/no go decisions, in-licensing and M&A activities. The members of the Advisory Board are William Jenkins, former Head of Global Medicine and Development at Novartis; Ian Ragan, former Head of Neuroscience, Europe of Eli Lilly; Prof Roger Nitsch, Prof Christoph Hock and Prof Moehler, all of whom are from the University of Zurich; who jointly span the whole range from CNS molecular biology, pharmacology and clinical research and practice. With its strong blend of practical experience and academic excellence the Pharmaceutical Scientific Advisory Board has already proven very useful in discussing some of the Company's important decisions.

Continued strong sales growth in Services (+14%) and substantial repeat business**2. Excellent customer relations and restructuring efforts lead to operating break-even before amortisation of intangibles in Services**

Services revenues for the first nine months grew by 14% over the corresponding period in 2004. We continue to successfully achieve new and repeat business with partners including Boehringer Ingelheim, Celgene, Oxagen, Point Therapeutics, Procter & Gamble and Roche.

Our performance in Q3 continued strongly. Highlights in this quarter include:

- Continued strong sales performance in our formulation business
- Major new contracts signed with *Celgene, Point Therapeutics and Oxagen* for custom synthesis, process research and development and pilot plant manufacturing
- Extension of our partnership with *Boehringer Ingelheim*

Boehringer Ingelheim extends scope of collaboration with Evotec

In addition to our sizable discovery collaboration with Boehringer Ingelheim to jointly identify and develop therapeutics acting on G-Protein Coupled Receptors (GPCRs) (see press release 8 September 2004), Boehringer research sites in Biberach (Germany) and Laval (Canada) have initiated additional fee-for-service collaborations with Evotec. They have chosen us as a partner for assay development and screening services.

Also, Evotec has signed another medicinal chemistry agreement with *Procter & Gamble Pharmaceuticals, Inc. (P&GP)* in addition to the agreements announced in June, and has extended the strategic chemistry collaboration with *Roche* by increasing the number of FTEs.

ProPharma fully integrated into Evotec's service offering

Our formulation subsidiary, ProPharma, based in Glasgow, Scotland, has shown strong growth and has been fully integrated into the Evotec brand as of September 2005. In line with this, ProPharma's name has changed to Evotec (Scotland) Ltd and we have acquired the remaining 19% stock from

the University of Strathclyde. The formulation business is now a wholly owned subsidiary of Evotec.

The rationale for full integration of ProPharma into Evotec is that we see increased synergies between the two entities in chemical development and formulation, which should lead to continuing sales growth. By adding ProPharma's expertise in pharmaceutical formulation development and the small-scale sterile manufacture of pharmaceuticals for use in clinical trials, Evotec now offers a more comprehensive range of services to its clients along the late pre-clinical and clinical value chain.

Successful cost saving programme: Q3 operating result before amortisation at break-even

The cost savings implemented in our Services Division showed effect in Q3. Services SG&A expenses were down 34% over Q3 2004, platform R&D was down 45%. As a result, operating result in this division improved strongly over last year. Excluding charges from amortisation of intangibles it was EUR (0.1) million (2004: EUR (2.2) million).

Important event after the end of the third quarter

Our CNS active compound EVT 201 has completed a first proof-of-principle clinical study with positive results. EVT 201 is now our first candidate in phase I clinical trials.
(see page 2)

Financial Report

Highlights

- Nine months revenues for the Group increased by 12% to EUR 53.2 m (2004: EUR 47.4 m); Q3 revenues up 18% to EUR 19.0 m (2004: EUR 16.1 m)
- Continued strong sales performance in our Services Division with 9 months sales up 14% to EUR 43.2 m (2004: EUR 38.0 m)
- Services Division's 9 months operating result excluding amortisation charges at break-even (EUR (0.2) m)
- Cash position of EUR 54 m
- Sales and order book for 2005 increased to EUR 76 m as of October (October 2004: EUR 72 m) exceeding last year's revenues
- On track to reach full-year 2005 guidance

Revenues

Evotec revenues for the first nine months 2005 increased by 12% to EUR 53.2 million (2004: EUR 47.4 million). Q3 revenues increased by 18% to EUR 19.0 million (2004: 16.1 million). This strong Q3 performance was driven by an acceleration in sales in Evotec Technologies and continued strong sales performance in our Services Division.

