

**Translation of  
Financial Statements as of  
31 December 2014  
and Management Report**

**Evotec AG  
Hamburg**

**Evotec AG, Hamburg**  
**Statement of financial position as of 31 December 2014**

Assets	EUR	31 Dec 2013 EUR
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	<u>1.062.688,08</u>	<u>1.414.224,83</u>
<b>II. Property, plant and equipment</b>		
1. Land, land rights and buildings, including buildings on third-party land	2.173.993,72	2.382.248,92
2. Plant and machinery	8.852.381,57	8.450.904,65
3. Other equipment, furniture and fixtures	650.864,37	620.226,84
4. Prepayments and assets under construction	<u>712.660,49</u>	<u>994.260,03</u>
	12.389.900,15	12.447.640,44
<b>III. Financial assets</b>		
1. Shares in affiliates	31.678.041,76	31.176.810,01
2. Equity investments	<u>0,00</u>	<u>9.950,00</u>
	<u>31.678.041,76</u>	<u>31.186.760</u>
	<u>45.130.629,99</u>	<u>45.048.625,28</u>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials, consumables and supplies	1.440.642,35	1.703.525,37
2. Work in process	<u>802.315,04</u>	<u>297.379,51</u>
	2.242.957,39	2.000.904,88
<b>II. Receivables and other assets</b>		
1. Trade receivables	14.262.852,39	9.697.369,38
2. Receivables from affiliates	20.148.505,68	24.562.566,04
3. Receivables from other investees and investors	0,00	141.935,00
4. Other assets	<u>999.943,98</u>	<u>639.900,11</u>
	35.411.302,05	35.041.770,53
<b>III. Securities</b>		
Other securities	39.661.660,74	41.434.540,64
<b>IV. Cash on hand and bank balances</b>		
	<u>14.509.340,41</u>	<u>24.111.350,03</u>
	<u>91.825.260,59</u>	<u>102.588.566,08</u>
<b>C. Prepaid expenses</b>		
	<u>2.596.279,78</u>	<u>2.681.558,77</u>
	<u>139.552.170,36</u>	<u>150.318.750,13</u>

Equity and liabilities	EUR	31 Dec 2013 EUR
<b>A. Equity</b>		
<b>I. Subscribed capital</b>	131.710.876,00	131.460.193,00
./. Treasury shares	-272.315,00	-338.815,00
	131.438.561,00	131.121.378,00
<b>II. Capital reserves</b>	164.170.955,60	163.806.175,36
<b>III. Reserve for shares held in a controlling entity or majority shareholder</b>	272.315,00	338.815,00
<b>IV. Accumulated loss</b>	-195.623.255,61	-192.181.534,41
	<u>100.258.575,99</u>	<u>103.084.833,95</u>
<b>B. Provisions</b>		
1. Provisions for pensions and similar obligations	62.493,63	57.838,43
2. Other provisions	2.090.730,10	4.361.855,43
	2.153.223,73	4.419.693,86
<b>C. Liabilities</b>		
1. Liabilities to banks	21.504.276,22	17.000.000,00
2. Prepayments received on account of orders	140.202,59	232.450,39
3. Trade payables	3.241.456,82	1.429.616,52
4. Liabilities to affiliates	1.048.655,80	6.232.546,98
5. Other liabilities	1.166.225,58	2.172.332,95
thereof for taxes: EUR 839.459,29 (prior year: EUR 852.495,23)		
	27.100.817,01	27.066.946,84
<b>D. Deferred income</b>	10.039.553,63	15.747.275,48
	<u>139.552.170,36</u>	<u>150.318.750,13</u>

**Evotec AG, Hamburg****Income statement for the period from 1 January 2014 to 31 December 2014**

	EUR	2013 EUR
1. Revenue	59.037.233,61	46.556.471,51
2. Increase or decrease in finished goods and work in process	504.935,53	83.498,55
3. Other operating income	<u>6.305.415,51</u>	<u>3.627.244,28</u>
	65.847.584,65	50.267.214,34
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	6.097.699,60	4.775.303,31
b) Cost of purchased services	21.100.499,87	19.881.694,95
5. Personnel expenses		
a) Wages and salaries	13.417.959,55	11.551.330,52
b) Social security, pension and other benefit costs	2.274.088,99	1.834.307,47
thereof for old-age pensions: EUR 6.210,00 (prior year: EUR 9k)		
6. Amortization, depreciation and write-downs		
a) of intangible assets and property, plant and equipment	2.596.377,14	3.686.854,65
7. Other operating expenses	<u>25.042.792,95</u>	<u>17.432.743,93</u>
	70.529.418,10	59.162.234,83
8. Other interest and similar income	2.379.599,45	2.205.326,97
thereof from affiliates: EUR 2.113.087,32 (prior year: EUR 2.078k)		
securities classified as current assets		
9. Write-downs of financial assets and securities classified as current assets	9.950,00	6.229.702,95
10. Interest and similar expenses	<u>412.044,10</u>	<u>305.843,64</u>
	<u>1.957.605,35</u>	<u>-4.330.219,62</u>
11. Result from ordinary activities	-2.724.228,10	-13.225.240,11
12. Extraordinary result	<u>0,00</u>	<u>-720.976,21</u>
13. Income taxes	<u>783.993,10</u>	<u>-4.283,36</u>
14. Net loss for the year	<u>-3.508.221,20</u>	<u>-13.941.932,96</u>
15. Withdrawals from reserve for treasury shares	66.500,00	459.456,00
16. Net loss carried forward	<u>192.181.534,41</u>	<u>178.699.057,45</u>
17. Accumulated deficit	<u>-195.623.255,61</u>	<u>-192.181.534,41</u>

# Evotec AG, Hamburg

## Notes to the Financial Statements for the year 2014

### I. General Information

Evotec AG, hereinafter referred to as „Evotec” or „the company”, is classified as large company according to section 267 paragraph 3 German Commercial Code (“Handelsgesetzbuch” or “HGB”).

With regards to financial reporting and valuation practices, the company complies with sections 242 et seq. HGB, with sections 264 et seq. HGB (which specifically apply to incorporated firms) as well as to the regulations of the German Stock Corporation Act („Aktiengesetz” or “AktG”).

The statement of operations is presented according to the total cost method (section 275 paragraph 2 HGB).

From 11 February 2003 to 19 March 2007, the company was listed on the German Stock Exchange’s TecDAX index at the Frankfurt stock exchange, having formerly been listed on the Neue Markt index from 10 November 1999 onward. Since 19 March 2007, the company had been listed on the German Stock Exchange. Since 28 October 2009 the company is listed on the German Stock Exchange’s TecDAX index again.

To improve the clarity of the statement we summarized particular items of the balance sheet and the profit and loss statement. These items are shown separately in the notes. Due to the same reason the declaration of the thereof are made in the same place.

### II. Basis of Presentation, Accounting and Valuation Practices

The presentation system applied for the statement of operations and for the balance sheet of the preceding financial year has been maintained.

**Intangible assets and Property, plant and equipment** are recorded at historical cost or manufacturing cost less scheduled straight-line depreciation or amortization over their useful lives. Respective assets are depreciated from the point in time they are available for use in operations. Non-real-estate fixed assets are depreciated on a monthly basis. Assets which are not yet available for operational use and have a presumably lasting decrease in their values will be unscheduled depreciated to the attributable value as of the closing date.

### Exhibit 3

Low value assets which were acquired after 1 January 2008 are depreciated by 20% in the year of the acquisition and the next four years.

The useful lives are estimated as follows:

	Years
Buildings	10-15
Technical equipment and machinery	5-10
Factory and office equipment	5-10
Intangible assets	2-15
Computer equipment and software	3

Tenant fixtures are depreciated over the period of the lease contract at the most.

**Financial assets** are recorded at historical cost less the unscheduled depreciation plus appreciation.

**Inventories** are recorded at historical cost or manufacturing cost less purchase price reductions, taking into account the lower of cost or market principle. All recognizable risks in the inventory due to surpassing turnover rate, lower usability and lower replacement costs are considered in reasonable devaluation.

**Accounts receivable and other current assets** are recorded at nominal value or at lower attributable value. Foreign currency assets, all of which are short-term, are converted at period-end exchange rates.

**Trade securities** are recorded at historical cost in accordance with the lower of cost or market principle. Trade securities held in foreign currency are converted at period-end exchange rates.

**Cash and cash equivalents** are recorded at a nominal value.

**Own shares** are shown separately from the share capital with their nominal value. Since the company does not account for any free reserves the difference between the purchase price less EUR 1.00 and the nominal value is recognized within the profit and loss. In the amount of own shares the company booked a reserve.

**Pension accruals and similar commitments** have been estimated using the Projected Unit Credit-method with an interest rate of 4.53 % p. a. and under consideration of Prof. Dr. Klaus Heubeck's reference tables ("Richttafeln") issued in July 2005. The interest rate is equivalent to an average market interest rate over the last seven years considering a maturity of 15 years. This interest rate is determined on the interest rates published by the Deutsche Bundesbank. Pension progression was considered at a rate of 2.0%.

**Accrued liabilities** make allowance for all risks and contingent liabilities that are identifiable with sound business judgement. Future increases in price and costs are also considered according to section 253 paragraph 1 HGB. According to section 253 paragraph 2 HGB, accruals with a maturity of more than one year are discounted using a discount rate which is equivalent to a market interest rate over the last seven years.

**Liabilities** are recorded at the amount repayable. Foreign currency liabilities are converted at period-end exchange rates.

**Prepaid expenses** are expenses and income before the closing date as far as they represent expenses and income for a specified time after this date.

Future taxable temporary differences which lead to **deferred tax liabilities** between commercial law valuation of assets, liabilities and accrual and their taxable valuation or due to tax loss carry forward do not exist. Deferred tax asset for future taxable differences in accruals and losses carried forward have been calculated using a combined tax rate of 32.28% and have not been capitalized according to section 274 paragraph 1 sentence 2 HGB.

### III. Comments on the Balance Sheet

#### 1. Fixed assets

The development of the fixed assets is specified in the summary of fixed assets (see page 5) and includes gross cost, historic cost and manufacturing cost of assets and the respective accumulated depreciations.

#### 2. Financial assets

Due to European ScreeningPort GmbH, Hamburg, being in liquidation the investment has been written-down entirely.

### Exhibit 3

As at the balance sheet date of 31 December 2014, Evotec held direct equity investments in the following companies:

	Total equity kEUR	Share interest %	Net income/loss kEUR
1. Evotec (Hamburg) GmbH, Hamburg*	25	100,00	-1
2. Evotec International GmbH, Hamburg (indirectly through 1 <sup>st</sup> )	-92,381	100,00	-10,912
3. Evotec (UK) Ltd., Abingdon, UK	30,302	100,00	3,013
4. Evotec (US) Inc., South San Francisco, USA*	-9,829	100,00	1,982
5. Evotec (India) Private Limited, Maha- rashtra (Thane), India**	2,208	100,00	-100
6. Evotec (München) GmbH*	73	100,00	219

\*unaudited

\*\*Local stats as per 31 March 2012

With regard to companies whose annual statements were set up in a foreign currency, the exchange rate on balance sheet date was used for equity and the average exchange rate of 2014 for the annual profit or loss statement.



## Statement of changes in fixed assets for fiscal year 2014

	Acquisition and production cost				31 Dec 2014 EUR	Accumulated amortization, depreciation and write-downs				Net book values	
	1 Jan 2014 EUR	Additions EUR	Disposals EUR	Reclassifications EUR		1 Jan 2014 EUR	Additions EUR	Disposals EUR	31 Dec 2014 EUR	31 Dec 2014 EUR	31 Dec 2013 EUR
<b>I. Intangible assets</b>											
Acquired franchises, industrial and similar rights and assets, and licenses in such rights and assets	10.331.568,49	102.444,61	2.000.000,00	53.986,86	8.487.999,96	8.917.343,66	507.968,22	2.000.000,00	7.425.311,88	1.062.688,08	1.414.224,83
<b>II. Property, plant and equipment</b>											
1. Land, land rights and buildings, including buildings on third-party land	3.607.961,01	33.492,69	0,00	25.158,39	3.666.612,09	1.225.712,09	266.906,28	0,00	1.492.618,37	2.173.993,72	2.382.248,92
3. Plant and machinery	25.419.794,06	1.076.191,92	636.253,14	806.535,69	26.666.268,53	16.968.889,41	1.473.244,74	628.247,19	17.813.886,96	8.852.381,57	8.450.904,65
4. Other equipment, furniture and fixtures	3.920.813,45	332.707,75	20.937,46	58.400,93	4.230.984,67	3.300.586,61	348.257,90	8.724,21	3.640.120,30	650.864,37	620.226,84
5. Prepayments and assets under construction	994.260,03	682.532,33	20.050,00	-944.081,87	712.660,49	0,00	0,00	0,00	0,00	712.660,49	994.260,03
	33.942.828,55	2.124.924,69	677.240,60	-53.986,86	35.336.525,78	21.495.188,11	2.088.408,92	636.971,40	22.946.625,63	12.389.900,15	12.447.640,44
<b>III. Financial assets</b>											
1. Shares in affiliates	37.406.512,96	501.231,75	0,00	0,00	37.907.744,71	6.229.702,95	0,00	0,00	6.229.702,95	31.678.041,76	31.176.810,01
2. Equity investments	9.950,00	0,00	9.950,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	9.950,00
	37.416.462,96	501.231,75	9.950,00	0,00	37.907.744,71	6.229.702,95	0,00	0,00	6.229.702,95	31.678.041,76	31.186.760,01
	81.690.860,00	2.728.601,05	2.687.190,60	0,00	81.732.270,45	36.642.234,72	2.596.377,14	2.636.971,40	36.601.640,46	45.130.629,99	45.048.625,28

### 3. Inventories

	kEUR 31.12.2014	kEUR 31.12.2013
Raw materials	1,441	1,704
Work in progress	802	297
	<u>2,243</u>	<u>2,001</u>

The raw materials mainly include compound libraries amounting to kEUR 879 (2013: kEUR 1,131) as at 31 December 2014.

The work in progress essentially consists of order based research and development work.

### 4. Accounts receivable and other assets

#### Account receivable from affiliated companies

	Maturity			
	< 1 year 31.12.2014	> 1 year 31.12.2014	< 1 year 31.12.2013	> 1 year 31.12.2013
	kEUR	kEUR	kEUR	kEUR
Evotec (India) Private Ltd.	500	0	1,003	0
Evotec International GmbH	0	5,021	250	8,929
Evotec (München) GmbH	0	2,750	0	2,400
Evotec (US) Inc.	0	11,878	0	11,623
CCS Inc.	0	0	359	0
	<u>500</u>	<u>19,649</u>	<u>1,612</u>	<u>22,952</u>

Accounts receivables from affiliated companies include trade accounts receivables in an amount of kEUR 0 (2013: kEUR 160).

Due to the indebtedness of Evotec International GmbH in previous years, the accounts receivable were impaired. The accumulated depreciation amounts to kEUR 90,031 (2013: kEUR 80,570).

Exhibit 3

**Accounts receivable from affiliated companies**

	Maturity			
	< 1 year	> 1year	< 1 year	> 1 year
	31.12.2014		31.12.2013	
	kEUR	kEUR	kEUR	kEUR
European ScreeningPort GmbH	0	0	142	0

**Other assets**

	Maturity			
	< 1 Year	> 1 Year	< 1 Year	> 1 Year
	31.12.2014		31.12.2013	
	kEUR	kEUR	kEUR	kEUR
Tax authorities				
- Capital yields tax	39	0	39	0
- Corporate tax	11	0	0	0
- Value added tax	249	0	0	0
Deposits	5	411	91	411
Licences	176	0	0	0
Others	109	0	99	0
	589	411	229	411

## 5. Other investments

The other investments include shares from listed investment funds which were used as a short-term liquidity reserve. The company only invested in shares denominated in Euro. These shares serve as short term liquidity reserve. They will not be used for permanent business operation purposes.

	kEUR	kEUR
	31.12.2014	31.12.2013
DB Platinum IV	17,478	17,773
Hamburger Sparkasse bearer bonds	4,939	0
Volkswagen bonds	3,999	4,058
Deutsche Bank bonds	3,662	4,310
Mercedes Benz bonds	2,398	0
GE Capital Bond	2,250	2,235
SAP bonds	2,011	1,004
Bank of China Bond	1,644	0
Credit Agricole bonds	1,039	0
DWS bonds	242	10,001
Daimler bonds	0	2,054
	<u>39,662</u>	<u>41,435</u>

## 6. Cash and cash equivalents

As at 31 December 2014 cash on hand was kEUR 2 (2013: kEUR 2) and the cash equivalents amounted to kEUR 14,507 (2013: kEUR 24,109) (including kEUR 3,235 (2013: kEUR 1,663) in US dollar and kEUR 1,165 (2013: kEUR 1,614) in Pound Sterling).

## 7. Deferred Taxes

The deferred tax receivables mainly result of taxable losses brought forward. According to section 274 paragraph 1 sentence 2 HGB, the receivables from deferred taxes were not capitalized. The tax rate for the deferred taxes is a combined rate of 32.28 % which is based on the applicable tax rates for corporation tax, solidarity surcharge and trade tax.

### Exhibit 3

## 8. Equity

The share capital of the company is portioned in 131,710,176 shares with a par value of EUR 1.00 made out to bearer.

In 2013, an increase of nominal capital is due to the exercise of stock options of EUR 1,094,741.00 was registered in the Commercial register of companies in 2014. Additionally, the nominal capital was increased due to the exercise of stock options of EUR 250,683.00 in 2014. This entry in the Commercial register of companies will be made in 2015.

Additionally, the company held own shares due to the authorisation of the Annual General Meeting on the 16 June 2011 and according to section 71 paragraph 1 no. 8 AktG 403. On 12 March 2012, a total of 1,328,624 own shares with a nominal value of EUR 1,328,624.00 were transferred by former Renovis, Inc. These shares represented 1.12% of the share capital. In 2012 530,353 of these shares with a nominal value of EUR 530,353.00 were used for servicing employee stock options. These shares represented 0.44% of the share capital. In 2013 additional 459,456 shares with a nominal value of EUR 459,456.00 were used for servicing employee stock options. These shares represented 0.35% of the share capital. In 2014 additional 66,500 shares with a nominal value of EUR 66,500.00 were used for servicing employee stock options. These shares represented 0.05% of the share capital. As at 31 December 2014, Evotec held 272,315 own shares with a nominal value of EUR 272,315.00. Respective shares are shown separately from the share capital pursuant to section 272 paragraph 1a HGB. Hence, the nominal value of the share capital amounted to EUR 131,438,561.00 including the capital increases and the own shares. As at 31 December 2014 these shares represented 0.21% of the share capital.

The remaining approved capital amounted to EUR 26,292,038.00 equal to 26,292,038 shares as at 31 December 2014.

The conditional capital as of 31 December 2014 consists of 10,205,497 shares available with respect to the share performance plan and the stock option plans and 23,663,172 shares available to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments). Consequently, the remaining conditional capital as of 31 December 2014 amounts to 33,868,669 shares.

The accumulated deficit represents EUR 192,181,534.41 on 31 December 2014.

The additional paid-in capital rose due to the capital increase and exercised stock options by EUR 364,780.24 to EUR 164,170,955.60.

According to law investors whose share of voting rights exceeds a specified threshold are obliged to notify the company.

According to section 21 WpHG Evotec has received the following voting rights notifications in the expired financial year.

