Translation of

Financial Statements as of 31 December 2019 and Management Report

Evotec SE (formerly Evotec AG)
## Statement of financial position as of 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets</td>
<td>4,062,552.01</td>
<td>4,312,500.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. Property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Land, land rights and buildings, including buildings on third-party land</td>
<td>1,804,727.38</td>
<td>1,905,625.55</td>
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<td></td>
</tr>
<tr>
<td>2. Plant and machinery</td>
<td>17,732,420.10</td>
<td>11,304,209.06</td>
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<td></td>
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<tr>
<td>3. Other equipment, furniture and fixtures</td>
<td>1,055,981.29</td>
<td>983,017.87</td>
<td></td>
<td></td>
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<tr>
<td>4. Prepayments and assets under construction</td>
<td>1,118,311.05</td>
<td>503,679.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>2018</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Revenues</td>
<td>80,332,298.05</td>
<td>77,630,555.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Increase or decrease in unfinished goods and work in process</td>
<td>100,716.56</td>
<td>-726,796.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Other operating income</td>
<td>29,122,243.12</td>
<td>52,362,440.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof income from currency translation: EUR 3,468,010.55 (prior year: EUR 1,068,905.17)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Cost of materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Cost of raw materials, consumables and supplies and of purchased merchandise</td>
<td>11,150,489.17</td>
<td>8,471,573.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Cost of purchased services</td>
<td>19,691,769.80</td>
<td>23,810,646.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Personnel expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Wages and salaries</td>
<td>27,372,252.45</td>
<td>22,411,017.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Social security, pension and other benefit costs</td>
<td>4,369,169.60</td>
<td>3,568,045.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof for old-age pensions: EUR 20,194.05 (prior year: EUR 4,195.55)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Amortization, depreciation and write-downs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) of intangible assets and property, plant and equipment</td>
<td>3,721,182.66</td>
<td>3,398,781.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) on current assets to the extent that it exceeds the usual depreciations in the corporation</td>
<td>700,000.00</td>
<td>0.00</td>
<td></td>
<td></td>
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<tr>
<td>7. Other operating expenses</td>
<td>27,813,896.84</td>
<td>20,540,987.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof expenses from currency translation: EUR 3,172,448.36 (prior year: EUR 2,025,800.90)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Income from investments</td>
<td>18,044,634.76</td>
<td>17,521,436.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof from affiliates: EUR 18,044,634.76 (prior year: EUR 17,521,436.75)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Other interest and similar income</td>
<td>3,843,862.05</td>
<td>2,188,238.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof from affiliates: EUR 2,780,645.71 (prior year: EUR 1,916,662.02)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Write-downs of financial assets and securities classified as current assets</td>
<td>4,589,917.04</td>
<td>565,455.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Interest and similar expenses</td>
<td>4,365,419.81</td>
<td>2,743,883.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof to affiliates: EUR 479,536.64 (prior year: EUR 780,786.38)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Income taxes</td>
<td>106,914.00</td>
<td>-9,472.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Income after tax/net income</td>
<td>27,562,743.17</td>
<td>63,474,956.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Net loss carried forward</td>
<td>103,511,137.67</td>
<td>166,986,094.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Accumulated loss</td>
<td>-75,948,394.50</td>
<td>-103,511,137.67</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Evotec SE (formerly Evotec AG), Hamburg

Notes to the Financial Statements for the year 2019

I. General Information

Evotec SE, hereinafter referred to as „Evotec“ or „the company“, is classified as a 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 income statement is presented according to the total cost method (section 275 paragraph 2 HGB).

Since 28 October 2009, the company is listed on the Frankfurt Stock Exchange’s TecDAX index and additionally on the MDAX at the Frankfurt stock exchange since 24 September 2018.

By decision of the Annual General Meeting on June 20, 2018 and in accordance with the conversion plan of April 25, 2018, Evotec AG was converted into Evotec SE by way of a change of legal form. The entry in the commercial register was made on March 29, 2019.

To improve the clarity of the statement, we summarized particular items of the balance sheet and the income statement. These items are disclosed and commented separately in the notes. For the same reason, we also indicate in the notes whether individual items are related to other balance sheet accounts and “thereof” items.

II. Register Information

The company registered under the commercial firm name Evotec with place of business in Hamburg in the Commercial Registry of Hamburg with HRB 156381.

III. Basis of Presentation, Accounting and Valuation Practices

The presentation system applied for the income statement 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. 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 fair values will be impaired 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 applied as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>10-15</td>
</tr>
<tr>
<td>Technical equipment and machinery</td>
<td>5-10</td>
</tr>
<tr>
<td>Factory and office equipment</td>
<td>5-10</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2-10</td>
</tr>
<tr>
<td>Computer equipment and software</td>
<td>3</td>
</tr>
</tbody>
</table>

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

**Financial assets** are recorded at historical cost less impairment 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.

**Other 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. Foreign cash and cash equivalents are converted at period-end exchange rates.

**Treasury 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 was recognized within the profit and loss. In the amount of treasury shares the company booked a reserve.

**Provision for pension accruals and similar obligations** have been estimated using the Projected Unit Credit-method with an interest rate of 2.72% p. a. (2018: 3.21% p. a.) and under consideration of Prof. Dr. Klaus Heubeck’s reference tables (“Richttafeln”) issued in October 2018. The interest rate is equivalent to an average market interest rate over the last ten 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 1.5% p.a. (2018: 1.5% p.a.).

**Other provisions and tax provisions** 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 and deferred** income 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.

The thereof-comments declared in the Statement of Operations relating to **currency results** include both realized and unrealized foreign exchange effects.

### IV. Comments on the Balance Sheet

#### 1. Fixed assets

The development of the fixed assets is specified on a gross basis in the statement of changes in fixed assets (see page 6) and includes historic cost and manufacturing cost of assets and the respective accumulated depreciations.
### 2. Financial assets

As at the balance sheet date of 31 December 2019, Evotec held equity investments in the following companies:

<table>
<thead>
<tr>
<th></th>
<th>Total equity</th>
<th>Share interest</th>
<th>Net income/loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TEUR</td>
<td>%</td>
<td>TEUR</td>
</tr>
<tr>
<td>1</td>
<td>Evotec (Hamburg) GmbH, Hamburg*</td>
<td>12,678</td>
<td>100.00</td>
</tr>
<tr>
<td>2</td>
<td>Evotec International GmbH, Hamburg (indirectly through 1.)</td>
<td>-36,325</td>
<td>100.00</td>
</tr>
<tr>
<td>3</td>
<td>Evotec (UK) Ltd., Abingdon, UK</td>
<td>39,367</td>
<td>100.00</td>
</tr>
<tr>
<td>4</td>
<td>Evotec (US) Inc., Princeton, USA*</td>
<td>-12,432</td>
<td>100.00</td>
</tr>
<tr>
<td>5</td>
<td>Just-Evotec Biologics, Seattle, USA (indirectly through 4.)*</td>
<td>10,241</td>
<td>100.00</td>
</tr>
<tr>
<td>6</td>
<td>J.POD-Evotec Biologics Inc., Seattle, USA (indirectly through 4.)*</td>
<td>0</td>
<td>100.00</td>
</tr>
<tr>
<td>7</td>
<td>Evotec (India) Private Limited, Maharashtra (Thane), Indien **</td>
<td>-101</td>
<td>100.00</td>
</tr>
<tr>
<td>8</td>
<td>Evotec (München) GmbH, München*</td>
<td>2,587</td>
<td>100.00</td>
</tr>
<tr>
<td>9</td>
<td>Evotec (France) SAS, Toulouse, Frankreich</td>
<td>84,005</td>
<td>100.00</td>
</tr>
<tr>
<td>10</td>
<td>Cyprotex Ltd., Manchester, UK*</td>
<td>-3,758</td>
<td>100.00</td>
</tr>
<tr>
<td>11</td>
<td>Cyprotex Discovery Limited, Manchester, UK (indirectly through 10.)*</td>
<td>15,202</td>
<td>100.00</td>
</tr>
<tr>
<td>12</td>
<td>Cyprotex US LLC, Watertown, USA (indirectly through 10.)*</td>
<td>-4,113</td>
<td>100.00</td>
</tr>
<tr>
<td>13</td>
<td>Aptuit Global LLC, Princeton, USA*</td>
<td>32,167</td>
<td>100.00</td>
</tr>
<tr>
<td>14</td>
<td>Aptuit (Switzerland) AG, Basel, Schweiz**</td>
<td>223</td>
<td>100.00</td>
</tr>
<tr>
<td>15</td>
<td>Aptuit (Potters Bar) Limited, Abingdon, UK*</td>
<td>3,163</td>
<td>100.00</td>
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<tr>
<td>16</td>
<td>Aptuit (Verona) SRL, Verona, Italien (indirectly through 13.)</td>
<td>52,742</td>
<td>100.00</td>
</tr>
<tr>
<td>17</td>
<td>Aptuit (Oxford) Ltd., Abingdon, UK (indirectly through 13.)*</td>
<td>10,807</td>
<td>100.00</td>
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<tr>
<td>18</td>
<td>Eternygen GmbH, Berlin*</td>
<td>261</td>
<td>24.97</td>
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<tr>
<td>19</td>
<td>FSHD Unlimited Coorp, Leiden, Niederlande*</td>
<td>4,408</td>
<td>21.12</td>
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<tr>
<td>20</td>
<td>ExScientia Ltd., Dundee, UK*</td>
<td>26,434</td>
<td>23.21</td>
</tr>
<tr>
<td>21</td>
<td>Breakpoint Therapeutics GmbH, Hamburg*</td>
<td>22,822</td>
<td>48.60</td>
</tr>
<tr>
<td>22</td>
<td>Carrick Therapeutics Group, Oxford, UK*</td>
<td>-55,740</td>
<td>4.29</td>
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<tr>
<td>23</td>
<td>Immunitas Therapeutics Inc., Cambridge, UK*</td>
<td>21,278</td>
<td>6.44</td>
</tr>
</tbody>
</table>

* 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 2019 for the annual profit or loss statement.
The investment in Aptuit (Switzerland) AG was written down by kEUR 4,522 in 2019. The impairment is expected to be permanent.
Statement of changes in fixed assets for fiscal year 2019

<table>
<thead>
<tr>
<th></th>
<th>Acquisition and production cost</th>
<th></th>
<th>Accumulated amortization, depreciation and write-downs</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Jan 2019 Adding</td>
<td>Disposals</td>
<td>Reclassifications</td>
<td>31 Dec 2019 Adding</td>
</tr>
<tr>
<td></td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>I. Intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets</td>
<td>9,855,173.90</td>
<td>66,243.26</td>
<td>0.00</td>
<td>18,074.54</td>
</tr>
<tr>
<td>II. Property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Land, land rights and buildings, including buildings on third-party land</td>
<td>3,762,216.16</td>
<td>259,006.49</td>
<td>0.00</td>
<td>13,400.67</td>
</tr>
<tr>
<td>2. Plant and machinery</td>
<td>28,700,227.78</td>
<td>2,261,759.97</td>
<td>302,987.95</td>
<td>284,059.89</td>
</tr>
<tr>
<td>3. Other equipment, furniture and fixtures</td>
<td>4,696,646.97</td>
<td>988,078.70</td>
<td>22,513.94</td>
<td>102,738.96</td>
</tr>
<tr>
<td>4. Prepayments and assets under construction</td>
<td>503,679.66</td>
<td>1,102,586.25</td>
<td>69,680.20</td>
<td>-418,274.06</td>
</tr>
<tr>
<td></td>
<td>37,624,770.57</td>
<td>4,612,431.41</td>
<td>395,182.09</td>
<td>-18,074.54</td>
</tr>
<tr>
<td>III. Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Shares in affiliates</td>
<td>344,939,657.06</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2. Investments</td>
<td>27,978,087.33</td>
<td>6,711,160.35</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>372,917,744.39</td>
<td>6,711,160.35</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>420,397,688.86</td>
<td>11,389,835.02</td>
<td>395,182.09</td>
<td>0.00</td>
</tr>
</tbody>
</table>
3. **Inventories**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials, consumables and supplies</td>
<td>742</td>
<td>896</td>
</tr>
<tr>
<td>Work in progress</td>
<td>167</td>
<td>268</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>909</strong></td>
<td><strong>1,164</strong></td>
</tr>
</tbody>
</table>

The raw materials mainly include compound libraries amounting to kEUR 569 (2018: kEUR 745) as at 31 December 2019.

