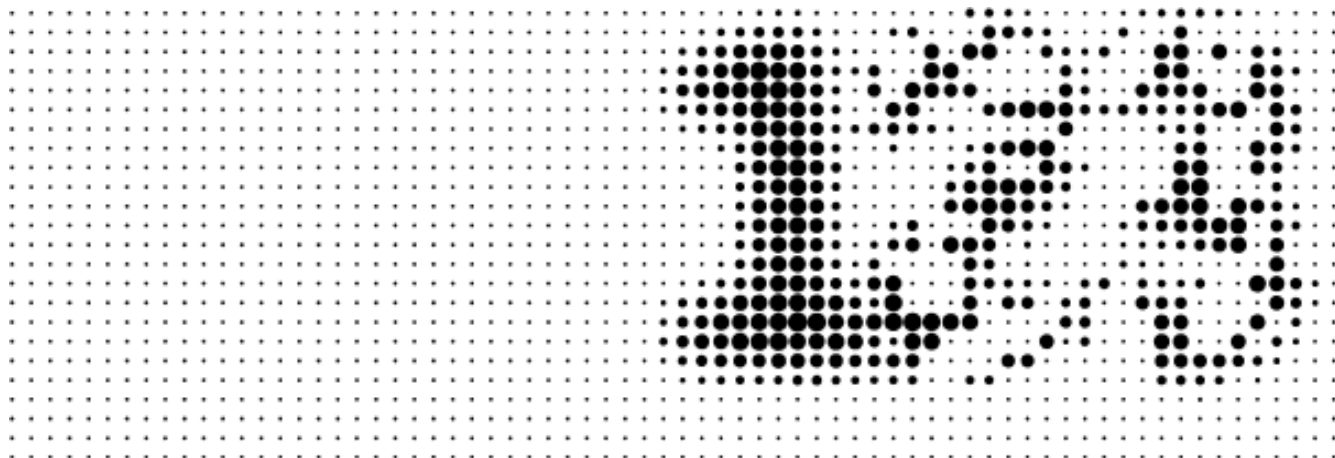




Evotec AG, First Quarter Report 2006

**For further information
please contact:**

Anne Hennecke
Director,
Investor Relations &
Corporate Communications

+49.(0)40.560 81-286
+49.(0)40.560 81-333 Fax
anne.hennecke@evotec.com

Evotec AG
Schnackenburgallee 114
22525 Hamburg
Germany
www.evotec.com

Dear Shareholders,

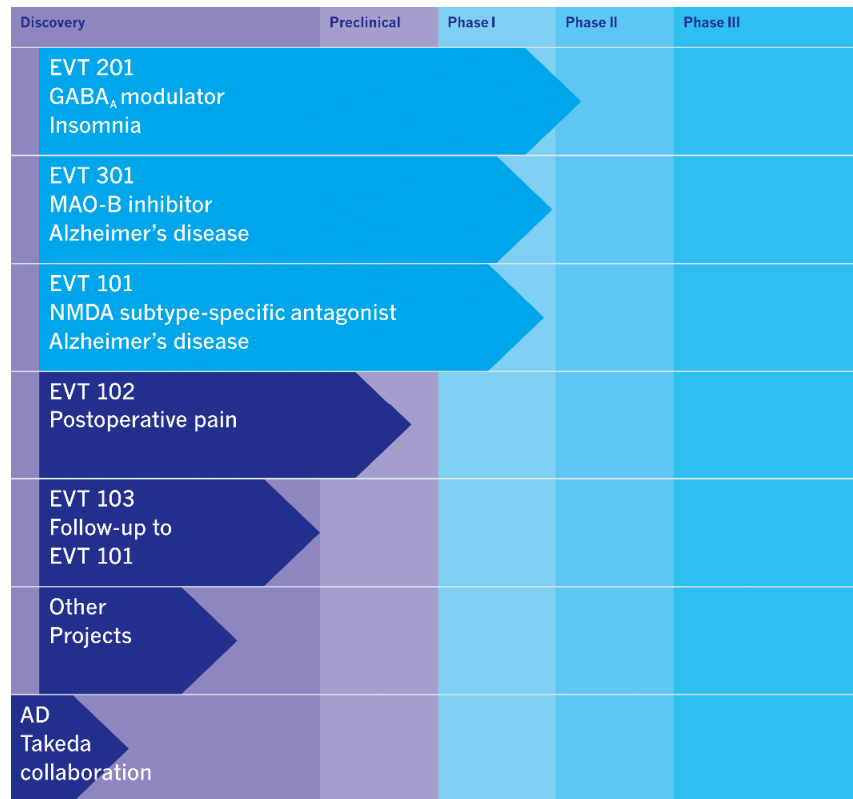
Evotec have started well in 2006. In January, we in-licensed, from Roche, two Phase I MAO-B inhibitor compounds with disease modifying potential in Alzheimer's disease and now have three compounds in clinical development. We have initiated three clinical studies since the beginning of the year and are proud to have four studies running in parallel. As communicated in March, our goal for 2006 is to start Phase II studies for two of our compounds, EVT 201 for the treatment of insomnia and EVT 301 for the treatment of Alzheimer's disease. We remain on track to achieve this target.

