

**Translation of
Financial Statements as of
31 December 2015
and Management Report**

**Evotec AG
Hamburg**

Evotec AG, Hamburg
Statement of financial position as of 31 December 2015

Assets	EUR	31 Dec 2014 EUR
A. Fixed assets		
I. Intangible assets		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	<u>923.444,97</u>	<u>1.062.688,08</u>
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	2.010.257,01	2.173.993,72
2. Plant and machinery	9.342.276,38	8.852.381,57
3. Other equipment, furniture and fixtures	612.690,53	650.864,37
4. Prepayments and assets under construction	<u>147.528,88</u>	<u>712.660,49</u>
	12.112.752,80	12.389.900,15
III. Financial assets		
Shares in affiliates	<u>31.678.119,26</u>	<u>31.678.041,76</u>
	<u>44.714.317,03</u>	<u>45.130.629,99</u>
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	1.526.483,23	1.440.642,35
2. Work in process	<u>509.376,42</u>	<u>802.315,04</u>
	2.035.859,65	2.242.957,39
II. Receivables and other assets		
1. Trade receivables	8.241.236,16	14.262.852,39
2. Receivables from affiliates	18.085.495,24	20.148.505,68
3. Other assets	<u>2.302.900,60</u>	<u>999.943,98</u>
	28.629.632,00	35.411.302,05
III. Securities		
Other securities	36.884.272,72	39.661.660,74
IV. Cash on hand and bank balances	<u>24.129.984,82</u>	<u>14.509.340,41</u>
	<u>91.679.749,19</u>	<u>91.825.260,59</u>
C. Prepaid expenses	<u>562.266,82</u>	<u>2.596.279,78</u>
	<u>136.956.333,04</u>	<u>139.552.170,36</u>

Equity and liabilities

	EUR	31 Dec 2014 EUR
A. Equity		
I. Subscribed capital	132.584.082,00	131.710.876,00
./. nominal value Treasury shares	<u>-249.915,00</u>	<u>-272.315,00</u>
	132.334.167,00	131.438.561,00
II. Capital reserves	165.251.915,72	164.170.955,60
III. Revenue reserves		
Reserve for treasury shares	249.915,00	272.315,00
IV. Accumulated loss	<u>-205.969.169,89</u>	<u>-195.623.255,61</u>
	<u>91.866.827,83</u>	<u>100.258.575,99</u>
B. Provisions		
1. Provisions for pensions and similar obligations	63.592,50	62.493,63
2. Tax provisions	227.600,00	589.185,63
3. Other provisions	<u>3.954.735,95</u>	<u>2.090.730,10</u>
	4.245.928,45	2.742.409,36
C. Liabilities		
1. Liabilities to banks	22.942.155,42	21.504.276,22
2. Prepayments received on account of orders	6.575,78	140.202,59
3. Trade payables	1.644.734,83	3.241.456,82
4. Liabilities to affiliates	1.148.750,50	1.048.655,79
5. Other liabilities	609.012,58	577.039,96
thereof for taxes: EUR 469,902.01 (prior year: EUR 250,273.66)		
	<u>26.351.229,11</u>	<u>26.511.631,38</u>
D. Deferred income	14.492.347,65	10.039.553,63
	<u>136.956.333,04</u>	<u>139.552.170,36</u>

Evotec AG, Hamburg**Income statement for the period from 1 January 2015 to 31 December 2015**

	<u>EUR</u>	<u>2014 EUR</u>
1. Revenue	57.219.481,54	59.037.233,61
2. Increase or decrease in finished goods and work in process	-292.938,62	504.935,53
3. Other operating income thereof income from currency translation: EUR 2.343.951,77 (prior year: EUR 1.417.049,73)	8.730.426,25	6.305.415,51
	<u>65.656.969,17</u>	<u>65.847.584,65</u>
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	6.326.498,13	6.097.699,60
b) Cost of purchased services	18.017.417,29	21.100.499,87
5. Personnel expenses		
a) Wages and salaries	16.614.157,80	13.417.959,55
b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 3.073,00 (prior year: EUR 6.210,00)	2.587.076,18	2.274.088,99
6. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	2.406.122,94	2.596.377,14
7. Other operating expenses thereof expenses from currency translation: EUR 1.891.330,65 (prior year: EUR 76.310,85)	31.635.401,38	25.042.792,95
	<u>77.586.673,72</u>	<u>70.529.418,10</u>
8. Other interest and similar income thereof from affiliates: EUR 1.942.842,54 (prior year: EUR 2.113.087,32)	2.470.210,11	2.379.599,45
9. Write-downs of financial assets and securities classified as current assets	0,00	9.950,00
10. Interest and similar expenses	474.206,44	412.044,10
	<u>1.996.003,67</u>	<u>1.957.605,35</u>
11. Result from ordinary activities	-9.933.700,88	-2.724.228,10
12. Income taxes	-434.613,40	-783.993,10
13. Net loss for the year	<u>-10.368.314,28</u>	<u>-3.508.221,20</u>
14. Withdrawals from reserve for treasury shares	22.400,00	66.500,00
15. Net loss carried forward	<u>195.623.255,61</u>	<u>192.181.534,41</u>
16. Accumulated loss	<u>-205.969.169,89</u>	<u>-195.623.255,61</u>

Evotec AG, Hamburg

Notes to the Financial Statements for the year 2015

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.

Compared to 2014, the accruals regarding corporate taxes are no longer included in other liabilities, but now showed in tax accruals. The previous year’s value was adapted respectively.

II. 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.

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	2-10
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 3.89% 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 1.1%.

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, liabilities 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

As at the balance sheet date of 31 December 2015, Evotec held direct equity investments in the following companies:

	Total equity	Share interest	Net income/loss-
	kEUR	%	kEUR
1. Evotec (Hamburg) GmbH, Hamburg*	8,681	100.00	-1
2. Evotec International GmbH (indirectly through 1 st)	-100,730	100.00	-8,349
3. Evotec (UK) Ltd., Abingdon, UK	33,788	100.00	-278
4. Evotec (US) Inc., South San Francisco, USA*	-10,578	100.00	662
5. Evotec (India) Private Limited, Maharashtra (Thane), India**	2,214	100.00	2
6. Evotec (München) GmbH, Munich*	73	100.00	483
7. Evotec (France) SAS, Toulouse, France	19,315	100.00	5,175

*unaudited

**in liquidation

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 2015 for the annual profit or loss statement.

Statement of changes in fixed assets for fiscal year 2015

	Acquisition and production cost				31 Dec 2015 EUR	Accumulated amortization, depreciation and write-downs				Net book values	
	1 Jan 2015 EUR	Additions EUR	Disposals EUR	Reclassifications EUR		1 Jan 2015 EUR	Additions EUR	Disposals EUR	31 Dec 2015 EUR	31 Dec 2015 EUR	31 Dec 2014 EUR
I. Intangible assets											
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	8.487.999,96	20.299,64	2.530.430,00	19.200,00	5.997.069,60	7.425.311,88	178.742,75	2.530.430,00	5.073.624,63	923.444,97	1.062.688,08
II. Property, plant and equipment											
1. Land, land rights and buildings, including buildings on third-party land	3.666.612,09	92.300,71	831.685,35	16.137,25	2.943.364,70	1.492.618,37	272.172,12	831.682,80	933.107,69	2.010.257,01	2.173.993,72
2. Plant and machinery	26.666.268,53	1.528.348,51	2.777,73	539.854,12	28.731.693,43	17.813.886,96	1.576.571,84	1.041,75	19.389.417,05	9.342.276,38	8.852.381,57
3. Other equipment, furniture and fixtures	4.290.984,67	280.830,47	878.662,83	59.638,53	3.752.790,84	3.640.120,30	378.636,23	878.656,22	3.140.100,31	612.690,53	650.864,37
4. Prepayments and assets under construction	712.660,49	69.698,29	0,00	-634.829,90	147.528,88	0,00	0,00	0,00	0,00	147.528,88	712.660,49
	35.336.525,78	1.971.177,98	1.713.125,91	-19.200,00	35.575.377,85	22.946.625,63	2.227.380,19	1.711.380,77	23.462.625,05	12.112.752,80	12.389.900,15
III. Financial assets											
Shares in affiliates	37.907.744,71	77,50	0,00	0,00	37.907.822,21	6.229.702,95	0,00	0,00	6.229.702,95	31.678.119,26	31.678.041,76
	81.732.270,45	1.991.555,12	4.243.555,91	0,00	79.480.269,66	36.601.640,46	2.406.122,94	4.241.810,77	34.765.952,63	44.714.317,03	45.130.629,99

3. Inventories

	kEUR	kEUR
	31.12.2015	31.12.2014
Raw materials	1,527	1,441
Work in progress	509	802
	<u>2,036</u>	<u>2,243</u>

The raw materials mainly include compound libraries amounting to kEUR 1,191 (2014: kEUR 879) on 31 December 2015.

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

4. Accounts receivable and other assets

Accounts receivable from affiliated companies

	Maturity					
	31.12.2015			31.12.2014		
	< 1 year	> 1 year	total	< 1 year	> 1 year	total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Evotec (India) Private Ltd.	510	0	510	500	0	500
Evotec International GmbH	2,601	0	2,601	0	5,021	5,021
Evotec (München) GmbH	0	1,900	1,900	0	2,750	2,750
Evotec (US) Inc.	0	11,747	11,747	0	11,878	11,878
Evotec (France) SAS	1,328	0	1,328	0	0	0
	<u>4,439</u>	<u>13,647</u>	<u>18,086</u>	<u>500</u>	<u>19,649</u>	<u>20,149</u>

Accounts receivable from affiliated companies include trade accounts receivables amounting to kEUR 3,939 (2014: kEUR 0). The remaining kEUR 14,147 (2014: kEUR 20,149) include loans which were granted from Evotec AG.

Due to the indebtedness of Evotec International GmbH in previous years, the accounts receivable were impaired. The accumulated depreciation amounts to kEUR 104,467 (2014: kEUR 90,579).

Other assets

	< 1 Year	> 1 Year	< 1 Year	> 1 Year
	31.12.2015		31.12.2014	
	kEUR	kEUR	kEUR	kEUR
Tax authorities				
- Capital yields tax	1	0	39	0
- Corporate tax	10	0	11	0
- Value added tax	0	0	249	0
Rights	0	1,500	0	0
Accounts payables with debit balances	142	0	0	0
Deposits	2	417	5	411
Licences	0	0	176	0
Others	231	0	109	0
	<u>386</u>	<u>1,917</u>	<u>589</u>	<u>411</u>

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
	31.12.2015	31.12.2014
GE Capital Anleihen	6,815	2,250
Volkswagen Anleihen	4,363	3,999
Hamburger Sparkasse Inhaberschuldverschreibungen	4,295	4,939
Deutsche Bank Anleihen	3,467	3,662
Mercedes Benz Anleihe	2,390	2,398
HSBC Anleihe	2,129	0
Metro Finance Anleihe	2,075	0
BMW Finance Anleihe	2,071	0
Others	9,279	22,414
	<u>36,884</u>	<u>39,662</u>

6. Cash and cash equivalents

On 31 December 2015 cash on hand amounted to kEUR 1 (2014: kEUR 2). Cash equivalents amounted to kEUR 24,129 (2014: kEUR 14,507) (including kEUR 7,676 (2014: kEUR 3,235) in US Dollar and kEUR 3,345 (2014: kEUR 1,165) in Pound Sterling).