For the first nine months of 2005, revenues in our **Services Division** increased by 14% to EUR 43.2 million (2004: EUR 38.0 million). Q3 revenue growth amounted to 6% year-on-year. While all product lines reported growth over last year, Chemical and Pharmaceutical Development Services and in particular our formulation business in Scotland continued to be the major contributors.

For the first nine months of 2005, we reported revenues from our target discovery collaboration with Takeda of EUR 1.1 million (2004: EUR 0.9 million) in our **Pharmaceuticals Division**. In 2005, revenues with Takeda were consolidated from 26 May onwards and, in 2004, for the first quarter only.

After a weak start into 2005, our **Tools and Technologies Division (Evotec Technologies (ET))** has now completed the roll-out of new technology and software modules for a major part of its instrument product range. Third-party revenues for the nine months (EUR 8.9 million) are now ahead of the same period last year (+5%; 2004: EUR 8.5 million). Q3 revenue growth amounted to 54% year-on-year. Despite the expectation of strong Q4 revenues we do not see Evotec Technologies sales growing over 2004 due to the above average performance in Q4 2004.

Interest in our cell handling devices including Opera™ and Elektra™ remain strong, the Opera™ both as a stand alone device or integrated into larger platforms. We have delivered instruments to pharmaceutical customers and academic institutions during the quarter. In addition, ET installed the first plate:explorer™ system from the former Zeiss portfolio at a major

pharmaceutical company and took an order to integrate an Opera™ analyser for application in cell based screening.

For the first nine months, Evotec recorded 55% of total revenues in Europe, 32% in the United States and 13% in Japan and the Rest of the World.

Operating cost structure

Cost of revenue for the first nine months of 2005 were EUR 35.5 million (2004: EUR 31.0 million). This translates into a gross margin of 33.2%, (2004: 34.6%). For the third quarter, gross margin was 29.5% (2004: 32.9%).

The slight decline in gross margin for Q3 has primarily three reasons which we believe are all temporary. In our Services Division we incurred in Q3 above average costs in parts of one library synthesis project as well as in our collaboration with Boehringer Ingelheim. In addition, in our Pharmaceuticals Division, we ramped up our external efforts for target validation in context of our collaboration with Takeda as we move closer to the time frame in which Takeda may select targets for their internal discovery programmes. Margins are therefore expected to come back to average levels in the fourth quarter of 2005.

For the first nine months of 2005, **R&D expenditure** decreased by 10% to EUR 9.0 million (2004: EUR 10.0 million). As in previous periods, this does not include R&D conducted in our joint venture with DeveloGen.

In Q3 alone, however, R&D expenditure increased as planned, by 40% year-on-year. It was the first quarter in 2005 that Evotec Neurosciences was fully consolidated for the entire period, and R&D expenses in our Pharmaceuticals Division have started to pick-up with the first clinical study conducted for EVT 201. By adding EUR 1.7 million in Q3, divisional R&D expenses increased to EUR 2.1 million (2004: EUR 0.9 million) for the first nine months. R&D expenses for proprietary CNS research are expected to further increase during the fourth quarter of 2005.

The overall decline of group R&D expenses year to date is therefore mainly a result of significantly reduced R&D in our Services Division. As our fully integrated platform requires a lower level of investment going forward, R&D expenses in the division decreased by 51% to EUR 2.7 million (2004: EUR 5.5 million).

Expenses for our Metabolic Disease research activities in the joint venture with DeveloGen amounted to EUR 1.5 million (2004: EUR 2.2 million). They are booked as a net loss from equity investments under non-operating expenses.