Based on our successes in in-licensing compounds and on encouraging results from initial clinical trials, we now have more opportunities to expand our CNS programmes internally. To address these opportunities we raised an additional EUR 18.5 million in April. This increases our flexibility to develop our projects and target higher value creation before partnering.

Our Services Division also had a strong quarter. Revenues in the Services Division grew by 14%. Chemical Development and Formulation Services performed particularly strongly, and we achieved the second milestone in our discovery collaboration with Boehringer Ingelheim. Gross margin was strong at 37%. Segment operating result was positive at EUR 1.4 million.

Group revenues were up 12% and Group margins at 39%.

1. Pipeline rapidly progressing: 3 compounds in Phase I



Progress in the clinical development of our drug pipeline was strong in Q1 2006. Evotec initiated three new trials, two for EVT 201 and one for EVT 301, so that including the ongoing EVT 101 Phase I trial the Company now has four clinical studies running in parallel.

Achievements in the first quarter include:

Second Phase I/II study for EVT 201 started

The second proof-of-principle Phase I/II study for our insomnia drug candidate EVT 201 has been started. It is very similar to the first trial conducted in 2005 and is intended to determine the doses to be used for the upcoming Phase II study. It is a 5 way cross-over design study in 12 healthy male volunteers conducted in a sleep laboratory setting and using the traffic noise model of insomnia with four doses of the compound and placebo. The study is progressing and is on track for completion in the summer 2006.

In addition, we have started the first repeat dose study for EVT 201 in young and elderly volunteers to explore safety and tolerability over extended duration and dosing.

EVT 201 on track for start of Phase II in Q3

Preparations for our Phase II study with EVT 201 in patients with primary insomnia are running to schedule and will be conducted in several US sleep centres. The study design is finalised, participating centres identified

and timelines for the study remain unchanged with start scheduled for Q3 2006.

**Phase I for EVT 101
on schedule:
Compound well
tolerated**

In February, Evotec announced that the single ascending dose (SAD) component of the Phase I clinical study with EVT 101, the subtype-specific NMDA receptor antagonist for the treatment of Alzheimer's disease, has been completed. The study, in 48 young healthy subjects, 36 of which received EVT 101, showed that EVT 101 was well absorbed achieving good exposure levels, was extremely well tolerated with no significant adverse events and had a good pharmacokinetic profile consistent with once or twice daily oral dosing. The multiple ascending dose part of the Phase I study in both young and elderly volunteers is now nearing completion. Evotec expects to publish final results of the complete Phase I study for EVT 101 in Q3 2006.