7. Deferred Taxes

The deferred tax receivables mainly result from 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% based on the applicable tax rates for corporation tax, solidarity surcharge and trade tax.

8. Equity

The share capital of the company is portioned in 132,584,082 shares with a par value of EUR 1.00 made out to bearer.

Due to the exercise of stock options of EUR 250,683.00 in 2014 the nominal capital was increased. This increase was registered in the Commercial register of companies in 2015. Additionally, the nominal capital was increased due to the exercise of stock options of EUR 873,206.00 in 2015. This entry in the Commercial register of companies is made in 2016.

Additionally, due to the authorisation of the Annual General Meeting on the 16 June 2011 and according to section 71 paragraph 1 no. 8 AktG the company held own shares.

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. Of these shares 530,353 were used for servicing employee stock options in 2012, 459,456 in 2013, 66,500 in 2014 and 22,400 in 2015, all with an identical nominal value. In 2015 the shares represented 0.02% of the share capital. On 31 December 2014, Evotec held 249,915 own shares with a nominal value of EUR 249,915.00. 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 132,334,167.00 including the capital increases and the own shares. On 31 December 2015 these shares represented 0.19% of the share capital.

The remaining approved capital amounted to EUR 26,292,038.00 equal to 26,292,038 shares on 31 December 2015.

The conditional capital as of 31 December 2015 consists of 12,120,740 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 2015 amounts to 35,783,912 shares.

The accumulated deficit represents EUR 195,623,255.61 on 31 December 2015.

The additional paid-in capital rose due to the capital increase and exercised stock options by EUR 1,080,960.12 to EUR 165,251,915.72.

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.

Date	Notifier	Triggering event	Threshold crossed reached	Total amount of or voting rights
05.01.2015	Allianz Global Investors GmbH, Frankfurt, Germany	Falling below threshold	3%	2.99%
06.01.2015	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	3% und 5%	5.59%
06.01.2015	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	3% und 5%	5.60%
06.01.2015	Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA	Exceeding threshold	3% und 5%	5.60%
06.01.2015	Morgan Stanley, Wilmington, Delaware, USA	Exceeding threshold	3% und 5%	5.60%
06.01.2015	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Exceeding threshold	5%	5.69%
06.01.2015	Morgan Stanley, Wilmington, Delaware, USA	Exceeding threshold	5%	5.69%
06.01.2015	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Exceeding threshold	5%	5.69%

Date	Notifier	Triggering event	Threshold crossed reached	Total amount of voting rights
06.01.2015	Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA	Exceeding threshold	5%	5.69%
07.01.2015	Morgan Stanley, Wilmington, Delaware, USA	Falling below threshold	3% und 5%	0.004%
07.01.2015	Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA	Falling below threshold	3% und 5%	0.004%
07.01.2015	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	3% und 5%	0.004%
07.01.2015	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	3% und 5%	0.00%
07.01.2015	Morgan Stanley, Wilmington, Delaware, USA	Falling below threshold	5%	0.10%
07.01.2015	Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA	Falling below threshold	5%	0.10%
07.01.2015	Morgan Stanley & Co LLC, Wilmington, Delaware, USA	Falling below threshold	5%	0.09%
07.01.2015	Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA	Falling below threshold	5%	0.10%

Date	Notifier	Triggering event	Threshold crossed reached	Total amount of voting rights
30.03.2015	TVM V Life Science Ventures GmbH, Munich, Germany	Falling below threshold	10%	9.86%
31.03.2015	TVM V Life Science Management GmbH & Co. KG, Munich, Germany	Falling below threshold	10%	9.86%
31.03.2015	TVM V Life Science Management GmbH & Co. KG, Munich, Germany	Exceeding threshold	5% und 10%	14.41%
12.08.2015	BVF Investments, LLC, San Francisco, California, USA	Falling below threshold	10%	9.99%
11.08.2015	Philip Korsant, USA	Falling below threshold	10%	9.99%
12.08.2015	Morton Holdings, Inc., Delaware, USA	Falling below threshold	10%	9.99%
12.08.2015	Samana Capital, L.P., Delaware, USA	Falling below threshold	10%	9.99%
25.09.2015	Allianz Global Investors GmbH, Frankfurt, Germany	Exceeding threshold	3%	3.01%
20.10.2015	BVF Inc., San Francisco, California, USA	Falling below threshold	15%	14.99%
23.10.2015	Mark N. Lampert, USA	Falling below threshold	15%	14.99%
23.10.2015	BVF Partners L.P., San Francisco, California, USA	Falling below threshold	15%	14.99%

Date	Notifier	Triggering event	Threshold crossed reached	Total amount of voting rights
30.10.2015	ROI Verwaltungsgesellschaft mbH, Düsseldorf, Germany	Falling below threshold	10%	9.93%

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 144 on 31 December 2015 (2014: kEUR 141). At the same time, the accruals for pensions were netted against an insurance cover, constituted as plan asset, amounting to kEUR 80 (2014: kEUR 79).

10. Other accruals

	31.12.2015	31.12.2014
	kEUR	kEUR
Bonus	1,456	308
Outstanding invoices	1,085	855
Risks from FX hedging deals	483	76
Unclaimed vacation	432	477
Supervisory remuneration	303	300
Interest derivatives	116	67
Others	80	8
	3,955	2,091

11. Liabilities

Liabilities to banks

On 31 December 2015, the liabilities to banks comprise of five loans in the total amount of kEUR 22,942 (2014: kEUR 21,504). No loan is secured.

Loan in kEUR	Interest Rate
6,500	1,25 percentage points above 3-Month-EURIBOR
6,500	1,25 percentage points above 3-Month-EURIBOR
4,000	1,2 percentage points
2,375	1,5 percentage points above 3-Month-LIBOR
3,567	1,25 percentage points

Maturity							
31.12.2015				31.12.2014			
< 1 year	1 to 5 years	> 5 years	total	< 1 year	1 to 5 years	> 5 years	total
kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
13,000	6,375	3,567	22,942	13,000	6,556	1,948	21,504

Customer deposits and advances

As last year, the customer deposits and advances are due within one year.

Accounts payables

The accounts payables are completely due within one year.

Liabilities to affiliated companies

	Maturity			
	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2015		31.12.2014	
	kEUR	kEUR	kEUR	kEUR
Evotec (UK) Ltd.	950	0	617	0
Evotec International GmbH	0	0	197	0
Evotec (US) Inc.	45	0	10	0
Evotec (München) GmbH	154	0	225	0
	1,149	0	1,049	0

The balances only comprise trade payables.

In balancing the accounts receivable and liabilities of affiliated companies, kEUR 369 accounts receivables from Evotec (UK) Ltd, kEUR 258 from Evotec (US) Inc. and kEUR 20 from Evotec (München) GmbH were included. Furthermore, kEUR 679 liabilities from Evotec International GmbH and kEUR 101 from Evotec (France) were included.

Other Liabilities

The other liabilities mainly consist of wage tax liability of kEUR 315 (2014: kEUR 250), a VAT liability of kEUR 155 (2014: kEUR 0) and customers with a credit balance of kEUR 19 (2014: kEUR 181). As in 2014 all other liabilities are due within one year.

Deferred revenue

Deferred revenue mainly relate to three current customer projects.

IV. Comments on the Statement of Operations

1. Revenues

The company recorded revenues of kEUR 57,219 (2014: kEUR 59,037) through research and development services, thereof kEUR 17,994 with affiliated companies (2014: kEUR 13,338).

The external revenues amounted to kEUR 39,225 (2014: kEUR 45,699) including revenues from milestones of kEUR 3,800 (2014: kEUR 7,600) and licence income of kEUR 828 (2014: kEUR 1,808).

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

	2015 kEUR	2014 kEUR
	<u> </u>	<u> </u>
United States of America	19,137	21,731
Germany	10,310	13,982
Belgium	2,205	4,304
Sweden	2,000	2,000
Switzerland	1,676	1,724
France	1,576	0
Rest of Europe	2,140	1,769
Israel	155	159
Japan	26	24
Rest of the world	0	6
	<u> </u>	<u> </u>
Total	<u>39,225</u>	<u>45,699</u>

2. Other operating income

	2015 kEUR	2014 kEUR
	<u> </u>	<u> </u>
Costs charged to affiliated companies	4,275	1,990
Currency gains	2,344	1,417
Costs charged to third parties	896	759
Sublease of building	370	408
Subsidies	342	327
Income from reversal of accruals	205	133
Others	298	1,271
	<u> </u>	<u> </u>
	<u>8,730</u>	<u>6,305</u>

3. Other operating expenses

	2015	2014
	kEUR	kEUR
Write-down on loans receivable from affiliated company	13,888	9,461
Rental expenses including related costs	2,212	2,376
Currency losses	1,891	76
Costs charged from affiliated companies	1,535	1,236
Service and maintenance	1,236	1,083
Legal and consultancy expenses	1,175	1,110
Royalty costs	893	2,087
Costs for Services	743	805
Reconstruction/ moving expenses	622	705
Patent costs	512	354
Others	6,928	5,750
	<u>31,635</u>	<u>25,043</u>

4. Currency result

In 2015, the company recorded income relating to unrealised FX effects amounting to kEUR 812 (2014: kEUR 975) and expenses relating to unrealised FX effects amounting to kEUR 928 (2014: kEUR -481).

5. 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 249,915 (2014: 275,315) own shares which the company held to the 31 December 2015. These own shares have a nominal value of EUR 249,915.00 (2014: EUR 272,315.00).

V. Other Information

Audit Fees

In regard to the audit fees see the group financial statements which are created by the Evotec AG.

Relations with affiliated companies

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

Employee Information

The average number of persons employed by the company in 2015 was 284 (2014: 267). Thereof 45 employees are allocated to sales and administration (2014: 41).

Other financial obligations

The other financial obligations for 2016 mainly relate to obligations from service contracts, rent and leasing and add up to kEUR 3,804. The total amount of all existing obligations for the period 2017 to 2020 is kEUR 7,867. The other obligations for later periods add up to kEUR 3,313.

As agreed in the acquisition of the former DeveloGen AG (Evotec International GmbH) 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 (Evotec (München) GmbH) 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.

Furthermore, the company agreed with third parties to grant access to their technology and Know-how for Evotec's business or corporations. Based on this the company is obligated to share the turnover with these third parties.

Guarantees and Other Commitments

In order to prevent the legal consequence of over-indebtedness of Evotec International GmbH (kEUR 100,730) 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 favor of Evotec AG.

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.