SG&A costs for the first nine months of 2005 decreased by 7% to EUR 14.6 million (2004: EUR 15.7 million). Although Q3 was the first full quarter of Evotec Neurosciences (ENS) being fully consolidated in the Evotec Group, SG&A expenses were reduced by 14% (to EUR 4.6 million). Unlike

Q2 2005 there were no further acquisition related extraordinary SG&A costs. In addition, the full effect of underlying improvements from our cost control and restructuring measures were seen. In Q3, SG&A costs in our Services Division improved significantly by 34% to EUR 2.6 million (Q2: -24%, Q1: -9%).

Financial results

Operating result excluding charges from amortisation of intangibles for the first nine months improved by 31% to EUR (8.4) million (2004: EUR (12.1) million). This is mainly a result of continued growth and cost reductions in our Services Division. Reduced platform R&D and SG&A expenses, as well as lower other operating expenses, following (i) the asset impairments in Q4 2004 and (ii) higher expected pilot plant utilisation compared to 2004, resulted in operating result excluding amortisation charges in this division reaching almost break-even for the first nine months 2005 (EUR (0.2) million). This is in line with our 2005 guidance.

Operating result before amortisation in our Tools and Technologies Division fell to EUR (3.9) million (2004: EUR (2.3) million), as it incurred an extraordinary restructuring charge. Evotec Technologies has decided to close its Düsseldorf operations and transfer the activities to Hamburg. This will streamline operations and enhance its offering by more closely integrating the development of assay applications, technologies and software.

The **operating result including amortisation charges** amounted to EUR (34.9) million (2004: EUR (19.6) million) for the first nine months. This increase was driven by a one-off effect in the second quarter, when we amortised acquired internal R&D projects of Evotec Neurosciences through a write-off charge amounting to EUR 17.9 million (see Q2 report). For Q3 the operating result was closer to last year's level at EUR (7.7) million (2004: EUR (6.3) million), despite Evotec Technologies' restructuring, higher R&D investment and amortisation. Going forward, regular amortisation of intangible assets from the acquisition of OAI (appr. EUR (2.5) million per quarter) will no longer occur.

Net loss amounted to EUR 35.5 million (2004: EUR 17.7 million). The increase is a result of extraordinary Q2 amortisation charges from the acquisition of Evotec Neurosciences of EUR 17.9 million. In Q3, net loss amounted to EUR 7.4 million (2004: EUR 5.9 million). This slight increase over last year is a result of the slightly higher operating loss, which includes the restructuring cost in Evotec Technologies.

Net loss before amortisation charges improved by 13% to EUR 8.9 million (2004: EUR 10.2 million).

Net loss per share for the first nine months of 2005 was EUR 0.73 (2004: EUR 0.49).

Net income tax benefits amounted to EUR 2.8 million. Deferred tax benefits in the UK (EUR 0.2 million) added to deferred tax benefits from the amortisation of acquisition-related non-goodwill intangible assets (EUR 2.6 million).

Earnings before interest and taxes, depreciation and amortisation (**EBITDA**) for the first nine months of 2005 improved by 18% to EUR (4.9) million (2004: EUR (6.1) million).

Segment reporting

Services Division

Euro in thousands	01-09/2005	01-09/2004	Δ in %
Total revenue	43,310	38,245	13.2
– Thereof 3rd party	43,235	38,045	13.6
Gross profit	13,034	11,712	11.3
Gross margin	30.1%	30.6%	
- Research and development expenses	2,707	5,498	(50.8)
- Selling, general and administrative expenses	8,830	11,607	(23.9)
- Amortisation of intangible assets	7,349	7,454	(1.4)
- Other operating expenses	1,656	2,787	(40.6)
Operating income (loss)	(7,508)	(15,634)	52.0
Operating income (loss) before amortisation and impairment	(159)	(8,180)	98.1

Euro in thousands	07-09/2005	07-09/2004	Δ in %
Total revenue	14,341	13,560	5.8
– Thereof 3rd party	14,327	13,524	5.9
Gross profit	3,801	4,084	(6.9)
Gross margin	26.5%	30.1%	
- Research and development expenses	778	1,419	(45.2)
- Selling, general and administrative expenses	2,599	3,959	(34.4)
- Amortisation of intangible assets	2,455	2,488	(1.3)
- Other operating expenses	529	865	(38.8)
Operating income (loss)	(2,560)	(4,647)	44.9
Operating income (loss) before amortisation and impairment	(105)	(2,159)	95.1