**MAO-B inhibitors
licensed from Roche
with disease
modifying potential
in Alzheimer's
disease**

In January, Evotec signed an exclusive worldwide licensing agreement with Roche for two orally active, selective and reversible inhibitors of monoamine oxidase-B (MAO-B). The most advanced compound is known as EVT 301. It is in phase I clinical development for the treatment of Alzheimer's disease (AD). EVT 301 has a desirable preclinical and clinical profile, was well tolerated and showed good pharmacokinetic properties in Phase I studies.

**EVT 301 on track for
start of Phase II in Q4**

Evotec started a one month tolerability trial end of April as planned to study safety and tolerability over an extended dosing period. An additional repeat dose PET (Positron Emission Tomography) study to demonstrate occupancy of brain MAO-B at steady state is expected to start during the second quarter. In summary, preparations are on track to allow beginning of the proof-of-concept Phase II trial for EVT 301 in Q4 2006.

**Clinical development
team strengthened**

In Q1, Evotec hired two additional clinical development project managers to expand its development team and facilitate the building of its clinical pipeline. All of them have many years of experience in clinical development in the pharmaceutical industry and provide a strong addition to our growing pharmaceuticals team.

**2. Milestone in research collaboration and successful customer
relations lead to strong revenue growth and profitability in Services**

**Group revenues up
12%, revenues in
Services up 14%**

Services revenues for the first quarter grew by 14% over the same period in 2005 to EUR 15.4 million (2005: EUR 13.6 million). Growth was driven by both discovery and development services, with growth in discovery coming mainly as a result of a milestone payment from Boehringer Ingelheim. Evotec continues to develop its order book successfully signing new and repeat business with partners including *Boehringer Ingelheim*, *Curis*, *Oxagen*, *Panacos*, *Roche* and *Vertex*.

Highlights in this quarter include:

**Evotec and
Boehringer Ingelheim
collaboration
doubled and
significantly
extended**

Effective from 1 January 2006 Evotec and Boehringer Ingelheim doubled their already sizeable drug discovery collaboration initiated in September 2004. This collaboration which was originally projected to end in August 2007 was extended to the end of 2008.

Evotec and Boehringer Ingelheim aim to jointly identify and develop pre-clinical development candidates. While the original contract was exclusively targeted at therapeutics acting on G-Protein Coupled Receptors (GPCRs), the extension also includes targets from different target classes, including ion channels and enzymes. As compensation for Evotec's contributions to the programme, Evotec receives ongoing research payments from Boehringer Ingelheim. In addition, Evotec is eligible for pre-clinical and clinical milestones as well as royalties on compounds discovered in the collaboration.

**Second milestone
achieved**

Following the expansion of this collaboration in January, the second milestone was successfully achieved in March for the identification of a number of lead series for a priority receptor target. This is the second time within eighteen months that a target has moved into lead optimisation. Evotec is extremely proud to have been able to rapidly advance hit compounds, discovered in a screening campaign at Evotec, to qualified lead series.

**Discovery market
remains challenging,
Biology Services
upbeat**

Interest in Biology Services has picked-up during the first quarter of 2006. Evotec signed assay development and screening contracts with a number of customers, including *BASF*, *Sirtris* and *Vertex*. A large screening contract has been signed after period end with a major Japanese pharmaceutical company *DAIICHI SANKYO*.

However, the market environment for Discovery Services as a whole remains challenging. Two substantial contracts signed with *Roche*, which were announced in April 2006, are therefore important order book contributions in this area of our business.

**Development
Services and
Formulation continue
strongly**

Chemical and Pharmaceutical Development Services had another successful quarter with strong pilot plant and formulations sales, areas with an equally strong order situation. Major new contracts were signed with *Celgene*, *Curis* and *Oxigene* and many new strategic customers for Formulation Services. Further manufacturing capacity is currently being constructed in our formulation unit in Glasgow to meet the growing market demand.