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

4. **Trade receivable and other assets**

**Trade receivables**

As in 2018, the accounts receivable are completely due within one year.

**Accounts Receivables from affiliates**

<table>
<thead>
<tr>
<th></th>
<th>&lt; 1 year</th>
<th>&gt; 1 year</th>
<th>total</th>
<th>&lt; 1 year</th>
<th>&gt; 1 year</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kEUR</td>
<td>kEUR</td>
<td>kEUR</td>
<td>kEUR</td>
<td>kEUR</td>
<td>kEUR</td>
</tr>
<tr>
<td>Evotec (India) Private Ltd.</td>
<td>561</td>
<td>0</td>
<td>561</td>
<td>561</td>
<td>0</td>
<td>561</td>
</tr>
<tr>
<td>Evotec International GmbH</td>
<td>5,640</td>
<td>25,180</td>
<td>30,820</td>
<td>3,829</td>
<td>0</td>
<td>3,829</td>
</tr>
<tr>
<td>Evotec (München) GmbH</td>
<td>41</td>
<td>0</td>
<td>41</td>
<td>0</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Evotec (US) Inc.</td>
<td>5,354</td>
<td>69,637</td>
<td>74,991</td>
<td>0</td>
<td>16,824</td>
<td>16,824</td>
</tr>
<tr>
<td>Evotec France (SAS)</td>
<td>174</td>
<td>0</td>
<td>174</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Evotec ID (Lyon) SAS</td>
<td>69</td>
<td>0</td>
<td>69</td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Cyprotex Ltd.</td>
<td>0</td>
<td>8,037</td>
<td>8,037</td>
<td>78</td>
<td>8,820</td>
<td>8,898</td>
</tr>
<tr>
<td>Cyprotex Discovery Ltd.</td>
<td>59</td>
<td>0</td>
<td>59</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cyprotex LLC</td>
<td>8</td>
<td>0</td>
<td>8</td>
<td>24</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Just- Evotec Biologics</td>
<td>75</td>
<td>4,394</td>
<td>4,469</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>JPd-Evotec Biologics</td>
<td>10</td>
<td>9,106</td>
<td>9,116</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Aptuit (Verona) SRL</td>
<td>177</td>
<td>0</td>
<td>177</td>
<td>373</td>
<td>691</td>
<td>1,064</td>
</tr>
<tr>
<td>Aptuit Global LLC</td>
<td>161</td>
<td>3,516</td>
<td>3,677</td>
<td>23</td>
<td>3,595</td>
<td>3,618</td>
</tr>
<tr>
<td>Aptuit (Oxford) Ltd.</td>
<td>793</td>
<td>9,028</td>
<td>9,821</td>
<td>385</td>
<td>9,068</td>
<td>9,453</td>
</tr>
<tr>
<td>Aptuit (Switzerland) AG</td>
<td>1,000</td>
<td>0</td>
<td>1,000</td>
<td>34</td>
<td>2,269</td>
<td>2,303</td>
</tr>
<tr>
<td>Aptuit (Potters Bar) Ltd.</td>
<td>6</td>
<td>0</td>
<td>6</td>
<td>8</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,128</td>
<td>128,898</td>
<td>143,026</td>
<td>5,321</td>
<td>41,767</td>
<td>47,088</td>
</tr>
</tbody>
</table>

7/19
Accounts Receivables from affiliates include trade receivables in an amount of kEUR 7,488 (2018: kEUR 4,821) and receivables due to taxes paid of kEUR 1,073 (2018: kEUR 0). The remaining kEUR 134,465 (2018: kEUR 42,267) include loans which were granted by Evotec.

Due to the indebtedness of Evotec International GmbH in previous years, the receivables were impaired. In 2019, an appreciation in the amount of kEUR 25,180 was recorded; in prior year kEUR 51,069 were appreciated.

Receivables against Aptuit (Switzerland) AG were depreciated by kEUR 700 in 2019.

Other assets

With the exception of deposits of EUR 427 thousand (2018: kEUR 420), the other assets have a remaining maturity of less than one year.

5. Other securities

The other securities 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.

6. Cash and cash equivalents


7. Equity

The share capital of the company is classified into 150,902,578 shares with a par value of EUR 1.00 made out to bearer.

In 2018, an increase of nominal capital occurred due to the exercise of stock options of EUR 1,530,113.00 and was registered in the Commercial Registry in 2019. In 2019, the nominal capital increased due to the exercise of stock options of EUR 1,839,784,00. This entry in the Commercial Registry will be made in 2020.

Additionally the company held, due to the authorisation of the Annual General Meeting on the 16 June 2011 and according to section 71 paragraph 1 no. 8 AktG, own shares. On 12 March 2012, 1,328,624 own former Renovis, Inc. transferred shares with a nominal value of EUR 1,328,624.00. 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 2017, the shares represented 0.02% of the share capital. As at 31 December 2019, 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 150,652,663.00 including the capital increases and excluding the own shares. As at 31 December 2019, these shares represented 0.17% of the share capital.

The remaining approved capital amounted to EUR 29,332,457.00 equal to 29,332,457 shares as at 31 December 2019.

The conditional capital as of 31 December 2019 consists of 8,815,190 shares available with respect to the share performance plan and the stock option plans and 29,959,289 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 2019 amounts to 38,774,479 shares.

The accumulated loss represents EUR 75,948,394.50 on 31 December 2019.

The capital reserves rose due to the exercised stock options by EUR 61,500.00 to EUR 243,587,164.27.

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

According to section 33 WpHG Evotec has received the following voting rights notifications in the expired financial year.

<table>
<thead>
<tr>
<th>Date</th>
<th>Notifier</th>
<th>Triggering event</th>
<th>Threshold crossed or reached</th>
<th>Total amount of voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>09.01.2019</td>
<td>BlackRock, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of shares</td>
<td>None</td>
<td>3.36%</td>
</tr>
<tr>
<td>12.03.2019</td>
<td>Goldman Sachs Group, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of shares</td>
<td>None</td>
<td>4.55%</td>
</tr>
<tr>
<td>03.04.2019</td>
<td>Goldman Sachs Group, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments</td>
<td>5%</td>
<td>5.28%</td>
</tr>
<tr>
<td>23.08.2019</td>
<td>BlackRock, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of shares</td>
<td>None</td>
<td>3.27%</td>
</tr>
<tr>
<td>29.08.2019</td>
<td>Morgan Stanley, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments</td>
<td>5%</td>
<td>5.28%</td>
</tr>
<tr>
<td>10.09.2019</td>
<td>Goldman Sachs Group, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments</td>
<td>None</td>
<td>9.03%</td>
</tr>
<tr>
<td>25.09.2019</td>
<td>Goldman Sachs Group, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments</td>
<td>None</td>
<td>8.57%</td>
</tr>
<tr>
<td>22.10.2019</td>
<td>Morgan Stanley, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments, other reasons</td>
<td>None</td>
<td>5.80%</td>
</tr>
<tr>
<td>Date</td>
<td>Notifier</td>
<td>Triggering event</td>
<td>Threshold crossed or reached</td>
<td>Total amount of voting rights</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------------------------------------------</td>
<td>-------------------------------------------------------</td>
<td>------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>12.11.2019</td>
<td>Goldman Sachs Group, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of shares</td>
<td>None</td>
<td>7.53%</td>
</tr>
<tr>
<td>21.11.2019</td>
<td>Goldman Sachs Group, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments</td>
<td>None</td>
<td>7.83%</td>
</tr>
<tr>
<td>05.12.2019</td>
<td>T. Rowe Price Group, Inc., Baltimore, Maryland, USA</td>
<td>Acquisition/Disposal of shares</td>
<td>3%</td>
<td>3.12%</td>
</tr>
<tr>
<td>11.12.2019</td>
<td>DWS Investment GmbH, Frankfurt, Deutschland</td>
<td>Acquisition/Disposal of shares</td>
<td>5%</td>
<td>5.02%</td>
</tr>
<tr>
<td>17.12.2019</td>
<td>Morgan Stanley, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of shares, acquisition/disposal of instruments</td>
<td>10%</td>
<td>11.89%</td>
</tr>
<tr>
<td>18.12.2019</td>
<td>Morgan Stanley, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments, other reasons</td>
<td>None</td>
<td>12.08%</td>
</tr>
<tr>
<td>19.12.2019</td>
<td>Morgan Stanley, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments, other reasons</td>
<td>None</td>
<td>12.06%</td>
</tr>
<tr>
<td>20.12.2019</td>
<td>Morgan Stanley, Inc., Wilmington, Delaware, USA</td>
<td>Acquisition/Disposal of instruments</td>
<td>None</td>
<td>12.19%</td>
</tr>
<tr>
<td>23.12.2019</td>
<td>T. Rowe Price Group, Inc., Baltimore, Maryland, USA</td>
<td>Acquisition/Disposal of shares</td>
<td>5%</td>
<td>5.03%</td>
</tr>
</tbody>
</table>

8. **Provisions for pensions and similar obligations**

Pension accruals were set up according to a valuation by Mercer Germany GmbH, Hamburg 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 167 on 31 December 2019 (2018: kEUR 147).
The difference according to section 253 paragraph 3 HGB amounts kEUR 15 and is subject to a restriction in profit distribution.