<b>Date</b>	<b>Notifier</b>	<b>Triggering event</b>	<b>Threshold crossed or reached</b>	<b>Total amount of voting rights</b>
02.01.2014	Morgan Stanley, Wilmington, Delaware, USA	Falling below threshold	5%	3,61%
14.01.2014	Morgan Stanley, Wilmington, Delaware, USA	Exceeding threshold	5%	5,1%
11.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	3% and 5%	6,16%
14.02.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	3% and 5%	6,17%
11.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	3% and 5%	6,17%
14.02.2014	Morgan Stanley, Wilmington, Delaware, USA	Exceeding threshold	3% and 5%	6,17%
11.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	5%	6,98%

Exhibit 3

<b>Date</b>	<b>Notifier</b>	<b>Triggering event</b>	<b>Threshold crossed or reached</b>	<b>Total amount of voting rights</b>
11.02.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	5%	6,17%
11.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	5%	6,99%
11.02.2014	Morgan Stanley, Wilmington, Delaware, USA	Exceeding threshold	5%	6,99%
11.02.2014	Morgan Stanley, Wilmington, Delaware, USA	Exceeding threshold	5%	7,14%
13.02.2014	Morgan Stanley, Wilmington, Delaware, USA	Falling below threshold	5%	0%
14.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	4,34%
14.02.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	5%	4,34%
19.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	4,33%

<b>Date</b>	<b>Notifier</b>	<b>Triggering event</b>	<b>Threshold crossed or reached</b>	<b>Total amount of voting rights</b>
25.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	4,83%
25.02.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	5%	4,84%
25.02.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	4,84%
25.02.2014	Deutsche Asset & Wealth Management Investment GmbH	Exceeding threshold	3%	3,22%
27.02.2014	Deutsche Asset & Wealth Management Investment GmbH	Falling below threshold	3%	2,98%
03.03.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	4,97%
03.03.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	5%	4,97%



Exhibit 3

<b>Date</b>	<b>Notifier</b>	<b>Triggering event</b>	<b>Threshold crossed or reached</b>	<b>Total amount of voting rights</b>
04.03.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	5%	5,31%
04.03.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	5%	5,32%
05.03.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	4,30%
05.03.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	5%	4,30%
06.03.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	3%	1,96%
06.03.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	3%	1,96%
21.03.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	3%	3,77%

<b>Date</b>	<b>Notifier</b>	<b>Triggering event</b>	<b>Threshold crossed or reached</b>	<b>Total amount of voting rights</b>
21.03.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	3%	3,77%
24.03.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	5%	5,04%
24.03.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	5%	5,04%
26.03.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	4,89%
26.03.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	5%	4,89%
02.04.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	3%	0,42%
02.04.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	3%	0,42%

Exhibit 3

Date	Notifier	Triggering event	Threshold crossed or reached	Total amount of voting rights
03.04.2014	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	3%	3,73%
03.04.2014	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	3%	3,73%
08.09.2014	Allianz Global Investors Europe GmbH, Frankfurt, Deutschland	Exceeding threshold	3%	3,0005%
15.10.2014	Allianz Global Investors Europe GmbH, Frankfurt, Deutschland	Falling below threshold	3%	2,89%
28.11.2014	Biotechnology Value Fund L.P., Chicago, USA	Exceeding threshold	3%	3,57%
05.12.2014	Allianz Global Investors Europe GmbH, Frankfurt, Deutschland	Exceeding threshold	3%	3,0003%

## 9. Pension accruals

Pension accruals were set up according to a valuation by Mercer Germany GmbH and pertain to a former director of Evotec Biosystems GmbH, of which Evotec is the successor in title. The amount of this liability is kEUR 141 on 31 December 2014 (2013: kEUR 135). At the same time, the accruals for pensions were netted against an insurance cover, constituted as plan asset, amounting to kEUR 78 (2013: kEUR 77).

**10. Other accruals**

	31.12.2014	31.12.2013
	kEUR	kEUR
Outstanding invoices	855	1,505
Unclaimed vacation	477	384
Bonus	308	637
Supervisory remuneration	300	279
Earn out	0	1,303
Risks from FX hedging deals	76	137
Others	75	117
	<u>2,091</u>	<u>4,362</u>

**11. Liabilities****Liabilities to banks**

As of 31 December 2014, the liabilities to banks comprise of five loans in the total amount of kEUR 21,504 (2013: kEUR 17,000). No loan is secured.

Loan in kEUR	Maturity	Interest Rate
6.500	< 1 year	1,25 percentage points above 3-Month-EURIBOR
6.500	< 1 year	1,25 percentage points above 3-Month-EURIBOR
4.000	1 to 5 years	1,2 percentage points above 3-Month-EURIBOR
2.556	1 to 5 years	1,5 percentage points above 3-Month-LIBOR
1.948	> 5 years	1,25%

### Exhibit 3

#### Liabilities to affiliated companies

	Maturity			
	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2014		31.12.2013	
	kEUR	kEUR	kEUR	kEUR
Evotec (UK) Ltd.	617	0	3,180	0
Evotec International GmbH	197	0	2,896	0
Evotec (US) Inc.	10	0	0	0
Evotec (München) GmbH	225	0	157	0
	1,049	0	6,233	0

The balances only comprise trade payables.

In balancing the accounts receivables and liabilities of affiliated companies, kEUR 334 accounts receivables from Evotec (UK) Ltd, kEUR 1,546 from Evotec International GmbH, kEUR 45 from Evotec (US) Inc. and kEUR 112 from Evotec (München) GmbH were included.

#### Other Liabilities

The other liabilities consist of a payment obligation due to exercised employee options in the amount of kEUR 138 (2013: kEUR 1,120), a wage tax liability in the amount of kEUR 250 (2013: kEUR 437), a corporate tax liability in the amount of kEUR 589 (2013: kEUR 0), a VAT liability in the amount of kEUR 0 (2013: kEUR 415), customers with a credit balance of kEUR 181 (2013: kEUR 130). As in 2013 all other liabilities are due within one year.

#### Deferred revenue

Deferred revenue mainly relate to two current customer projects.

#### IV. Comments on the Statement of Operations

##### 1. Revenues

The company recorded revenues of kEUR 59,037 (2013: kEUR 46,556) through research and development services, thereof kEUR 13,338 with affiliated companies (2013: kEUR 5,824).

The external revenues amounted to kEUR 45,699 (2013: kEUR 40,733) including licence income of kEUR 1,808 (2013: kEUR 1,578).

Revenues with third parties can be split based on customers' locations, in the following geographical regions:

	2014 kEUR	2013 kEUR
United States of America	21,731	21,832
Germany	13,982	7,064
Belgium	4,304	7,338
Sweden	2,000	417
Switzerland	1,724	1,180
Rest of Europe	1,544	555
United Kingdom	225	1,600
Israel	159	79
Japan	24	627
Rest of the world	6	41
Total	<u>45,699</u>	<u>40,733</u>

### Exhibit 3

#### 2. Other operating income

	2014	2013
	kEUR	kEUR
Costs charged to affiliated companies	1,990	1,870
Sublease of building	408	295
Subsidies	327	185
Income from reversal of accruals	133	150
Others	3,447	1,127
	<u>6,305</u>	<u>3,627</u>

#### 3. Other operating expenses

	2014	2013
	kEUR	kEUR
Write-down on loan receivable from affiliated company	9,461	0
Rental expenses including related costs	2,376	2,375
Royalty costs	2,087	1,448
Cost charged from affiliated companies	1,236	2,518
Legal and consultancy expenses	1,110	871
Service and maintenance	1,083	1,537
Costs for Services	805	800
Reconstruction/ moving expenses	705	173
Others	6,180	7,711
	<u>25,043</u>	<u>17,433</u>

#### 4. Depreciation of financial assets and marketable securities

The depreciation of financial assets and marketable securities refers to the European ScreeningPort GmbH, Germany.

#### 5. Currency result

In 2014, the company recorded income relating to FX effects in the amount of kEUR 1,417 (2013: kEUR 349) and expenses relating to FX effects amounting to kEUR 76 (2013: kEUR 812).

## **6. Interests**

In 2014, an interest expense of kEUR 0 (2013: kEUR 6) resulted from accumulation of accruals.

## **7. Allocation to reserve for own shares**

The adjustment of the loss due to the accounting treatment of the reserve for own shares was made because of the 272,315 (2013: 338,815) own shares which the company held on 31 December 2014. These own shares have a nominal value of EUR 272,315.00 (2013: EUR 338,815.00).

## **V. Other Information**

### **Audit Fees**

In regard to the audit fees see the group financial statement which is created by the Evotec AG.

### **Relations with affiliated companies**

There are no relations with affiliated companies which are not made under usual in market terms.

### **Employee Information**

In 2014, the average employee count was 267 (2013: 221).

### **Other financial obligations**

The other financial obligations for 2015 mainly relate to obligations from service contracts, rent and leasing and add up to kEUR 3,893. The total amount of all existing obligations for the period 2016 to 2019 is kEUR 8,652. The other obligations for later periods add up to kEUR 6,626.



### **Exhibit 3**

As agreed in the acquisition of the former DeveloGen AG the company is obliged to make an earn-out payment to the former shareholders of former DeveloGen of 30% of the net income from certain licence and cooperation contracts after the receipt of the payment.

As agreed in the acquisition of Kinaxo the company is obliged to make earn-out payments to the former shareholders of Kinaxo. These payments depend on the achievement of particular revenues and the continuation of a customer project.

### **Guarantees and Other Commitments**

In order to prevent the legal consequence of over-indebtedness of Evotec International GmbH (kEUR 92,281) Evotec AG issued letter of comfort. The company does not expect this liability to be claimed, since the over-indebtedness materially relates to a loan liability in favour of Evotec AG.

At 31 December 2013, the company had a guarantee outstanding of kEUR 0 (2013: kEUR 446) related to securing a loan from Evotec (München) GmbH. The company does not assume that this guarantee will be claimed.

### **Corporate Governance Code**

Both the Management Board and the Supervisory Board have issued a statement in accordance with section 161 AktG, which has been made permanently available to all shareholders on Evotec's website [www.evotec.com](http://www.evotec.com).

### **Management Board**

Dr Werner Lanthaler; Business Executive, Hamburg (Chief Executive Officer);

Colin Bond; Qualified Chartered Accountant, Hamburg (Chief Financial Officer);

Dr Cord Dohrmann; Biologist, Göttingen (Chief Scientific Officer);

Dr Mario Polywka; Chemist, Oxfordshire, UK (Chief Operating Officer).

The remuneration paid to the members of the Management Board in the financial year 2014 totalled kEUR 2,994 (2013: kEUR 2,352) of which kEUR 285 (2013: kEUR 446) is a variable remuneration and of which kEUR 1,322 (2013: kEUR 610) is a remuneration with long-term incentive effect. The remuneration includes kEUR 677 for Dr Mario

Polywka which was not paid by Evotec but is rather recharged by another group company. Fixed remuneration includes base salaries, contributions to personal pension plans, insurance premiums as well as the benefit derived from the use of company cars. The variable remuneration of the Management Board is based on a bonus scheme designed by the Remuneration Committee of the Supervisory Board. Respective scheme was approved by the Supervisory Board. The variable portion of the remuneration in 2014, payable on the achievement of certain strategic targets in the business year 2013, was based on the following criteria:

	Achievement of defined corporate milestones	Achievement of defined corpo- rate financial milestones	Achievement of personal objectives
	%	%	%
Dr Werner Lanthaler	48	32	20
Colin Bond	36	24	40
Dr Cord Dohrmann	36	24	40
Dr Mario Polywka	36	24	40

The variable portion of the remuneration in 2015 will be payable on the achievement of certain strategic targets in the business year 2014 and will be based on the criteria mentioned previously.

On 31 December 2014, the company has an accrual for the variable remuneration which will be paid to the Management Board in March 2015 amounted to kEUR 175 (2013: kEUR 293). This accrual includes kEUR 68 (2013: kEUR 119) for Dr Werner Lanthaler, kEUR 33 (2013: kEUR 48) for Colin Bond, kEUR 36 (2013: kEUR 68) for Dr Cord Dohrmann and kEUR 38 (2013: kEUR 58) for Dr Mario Polywka.

In addition to their fixed and variable remuneration, the members of the Management Board received 734,457 Share Performance Awards (SPA) in 2014 under the Company's share performance plan. These Share Performance Awards vest after four years according to achievement versus defined key performance indicators over a three-year performance measurement period. The fair values of all Share Performance Awards granted as of the grant date amounted to a total of kEUR 1,322.

**Exhibit 3**

	2014	2014	2014	2014	
	Fixed	Variable	Stock	Fair value of	Total remuneration
	remuneration	remuneration	options	stock options	
	kEUR	kEUR	in pcs	kEUR	kEUR
Dr Werner Lanthaler	416	119	314,815	567	1,102
Colin Bond	299	48	130,952	236	583
Dr Cord Dohrmann	314	61	142,857	257	632
Dr Mario Polywka	358	57	145,833	262	677
Total	1,387	285	734,457	1,322	2,994

The members of the Management Board of Evotec AG have only customary rights in case of a change of control. Their contracts contain a change-of-control clause which would allow them to terminate their current contracts in the event of a change of control. In case members of the Management Board make use of their right to terminate their contracts in the event of a change of control, they are entitled to severance payments determined as follows: for Dr Werner Lanthaler, the severance payment shall be equal to 24 months of base salary; for Dr Mario Polywka, the payment shall be equal to 18 months of base salary; and for both Colin Bond and Dr Cord Dohrmann, the payment shall be equal to 18 months of base salary plus bonus. In no case shall the respective severance payment be higher than the total compensation due for the remaining term of the respective Management Board member's contract.

In accordance with section 4.2.3 of the German Corporate Governance Code, in case of an early termination of their respective Service Agreement in the absence of a change-of-control situation, payments to the members of the Management Board shall not exceed the amount of two annual remunerations and shall not exceed the amount of remuneration that would be due until the expiration date of the Service Agreement.

The company has a Directors and Officers (D&O) insurance policy in place for the Management Board, the Supervisory Board, the executive management and the managers of subsidiary companies. The insurance expenses amounted to kEUR 114 in 2014 (2013: kEUR 117) and were paid by the company.

Evotec accounted for a liability in favour of a former manager of the Evotec Biosystems GmbH for which Evotec AG is the legal successor which is explained in more detail in the management report.

Dr Werner Lanthaler is Non-Executive Member of the Board of Directors der arGEN-X, Breda, the Netherlands (since April 2014).

Colin Bond was Chairman of the Supervisory Board of European ScreeningPort GmbH, Hamburg, Germany, until December 2014. He is Member of the Board of Directors (“Verwaltungsrat”) of Siegfried Holding AG, Zofingen, Switzerland and Member of the Board of Directors of Evotec India (Private) Ltd., Maharashtra (Thane), India.

Dr Mario Polywka is Non-Executive Chairman of the Board of Directors der Nanotether Discovery Sciences Ltd, Cardiff University, United Kingdom (since November 2014) and Member of the Board of Directors of Evotec India (Private) Ltd., Maharashtra (Thane), India.

### **Supervisory Board**

Prof Dr Wolfgang Plischke, Aschau im Chiemgau, DE, Former Member of the Management Board of Bayer AG (Chairman of the Supervisory Board since June 2014)

Dr Walter Wenninger, Leverkusen, DE, Former Member of the Management Board of Bayer AG (Vice Chairman of the Supervisory Board since June 2014; Chairman of the Supervisory Board until June 2014);

Dr Claus Braestrup, Kopenhagen, DK, Advisor;

Bernd Hirsch, Holzminden, DE, CFO of Symrise AG;

Prof Dr Paul Linus Herrling, Küssnacht, CH, Former Head of global Research of Novartis Pharma AG (Member of the Supervisory Board since June 2014);

Prof Dr Iris Löw-Friedrich, Ratingen, DE, Chief Medical Officer of UCB S.A. (Member of the Supervisory Board since June 2014);

Roland Oetker, Düsseldorf, DE, Managing Partner ROI Verwaltungsgesellschaft mbH, (Member of the Supervisory Board until June 2014);

Prof Dr Andreas Pinkwart, Alfter, DE, Principal and Managing Director of the HHL gGmbH – Leipzig Graduate School of Management (Member of the Supervisory Board until June 2014);

Mary Tanner, New York, NY, US, Senior Managing Director, Burril & Company until March 2014 (Member of the Supervisory Board until June 2014).

The remuneration paid to the members of the Supervisory Board in the financial year amounted to kEUR 300 (2013: kEUR 279). The members of the Supervisory Board were members of the following other Supervisory Boards, Committees and Bodies according to section 125 paragraph 1 sentence 3 AktG.

**Exhibit 3**

**Prof Dr Wolfgang Plischke**

**Dr Walter Wenninger**

Chairman of the Supervisory Board:

Noxxon Pharma AG, Berlin/DE

Non-Executive Chairman of the Board of Directors:

Santharis Pharma A/S, Hoersholm/DK (until September 2014)

Non-Executive Member of the Board of Directors:

Recordati S.p.A., Milano/IT (until April 2014)

Member of the Advisory Group:

Novo A/S, Hellerup/DK

**Dr Claus Braestrup**

Non-Executive Chairman of the Board of Directors:

Saniona AB, Malmö, Ballerup/SE

Non-Executive Member of the Board of Directors:

Bavarian Nordic A/S, Kvistgaard/DK

Santaris Pharma A/S, Hørsholm/DK (until August 2014)

Evolva SA, Basel/CH

Gyros AB, Uppsala/CH

**Prof Dr Paul Linus Herrling**

Chairman of the Board:

Novartis Institute for Tropical Disease Ltd, Singapore/SG

Member of the Board:

Novartis Institute for Functional Genomics, La Jolla/US

Novartis International Pharmaceuticals, Hamilton/US

Vice president of the Rat:

Eidgenössische Technische Hochschule, Bern/CH

Member of the Board of Trustees:

Foundation for the National Institutes of Health, Bethesda/US

Member of the Universitätsrat:

University of Basel, Basel/CH

**Bernd Hirsch**

**Prof Dr Iris Löw-Friedrich**

Member of the Supervisory Board:

Willex AG, München/DE

**Roland Oetker**

Member of the Supervisory Board:

Deutsche Post AG, Bonn/DE

Rheinisch-Bergische Verlagsgesellschaft mbH, Düsseldorf/DE

**Prof Dr Andreas Pinkwart**

Member of the Board of Trustees:

RAG-Stiftung, Essen/DE (until June 2014)

**Mary Tanner**

Non- Executive Member of the Board of Directors:

Lineagen Inc., Salt Lake City, UT/US

PanGenx, Inc. Newton, MA/US (until October 2014)

### **Exhibit 3**

#### **Other**

The company has prepared Consolidated Financial Statements that qualify as statutory obligatory Consolidated Financial Statements pursuant to section 315a paragraph 1 HGB which will be published in the electronic German Federal Official Gazette (“Bundesanzeiger“). The company prepares Consolidated Financial Statements for the largest and smallest possible number of companies. These statements can be obtained at the Commercial Register in Hamburg, Germany.

Berlin, 6 March 2015

Dr Werner Lanthaler

Colin Bond

Dr Cord Dohrmann

Dr Mario Polywka

## MANAGEMENT REPORT 2014

### I. Operations and business environment

#### Organisational structure and business activities

##### – Business model

Evotec AG (hereinafter referred to as “Evotec” or “the Company”) is a drug discovery and development company providing drug discovery solutions to the pharmaceutical, biotechnology and academic sectors. The Company operates worldwide and has leading scientific resources, state-of-the-art technology platforms and key therapeutic expertise in the areas of CNS/neurology, diabetes and complications of diabetes, pain and inflammation and oncology. By leveraging this expertise, Evotec aims to develop best-in-class and first-in-class differentiated therapeutics.