**Operating result of
the Services Division
positive**

As a result of a strong quarterly gross margin which was mainly driven by a milestone payment from Boehringer Ingelheim but also by an overall solid margin in Development Services and Formulation, operating result in this division improved strongly over last year to EUR 1.4 million (2005: EUR (2.8) million).

Important event after the end of the first quarter**EUR 18.5 million
raised in capital
increase**

The financial proceeds from the share offering closed in late April has increased Evotec's flexibility to develop its projects and to potentially add more value before partnering. Specifically, this includes the broadening of the scope of the trials of its insomnia drug candidate EVT 201 to add to its commercial differentiation. Also, the Company is exploring the potential for further development opportunities and Phase II studies previously not planned in Alzheimer's disease and additional indications in its other pipeline projects.

Financial Report

Highlights

- Q1 revenues for the Group up 12% to EUR 17.8 m (2005: EUR 15.9 m)
- Group R&D expenses increased to EUR 9.9m (2005: EUR 2.3m); including a significant upfront payment for the acquisition of the MAO-B inhibitors from Roche which is accounted for under R&D
- Group operating loss mainly driven by high R&D expenses mentioned above
- Strong Q1 performance in the Services Division supported by milestone payment from Boehringer Ingelheim:
 - Revenues up 14% to EUR 15.4 m (2005: EUR 13.6 m)
 - Gross margin improved to 37% (2005: 30%)
 - Operating result positive at EUR 1.4 m (2005: EUR (2.8) m)
- Period end cash position of EUR 45.4 m
- Sales and order book for 2006 increased to EUR 60 m as of April (April 2005: EUR 56 m)
- On track to reach full-year 2006 financial guidance

Revenues

Evotec **revenues** for the first quarter 2006 increased by 12% to EUR 17.8 million (2005: EUR 15.9 million). Growth was mainly driven by the strong Q1 performance in the Services Division but also supported by revenues with Takeda in the Pharmaceuticals Division which were not consolidated in Q1 of the previous year. Revenues in our **Services Division** increased by 14% to EUR 15.4 million (2005: EUR 13.6 million). In Discovery Services, the achievement of the milestone with Boehringer Ingelheim and, in Chemical and Pharmaceutical Development, mainly the strong sales performance in Pilot Plant as well as Formulation Services were the main contributors.

Revenues in our **Pharmaceuticals Division** from our target discovery collaboration with Takeda amounted to EUR 0.5 million (Q1 2005: nil). In 2005, revenues with Takeda were not consolidated before 26 May.

Our **Tools and Technologies Division (Evotec Technologies (ET))** experienced a traditionally weak Q1 following strong 2005 year-end business. Third-party revenues amounted to EUR 2.0 million (2005: EUR 2.3 million) and mainly consist of revenues from service & maintenance contracts. Going forward, demand for products from ET's growing cell biology business remains strong. Since the beginning of the year, ET received a \$ 2.8 million order from the University of Cincinnati and Cincinnati Children's Hospital Medical Center as well as several OperaTM orders from pharmaceutical customers and academic institutions. On this basis, Evotec continues to expect an improvement of ET's financial performance for 2006.

For the first quarter 2006, Evotec recorded 58% of total revenues in Europe, 35% in the United States and 7% in Japan and the Rest of the World.

Operating cost structure

Cost of revenue for the first quarter of 2006 was EUR 10.8 million. This translates into an increased gross margin of 39.4% (2005: 33.6%).

The significant margin improvement is driven by the strong performance of Evotec's Services Division which mainly results from the Boehringer Ingelheim milestone payment and a strong margin situation in Development Chemistry and Formulation Services. This strong performance cannot be extrapolated as we will not receive milestone payments in every quarter. In addition, following the expansion of the Boehringer Ingelheim collaboration an increased number of Evotec scientists are now working on the project. In results-based deals of this sort lower than average FTE rates are paid and above average margins are expected to be earned through back loaded milestone payments. Therefore, margins in the Services Division are expected to come back to lower levels in subsequent quarters without similar milestone payments.

