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Third Quarter 2001:

**Evotec OAI on Track for 2001**

- **Sales increased to EUR 39.6 million**
- **Operating loss reduced to EUR (11.9) million**
- **Several contracts new or expanded**
- **Extraordinary strong Q4 expected**

**Hamburg, Germany / Abingdon, UK** – Evotec OAI AG (Neuer Markt: EVT) grew as planned during the first nine months of 2001. Revenues amounted to EUR 39.6 million, an increase of 304% over the respective period in 2000. This strong increase over 2000 is largely attributed to the acquisition of the chemistry business late in 2000 as well as rapid organic growth in drug discovery services. We are pleased with our performance to date. We expect significant additional revenues from deliveries in Q4, which is usually the strongest quarter for revenue recognition in our fiscal year.

In the *Drug Discovery Service division* Evotec OAI achieved revenues of EUR 34.7 million (previous year: EUR 1.5 million). On a pro-forma basis (including the chemistry business for the respective period of 2000), growth over last year amounted to EUR 5.9 million, up 20%. This is primarily attributable to growth in biology services (EUR 4.0 million, which is up 115%) and the very successful development of our discovery chemistry division (EUR 18.5 million, +24%). Revenues in development chemistry amounted to EUR 12.2 million, slightly above previous year (EUR 12.0 million). First production in our new pilot plant started in July. Several new contracts have been secured in the third quarter so that this service line will show further growth in the fourth quarter of this year.

In our *Drug Discovery Tools and Technology division* we achieved sales of EUR 4.8 million. As anticipated, revenues in this division were EUR 3.5 million below the previous year with revenues from our consortium partnerships declining due to the successful completion of the EVOscreen® agreement with Novartis and the delivery of three EVOscreen® Mark II systems last year. However, revenues in our Drug Discovery Tools and Technology division from sources other than consortium partner contracts grew from EUR 0.3 million to EUR 2.9 million or by 779%. This reflects in particular our successful collaboration in diagnostic and other instruments with Olympus.

In the first nine months of 2001 the geographical mix of our revenues again demonstrates the continued strong presence in the US pharmaceutical market. 56% of our Company's revenues were generated in the United States, while Europe contributed 39% and Japan 5%.

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**Several new partnerships signed.** In the third quarter of 2001 Evotec OAI entered into several new agreements with leading pharmaceutical and biotechnology companies. In addition to numerous new orders in the Development Chemistry Services Division (process research and development, custom preparation and pilot plant manufacture) we started or extended a series of agreements in Discovery Chemistry and Biology Services including contracts with Pharmacia Corporation, Rigel Pharmaceuticals, Vitaresc and Byk Gulden.

**Business progressing well.** Our drug discovery services, which cover all the major biology and chemistry activities, made good progress in the course of this year. Our collaborations with leading pharmaceutical and biotechnology companies continue to be successful and bring value to their drug discovery efforts. This emphasises both the expertise of our scientists and the quality of our technology platforms for assay development, ultra High Throughput Screening (uHTS) and chemistry services. The closing of several new contracts and extending existing collaborations is a testament to our track record with our customers. As usual, we are able to charge for our high-quality services, and secure upsides through milestones and royalty provisions. Major advances have been achieved in our internal benchmarking program for assay development and screening. High quality assays have been developed and screened using the EVOscreen® Mark II system for important target classes such as GPCRs, protein-protein interactions, kinases, phosphatases and proteases.

In technology development our scientists have almost completed the final development of the next generation of our screening platform, EVOscreen® Mark III. The system is now almost ready for customer acceptance testing by GlaxoSmithKline and is expected to be complete by the end of the year. In our co-operation with Olympus we have developed the first prototype of the signal-processing unit, a core module of the new generation of our research detector.

We have continued to build our business development team world-wide, with two managers recruited on the West Coast, USA and two managers on mainland Europe.

**Research and development expenses in line with expectations.** Research and development expenses increased from EUR 13.2 million to EUR 16.9 million (+28%). On a pro-forma basis, including R&D expenses for the chemistry business in the first nine months of 2000, the increase amounted to +20%. This level of R&D is in line with our expectations for R&D expenditure for the entire fiscal year. A significant portion of R&D is still devoted to hardware and software technologies for our screening and detection systems. Going forward we expect to reduce the amount of R&D for systems and will further increase our effort in the development of new assay systems and drug discovery research.

**Operating loss reduced.** Excluding non-cash effects (primarily goodwill amortisation from acquisitions) the Evotec OAI group loss from operations for the first nine months decreased from EUR (13.2) million in 2000 to EUR (11.9) million in 2001 as expected.

Including non-cash effects of EUR 103 million, the operating loss amounted to EUR (114.9) million. The largest part of non-cash effects is goodwill amortisation, a type of charge which will no longer be accounted for from January 1, 2002 onwards. This accounting change is following a new regulation by the US accounting authority "Financial Accounting Standards Board (FASB)".

Excluding these non-cash effects, net loss in the first nine months was EUR (11.8) million. The net loss includes a tax charge totalling EUR 1.8 million representing unpaid, deferred tax liabilities in the UK. Net income per share amounted to EUR (3.24). Adjusted for acquisition related non-cash expenses, net income per share improved from EUR (0.47) in 2000 to EUR (0.33) in 2001.

**EBITDA and EBITDA per share improved.** Earnings before interest and taxes, depreciation and amortisation (EBITDA) improved to EUR (4.1) million compared to EUR (10.9) million in the previous year. EBITDA per share improved to EUR (0.11) from EUR (0.45) in 2000.

**Solid cash position.** Our cash position as of September 30, 2001 was EUR 27.4 million (cash and investment securities). In 2002 we expect a continuous improvement of net cash used in operating activities and a level of investment significantly lower than in 2001.

**Outlook.** For the current year our order book today already accounts for 93% of analysts' revenue expectations of around EUR 67 million. The completion of our Mark III system is proceeding well and according to plan. In line with expectations, revenue recognition from this exciting project as well as a stronger sales contribution from pilot plant production towards the end of the year should lead to an extraordinarily strong fourth quarter of 2001.

Evotec OAI's business development pipeline is strong and makes us confident we will achieve further growth in 2002. We expect to build on our numerous and long-lasting relationships with blue chip pharmaceutical companies and expect to further increase new collaborations with biotech partners.

Our research and development efforts will emphasise the expansion of our service platform, e.g. with the addition of cellular assays and ADME-T capabilities as well as the extension of our corporate compound library. The continued excellence of our integrated service offering is our primary objective. It distinguishes Evotec OAI as a true leader in drug discovery services from target to IND based on proprietary technologies.