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 of 2015 totalled kEUR 3,275 (2014: kEUR 2,994) of which kEUR 930 (2014: kEUR 285) is a variable remuneration and of which kEUR 910 (2014: kEUR 1,322) is a remuneration with long-term incentive effect. The remuneration includes kEUR 824 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 2015, payable on the achievement of certain strategic targets in the business year 2014, was based on the following criteria:

	Achievement of defined corporate milestones	Achievement of defined corporate financial mile- stones
	%	%
Dr Werner Lanthaler	60	40
Colin Bond	60	40
Dr Cord Dohrmann	60	40
Dr Mario Polywka	60	40

The variable portion of the remuneration in 2016 will be payable on the achievement of certain strategic targets in the business year 2015 and will be based on the criteria mentioned previously.

On 31 December 2015, the company has an accrual for the variable remuneration which will be paid to the Management Board in March 2016 amounting to kEUR 754 (2014: kEUR 175). This accrual includes kEUR 289 (2014: kEUR 68) for Dr Werner Lanthaler, kEUR 140 (2014: kEUR 33) for Colin Bond, kEUR 153 (2014: kEUR 36) for Dr Cord Dohrmann and kEUR 172 (2014: kEUR 38) for Dr Mario Polywka.

In addition to their fixed and variable remuneration, the members of the Management Board received 338,382 Share Performance Awards (SPA) in 2015 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 910.

	2015	2015	2015	2015	2015
	Fixed	Variable	Stock	Fair value	Total remuneration
	kEUR	kEUR	options pcs	kEUR	kEUR
Dr Werner Lanthaler	413	256	141,667	381	1.050
Colin Bond	310	221	58,929	158	689
Dr Cord Dohrmann	315	224	64,286	173	712
Dr Mario Polywka	397	229	73,400	198	824
Total	1,435	930	338,382	910	3,275

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 91 in 2015 (2014: kEUR 115) and were paid by the company.

Evotec accounted for a liability in favor 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 of arGEN-X, Breda, the Netherlands.

Colin Bond 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 of 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, Leverkusen, DE (Chairman of the Supervisory Board);

Dr Walter Wenninger, Leverkusen, DE, Former Member of the Management Board of Bayer AG, Leverkusen, DE (Vice Chairman of the Supervisory Board until June 2015);

Bernd Hirsch, Holzminden, DE, CFO of Symrise AG, Holzminden, DE (Vice Chairman of the Supervisory Board since June 2015);

Dr Claus Braestrup, Copenhagen, DK, Advisor;

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

Prof Dr Iris Löw-Friedrich, Ratingen, DE, Chief Medical Officer of UCB S.A., Brussels, BE;

Elaine Sullivan, London, UK, CEO of Carrick Therapeutics Ltd., Dublin, IRL (since June 2015).

The remuneration paid to the members of the Supervisory Board in the financial year amounted to kEUR 303 (2014: kEUR 300). The members of the Supervisory Board were members of the following other Supervisory Boards, Committees and Bodies according to section 125 paragraph 1 sentence 5 AktG.

Prof. Dr. Wolfgang Plischke

Bernd Hirsch

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

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

Prof Dr Iris Löw-Friedrich

Chairman of the Supervisory Board:

TransCelerate BioPharma Inc, King of Prussia/US (since September 2015)

Member of the Supervisory Board:

Willex AG, Munich/DE (until July 2015)

Elaine Sullivan

Non- Executive Member of the Board of Directors:

IP Group plc, London/UK (since July 2015)

Dr Walter Wenninger

Chairman of the Supervisory Board:

Noxxon Pharma AG, Berlin/DE

Member of the Advisory Group:

Novo A/S, Hellerup/DK

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.

Hamburg, 14 March 2016

Dr Werner Lanthaler

Colin Bond

Dr Cord Dohrmann

Dr Mario Polywka

Evotec AG, Hamburg

MANAGEMENT REPORT for 2015

Contents

I. Operations and business environment.....	2
Organisational structure and business activities	2
Corporate objectives and strategy	5
Performance measurement.....	7
Research and development.....	10
II. Report on economic position.....	13
General market and healthcare environment	13
Significant corporate development events 2015	16
Impact of general market and healthcare environment on Evotec's business.....	17
Comparison of 2015 financial results with forecast	18
III. Financial report.....	18
Financing and financial position.....	20
Assets and liabilities	20
IV. Employees.....	23
Procurement and facility management in 2015.....	24
V. Post-balance sheet events	25
VI. Risk and opportunities management	25
Risk and opportunities management principles.....	25
Risk and opportunities management system	25
Internal controls over financial reporting	27
Risks	29
Opportunities.....	36
VII. Outlook	38
Expected general market and healthcare development.....	38
Business direction and strategy.....	39
Expected research and development, new products, services and technologies	40
Financial outlook for 2016	40
VIII. Declaration of corporate management	42
IX. Remuneration report.....	42
Remuneration of the Management Board.....	42
Remuneration of the Supervisory Board	46
Directors' and Officers' Liability Insurance (D&O Insurance)	47

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 partnership company providing drug discovery solutions to the pharmaceutical, biotechnology and academic sectors as well as to foundations and not-for-profit organisations. With a pool of highly experienced scientists, state-of-the-art technology platforms, first-class scientific operations and key therapeutic expertise in the areas of neuroscience, diabetes and complications of diabetes, pain and inflammation and oncology, Evotec aims to develop best-in-class and first-in-class differentiated therapeutics – for collaborators or for its own internal pipeline development.

The focus of Evotec’s business is:

- High-quality drug discovery science in innovative collaborations with Pharma, biotech, academia and venture capital partners as well as foundations and not-for-profit organisations, offering stand-alone or integrated solutions
- Partnering of early innovative assets developed in-house or in collaboration with selected academic or biotech partners

The Company operates and manages its business activities under its two business segments EVT Execute and EVT Innovate.

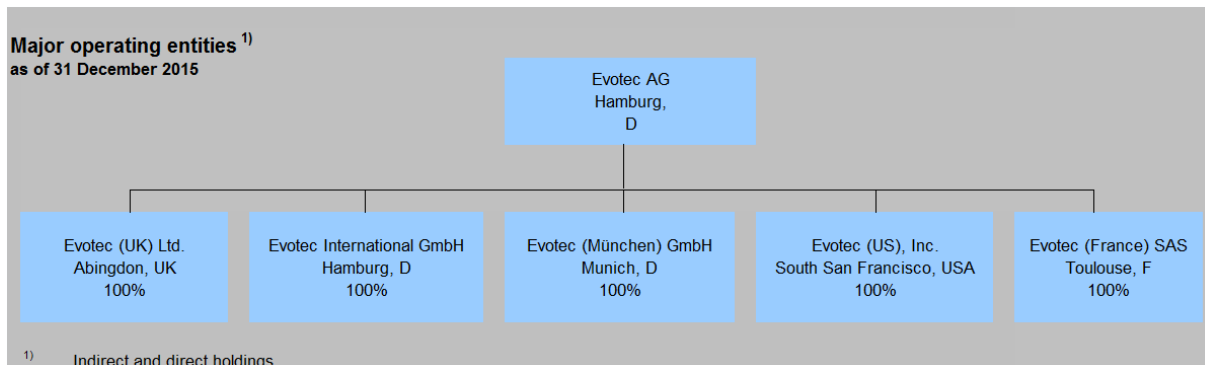
EVT Execute provides stand-alone services on a typical fee-for-service basis or integrated drug discovery on partners’ targets through a variety of commercial structures including research fees, milestones and/or royalties.

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.

– Group structure

Evotec AG, founded in 1993, 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), Toulouse (France), Hamburg, Göttingen and Munich (Germany) and South San Francisco, Branford and Princeton (USA).

Evotec AG employed 298 people at the end of 2015 (2014: 277)

– Evotec’s products and services

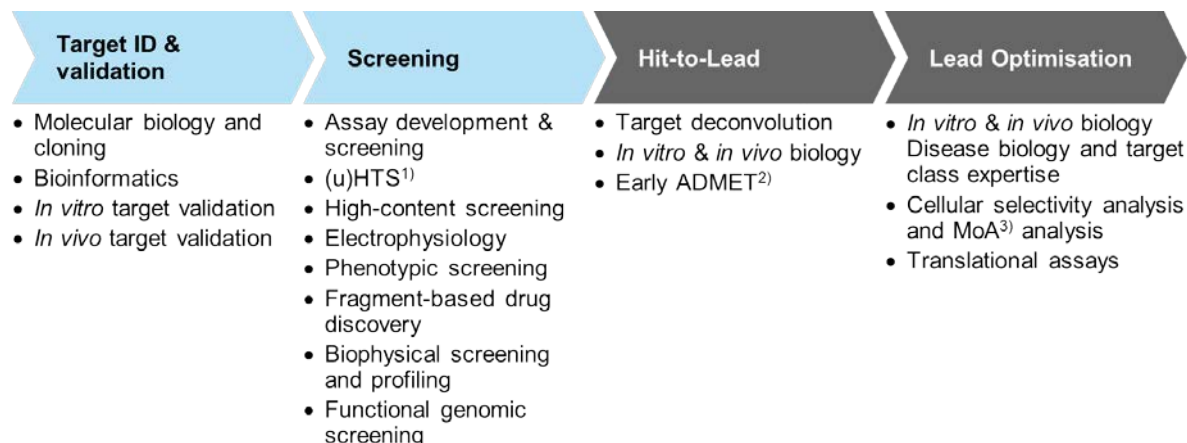
Alliances and partnerships

Evotec’s partners consist of the Top 20 pharmaceutical companies, many biotechnology and mid-sized pharmaceutical companies, academic institutions, foundations and not-for-profit organisations. Evotec has worked on a number of new and expanded collaborations in 2015 and has stable, long-term relationships with, among others, AstraZeneca AB, Bayer Pharma AG, Boehringer Ingelheim Pharma GmbH & Co. KG, CHDI Foundation, Inc., Genentech, Inc., Janssen Pharmaceuticals, Inc., Novartis AG, Sanofi, Shire and UCB Pharma. Further information on Evotec’s alliances and partnerships is provided in the “Performance Measurement” chapter under “Research and development” chapter on page 10 of this Management Report).

Drug discovery services

Evotec’s portfolio of capabilities represents the earliest stages of drug discovery research including target identification and validation, early-stage assay development, compound management, screening, hit-to-lead and lead optimisation, *in vivo* and *in vitro* pharmacology, biomarker science and protein production. The acquisition of the drug discovery operation in Toulouse, France, from Sanofi effective from 1 April 2015 led, among others, to a ground-breaking, innovation led access to the Sanofi compound library made available to Evotec’s partners for screening. An overview of all integrated disciplines is given in the diagram below and more detailed information can be found on Evotec’s website (www.evotec.com).