The core of Evotec’s business is:

- High-quality drug discovery research in collaboration with Pharma, biotech and venture capital partners, offering stand-alone or integrated solutions
- Out-licensing of early innovative assets developed in-house or in collaboration with selected academic or biotech partners

Since 2014, the Company has been operating and managing its business activities under two distinct segments called EVT Execute and EVT Innovate:

**EVT Execute** provides stand-alone services on a typical fee-for-service basis or integrated drug discovery on partners’ targets through a variety of commercial structures including research fees, milestones and/or royalties.

**EVT Innovate** develops drug discovery programmes and assets, both internally or through academic collaborations. Evotec seeks to partner these into collaborations, in return for upfront payments and ongoing research payments combined with significant financial upside potential through milestones and royalties.

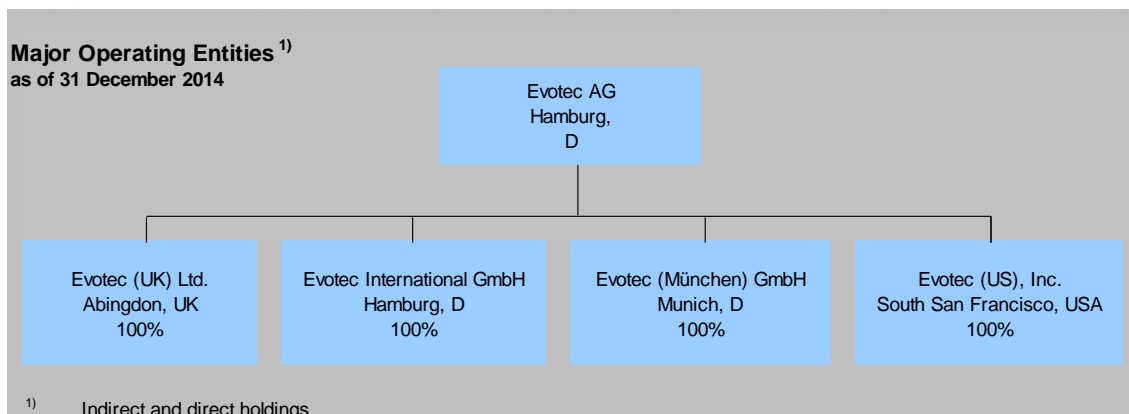
Further information on Evotec’s segments can be found in section “Corporate objectives and strategy” on page 5 of this Management Report.



## Exhibit 4

### – Group structure

Evotec AG is a publicly listed stock corporation operating under German law. Evotec AG is headquartered in Hamburg, Germany.



In addition to Evotec AG, major operating sites of the Evotec group exist in Abingdon and Manchester (UK), Göttingen and Munich (Germany) and South San Francisco and Branford (USA).

Evotec AG employed 277 people at the end of 2014 (2013: 239).

### – Evotec's products and services

#### ***Alliances and partnerships***

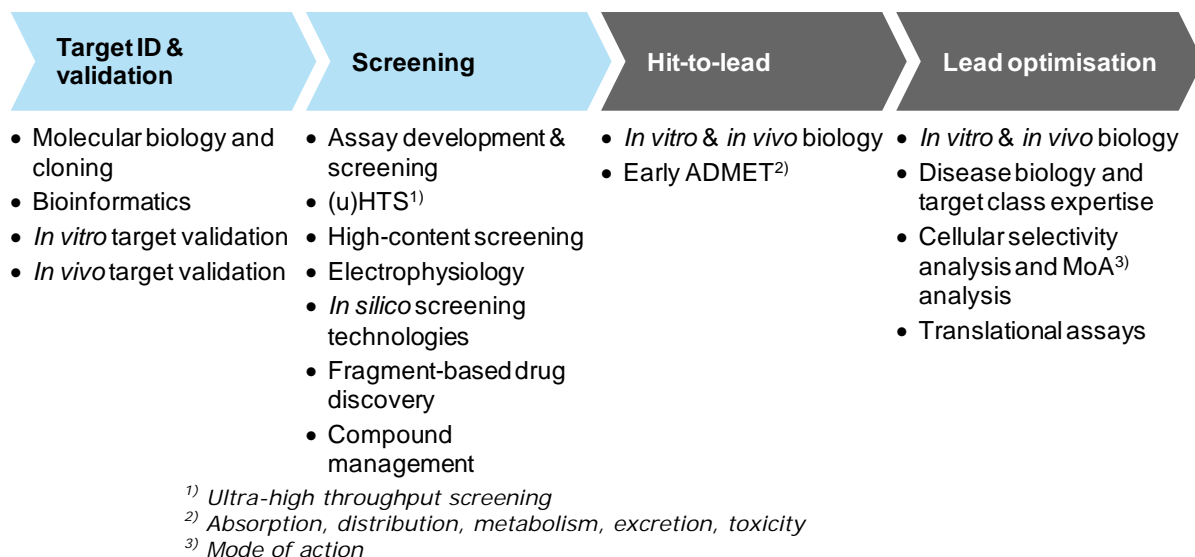
Evotec provides innovative, stand-alone and integrated drug discovery and development solutions to the pharmaceutical and biotechnology industry, ranging from target identification to clinical development through a variety of capabilities and capacities. Evotec's partners include, among others, AstraZeneca AB, Bayer Pharma AG, Boehringer Ingelheim Pharma GmbH & Co. KG, CHDI Foundation, Inc., Genentech, Inc., Janssen Pharmaceuticals, Inc., Novartis AG, F. Hoffmann-La Roche AG and UCB Pharma (an overview of Evotec's research alliances is provided in the "Research and development" chapter on page 10 of this Management Report).

In accordance with its strategy, the Company currently partners programmes when they gain pre-clinical candidate status or sooner. At this time, clinical development is passed over to the partner.

### **Drug discovery services**

Evotec's drug discovery platform was established to deliver an industrialised, cutting-edge, comprehensive and unbiased infrastructure to meet the industry's need for innovation in drug discovery. Evotec has integrated many drug discovery disciplines into its platform and seeks to optimise the drug discovery process from target identification to pre-clinical development candidates. An overview of all integrated disciplines is given in the diagram below.

Overview of Evotec's drug discovery offering



### **Target identification and validation**

Evotec focuses its target identification and validation technologies on differential expression studies, followed by bioinformatics-driven data-mining and hypothesis building, gain and loss of function studies both *in vitro* and *in vivo* as well as access to relevant disease models, phenotypic screening of complex cellular systems for hit identification and world-class *ex vivo* imaging technology platform using tissue sections to study cellular and molecular events.

### **Hit identification (Screening)**

Evotec is able to offer screening services for biochemical, functional and/or cellular responses using its proprietary high-throughput screening ("HTS") technology and/or other commercial platforms. This can mean providing access to its proprietary 400,000 compound screening library or using the client's library of compounds.

Evotec's technology platform includes nuclear magnetic resonance spectrometry, surface plasmon resonance spectrometry, high-content screening ("HCS"), high-throughput mass-spectrometry-based screening and a comprehensive structure-based drug design platform. Evotec has more than twenty years of experience in assay development, in particular in HTS, but also to support hit-to-lead and lead optimisation ("H2L/LO"), covering the major target classes as well as new target classes in the field of epigenetics and protein-protein interaction.

## Exhibit 4

### **Hit-to-lead and lead optimisation**

In compound optimisation, Evotec has a breadth and depth of expertise across all major target classes and therapeutic areas.

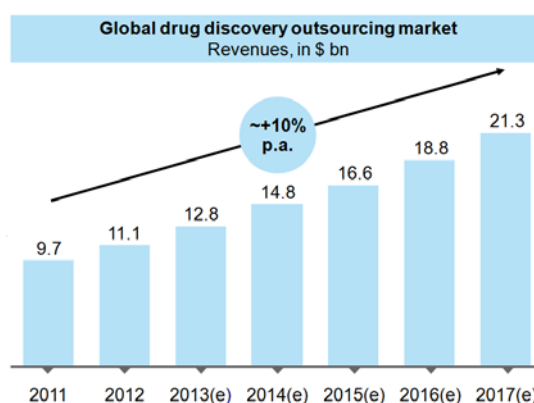
A large team of scientists with extensive industry experience supports the *in vitro* pharmacological characterisation of compounds and biologicals as part of hit expansion, lead finding or lead optimisation projects. Compound characterisation as part of hit-to-lead and lead optimisation programmes includes, for example mode-of-action studies (e.g. competitive versus allosteric mechanisms, reversibility, use-dependent mechanisms for ion channel modulators) or translational assays, which means testing the compound potency and mechanism using disease-relevant primary cells from rodents, primates or humans. Furthermore, Evotec has established an industrialised high-throughput ADME (absorption, distribution, metabolism and excretion) profiling service for routine compound screening against a panel of the most critical safety pharmacology targets. The Company's range of services in pre-clinical drug discovery is supplemented by state-of-the-art high-speed analytical methods and highly specialised information management systems. These ensure the efficient capture, storage and easy retrieval of the significant volume of data that is generated throughout the process.

## **– Market and competitive position**

### ***The drug discovery outsourcing market and Evotec's competitive position (EVT Execute business)***

The global pharmaceutical industry has suffered from decreasing efficiency in new product launches in the past decade. Research and development costs have escalated over the years, yet product pipelines are not producing the returns experienced in earlier decades. In 2014, these trends continued. Against this industry backdrop, biotech and Pharma companies are increasingly outsourcing research and development activities to address and solve these issues.

The use of external innovation solution providers allows fixed costs to be converted into variable costs and also provides expertise in selected areas without the client needing to maintain or build internal capabilities and infrastructure. Based on research by Visiongain, the drug discovery outsourcing market generated \$ 9.7 bn in global revenues in 2011 and this is expected to increase to \$ 21.3 bn by 2017 and to \$ 35.7 bn by 2023, reaching approximately 3.5 times today's market value within the next ten years. Biological services are expected to increase from their 2011 level of 29.6%. This rise in market share is likely due to the growing complexity and importance of biological and targeted therapies, fast progressing molecular biology and also the emerging market for biosimilars (Source: "Drug Discovery Outsourcing: World Market 2013–2023", report by Visiongain, 2010).



(Source: "Drug Discovery Outsourcing: World Market 2013–2023" report, Visiongain)

In general, all stages of drug discovery can be outsourced as a stand-alone discipline (e.g. target identification, target validation, high-throughput screening, *in vitro* and *in vivo* pharmacology), but the productivity challenge facing the pharmaceutical industry is set to drive an increase in strategic integrated project or programme outsourcing to constantly increase efficiency and drive innovation. This will likely lead to larger outsourcing contracts favouring bigger, more experienced players with lower perceived risk.

Amongst its peers in the Western markets, Evotec is one of the largest and financially most stable drug discovery providers with a unique hybrid model, flexible product portfolio and a long-standing track record of success. Competition from companies in emerging markets like China and India is expected to grow further within the coming years, since they offer research and manufacturing services at low costs. However, the short-term market dynamics will lead to greater strategic outsourcing opportunities and Evotec is one of the few drug discovery companies in the world that are ideally positioned to take full advantage of these market developments and can execute a comprehensive outsourcing strategy.

2014 also saw a significant increase in consolidation activity within the industry. Selected highlights were the various acquisitions completed by Charles River (USA), Wuxi (China) and Biolabs (USA).

More information regarding Evotec's alliances and partnerships can be found in the "Research and development" chapter on page 10 of this Management Report.

### Corporate objectives and strategy

In recent years, Evotec has evolved from a pure-play service provider into a powerful drug discovery engine delivering pre-clinical and clinical development candidates. One of Evotec's prime objectives is to continuously increase the value of the Company by achieving a leadership position in high-quality drug discovery solutions and building a partnered product pipeline.

Evotec has been operating through two business segments since 2014: EVT Execute and EVT Innovate. These segments effectively comprise different project types operating from a common platform and both play an important role in successfully delivering on the Company's strategy.

**Exhibit 4**

- EVT Execute:** The EVT Execute segment provides stand-alone or integrated drug discovery solutions for collaborators' targets and programmes on a typical fee-for-service basis or through a variety of commercial structures including research fees, milestones and/or royalties. Projects are selected to match Evotec's expertise and technology. In these projects, EVT Execute contributes efficiency, project management and speed to the drug discovery process. Over the last couple of years, the Company has invested significantly into upgrading its platforms and to build a systematic, unbiased and comprehensive discovery platform which is accessible to its customers, partners and academic institutions.
- EVT Innovate:** The EVT Innovate segment focuses on developing its own internal assets including early-stage discovery programmes as well as more advanced drug candidates, which are subsequently positioned for partnering with Pharma clients, usually at pre-clinical stages. Evotec's internal programmes focus on first-in-class and best-in-class projects based on innovative biology. These so called Cure X or Target X initiatives largely follow indication areas that are firmly established at Evotec: CNS/neurology, diabetes and complications of diabetes, pain and inflammation as well as oncology. Projects are also selected to optimally leverage Evotec's drug discovery platform. Ensuing partnerships usually involve upfront and research payments as well as milestones and product royalties.

The focus in 2014 was on realigning the Company's strategic plan through these two segments and demonstrating the value that could be generated via this approach. As a result, Evotec announced in December 2014 that it had entered into exclusive negotiations with Sanofi on a major multi-component strategic alliance which is expected to be signed in the first half of 2015. Further information on the alliance with Sanofi can be found in the "Significant corporate development events 2014" chapter on page 17 of this Management Report.

The alliance with Sanofi would represent a step change in the evolution of Evotec's strategy and requires a thorough review of "Action Plan 2016" pursued so far. An update on the Company's strategy and future financial performance will be published in the first half of 2015 after the agreement with Sanofi is closed.

The Company's objectives for its two operating segments in 2014 and the major achievements are summarised in the following table:

	Specific objectives 2014	Major achievements 2014
<b>EVT Execute</b>	<ul style="list-style-type: none"> <li>Expansion of existing alliances</li> <li>Significant new long-term deals with big and mid-sized Pharma and biotech</li> <li>At least one significant new integrated technology/disease alliance</li> </ul>	<ul style="list-style-type: none"> <li>Deepened collaboration with numerous partners (e.g. CHDI, Vifor)</li> <li>New long-term alliances (e.g. Eternigen)</li> <li>Strategic expansion of protein production in the US with a major Pharma partner</li> </ul>
<b>EVT Innovate</b>	<ul style="list-style-type: none"> <li>Expansion of network of top-class academic alliances</li> <li>Increase in investments in Cure X/Target X initiatives</li> <li>Partnering of Cure X/Target X initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Network of academic alliances expanded (e.g. Fraunhofer IME, UKE, DRFZ)</li> </ul>

Evotec is well-positioned to continue to deliver innovation efficiency to the healthcare industry as it seeks a step change in R&D productivity by:

- Understanding the needs of the pharmaceutical industry for innovative new medicines
- Acquiring a deep understanding of disease biology in core Evotec disease areas
- Offering access to the highest-quality resources and a systematic, comprehensive and unbiased drug discovery platform operating at high levels of capital efficiency
- Developing a pipeline of first-in-class projects optimally positioned for strategic partnerships

The goals defined for 2015 can be found in the “Business direction and strategy” section of the “Outlook” chapter on page 43 of this Management Report.

### **– Economic, environmental and social responsibility**

Sustainability is of key importance for Evotec and means combining economic success with environmentally and socially responsible activities. Sustainability is firmly established in all business processes within the Company. Taking responsibility for the Company’s employees and business partners as well as maintaining its commitment to society and a healthy environment are two of Evotec’s guiding principles. By doing this, Evotec takes responsibility for current and future generations while ensuring the basis for long-term business success. This sustainability report contains information on Evotec’s social and ecological activities as well as policies and responsibilities within the Company.

### **Performance measurement**

#### **– Financial performance measures**

Evotec’s Management Board uses various financial indicators to manage the Company. Financial goals set by the Management Board are continued growth, stable operating profitability and improved cash generation. The Company’s long-term key financial performance indicators are designed in support of the above financial goals.

Evotec’s management performs monthly financial reviews with a strong emphasis on financial performance drivers such as revenues, order book status and margins. In addition, the management reviews comprehensive cost data and analysis focused on research and development (R&D) as well as selling, general and administrative (SG&A) expenses. The Company’s performance is measured against budgeted financial targets and the prior year. Liquidity levels are monitored in comparison to the forecast and defined minimum cash levels. Operating cash flows are reviewed on a daily basis with an emphasis on receipt of contract research revenues and milestones as well as on the management of capital expenditure. Treasury management is undertaken on an ongoing basis with a focus on cash management, FX exposure, funding optimisation and investment opportunities.

#### Exhibit 4

Value analysis based on discounted cash flow models is the most important financial evaluation and control criterion for Evotec's investment decisions regarding merger and acquisition (M&A) projects and in-licensing opportunities.

#### – Development of financial key performance indicators

in kEUR	2010	2011	2012	2013	2014
Revenues	19,241	25,211	41,195	46,556	59,037
Operating result	-2,503	339	-28,927	-13,225	-2,724
Liquidity	31,632	31,938	34,170	65,545	54,171

The Company's 2014 performance compared to planned figures is presented and discussed in the "Comparison of 2014 financial results with forecast" chapter on page 19 of this Management Report.

#### – Non-financial performance measures

Since biotechnology is a research-driven and employee-based industry, financial information alone does not provide a complete picture of the Company's value creation potential. Therefore, the management also employs non-financial key performance indicators to manage the Company.

#### **Quality of drug discovery solutions and performance in discovery alliances (Sustainable development – Key performance indicator 1 (SD KPI 1))**

Evotec generates the vast majority of its revenues in alliances with Pharma and biotech companies. Consequently, the most important non-financial performance indicators for Evotec are the quality of its drug discovery solutions, performance within its alliances and overall customer satisfaction.

Correspondingly, the key figures used to measure Evotec's performance in this area are the total number, growth and size of alliances, the percentage of repeat business, average contract duration, new customer acquisition and the status of the Company's sales and order book. During its 21-year history, Evotec has continued to deliver excellent results in existing programmes and has expanded its customer base and its global network of partnerships. The Company now works with approximately 150 Pharma and biotech companies on a global basis. This growth and progression is summarised in the tables below.

#### Development of Evotec's alliances\*

	2012	2013	2014
Number of customers	31	49	46
Number of customers > € 1m revenues	8	6	11
New customers in the year	14	24	12

\* To the Company's knowledge, no benchmark data is available

**Development of TOP 10 collaborations\* (sorted by reporting year)**

In T €	2012	2013	2014
TOP 1: Bayer	0	4.070	10.708
TOP 2: CHDI	7.382	7.955	7.454
TOP 3: Merck	6.075	6.075	6.088
TOP 4 – 10	20.125	17.756	16.494
<b>Total TOP 10 revenues</b>	<b>33.582</b>	<b>35.856</b>	<b>40.743</b>
<i>Growth in %</i>		7%	14%

\* To the Company's knowledge, no benchmark data is available

Notably, several collaborations have significantly increased in size in recent years. This is regarded as a clear indicator of customer satisfaction. In addition, the number of alliances with which Evotec generates more than € 1 m of revenues per year increased from eight in 2012 to eleven in 2014. Revenues generated with the Company's TOP 10 collaborations amounted to € 40.7 m in 2014, up 14% compared to the previous year. This increase was mainly due to higher revenues from upfronts and milestones in 2014 compared to 2013. Revenues from Evotec's TOP 1 customer Bayer increased by 163% due to the recognized milestones in the collaboration.