9. Other provisions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus</td>
<td>3,247</td>
<td>2,643</td>
</tr>
<tr>
<td>Outstanding invoices</td>
<td>2,229</td>
<td>1,993</td>
</tr>
<tr>
<td>Interest</td>
<td>1,144</td>
<td>0</td>
</tr>
<tr>
<td>Currency derivatives</td>
<td>864</td>
<td>0</td>
</tr>
<tr>
<td>Unclaimed vacation</td>
<td>651</td>
<td>581</td>
</tr>
<tr>
<td>Interest derivatives</td>
<td>612</td>
<td>26</td>
</tr>
<tr>
<td>Supervisory board remuneration</td>
<td>480</td>
<td>305</td>
</tr>
<tr>
<td>Severance payment</td>
<td>242</td>
<td>0</td>
</tr>
<tr>
<td>Overtime Hours</td>
<td>236</td>
<td>128</td>
</tr>
<tr>
<td>Partial retirement</td>
<td>111</td>
<td>97</td>
</tr>
<tr>
<td>Year-End audit expenses</td>
<td>81</td>
<td>217</td>
</tr>
<tr>
<td>Others</td>
<td>788</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td><strong>10,685</strong></td>
<td><strong>6,190</strong></td>
</tr>
</tbody>
</table>

10. Liabilities

Liabilities to banks

As of 31 December 2019, the liabilities to banks amount to kEUR 331,004 (2018: kEUR 107,692). None of the loans are secured.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 1 year</td>
<td>1 to 5 years</td>
</tr>
<tr>
<td>kEUR</td>
<td>kEUR</td>
<td>kEUR</td>
</tr>
<tr>
<td>5,535</td>
<td>162,266</td>
<td>163,203</td>
</tr>
</tbody>
</table>

Liabilities to banks include a promissory note of kEUR 250,000. This is Evotec SE's first promissory note, which was issued in June 2019. The bond has a fixed and variable interest rate, with an average interest rate of less than 1.5%. The promissory note is divided into four tranches, with terms of 3, 5, 7 and 10 years. The transaction costs directly attributable to this legal transaction amount to kEUR 875.

Trade payables

As in 2018, the trade payable are completely due within one year.
Liabilities to affiliates

As of 31 December 2019 liabilities to affiliates completely result from trade payables with kEUR 1,150 (2018: kEUR 1,769). In the prior year there were also loan liabilities against Evotec (France) SAS in the amount of kEUR 27,378, Evotec (UK) Ltd. in the amount of kEUR 22,583 and against Evotec ID Lyon (SAS) in the amount of kEUR 10,000. None of the Liabilities are due more than 5 years.

Other Liabilities

Other liabilities mainly consist of a wage tax liability to the amount of kEUR 917 (2018: kEUR 1,473). As in 2018, all other liabilities are due within one year.

11. Deferred revenue

Deferred revenue mainly relate to current customer projects.

V. Comments on the Statement of Operations

1. Revenues

The company recorded revenues of kEUR 80,332 (2018: kEUR 77,631) through research and development services, thereof kEUR 48,409 with affiliated companies (2018: kEUR 37,365).

The external revenues amounted to kEUR 31,923 (2018: kEUR 40,266) including revenues from milestones of kEUR 3,000 (2018: kEUR 6,513) and rental income of kEUR 320 (2018: kEUR 311).

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

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States of America</td>
<td>26,648</td>
<td>25,825</td>
</tr>
<tr>
<td>Germany</td>
<td>4,329</td>
<td>9,641</td>
</tr>
<tr>
<td>Switzerland</td>
<td>103</td>
<td>583</td>
</tr>
<tr>
<td>Denmark</td>
<td>62</td>
<td>0</td>
</tr>
<tr>
<td>Austria</td>
<td>45</td>
<td>1,725</td>
</tr>
<tr>
<td>Belgium</td>
<td>17</td>
<td>209</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0</td>
<td>794</td>
</tr>
<tr>
<td>France</td>
<td>0</td>
<td>83</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>586</td>
<td>496</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>133</td>
<td>910</td>
</tr>
<tr>
<td>Total</td>
<td>31,923</td>
<td>40,266</td>
</tr>
</tbody>
</table>
2. Other operating income

<table>
<thead>
<tr>
<th></th>
<th>2019 kEUR</th>
<th>2018 kEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appreciation in value receivable loan</td>
<td>25,180</td>
<td>51,072</td>
</tr>
<tr>
<td>Currency gains</td>
<td>3,468</td>
<td>1,069</td>
</tr>
<tr>
<td>Income from reversal of accruals</td>
<td>184</td>
<td>99</td>
</tr>
<tr>
<td>Subsidies</td>
<td>88</td>
<td>97</td>
</tr>
<tr>
<td>Others</td>
<td>202</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td><strong>29,122</strong></td>
<td><strong>52,362</strong></td>
</tr>
</tbody>
</table>

The other operating income includes income for other accounting periods to the amount of kEUR 25,279, which are mainly related to the appreciation in value of receivable loan.

3. Cost of Materials

The costs of materials amount to kEUR 30,842 (2018: kEUR 32,282) in 2019, mainly resulting from costs of purchased services with affiliated companies to the amount of kEUR 19,110 (2018: 23,155).

4. Other operating expenses

<table>
<thead>
<tr>
<th></th>
<th>2019 kEUR</th>
<th>2018 kEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal and consultancy expenses</td>
<td>3,476</td>
<td>2,626</td>
</tr>
<tr>
<td>Rental expenses including related costs</td>
<td>3,447</td>
<td>2,279</td>
</tr>
<tr>
<td>Currency losses</td>
<td>3,172</td>
<td>2,026</td>
</tr>
<tr>
<td>Incidental wage costs</td>
<td>3,128</td>
<td>2,152</td>
</tr>
<tr>
<td>IT consumables and software</td>
<td>1,658</td>
<td>1,602</td>
</tr>
<tr>
<td>Service and maintenance</td>
<td>1,393</td>
<td>1,289</td>
</tr>
<tr>
<td>Write down of accounts receivable</td>
<td>1,092</td>
<td>0</td>
</tr>
<tr>
<td>Reconstruction / moving expenses</td>
<td>1,071</td>
<td>1,001</td>
</tr>
<tr>
<td>Bank fees</td>
<td>875</td>
<td>0</td>
</tr>
<tr>
<td>Royalty costs</td>
<td>781</td>
<td>574</td>
</tr>
<tr>
<td>Recruiting costs</td>
<td>752</td>
<td>360</td>
</tr>
<tr>
<td>Cost for services</td>
<td>600</td>
<td>774</td>
</tr>
<tr>
<td>Supervisory board remuneration</td>
<td>480</td>
<td>305</td>
</tr>
<tr>
<td>Insurance</td>
<td>475</td>
<td>486</td>
</tr>
<tr>
<td>Cleaning costs</td>
<td>443</td>
<td>310</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>421</td>
<td>116</td>
</tr>
<tr>
<td>Others</td>
<td>4,550</td>
<td>4,641</td>
</tr>
<tr>
<td></td>
<td><strong>27,814</strong></td>
<td><strong>20,541</strong></td>
</tr>
</tbody>
</table>
5. Currency result

In 2019, the company recorded income relating to unrealised FX effects to the amount of kEUR 1,144 (2018: kEUR 0) and expenses relating to unrealised foreign exchange effects amounting to kEUR 129 (2018: kEUR 110).

V. Other Information

Audit Fees

Concerning the audit fees, reference is made to the consolidated financial statements of Evotec.

Transactions with affiliated companies

There are no transactions with affiliated companies, which are not made in usual accordance market terms.

Employee Information

The average number of people employed by the company in 2019 was 408 (2018: 378). Thereof 88 employees serve in sales and administration functions (2018: 70).

Other financial obligations

The other financial obligations for 2019 mainly relate to obligations from service contracts, rent and leasing and add up to kEUR 21,336. The total amount of all existing obligations for the period 2020 to 2024 is kEUR 14,409. The other obligations for later periods add up to kEUR 6,927.

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 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. These payments depend on the achievement of particular revenues and the continuation of a customer project.

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

Evotec has signed a loan agreement with the European Investment Bank (EIB). In addition to fixed interest payments, the EIB will participate in potential future earnings from co-financed projects in the ten-year period from January 1, 2024 to December 31, 2033. The liability for
performance-based remuneration had not yet arisen on the reporting date. As of December 31, 2019, there was no value to it.

### Derivative financial instruments

<table>
<thead>
<tr>
<th></th>
<th>Nominal amount kEUR</th>
<th>Fair value kEUR</th>
<th>Book value kEUR</th>
<th>Balance sheet item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate transactions</td>
<td>56,250</td>
<td>55,638</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Currency transactions with third parties</td>
<td>26,705</td>
<td>27,747</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Currency transactions with affiliates</td>
<td>23,500</td>
<td>22,636</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

The interest rate transactions relate solely to interest rate swaps. The currency transactions comprise forward exchange contracts in USD and GBP.

A provision for potential losses of kEUR 1.476 (2018: kEUR 26) was recognized for open positions.

### Guarantees and Other Commitments

In order to mitigate the legal consequence of over-indebtedness of Evotec International GmbH (kEUR 36,325) Evotec issued a letter of comfort. The company does not expect this liability to be claimed, since the over-indebtedness materially relates to a loan liability in favour of Evotec.

In order to also mitigate the legal consequence of over-indebtedness of Cyprotex Ltd. (kEUR 3,758) Evotec issued a letter of comfort. The company does not expect this liability to be claimed either, since the over-indebtedness materially relates to a loan liability in favour of Evotec.

### 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);
Enno Spillner, Business Executive, Hamburg (Chief Financial Officer);
Dr Cord Dohrmann; Biologist, Göttingen (Chief Scientific Officer);
Dr Craig Johnstone, Chemist, Castillon-Savès, Frankreich (Chief Operating Officer)
The remuneration paid to the members of the Management Board in the financial year of 2019 totalled kEUR 3,930 (2018: kEUR 4,147) of which kEUR 903 (2018: kEUR 1,301) is a variable remuneration and of which kEUR 1,323 (2018: kEUR 1,266) is a remuneration with long-term incentive effect. The remuneration to board members includes kEUR 713 Dr. Craig Johnstone, which were not paid by the company, but are passed on as a management contribution by a group company. In 2019 kEUR 1,465 (2018: kEUR 1,548) from Share Performance Awards was recorded as current service costs. 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. The Supervisory Board approved respective scheme.

In addition to their fixed and variable remuneration, the members of the Management Board received 86,283 Share Performance Awards (SPA) in 2019 under the Company’s share performance plan (2018: 103,861). These Share Performance Awards vest after four years according to achievement versus defined key performance indicators over a three-year performance measurement period. The fair values of all Share Performance Awards granted as of the grant date amounted to a total of kEUR 1,323.

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 132 in 2019 (2018: kEUR 82) and were paid by the company.

Evotec accounted for a liability in favour of a former manager of the Evotec Biosystems GmbH for which Evotec 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 and Chairman of the Audit Committee of arGEN-X, Breda, the Netherlands, Non-Executive Member of the Board of Directors of AC Immune SA, Lausanne, Switzerland and Member of the Supervisory Board of Topas Therapeutics GmbH, Hamburg, Germany.

Dr Cord Dohrmann is Member of the Supervisory Board of Eternygen GmbH, Berlin, Germany and Non-Executive Member of the Board of Directors of FSHD Unlimited Coorp, Leiden, Netherlands.