R&D expenditure in the first quarter 2006 was EUR 9.9 million (2005: EUR 2.3 million) with the vast majority originating from Evotec's Pharmaceuticals Division (EUR 8.3 million). The biggest single contributor was the cost of in-licensing the MAO-B inhibitors. The first and main tranche occurred during the quarter and has been fully expensed as R&D.

As a consequence, R&D spend is expected to be lower in the two following quarters of 2006. Nevertheless, full year R&D costs will increase significantly over 2005 as there will also be higher clinical trials expenses for the development of our pipeline projects. In addition, in 2005, Evotec Neurosciences was not consolidated for the entire period but just as of 26 May.

R&D expenses in the other divisions were driven down, both in Services and in Evotec Technologies (ET). In Services, Evotec's fully integrated platform requires a lower level of investment going forward, and ET's upgrade of the cell analyser Opera™ has been completed and therefore reduced R&D levels in that unit.

For the first quarter of 2006, **SG&A** costs increased by 37% to EUR 6.3 million (2005: EUR 4.6 million). Primarily three effects caused the increase: a) Evotec Neurosciences (ENS) was not fully consolidated in Q1 of the previous year, b) we performed a strategic review of the Services Division with a leading consulting firm and c) US sales activities of Evotec Technologies increased. To that extent SG&A expenses in the other quarters of 2006 are expected to be lower than in Q1 and to show less pronounced increases over the previous year.

Financial results

The **operating result** amounted to EUR (10.6) million (2005: EUR (4.7) million). The increased loss was driven by the high R&D expenses related to the acquisition of two Phase I MAO-B inhibitors from Roche. Operating result in our Services Division was positive at EUR 1.4 million.

Operating result excluding amortisation charges amounted to EUR (9.6) million.

In line with operating result, **net loss** amounted to EUR 10.4 million (2005: EUR 5.0 million). As the joint venture structure with DeveloGen has been dissolved effective 1 January 2006, related “loss from equity investments” under non-operating cost is no longer shown.

Net income tax expenses amounted to EUR 0.1. 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 quarter of 2006 was EUR 0.17 (2005: EUR 0.13).

Earnings before interest and taxes, depreciation and amortisation (**EBITDA**) for the first quarter 2006 amounted to EUR (7.7) million (2005: EUR (0.9) million).

Segment reporting

Services Division

Euro in thousands	01-03/2006	01-03/2005	Δ in %
Total revenue	15,396	13,560	13.5
– Thereof 3rd party	15,330	13,542	13.2
Gross profit	5,673	3,998	41.9
Gross margin	36.8%	29.5%	
- Research and development expenses	498	853	(41.6)
- Selling, general and administrative expenses	3,228	3,016	7.0
- Amortisation of intangible assets	19	2,420	(99.2)
- Other operating expenses	491	557	(11.8)
Operating income (loss)	1,437	(2,848)	150.5
Operating income (loss) before amortisation and impairment	1,456	(428)	440.2

Pharmaceuticals Division

Euro in thousands	01-03/2006	01-03/2005	Δ in %
Total revenue	453	-	100.0
– Thereof 3rd party	453	-	100.0
Gross profit	212	-	100.0
Gross margin	46.8%	-	
- Research and development expenses	8,261	19	-
- Selling, general and administrative expenses	1,398	603	131.8
- Amortisation of intangible assets	798	-	100.0
- Other operating expenses	-	-	-
Operating income (loss)	(10,245)	(622)	-
Operating income (loss) before amortisation and impairment	(9,447)	(622)	-