Pharmaceuticals Division

Euro in thousands	01-09/2005	01-09/2004	Δ in %
Total revenue	1,128	927	21.7
– Thereof 3rd party	1,128	925	22.0
Gross profit	316	348	(9.2)
Gross margin	28.0%	37.5%	
- Research and development expenses	2,147	867	147.6
- Selling, general and administrative expenses	2,805	1,301	115.6
- Amortisation of intangible assets	18,939	81	-
- Other operating expenses	-	-	-
Operating income (loss)	(23,575)	(1,901)	-
Operating income (loss) before amortisation and impairment	(4,636)	(1,820)	(154.7)

Euro in thousands	07-09/2005	07-09/2004	Δ in %
Total revenue	677	-	100
– Thereof 3rd party	677	-	100
Gross profit	167	-	100
Gross margin	24.7%	-	
- Research and development expenses	1,747	135	-
- Selling, general and administrative expenses	1,080	368	193.5
- Amortisation of intangible assets	784	11	-
- Other operating expenses	-	-	-
Operating income (loss)	(3,444)	(514)	(570.0)
Operating income (loss) before amortisation and impairment	(2,660)	(503)	(428.8)

Tools and Technologies

Euro in thousands	01-09/2005	01-09/2004	Δ in %
Total revenue	9,680	9,579	1.1
– Thereof 3rd party	8,883	8,472	4.9
Gross profit	4,901	5,197	(5.7)
Gross margin	50.6%	54.3%	
- Research and development expenses	4,783	4,566	(4.8)
- Selling, general and administrative expenses	3,188	2,894	10.2
- Amortisation of intangible assets	864	605	42.8
- Restructuring expenses	866	-	100.0
- Other operating expenses	-	-	-
Operating income (loss)	(4,800)	(2,868)	(67.4)
Operating income (loss) before amortisation and impairment	(3,936)	(2,263)	(73.9)

Euro in thousands	07-09/2005	07-09/2004	Δ in %
Total revenue	4,099	2,743	49.4
– Thereof 3rd party	3,961	2,577	53.7
Gross profit	1,766	1,327	33.1
Gross margin	43.1%	48.4%	
- Research and development expenses	1,548	1,522	1.7
- Selling, general and administrative expenses	1,009	972	3.8
- Amortisation of intangible assets	294	201	46.3
- Restructuring expenses	866	-	100.0
- Other operating expenses	-	-	-
Operating income (loss)	(1,951)	(1,368)	(42.6)
Operating income (loss) before amortisation and impairment	(1,657)	(1,167)	(42.0)

Capital expenditure and asset acquisition

Evotec invested EUR 4.3 million in **fixed assets** (2004: EUR 1.6 million) in the first nine months of 2005. The majority of this investment was made into the new facilities of our fast growing formulation business in Scotland, upgrades of our screening facility in Hamburg and analytical equipment. Total capital expenditures in fixed assets associated with our Services Division are expected to be lower than depreciation, reflecting the high quality infrastructures we have built over the past years. As a consequence we are likely to be cash generative in this business in 2005.

Evotec Technologies acquired **intangible assets** to the amount of EUR 1.9 million in cash in context of the acquisition of the uHTS business of Carl

Zeiss in the first quarter. In addition, intangible assets increased as a result of the acquisition of Evotec Neurosciences in Q2, and in the third quarter the acquisition of the remaining 19% of shares of ProPharma.

Cash flow and cash equivalents

Cash flow from operating activities for the first nine months of 2005 was EUR (0.6) million (2004: EUR (7.0) million). The improvement was influenced strongly by the increased operating result before amortisation charges and a reduction in working capital compared to year end.