Evotec's repeat business, as defined by the percentage of 2014 revenues coming from customers that the Company already had in 2013, remained high at 74%. Substantial contract extensions were signed in 2014 with CHDI and Vifor. Evotec also experienced setbacks in its drug discovery pipeline, most notably the termination of CureBeta, a discovery alliance with Janssen Pharmaceuticals.

**Research and development performance in development partnerships  
(Sustainable development – Key performance indicator 2 (SD KPI 2))**

Evotec is a company which develops novel, innovative pharmaceutical drug compounds. Therefore, the progression of drug candidates within Evotec's partnerships is a second non-financial key performance indicator. Unlike for most biotech companies, success of clinical programmes progressed by its partners represents pure upside for Evotec as all clinical development activities are funded by the Company's Pharma partners. Evotec participates in the progress and success of those programmes through milestone payments and royalties.

For a more detailed description of Evotec's advanced drug candidates and its research programmes please see the "Research and development" chapter on page 10 of this Management Report.

**Quality and safety performance of products  
(Sustainable development – Key performance indicator 3 (SD KPI 3))**

Since Evotec is a high-quality provider of drug discovery services, the quality and safety performance of products is another important non-financial key performance indicator for Evotec. High quality and best practice safety features generate trust and satisfaction among its customers and secure future business. It is important to note that during the past five years no services were recalled and neither fines nor settlement payments related to litigation in Evotec's drug discovery alliances were due.



## Exhibit 4

### – Early indicators

Several factors are used to evaluate early on the degree to which the Company's goals will be fulfilled in the medium to long term. Early indicators used at Evotec include:

- Current and expected developments in the market for drug discovery alliances and general trends in research and development:

Developments and trends are monitored on an ongoing basis in order to identify major developments and triggering events that can have a significant impact on the Company's product portfolio or financial position.

- The development of Evotec's IP position:

In order to protect intellectual property, Evotec reviews its patent portfolio on a regular basis (see more details in the "Research and development – Intellectual property" chapter on page 14 of this Management Report).

- Sales and order book:

The sales and order book provides a high degree of visibility of revenues for the coming months and is updated on a monthly basis.

- Monthly/quarterly results:

Financial results are regularly used for measuring the Company's current performance but also to extrapolate the development of the business in future periods.

- Achievement of milestones in discovery alliances and development partnerships:

Milestone achievements are a key revenue and cash flow driver for Evotec. Accordingly, the development of milestone payments is an indicator of the success of Evotec's programmes and the performance of Evotec in its risk-shared alliances.

### Research and development

The core of Evotec's business is to carry out research and development ("R&D") activities to support Pharma and biotech companies, venture capital groups, academic institutions and not-for profit organisations. The Company offers access to a highly comprehensive pre-clinical discovery and development platform via project-driven solutions and customised business arrangements. Evotec's partners select either individual components of the platform or access partially or fully integrated solutions for their projects. Research collaborations pursued by Evotec range from strict fee-for-service arrangements to risk-sharing models. Internal R&D projects are platform-, target- or therapeutic area-driven.

## – Research and development – Activities

### ***Evotec's pipeline building***

Evotec has a broad and deep pipeline of projects in which it holds significant financial upside in the form of potential development milestone and royalty payments. All of these projects are pursued in partnerships with Pharma and biotech companies which are responsible for formal pre-clinical and clinical development as well as bringing any product to the market. This pipeline of potential product opportunities spans various stages of pre-clinical development and discovery and is continuously fuelled by both business segments, EVT Execute and EVT Innovate.

EVT Execute contributes projects to Evotec's pipeline by entering into partnerships based on the clients' target or intellectual property and receiving research fees and upside including milestones and royalties. By contrast, EVT Innovate contributes projects (so-called Cure X and Target X initiatives) which are funded by Evotec and based in its own intellectual property. These form the basis of future partnerships with the potential for upfront payments, high margin research payments and significant upside potential in the form of milestones and royalties.

### **Pre-clinical and discovery stage**

Evotec has a pipeline of partnered product opportunities at pre-clinical and discovery stages.

Effective 29 April 2014, Janssen Pharmaceuticals decided to end the partnership on beta cell regeneration. CureBeta, the alliance between Harvard and Evotec, will continue and Evotec will try to identify alternative partners.

### ***Milestone achievements within existing alliances***

In September 2014, Evotec reached an important milestone in its multi-target collaboration with Bayer for the transition of a molecule into pre-clinical development for the treatment of endometriosis. In December 2014, Evotec announced that this collaboration with Bayer had achieved additional important milestones for the transition of certain molecules into pre-clinical development for the treatment of endometriosis. The goal of this collaboration is to develop three clinical candidates during the five-year alliance.

### **Unpartnered product opportunities – Cure X and Target X initiatives in 2014**

Cure X and Target X initiatives are carefully selected discovery stage projects that are either pursued as internal R&D projects or in collaboration with leading academic laboratories or biotech companies. Cure X and Target X initiatives that are carried out in collaboration with academia or biotech predominantly work on the principle of risk and reward sharing, i.e. both partners contribute to the project and share potential financial rewards according to the respective contributions.

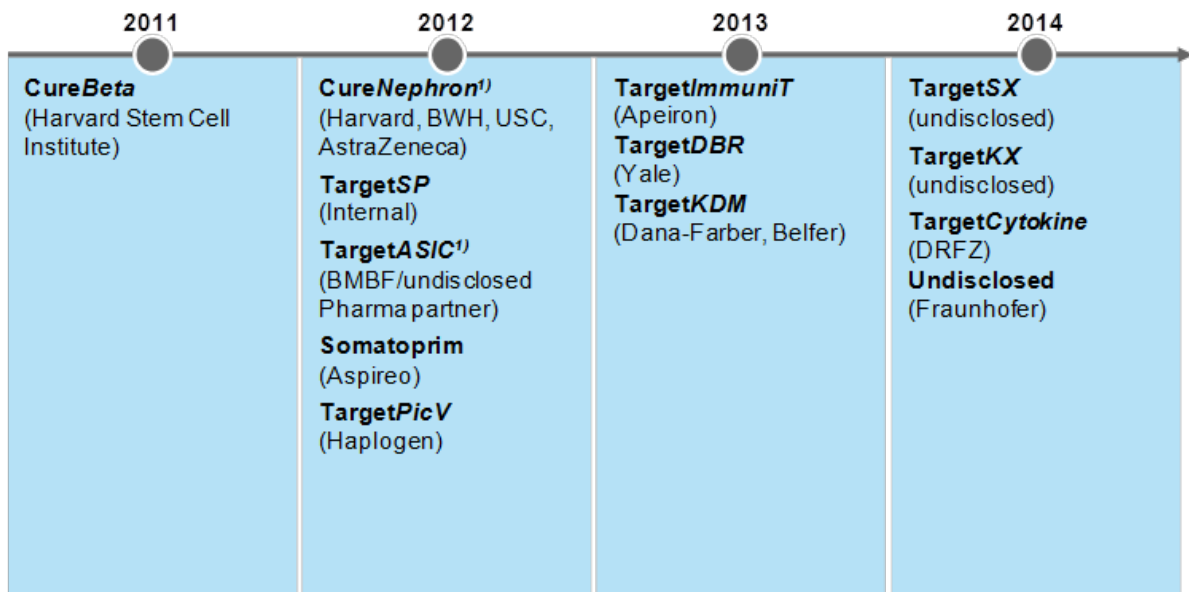
The focus is on developing product opportunities with first-in-class potential in indications of high, unmet medical need and significant markets. Preferably, these initiatives pursue drug product opportunities with disease-modifying properties, i.e. mechanisms that may slow or even reverse progression of disease. The aim is to advance and partner these projects at tangible value inflection points and thereby expand Evotec's proprietary pre-clinical and clinical pipeline.

**Exhibit 4**

Cure X and Target X initiatives require access to highly innovative biology and extensive disease area expertise. To complement and expand Evotec’s internal expertise and capabilities, Evotec partners with leading academic institutions in the USA (Harvard, Yale, Brigham and Women’s Hospital, etc.), in Europe (Fraunhofer Institute, UKE, University of Berlin) as well as emerging biotech companies (Apeiron, Haplogen, Aspireo, etc.).

The goal of EVT Innovate is to grow through additional Cure X and Target X projects and partnerships. The current pipeline of opportunities is shown below.

*R&D projects initiated within EVT Innovate*



<sup>1)</sup> Today at least partly progressed under commercial partnership

*Expanding the bridge to academia*

In July 2014, Evotec announced an exclusive strategic collaboration with the Fraunhofer Institute for Molecular Biology and Applied Ecology (“IME”) in several disease areas through the combination of the relevant platforms of both organisations for internal and external drug discovery projects. This alliance expands Evotec’s already powerful drug discovery platform with access to a broad range of complementary and highly innovative platforms and capabilities to progress its own innovate projects and provides additional capabilities for customers and partners of Evotec and IME, respectively.

In September 2014, Evotec entered into three novel research projects for the treatment of Multiple Sclerosis supported in part by research funds from the German Federal Ministry of Education and Research. The respective scientific approaches stem from the Deutsches Rheuma-Forschungszentrum (an institute of the Leibniz Association) and the University Medical Center Hamburg-Eppendorf comprising cytokine regulation, neuroprotection and tolerance induction. Evotec utilises its drug discovery platform, its project management capabilities and its market presence to identify drug candidates in these novel approaches to tackle MS and to commercialise those later on. Current MS treatments mostly constitute symptomatic approaches while more specific, well-differentiated disease-modifying treatment modes are eagerly looked for by the industry.

## Update on EVT Execute activities in 2014

### *Contract extensions and expansions*

In September 2014, Evotec and CHDI Foundation, Inc. ("CHDI") extended and re-stated their collaboration for a further three years. The collaboration – which aims to find new treatments for Huntington's disease – involves funding of more than 50 full-time scientists. The collaboration initially began in 2006 and has expanded considerably over this period to fully leverage Evotec's integrated neuroscience platform. Evotec provides a full range of research activities and expertise in the neuroscience area to CHDI, including integrated biology and chemistry supported by compound and library management, target validation, stem cell research, high-content screening, computational chemistry, *in vitro* pharmacokinetics and protein production.

In 2014, Evotec also extended and expanded its agreement with Vifor in another mineral deficiency/sufficiency-related therapeutic area.

### *Others*

In November 2014, Evotec announced it would establish a protein production and cell services facility on the US East Coast through its subsidiary Evotec (US), Inc. The new laboratory will become operational in the first quarter of 2015. This addition complements the expansion of such services at the subsidiary Evotec (UK), Ltd. and is to meet an increasing need to deliver services to major US partners and to reflect the general growth in this area.

## **Overview of Evotec's activities in its major disease areas (EVT Execute and EVT Innovate)**

<b>Molecule</b>	<b>Partner</b>	<b>Indication</b>	<b>Status</b>	<b>Next milestone</b>	<b>Commercials</b>
<b>CNS/Neurology pipeline overview</b>					
Various	CHDI	Huntington's disease	Discovery	ND <sup>1)</sup>	Research payments
ND <sup>1)</sup>	Genentech	Neuro-degeneration	Discovery	ND <sup>1)</sup>	Research payments
TargetASiC	BMBF, undisclosed Pharma	Multiple sclerosis	Discovery	Lead status	Co-funded
<b>Diabetes and diabetic complications pipeline overview</b>					
Various	AstraZeneca	Kidney disease	ND <sup>1)</sup>	ND <sup>1)</sup>	Undisclosed upfront, high margin research payments, milestones/product, royalties
CureNephron	Harvard Stem Cell Institute	Chronic kidney disease	Discovery	Pharma partnership	–
<b>Oncology pipeline overview</b>					
TargetImmuniT	Apeiron	Various (Immunotherapy)	Discovery	Pharma partnership	Shared research costs, milestones, royalties
TargetDBR	Yale University	Glioblastoma (brain tumour)	Discovery	Pharma partnership	ND <sup>1)</sup>

#### Exhibit 4

Molecule	Partner	Indication	Status	Next milestone	Commercials
<b>Pain and inflammation pipeline overview</b>					
Various	Bayer	Endometriosis	Pre-clinical	Pre-clinical candidate	€ 12 m upfront, up to € 580 m milestones, royalties
ND <sup>1)</sup>	Novartis	Various/Pain	Pre-clinical	Successful PoC <sup>2)</sup>	Research payments, milestones, royalties
Various	UCB	Inflammation	Discovery	Pre-clinical	Research payments, up to € 183 m milestones/product, significant royalties
<b>Anti-infectives pipeline overview</b>					
TargetPicV	Haplogen	Viral host targets	Discovery	Pre-clinical candidate	–

<sup>1)</sup> Not disclosed

<sup>2)</sup> Proof of Concept

All clinical projects are fully financed by partners but Evotec retains a significant stake in these projects in terms of milestones and royalties.

#### – Research and development – Intellectual property

Evotec actively manages a significant patent portfolio. The Company seeks, where appropriate, patent protection for its technologies, product candidates and other proprietary information.

Evotec reviews its patent portfolio regularly and decides whether to maintain or withdraw its patent applications and patents based on the importance of such intellectual property to maintain its competitive position and deliver on its strategy. As of 31 December 2014, Evotec has several patent families under its full control. All of these are on file or pending through national and/or foreign applications, such as patent applications filed under the Patent Cooperation Treaty or applications filed with the United States Patent Office, the European Patent Office or the Japanese Patent Office.

Supporting its discovery alliance business, Evotec owns a patent estate for molecular detection and other platform technologies. Furthermore, Evotec has developed a number of biological assays, e.g. methods to measure the chemical or biological activity of any combination of targets and compounds, which are patent-protected.

Evotec also pursues certain discovery projects internally. The Company monitors the research activities and results of this in-house research in order to identify patentable drug candidate series which have the potential for partnering. Numerous patent applications have been generated and filed as a result of such activities.

## II. Report on economic position

### General market and healthcare environment

#### – Global economic development

Global economic development remained subdued in 2014. According to a publication by the World Bank in January 2015, the global economy grew by 2.6% in 2014, which is only a marginal increase compared to worldwide growth in 2013 (2.5%). 2014 was characterised by a number of factors. For example, tensions over Ukraine between the European Union and the United States on the one hand and the Russian Federation on the other resulted in reciprocal trade sanctions. Furthermore, continuous conflicts in the Middle East increased uncertainty. Finally, an outbreak of Ebola haemorrhagic fever in West Africa proved difficult to contain. In the United States, after a surprisingly dismal first quarter, economic activity picked up in the second quarter and GDP growth reached 2.5% at the end of 2014. In the Eurozone, growth came to a halt in the second quarter, mainly on account of weak investment and exports as well as uncertainty about the duration of the economic upswing. Although the economic slowdown persisted in the Eurozone in 2014 as legacies of the financial crisis lingered, the economy moved from recession in 2013 to recovery in 2014 and grew by 0.8%. According to the German Institute for Economic Research, the German economy continued its moderate upward trend in 2014 with a growth rate of 1.5% (2013: 0.4%).

#### – Recent trends in the pharmaceutical and biotechnology sector

The pharmaceutical and biotechnology industry, like all sectors, is facing industry-specific changes combined with developments in the general economic environment. Industry-related factors include the productivity and cost of research & development, changing relationships with patients and providers, shifts in patent laws and regulation, reductions in global government spending and behaviour with regard to pricing and intellectual property.

In 2014, there was a significant increase in the level of acquisition activity in the Pharma industry. Acquirers were looking to replenish their pipelines, strengthen their leading businesses, and, in some cases, to re-domicile in more favourable tax jurisdictions via tax inversion transactions. According to the Burrill Report, the M&A deal value reached \$ 341 bn in 2014, a sharp increase from \$ 118.3 bn in 2013, driven by several multi-billion dollar deals. Major deals in the sector included the multi-billion swap of assets between GlaxoSmithKline (“GSK”) and Novartis at the end of April, under which Novartis paid \$ 16 bn for GSK’s oncology assets and GSK paid \$ 7.1 bn for Novartis’ vaccine unit excluding flu vaccines. Furthermore, Novartis sold its Animal Health unit to Eli Lilly for \$ 5.4 bn.

The year 2014 saw a return of venture funding to the biotech industry and there was a significant increase in the volume of IPOs, especially in the USA. Life science companies raised nearly \$ 10.4 bn globally from a total of 126 initial public offerings in 2014, thus almost doubling the number of life science IPOs completed in the previous year.

## Exhibit 4

### – Development of legal factors

Companies involved in drug discovery and development operate in highly regulated markets. The majority of legal factors that could significantly affect Evotec's business are those that would directly impact the Company's partners and customers. For example, changes in government funding of research and development work would have a direct impact on the funds available to pharmaceutical and biotech companies and hence their ability to afford Evotec's drug discovery solutions. This could ultimately affect Evotec's business in a positive or negative manner. Similarly, changes in legal conditions regarding the treatment of tax credits for research and development work conducted by Evotec's partners and customers could also impact Evotec's business.

New drugs for human use are subject to approval by the European Medicines Agency ("EMA") in the European Union, the Food and Drug Administration ("FDA") in the USA and other national regulatory and supervisory authorities. Evotec is focused on the early stages of drug discovery with development and commercialisation conducted by the Company's Pharma partners, who fund those activities. Consequently, any changes in the regulatory environment would only indirectly impact Evotec's business, e.g. by reducing or increasing the upside Evotec may generate from the successful development and commercialisation of its licensed products.

Factors that might directly impact Evotec's business include any tightening of the Animal Welfare Act relating to pre-clinical animal studies or any changes in the regulation of pre-clinical research in general. In addition, any easing of policy relating to stem cell research in Europe, for example, could have a positive impact on Evotec's business.

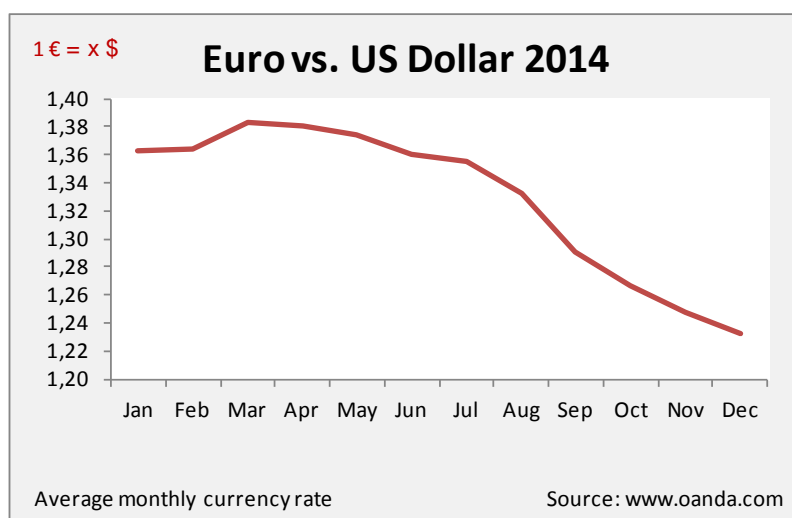
In 2014, legal factors affecting Evotec were largely unchanged and the Company's operating business was not materially affected.

### – Exchange rate development, interest rates and financing

Evotec's financial performance is affected by currency movements and, to a much lesser extent, by fluctuations in interest rates. Changes in raw material prices do not materially affect Evotec.

The biggest impact from currency movements on Evotec's financial position in 2014 resulted from the Euro (€) to US dollar (\$) exchange rate. The exchange rate fluctuated between \$ 1.21 and \$ 1.39 to the Euro. As the economic recovery in the USA was stronger than in the Eurozone, the US dollar strengthened against the Euro in the second half of the year. Despite marked Euro/US dollar volatility during 2014, the average exchange rate remained at \$ 1.33 per Euro as in the prior year. In terms of cash at the end of 2014, the Euro weakened from \$ 1.38 to \$ 1.22 to the Euro, which increased Evotec's year-end Euro-denominated liquidity position by € 1.5 m.