Tools and Technologies

Euro in thousands	01-03/2006	01-03/2005	Δ in %
Total revenue	2,197	2,430	(9.6)
– Thereof 3rd party	2,020	2,310	(12.6)
Gross profit	1,241	1,392	(10.8)
Gross margin	56.5%	57.3%	
- Research and development expenses	1,237	1,590	(22.2)
- Selling, general and administrative expenses	1,387	1,023	35.6
- Amortisation of intangible assets	372	313	18.8
- Other operating expenses	-	-	-
Operating income (loss)	(1,755)	(1,534)	(14.4)
Operating income (loss) before amortisation and impairment	(1,383)	(1,221)	(13.3)

Capital expenditure

Evotec invested EUR 0.7 million in **fixed assets** during Q1 2006 (2005: EUR 1.4 million). The Services Division restricted capital expenditure to laboratory equipment replacement and this, together with higher investment in the facilities for the formulation business in Q1 2005, has led to the quarter on quarter reduction seen.

Evotec Technologies created **intangible assets** to the amount of EUR 0.2 million through the capitalisation of certain development costs under IFRS. The higher investment in intangible assets in Q1 2005 (EUR 1.8 million) related to intangible assets acquired with the uHTS business of Carl Zeiss.

Cash flow and cash equivalents

Cash flow from operating activities for the first quarter of 2006 was EUR (5.9) million (2005: EUR 3.1 million), reflecting the higher spend in the Pharmaceuticals Division, including acquisition cost for the MAO-B inhibitors. The improved result of the Services Division was compensated by a lower reduction of working capital, compared to Q1 2005.

Cash flow from investing activities was only EUR (1.0) million (2005: EUR (3.8) million). Investing activities included the purchase of fixed assets (EUR (0.7) million) and the purchase of other assets (EUR (0.2) million).

Cash flow from financing activities amounted to EUR (1.0) million (2005: EUR 0.1 million) due to the net repayment of loan finance.

Cash and cash equivalents at the end of March amounted to EUR 45.4 million (end of December 2005: EUR 53.5 million). This reduction reflects the extraordinary R&D expense from in-licensing cost.

Employees and management

At the end of March 2006 the Evotec Group employed 593 individuals (2005: 625). This decline is despite the addition of 30 employees from the acquisition of ENS in May 2005 and the recent strengthening of the Pharmaceuticals Division clinical team. The reduction in headcount is a result from Evotec's restructuring initiatives during 2005 and into 2006 in the Services and Tools and Technologies Divisions.

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 2006. For the full year 2006, the Evotec group expects revenues to grow by 0% to 5% over 2005. Revenues and profitability in absolute terms for the Company's Services Division are expected to remain similar to the strong 2005 performance. The sales and order book for 2006 has increased to EUR 60 million as of April (April 2005: EUR 56 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 for the full year. This increase will primarily be related to clinical trial expenses for the three lead programmes EVT 101, EVT 201 and EVT 301, as well as to potential low single digit million milestone payments which will become due, typically upon Phase II initiation, and the purchase costs for EVT 301. As a consequence, the Company expects Group R&D spend in 2006 to be in the range of EUR 30 million to EUR 35 million. Based on this guidance, and including proceeds from the capital increase in April, Evotec's liquidity position at the end of 2006 is targeted to exceed 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

	01-03/2006	01-03/2005	Δ in %
Revenue:			
– Drug discovery products & development of technologies	2,020	2,461	(17.9)
– Drug discovery services	15,782	13,391	17.9
Total revenue	17,802	15,852	12.3
– Costs of revenue	10,787	10,533	2.4
Gross profit	7,015	5,319	31.9
– Research and development expenses	9,881	2,340	322.3
– Selling, general and administrative expenses	6,260	4,573	36.9
– Amortisation of intangible assets	991	2,535	(60.9)
– Other operating expenses	491	557	(11.8)
Operating loss	(10,608)	(4,686)	126.4
– Interest income (expense)	102	(109)	193.6
– Loss from equity investments	-	(938)	100.0
– Foreign currency exchange gain (loss), net	142	(242)	158.7
– Other non-operating (expense) income, net	72	323	(77.7)
Net loss before taxes and minority interests	(10,292)	(5,652)	82.1
Income tax benefit (expense)	(68)	716	(109.5)
Minority interests	-	(67)	100.0
Net loss	(10,360)	(5,003)	107.1
Net loss per share (basic)	(0.17)	(0.13)	
Net loss per share (diluted) ¹	-	-	
Weighted average shares outstanding (basic)	62,759,424	38,010,130	
Weighted average common share outstanding (diluted)	-	-	
Depreciation of property, plant and equipment included in total operating expense	1,722	2,128	