Overview of Evotec's drug discovery offering



¹⁾ Ultra-high throughput screening

²⁾ Absorption, distribution, metabolism, excretion, toxicity

³⁾ Mode of action

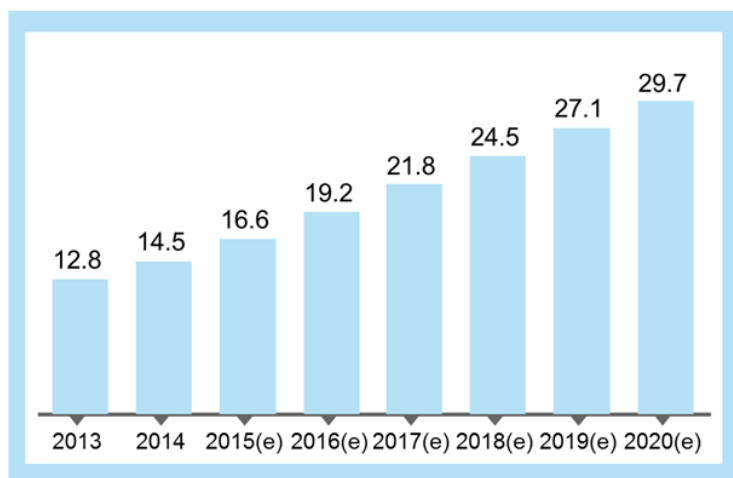
– Market and competitive position

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. These trends have led to restructuring of research and development with significant downsizing of many large companies and an increased need and willingness to outsource activities traditionally performed in-house. In 2015, these trends continued.

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 \$ 14.5 bn in global revenues in 2014 and this is expected to increase to \$ 27.1 bn by 2019 and \$ 41.2 bn by 2025, growing at an annual growth rate of 13.3% between 2014 and 2019.

Drug discovery outsourcing is a macro trend – Market overview (Revenues, in \$ bn)



(Source: "Visiongain; Drug Discovery Outsourcing: World Market 2015)

These trends indicate that the market for Evotec's drug discovery services will continue to grow, although this must also be addressed against a backdrop of slow decision making and continued market consolidation.

Over the years, the contract service providers have expanded their service offerings to better meet the needs of full-service outsourcing across the drug discovery value chain. Contracts vary in their agreement types, ranging from strategic partnerships to stand-alone service agreements for specific functions, whereby the key trend in the sector is the use of strategic partnership models and a preference for fully integrated service providers. Amongst its peers in the Western markets, Evotec together with its subsidiaries is one of the largest and financially most stable drug discovery providers with a unique hybrid model, critical mass and a long-standing track record of success. Evotec together with its subsidiaries is positioned to exploit the expected increase in strategic outsourcing opportunities being one of the few drug discovery companies in the world that can provide both innovative research projects and assets and a comprehensive range of drug discovery services.

Corporate objectives and strategy

Evotec's objective is to systematically and continuously increase the value of the Company. The Company offers its stakeholders the opportunity to participate in a profitable, diversified business at a lower risk than typical biotech companies. The business model is based on Evotec's core competencies which have evolved over more than twenty years: drug discovery and partnering of research projects. Today, Evotec has established a leadership position in the high-quality drug discovery space. The Evotec group comprises an industrialised, cutting-edge, comprehensive and unbiased infrastructure to meet the industry's need for innovation and efficiency in drug discovery. In addition, the Evotec group has built a deep internal knowledge base in the therapeutic areas of CNS/neurology, diabetes and complications of diabetes, pain, as well as oncology. Evotec partners with other pharmaceutical companies, biotech companies, not-for-profit organisations and foundations through two business segments: EVT Execute and EVT Innovate.

- **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 in the drug discovery process. Over the last years, the Company has invested significantly into upgrading its platforms and in building a systematic, unbiased and comprehensive discovery platform accessible to its customers, partners and academic institutions alike.
- **EVT Innovate:** The EVT Innovate segment focuses on investing and 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 companies. 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. Projects are also selected to optimally leverage Evotec's drug discovery platform. EVT Innovate partnership agreements usually include upfront and research payments as well as milestones and product royalties.

By focussing on Evotec's key strengths such as portfolio building and expansion, maintenance of strong relationships with partners, scientific expertise, investments in employees as well as productivity and efficiency programmes, the Company aims to expand its leading position in drug discovery. With the acquisition of Evotec (France), effective 01 April 2015, the Company accelerated its growth strategy by obtaining additional capacity, capabilities and top-quality science in oncology.

The Company's objectives for its two business segments in 2015 and the major achievements are summarised in the following table:

	Specific objectives 2015	Major achievements 2015
EVT Execute	<ul style="list-style-type: none"> • New long-term deals with big and mid-sized Pharma and biotech • New integrated technology/disease alliance • Integration of new capacities and capabilities in global offering 	<ul style="list-style-type: none"> • New alliances with Pharma, biotech and foundations (e.g. Sanofi) • Important contract extensions with numerous partners (e.g. CHDI, Haplogen) • Successful integration of new offerings in France and Princeton (USA)
EVT Innovate	<ul style="list-style-type: none"> • Partnering of Cure X/Target X initiatives • Expansion of network of top-class academic alliances 	<ul style="list-style-type: none"> • One Cure X/Target X initiatives partnered (Immuno-oncology: Target <i>ImmuniT</i> with Sanofi and Apeiron Biologics; Diabetes: Tissue fibrosis: Target <i>Fibrosis</i> with Pfizer)

Evotec is strategically well-positioned to continue to deliver innovation efficiency with its unique business model and strengthen its leadership position by:

- Understanding the needs of the pharmaceutical and biotech industry for innovative new medicines
- Maintaining the critical mass and highly experienced drug discovery expertise
- Having the deep understanding of disease biology in core disease areas
- Developing access to the highest-quality resources and a systematic, comprehensive and unbiased drug discovery platform operating at high levels of capital efficiency
- Positioning first-in-class projects ideally for strategic partnerships, focused in areas where break-through innovation is needed

The Company's objectives defined for 2016 can be found in the "Business direction and strategy" section of the "Outlook" chapter on page 39 of this Management Report.

Performance measurement

– Financial performance indicators

Evotec's Management Board uses various financial indicators to manage the Company according to its corporate strategy set out in the "Corporate objectives and strategy" chapter on page 5 of this Management Report. Financial goals set by the Management Board are continued company growth, improved adjusted EBITDA and stable liquidity. EBITDA is thereby defined as earnings before interest, taxes, depreciation and amortisation of intangible assets. Adjusted EBITDA excludes impairments and reversal of impairments on intangible assets, tangible assets and financial assets. To determine EBITDA, extraordinary income and expenses are eliminated. The Company's long-term key financial performance indicators are designed to support these 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. The Company's performance is measured against budgeted financial targets and the prior-year performance. 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, foreign exchange ("FX") exposure, funding optimisation and investment opportunities. 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 projects and in-licensing opportunities.

– Development of financial key performance indicators

in k EUR	2011	2012	2013	2014	2014
Revenues	25,211	41,195	46,556	59,037	57,219
Adjusted EBITDA	-365	14,029	-5,177	-2,085	-9,524
Liquidity	31,938	34,170	65,545	54,171	61,014

The Company's 2015 performance compared to planned figures can be found in the "Comparison of 2015 financial results with forecast" chapter on page 18 of this Management Report.

– Non-financial performance indicators

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

Quality of drug discovery solutions and performance in discovery alliances

The vast majority of Evotec's revenues is generated in alliances with Pharma and biotech companies, not-for-profit organisations and foundations. 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.

These indicators are measured by 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. Since its inception in 1993, Evotec has continually delivered excellent results in existing programmes and has expanded its customer base and its global network of partnerships. The Company now works directly with approximately 32 Pharma and biotech companies, not-for-profit organisations and foundations on a global basis. The tables below show Evotec's external customers only.

Development of Evotec's alliances*

	2013	2014	2015
Number of external customers	49	46	32
Number of external customers > € 1m revenues	6	11	8
New external customers in the year	24	12	7

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

Development of Top 10 collaborations* (sorted by reporting year)

In T€	2013	2014	2015
TOP 1: CHDI	7,955	7,454	8,941
TOP 2: Bayer	4,070	10,708	8,561
TOP 3: Merck	6,075	6,088	7,818
TOP 4 – 10	17,756	16,494	10,648
Total TOP 10 revenues	35,856	40,743	35,968
<i>Growth in %</i>		14%	-12%

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

Notably, several collaborations have increased in size significantly in recent years. This is regarded as an indicator of customer satisfaction. The number of external customers decreased in 2015 as new contracts are mainly closed with the subsidiary Evotec International GmbH. The number of customers with which Evotec generates more than € 1 m of revenues per year decreased due to the above mentioned. Evotec's number one customer by revenues in 2015 was CHDI Foundation, Inc. („CHDI“) with € 8.9 m revenues. Evotec's repeat business, as defined by the percentage of 2015 revenues coming from customers that the Company already had in 2014, amounted to 93%.

Research and development performance in development partnerships

Evotec is a company which discovers and develops novel, innovative pharmaceutical drug compounds. Therefore, the progression of drug programmes and candidates within Evotec's partnerships is another relevant non-financial performance indicator. Evotec is different to most biotech companies in as much that the success of research, pre-clinical and clinical programmes progressed by its partners represents pure upside for the Company. 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

Evotec is a high-quality provider of drug discovery services. Therefore, the quality and safety performance of products, measured by the number of recalled services and the amount of fines or settlement payments related to litigation is another important non-financial performance indicator. High quality and best practice safety features generate trust and satisfaction among its customers and secure future business. 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.

– 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 changes and triggering events that can have a significant impact on the Company's product portfolio or financial position.
- The development of Evotec's Intellectual Property ("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 10 of this Management Report).
- New business pipeline: The monthly review of potential new business opportunities and status of negotiations is an early indicator for the sales forecast of both EVT Execute and EVT Innovate.
- 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

New Alliances/Partnerships

In 2015, Evotec entered into two EVT Innovate partnerships based on Cure X/Target X initiatives in areas of high unmet medical need, introducing first-in-class approaches.

In cooperation with Apeiron Biologics AG (“Apeiron”), Evotec announced a strategic collaboration with Sanofi to develop novel small molecule-based cancer immunotherapies in August 2015. This collaboration, called Target *ImmuniT*, includes major research and development efforts to advance a first-in-class small molecule approach to treat solid and haematopoietic cancers by enhancing the anti-tumour activity of human lymphocytes. Based on Evotec’s technological expertise and Apeiron’s immunological know-how, the collaboration focuses on the identification of novel small molecule hits and their targets for next-generation therapies in immuno-oncology which are expected to complement the current offerings of checkpoint inhibitors. All three companies make significant contributions to this collaboration in terms of scientific expertise, technological platforms and resources. The initial term of the agreement is for two years and includes substantial research payments for Evotec and Apeiron with the opportunity to receive pre-clinical, clinical, regulatory and commercial milestones, which could total over € 200 m, as well as royalties upon commercialisation.

In September 2015, Evotec announced the start of a four-year research collaboration agreement with Pfizer Inc. (“Pfizer”) in the field of organ fibrosis. Under the terms of this licence and collaboration agreement, scientists at Evotec and Pfizer explore potential novel mechanisms as targeted anti-fibrotics in multi-organ fibrosis. Evotec contributes its drug discovery platform whereas Pfizer provides key technologies and industrial scope as well as pharmaceutical development and marketing expertise. Financial terms of the collaboration include a prepayment and potential milestone payments from Pfizer based on the achievement of specific development and sales milestones.