Enno Spillner is Non-Executive Member of the Board of Directors und Chairman of the Audit Committee of Nanobiotix SA, Paris, France and Member of the Supervisory Board of Leon Nanodrugs GmbH, Munich, Germany.
Supervisory Board

Prof Dr Wolfgang Plischke, Aschau im Chiemgau, DE, former Member of the Management Board of Bayer AG (Chairman of the Supervisory Board);

Prof Dr Iris Löw-Friedrich, Ratingen, DE, Chief Medical Officer of UCB S.A. (since June 2019 Deputy Chairwoman of the Supervisory Board);

Bernd Hirsch, Neuler, DE, CFO of Bertelsmann SE & Co. KGaA (until June 2019 Deputy Chairman of the Supervisory Board);

Dr Claus Braestrup, Kopenhagen, DK, Advisor, former President and Chairman of the Management Board of Lunbeck A/S (until June 2019);

Michael Shalmi, Hellerup, DK, Advisor;

Dr Elaine Sullivan, London, UK, Advisor;

Dr Mario Polywka, Oxfordshire, UK, Advisor (since June 2019);

Roland Sackers, Köln, DE, CFO and Management Director of QIAGEN N.V. (since June 2019).

The remuneration paid to the members of the Supervisory Board in the financial year amounted to kEUR 480 (2018: kEUR 305). 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

Member of the Supervisory Board:
Bayer AG, Leverkusen/DE

Prof Dr Iris Löw-Friedrich

Member of the Supervisory Board:
Fresenius SE & Co. KGaA, Bad Homburg/DE
TransCelerate BioPharma Inc, King of Prussia/US

Member of the Board of Directors:
PhRMA Foundation, Washington DC/USA (since April 2019)

Bernd Hirsch

Director
Bertelsmann Inc., New York/US
RTL Group S.A., Luxembourg/LU
Penguin Random House LLC, New York/US

Member of the Supervisory Board:
Symrise AG, Holzminden/DE
Dr Claus Braestrup

Non-Executive Member of the Board of Directors:
Saniona AB, Malmö/SE
Kastan ApS, Frederiksberg/ DK

Michael Shalmi

Member of the Board of Directors:
Synlab Ltd., Marylebone/UK (until February 2019)
Momentum Gruppen A/S, Roskilde/DK
ERT HoldCo A/S, Hellerup/DK (until February 2019)
Xellia HolCo A/S, Kopenhagen/DK (until February 2019)
Novo Invest 1 A/S, Hellerup/DK (until February 2019)
ENV HoldCo A/S, Hellerup/DK (until February 2019)
Sonion HoldCo A/S, Roskilde/DK (until February 2019)
Active Biotech AB, Malmö/S (since May 2019)

Dr Elaine Sullivan

Member of the Supervisory Board:
IP Group plc, London/UK

Dr Mario Polywka

Member of the Board of Directors:
Forge Therapeutics Inc., San Diego/USA
Blacksmith Medicines Inc., San Diego/USA
Exscientia Ltd., Oxford/UK
Orbit Discovery Ltd., Oxford/UK

Roland Sackers

Member of the Board of Directors:
BIO Deutschland e.V., Berlin/DE

Subsequent events

No subsequent events occurred that require recognition or disclosure in the financial statements.

For more details on the impact of COVID-19 on Evotec, please refer to the “V. Risk and Opportunity Management” section of the Management Report and the “VI. Outlook”.

18/19
Other

The company has prepared Consolidated Financial Statements that qualify as statutory obligatory Consolidated Financial Statements pursuant to section 315e 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.

Hamburg, 23\textsuperscript{th} March 2020

Dr Werner Lanthaler  Dr Cord Dohrmann  Dr Craig Johnstone  Enno Spillner
Evotec SE (formerly Evotec AG)
Management Report for the
Financial Year 2019
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Evotec SE (formerly: Evotec AG)

I. Operations and business environment

Organisational structure and business activities

Evotec SE ("Evotec"), founded in 1993, is a publicly listed stock corporation operating under German law. Evotec AG was converted to Evotec SE on 29 March 2019 based on a decision taken at the Annual General Meeting ("AGM") 2018. The company is registered under the name Evotec SE under the commercial register number HRB 156381. The headquarters are in Hamburg.

Evotec SE (with its fully consolidated subsidiaries “Evotec Group” or “Group”) is the parent company of the Group.

Major operating subsidiaries of Evotec SE as of 31 December 2019


Business model

Evotec is a drug discovery and development solutions provider for a large network of partners in the life science industry, e.g. pharmaceutical and biotechnology companies, academic institutions, foundations and not-for-profit organisations. Evotec creates and connects innovative, proprietary technology platforms to identify and develop best-in-class and first-in-class differentiated new therapeutics for collaborators and for its own internal pipeline.

Evotec has a unique business model that allows the Company to act as a service provider for the life science industry (EVT Execute) while also running its own discovery and development projects in co-owned (i.e. risk-and-reward-sharing) models (EVT Innovate). Both segments operate on the same scientific platforms and share a common workforce.

Further information on Evotec’s dual business model can be found in the chapter “I. Operations and business environment - Corporate objectives and strategy” of this Management Report.
– Operating segments

**EVT Execute**

Evotec’s services in EVT Execute comprise stand-alone or integrated drug discovery and development solutions for customer-tailored therapeutics protected by the partners’ intellectual property. Services in this segment are typically provided on a fee-for-service basis.

**EVT Innovate**

In its other business segment EVT Innovate, Evotec leverages its proprietary technology platforms to develop new drug discovery projects, assets and platforms, both internally or through collaborations to create starting points for strategic partnerships with Pharma and leading biotech companies in return for upfront payments, ongoing research payments, and significant financial upside through milestones and royalties. Evotec does not take clinical development risks on its own but only within alliances.

– Evotec’s products and services

**Alliances and partnerships**

Evotec’s partners include directly or through Evotec International many of the Top 20 pharmaceutical companies, as well as biotechnology and mid-sized pharmaceutical companies, academic institutions, foundations and not-for-profit organisations. In 2019, Evotec continued to deliver on established, long-term partnerships and also entered into a number of significant new collaborations. An overview of Evotec’s Top customers in 2019 is given in the chart “Development of Top 10 collaborations” within chapter “I. Operations and business environment” of this Management Report. Further information on Evotec’s alliances and partnerships is provided in the chapter “I. Operations and business environment - Performance measurement” of this Management Report.

**Corporate objectives and strategy – re-defining the drug discovery paradigm**

Evotec and its affiliates have established a leading position as a preferred innovation partner in drug discovery and development for biotechnology and pharmaceutical companies, not-for-profit organisations and academic institutions. Revenue-generating partnerships provide near-term growth and profitability, while an ever-growing co-owned pipeline of potential first-in-class products is expected to generate additional substantial financial upside through achievement of success-based development and commercial milestones as well as royalties on product sales. This unique business model aims to continuously increase the value for shareholders.

– Action plan 2022: Leading External Innovation

Evotec Group’s strategy is based on a clear focus on highest quality science, superior platforms, and highly efficient processes that will lead to significant, long-term productivity improvements in the industry. In order to achieve this goal, the Group has been implementing strategic action plans: “Action Plan 2012 – Focus and Grow”, “Action Plan 2016 – Leadership in Drug Discovery Solutions”, and most recently “Action Plan 2022 – Leading External Innovation”, which was launched at the beginning of 2018. Three key cornerstones of these action plans are (i) to build a diverse and financially de-risked portfolio of co-owned, first-in-class clinical drug product opportunities with a broad range of partners in the pharmaceutical and biotech industry, (ii) to develop the next generation of drug discovery platforms that especially support the industry’s mega-trend towards more personalised and precision medicine, and (iii) to selectively participate in high-
potential ventures through strategic investments and company formations. During 2020 the Group will start to establish the cornerstones for its next strategic roadmap “Action Plan 2025 – From Patient to Patient”. This strategy update is expected to be implemented in 2021.

Furthermore, Evotec has built an industrialised platform which allows building patient derived assay systems and disease models through induced pluripotent stem cell ("iPSC") technology. Currently, Evotec has established 10 different cell types and the number of patient derived iPS cell lines amounts to around 240.

The Company’s 2019 specific objectives as well as major achievements in 2019 are summarised in the following table.

<table>
<thead>
<tr>
<th></th>
<th>Specific objectives for 2019</th>
<th>Major achievements in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EVT Execute</strong></td>
<td>• Continued support of strong growth and new integrated service alliances through Evotec’s subsidiaries.</td>
<td>• New alliances and strategic collaborations established through Evotec’s subsidiaries</td>
</tr>
<tr>
<td></td>
<td>• Milestones from existing alliances</td>
<td>• Multiple important milestones achieved, e.g. in Bayer</td>
</tr>
<tr>
<td><strong>EVT Innovate</strong></td>
<td>• Further development of iPSC (induced pluripotent stem cells) platform to support Evotec’s subsidiaries</td>
<td>• Successful support of Evotec’s subsidiaries in the Celgene collaboration in neurodegenerative diseases using the iPSC-platform</td>
</tr>
<tr>
<td><strong>Corporate</strong></td>
<td>• Corporate investing initiatives</td>
<td>• Successful placement of € 250 m promissory note in the capital market</td>
</tr>
</tbody>
</table>

The Company’s objectives defined for 2020 can be found in the chapter “VI. Outlook – Financial outlook for 2020” of this Management Report.

**Performance measurement**

**– Financial performance indicators**

Financial goals for the business, set by the Management Board, are continued growth, increased operating profitability and improved cash generation. The Company’s long-term key financial performance indicators are defined to support these goals. The key financial performance indicators are:

- Revenues
- Adjusted EBITDA: Evotec revised its “adjusted EBITDA” definition in 2019 with regard to impairments and reversal of impairments of intercompany assets. The adjusted EBITDA will also exclude revaluations of current intercompany receivables as these are extraordinary effects which are not in conjunction with the base business of Evotec. The revised definition is: EBITDA is defined as earnings before interest, taxes, depreciation of tangible assets and amortisation of intangible assets. The adjusted EBITDA excludes impairments and reversal of impairments on intangible assets, tangible assets and current and non-current intercompany assets.
Liquidity: Liquidity comprises cash on hand, central bank balances, bank balances and checks and other securities.

The Company’s performance is measured against budgeted financial targets and the prior-year performance. Evotec’s management performs monthly financial reviews with a strong emphasis on performance drivers such as revenues, sales and order book status, gross margins and adjusted EBITDA against these targets. In addition, the management reviews comprehensive cost data and analysis. Liquidity levels are monitored in comparison to the forecast and against defined minimum cash levels. Operating cash flows are reviewed on a regular basis with an emphasis on receipt of contract research revenues and milestones as well as on the management of capital expenditure. Balance sheet structure, equity ratio and net debt leverage are considered to manage the right balance of equity and debt financing tools being applied. Treasury management is undertaken on an ongoing basis with a focus on cash management and availability, foreign exchange (“FX”) and interest exposure, funding optimisation and investment opportunities. Value analysis based on discounted cash flow and net present value models are the most important financial evaluation and control criterion for Evotec’s investment decisions regarding merger and acquisition projects, equity investments and in-licensing opportunities.