– Average monthly exchange rate for the Company’s major currency



In 2014, the world's policymakers continued to rely on the actions of central banks to support their economies. Despite some good economic news, most central banks delayed any normalisation of their monetary policy. The Federal Reserve Bank (“Fed”) and the Bank of England (“BOE”) kept interest rates at record lows as weak inflation and slow growth alleviated the need for a tighter monetary policy. The European Central Bank (“ECB”) even moved to impose negative deposit rates. However, 2014 was the year the Fed ended its QE3 asset purchase programme and it is likely to be the first central bank to raise interest rates in 2015, with markets expecting the BOE to follow.

In Europe, the ECB inter-bank interest rate (3-month Euribor) decreased to a historic low of 0.08% in September 2014 and remained at this level until the end of 2014. In September, the ECB cut all its main interest rates and announced a programme to buy private assets in order to prevent a slide into deflation. The main impact of low interest rates on the financial performance of Evotec is a reduction in interest income received on the cash deposits and the short-term investments of the Company.

### Significant corporate development events 2014

In 2014, the following important corporate developments occurred. Information on significant events regarding progress in research and development within the business segments EVT Execute and EVT Innovate can be found in the “Research and development” chapter on page 10 of this Management Report.

#### *Exclusive negotiations for a major multi-component strategic collaboration with Sanofi*

In December 2014, Evotec announced that it had entered into exclusive negotiations with Sanofi on a major multi-component strategic alliance over the next five years. The transaction will further consolidate Evotec’s position as the leading drug discovery collaboration partner to the Pharma and biotech industry. The collabora-



#### **Exhibit 4**

tion comprises three major strategic initiatives, all focused on improving innovation efficiency in the drug discovery and pre-clinical development space:

- (1) Pipeline-building collaboration with an initial focus on oncology
- (2) Outsourcing alliance including acquisition of Sanofi's drug discovery operations in Toulouse
- (3) Pioneering open innovation by offering combined libraries.

The collaboration has a minimum guaranteed commitment from Sanofi to Evotec of € 250 m over the next five years, including a sizeable upfront cash payment that will be defined in the agreement. The transaction will include a co-development agreement with associated upfront, development, regulatory and sales milestones as well as royalties benefiting both parties. This multi-component transaction is expected to close in the first half of 2015.

#### **Management Board's assessment of the economic situation**

Evotec operates within an industry that has experienced a period of significant transition and adjustment in recent years. Pharmaceutical companies of all sizes have been re-evaluating their business strategies due to continued financial pressure resulting primarily from the patent cliff leading to the loss of blockbuster products and their strong cash flows. This has prompted significant restructuring and consolidation in the industry including diversification, large-scale mergers, downsizing of R&D efforts, cost reduction programmes, the pursuit of biotech acquisitions, partnering deals and alliances. On the other hand, ageing populations in developed countries continue to demand better drugs and improved diagnostics that are clearly differentiated from existing treatments. The result of both developments, which are still ongoing, is that the pharmaceutical industry requires innovation in drug discovery in a capital efficient manner. Against these overall market trends, the drug discovery outsourcing market continues to grow although it remains highly fragmented, often with little differentiation between companies (see the Visiongain report "Drug Discovery Outsourcing: World Market 2013-2023"). In addition, the emerging economies of India and China with their highly educated workforces and competitive cost structures offer significant competition to Western outsourcing. Evotec believes that the short-term market dynamics will continue to lead towards greater outsourcing opportunities. However, only organisations which have reached a critical mass, employ highly experienced drug discovery experts operating in key therapeutic areas, use best-in-class drug discovery platforms and have access to first-in-class biology from leading academic and specialist institutions will be able to profit from these opportunities. Evotec is ideally positioned to provide innovation and drug discovery solutions to the market as the core of a comprehensive outsourcing.

## Comparison of 2014 financial results with forecast

### Comparison of 2014 forecast with results

	Forecast report 2012	Final result
Revenues	Two-digit %-growth	27%
Adjusted operating result	Improved	€ -2.1m
Investing volume	€ 2.0 - 3.0m	€ 2.1m
Liquidity	above € 60m	€ 54.2m

As written in the forecast section of Management report 2013, Evotec expected an double digit increase of Revenues in 2014. Earnings before interest, taxes, depreciation and amortisation of intangible assets (EBITDA) should be improved in comparison with 2013. Investing volume was expected in the range of € 2.0m to € 3.0m. Evotecs Liquidity should be well positioned with more than € 60m by end of 2014.

EBITDA is defined as earnings before interest, taxes, depreciation and amortisation of intangible assets. EBITDA excludes impairments and reversal of impairments on intangible assets, tangible assets and financial assets. To determine EBITDA, extraordinary income and expenses are eliminated.

EBITDA is disclosed from 2014 onwards and replaces the adjusted operating result as the key performance indicator for productivity. The reason for this change is that EBITDA better facilitates comparisons between companies and industries by eliminating the effects of financing (i.e., interest) and capital investments (i.e., depreciation and amortisation).

Evotec finished financial year 2014 with revenues of € 59.0m. In consequence, revenue growth was reported with 27% regarding to previous year. EBITDA was negative with € 2.1m and above 2013 (negative € 5.2m). Investing volume was € 2.1m. Liquidity was behind expectations (€ 54.2m) due to phasing of sales receipts from milestones.

## III. Financial report

### Results of operations

#### – Revenues

Evotec's total revenues in 2014 amounted to € 59.0 m, an increase of € 12.4 m or 27% compared to the previous year (€ 46.6 m).

Third party revenues increased from € 40.8 m in 2013 to € 45.7 m in 2014. Revenues are composed of assay development, screening (including nuclear magnetic resonance (NMR) screening), FTE-based revenues, milestone revenues, deferred upfront payments and licence income. Evotec generates its revenues either by signing a single contract with the customer or as part of an integrated deal in which several affiliates are involved (Group-based contracts). Revenues from contracts in which Evotec AG serves as the sole contracting party amounted to € 13.9 m in 2014, a decrease of 16% against the previous year (2013: € 16.6 m). In comparison, revenues from Group-based contracts rose by 2% against the previous year to

#### Exhibit 4

€ 22.3 m (2013: € 21.9 m). The volume of Group-based contracts at Evotec has therefore remained largely stable this year. However, Evotec AG's order situation has shifted from single external orders to an increase in demand for internal contracts placed by other subsidiaries. Contracts with new Evotec Group customers have been closed with Evotec International GmbH wherever possible, which in turn passes on work projects to affiliated companies. As a result, Evotec AG's number of external customers has fallen slightly, and the number of new customers in particular has remained lower than in the previous year. On the other hand, the number of orders with a volume of over € 1.0 m increased in 2014. In addition, licence income generated in 2014 in the amount of € 1.8m (2013: € 1.6m). Milestone revenues of € 7.6 m are almost entirely due to the collaboration with Bayer. In 2013, milestone revenues of € 0.7 m were generated.

Internal revenues generated with subsidiaries increased by a total of € 7.5 m from € 5.8 m in 2013 to € 13.3 m in 2014. In 2014, support demand for customer contracts rose by € 6.6 m against the previous year, increasing from € 5.4 m to € 12.0 m. Support demand for internal R&D programmes also increased by € 0.9 m, rising from € 0.4 m to € 1.4 m.

The geographical spread of revenues for Evotec continues to be global. Europe represents the most important market with revenue contribution of 52%. The increase regarding to the previous year (42%) is largely due to milestone revenues resulting from the Bayer collaboration. With 48%, the USA represents the second most important market. In 2013, the USA was the most important market with 54%. The geographical regions Asia and the rest of the world are of less importance, contributing less than 1% of revenue. In 2013, their contribution amounted to 4%. The number of customers has declined slightly over the last year. The revenue contribution of the three largest customers in 2014 was 53% however, which is on a par with the previous year (54%). The concentration of revenue with important customers therefore remains significant.

#### – Net result

The Company ends the year with a net loss of € 3.5 m. This represents a decrease in net loss of € 10.4 m against the net loss of € 13.9 m reported in the previous year.

Overall, the result was heavily influenced by the write-off of a loan to Evotec International GmbH, higher costs for purchased services and an increase in personnel costs.

In 2014, an EBITDA deficit of € 2.1 m was reported (2013: € 5.2 m deficit).

in T €	2013	2014
Operating result	-13,225	-2,724
- Interest income	-2,175	-2,379
- Interest expenses	306	412
- Depreciation	1,978	2,088
- Amortisation	1,709	508
- Amortisation of financial assets	6,230	10
<b>EBITDA</b>	<b>-5,177</b>	<b>-2,085</b>

Changes in the net result are due to the following effects:

Other operating income increased by € 2.7 m from € 3.6 m in 2013 to € 6.3 m in 2014. This is largely due to the termination of the strategic cooperation with 4-Antibody AG for the early recognition of antibody functionalities that was started in May 2012, and which resulted in income of € 1.0 m. Exchange gains from foreign currencies also increased by € 1.1 m from € 0.3 m in 2013 to € 1.4 m in 2014.

The cost of materials increased from € 24.7 m in 2013 to € 27.2 m in 2014. Costs for raw materials and supplies amounted to € 6.1 m, an € 1.3 m increase against the previous year. This is due to the ongoing decrease in the consumption of chemicals as well as consumables and materials necessary for operating lab equipment and machinery. Costs for services increased by a total of € 1.2 m to € 21.1 m in 2014 (2013: € 19.9 m). An increase of € 1.1 m has been reported for work outsourced of internal research programmes for which Evotec International GmbH holds the intellectual property rights.

In 2014, the volume of work projects that Evotec subsidiaries completed as contract partners remained on a par with the previous year at € 15.4 m. External orders outsourced to third parties and for which Evotec AG was the sole purchaser rose by € 0.2 m to € 0.5 m in the 2014 financial year.

In order to meet the increase in demand for research services and cover the increase in administrative work, the company increased the number of staff during the year by 38 to 277 employees as of 31 December 2014. Personnel expenses therefore increased by € 2.3 m from € 13.4 m in 2013 to € 15.7 m in the 2014 financial year.

Depreciation of tangible assets amounted to € 2.1 m in 2014, an increase of € 0.2 m against the previous year (€ 1.9 m). The increase is largely due to the depreciation of technical plants and machinery. Amortisation of intangible assets came to € 0.4 m in 2014 (2013: € 1.1 m) and was mainly due to the partial amortisation of usage rights to a development platform that Evotec acquired in April 2012 as part of a cooperation with 4-Antibody. Amortisation ran until April when the cooperation ended, whereas in 2013 amortisation ran for the full year.

In 2014, no write down in current assets were recorded. In 2013, an impairment test of capitalised research and development projects led to a full write-down of one pre-clinical research programme in the amount of € 0.6 m, as the likelihood of establishing a partnership for the programme was evaluated as low.

Other operating expenses increased by € 7.6 m from € 17.4 m to € 25.0 m. In 2014, a loan receivable from Evotec International GmbH of € 9.5 m was partially written off. The deciding factor was the expected ability of Evotec International GmbH to pay back the loan. Adverse effects are primarily driven by expenses in 2013 that were not incurred in 2014 or were lower in 2014. In 2013, expenses of € 1.3 m were deferred for an earn-out payment as part of the acquisition of Cell Culture Service GmbH in the same year. Expenses from costs passed on to subsidiaries were € 1.2 m lower than in the previous year (€ 2.5 m). This is due to revenue-dependent internal services being transferred to Evotec International GmbH, with the intention of concluding new customer contracts with this company. Furthermore, currency losses were € 0.8 m lower than in the previous year. Expenses for revenue-dependent licence payments, on the other hand, increased by € 0.6 m to € 2.1 m. This is largely due to Harvard University's participation in the partnering

## Exhibit 4

of Evotec's internal research programme "CureBeta" with Janssen in July 2012 until the termination of the programme in the past financial year. Expenses for software licences and IT-related costs amounted to € 0.6 m, an increase of € 0.3 m against 2013 (€ 0.3 m). In order to cover capacity requirements, Evotec spent € 0.5 m on employee recruitment in the 2014 financial year (2013: € 0.3 m).

The interest result rose by € 0.1 m to € 2.0 m in 2014.

There were no significant write-downs on investments in 2014. However, in the 2013 financial year, Evotec decided to discontinue operations in the Indian subsidiary Evotec (India) Private Ltd. and liquidate the company. This led to a write-down on the investment of € 6.2 m.

Extraordinary expenses of € 0.7 m in 2013 were mainly the result of merging CCS Cell Culture Service GmbH with Evotec. No extraordinary expenses were reported in 2014.

Expenses for trade and corporation tax came to € 0.8 m in 2014 (2013: € 0.0 million).

## Financing and financial position

### – Cash and financing

As of 31 December 2014, Evotec's cash and cash equivalents together with bonds and investment funds recognised under other securities, amounted to € 54.2 m. This is a decrease of € 11.3 m against the end of 2013 (€ 65.5 m). In 2014, investments of € 1.0 m in tangible assets were cash effective. An earn-out component from the acquisition of Cell Culture Service GmbH ("CCS") in 2013 of € 1.3 m became due in the 2014 financial year. A further earn-out component for Evotec (München) GmbH of € 0.5 m also became due in the 2014 financial year, after a milestone was achieved. Evotec received € 1.0 m due to the termination of the collaboration with 4-Antibody. Evotec took up loans of € 4.4 m, while € 3.6 m was granted in loans to subsidiaries. Other cash and cash equivalents were used to finance ongoing operations.

## Assets and liabilities

### – Capital structure

Total share capital and additional paid-in capital increased by € 0.7 m, as a result of stock options exercised during the year.

In 2014, 250,683 stock options were exercised by Evotec Group employees and members of the Management Board, as well as former members of the Management Board (2013: 1,094,741) and converted into Evotec shares by using conditional capital. In addition, 66,500 stock options were exercised by Evotec Group employees and members of the Management Board as well as former member of the Management Board which were serviced by own shares (2013: 459,456). As of 31 December 2014, Evotec holds 272,315 of its own shares (31 December 2013: 338,815).

Total equity decreased by € 2.8 m to € 100.3 m (2013: € 103.1 m), due to the recorded net loss of € 3.5 m. Evotec reports an increased equity ratio at the end of 2014 of 71.8% against the previous year (2013: 68.6%).

#### – Net assets and liabilities

Intangible assets include licences and patents as well as capitalised development costs. Intangible assets decreased from € 1.4 m to € 1.1 m in 2014. This decrease is primarily due to the amortisation of licences and patents in the amount of € 0.4 m.

Evotec's tangible assets consist of leasehold improvements and technical equipment, mainly fixtures and fittings in laboratories and other lab equipment. The Company also holds office and IT equipment for administration purposes.

At the end of the year, tangible assets were on a par with the previous year at € 12.4 m. In 2014, Evotec invested € 2.1 m in tangible assets. This largely corresponds to the previous year's amount of € 1.9 m. Apart from a few larger investments in lab equipment for assays and screening, investments were mainly made to maintain plants in order to cover the number of orders and keep plants up-to-date. Investments were also made in IT and office equipment due to the rise in personnel numbers. Depreciation in 2014 amounted to € 2.1 m and was therefore slightly above the previous year's amount (€ 1.9 m).

Financial assets include shares in affiliated companies and investments. This number increased in the 2014 financial year to € 31.7 m as of the reporting date (end of 2013: € 31.2 m). The increase is largely the result of a change in the investment value in Evotec (München) GmbH, which rose due to an earn-out payment of over € 0.5 m.

Trade accounts receivables and other assets climbed by € 0.4 m against the previous year to € 35.4 m. Trade accounts receivables increased by € 4.6 m to € 14.3 m (2013: € 9.7 m). This increase is largely due to a milestone receivable of € 8.4 m. This was offset by an overdue payment of € 1.9 m as of 31 December 2013, which was settled at the beginning of 2014. Receivables due from associated companies came to € 20.1 m, representing a decline of € 4.5 m against the previous year. This decrease results from the write-off of an intercompany loan to Evotec International GmbH. Simultaneously, further intercompany loans were granted to subsidiaries. Other assets increased by € 0.4 m to € 1.0 m (2013: € 0.6 m) on account of a rise in receivables due from tax authorities and License income. Accrued asset items came to € 2.6 m as of the reporting date (2013: € 2.7 m). Significant items were payments to Haplogen in 2014 and Harvard in 2013.

Accrued liabilities decreased in the 2014 financial year by € 2.3 m from € 4.4 m to € 2.1 m. The decrease is mainly the result of the utilisation of an accrual for earn-out payments amounting to € 1.3 m during the course of acquiring CCS. Accruals for trade accounts were reduced by € 0.6 m. Furthermore, bonus accruals decreased by € 0.3 m against the previous year.

Evotec AG's liabilities towards financial institutions rose by € 4.5 m against the previous year to € 21.5 m due to the necessity of financing intercompany loans to cover the cash requirements of some of Evotec's subsidiaries.

Liabilities towards affiliated companies fell by € 5.2 m to € 1.0 m (2013: € 6.2 m). The main reason for this was a milestone due to Evotec AG from a customer recog-

#### **Exhibit 4**

nised on 31 December 2013 that was passed on to the subsidiaries Evotec (UK) Ltd. and Evotec International GmbH. The milestone payment was made in 2014.

The decrease in accrued liabilities of € 5.7 m to € 10.0 m is largely the result of the revenue realised with the research alliance 'CureBeta' with Janssen (€ 3.2 m) which was terminated during the 2014 financial year and the long-term collaboration with Bayer (€ 2.5 m).

#### **– Authorisation of management to repurchase stock**

The Company is authorised by two resolutions of the 2011 Annual General Meeting to acquire own shares with a computed proportion of the share capital totalling up to € 1,000,000.00 and € 10,818,613.00 respectively. Together with other own shares, which are in the possession of the Company or are attributable to the Company pursuant to section 71a and as per the German Stock Corporation Act (Aktiengesetz, AktG), the own shares acquired on the basis of these authorisations may at no time exceed 10% of the Company's current share capital. Acquisitions for the purpose of trading in own shares are excluded. The respective authorisations are effective until 15 May 2016. As of 31 December 2014, Evotec had used its authorisation to acquire own shares with a computed proportion of the share capital totalling up to € 1,000,000.00 in the amount of a computed proportion of the share capital of € 104,120.00 (€ 67,090.00 in 2012 and € 37,030.00 in 2013) for the remuneration of the Supervisory Board in the financial years 2011 and 2012 in accordance with the Articles of Association of the Company.

#### **– Shareholdings exceeding 10% of voting rights**

On 13 May 2011, Evotec was last notified by its shareholder and former member of the Supervisory Board Roland Oetker that he, via ROI Verwaltungsgesellschaft mbH, Königsallee 20, 40212 Düsseldorf, Germany, owned 14.74% of the shares in the Company. This proportion relates to the shares issued by the Company at this point in time. The Company is not aware of any other direct or indirect shareholdings exceeding 10% of its share capital.

In August 2013, Evotec resolved on a direct placement capital increase against cash contribution from its authorised capital by issuing 11,818,613 new shares to Biotechnology Value Fund, L.P. and other affiliates of the US biotech specialist investment firm BVF Partners L.P., San Francisco. With the registration of the capital increase in the commercial register, BVF owns 9.9% of the shares in Evotec. In a simultaneous transaction, BVF also purchased an option from TVM Capital granting BVF the right to acquire a further 9.9% of Evotec's shares. Should this option be exercised in full by the end of January 2016, BVF would possess a total shareholding in Evotec of over 18%. The Company is not aware that this option has been exercised yet.