Trade accounts receivable decreased from the high December level (EUR 15.7 million as a result of a strong year-end business) to EUR 10.4 million. Trade accounts payable are EUR 2.0 million higher than at the end of December 2004 (EUR 4.8 million) mainly due to period end effects and the full consolidation of Evotec Neurosciences. They were, however, reduced significantly from the high end of June level (EUR 8.9 million) mainly due to assets acquired from Zeiss by Evotec Technologies being paid this quarter. Since December total inventories increased by EUR 4.0 million to EUR 14.1 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 reduction of inventories over the end of June (EUR 15.3 million) was mainly driven by library dispatches to our customer and higher sales of instruments in Evotec Technologies during the quarter.

Cash flow from investing activities was EUR 10.4 million (2004: EUR (3.4) million). This positive cash contribution is mainly the result of EUR 19.2 million cash acquired through the acquisition of Evotec Neurosciences which was only to a small extent offset by the capital expenditures in the Group.

Cash flow from financing activities amounted to EUR 27.7 million (2004: EUR 9.0 million). In June, Evotec completed a capital increase of EUR 28.4 million.

Cash and cash equivalents at the end of September amounted to EUR 54.3 million and provide a solid basis for developing and expanding our proprietary CNS pipeline.

Employees and management

At the end of December 2004 the Evotec Group employed 646 people. Effective May 2005, 30 people were added from the consolidation of Evotec Neurosciences. As a result of the restructuring and margin focus in our Services Division the overall number declined to 604 at the end of September.

Outlook

Based on the strong development during the first nine months of 2005 we believe that we are well on track to reach our development milestones and financial targets for the current fiscal year. The major milestone in our Pharmaceuticals Division of bringing one compound into phase I clinical trials has been achieved in October, earlier than anticipated. This is a great success, particularly in light of the fact that our second compound is also

expected to start phase I before the end of the year. We are therefore anticipating having two compounds in clinical trials by year end.

We continue to manage our cash position diligently. We expect to spend less on R&D this year than originally planned. This is a consequence of our in-licensing activities, which have led us to not ramp up the expense for internal earlier stage discovery projects as fast as originally anticipated.

We expect that we will also reach our two financial targets for 2005 and confirm the guidance given on 22 March 2005. The sales and order book for 2005 has increased to EUR 76 million as of October (+6% relative to October 2004: EUR 72 million) and is supporting our target of up to 5% revenue growth for the Evotec Group and achievement of last year's revenues for the Services Division. Secondly, the restructuring programme in this division has put it on track to deliver operating result before amortisation at break-even, which should translate into solid positive contributions to operating cash flow.

In summary, the Company has made significant progress – strategically and financially – during 2005.

Condensed consolidated statements of operations according to US GAAP

Evotec AG and Subsidiaries

Euro in thousands except share data and per share data

	01-09/2005	01-09/2004	Δ in %	07-09/2005	07-09/2004	Δ in %
Revenue:						
– Drug discovery products & development of technologies	9,132	8,584	6.4	3,979	2,621	51.8
– Drug discovery services	44,115	38,858	13.5	14,987	13,479	11.2
Total revenue	53,247	47,442	12.2	18,966	16,100	17.8
– Cost of revenue	35,549	31,006	14.7	13,374	10,806	23.8
Gross profit	17,698	16,436	7.7	5,592	5,294	5.6
– Research and development expenses	9,007	9,976	(9.7)	4,010	2,871	39.7
– Selling, general and administrative expenses	14,558	15,734	(7.5)	4,593	5,310	(13.5)
– Amortisation of intangible assets ¹	26,556	7,454	252.0	3,334	2,502	33.3
– Restructuring expenses	866	-	100.0	866	-	100.0
– Other operating expenses	1,656	2,787	(40.6)	529	865	(38.8)
Operating income (loss)	(34,945)	(19,606)	(78.2)	(7,740)	(6,254)	(23.8)
– Interest income (expense)	(18)	(195)	(90.8)	119	(106)	(212.3)
– Income from investments and participations	-	-	-	-	-	-
– Net loss from equity investments	(2,456)	(2,804)	(12.4)	(764)	(1,034)	(26.1)
– Foreign currency exchange gain (loss), net	(1,137)	302	(476.5)	97	195	(50.3)
– Other non-operating income, net	462	722	(36.0)	64	214	(70.1)
Result before taxes and minority interests	(38,094)	(21,581)	(76.5)	(8,224)	(6,985)	(17.7)
Income tax benefit	2,812	3,764	(25.3)	893	1,019	(12.4)
Extraordinary income (expenses)	-	-	-	-	-	-
Result before minority interests	(35,282)	(17,817)	(98.0)	(7,331)	(5,966)	(22.9)
Minority interests	(207)	121	(271.1)	(63)	23	(373.9)
Net income / loss	(35,489)	(17,696)	(100.6)	(7,394)	(5,943)	(24.4)
Net loss per share (basic)	(0.73)	(0.49)		(0.12)	(0.16)	
Net loss per share (diluted) ²	-	-		-	-	
Weighted average shares outstanding (basic)	48,405,696	36,167,064		62,744,415	37,466,652	
Weighted average common share outstanding (diluted)	-	-		-	-	
Depreciation of property, plant and equipment included in total operating expense	6,764	7,658	(11.7)	2,537	2,381	6.6