-- Development of financial key performance indicators

The development of the key performance indicators is shown below.

<table>
<thead>
<tr>
<th></th>
<th>2018*</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>77,631</td>
<td>80,332</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>16,917</td>
<td>12,022</td>
</tr>
<tr>
<td>Liquidity</td>
<td>29,152</td>
<td>128,647</td>
</tr>
</tbody>
</table>

* Prior year numbers have been adjusted due to a change in definition of adjusted EBITDA, for further information see chapter "I. Operations and business environment - Performance measurement".

A reconciliation of Adjusted EBITDA with operating result can be found in the chapter “III. Finance - Results of operations” of the Management Report. The Company’s 2019 performance compared to planned figures can be found in the chapter “II. Report on economic position -Comparison of 2019 financial results with forecast” of this Management Report.
Non-financial performance indicators

Biotechnology is a primarily research-driven and employee-based industry. Consequently, financial information alone does not provide a comprehensive picture of the Company’s value creation and its future value potential. Therefore, Evotec’s management also applies non-financial performance indicators to manage the Company.

Quality of drug discovery and development solutions and performance in alliances

The vast majority of Evotec Group’s revenues is generated through alliances with Pharma and biotech companies, not-for-profit organisations and foundations. As Evotec mainly supports affiliated companies with their scientific expertise and with their technologies the revenues of Evotec are linked to the revenues of Evotec Group. Thus, the most important non-financial performance indicators for Evotec are the quality of its drug discovery and development solutions and its performance within its customer alliances and overall customer satisfaction.

These indicators can be measured by the total number, growth and size of customer 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 and its affiliates have continually delivered excellent results in existing programmes and have expanded its customer base and its global network of partnerships. The Group now works with approximately 769 partners across the industry.

Development of Evotec’s alliances*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total customers</strong></td>
<td>31</td>
<td>24</td>
</tr>
<tr>
<td><strong>Number of external customers</strong></td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td><strong>Number of external customers &gt; € 1 m revenues</strong></td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td><strong>New external customers in the year</strong></td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

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

Development of Top 10 collaborations*)

<table>
<thead>
<tr>
<th>In k EUR</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOP 3</strong></td>
<td>56,255</td>
<td>68,513</td>
</tr>
<tr>
<td><strong>TOP 4-10</strong></td>
<td>17,785</td>
<td>11,461</td>
</tr>
<tr>
<td><strong>Total Top 10 revenue</strong></td>
<td>74,040</td>
<td>79,974</td>
</tr>
<tr>
<td><strong>Growth in %</strong></td>
<td>4%</td>
<td>8%</td>
</tr>
</tbody>
</table>

* TOP 3 Customer overview is based on 2019 revenue rating

The number of external customers decreased in 2019 to 16 external customers (2018: 23 external customers) as new external contracts are mainly closed with Evotec’s subsidiary Evotec International GmbH. The number of external customers with which Evotec SE generates more than € 1m of revenues per year amounts to 4 (2018: 7). Evotec’s number one customer in 2019 was Evotec International GmbH with € 44.6 m revenues (2018: € 33.1 m). Revenues with the Top 3 customers increased by 21.8% to € 68.5 m compared to 2018. Evotec’s repeat business, as defined by the percentage of 2019 revenues coming from customers that the Company already had in the previous years, is about 100%.
**Intellectual Property**

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

Evotec reviews its patent portfolio regularly and decides whether to maintain or to withdraw its patent applications and patents. These decisions are based on the importance of such intellectual property for maintaining Evotec’s competitive position and for delivering on its strategy. As of 31 December 2019, besides two patent families jointly filed with third parties, Evotec has several 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 platform, Evotec owns a patent estate for molecular detection and other platform technologies. Furthermore, Evotec has developed a number of patent-protected biological assays, e.g. methods to measure the chemical or biological activity of any combination of targets and compounds.

The Company monitors its EVT Innovate research activities in order to identify patentable drug candidate series with the potential for partnering. Numerous patent applications have been generated and filed as a result of such activities.

**Employees**

As of 31 December 2019, Evotec employed a total of 437 employees (prior year end: 390). This represents an increase of 12% compared to prior year’s end. This growth reflects both the Company’s organic growth as well as a raised demand for administrative support, especially in the light of the recent acquisitions. Overall, Evotec has grown by 47 (absolute number) employees in 2019.

Across all functions, new employees were hired to further increase the Company’s capacity and to provide best-in-class service to Evotec’s partners and clients.

---

1 This section of the management report is not subject to audit.
II. Report on economic position

Comparison of 2019 financial results with forecast

<table>
<thead>
<tr>
<th></th>
<th>Forecast report 2018</th>
<th>Final result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Similar level as 2018</td>
<td>+3.5 %</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>Positive result in one digit million range</td>
<td>€ 12.0 m</td>
</tr>
</tbody>
</table>

As written in the outlook section of the Management report 2018, Evotec expected revenues for the financial year 2019 to be on similar level compared to 2018. Evotec ended the financial year 2019 with revenues of € 80.3 m (2018: € 77.6 m). This corresponds to an increase of 3.5% in comparison to 2018 and to the guidance. The increase in revenues is mainly driven by a revenue increase with the affiliated Evotec International GmbH in 2019 (2019: € 44.6 m; 2018: € 33.1 m) as new contracts and contract extensions have been preferably closed with the subsidiary Evotec International GmbH.

The adjusted EBITDA was € 12.0 m (2018: € 16.9 m) and slightly higher than expected. The increase compared to forecast corresponds to the increased revenues in 2019.

Macroeconomic conditions and business environment

– Global economic development

In 2019, global growth recorded its weakest pace since the global financial crisis a decade ago, which reflects common influences across countries and country-specific factors. According to the most recent World Bank report, the global economy will grow by 2.5% in 2020, slightly better than the 2.4% estimate for 2019, though both yearly estimates are lower than the last forecast released in June 2019 (2.6% and 2.7% for 2020). The World Bank attributes the weak growth to geopolitical tensions and a potential re-escalation of the ongoing trade war between the United States and China. Growth among advanced economies is set to decline to 1.4% in 2020 due to a global slowdown in manufacturing, while growth in emerging markets and developing economies fuelled by a smaller group of large economies will rise to 4.1%. According to the Congressional Budget Office, the growth in the US-Economy is projected to reach 2.3% in 2019 (2018: 2.9%), reflecting slower growth in consumer spending and government purchases as well as the effect of trade policies on business investment.

In the Eurozone, economic activity has seen a sharp decline and uncertainty concerning BREXIT also weighed heavily on growth. Several economies were on the verge of recession at some point in 2019, with particular weakness in the German industrial sector as it struggled with falling demand from Asia and disruptions to car production. The European Central Bank has provided monetary stimulus by pushing its policy rate deeper into negative territory, restarting quantitative easing, and providing inexpensive credit to banks. The overall fiscal position of the Eurozone is expected to be roughly balanced over the forecast period, providing little additional support to activity despite existing capacity in some economies. Growth is expected to slow to 1.0 % in 2020, 0.4 percentage points down from previous projections due to worse-than-expected incoming data, especially industrial production. According to the Federal Statistical Office, the German economy in 2019 grew at a rate of 0.6% of its price adjusted gross domestic product (2018: 1.4%). Main factors for the weaker growth were the weakening exports and a recession in industry.
Impact of general market and healthcare environment on Evotec’s business

Pharmaceutical companies of all sizes continue to re-evaluate and adjust their business strategies, including investments in emerging trends in healthcare (e.g. cell therapy, gene therapy, personalised medicines and orphan drugs). In recent years, this has resulted in significant restructuring and consolidation in the industry. 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. As a consequence, the pharmaceutical industry continues to search for innovation in drug discovery in a capital-efficient manner at a good pace and increasingly relies on new collaboration structures to access innovation and accelerate the discovery and development of new drugs. Effectively, the trend to outsource discovery and early development continuous, resulting in a shared business model between delivery of innovative drug candidates versus advanced development, approval and marketing of such candidates.

Thus, Evotec believes that these market dynamics will continue to lead towards greater partnering, outsourcing opportunities and investment opportunities. In recent years, the number of projects and demand from newly founded US and European companies grew further and accelerated, thus continuing the trend from previous years. 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-in-class and/or best-in-class potential. Newly founded biotech companies have become an important customer group for Evotec. Increasingly, these companies tend to operate virtually rather than with their own operational infrastructure. Evotec can provide the entire drug discovery and development platform required to deliver on their projects and help them accelerate their products to further milestones of value generation. Evotec also selectively invests in asset-centric start-up companies at a pre-seed and seed stage with the intention to participate in the value creation up to human proof-of-concept or even beyond.

Furthermore, Evotec also in 2019 heavily invested in upgrading its platforms for the development of various types of drugs including small molecules, biologics and cell therapies. In particular, the Company continued the expansion of its iPSC platform and internally developed a number of new patient-centric partnerships.

Operating and Business Environment

Increase of Productivity Challenge

For more than a decade, the global pharmaceutical industry has suffered from decreasing efficiency in new product launches. Research and development costs have escalated over the years, while launched products are not producing the returns experienced in earlier decades: Between 2010 and 2018 research and development (R&D) expenses in the pharma industry increased by almost 40% from $129 bn to $179 bn. Following the EvaluatePharma 2018 report, overall R&D spending is expected to grow by 3% yearly, reaching about $203.9 bn by 2024. During the same period, overall research and development returns went down from 10.1% in 2010 to 1.8% in 2019 and peak sales for new medicines have halved to $408 m. This trend has led to restructuring of research and development with significant downsizing of the relevant internal departments in many large Pharma companies and to an increased need and willingness to outsource activities traditionally performed in-house.

In 2019, this macro trend continued but the unmet medical need for new drugs and associated market opportunities still exists. The bottom line is that the industry collectively needs to improve research and development productivity. Improving research and development productivity imposes the need to increase the probability of success of each individual project at lower unit cost through the use of highest quality platforms and industry leading expertise.
To counter these trends and improve research and development productivity, many efforts have been made to introduce more patient centric approaches into the drug discovery process. According to recent studies, these efforts are starting to bear fruits. For example, projects, which are based on targets, which are supported by human genetics, are twice as likely to succeed as projects without the support of human genetics. Similarly, projects that involve a biomarker-based patient stratification strategy are about three times as likely to lead to positive clinical outcomes.

Evotec has successfully incorporated patient derived cellular models, which are largely based on induced pluripotent stem cells (iPSC) into drug screening and development to test human disease relevance as early as possible within the drug discovery process. Patient derived disease models represent a tremendous opportunity to systematically incorporate human genetics and patient stratification strategies into drug discovery process right from the start and continuously through the drug discovery process. Furthermore, they can be used to conduct clinical trials in a dish and thereby focus and guide clinical development, reducing costs.

Macro trend drug discovery outsourcing – Market overview (Revenues, in $ bn)


– Recent trends in the pharmaceutical and biotechnology sector

In 2019, the Company observed many trends in the pharmaceutical and biotechnology sectors that affect elements of its business model and that it must be aware of to execute on its goals.