### **– Amendment to the Company's Articles of Association/Appointment of the Management Board**

Any amendment to the Company's Articles of Association requires a shareholder resolution. According to sections 133 and 179 of the German Stock Corporation Act (AktG) and section 15 of the Articles, the shareholder resolution amending the Company's Articles of Association requires an affirmative vote of at least three-quarters of the Company's share capital present at an Annual General Meeting. The appointment and dismissal of the members of the Management Board are governed by sections 84 and 85 of the German Stock Corporation Act (AktG).

## **IV. Employees**

As a leading provider of drug discovery solutions to the Pharma and biotech industry, it is imperative for Evotec to recruit and retain the most talented employees in the industry. The Company's core values are innovation, industrialisation, entrepreneurship and customer focus. Evotec therefore seeks to employ exceptional individuals whose profiles are consistent with these key values and who also have the experience, commitment and dedication necessary for the Company to succeed.

### **– Headcount**

As of 31 December 2014, Evotec AG employed a total of 277 people. This is an absolute increase of 38 or 16% compared to the prior year, which reflects the significant expansion of the Company's drug discovery resources and capabilities in every research area across all sites.

Approximately 35% of Evotec's employees have worked for the Company for more than five years. The average age of Evotec's employees at the end of 2014 was approximately 38 years.

### **– Diversity**

Evotec operates in a global industry with an international customer base. Therefore, the Company seeks the most suitably qualified talent regardless of gender, nationality or age. At the end of 2014, Evotec employed individuals of 19 nationalities possessing a rich diversity of skills, capabilities, backgrounds and experience. This diversity brings a range of perspectives and ideas to the workplace.

Women account for 65% of the employees in Evotec AG.

### **– Work-life balance**

As an employer, Evotec is fully aware that a good balance between work and private life is important in achieving both corporate success and job satisfaction. Therefore, where appropriate, Evotec offers the possibility of part-time employment arrangements as well as work-at-home options. The Company's flexible site-specific working hours also help to balance family and working life.



## **Exhibit 4**

### **– Succession planning and development**

Evotec continued to expand and improve its formal succession planning and development programme in 2014. This is part of the Company's commitment to develop its employees and ensures that individuals are ready to assume key or critical roles in the Company as they become vacant. Specific succession and development plans exist for each of Evotec's key positions. These are monitored regularly to ensure that a talent pool of candidates with the required potential, skills and understanding of the business is developed and maintained. As a result, seven key positions were filled in 2014 with internal candidates who have been able to take the next step in their careers. Evotec sees the prospect of future advancement as a key factor in the retention of individuals identified as having exceptional potential.

### **– Education and training**

In support of the succession planning and development programme, two major leadership courses were initiated in 2014 – one for middle management and one for young talents.

In 2014, the Company also conducted training programmes in the areas of lean process optimisation, finance for non-financial managers, project management and data analysis. Through its training and development initiatives, the Company ensures that employees are given every opportunity to perform their jobs effectively, gain competitive advantage and seek self-growth for future and increased work responsibilities.

As well as hiring university graduates, Evotec provides internships to talented young students to give them an insight into the variety of career opportunities open to them while they are still studying. A number of interns have completed their bachelor's or master's theses with Evotec and then later returned to the Company as employees. In addition, three trainees started vocational training at Evotec AG.

### **– Performance management**

Evotec has a standardised performance management process, incentive schemes and development programmes. The Company's compensation philosophy is "pay for performance" in order to recognise and reward individual contributions. Our approach is to be market competitive. Evotec operates in accordance with global policies and procedures in the area of performance management in order to ensure best practice throughout the Company.

To promote and ultimately reward the values of innovation, industrialisation, entrepreneurship and customer focus that underpin the Company's Action Plan 2016, Evotec again made awards under the global long-term incentive programme ("LTIP") in the year under review. Beneficiaries were the members of the Management Board, Senior Management and a number of other key employees who have the potential to make a significant impact on the long-term success of the Company. The LTIP is a Share Performance Plan in which participants are allocated shares, the vesting of which is subject to actual performance versus three equally weighted key performance indicators ("KPI") for 2014. These KPIs – revenue, operating cash flow and share price - were carefully selected as they are the indicators that will drive shareholder value and ensure the future success of Evotec.

## Procurement and facility management in 2014

In 2014, the procurement function at Evotec continued to implement the strategy established in 2013, with the focus on the development of strategic partners, efficiency improvements and cost control. Numerous projects were initiated and Lean techniques were deployed extensively in support of these initiatives. Savings and improvements were delivered through a combination of product substitution, supplier consolidation and rotation, the identification of strategic partners, reduced usage and improved negotiations.

These results contributed significantly towards the overall objective of Evotec to provide best-in-class discovery research while remaining price competitive.

2014 saw the further development and fit-out of the Manfred Eigen Campus in Hamburg in order to support the continued growth of the business. External consultants were used to help optimise the usage of the available space and create additional capacity. One outcome of this initiative was the move of several administrative functions into an adjacent building within the same business park.

## V. Post-balance sheet events

There are no material events to be reported.

## VI. Risk and opportunities management

### Risk and opportunities management principles

Evotec is regularly confronted with risks and opportunities which have the potential to negatively or positively impact the financial position and profit and loss of the Group. Within the Company, risks are defined as potential developments or occurrences that may lead to a negative deviation from the guidance or goals. Evotec defines opportunities as potential developments or occurrences that may lead to an upside to the guidance or goals.

Evotec's risk management system comprises all the controls that ensure a structured management of opportunities and risks throughout the Company. Evotec considers risk and opportunities management as the ongoing task of determining, analysing and evaluating actual and potential developments in the Company and the Company's environment. The close coordination between the Company's strategic, commercial and operating functions allows Evotec to recognise risks and opportunities worldwide at an early stage. Where possible, Evotec's Management Board responds to these risks and opportunities by implementing corrective or supportive measures.

In the following section, Evotec summarises the most important individual risks and opportunities.

## Exhibit 4

### Risk and opportunities management system

Evotec's risk and opportunities management process is a centrally managed activity, which utilises critical day-to-day insight from both global and local business units and functions.

The Management Board is supported by the Risk Manager who is in charge of the risk and opportunities management process on behalf of the Management Board. The Supervisory Board is responsible for monitoring the effectiveness of the Company's risk management system. These duties are undertaken by the Supervisory Board's Audit Committee.

According to the Company's risk management policy, Evotec engages in businesses and incurs risks only when the business activities are in line with its strategy, when they have a risk profile consistent with industry norms, when there is a corresponding opportunity for an increase in value and when the risks can be managed using established methods and measures within Evotec's organisation. The management engages in monthly financial reviews with a strong emphasis on cash and cash forecasts and key financial performance drivers such as revenues, order book status and gross margins as well as careful cost analysis. Currency exposures are reduced through natural hedges and, where appropriate, hedging instruments. It is Company policy not to speculate on foreign exchange movements, but to manage the risks arising from underlying business activities, for example to secure foreign exchange certainty against the value of signed customer contracts. Financial investments are made in products that have a low risk profile. The Management Board is directly involved in all key decisions concerning financial assets and manages all business activities and transactions considered to be material for the Company.

To cover other risks associated with the Company's business, including those that would not have a short-term financial impact, Evotec performs regular commercial project portfolio reviews. Strict application of project and investment approval processes, legal contract reviews and signing authorities are also standardised procedures. In addition, the Company emphasises its information technology security throughout the Company and regularly reviews its insurance cover. Compliance with the regulatory environment, for example environment, health and safety, has a high priority and appropriate training programmes are in place. The Company also takes its Corporate Governance responsibilities very seriously. A declaration according to section 161 of the German Stock Corporation Act (AktG) has been made by the Management Board and the Supervisory Board of the Company. This declaration regarding the Company's compliance with the German Corporate Governance Code is accessible to the shareholders on Evotec's website in the "Investors" section.

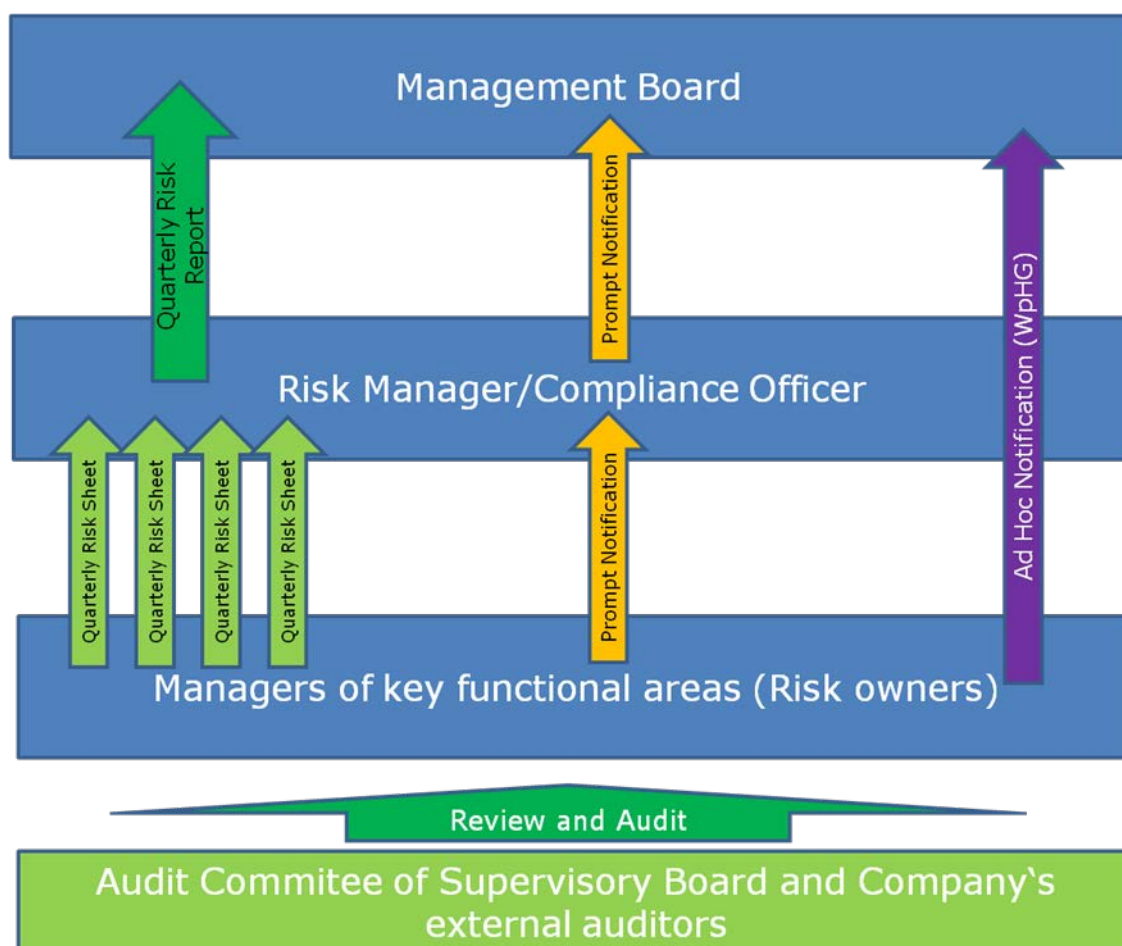
Evotec's risk and opportunities management system is regularly reviewed by the Company's Compliance Officer, the Management Board and the Supervisory Board's Audit Committee in order to quickly adjust it to changing environments, risk profiles and business opportunities.

The risk management system comprises the following elements:

(i) An **early detection system** to identify risks as soon as possible, to precisely describe them, quantify them and estimate their probability of occurrence and to report them immediately to the management to enable the management to deal

with them in a timely manner. The Risk Owners have primary responsibility for the identification of risks and opportunities. Through *Prompt notifications* and *Quarterly risk reports* any risks that are either outside the normal course of business or might have a material impact on the Company's financial performance are raised and reported to the Risk Manager together with a summary and assessment of the specific risk and the countermeasures to be taken by the Risk Owners. The Risk Manager, together with the Chief Financial Officer, evaluates and summarises these risk reports in a report for the Management Board. This report also includes a cash stress test to examine whether Evotec could bear the cash effect of all captured risks should they fully materialise simultaneously. To date, Evotec has always passed this cash stress test.

In addition, any triggering information for an ad hoc notification required pursuant to the German Securities Trading Act (WpHG) would be reported directly to the Management Board immediately after the detection of such an event. An ad hoc committee convenes once a week to ensure that all relevant circumstances are evaluated properly with regard to ad hoc-related stipulations.



(ii) A **risk prevention system** to monitor the risks incurred and/or the development of measures and systems to prevent potential risks from occurring. This means that all internal reports are formally included in the Company's risk management system and are provided to the responsible managers regularly. This procedure increases general alertness to risk and risk management and also emphasises the principle of risk prevention across the Group.

## Exhibit 4

### Internal controls over financial reporting

Section 289 paragraph 5 of the German Commercial Code (HGB) requires the Management Board to take responsibility for adhering to and reporting on an internal control system for reliable financial reporting. The internal control system is part of the risk management system and primarily ensures the preparation of financial statements according to regulatory and legal requirements. It is continually developed and is an integral part of the accounting and financial reporting process in all relevant legal entities and central functions. The internal control system comprises all the principles, processes and measures (such as preventive and detective controls) that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. Evotec complies fully with the requirements of the German Commercial Code.

According to the German Commercial Code, Evotec's Management Board is required to assess the effectiveness of internal controls over financial reporting annually. In order to ensure the utmost effectiveness of the control environment, Evotec has decided to maintain almost all of the key controls from the processes defined to comply with the Sarbanes-Oxley Act, despite the formal deregistration of the Company from the US Securities and Exchange Commission ("SEC") in March 2011. These controls are checked on an ongoing basis and are subject to testing by an expert and independent third party once a year. These assessments identified no material weaknesses in 2014 and all detected deficiencies were addressed and remediated immediately. The effectiveness of Evotec's internal controls over the processes relating to the preparation of the financial statements is also audited during the year-end audit by its independent registered public accounting firm. The Supervisory Board's Audit Committee is informed regularly and reviews and discusses the auditing activities.

Evotec maintains an adequate internal control system both to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes in accordance with applicable HGB Standards and to avoid risks from fraud. The Company's control system is based upon:

- Various automated and manual preventive and detective controls
- A clear segregation of financial-related duties and
- Strict adherence to Evotec's policies

Among other things, Evotec regularly checks whether:

- Issues relevant for financial reporting and disclosure from agreements entered into are recognised and appropriately presented
- Processes exist for the segregation of duties and for the "four-eyes principle" in the context of preparing financial statements
- Risks related to relevant information technology (IT) accounting systems are mitigated by a well-defined set of IT controls, such as restricted authorisation and defined rules for access, change and system recovery

The management has determined that Evotec's internal controls over financial reporting, based on the integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), are effective in both their design and operation.

Evotec routinely engages external specialists in order to minimise the risk related to specific issues, for example to value share-based compensation or to derive deferred taxes.

Specific risks related to accounting may arise, for example, from the conclusion of unusual or complex business transactions. In addition, business transactions not processed by means of routine operations but necessarily granted to employees for the recognition and measurement of assets and liabilities may also generate accounting-related risks.

However, the internal control measures aimed at securing proper and reliable accounting ensure that business transactions are fully recorded in a timely manner in accordance with the legal provisions. The control operations also ensure that accounting records provide reliable and comprehensible information.

Evotec is confident that the systems and processes which have been implemented significantly reduce the risk of negative impacts on the financial reporting and enable specific company-related issues to be appropriately recognised in the financial statements. However, due to the very nature of business activity, discretionary decision-making, faulty checks, criminal acts or specific circumstances that might restrict the efficacy of internal controls, the Group-wide application of the risk management systems cannot completely guarantee the accurate, complete and timely recording of facts in Group accounting.

## **Risks**

Evotec is exposed to a range of risks entirely consistent with its business undertaking. The business, financial condition and results of Evotec may be materially adversely affected by each of these risks.

Evotec has summarised the most important of these risks in the following categories: business environment and industry risks, performance-related risks, commercial risks, strategic risks, financial risks, intellectual property ("IP") risks, legal risks, HR risks and IT risks.

Unless stated otherwise, the risks mentioned below are unchanged in comparison to 2013.

### **Management Board's assessment of the risk situation**

The Management Board provides an overview of the probability of occurrence and the potential financial impact of the key individual risks in the tables below. The risks are evaluated according to their probability of occurrence and potential financial impact. This assessment of overall risk is based on the risk management system used by Evotec as outlined above. The Management Board will continue to monitor the effectiveness of Evotec's risk management in order to be able to identify, investigate and assess potential risks even more quickly and implement appropriate countermeasures.

**Exhibit 4****Probability of occurrence**

<i>Category</i>	<i>Risk exposure</i>
Low	< 5%
Medium	5 – 20%
High	> 20%

**Potential financial impact**

<i>Risk class</i>	<i>Risk exposure</i>
Low	< € 2 m
Medium	€ 2 – 5 m
High	> € 5 m

## – Corporate risks overview

	Probability of occurrence	Potential financial impact	Comparison to prior year
<b>Business environment and industry risks</b>			
<b>a. Risk inherent to drug discovery alliances</b>			
Pricing pressure	medium	medium	unchanged
<b>b. Risk inherent to proprietary drug discovery and development</b>			
Risk of failure	high	medium/high	unchanged
Risk of extensive regulation	medium	low	unchanged
Product liability claims	low	high	unchanged
<b>Performance-related risks</b>			
Fluctuating capacity and resource allocation	medium	medium	unchanged
Dependence on individual larger customer	medium	high	unchanged
Scientific or technical delivery risks	medium	medium	unchanged
Maintenance of customer recognition and branding	low	medium	unchanged
<b>Commercial risks</b>			
Changing market environment	low	medium	unchanged
Dependence on individual out-licensing events	medium	medium	unchanged
Outperformance by competitors	low	medium	unchanged
<b>Strategic risks</b>			
Implementation and achievement of strategic goals	medium	high	unchanged
Risk from M&A	Low/medium	medium/high	increased due to significant transactions
<b>Financial risks</b>			
Liquidity risks	low/medium	medium/high	unchanged
Default risks	low	medium/high	unchanged
Currency risks	medium	medium	unchanged
<b>IP risks</b>			
Dependence on technology patents and proprietary technology	low/medium	medium/high	unchanged
Dependence on licences granted for partnered assets	low	medium/high	unchanged



**Exhibit 4**

	<b>Probability of occurrence</b>	<b>Potential financial impact</b>	<b>Comparison to prior year</b>
<b>Legal risks</b>	low	low	slightly decreased due to settlements
<b>HR risks</b>			
Dependence on key personnel	low	medium	unchanged
<b>IT risks</b>			
Loss of data	low	medium/high	unchanged
Data integrity and protection	low	medium	unchanged
<b>Other risks</b>			
Environmental risks	low	low	unchanged
Compliance risks	low	low	unchanged
Risks involving production	low	low	unchanged
Risks involving procurement	low	low	unchanged

Based on the general principles for estimating risk factors described above, the Management Board believes that, although the risks in any drug discovery and development business are significant, the Company has great opportunities to create long-term value that outweigh the foreseeable risks. At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG. Furthermore, no material changes to risks were identified compared to 2013 except for increased M&A-related risk following significant transactions completed in 2014 and to come in 2015.