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	30/09/2005	31/12/2004	Δ in %
Assets			
Current assets:			
– Cash and cash equivalents	54,340	15,277	255.7
– Marketable securities, at fair value	-	-	-
– Trade accounts receivable, net	10,065	14,689	(31.5)
– Accounts receivable due from associated companies	-	183	(100.0)
– Accounts receivable due from related parties	336	852	(60.6)
– Inventories	14,075	10,080	39.6
– Deferred tax assets	-	99	(100.0)
– Current tax receivables	633	620	2.1
– Prepaid expenses and other current assets	4,152	3,149	31.9
Total current assets	83,601	44,949	86.0
Long-term investments	-	2,796	(100.0)
Property, plant and equipment, net	42,412	41,545	2.1
Intangible assets, excluding goodwill, net	9,910	7,507	32.0
Notes receivable / loans	-	-	-
Goodwill, net	43,106	41,685	3.4
Deferred taxes	-	-	-
Other non-current assets	52	52	0.0
Total assets	179,081	138,534	29.3
Liabilities and stockholders' equity			
Current liabilities:			
– Current portion of capital lease obligations	1,722	786	119.1
– Current maturities of long-term loans	3,959	1,240	219.3
– Trade accounts payable	6,744	4,679	44.1
– Accounts payable to related parties	10	117	(91.5)
– Advanced payments received	491	609	(19.4)
– Accrued expenses	9,426	7,042	33.9
– Deferred revenues	4,950	4,833	2.4
– Current tax payables	78	7	1014.3
– Deferred taxes	-	-	-
– Other current liabilities	1,818	1,573	15.6
Total current liabilities	29,198	20,886	39.8
Long-term loans	5,503	9,591	(42.6)
Long-term capital lease obligations	2,014	2,055	(2.0)
Deferred tax liabilities	2,467	2,466	0.0
Deferred revenues	762	845	(9.8)
Other non-current liabilities	108	107	0.9
Minority interests	-	574	(100.0)

Stockholders' equity:			
– Share capital	62,759	38,010	65.1
– Additional paid-in capital	595,440	550,533	8.2
– Treasury stock	-	-	-
– Retained earning/accumulated deficit	(482,940)	(447,451)	7.9
– Accumulated other comprehensive loss	(36,230)	(39,082)	(7.3)
– Total stockholders' equity	139,029	102,010	36.3
Total liabilities and stockholders' equity	179,081	138,534	29.3

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

Euro in thousands	30/09/2005	30/09/2004
Cash flows from operating activities:		
Net loss	(35,489)	(17,696)
Adjustments to reconcile net loss to net cash used in operating activities	33,261	14,063
Change in assets and liabilities	1,677	(3,326)
Net cash (used in) provided by operating activities	(551)	(6,959)
Cash flows from investing activities:		
Acquisition costs	(154)	-
Purchase of marketable securities	-	-
Purchase of long-term investments	(2,051)	(2,604)
Purchase of property, plant and equipment	(4,318)	(1,597)
Purchase of intangible assets	(2,352)	(1)
Cash acquired	19,245	-
Proceeds from sale of property, plant and equipment	28	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	10,398	(3,412)
Cash flows from financing activities:		
Net proceeds from capital increase	28,460	7,500
Net proceeds from increase of bank loan	5,408	6,102
Repayment of bank loan	(6,162)	(4,574)
Net cash (used in) provided by financing activities	27,706	9,028
Net increase (decrease) in cash and cash equivalents	37,553	(1,343)
Exchange rate difference	1,510	(202)
Cash and cash equivalents at beginning of year	15,277	18,763
Cash and cash equivalents at end of the third quarter	54,340	17,218
Cash, cash equivalents and marketable securities at end of the third quarter	54,340	17,218