Evotec’s project pipeline

Evotec continues to hold a pipeline of projects with significant financial upside in the form of potential development milestone and royalty payments. The majority 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 clinical and pre-clinical development and discovery.

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, which are funded by Evotec itself, namely its Cure X and Target X initiatives. These projects 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.

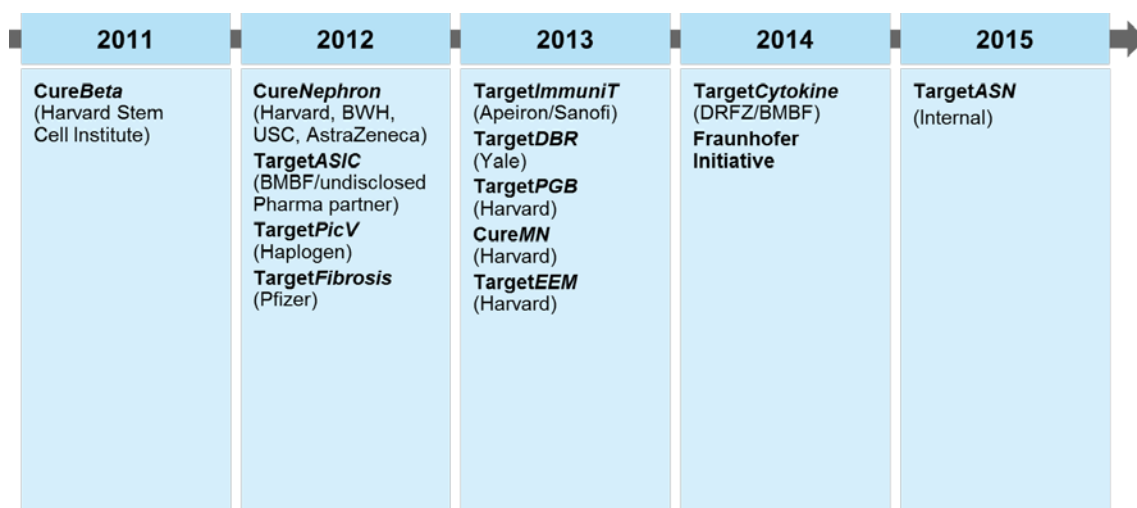
Cure X and Target X initiatives are carefully selected discovery-stage projects that are either pursued as internal R&D projects or in collaboration with leading academic laboratories or biotech companies. Cure X and Target X initiatives that are carried out in collaboration with academia or biotech 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 to and partner these projects at tangible value inflection points and thereby expand

Evotec's proprietary pre-clinical pipeline. An overview of Evotec's portfolio of Cure X/Target X initiatives is shown below.

Pre-clinical and discovery-stage pipeline

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

R&D projects initiated within EVT Innovate



Update on EVT Execute activities in 2015

Contract extensions and milestone achievements

In September 2015, Evotec announced the extension of its collaboration with CHDI Foundation, Inc. ("CHDI") through to August 2018. The collaboration represents one of the largest drug discovery alliances within Evotec and will fund 55 full-time scientists. Evotec has been providing innovation support to CHDI since 2006.

In 2015, Evotec reached four important milestones in its multi-target collaboration with Bayer for the transition of early lead candidate molecules into lead-structure optimisation, late-stage discovery and pre-clinical development. These milestones were achieved under the five-year agreement between Evotec and Bayer signed in October 2012. The goal of this collaboration is to identify three pre-clinical candidates for the treatment of endometriosis within the five-year alliance, which Bayer will then bring to IND stage. Both parties contribute innovative drug targets and high-quality technology infrastructures and share the responsibility for early research and pre-clinical characterisation of potential clinical candidates in the disease area of endometriosis.

Others

In the first quarter of 2015, Evotec's *in vivo* pharmacology facility received full accreditation from the Association for the Assessment and Accreditation of Laboratory Animal Care ("AAALAC") International. AAALAC International is a private, non-profit organisation that promotes the humane treatment of animals in science through voluntary accreditation and assessment programmes. Participation in this accreditation programme includes a very thorough examination and assessment of facilities and processes.

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 2015, 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 2015. According to a publication by the World Bank in January 2016, the global economy decelerated its growth from 2.6% in 2014 to 2.4% in 2015. Furthermore, 2015 saw significant declines in the prices of oil, weakening commodity prices, global trade and capital flows. China's growth decelerated and many emerging market economies slowed. The Eurozone returned to a moderate growth of 1.5% (2014: 0.9%) supported by increasing domestic demand and export activities, still-accommodative financing conditions and low oil prices. Meanwhile, robust consumer spending and investment in the non-oil private sector supported the growth of 2.5% in the United States in 2015 (2014: 2.4%). According to the Federal Statistical Office, the German economy continued its upward trend in 2015 with a growth rate of 1.7% of its price-adjusted gross domestic product (2014: 1.6%).

– Recent trends in the pharmaceutical and biotechnology sector

Like many other sectors, the pharmaceutical and biotechnology industry is facing industry-specific changes combined with developments in the general economic environment. Industry-related factors include the productivity and cost of research and development, innovative developments, 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.

The pharmaceutical and biotech industry is in a strong position and continued growth for the coming years is expected. According to IMS Health, the worldwide spending on medicines is forecasted to reach nearly \$ 1.3 trillion by 2018, an increase of about 30% compared to the 2013 level, driven by population growth, an ageing population, and improved access in emerging markets. Pharmaceutical and biotechnology companies are continuously looking for ways to increase the size of their product pipelines, stimulate innovation and accelerate the route of products to the market. In 2015, there was a significant increase in merger and 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. These trends continued from 2014 and the largest merger in the industry's history occurred at the end of 2015 when Pfizer announced to pay more than \$ 160 bn for the Irish pharmaceutical company Allergan.

Biotechnology stocks have performed strongly during recent years, even when taking into account the declines during the second half of 2015. In addition, the return of venture funding to the biotech industry and the significant increase in the volume of IPOs, especially in the USA, did not show any signs of decreasing in 2015. This trend reflects a wave of innovation stemming from the Human Genome Project early in the year 2000, which has spurred the development of new drugs and therapeutic techniques. These innovations have resulted in a surge in new drug trials and higher success rates in programmes and the Food and Drug Administration ("FDA") noticeably has become more willing to accelerate the approval of new drugs. This has also led to growing enthusiasm among scientists and investors with over \$ 1 bn venture capital financing invested in emerging gene-editing technologies within the past two years. One of the recent ground-breaking technologies in the genome editing field is called CRISPR, short for clustered regularly interspaced short palindromic repeats. CRISPR is a genome-editing tool enabling scientists to make changes in specific genes much faster and in a much more precise way than previously possible. The pace of developed technologies and innovations is accelerating and according to the Boston Consulting Group many advances are expected to come in the next years, starting already with e.g. in the immuno-oncology and the iPS cells fields.

Today, patients can already benefit from the scientific and technological innovations in the area of human genome analysis. The challenge is to combine the molecular and clinical information e.g. of a single patient with the relevant biomedical knowledge and disease understanding in a way that yields individualised treatment. A new type of information technology is needed to meet this challenge. The role of big data in medicine has been discussed in recent years and a number of projects were initiated looking at how big data can be used to improve health outcomes such as the Innovative Medicines Initiative's programme called "Big Data for Better Outcomes". This has led to a trend of new entrants from outside the traditional life science business and an increase in novel types of collaborations across the Pharma sector. These non-traditional players like Google or Apple are pioneering pathways into virtual or digital healthcare, wellness and fitness. This has resulted in a redefining of the global healthcare market for consumers, payers and investors and new channels being developed to enter the market with an increasing consumer-orientation. To thrive in the increasingly competitive Pharma market, companies

will have to cooperate even more to develop innovative new products, services and solutions, as well as share skills and expertise.

– 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 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 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 particular, any easing of policy relating to stem cell research in Europe, for example, could have a positive impact on Evotec's business as stem cell-based research is one of the promising technologies in drug discovery.

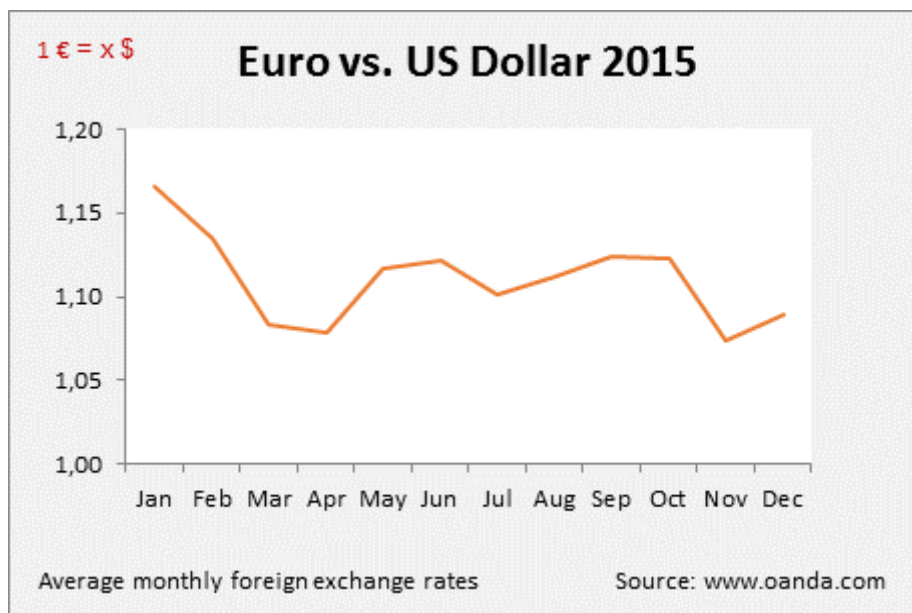
In 2015, legal factors affecting Evotec were largely unchanged and the Company's operating business was not materially affected.

– 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 2015 resulted from the Euro (€) to US dollar (\$) exchange rate. The exchange rate fluctuated between \$ 1.06 and \$ 1.18 to the Euro. On average, the US dollar strengthened significantly against the Euro with \$ 1.11 per Euro in comparison to \$ 1.33 per Euro in 2014. The US Federal Reserve Bank ("Fed") raised interest rates in December 2015 for the first time in nearly a decade whereas in the Eurozone the European Central Bank ("ECB") implemented its quantitative easing ("QE") programme and recently extended it into mid-2016. The Euro weakened \$ 1.22 at the end of 2014 to \$ 1.09 at the end of 2015.

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



In 2015, the world’s policymakers continued to rely on the actions of central banks to support their economies. In December, the Fed raised interest rates by a quarter percentage point and indicated that there would be further increases in the future. This decision marked the end to the near-zero borrowing costs that had prevailed since the financial crisis began in 2008. In Europe, interest rates still remained at record lows as weak inflation and slow growth alleviated the need for a tighter monetary policy. However, the ECB continued to impose negative deposit rates.

In Europe, the ECB inter-bank interest rate (3-month Euribor) became negative in 2015 and decreased to a new historic low of (0.13)% in December 2015. The ECB began buying government bonds in March 2015 and extended the planned length of the QE programme as inflation remained far below target. 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 2015

In 2015, 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.