**– Business environment and industry risks**

***Risks inherent to drug discovery alliances***

Evotec's discovery alliance platform is well established within the industry and has generated a growing revenue stream over the past years. A satisfied customer base, increased efficiency and superior service quality allow Evotec to generate value through its leveraged research platform and positive gross margin contributions. However, the market environment is marked by pricing pressures originating from some biotechnology customers' funding restrictions, the restructuring activities of major pharmaceutical companies and from evolving and strengthening competition in individual drug discovery disciplines in low-cost countries. Therefore, judicious cost management, continuous enhancement of capabilities and technologies, careful market positioning and sales from high-value results-based contracts are critical for Evotec's success.

***Risks inherent to proprietary drug discovery and development***

Evotec has a clear strategic focus on drug discovery alliances and engages in limited proprietary discovery activities only in order to kick-start such alliances. Later-stage clinical development projects are only undertaken if a partner is funding the development costs.

Although Evotec's proprietary investments are limited, drug discovery and development always carries inherent risk. Today, the Company has no commercial drug

products and there is no assurance that Evotec or its strategic partners will successfully develop and commercialise potential drugs. Significant returns are only expected to materialise when successful research leads to upfront and milestone payments and when potential royalties from future drug sales are received. However, if the development of an in-licensed or acquired project or drug candidate does not proceed as expected, an impairment of the intangible asset may be required. In 2014, Evotec experienced such an event when the CureBeta programme performed by Evotec's licensees did not confirm certain properties of the antagonist and did not justify the planned immediate development progress.

The associated risks are those inherent to the biotechnology and drug development industry in general:

> Evotec acts carefully and responsibly to prove that clinical product candidates are safe and effective for human use and approvable by regulatory agencies. Drug discovery and development, however, is expensive, time-consuming and subject to a high degree of failure. At each stage, there is an inherent risk that developments are delayed or even need to be aborted due to unpredictable results. The rate of failure is higher the earlier the stage of a programme. However, the cost of failure tends to be higher the later the stage of development. Furthermore, pre-clinical studies and early clinical trials involving limited numbers of patients may not accurately predict the results obtained in later-stage clinical testing. Even if Evotec identifies promising compounds to valuable targets or in-licenses or otherwise acquires promising projects or drug candidates, any resulting internal R&D project could experience delays or even fail and it could take several years before the Company could sell or license any drug candidates, if at all.

> Research and development activities as well as the approval and marketing of a pharmaceutical product are subject to extensive regulation by the US FDA, the EMA and similar regulatory agencies. The approval of the relevant authorities is required before a product can be tested in humans and later sold in a given market. The regulatory approval process is intensive and time-consuming and the timing of receipt of regulatory approval is difficult to predict. Therefore, even if the further development of Evotec's drug candidates is successful, regulatory approval might not be received, might be restricted to certain geographical regions or indications or might later be withdrawn or significantly delayed. This could significantly impact the receipt of product revenues, if any. Evotec seeks early discussions with the regulatory bodies at all stages of development to ensure that research and development activities are in conformity with legal and ethical requirements.

#### – Performance-related risks

Alongside the Company's drug discovery alliances, certain performance-related risks need to be managed:

> Even with a stable revenue stream, fluctuating capacity utilisation and requirements as well as resource allocation between different parts of the business can significantly impact profitability and therefore needs to be carefully managed. In addition, dependence on individual large customer contracts needs to be closely monitored. In 2014, Evotec's largest customer accounted for 24% of third party revenues (see the "TOP 10 Collaborations" table on page 9 of this Management Report).

#### Exhibit 4

> Some of the service contracts contain scientific or technical delivery risks, which can be only partly mitigated with high-quality project work. It is an explicit goal of Evotec to grow the business to the scale required in order to further reduce such risks.

> Evotec's past success was built in part on customer recognition and branding. It is therefore of utmost importance to maintain this good reputation and avoid any negative impact on its branding which could lead to a loss of customers due to bad reputation. Evotec has protected its trade name in all countries with business operations and has increased its market awareness to strengthen and protect its global market position.

#### – Commercial risks

Commercial risks include the following:

> The Company continues to be engaged in a selected number of active drug discovery and early development programmes that it intends to license to pharmaceutical companies for clinical development and commercialisation.

The market environment and competitive landscape for licensing and licensed projects or individual drug candidates, in general or for individual treatments, however, might change while engaging in individual projects. The actual timing and commercial values of, or the financial proceeds from, partnering individual projects could therefore deviate significantly from earlier projections.

> Evotec's ongoing efforts to serve as an innovative source of drug candidates to the pharmaceutical industry make it dependent on individual larger out-licensing or partnering events and hence on individual, typically larger, customers. The total amount of payments and the split of these payments obtained in a future out-licensing agreement are unknown and depend on many factors, such as the degree of innovation and the IP position as well as on external factors outside the Company's control. In addition, the reliance on corporate partners is subject to additional risks. For example, Evotec's collaboration partner may not devote sufficient time and resources to the development, introduction and marketing of Evotec's products or may not pursue further development and commercialisation of the products resulting from the collaboration. To control this risk to the extent possible, detailed project reporting is established within Evotec and stipulated in any collaboration agreement.

> Even if drug products are approved and commercialised by Evotec or its licence partner, hospitals, physicians or patients may conclude that Evotec's products are less safe, less effective or otherwise less attractive than existing drugs. In addition, Evotec's competitors may achieve product commercialisation or patent protection earlier than Evotec and/or develop new products that could be more effective or less costly, or seem more cost-effective, than Evotec's products.

Evotec's business, however, is sustainable even in the absence of any product commercialisation.

## – Strategic risks

### ***Implementation and achievement of strategic goals***

The implementation of a company strategy bears the risk of misjudgements concerning future developments. Investments might be made in the wrong products, wrong partnerships, inappropriate technologies or sub-optimal acquisitions. In addition, commercialisation strategies might be unsuccessful or a lack of market acceptance for newly discovered products could impact Evotec's market position, which could lead to significant negative impact on business objectives and financial goals.

### ***Risks from M&A***

Evotec's market position is well established and the Company is acknowledged by its customers for its first-class services. However, the Company is pursuing ambitious growth targets both organically and also via acquisitions of complementary service capacities and capabilities. However, such merger and acquisition activities contain specific risks that need to be managed.

Transactions inevitably present challenges to Evotec's management, including the integration of operations and personnel. In addition, mergers and acquisitions may present specific risks, including unanticipated liabilities, unexpected costs, management attention being diverted, the loss of personnel and invalidation of technologies and science.

## – Financial risks and risk management in relation to financial instruments (IFRS 7)

Evotec's financial risk management addresses liquidity, default and currency risks.

### ***Liquidity risks***

> Revenue fluctuations and expenditures on internal discovery and early development programmes might negatively impact Evotec's short- to mid-term profitability and cash reserves. To actively address any related risk, Evotec's management has defined minimum liquidity levels and regularly undertakes scenario planning in order to safeguard its cash position. Evotec believes that existing liquidity reserves are sufficient to cope with the cumulative impact of all identified risks. Evotec is currently well-financed and has no plans or necessity to raise capital in the near- to mid-term future. However, the possibility of further increasing capital is reviewed on an ongoing basis. Such additional financing might be required if new opportunities arise in terms of M&A or in-licensing. The Company does not intend to engage in projects unless adequate funding is allocated or secured.

> Evotec has not had any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special-purpose entities, established for the purpose of facilitating off-balance-sheet arrangements or other contractually narrow or limited purposes. Therefore, Evotec is not materially exposed to any financing, liquidity, market or credit risk that could arise if it had been engaged in these relationships.

Evotec is currently appropriately financed in order to execute Action Plan 2016.

## Exhibit 4

### **Default risks**

> As a service provider, Evotec always faces the risk of bad debt losses. However, Evotec's customers are generally financially stable pharmaceutical companies, foundations and larger biotech companies. There has been no history of significant doubtful receivables and this is not expected to change.

> The general risk of losing a significant amount of cash in cash investments is continuously mitigated by spreading the investments across several different banks in high-quality credit instruments in full compliance with the Company's approved investment policy. Evotec monitors its banks and investments on an ongoing basis. The selected instruments are used exclusively to secure the underlying transactions, but not for trading or speculation.

### **Currency risks**

> Evotec's business and reported profitability are affected by fluctuations in foreign exchange rates between the US dollar and the Euro. The Company manages this exposure via natural hedges and selective hedging instruments. The hedging instruments used do not expose the Company to any material additional risk. Hedging transactions are entered directly in relation to existing underlying transactions and/or future reliably anticipated transactions. The purpose of this strategy is to manage the Company's current and upcoming currency requirements and is intended to reduce the exchange rate risks of future financial periods.

> Currency exchange movements also impact Evotec's reported liquidity primarily through the translation of liquid assets held in US dollars into Euros.

### **– Intellectual property risks**

The risks associated with intellectual property include the following:

> Evotec is dependent on patents and proprietary technology, both its own and those licensed from others, and places great emphasis on patent protection and patent monitoring. The Company's success depends in part on its ability and the ability of its licensors to obtain patent protection for technologies, processes and product candidates, to preserve trade secrets, to defend patents against third parties seeking to invalidate such patents and to reinforce rights against infringing parties. Any disputes could result in sizeable additional expenses, project delays and absorption of management attention and in a dramatic reduction of project values or even in full project abandonment.

> Evotec holds licences granted by other parties relating to certain of its proprietary pre-clinical projects. Any termination of these licences could result in the loss of significant rights and endanger existing partnering collaborations. However, Evotec maintains long-term and trusting relationships with its partners and is therefore confident that such licence agreements will remain unaffected.

### **– Legal risks**

> On 02 September 2014, the District Court of Frankfurt/Main ruled on an alleged infringement of section 15 of the German Securities Trading Act (WpHG) as reported in previous years resulting from an ad hoc release made by the Company on 12 August 2010. The court decided to significantly lower the penalty payment of

€ 0.17 m as requested by the BaFin in May 2013 to T€ 45. Evotec accepted the court ruling and paid the reduced penalty. This case is closed now.

> As reported last year, on 13 December 2013, Evotec received another letter from BaFin about three cases of alleged infringement of section 26a of the German Securities Trading Act (WpHG) resulting from delayed notifications concerning increases in issued share capital as a result of share options being exercised. The three cases occurred during the period 2010 to 2012. At the end of 2012, the process was improved and optimised. Therefore, Management is of the opinion that no additional actions need to be taken to further refine the notification process. Evotec replied to BaFin on 13 January 2014. BaFin then decided to set a penalty against Evotec in the amount of T€ 15. In setting the penalty at the lower end of the range, BaFin took into account that Evotec had been very cooperative and transparent in the investigation and acknowledged that a good process had now been established. Evotec accepted this decision so that this matter is also closed.

#### – HR risks

> Evotec, like many biotechnology companies, is highly dependent on the key members of its management and scientific staff. The loss of any of Evotec's key employees or key consultants could impede the achievement of Evotec's business objectives. However, Evotec has set up its organisation such that the Company's knowledge is shared amongst key employees. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future is critical to Evotec's success. If Evotec is unable to attract and retain personnel on acceptable terms despite its strong corporate culture and industry leadership position, this may delay Evotec's development efforts or otherwise harm its business.

In the recent past, Evotec has not encountered difficulties in attracting and retaining qualified employees despite strong growth in recent years and no change is currently foreseen.

#### – IT risks

> Evotec's business processes and the communications are increasingly dependent on information technology systems. Major disruptions or failure of global or regional business systems may result in loss of data and/or impairment of business processes.

Evotec uses continually updated and newly developed hardware and software to prevent potential security risks in the area of IT. Business data is backed up regularly. Technical precautions such as data recovery and continuity plans have been established to address this risk.

> To minimise organisational risks such as manipulation and unauthorised access, access is protected by passwords that must be changed regularly. In addition, the Company uses encryption methods for its portable IT hardware. Guidelines relating to data protection, which also regulate the assignment of access rights, are required to be observed. Evotec regularly assesses its IT security and where weaknesses are identified, remediation measures are initiated immediately.

## Exhibit 4

### – Other risks

Other risks, such as environmental risks, compliance risks and risks involving production and procurement, are not considered to be significant and remained stable in relation to the previous year.

Evotec does not foresee any material warranty or future liability claims.

## Opportunities

In addition to possible risks, the Company also regularly identifies, evaluates and responds to the opportunities arising from its business activities. Some of the Company's significant opportunities are described below.

### – Business environment and industry opportunities

The pharmaceutical industry is in a state of restructuring and transition due to the well-documented patent cliff that many Pharma companies are currently experiencing. This has led to new strategies being developed and to an increase in the appetite to source innovation in a capital efficient manner. In addition, ageing populations in developed countries continue to demand better drugs that are clearly differentiated from existing treatments. As a result of these developments, Pharma companies are increasingly turning to outsourcing of their research and development activities. Such outsourcing enables Pharma companies to convert fixed costs into variable costs and allows them access expertise in selected areas and avoids the need to build internal capabilities and infrastructure. Evotec is acutely aware of this trend and consequently developed a business model to secure business and create commercial opportunities from this situation.

Evotec's drug discovery platform is well established within the industry and has generated a growing revenue stream over the past years. This has resulted in an established and satisfied customer base that Evotec can use as an opportunity to generate additional business.

### – Strategic opportunities

In its Action Plan 2016 implemented in March 2012, the Company defined the corporate strategy up to 2016. One major pillar of this strategic plan is the creation of an extensive, long-term pharmaceutical pipeline without taking the financial risk of clinical exposure. Evotec has out-licensed a number of clinical assets for development in partnerships with pharmaceutical companies. These development programmes do not carry any financial risks for Evotec, but only significant upside potential in case of clinical and commercial success. In addition to these late-stage assets, Evotec continues to build this pipeline through partnering its proprietary products from its existing portfolio and from collaborations with scientific institutions. These efforts are called Cure X and Target X initiatives. To date, the Company has already initiated more than ten such initiatives. A number of Pharma alliances were generated based on these programmes.

The Company's liquidity position enables Evotec to further expand its business, organically as well as inorganically by means of acquisition of companies that have unique technologies or capabilities which complement the Company's drug discovery offering. This could have a positive impact on the Company's business, results of operations and financial position.

#### **– Performance-related opportunities**

Evotec is a high-quality provider of drug discovery services and has an excellent reputation in the market. This is invaluable in securing new business opportunities. Furthermore, Evotec is committed to continually upgrading and expanding its technological capabilities in order to be able to offer superior service and quality and thereby generate new business possibilities in the future.

#### **– Commercial opportunities**

The total number, growth and size of alliances, the percentage of repeat business, average contract duration, new customer acquisition and the status of the Company's sales and order book are key indicators of Evotec's business. These key indicators have improved significantly during the last five years. During its 21-year history, Evotec has continued to deliver excellent results in its collaborations and has expanded its customer base and its global network of partnerships. The Company is now working with approximately 50 Pharma and biotech companies on a global basis. The excellent track record and the Company's extensive network is an excellent basis for creating additional business opportunities that would have an impact on the performance and results of the Company.

Furthermore, the Company operates from a sound liquidity position. This financial stability enables Evotec to strengthen its technology platforms and to expand its drug discovery capacities. In addition, Evotec can invest in early-stage assets via Cure X and Target X initiatives to generate potential starting for higher value partnerships.

As Evotec's financial planning does not assume any product commercialisation and subsequent commercial milestone and royalties payments, any successful product commercialisation would be provide a significant upside to Evotec's business planning.

#### **– HR opportunities**

Since the biotechnology and pharmaceutical industry is very people dependent, employees are a critical asset for companies in this industry. As stated in the "Employees" chapter on page 25 of this Management Report, approximately 35% of Evotec's employees have worked for the Company for more than five years. The Company believes that its success in alliances and partnerships is attributable to its key personnel to a large extent. Thus, retaining employees who have outstanding expertise and skills in the long term could have a positive impact on the Company's business, results of operations and financial position.

Furthermore, employees with new ideas, expertise in further key indication areas and knowledge of innovative technologies are essential in developing new branches



## Exhibit 4

or initiatives such as the Cure X and Target X initiatives the Company is pursuing, since they result in new business opportunities for the Company. Thus, Evotec sees itself well positioned to attract key personnel which provide the opportunity of out-performance due to enhanced knowledge accumulation and innovation.

## VII. Outlook

Information set forth in this section contains forward-looking statements. These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond Evotec's control and could cause actual results to differ materially from those contemplated in these forward-looking statements.

### Expected general market and healthcare development

#### – Economic development

In the coming years, global economic development will again vary widely from region to region. The World Bank has lowered its global growth forecast for 2015 due to disappointing economic prospects in the Eurozone, Japan and some major emerging economies. Overall global growth is expected to increase to 3.0% in 2015 compared to 2.6% in 2014. In the USA, economic growth is expected to accelerate to 3.2% in 2015 compared to 2.4% in 2014. The forecast for Eurozone growth in 2015 is low at 1.1% (0.8% in 2014). Forecasts anticipate continued robust growth for Asia. These expectations, relating to the overall situation, are subject to considerable uncertainties. One key factor will be the timing and extent to which monetary policy accommodation is withdrawn by central banks. However, Evotec is confident that these factors will not have a major impact on the Company's expected corporate development or performance.

#### – The market for drug discovery alliances

The global drug discovery market is expected to experience continued growth. According to studies by Kalorama Information (June 2010) and Visiongain (2012), the global drug discovery market including later-stage *in vivo* work is expected to reach \$ 21.3 bn in 2017. Also, according to Visiongain, by 2023 total global revenues generated by drug discovery outsourcing could even reach \$ 35.7 bn. The growth in outsourcing will be stimulated by Pharma and biotech companies focusing on more efficient drug discovery solutions and switching to a variable cost model. This will result in core capabilities and capacities being increasingly outsourced at a lower cost. Most importantly, expertise in required areas will be accessed externally, avoiding the need to build additional infrastructure and capabilities internally. This demand for innovation efficiency will increasingly be met by companies such as Evotec.

The overall outsourcing trend in the pharmaceutical industry is moving toward larger strategic research contracts favouring big alliance partners, which feature a lower perceived commercial risk. This presents a challenge for the highly fragmented drug discovery outsourcing industry. However, Evotec is ideally positioned to take

full advantage of these market developments. The Company is one of the few drug discovery businesses that can execute a comprehensive outsourcing strategy, because it is able to undertake integrated drug discovery projects. In addition, the Company has an outstanding track record in the industry and is financially stable. The strategic alliance in negotiation with Sanofi to align certain capacities and capabilities in the drug discovery space also reflects the macro trend towards larger outsourcing alliances.

**– Trends in research and development**

The significant increase in the costs of taking a drug to market has led to a number of key trends, including an increase in outsourcing and major Pharma companies concentrating on fewer core disease areas. 2014 was a strong year for the pharmaceutical and biotechnology industry regarding venture investment, IPOs and M&A, especially in the USA. It is expected that 2015 will be another strong year for the industry with robust financial markets and deal making. However, Burrill Media expects slower financing activity as companies put all of the money which has been raised to work. According to Rx Securities, the European biotechnology sector is highly periodic but will remain optimistic as plenty of value-driving clinical news could come in 2015, big Pharma companies are paying ever increasing sums for earlier stage products and investors’ appetite for risk remains relatively high.

**Business direction and strategy**

Evotec’s strategy is to continuously increase the value of the Company by achieving a leadership position in high-quality drug discovery solutions and building an ever growing partnered product pipeline.

Evotec manages its drug discovery activities under the business segments EVT Execute and EVT Innovate. EVT Execute represents all partnerships in which the partner brings the underlying intellectual property to the collaboration. EVT Innovate comprises all partnerships derived from Evotec’s internally developed intellectual property. Further information on Evotec’s two business segments can be found in the “Corporate objectives and strategy” chapter on page 5 of this Management Report.

Specific objectives for the segments EVT Execute and EVT Innovate for 2015 were defined at the end of 2014.