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	2,500,000	2,500	5,000	-	-	-	7,500
Stock option plan	-	-	5	77	-	-	82
Share capital in ENS	-	-	5,475	-	-	-	5,475
Comprehensive loss:							
- Foreign currency translation	-	-	-	-	4,830	-	4,830
- Net loss	-	-	-	-	-	(17,696)	(17,696)
Total comprehensive loss							(12,866)
Balance at September 30, 2004	38,010,130	38,010	550,515	(73)	(35,216)	(380,944)	172,292
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)	14,473	15	22	-	-	-	37
Stock option plan	-	-	373	(283)	-	-	90
Stock option plan acquired	-	-	-	(956)	-	-	(956)
Comprehensive loss:							
- Foreign currency translation	-	-	-	-	4,091	-	4,091
- Net loss	-	-	-	-	-	(35,489)	(35,489)
Total comprehensive loss							(31,398)
Balance at September 30, 2005	62,758,888	62,759	595,440	(1,316)	(34,914)	(482,940)	139,029

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 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 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.

2. Basis of consolidation

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 today 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. 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.

As a result of the consolidation the long-term investments in the consolidated Balance Sheet have reduced by EUR 2.5 million.

3. Segment reporting

In Q2 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 to date for the first, second and third quarters 2005 and 2004 have been restated accordingly.

Evotec segment reporting according to US GAAP

Euro in thousands	Services Division	Pharmaceuticals Division	Tools and Technologies	Consolidation
Revenue:				
- Drug discovery products & development of technologies	248	-	9,680	(796)
- Drug discovery services	43,062	1,128	-	(75)
Total revenue	43,310	1,128	9,680	(871)
- Cost of revenue	30,276	812	4,779	(318)
Gross Profit	13,034	316	4,901	(553)
- Research and development expenses	2,707	2,147	4,783	(630)
- Selling, general and administrative expenses	8,830	2,805	3,188	(265)
- Amortisation of intangible assets	7,349	18,939	864	(596)
- Restructuring expenses	-	-	866	-
- Other operating expenses	1,656	-	-	-
Operating income (loss)	(7,508)	(23,575)	(4,800)	938

4. Long-term loans

The company decided to accelerate repayment of a long-term loan resulting in a reduction in the amount classed as long-term loans and a reclassification of a portion to current maturities of long-term loans within current liabilities (EUR 2.4 million).

5. Cash flows

Adjustments to reconcile the reported net loss to net cash used in operating activities (EUR 33.3 million) includes amortisation (EUR 26.6 million), depreciation (EUR 5.8 million) and other non-cash items.

6. Shareholdings of the Boards of Evotec AG

	Number of shares	Share options
Management Board		
Joern Aldag	298,056	312,600
Dr Dirk H. Ehlers	4,540	171,500
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 September 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 September 2005.

7. Stock options programme

In the first quarter, 120,000 stock options were issued at an exercise price of EUR 3.61. In the third quarter, 25,000 options were issued on 11 July 2005 at an exercise price of EUR 2.82 and 610,000 options on 30 August 2005 at exercise prices of EUR 2.71 and EUR 2.80. During the first nine months 14,473 options were exercised. As of 30 September 2005, the total number of options available for future exercise amounted to 3,091,728 (approximately 5% of shares in issue). Options have been accounted for under the APB 25 pricing model until 30 June 2005. Starting 1 July 2005, the Company has adopted SFAS 123R, which is effective for the first quarterly reporting period beginning after 15 June 2005.

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.