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**Evotec OAI AG – 2001 Annual Financial Statements:
Continued Strong Progress and an Optimistic Outlook for 2002**

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- **Sales increase of 124% to EUR 63.2 million year on year**
- **21% pro-forma growth in drug discovery services**
- **Adjusted net loss reduced by 35% to EUR (8.1) million**
- **EBITDA of EUR (1) m close to break-even**
- **Positive cash flow from operations in Q4 2001**
- **Several multi-year collaborations extended and expanded**
- **Strong order book covering more than 40% of 2002 analysts' revenue consensus**

Hamburg, Germany | Abingdon, UK — The past year has seen continued progress in Evotec OAI's development as a leading provider of drug discovery and development services. The acquisition of the OAI chemistry business late in 2000 and rapid organic growth in drug discovery services propelled Evotec OAI Group sales by 124% to EUR 63.2 million (2000: EUR 28.3 million). As expected, Q4 2001 has been very strong with revenues of EUR 23.6 m, a 28% increase over last year.

In our *Drug Discovery Services division*, our largest business, we achieved significant growth. Revenues grew by 234% to EUR 51.7 million (2000: EUR 15.5 million). On a pro-forma year-on-year basis we achieved growth (including the OAI chemistry business for the full year 2000) of 21% (2000 pro-forma: EUR 42.9 million), in line with our targeted year-on-year revenue growth rate. This is particularly noteworthy in the first full year after our merger, which for many companies is a time for consolidation.

The *Drug Discovery Tools and Technologies business* unit contributed EUR 11.5 million to total sales (2000: EUR 12.8 million). Revenues from our EVOscreen® technology development consortium which includes GlaxoSmithKline, Pfizer and Novartis declined as planned as the consortium's terms are expiring. Instrument and disposable sales from sources other than consortium partner contracts, showed excellent growth, by an impressive 455% to EUR 4.6 million (2000: EUR 0.8 million).

For the annual accounts, we decided to adopt the new revenue recognition policies under US GAAP and US GAAS regulations which were issued in 2001. Under those new guidelines, we are deferring EUR 2.5 million of revenues from Q4 2001 into Q1 2002.

Overall, fuelled by the strong growth in drug discovery services, we achieved a 14% pro-forma growth (2000 pro-forma: EUR 55.7 million).

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Several agreements extended and new orders signed. During the year, we continued to maintain our long record of working successfully with virtually every large pharmaceutical and biotechnology company in the world. The quality of our services continues to be validated by repeat contracts with many customers. We expanded and extended several multi-year collaborations, including Serono, Pharmacia, Amgen, Vertex, Curis, Biogen and Pfizer. In addition, we expanded our customer base significantly. Our cutting-edge technologies, an enhanced service offering and increased business development resources enabled us to sign many new agreements, including a particularly important chemical library agreement with Merck&Co.

Customers increasingly use our complete service offering. In the past year we concluded a number of research agreements with companies using both the biology and chemistry areas of our discovery platform. Our partnership with MediGene, for example, involves the true integration of all our services as we focus on developing an IND candidate for their novel target. Today, Evotec OAI announced a new drug discovery and development agreement with SiREEN, a German biotechnology company, to identify and synthesise novel small molecule therapeutics. Many existing customers such as Pharmacia and Serono have expanded the breadth of services they acquire from Evotec OAI.

Continued strong commitment to R&D. R&D expenses rose by 25% to EUR 23.0 million (2000: EUR 18.5 million), on a pro-forma basis by 18% (2000 pro-forma: EUR 19.5 million). 2001 marked a transition in our R&D strategy: A predominant portion of this R&D investment was still directed to the development of our technology platform – in particular the establishment of our uHTS platform EVOscreen® Mark III. Technology platform development is planned to decrease in the coming year. We will therefore continue to grow the proportion of our R&D efforts directed towards expanding our assay portfolio and target-oriented expertise with the goal to further increase the excellence of our integrated drug discovery capabilities.