One of the most important trends is the continuing and accelerating trend to individual or personalised medicines, with the ultimate goal of delivering the right drug to the right patient through the understanding of disease biomarkers and the use of targeted therapies. Cutting-edge examples of these types of medicines are cell therapies, gene therapies, immunotherapies, and predictive diagnostic tests with known disease biomarkers.

There are several key aspects of innovation influencing the development of more personalised medicines through partnerships and collaborations. All these approaches could pave the way for more effective drug development:
Artificial intelligence, machine learning, deep learning techniques
Patient-derived disease models (e.g. iPSC)
Technology platforms such as CRISPR and ribonucleic acid ("RNA") therapeutics and mRNA technologies
Broader human testing to match patients with effective treatments

In 2019, the U.S. Food and Drug Administration (FDA) approved 48 novel drugs, down from 59 drugs in 2018. Of these, 21 drugs (44%) received orphan drug designation. The FDA grants Orphan Drug Designation to novel drugs which seek to treat a rare disease or condition and provides 7 years of market exclusivity if approved, plus significant development incentives. Orphan drugs are flagship exemplars of the personalised medicine revolution. Drugs being developed for rare disease indications are often cell or gene therapies, biologics or small molecules, and we are seeing a trend where these drugs may be used together to tackle some of the most difficult to drug targets and diseases.

Global pharmaceutical market
(in $ bn)

1)  Small molecules forecast from May 2017 and Biologics forecast from Dec 2017
2)  Excluding sales not classified by EvaluatePharma Source: EvaluatePharma

The pharmaceutical industry continues to seek more capital-efficient ways to accelerate the discovery and development of new therapeutics, including many types of personalised medicines. These come with expensive development and manufacturing costs that biotechnology companies themselves cannot manage successfully. Instead, companies forge new partnerships and collaborations in drug discovery to deliver these important innovative personalised therapies to the patients. Research partnership companies like Evotec stand to benefit from this trend.

Overall, the global pharmaceutical and biotech sector is in a very strong position, with a worldwide spending on medicines forecasted to reach nearly $1.4 trillion by 2020. The biotechnology market is estimated to be worth $727 bn by 2025, with an annual growth rate of 7.4%.

Significant corporate developments

- Conversion into European Company (SE) completed

On March 29, 2019 Evotec completed its conversion into a company under European law (Societas Europaea, “SE”) with its registration in the commercial register of the District Court of Hamburg. It will operate under the registered name Evotec SE with the commercial register number HRB 156381 effective immediately and its headquarters will remain in Hamburg.
- **Issue of promissory note worth € 250 m**

In June 2019, Evotec successfully issued its first promissory note of € 250 m on the capital market with a fixed and variable interest rate of on average below 1.5 percent over 3, 5, 7, and 10 years maturity. Following high demand from debt investors, there was significant oversubscription of the order book which led to attractive credit spreads. Evotec intends to use the proceeds of this promissory note to strengthen its corporate financing structure as well as to finance the groups recent acquisition of Just Biotherapeutics, Inc (now Just – Evotec Biologics), the expansion of its business and to re-finance certain loans at more attractive terms.

- **New major loan agreement**

In July 2019 a new intercompany loan agreement was closed with Evotec (US) Inc. The loan amounts to USD 63.7 m (€ 56.7 m) and matures in July 2029. The loan bears a fixed interests of 3.42% p.a. The loan was provided to finance the acquisition of Just Biotherapeutics, Inc. (now Just – Evotec Biologics) through Evotec (US) Inc. In addition, an intercompany loan agreement with J.POD-Evotec Biologics, Inc. was signed in December 2019. The loan amounts to USD 128 m and is provided in tranches. As of 31 December 2019 one tranche in the amount of USD 10 m was exercised. The loan is due in December 2029 and bears fixed interests in the amount of 3.42%. The loan was provided to finance the construction of Evotec’s first J.POD® facility in North America.

- **Significant reversals of impairment**

Due to the positive, sustainable development of Evotec International GmbH in the past as well as the expected positive development in the future Evotec reversed the complete write-down of the loan receivable in the amount of € 25.2 m.
III. Financial report

Results of operations

- Revenues

Evotec’s total revenues in 2019 amounted to € 80.3 m, an increase of € 2.7 m or 3.5% compared to the previous year (€ 77.6 m). Revenues are mainly composed of drug discovery service revenues, milestone revenues, rent income and intercompany revenues.

Third party revenue including milestones decreased from € 40.3 m in 2018 to € 31.9 m in 2019, a decrease of € 8.4 m. Milestone revenues of € 3.0 m were generated in 2019 which is a decrease of 54% compared to the previous year (2018: € 6.5 m). The milestones in 2019 and 2018 were achieved predominantly in the Endometriosis collaboration with Bayer. At the same time intercompany revenues increased by € 11.0 m to € 48.4 m. This is a result that new contracts and contract extensions have been preferably closed with the subsidiary Evotec International GmbH. Additional € 2.3 m resulted from higher intercompany charges to subsidiaries for other services.

The geographical spread of external revenues for Evotec continues to be global with Europe and USA as most important markets. The European market with revenue contribution in 2019 of 16% (previous year: 34%) and the USA market with 83% (previous year: 65%). The shift from Europe to US is mainly based on reduced milestone revenues with Bayer compared to previous year as well as increased revenues with Merck in the US. The number of external customers decreased in comparison to the previous year. The total revenue contribution of the three largest customers including Evotec International amounted to 85% in 2019 (2018: 72%).

- Net result

The Company ended the year 2019 with a net income of € 27.6 m. This represents a decrease of € 35.9 m compared to the net income of € 63.5 m reported in the previous year. The net result in 2019 and 2018 was affected by one major effect being the reversal of impairments on intercompany loans (2019: € 25.18 m; 2018: € 51.07 m).

In 2019, an adjusted EBITDA of € 12.0 m was reported (2018: € 16.9 m).

<table>
<thead>
<tr>
<th>In k EUR</th>
<th>2018*</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>63,475</td>
<td>27,563</td>
</tr>
<tr>
<td>- Taxes on income</td>
<td>(9)</td>
<td>107</td>
</tr>
<tr>
<td>- Interest income</td>
<td>(2,188)</td>
<td>(3,844)</td>
</tr>
<tr>
<td>- Interest expenses</td>
<td>2,744</td>
<td>4,365</td>
</tr>
<tr>
<td>- Depreciation of tangible assets</td>
<td>3,205</td>
<td>3,407</td>
</tr>
<tr>
<td>- Amortization of intangible assets</td>
<td>194</td>
<td>314</td>
</tr>
<tr>
<td>- Amortization of financial assets and securities classified as current assets</td>
<td>565</td>
<td>4,590</td>
</tr>
<tr>
<td>- Impairments on current intercompany assets</td>
<td>0</td>
<td>700</td>
</tr>
<tr>
<td>- Reversal of impairments on current and non-current intercompany assets</td>
<td>(51,069)</td>
<td>(25,180)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>16,917</td>
<td>12,022</td>
</tr>
</tbody>
</table>

* Prior year numbers have been adjusted due to a change in definition of adjusted EBITDA, for further information see chapter “I. Operations and business environment - Performance measurement”.

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The cost of materials decreased by € 1.4 m from € 32.3 m in 2018 to € 30.8 m in 2019. This results mainly from purchased services from Evotec’s subsidiaries which decreased by € 4.1 m to € 19.1 m in 2019 (2018: € 23.2 m). This was partly compensated by increased expenses for raw materials, supplies and purchased goods by € 2.6 m to € 11.1 m in 2019 (2018: € 8.5 m).

In order to meet the strong customer demand for research services and to reflect the overall company growth, Evotec SE increased the number of operational and administrative staff during the year by 47 employees to 437 employees as of 31 December 2019 (2018: 390 employees). Personnel expenses therefore increased by € 5.7 m from € 26.0 m in 2018 to € 31.7 m in 2019.

Other operating expenses increased by € 7.3 m from € 20.5 m to € 27.8 m. The increase is mainly driven by higher rent expenses in the amount of € 1.2 m, increased bad debts on trade receivables € 1.1 m, higher foreign exchange expenses € 1.1 m, higher expenses for external personnel € 1.0 m and increased legal and consulting costs € 0.9 m.

Interest income increased by € 1.7 m to € 3.9 m in 2019 (2018: € 2.2 m). The increase mainly relates to a new loan agreement with Evotec (US) Int., for further information please refer to chapter “II. Report on economic position - Significant corporate developments” in the Management Report. The further increase relates to external interest income due to higher short term investments.

Interest expense increased by € 1.6 m to € 4.4 m in 2019 (2018: € 2.8 m). The increase relates to the issuance of a promissory note of € 250 m 2019. For further information please refer to chapter “II. Report on economic position - Significant corporate developments” in the Management Report.

Amortizations of financial assets amounted to € 4.6 m (2018: € 0.6 m) and mainly relate to the fully write-down of the investment in Aptuit (Switzerland) AG as this company is in liquidation.

Income from investments increased by € 0.5 m from € 17.5 m in 2018 to € 18.0 m in 2019. The dividend payments in 2019 resulted from affiliate companies Evotec (France) SAS € 8.0 m and Evotec (UK) Ltd. € 10.0 m (2018: Evotec (France) SAS: € 12 m and Evotec (UK) Ltd. € 5.5 m).

**Financing and financial position**

**– Cash and financing**

As of 31 December 2019 liquidity increased by € 99.4 m to € 128.6 m (2018: € 29.2 m). The increase resulted mainly from the issuance of the promissory note worth € 250 m, for further information please refer to chapter “II. Report on economic position - Significant corporate developments” in the Management Report.

The cash flow provided by operating activities amounted to € 11.4 m (2018: € 1.2 m).

The cash outflow used for investing activities amounted to € 11.3 m (2018: € 13.3 m) and consisted mainly of € 4.6 m (2018: € 4.8 m) capital expenditures and € 6.7 m (2018: € 8.0 m) purchase of investments in associated companies and other long-term investments. These long-term investments related to new investments in Immunitas Therapeutics Inc. (€ 2.4 m), the spin-off Breakpoint Therapeutics GmbH (€ 1.9 m), as well as follow-up financing rounds in Eternygen GmbH (€ 1.0 m), Carrick Therapeutics Ltd. (€ 0.9 m) and FSHD Unlimited Coorp (€ 0.5 m).
The cash flow used in financing activities amounted to € 99 m (2018: € - 1.8 m) due to the successful issuance of a promissory note of € 250 m on the capital market in June 2019. On the contrary Evotec repaid the remaining € 30 m of the bridge loan of € 140 m granted in the context of the Aptuit acquisition in 2017 as well as intercompany loans in the amount of € 60.0 m. In addition, a new intercompany loan was given to Evotec (US) Inc. in the amount of € 56.7 m (USD 63.7 m), for further information please refer to chapter “II. Report on economic position - Significant corporate developments” in the Management Report.

Effects on exchange rate changes on cash and cash equivalents amounted to € 0.4 m (2018: € - 0.1 m).