<b>EVT Execute</b>	<b>EVT Innovate</b>
<ul style="list-style-type: none"> <li>• New long-term deals with big and mid-sized Pharma and biotech</li> <li>• New integrated technology/disease alliance</li> <li>• Integration of new capacities and capabilities in global offering</li> </ul>	<ul style="list-style-type: none"> <li>• Partnering of Cure X/Target X initiatives</li> <li>• Expansion of network of top-class academic alliances</li> </ul>

## Exhibit 4

### Expected research and development, new products, services and technologies

All of Evotec's new products, services or technologies are based on internal R&D activities, technology agreements with other companies and the acquisition of assets. Evotec is continually upgrading its capabilities to maintain the best infrastructure and skills to meet its partners' needs in drug discovery. This trend is expected to continue in 2015 and beyond.

In terms of in-house research, the Company will continue to invest in a selected number of highly innovative approaches to address key medical areas. The cornerstones of this are the Company's Cure X and Target X initiatives, whereby Evotec accesses and accelerates early academic or research initiatives in innovative areas of disease biology and develops and positions such assets for commercial partnering.

Evotec will maintain its strategy of only participating in clinical development programmes in partnerships with pharmaceutical partners who fund all the development costs.

### Financial outlook for 2015

#### – Expected operating results

Evotec pursues a business model in which revenues and operating profitability are highly dependent on the achievement and timing of milestones.

In 2015, Evotec expects **revenue** to be on a par with the past financial year. Growth as seen from 2013 to 2014 is currently not to be expected. This assumption is based on the current order situation, foreseeable new contracts and contract extensions.

Evotec AG's **EBITDA** will depend on the productivity of its drug discovery business. An improvement in EBITDA is expected for 2015.

EBITDA 2014 was predominately affected by a partial write off of a loan receivable with Evotec International GmbH. This was a onetime effect which is not foreseeable in 2015. At the same time, an increase in costs is expected due mainly to the increase in personnel in 2014. Negative effects may be expected from Group costs that cannot be passed on to the subsidiaries. In 2015, these costs are expected to be on par with 2014.

Actual results may deviate considerably from these projections.

#### – Expected financing and financial position

In 2015, Evotec will continue to make investments, in order to maintain current standards and also to drive growth. € 1.5–2.5 m is the amount pledged for **capital expenditures**, representing a similar level to 2014. The large majority of this will be invested in the expansion and maintenance of lab equipment.

Evotec again had to finance some of its subsidiaries in 2014. Further sums for financing subsidiaries are to be expected in 2015. At the end of 2014, Evotec International GmbH commissioned a new building. Evotec will support the subsidiary by financing this building project among other things. This support will mainly be required in 2015.

In light of this situation, Evotec will need to have access to sufficient liquid funds in 2015. Expected **liquidity** amounts to more than € 60.0 million, despite further investments in early research. The Company's financing plan therefore does not include any medium-term financing needs for Evotec's operating business. Strategically desirable activities such as possible acquisitions of companies or products will be assessed separately.

A successful partnering event may influence the critical threshold positively.

	<b>Results 2014</b>	<b>Guidance 2015</b>
<b>Revenues</b>	€ 58.8 m	On a par with 2014
<b>EBITDA before impairments</b>	€ -2.1 m	Improvement regarding to 2014
<b>Capital expenditure</b>	€ 2.1 m	€ 1.5–2.5 m
<b>Liquidity</b>	€ 54.2 m	Above € 60.0 m

### Dividends

Payment of dividends is dependent upon Evotec's financial situation and liquidity requirements, the general market conditions and statutory, tax and regulatory requirements. Evotec currently intends to retain any potential future profits and reinvest them in the Company. Nevertheless, given the very solid growth path, dividend payments will be carefully considered in the mid-term.

### Opportunities

The most important opportunities for the Company are summarised in the "Opportunities" section of the "Risk and opportunities management" chapter on page 27 of this Report.

### General statement of expected development by the Management Board

Evotec continues to strengthen its business and become a leader in the provision of drug discovery solutions. Evotec is therefore well-positioned to deliver value to the pharmaceutical and biotechnology industry, addressing the industry's growing demand for innovation.

On this basis, the Management Board expects Evotec to show a similar revenue volume and continued profitability in 2015. The Company's strong cash position will provide a firm foundation to consider potential M&A opportunities that might further strengthen the business and increase shareholder value.

## Exhibit 4

As the Company is currently under exclusive negotiations with Sanofi regarding a major strategic alliance, the Company will update its financial guidance once this transaction has been completed.

## VIII. Declaration of corporate management

More information on Company management practices can be found in the Company's "Declaration of Corporate Management" according to section 289a HGB on Evotec's website at [www.evotec.com](http://www.evotec.com); 'Investors > Corporate Governance > Declaration of Corporate Management'.

## IX. Remuneration report

The remuneration report describes the Company's remuneration structure and provides information about payments to the board members in accordance with the requirements of the German Corporate Governance Code (the "Code"). It is part of both the financial statements and the Corporate Governance report. The variable remuneration for all employees is detailed in the "Employees" chapter on page 25 of this Management Report.

### Remuneration of the Management Board

The total annual compensation of the individual members of the Management Board, which is fixed by the Supervisory Board and agreed with every individual Management Board member, is composed of fixed and variable components. It is guided by section 87 of the German Stock Corporation Act (AktG) and the Code. In line with those requirements, compensation is awarded based on an assessment of performance that is oriented towards the sustainable growth of Evotec. The criteria for determining the amount of compensation awarded include the tasks of the individual members of the Management Board, their personal performance, the economic situation, the performance and outlook of Evotec as well as the comparative level of compensation at peer companies and the compensation structure in place in other areas of the Company.

Following section 4.2.3 of the Code, the amount of compensation is capped, both overall and for individual compensation components. For any new Management Board contracts, the Supervisory Board will consider the relationship between the compensation of the Management Board and that of senior management as well as the staff overall, particularly in terms of its development over time. The Supervisory Board determines how senior managers and the relevant staff are differentiated.

The German Law on the Appropriateness of Management Board Compensation (VorstAG) of 31 July 2009 allows the Annual General Meeting ("AGM") to approve the system of remunerating members of the Management Board (section 120 paragraph 4 AktG). The Management Board and the Supervisory Board of Evotec AG proposed such an approval at the AGM in 2012. The shareholders and shareholder representatives voted in favour of this item of the agenda with a majority of 92.22% of the votes. Following section 4.2.3 of the Code, this item was put to nei-

ther the 2013 AGM nor to the 2014 AGM as the remuneration system for the Management Board has not changed.

In 2014, the fixed and variable remuneration of the active members of the Management Board totalled T€ 1,672, of which the variable part amounted to T€ 285.

Fixed remuneration includes base salaries paid in 12 monthly instalments at the end of each month and fringe benefits such as contributions to retirement insurance policies, premiums for accident and accidental death insurance policies as well as the benefit derived from the private use of an upper mid-range company car. In addition, to the aforementioned remuneration, business-related payments, expenditure and expenses are reimbursed.

Variable remuneration is determined by a bonus scheme. The respective objectives are specified every year by the Remuneration and Nomination Committee of the Supervisory Board and subsequently approved by the Supervisory Board.

The variable portion of the remuneration paid out in March 2014 was based on the achievement of certain strategic targets for the financial year 2013. The variable portion of the remuneration for the achievement of strategic targets for the financial year 2014 will be paid out in March 2015. In both years, 80% of the bonus paid to the Company's Chief Executive Officer, Dr Werner Lanthaler, was based on the achievement of corporate milestones and the remaining 20% on the achievement of personal objectives. For Colin Bond, Dr Cord Dohrmann and Dr Mario Polywka, the other members of the Management Board, 60% of their respective bonuses were based on the same corporate milestones and the remaining 40% on the achievement of personal objectives. As per 31 December 2014, the Company had accrued T€ 175 for the variable portion of the remuneration paid to the members of the Management Board, thereof T€ 68 for Dr Werner Lanthaler, T€ 33 for Colin Bond, T€ 36 for Dr Cord Dohrmann and T€ 38 for Dr Mario Polywka. The remuneration for Dr Mario Polywka was not paid by Evotec but is rather recharged as management fee by another Group company.

The 2013 and 2014 corporate objectives related to targets considered important for the positive development of the Company, such as the achievement of revenue and profitability targets, the implementation of a segmentation between the so-called EVT Execute and EVT Innovate business activities, the execution of significant integrated collaboration agreements for both business segments and the preparation of the Company for sustainable future growth.

In addition to their fixed and variable remuneration, the members of the Management Board received 734,457 Share Performance Awards ("SPA") in 2014 under the Company's share performance plan. These Share Performance Awards vest after four years according to the achievement of defined key performance indicators over a three-year performance measurement period. Share Performance Awards can only be exercised, if and when key performance indicators are achieved. Key performance indicators for each individual tranche of the Share Performance Awards are determined by the Supervisory Board. The key performance indicators for the grant in 2014 are "Group Revenues", "Operating Income before Impairment" and "Share Price". The fair values of all Share Performance Awards granted as of the grant date amounted to a total of T€ 1,322.

**Exhibit 4**

The following overviews present for each Management Board member:

- The benefits granted for the year under review including fringe benefits (such as car allowance, contributions made towards health insurance, a pension, accident/life insurance and accommodation costs) and including the maximum and minimum achievable compensation for variable compensation components
- The allocation of fixed compensation, short-term variable compensation and long-term variable compensation for the year under review, broken down into the relevant reference years

a	b	c	Benefits granted (in k€)															
			I				II				III				IV			
			Dr Werner Lanthaler				Colin Bond				Dr Cord Dohrmann				Dr Mario Polywka			
d	e	CEO				CFO				CSO				COO				
		2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	
1	Fixed compensation		340	340	340	340	266	275	275	275	271	300	300	300	269	304	304	304
2	Fringe benefits		74	76	76	76	14	24	24	24	15	14	14	14	48	54	54	54
3	<b>Total</b>		<b>414</b>	<b>416</b>	<b>416</b>	<b>416</b>	<b>280</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>286</b>	<b>314</b>	<b>314</b>	<b>314</b>	<b>317</b>	<b>358</b>	<b>358</b>	<b>358</b>
4	One-year variable compensation		187	119	-	510	80	48	-	165	87	61	-	180	92	57	-	182
5	Multi-year variable compensation		287	567	-	567	109	236	-	236	118	257	-	262	105	262	-	262
5a	Long Term Incentive ("SPA", as described in the text above) (Vesting 2018) (Number of SPA x fair market value)		287	567	-	567	109	236	-	236	118	257	-	262	105	262	-	262
6	<b>Total</b>		<b>888</b>	<b>1.102</b>	<b>416</b>	<b>1.493</b>	<b>469</b>	<b>583</b>	<b>299</b>	<b>700</b>	<b>491</b>	<b>632</b>	<b>314</b>	<b>756</b>	<b>514</b>	<b>677</b>	<b>358</b>	<b>802</b>
7	Service cost		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	<b>Total</b>		<b>888</b>	<b>1.102</b>	<b>416</b>	<b>1.493</b>	<b>469</b>	<b>583</b>	<b>299</b>	<b>700</b>	<b>491</b>	<b>632</b>	<b>314</b>	<b>756</b>	<b>514</b>	<b>677</b>	<b>358</b>	<b>802</b>

- a Name of the Management Board member  
b Function of the Management Board member, e.g. CEO, CFO  
c Date on which the member joined/left the Management Board, if in the financial year under consideration n (year under review) or n-1  
d Financial year under consideration n (year under review) or n-1  
I Benefits granted in financial year n-1  
II Benefits granted in financial year n (year under review)  
III Minimum value of granted compensation components that can be achieved in financial year n (year under review), e.g. Zero  
IV Maximum value of granted compensation components that can be achieved in financial year n (year under review)  
1 Non-performance-related components, e.g. fixed salary, fixed annual pay-off payments (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical  
2 Non-performance-related components, e.g. benefits in kind and fringe benefits (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical  
3 Total of non-performance-related components (1+2) (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical  
4 One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components  
5 Multi-year variable compensation (total of rows 5a - ...), e.g. multi-year bonus, deferred components from one-year variable compensation, long-term incentive (LTI), subscription rights, other share-based compensation  
5a-... Multi-year variable compensation, broken down into plans and stating the period of time  
6 Total of non-performance-related components and variable components (1+2+4+5)  
7 Service cost in accordance with IAS 19 from pension schemes and other benefits (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical  
8 Total of non-performance-related components and variable components and service cost (1+2+4+5+7)

**Exhibit 4**

a	b	Dr Werner Lanthaler		Colin Bond		Dr Cord Dohrmann		Dr Mario Polywka		
		CEO		CFO		CSO		COO		
		2014	2013	2014	2013	2014	2013	2014	2013	
c		Allocation (in T€)								
d	1	Fixed compensation	340	340	275	266	300	271	304	269
	2	Fringe benefits	76	74	24	14	14	15	54	48
	3	<b>Total</b>	<b>416</b>	<b>414</b>	<b>299</b>	<b>280</b>	<b>314</b>	<b>286</b>	<b>358</b>	<b>317</b>
	4	One-year variable compensation	119	187	48	80	61	87	57	92
	5	Multi-year variable compensation	155	1,026	0	106	47	0	47	548
5a		Long Term Incentive ("SPA")	0	0	0	0	0	0	0	0
...		Stock Option Programme 1999 (term until 2021)	0	0	0	0	0	0	21	0
		Stock Option Programme 2000 (term until 2015)	0	0	0	0	0	0	0	5
		Stock Option Programme 2001 (term until 2021)	0	0	0	0	0	0	26	39
		Stock Option Programme 2005 (term until 2017)	0	0	0	0	0	0	0	0
		Stock Option Programme 2007 (term until 2015)	155	1,026	0	0	0	0	0	0
		Stock Option Programme 2008 (term until 2017)	0	0	0	106	47	0	0	504
		Stock Option Programme 2011 (term until 2019)	0	0	0	0	0	0	0	0
6		Other	0	0	0	0	0	0	0	0
	7	<b>Total</b>	<b>690</b>	<b>1,627</b>	<b>347</b>	<b>466</b>	<b>422</b>	<b>373</b>	<b>462</b>	<b>957</b>
	8	Service cost	0	0	0	0	0	0	0	0
	9	<b>Total</b>	<b>690</b>	<b>1,627</b>	<b>347</b>	<b>466</b>	<b>422</b>	<b>373</b>	<b>462</b>	<b>957</b>

a Name of the Management Board member

b Function of the Management Board member, e.g. CEO, CFO

c Date on which the member joined/left the Management Board, if in the financial year under consideration n (year under review) or n-1

d Financial year under consideration n (year under review) or n-1

1 Non-performance-related components, e.g. fixed salary, fixed annual pay-off payments (amounts correspond to amounts in "Benefits granted" table)

2 Non-performance-related components, e.g. benefits in kind and fringe benefits (amounts correspond to amounts in "Benefits granted" table)

3 Total of non-performance-related components (1+2) (amounts correspond to amounts in "Benefits granted" table)

4 One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components

5 Multi-year variable compensation (total of rows 5a - ...), e.g. multi-year bonus, deferral, long-term incentive (LTI)

5a-... Multi-year variable compensation, broken down into plans and stating the period of time

6 Other, e.g. clawbacks, which are entered as a negative amount with reference to previous disbursements

7 Total of non-performance-related components and variable components (1+2+4+5+6)

8 Service cost in accordance with IAS 19 from pension schemes and other benefits (amounts correspond to amounts from row 4 of the "Benefits granted" table and row 7 of the "Allocation table"); this is not an allocation in the financial year

9 Total of non-performance-related components and variable components and service cost (1+2+4+5+6+8)

The members of the Management Board of Evotec AG have only customary rights in the case of a change of control. Their contracts contain a change-of-control clause which would allow them to terminate their current contracts in the event of a change of control. Should members of the Management Board make use of their right to terminate their contracts in the event of a change of control, they are entitled to severance payments determined as follows: for Dr Werner Lanthaler, the severance payment shall be equal to 24 months of his base salary; for Dr Mario Polywka, the payment shall be equal to 18 months of his base salary; and for both Colin Bond and Dr Cord Dohrmann, the payment shall be equal to 18 months of their base salary plus bonuses. In no case shall the respective severance payment be higher than the total compensation due for the remaining term of the respective Management Board member's contract.

In accordance with section 4.2.3 of the Code, in case of an early termination of their respective service agreement in the absence of a change-of-control situation, payments to the members of the Management Board shall not exceed the amount of two annual remunerations and shall not exceed the amount of remuneration that would be due until the expiration date of the service agreement.

The Company has made provision for a pension for one former Management Board member amounting to T€ 216 (2013: T€ 164). No such further provisions are due for other former Management Board members or their surviving dependants.



## Exhibit 4

### Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is stipulated in the Company's Articles of Association as last amended by the Annual General Meeting ("AGM") in 2014 and also applies for the following years, unless a new AGM passes different resolutions for the future.

According to section 113 AktG, Supervisory Board remuneration is to be appropriate to the task of the Supervisory Board members and the situation of the Company. The members of Evotec's Supervisory Board are entitled to fixed payments as well as out-of-pocket expenses. In accordance with the recommendations of the Code, Chair and Deputy Chair positions on the Supervisory Board, as well as the Chair positions and membership on committees, are considered when determining the remuneration of individual members. Consequently, as last amended following the approval of the 2014 Annual General Meeting the fixed compensation is T€ 30 per Supervisory Board member. The Chairman of the Supervisory Board shall be paid T€ 75 and the Deputy Chairman shall be paid T€ 45. Supervisory Board members serving on its committees shall be paid T€ 5 per committee membership; the chairman of a committee shall be paid T€ 20.

For their contributions in 2014, the individual members of the Evotec Supervisory Board will receive the following compensation:

Remuneration of the Supervisory Board 2014	
	Total remuneration in T€ <sup>1)</sup>
Prof. Dr Wolfgang Plischke <sup>2)</sup>	51
Dr Walter Wenninger	71
Dr Claus Braestrup	35
Prof. Dr Paul Linus Herrling <sup>2)</sup>	19
Bernd Hirsch	50
Prof. Dr Iris Löw-Friedrich <sup>2)</sup>	19
Roland Oetker <sup>3)</sup>	23
Prof. Dr Andreas Pinkwart <sup>3)</sup>	16
Mary Tanner <sup>3)</sup>	16
<b>Total</b>	<b>300</b>

<sup>1)</sup> Cash remuneration

<sup>2)</sup> Relates to the period from 17 June 2014 onwards, when elected to the Supervisory Board by the Evotec Annual General Meeting

<sup>3)</sup> Relates to the period until 17 June 2014

There are currently no consultancy agreements in place between Evotec and current or former members of the Supervisory Board.

### **Directors' and Officers' Liability Insurance (D&O Insurance)**

Evotec procured directors' and officers' liability insurance cover for its Management and Supervisory Board members, its senior management and the directors of its subsidiaries at a cost to the Company of T€ 115 in 2014 (2013: T€ 117). For the members of Supervisory Board, an appropriately sized deductible, and for the members of the Management Board, a deductible in line with the stipulations of the legal provisions of the VorstAG, were agreed upon.

Berlin, 6 March 2015

Dr Werner Lanthaler

Colin Bond

Dr Cord Dohrmann

Dr Mario Polywka

## Audit opinion

The audit opinion was rendered in German. The translation of this audit opinion reads as follows:

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Evotec AG, Hamburg, for the fiscal year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development."

Berlin, 6 March 2015

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Schepers  
Wirtschaftsprüfer  
[German Public Auditor]

Machner  
Wirtschaftsprüfer  
[German Public Auditor]