Major multi-component strategic collaboration with Sanofi

Evotec closed a five-year, major multi-component strategic alliance with Sanofi effective 01 April 2015.

The acquisition of the drug discovery operations in Toulouse, France, from Sanofi, effective from 01 April 2015, gives Evotec access to much needed chemistry and biology capacity and new capabilities including a state-of-the-art compound man-

agement facility, large-scale protein production and early CMC activities. The integration of the new research site continues to proceed successfully. The expanded capabilities will serve to support collaborative research in drug discovery from screening to identification of pre-clinical candidates with Evotec's partners, both industrial and not-for-profit.

The transaction, therefore includes initiatives with both of Evotec's two business segments EVT Execute and EVT Innovate and further consolidates Evotec's position as the leading drug discovery collaboration partner to the Pharma and biotech industry.

Overall, the collaboration has a minimum guaranteed commitment from Sanofi mainly to Evotec subsidiaries of € 250 m, including more than € 40 m as an upfront cash payment. In addition, Evotec entered in the course of 2015 into one agreement with Sanofi concerning out-licensing activities (*TargetImmuniT*) with associated upfront, development, regulatory and sales milestones as well as royalties.

Impact of general market and healthcare environment on Evotec's business

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 research and development efforts, cost reduction programmes, the pursuit of biotech acquisitions, partnering deals and alliances. By acquiring a research site in Toulouse from Sanofi in April 2015, Evotec actively participated in this consolidation process in the year under review. This acquisition expands Evotec's excellent capacities and capabilities in drug discovery and broadens the Company's expertise in oncology with the aim to further grow its offering and deliver more superior integrated projects.

At the same time, ageing populations in developed countries continue to demand better drugs, improved patient outcomes and diagnostics, innovative approaches and advanced technologies that are clearly differentiated from existing treatments. The result of these ongoing developments is that the pharmaceutical industry requires innovation in drug discovery in a capital efficient manner. Evotec believes that the market dynamics will continue to lead towards greater outsourcing opportunities. 2015, Evotec saw an increasing number of small projects and demand from newly founded US companies. This trend will increase the likelihood of strategic integrated long-term collaborations in order to foster innovation and accelerate the development of novel drug candidates with first- or best-in-class potential.

In 2015, Evotec continued to focus on areas where break-through innovation is needed and initiated strategic collaborations in the immuno-oncology field as well as in the iPS-stem cell field (e.g. beta cell regeneration).

Comparison of 2015 financial results with forecast

	Forecast report 2014	Final result
Revenues	Same level as 2014	-3%
Adjusted EBITDA	Improving compared to 2014	€ -9.5m
Investing volume	€ 1.5 - 2.5m	€ 2.0m
Liquidity	above € 60m	€ 61.0m

As written in the forecast section of Management report 2014, Evotec expected revenues for the financial year 2015 to be on a similar level as the previous year. Adjusted Earnings before Interests, Taxes, Depreciation and Amortisation (adjusted EBITDA) should be improved in comparison with 2014. Investing volume was expected in the range of € 1.5 m to € 2.5 m. Evotec's Liquidity should be well positioned with more than € 60 m by the end of 2015.

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

Evotec finished financial year 2015 with revenues of € 57.2 m. This corresponds to a decrease of 3% in comparison to the previous year, due to reduced receipts from milestones. The adjusted EBITDA was negative with € 9.5 m and therefore lower than 2014 (€ (2.1) m). This is conditioned by the write-off of a loan to a subsidiary. The write-off was necessary as the expected future cash flows of this subsidiary decreased mainly from partnered projects. Investing volume of tangible fixed assets was as planned € 2.0 m. Liquid assets amounted to € 61.0 m also in the range of the guidance.

III. Financial report

Results of operations

– Revenues

Evotec's total revenues in 2015 amounted to € 57.2 m, a decrease of € 1.8 m or 3% compared to the previous year (€ 59.0 m). Revenues are composed of assay development, screening (including nuclear magnetic resonance (NMR) screening), FTE-based revenues, milestone revenues, deferred upfront payments and licence income.

Third party revenue decreased from € 45.7 m in 2014 to € 39.2 m in 2015. The decrease in external revenues is a result of a shift in the order situation from single external orders received by Evotec to an increase in demand for internal contracts placed by other subsidiaries. Contracts with new Evotec Group customers have been closed preferably with Evotec International GmbH wherever possible, which in turn passes on work projects to affiliated companies. As a result, Evotec AG's number of customers and new customers has fallen compared to previous years. The number of orders with volume of over € 1.0 m decreased against the previous year. Milestone revenues of € 3.8 m and licence income of € 0.8 m were generated in

2015. In the previous year these figures amounted to € 7.6 m for milestones and € 1.8 m for licence income. The milestones in 2015 and 2014 were predominantly due to the collaboration with Bayer.

The geographical spread of external revenues for Evotec continues to be global. Europe represents the most important market with revenue contribution of 51% (previous year: 52%). The USA represents the second most important market with 49% (previous year: 48%). The number of customer decreased in comparison to the previous year. This is mainly due to the fact that Evotec Group customers' old contracts, signed with Evotec AG, have expired and been replaced by new contracts closed with the subsidiary Evotec International GmbH. The revenue contribution of the three largest customers amounted to 65% in 2015 and has therefore increased against the previous year (53%).

– Net result

The Company ends the year 2015 with a net loss of € 10.4 m. This represents an increase in net loss of € 6.9 m against the net loss of € 3.5 m reported in the previous year.

Overall, the result was mainly influenced by the write-off of a loan to Evotec International GmbH in the amount of € 13.9 m and an increase in personnel costs.

In 2015, an adjusted EBITDA deficit of € 9.5 m was reported (2014: € (2.1) m).

in k EUR	2014	2015
Operating result	-2,724	-9,934
- Interest income	-2,379	-2,470
- Interest expenses	412	474
- Income from other investments	0	0
- Depreciation	2,088	2,227
- Amortisation	508	179
- Amortisation of financial assets	10	0
Adjusted EBITDA	-2,085	-9,524

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

Other operating income increased by € 2.4 m from € 6.3 m in 2014 to € 8.7 m in 2015. This is mainly due to an increase in income from costs passed on to subsidiaries of € 2.3 m from € 2.0 m in 2014 to € 4.3 m in 2015. Exchange gains from foreign currencies also increased by € 0.9 m from € 1.4 m in 2014 to € 2.3 m in 2015. Other operating income contained in 2014 a profit in the amount of € 1.0 m, which was a result of terminating the strategic collaboration with 4-Antibody AG.

The cost of materials decreased from € 27.2 m in 2014 to € 24.3 m in 2015. Costs for raw materials and supplies amounted to € 6.3 m, a € 0.2 m increase against the previous year (2014: € 6.1 m). Costs for services decreased by a total of € 3.1 m to € 18.0 m in 2015 (2014: € 21.1 m). This is due to a decrease in R&D project services performed by the subsidiaries for Evotec AG.

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 21 to 298 employees as of 31 December 2015. Personnel expenses therefore increased by € 3.5 m from € 15.7 m in 2014 to € 19.2 m in the 2015 financial year. This is also contingent on bonus payments related to the Sanofi transaction, an increase of bonus accruals and an increase of employees.

Depreciation of tangible assets amounted to € 2.2 m in 2015, an increase of € 0.1 m against the previous year (€ 2.1 m). The increase is largely due to the depreciation of technical plants and machinery. Amortisation of intangible assets came to € 0.2 m in 2015 (2014: € 0.4 m) and was primarily the result of the amortisation of a research programme.

Other operating expenses increased by € 6.6 m from € 25.0 m to € 31.6 m. Of this amount € 13.9 m is attributable to the now full write-off of a loan receivable from Evotec International GmbH. In 2014 this loan receivable was already partially written off amounting to € 9.5 m. The deciding factor was the expected inability of Evotec International GmbH to repay the loan. Expenses from exchange rate effects amounted to € 1.9 m in 2015, an increase against the previous year (2014: € (0.1) m). At € 2.2 m expenses from costs charged by subsidiaries were € 0.8 m higher than in the previous year (€ 1.4 m). Expenses for revenue-dependent licence payments decreased by € 1.2 m to € 0.9 m in 2015 compared to € 2.1 m in 2014. The licence payments received in 2014 were largely due to Harvard University's participation in the partnering of Evotec's internal research programme "CureBeta" with Janssen, which ended in 2014.

The interest result remained unchanged against the previous year with income of € 2.0 m.

Expenses for trade and corporation tax amounted to € 0.4 m in 2015 (2014: € 0.8 m).

Financing and financial position

– Cash and financing

As of 31 December 2015, Evotec's cash and cash equivalents together with bonds and investment funds recognised under other securities amounted to € 61.0 m. This equates to an increase of € 6.8 m against the end of 2014 (€ 54.2 m) which is mainly a result of the received milestone payments in the first quarter 2015 by Bayer.

Assets and liabilities

– Capital structure

Total share capital and additional paid-in capital increased by € 2.0 m, as a result of stock options exercised during the year. In 2015, 873,206 stock options were exercised by Evotec Group employees and members of the Management Board, as well as former members of the Management Board (2014: 250,683) and converted into Evotec shares by using conditional capital. In addition, 22,400 stock options were exercised by Evotec Group employees and members of the Management Board as well as former members of the Management Board in 2015 which were serviced by own shares (2014: 66,500). As of 31 December 2015, Evotec holds 249,915 of its own shares (31 December 2014: 272,315).

Total equity decreased by a total of € 8.4 m to € 91.9 m (2014: € 100.3 m) mainly as a result of the net loss of € 10.4 m. Evotec reports a decreased equity ratio at the end of 2015 of 67.1% against the previous year (2014: 71.8%).

– Net assets and liabilities

Intangible assets include licences and patents as well as capitalised development costs. Intangible assets decreased from € 1.1 m to € 0.9 m in 2015. This decrease is due to the amortisation in the amount of € 0.2 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 administrative purposes.

Tangible assets decreased by € 0.3 m over the year to € 12.1 m at the end of 2015. Evotec invested € 2.0 m in tangible assets in 2015. The figure for the previous year was € 2.1 m. Apart from a few larger investments in lab equipment for assays and screening, investments were mainly made to maintain equipment 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 the number of personnel. Depreciation in 2015 amounted to € 2.2 m and was therefore slightly above the previous year's amount (€ 2.1 m).

Financial assets include shares in affiliated companies and investments. These are equal to the previous year and amounted to € 31.7 m in 2015.

Receivables and other assets decreased by € 6.8 m against the previous year to € 28.6 m. Trade accounts receivables fell by € 6.1 m to € 8.2 m (2014: € 14.3 m). This decrease is largely due to a milestone receivable of € 8.4 m from end of 2014 which was paid in 2015. At the end of 2015, receivables due from associated companies came to € 18.1 m, representing a decline of € 2.0 m against the previous year (2014: € 20.1 m). Additional loans amounting to € 7.5 m were granted to Evotec International GmbH in 2015. These were offset by write-offs amounting to € 13.9 m on loans to Evotec International GmbH in 2015. Other assets increased by € 1.3 m to € 2.3 m (2014: € 1.0 m). The main reason for the increase were payments to Haplogen in the amount of € 1.5 m, which were classified as prepaid expenses in the previous year.