**Assets and liabilities**

– **Capital structure**

Total share capital increased by € 1.8 m. In 2019, 50,000 stock options and 1,789,784 LTI awards were exercised by Evotec Group employees and members of the Management Board, as well as former Evotec Group employees and former members of the Management Board (2018: 29,220 stock options and 1,500,893 LTI awards) and converted into Evotec shares by using conditional capital. No stock options nor LTI awards were exercised by Evotec Group employees and members of the Management Board as well as former Evotec Group employees and members of the Management Board in 2019 and 2018 which were serviced by own shares. As of 31 December 2019, Evotec holds 249,915 of its own shares (31 December 2018: 249,915).

Total equity increased by € 29.4 m to € 318.5 m (2018: € 289.1 m) mainly due to the positive net result in 2019. Evotec reported a decreased equity ratio of 47.6% as per end of the year 2019 (2018: 61.2%). The reduction in equity ratio is due to the issuance of the promissory note worth € 250 m.

– **Net assets and liabilities**

Financial assets include shares in affiliated companies and investments. These increased by € 2.2 m and amounted to € 368.9 m at 31 December 2019 (2018: € 366.7 m). Purchase of investments in associated companies and other long-term investments amounted to € 6.7 m (2018: € 8.0 m) and related to the new investments in Immunitas Therapeutics Inc. (€ 2.4 m), the spin-off Breakpoint Therapeutics GmbH (€ 1.9 m), as well as follow-up financing rounds in Eternygen GmbH (€ 1.0 m), Carrick Therapeutics Ltd. (€ 0.9 m) and FSHD Unlimited Coorp (€ 0.5 m). On the contrary, the investment in Aptuit (Switzerland) AG was completely written down (€ 4.5 m) as this company is in liquidation.

Receivables and other assets increased by € 94.2 m to € 149.5 m compared to end of 2018. The increase mainly relates to receivables due from related companies which amount to € 143.0 m at the end of 2019 (2018: € 47.1 m). An increase in the amount of € 25.2 m relates to the write up of the intercompany loan to Evotec International, for further information please refer to chapter “II. Report on economic position - Significant corporate developments” in the Management Report. In addition, two further loans were granted in 2019, one was closed with Evotec (US) Inc. in the amount of USD 63.7 m and the other one was closed with J.POD-Evotec Biologics, Inc. in the amount of USD 128 m. For further information please refer to chapter “II. Report on economic position - Significant corporate developments” in the Management Report.
Other accrued liabilities increased by € 4.5 m in the financial year 2019 from € 6.2 m to € 10.7 m. The increase mainly relates in the amount of € 1.5 m to currency and interest derivate, in the amount of € 1.1 m to accrued interests for the promissory note and in the amount of € 0.6 m to the bonus provisions.

Evotec’s liabilities towards financial institutions increased significantly by € 223.3 m to € 331.0 m in 2019 (2018: € 107.7 m). In June 2019, Evotec SE successfully issued a promissory note of € 250 m on the capital market, for further information please refer to chapter “II. Report on economic position - Significant corporate developments” in the Management Report. Part of the proceeds were used to fully repay remaining € 30 m of the bridge loan of € 140 m granted in the context of the Aptuit acquisition in 2017.

Liabilities to affiliated companies decreased by € 60.5 m to € 1.2 m (2018: € 61.7 m). The decrease is mainly due to repayments of all intercompany loans within the year 2019. At the end of 2018 Evotec had intercompany loans against Evotec (France) SAS of € 27.4 m, Evotec (UK) Ltd. of € 22.6 m and against Evotec ID (Lyon) SAS in the amount of € 10.0 m.

**Management Board’s general assessment of Evotec’s economic situation**

In 2019, Evotec recorded a very solid top-line performance with 3.5% revenue growth driven by a strong performance in the base business. New contracts and contract extensions have been preferably closed with the subsidiary Evotec International GmbH which led to strong increase in intercompany revenues of 29.4% which overcompensated the decrease in external revenues of 20.7%.

Adjusted EBITDA for 2019 amounts to € 12.0 m (2018: € 16.9 m). The reduction is mainly due to lower milestone achievements in 2019.

Evotec’s year-end liquidity continued to be strong at € 128.6 m (2018: € 29.2 m). In June 2019, Evotec SE successfully issued a promissory note of € 250 m on the capital market. The promissory note was placed with a fixed and variable interest rate of an average below 1.5% over 3, 5, 7, and 10 years maturity. Following high demand from debt investors, there was significant oversubscription of the order book, which led to attractive credit spreads. Part of the proceeds were used to fully repay remaining € 30 m of the bridge loan of € 140 m granted in the context of the Aptuit acquisition in 2017 as well as to repay all intercompany loans in the amount of € 60.0 m. In addition, parts were used to finance the acquisition of Just Biotherapeutics, Inc. (now Just Evotec Biologics, Inc.) through Evotec (US) Inc. by a loan in the amount of € 56.7 m. Furthermore, the financial position allows the possibility for the Company’s strategy to be accelerated not only through organic growth but also through potential acquisition of technologies or assets. In addition, it allows the Company to selectively participate in company formations and equity investments.

In 2020 and beyond, Evotec’s management expects base revenues to increase in a one-digit percentage range compared to 2019. Evotec’s adjusted EBITDA is expected to be positive in form of a one-digit million range provided that income from investments are on the same level as 2019. The liquidity level is expected to decrease below € 100.0 m due to further utilizations of the USD 128 m loan to J.POD-Evotec Biologics, Inc for the construction of the first J.POD® in North America. For further information please refer to chapter “VI. Outlook – Financial outlook for 2020” in the Management Report.
Sustainable Business Development ²

Sustainability is of vital importance to Evotec and is an essential component of all the company’s business processes. For Evotec, sustainability means effectively combining economic success with ecological and socially responsible activities. In this way Evotec assumes responsibility for current and future generations and at the same time secures the basis for its long-term commercial success.

To get a detailed overview about Evotec’s sustainability activities, please see our “Separate non-financial Group Report 2019” which is available on the Evotec website under the following link: [https://www.evotec.com/en/invest/financial-publications](https://www.evotec.com/en/invest/financial-publications)

IV. Reporting pursuant to section 289c and section 315c of the German Commercial Code ³

Evotec AG publishes a separate Non-financial Group Report in accordance with section 289c and section 315c of the German Commercial Code. This report can be found on Evotec’s website in the “Invest” section under Financial Publications.

Post-Balance Sheet Events

There are no material events to be reported.

V. Risk and opportunities management

Risk management overview

Understanding and ensuring transparency in risk-taking are key elements of the Evotec business strategy. The Company’s ambition is to exceed its high standards and to expand its position in the industry. Deliberately taking and managing risks is therefore an essential part of the business.

Comprehensive risk management is a continuous process, building on the active participation and awareness of the Management Board, Senior Management and all levels of employees. Evotec applies a forward-looking risk identification strategy in which various scenarios are taken into account and the possible magnitude of identified risks are evaluated.

Evotec is exposed not only to many permanent risks, but also to a growing number of ever-changing internal and external risks. The Company aims to continually strengthen its risk management framework, risk identification, stakeholder reporting and mitigation efforts for risk prevention.

The Company is currently in the process of optimising its internal rating system, reviewing and expanding its risk register and educating employees on forward-looking risk awareness as well as risk identification and mitigation on their own initiative and reporting. The

² This section of the management report is not subject to audit.

³ This section of the management report is not subject to audit.
Evotec is subject to risks and opportunities that have the potential to negatively or positively impact the financial and operational position of the company. Within the company, risks are defined as potential developments or events that may lead to a negative deviation from the guidance or goals of the Company. Evotec defines opportunities as potential developments that may lead to an upside to the guidance or goals of the Company.

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

Evotec’s risk and opportunities management process is a centrally managed, which utilises critical regular insight from both global and local business units and functions.

The Management Board is supported by the Risk Manager, who is in charge of the risk and opportunities management process. The Supervisory Board is responsible for monitoring the effectiveness of the 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 takes on additional risks only when certain conditions are fulfilled. For example, when such 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 business 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 thorough cost analysis, cash analysis 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 which have an investment grade rating. The Management Board is directly involved in all key decisions concerning financial assets and manages all business activities and transactions considered to be material for the Company.

To cover other risks associated with the Company’s business, including those that would not have a short-term financial impact, Evotec performs regular commercial project portfolio reviews. 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 ("IT") security throughout the company and reviewed its insurance cover in the reporting year. Compliance with the regulatory environment, for example regarding environment, health and safety, has a high priority at all sites, and appropriate training programmes are in place.
The Company also takes its Corporate Governance responsibilities seriously. As in previous years, a declaration according to section 161 of the German Stock Corporation Act (Aktiengesetz, “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 in the “Invest” section on Evotec’s website.

Evotec’s risk and opportunities management system is regularly reviewed by the Risk Manager, the Management Board and the Supervisory Board’s Audit Committee in order to be able to adjust it to changing environments and legislation, changes within the organisation and changing risk profiles and business opportunities.

The risk management system comprises the following elements:

(i) An early detection system to identify risks as early as possible, to precisely describe and quantify them, to estimate their probability of occurrence, to assign them to Risk Owners, draw up risk management strategies and to report them immediately to the responsible manager so that they can respond in a timely manner. The Risk Owners have the 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 that might have a material potential 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 proposed management activities 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 relevant risks should they fully materialise simultaneously. To date, Evotec has always passed these cash stress tests.

In addition, any triggering information for an ad hoc notification required pursuant to the European Market Abuse Regulation (“MAR”) would be reported directly to the Management Board immediately after the detection of such an event. An ad hoc committee convenes regularly once a week to ensure that all communication relevant circumstances are evaluated properly.
(ii) A risk prevention system to monitor the risks incurred, minimise their impact and prevent their re-occurrence and/or to develop 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 company.

(iii) In addition to the existing framework and procedures, Evotec’s Risk Management has initiated forward-looking scenario risk reporting to better capture emerging risks such as political, regulatory and emerging risks, e.g. cyber-risks.

**Internal controls over financial reporting**

Section 91 paragraph 2 of the German Stock Corporation Act (AktG) in conjunction with section 289 paragraph 4 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 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 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. These controls are checked on an ongoing basis and are subject to annual testing by an independent third party. These assessments identified no material weaknesses in 2019,
and all detected deficiencies were addressed and remediated immediately where possible. For all remaining detected deficiencies, remediation processes were initiated. The Supervisory Board’s Audit Committee is informed regularly and reviews and discusses the auditing activities.

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

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

Among other things, Evotec regularly checks whether:

- Issues relevant for financial reporting and disclosure from agreements entered into are recognised and appropriately presented;
- Processes exist for the segregation of duties and for the “four-eyes principle” in the context of preparing financial statements; and
- Risks related to relevant 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.

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 may also generate accounting-related risks. To this end, 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 comprehensive information.

**Risks**

Evotec is exposed to a wide range of risks entirely consistent with its business undertaking and the industry in which it operates. The business, financial condition and results of Evotec could be materially adversely affected by any of these risks.