Operating result improved before merger-related amortisation actual and pro-forma. For the first time, in 2001 we reduced our operating loss before amortisation of goodwill and other intangible assets from the acquisitions of OAI and Genion, year-on-year, despite increased investment in R&D. It improved by 11 % to EUR (12.8) million (2000: EUR (14.4) million). On a pro-forma basis, adjusted operating loss improved by 4% (2000 pro-forma: EUR (13.3) million). Including non-cash effects of EUR 139.6 million, operating loss totalled EUR (152.5) million compared with EUR (48.9) million in 2000. This increase is the result of the full consolidation of OAI – and with it the amortisation charge (in 2000 amortisation only for Q4).

Goodwill will no longer be amortised from January 1, 2002. Goodwill amortisation will no longer be accounted from 1 January 2002, but should instead be tested for impairment at least once a year. Intangible assets, however, will still be amortised. As of 31 December 2001, we had already amortised 39% of the original position of goodwill and other intangible assets from the acquisitions of OAI and Genion.

Net loss before merger-related amortisation improved by 35%. Net loss for the year, excluding non-cash effects relating to merger-related amortisation, was significantly reduced to EUR (8.1) million (2000: EUR (12.4) million). Including amortisation, net loss was EUR (147.8) million. Adjusted for merger-related amortisation, the loss per share improved by 50% to EUR (0.23) (2000: EUR (0.46)).

Close to EBITDA break-even. Cash earnings (EBITDA = Earnings before interest, tax, depreciation and amortisation) improved significantly in 2001. In Q3 2001, we achieved positive EBITDA for the first time. This trend continued through Q4, resulting in close to EBITDA break-even for the full year. It increased by 89% to EUR (1.0) million (2000: EUR (9.5) million). Even on a pro-forma basis, EBITDA improved by 74%. The EBITDA per share increased by EUR 0,32 - on a pro-forma basis by EUR 0.08 - to EUR (0,03).

Positive cash flow from operations. Cash flow from operating activities including payments of outstanding merger-related invoices to bankers and lawyers amounted to EUR (2.5) million (2000: EUR (14.6) million). Excluding such fees cash flow from operating activities was positive. 2001 cash consumption was driven by a net loss from operations. Net cash used in investing activities amounted to EUR (10.2) million. We achieved positive cash flow from operations in Q4 2001 as a result of very strong revenues in that quarter. This improved our liquidity over Q3 2001. At 31 December 2001, our position of cash and marketable securities amounted to EUR 27.8 million.

Strong investments in further improvement of service platform. During 2001, we substantially increased our capacity and capability in biology and chemistry. We invested a total of EUR 17.5 million, which was almost all accounted for by fixed assets. We invested in facility projects, such as the completion of the new pilot plant, additional laboratories in Abingdon, and the construction of the screening factory in Hamburg. We purchased new laboratory equipment and set up our own Mark III system for screening operations in Hamburg.

Optimistic outlook for 2002. We operate in a market which has excellent growth opportunities. The need to improve efficiency and output drives pharmaceutical companies to continuously increase their investment in R&D and to outsource drug discovery and development. Since our integrated product and service offering covers almost all those stages which are critical for success in identifying new drugs, we are an ideal partner for pharma and biotech companies worldwide. At the beginning of 2002, our order book is stronger than at any stage in our history both in terms of absolute levels as well as in terms of as a percentage of expected revenues: it already accounts for more than 40% of forecasted 2002 revenues (based on analysts' consensus). On this basis we are confident that we will achieve our targeted growth in service revenues of over 20% a year also in 2002 and remain positive on the analyst consensus. As a result of EUR 2.5m deferred into Q1 2002 we expect revenue growth in this quarter to be significantly above the expected average year-on-year growth rate.

As goodwill from acquisitions will no longer be amortised in 2002, we anticipate a substantial improvement in our operating results for the current fiscal year. Amortisation will be significantly lower and limited to non-goodwill items. In addition, the positive trend in EBITDA and operating result before merger-related amortisation, adjusted for seasonal effects, is expected to be maintained in 2002. Traditionally, the first quarter has always been weaker than average, and the fourth quarter has recorded the best results.