Investments decreased by € 2.8 m from € 39.7 m to € 36.9 m at the end of 2015.

Prepaid expenses amounted to € 0.5 m as of the reporting date, a decrease of € 2.1 m against the previous year (2014: € 2.6 m). Significant items in 2014 were payments to Haplogen which are recorded in other assets as of 31 December 2015.

Other accrued liabilities increased in the 2015 financial year by € 1.9 m from € 2.1 m to € 4.0 m. This increase is primarily the result of € 1.2 m increase in the provisions for bonuses to € 1.5 m at the end of 2015.

Evotec AG's liabilities towards financial institutions rose by € 1.4 m against the previous year to € 22.9 m.

Deferred income increased by € 4.5 m from € 10.0 m to € 14.5 m at the end of 2015. This increase is largely due to prepayments received for two customer projects which began in 2015.

– Authorisation of management to repurchase stock

The Company is authorised by resolution of the Annual General Meeting 2015 to acquire own shares with a computed proportion of the share capital totalling up to € 13,171,087.00. 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. Trading in own shares are not allowed under the AGM authorisation. The respective authorisation is effective until 08 June 2020. As of 31 December 2015, Evotec has not used its authorisation to acquire own shares.

– Shareholders exceeding 10% of voting rights

On 30 October 2015, Evotec was last notified that the shareholdings of ROI Verwaltungsgesellschaft, Königsallee 20, 40212 Düsseldorf, Germany, have decreased to 9.93%. However, the total shareholding of Roland Oetker's (direct shareholdings plus shareholdings via ROI Verwaltungsgesellschaft mbH) has not decreased below 10% of the voting rights.

BVF purchased an option from TVM Capital to acquire up to 11,818,612 additional Evotec shares from the Company's two major shareholders, TVM Capital and ROI Verwaltungsgesellschaft mbH. Should this option be exercised in full before its expiration in February 2016, BVF could possess a total shareholding in Evotec of approximately 18%. In the financial year 2015, Evotec was last notified on 23 October 2015 by BVF Partners L.P. and affiliates that their total shareholdings in Evotec amounted to 14.99%.

The Company is not aware of any other direct or indirect shareholdings exceeding 10% of its share capital.

– 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 vital for Evotec to attract, grow and retain the most talented employees in the industry. This year one of the Company's priorities was to focus on integrating the employees of the new French site in Toulouse into the Evotec Group organisation. Therefore key information and important developments were communicated *via* prompt or regular company briefings in order to give all employees a better understanding of Evotec's broader strategy thus assuring continuity and consistency.

– Headcount

As of 31 December 2015, Evotec AG employed a total of 298 people. This is an absolute increase of 21 or nearly 8% compared to the prior year, which mainly reflects the expansion of the Company's drug discovery resources and capabilities in every research area.

Approximately 36% 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 2015 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 2015, Evotec employed individuals of 17 nationalities possessing a rich diversity of skills, capabilities, backgrounds and experiences. This diversity brings a range of perspectives and ideas to the workplace. Women account for 66% 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.

– Education and training

In 2015, the Company continued to offer training programmes in different areas. Focus was given to additional Lean Green Belt training. Lean is a structured intuitive problem-solving methodology that relies on a collaborative team effort to continuously improve quality and performance for the benefit of the customer. The Green Belt training course provides employees with the tools and the skills to lead Lean improvement projects with the goal of making business processes at the Company as effective as efficient as possible. All Green Belts currently have projects assigned to them which are in various stages of completion.

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. To further support the development and training of the Company's employees, Evotec created and recruited a new position of head of talent management in 2015.

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.

– 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") In 2015, three measurements –revenues, operating income before impairments and share price – were agreed by the Supervisory Board as they are considered the indicators that will drive shareholder value and ensure the future success of Evotec.

Procurement and facility management in 2015

In 2015, the procurement function at Evotec continued to implement the mid-term procurement strategy established in 2013. The main pillars of this strategy are the development of strategic partners, efficiency improvements and cost control. 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.

2015 saw the further development and fit-out of the Manfred Eigen Campus to support the continued growth of the business. In order to further increase operational capacity several administrative functions and operational leaders were moved 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 Company. 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 at an early stage. Where possible, Evotec's Management Board responds to these risks and opportunities by implementing corrective or supportive measures.

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 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 key financial performance drivers such as revenues, order book status and gross margins as well as careful cost analysis and cash and cash forecasts. 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 only made in products that have an investment grade rating. The Management Board is directly involved in all key decisions concerning financial assets and man-

ages all business activities and transactions considered to be material for the Company.

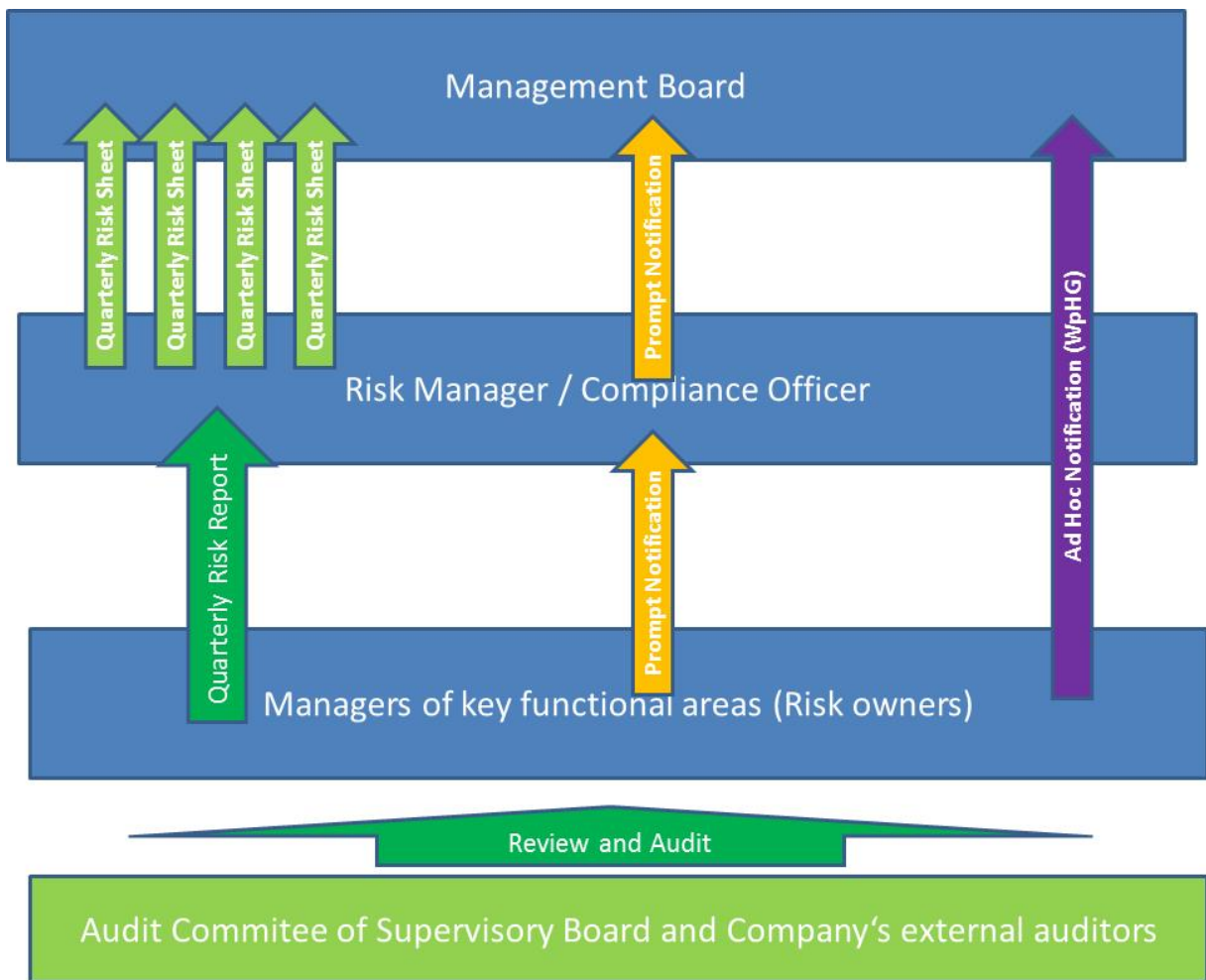
To cover other risks associated with the Company's business, including those that would not have a short-term financial impact, Evotec performs regular commercial project portfolio reviews. Strict application of project and investment approval processes, legal contract reviews and signing authorities 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 Relations" 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.

Internal controls over financial reporting

Section 91 paragraph 2 of the German Stock Corporation Act (AktG) in conjunction with 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 independent third party expert annually. These assessments identified no material weaknesses in 2015 and all detected deficiencies were addressed and either remediated immediately or remediation was initiated. 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
- 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 pension provisions 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 application of the risk management systems cannot completely guarantee the accurate, complete and timely recording of facts in 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, IP risks, legal risks, human resources "HR" risks and IT risks.

Unless stated otherwise, the risks mentioned below are unchanged in comparison to 2014.

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.

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
Business environment and industry risks			
a. Risk inherent to drug discovery alliances			
Pricing pressure	medium	medium	unchanged
b. Risk inherent to proprietary drug discovery and development			
Risk of failure	high	medium/high	unchanged
Risk of extensive regulation	medium	low	unchanged
Product liability claims	low	high	unchanged
Performance-related risks			
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
Commercial risks			
Changing market environment	low	medium	unchanged
Dependence on individual out-licensing events	medium	medium	unchanged
Outperformance by competitors	low	medium	unchanged
Strategic risks			
Implementation and achievement of strategic goals	medium	high	unchanged
Risk from M&A	low/medium	medium/high	unchanged
Financial risks			
Liquidity risks	low/medium	medium/high	unchanged
Default risks	low	medium/high	unchanged
Currency risks	medium	medium	unchanged
IP risks			
Dependence on technology patents and proprietary technology	low/medium	medium/high	unchanged
Dependence on licences granted for partnered assets	low	medium/high	unchanged

Legal risks	low	low	unchanged
HR risks			
Dependence on key personnel	low	medium	unchanged
IT risks			
Loss of data	low	medium/high	unchanged
Data integrity and protection	low	medium	unchanged
Other risks			
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 2014.

– 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 currently 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. Howev-

er, 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.

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 USA 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 need to be managed carefully. In addition, dependence on individual large customer contracts needs to be closely monitored. In 2015, Evotec's largest customer accounted for 23% of third party revenues (see the "Top 10 collaborations" table on page 9 of this Management Report).

> 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 ac-

ceptance 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.

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 relating to certain of its proprietary pre-clinical research 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

In 2015, Evotec has not encountered any legal risks that are considered to be significant.

– 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 person-

nel 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 in this area is currently foreseen.