¹ The definition of net income per share does not allow reporting diluted net income per share as long as the Company shows a net loss.

Condensed consolidated balance sheets according to IFRS

Evotec AG and Subsidiaries

Euro in thousands	31/03/2006	31/12/2005	Δ in %
Assets			
Current assets:			
– Cash and cash equivalents	45,364	53,520	(15.2)
– Marketable securities	-	-	-
– Trade accounts receivable	10,398	12,758	(18.5)
– Accounts receivable due from associated companies	-	-	-
– Accounts receivable due from related parties	299	840	(64.4)
– Inventories	12,833	10,502	22.2
– Current tax receivables	509	531	(4.1)
– Prepaid expenses and other current assets	4,721	3,822	23.5
Total current assets	74,124	81,973	(9.6)
Long-term investments	-	-	-
Property, plant and equipment	36,902	38,163	(3.3)
Intangible assets, excluding goodwill	10,180	10,927	(6.8)
Goodwill	54,535	54,994	(0.8)
Deferred tax assets	-	-	-
Other non-current assets	54	54	0.0
Total non-current assets	101,671	104,138	(2.4)
Total assets	175,795	186,111	(5.5)
Liabilities and stockholders' equity			
Current liabilities:			
– Current maturities of long-term loans	1,566	1,702	(8.0)
– Current portion of finance lease obligations	6,328	6,042	4.7
– Trade accounts payable	8,901	8,105	9.8
– Accounts payable to related parties	1	6	(83.3)
– Advanced payments received	2,724	801	240.1
– Provisions	5,912	6,563	(9.9)
– Deferred revenues	3,586	4,417	(18.8)
– Current tax payables	-	125	(100.0)
– Other current liabilities	2,290	1,911	19.8
Total current liabilities	31,308	29,672	5.5
Long-term loans	2,306	3,399	(32.2)
Long-term finance lease obligations	2,007	2,130	(5.8)
Deferred tax liabilities	-	-	-
Deferred revenues	1,030	726	41.9
Provisions	1,519	1,515	0.3
Total non-current liabilities	6,862	7,770	(11.7)
Stockholders' equity:			
– Share capital	62,759	62,759	0.0

– Additional paid-in capital	596,525	596,525	0.0
– Reserve	(36,891)	(36,207)	1.9
– Retained deficit	(484,768)	(474,408)	2.2
– Minority interests	-	-	-
Total stockholders' equity	137,625	148,669	(7.4)
Total liabilities and stockholders' equity	175,795	186,111	(5.5)

Condensed consolidated statements of cash flows according to IFRS

Evotec AG and Subsidiary

Euro in thousands	31/03/2006	31/03/2005
Cash flows from operating activities:		
Net loss	(10,360)	(5,003)
Adjustments to reconcile net loss to net cash used in operating activities	2,975	4,701
Change in assets and liabilities	1,455	3,424
Net cash (used in) provided by operating activities	(5,930)	3,122
Cash flows from investing activities:		
Purchase of marketable securities	-	-
Purchase of long-term investments	-	(603)
Purchase of property, plant and equipment	(706)	(1,395)
Purchase of intangible assets	(244)	(1,799)
Proceeds from sale of property, plant and equipment	-	20
Proceeds from sale of shares in long-term investments	-	-
Proceeds from sale of marketable securities	-	-
Net cash (used in) provided by investing activities	(950)	(3,777)
Cash flows from financing activities:		
Proceeds from capital increase	-	-
Proceeds from increase of loans	2,205	2,547
Repayment of loans	(3,203)	(2,452)
Net cash (used in) provided by financing activities	(998)	95
Net increase (decrease) in cash and cash equivalents	(7,878)	(560)
Exchange rate difference	(278)	819
Cash and cash equivalents at beginning of year	53,520	15,277
Cash and cash equivalents at end of the first quarter	45,364	15,536
Cash, cash equivalents and marketable securities at end of the first quarter	45,364	15,536