– IT risks

> Evotec's business processes and the communications are increasingly dependent on information technology systems. Major disruptions or failure of 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 of and unauthorised access to sensitive data, 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 discusses this regularly with the Management. Where weaknesses are identified, remediation measures are initiated immediately.

– 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 develop-

ment 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

One major pillar of Evotec's strategic plan is the creation of an extensive, long-term pharmaceutical pipeline without taking the financial risk of clinical exposure. Evotec and its subsidiaries have 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 several 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. This was demonstrated in 2015, when Evotec acquired a state-of-the-art scientific and technological drug discovery site in Toulouse (France) from Sanofi.

– 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, either directly or through intercompany support work, key indicators of Evotec's business. These key indicators have improved significantly during the last five years. During its more than 20-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 directly with approximately 32 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 points 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 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 23 of this Management Report, approximately 36% 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 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

According to the World Bank, global growth is projected to increase in the coming years, but at a slower pace than envisioned in June 2015, reaching 2.9% in 2016 and 3.1% in 2017-18. Economic growth in the USA is expected to amount to 2.7% in 2016, up from 2.5% in 2015. The forecast for Eurozone growth in 2016 is projected to rise at 1.7%. This would mark a modest acceleration from 1.5% in 2015. The main reason for the downgrade of the global growth is the weak performance

of major emerging market economies, which could have substantial spill-overs to other developing economies and eventually hold back the recovery in advanced economies. 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 Visiongain (2015), the global drug discovery market including later-stage *in vivo* work is expected to reach \$ 27.1 bn in 2019. Also, according to Visiongain, by 2025 total global revenues generated by drug discovery outsourcing could even reach \$ 41.2 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 be met increasingly by companies such as Evotec.

As a result of the overall outsourcing trend in the pharmaceutical industry, big alliance partners are favoured regarding larger strategic research contracts due to their 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 has the critical mass and highly experienced drug discovery expertise to undertake integrated drug discovery projects. In addition, the Company has an outstanding track record in the industry and is financially stable.

– Trends in research and development

In recent years there has been a significant increase in the number and proportion of innovations originating from smaller companies in the pharmaceutical and biotechnology industry. The year 2015 was another strong year for the industry in terms of the level of FDA approvals and the number of significant Pharma licensing transactions, particularly in the immuno-oncology field. It is expected that 2016 will be another strong year for the industry with a high number of deals being concluded.

Business direction and strategy

Evotec's strategy is to continuously increase the value of the Company by expanding its leadership position in high-quality drug discovery solutions as well as building an ever growing project portfolio of innovative first- and best-in-class assets.

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 2016 were defined at the end of 2015.

EVT Execute	EVT Innovate
<ul style="list-style-type: none"> • New long-term deals with large and mid-sized Pharma, foundations and biotech • New integrated technology/disease alliance • Milestones from existing alliances 	<ul style="list-style-type: none"> • Strong progress of pipeline within partnerships • Expansion of network of top-class academic alliances • Partnering of Cure X/Target X initiatives

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 2016 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 2016

As stated in the "Performance measurement" chapter on page 7 of this Management Report, revenues, adjusted EBITDA and liquidity are key performance indicators of Evotec AG.

– 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 2016, Evotec expects **revenue** to be on the par of the past financial year. Growth is currently not expected. This assumption is based on the current order situation, expected milestones, foreseeable new contracts and contract extensions.

Adjusted EBITDA will depend on the productivity of its drug discovery business. A positive adjusted EBITDA in form of a one-digit million range is expected for 2016.

Adjusted EBITDA 2015 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 2016. In 2016, these costs are expected to be on par with 2015.

Actual results may deviate considerably from these projections.

– Expected financing and financial position

In 2016, Evotec will continue to make investments, in order to maintain current standards and also to drive partial growth. € 1.5–2.5 m is the amount pledged for **capital expenditures**, representing a similar level to 2015. 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 2015. Further sums for financing subsidiaries are to be expected in 2016.

Evotec should be well-equipped with sufficient liquid funds in 2016. Expected **liquidity** amounts to more than € 60.0 m, 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 threshold positively.

	Results 2015	Guidance 2016
Revenues	€ 57.2 m	On a par with 2015
Adjusted EBITDA	€ -9. 5 m	Positive result in form of a one-digit million range
Capital expenditure	€ 2.0 m	€ 1.5 - 2.5 m
Liquidity	€ 61.0 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 25 of this Management 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.

The Management Board is convinced that Evotec will benefit by the trend of outsourcing in the pharma industry. On this basis, the Management Board expects Evotec to show strong revenue growth and a significantly improved positive adjusted EBITDA in 2016. 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.

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; '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 23 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 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 none of the subsequent AGMs as the remuneration system for the Management Board has not changed.

In 2015, the fixed and one-year variable remuneration of the active members of the Management Board totalled kEUR 2,365, of which the variable part amounted to kEUR 930. The remuneration for Dr Mario Polywka was not paid by Evotec but is rather recharged as management fee by another Group company.

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.

One-year 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 2015 was based on the achievement of certain strategic targets for the financial year 2014. The variable portion of the remuneration for the achievement of strategic targets for the financial year 2015 will be paid out in March 2016. In 2015, the bonus paid to Dr Werner Lanthaler, Colin Bond, Dr Cord Dohrmann and Dr Mario Polywka was based on the achievement of the achievement of corporate milestones and objectives. In addition, a transaction bonus was granted to each Management Board member for the successful acquisition of Evotec (France). For the financial year 2015, the bonus accrued for the Company's Management Board was solely based on the achievement of corporate milestones and objectives. As per 31 December 2015, the Company had accrued a total of kEUR 754 for the variable portion of the remuneration paid to the members of the Management Board, thereof kEUR 289 for Dr Werner Lanthaler, kEUR 140 for Colin Bond, kEUR 153 for Dr Cord Dohrmann and kEUR 172 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 2014 and 2015 corporate objectives related to targets considered important for the positive development of the Company, such as the achievement of revenue and profitability targets, the execution of significant integrated collaboration agreements for both business segments, the preparation of the Company for sustainable future growth, and for 2015 the closing and integration of the acquisition of Evotec (France) SAS in Toulouse.

In addition to their fixed and variable remuneration, the members of the Management Board received 338,382 Share Performance Awards ("SPA") in 2015 under

the Company's share performance plan. These SPAs vest after four years according to the achievement of defined key performance indicators over a three-year performance measurement period. SPAs can only be exercised, if and when key performance indicators are achieved. Key performance indicators for each individual tranche of the SPAs are determined by the Supervisory Board. The key performance indicators for the grant in 2015 are "Group Revenues", "Operating Income before Impairment" also related to Evotec group figures and "Share Price". The fair values of all Share Performance Awards granted as of the grant date amounted to a total of kEUR 910.

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	I				II				III				IV			
			Dr Werner Lanthaler				Colin Bond				Dr Cord Dohrmann				Dr Mario Polywka			
			CEO				CFO				CSO				COO			
		2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	
d		Benefits granted (in t€)																
1		Fixed compensation	340	340	340	340	275	275	275	275	300	300	300	300	304	337	337	337
2		Fringe benefits	76	73	73	73	24	35	35	35	14	15	15	15	54	60	60	60
3		Total	416	413	413	413	299	310	310	310	314	315	315	315	358	397	397	397
4		One-year variable compensation*	119	256	-	510	48	221	-	165	61	224	-	180	57	229	-	202
5		Multi-year variable compensation	567	381	-	742	236	158	-	309	257	173	-	337	262	198	-	385
5a		Long-Term Incentive ("SPA", as described in the text above) (Plan term until 5 years after grant) (Number of SPA x fair market value)	567	381	-	742	236	158	-	309	257	173	-	337	262	198	0	385
6		Total	1,102	1,050	413	1,665	583	689	310	784	632	712	315	832	677	824	397	984
7		Service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8		Total	1,102	1,050	413	1,665	583	689	310	784	632	712	315	832	677	824	397	984

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)

* In 2015 an additional transaction bonus was granted to each Vorstand member for the successful acquisition of Evotec (France)

a	b	Allocation (in T€)							
		Dr Werner Lanthaler		Colin Bond		Dr Cord Dohrmann		Dr Mario Polywka	
		CEO		CFO		CSO		COO	
c									
d		2015	2014	2015	2014	2015	2014	2015	2014
1	Fixed compensation	340	340	275	275	300	300	337	304
2	Fringe benefits	73	76	35	24	15	14	60	54
3	Total	413	416	310	299	315	314	397	358
4	One-year variable compensation*	256	119	221	48	224	61	229	57
5	Multi-year variable compensation	392	155	245	-	166	47	582	47
5a	Long Term Incentive ("SPA")	-	-	-	-	-	-	-	-
5b	Stock Option Programme 1999 (term until 2021)	-	-	-	-	-	-	13	21
5c	Stock Option Programme 2000 (term until 2015)	-	-	-	-	-	-	-	-
5d	Stock Option Programme 2001 (term until 2021)	-	-	-	-	-	-	13	26
5e	Stock Option Programme 2005 (term until 2017)	-	-	-	-	-	-	-	-
5f	Stock Option Programme 2007 (term until 2015)	-	155	-	-	-	-	-	-
5g	Stock Option Programme 2008 (term until 2017)	392	-	-	-	71	47	-	-
5h	Stock Option Programme 2011 (term until 2019)	-	-	245	-	95	-	556	-
6	Other	-	-	-	-	-	-	-	-
7	Total	1,061	690	776	347	705	422	1,208	462
8	Service cost	-	-	-	-	-	-	-	-
9	Total	1,061	690	776	347	705	422	1,208	462

- 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-h 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)
- * In 2015 an additional transaction bonus was granted to each Vorstand member for the successful acquisition of Evotec

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 kEUR 64 (2014: kEUR 62). No such further provisions are due for other former Management Board members or their surviving dependants.

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 AGM in 2015 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, the Chairman and the Vice Chairman 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 AGM, the fixed compensation is kEUR 30 per Supervisory Board member. The Chairman of the Supervisory Board shall be paid kEUR 75 and the Vice Chairman shall be paid kEUR 45. Supervisory Board members serving on its committees shall be paid kEUR 5 per committee membership; the chairman of a committee shall be paid kEUR 20.

For their contributions in 2015, the individual members of the Evotec Supervisory Board receive the following compensation:

Remuneration of the Supervisory Board 2015	
	Total remuneration in T€ ¹⁾
Prof. Dr Wolfgang Plischke	95
Bernd Hirsch	61
Dr Claus Braestrup	35
Prof. Dr Paul Linus Herrling	35
Prof. Dr Iris Löw-Friedrich	35
Dr Elaine Sullivan ²⁾	20
Dr Walter Wenninger ³⁾	22
Total	303

¹⁾ Cash remuneration

²⁾ Relates to the period from 09 June 2015 onwards, when elected to the Supervisory Board by the Evotec Annual General Meeting

³⁾ Relates to the period until 09 June 2015

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 kEUR 91 in 2015 (2014: kEUR 115). 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.

Hamburg, 14 March 2016

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 2015. 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, 14 March 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schepers
Wirtschaftsprüfer
German Public Auditor

Machner
Wirtschaftsprüfer
German Public Auditor