Consolidated statements of changes in stockholders' equity according to IFRS

Evotec AG and Subsidiaries

Euro in thousands except share data									
	<u>Share capital</u>		Additional paid-in capital	Unearned compen- sation	<u>Reserve</u> Foreign currency translation	Revaluation reserve	Retained deficit	Minority interest	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
Capital increase	-	-	-	-	-	-	-	-	-
Stock option plan	-	-	-	125	-	-	-	-	125
Foreign currency translation	-	-	-	-	2,915	-	-	-	2,915
Net loss	-	-	-	-	-	-	(5,003)	-	(5,003)
Minority interests	-	-	-	-	-	-	-	67	67
Balance at 31 March 2005	38,010,130	38,010	552,360	(1,591)	(36,090)	1,110	(445,828)	641	108,612
Balance at 1 January 2006	62,759,424	62,759	596,525	(1,622)	(35,856)	1,271	(474,408)	-	148,669
Capital increase	-	-	-	-	-	-	-	-	-
Stock option plan	-	-	-	239	-	-	-	-	239
Foreign currency translation	-	-	-	-	(923)	-	-	-	(923)
Net loss	-	-	-	-	-	-	(10,360)	-	(10,360)
Minority interests	-	-	-	-	-	-	-	-	-
Balance at 31 March 2006	62,759,424	62,759	596,525	(1,383)	(36,779)	1,271	(484,768)	-	137,625

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 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 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. 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 the new 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.

All numbers reported in the segments for Q1 2005 were restated accordingly.

Segment reporting according to IFRS

Euro in thousands	Pharmaceuticals	Services	Tools and	Not allocated	Total
	Division	Division	Technologies		
Revenue:					
– Drug discovery products & development of technologies	-	-	2,197	(177)	2,020
– Drug discovery services	453	15,396	-	(67)	15,782
Total revenue	453	15,396	2,197	(244)	17,802
– Costs of revenue	241	9,723	956	(133)	10,787
Gross Profit	212	5,673	1,241	(111)	7,015
– Research and development expenses	8,261	498	1,237	(115)	9,881
– Selling, general and administrative expenses	1,398	3,228	1,387	247	6,260
– Amortisation of intangible assets	798	19	372	(198)	991
– Other operating expenses	-	491	-	-	491
Operating income (loss)	(10,245)	1,437	(1,755)	(45)	(10,608)
– Interest income (expense)	-	-	(289)	391	102
– Foreign currency exchange gain (loss)	-	-	(35)	177	142
– Other non-operating income (expense)	20	(169)	19	202	72
Net loss before taxes and minorities	(10,225)	1,268	(2,060)	725	(10,292)
– Total assets	7,115	102,676	23,686	42,318	175,795
– Total liabilities	3,716	13,856	29,087	(8,489)	38,170
– Capital expenditures	209	458	279	-	946

4. Cash flows

Adjustments to reconcile the reported net loss to net cash used in operating activities (EUR 3.0 million) includes amortisation (EUR 1.0 million), depreciation (EUR 1.7 million), compensation expense (EUR 0.2 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	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	46,690	0

31 March 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 31 March 2006.

6. Stock options programme

In the first quarter 2006, Evotec did not issue any new stock options to employees; no options were exercised. As of 31 March 2006, the total number of options available for future exercise amounted to 3,087,939 (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.