Evotec has summarised the most important risks into the following categories: Business environment and industry, performance-related, commercial, strategic, financial, legal, compliance, intellectual property (“IP”), human resources (“HR”), IT/Technology, processes and operational. The new category “processes” is added due to the increasing growth of the Company.
– 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 key individual risks in the following tables. The risks are evaluated according to their probability of occurrence and potential impact on Evotec’s cash position and net results. This assessment of overall risk is based on the risk management system used by Evotec as outlined above. The Management Board regularly monitors the effectiveness of Evotec’s risk management in order to be able to swiftly identify and assess potential risks, to implement appropriate countermeasures, and to enhance its system and procedures.

The Company’s risk profile keeps changing for various reasons such as its commercial success, the complexity of its multi-jurisdictional international operations, general industry trends, regulatory and political uncertainty and industry trends with regard to M&A activities.

However, the Company has not made changes into its risk exposure and risk classification rating (amounts) during 2019 with regard to financial impact to follow a conservative approach.

**Probability of occurrence**

<table>
<thead>
<tr>
<th>Category</th>
<th>Risk exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>&lt; 5%</td>
</tr>
<tr>
<td>Medium</td>
<td>5 – 20%</td>
</tr>
<tr>
<td>High</td>
<td>&gt; 20%</td>
</tr>
</tbody>
</table>

**Potential financial impact on liquidity**

<table>
<thead>
<tr>
<th>Risk class</th>
<th>Risk exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>&lt; € 2 m</td>
</tr>
<tr>
<td>Medium</td>
<td>€ 2 – 5 m</td>
</tr>
<tr>
<td>High</td>
<td>&gt; € 5 m</td>
</tr>
</tbody>
</table>

Based on the described principles for estimating risk factors, the Management Board believes that at present no risks have been identified that either individually or in foreseeable combination could endanger the continued existence of the Company.

An overview of the corporate risks is shown in the table below.
## CORPORATE RISK OVERVIEW

<table>
<thead>
<tr>
<th>Probability of occurrence</th>
<th>Prior year Probability of Occurrence</th>
<th>Potential financial impact</th>
<th>Prior year Potential financial impact</th>
<th>Comparison to prior year</th>
</tr>
</thead>
</table>

### 1. Business environment and industry

#### a. Risk inherent to drug discovery alliances

- **Pricing pressure**
  - Medium/High | Medium/High | Medium | Medium | Unchanged

#### b. Risk inherent to proprietary drug discovery and development

- **Risk of failure**
  - High | High | Medium/High | Medium/High | Unchanged
- **Product liability claims**
  - Low/Medium | Low/Medium | Low | High | Changed
- **Risk of extensive regulation**
  - Medium | Medium | Medium | Medium | Unchanged
- **Risks involving quality control in R&D**
  - Low/Medium | Low/Medium | Medium | Medium | Unchanged

### 2. Performance-related

- **Fluctuating capacity and resource allocation**
  - Medium/High | Medium/High | Medium | Medium | Unchanged
- **Dependence on individual larger customer**
  - Medium/High | Medium/High | High | High | Unchanged
- **Scientific or technical delivery risks**
  - Medium | Medium | Medium | Medium | Unchanged
- **Maintenance of customer recognition and branding**
  - Low | Low | Medium | Medium | Unchanged

### 3. Commercial

- **Changing market environment**
  - Low/Medium | Low/Medium | Medium | Medium | Unchanged
- **Dependence on individual out-licensing events**
  - Medium | Medium | Medium | Medium | Unchanged
- **Outperformance by competitors**
  - Low | Low | Medium | Medium | Unchanged

### 4. Strategic

- **Implementation and achievement of strategic goals**
  - Medium | Medium | High | High | Unchanged
- **Risks from M&A**
  - Medium | Medium | High | High | Unchanged
- **Political risks**
  - High | High | Medium | Medium | Unchanged
- **Risk from investment strategy**
  - Medium | Medium | Medium | Medium | Unchanged

### 5. Financial

- **Liquidity risks**
  - Low/Medium | Low/Medium | Medium | Medium | Unchanged
- **Default risks**
  - Low | Low | Medium/High | Medium/High | Unchanged
- **Currency Risks**
  - Medium | Medium | High | High | Unchanged

### 6. Legal

- **Litigation**
  - Low/Medium | Low/Medium | Low/Medium | Low/Medium | Unchanged
- **Contractual**
  - Low | Low | Low/Medium | Low/Medium | Unchanged

### 7. Compliance

- **Regulatory**
  - Medium | Medium | Low/Medium | Low/Medium | Unchanged
- **General Legal & Compliance (Fraud, Corporate Governance)**
  - Low | Low | Medium | Medium | Unchanged

### 8. IP

- **Dependence on technology patents & proprietary technology**
  - Medium | Medium | Medium/High | Medium/High | Unchanged
- **Dependence on licenses granted for partnered assets**
  - Low | Low | Medium/High | Medium/High | Unchanged
1. Business environment and industry risks

a. Risks inherent to drug discovery alliances

The Company’s business strategy remains focused on drug discovery and innovation. Evotec has established a comprehensive technology platform and skills that integrate its biology and chemistry capabilities. Furthermore, specialised staff collaborate closely with partners from Academia, biotech start-ups and Big Pharma to ensure success every step of the way.

Pricing pressure

However, there are significant and increasing challenges for the industry. These include pricing pressure, productivity, complexity and cost of research and development, innovative developments, changing relationships and partner focus due to further consolidation in the industry, continued patent expiration and regulatory hurdles on a global scale. Pharmaceutical companies of all sizes are re-evaluating their business strategies and M&A activities to remain competitive in the business environment. On one hand, this dynamic competitive pressure in the industry poses a variety of risks but also creates opportunities through demand for high quality, flexibly accessible services. Regardless, judicious cost management, continuous enhancement of capabilities and technologies, careful market positioning, revenue diversification and sales from high-value results-based contracts continue to be critical for Evotec’s success.

The probability of occurrence of risks due to pricing pressure are still Medium/High, as the continued consolidation in the industry results in a potentially smaller customer base for Evotec while remaining in a competitive environment.

b. Risks inherent to proprietary drug discovery and development

Risk of failure

Evotec has a clear strategic focus on drug discovery and development alliances and engages in limited proprietary discovery activities, generally in order to initiate new strategic higher value alliances. Later-stage clinical development projects are currently only undertaken if a partner funds 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 with
market approval, and there is no assurance that Evotec or its strategic partners will successfully develop and commercialise potential drugs. At present, significant returns may only materialise when successful research leads to upfront and milestone payments and when potential royalties from future drug sales are received. However, if the development of an in-licensed or acquired project or drug candidate does not proceed as expected, an impairment of the intangible asset may be required which in turn may impact Evotec’s financial position.

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

Evotec acts prudently 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 high failure rates. At each stage, there is an inherent risk that developments are delayed or even need to be terminated due to negative results. Typically, the earlier the stage of a programme, the higher the rate of failure. However, the cost of failure tends to increase in the later stages 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.

**Product liability claims**

It is possible that the Company will be responsible for potential product liability stemming from product research, development or manufacturing. Evotec is covered by liability insurance, but in the event that claims exceeding the limits of this insurance coverage occur, there could be an impact on the Company’s financial position or results.

The Company’s risk profile has changed with respect to the potential financial impact regarding potential product liability claims. This change are due to the current risk assessment.

**Risk of extensive regulation**

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 in other regions. The approval of the relevant authorities is required before a product can be tested in humans and later sold within a given market. The regulatory approval process is intensive, costly 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 may not be received, may be restricted to certain geographical regions or indications or might later be withdrawn or significantly delayed. This could significantly affect product revenues. Evotec seeks early discussions with the regulatory bodies at all stages of development to ensure that research and development activities conform with relevant legal and ethical requirements.

**Risks involving quality control in R&D**

Evotec mitigates the risks in quality of its R&D activities based on its quality management system under the supervision of the quality management council ("QMC") as outlined in its global quality policy ("GQP"). The QMC prepares and submits periodic reports to the Management Board and defines quality requirements. Furthermore, it is responsible to monitor, assess and report on compliance as well as perform quality improvement activities.
2. Performance-related risks

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

**Fluctuating capacity and resource allocation**

Even with a stable revenue stream, fluctuating capacity utilisation and demand as well as resource allocation among multiple sites can significantly affect Evotec’s profitability. Therefore, these factors need to be continually monitored, managed and calibrated. The risk still has a probability of occurrence of Medium/High due to the additional research sites acquired and increased complexity.

**Dependence on individual larger customer**

Dependence on individual large customers attracts special attention due to the possible short- and long-term impact of any change. In the current fiscal year, Evotec’s Top 3 largest customers accounted for 85.3% of total revenues (see chart “Development of Top 10 collaborations” within chapter “I. Operations and business environment” of this Management Report), compared to 72.5% in 2018.

**Scientific or technical delivery risks**

Some of the service contracts contain scientific or technical delivery risks, which can be mitigated only in part by high-quality project work. It is the objective of Evotec to further grow and diversify in order to reduce the potential impact of such risks.

**Maintenance of customer recognition and branding**

Evotec’s past success is built in part on customer recognition and its brand. It is therefore of utmost importance to maintain this good reputation and avoid any negative impact on its brand, as this could lead to a loss of customers and reduced employer attractiveness for the most highly skilled employees. Evotec has protected its trade name in all countries, which host business operations, and has increased its brand awareness and value to strengthen and protect its global market position.

3. Commercial risks

Commercial risks include the following:

**Changing market environment**

The Company continues to be engaged in a number of active drug discovery and early development programmes that it intends to license to pharmaceutical companies for clinical development and commercialisation, but where Evotec may not be able to achieve this goal. Furthermore, the continuation of such established collaborations and partnerships during the further development along the value chain contains commercial risk. In addition, a significant portion of Evotec’s service business depends on the Company’s partners and customers continuing to develop programmes, which were developed with Evotec’s support during earlier stages of development.

However, the market environment and competitive landscape for licensing and licensed projects or individual drug candidates might change during the lifetime of individual projects. The actual timing and commercial values of individual projects, or the financial proceeds from partnering individual projects could therefore deviate significantly from earlier projections.
**Dependence on individual out-licensing events**

Evotec’s ongoing efforts to serve as an innovative source of drug candidates to the pharmaceutical industry make it dependent on individual 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 partners 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 mitigate this risk to the extent possible, detailed project reporting is established within Evotec and stipulated in any collaboration agreement.

**Outperformance by competitors**

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.

**4. Strategic risks**

Decisions made by management or unforeseen external factors may cause substantial loss to the Company’s economic value. Factors generally associated with implementation of strategic goals include business continuity, the market and regulatory environment, political risk, competitors, investments, succession and technological innovation.

**Implementation and achievement of strategic goals**

The implementation of a company strategy bears the risk of misjudgement concerning potential future developments. Evotec continues to focus its internal R&D activities on its most valuable and promising assets. At present, the Company continues to build an extensive pipeline by concentrating its efforts on bringing proprietary products from its existing portfolio and from collaborations with academic or research institutions to important value inflection points for partnering. Investments might be allocated to the development of ultimately unsuccessful products, partnerships and/or technologies or sub-optimal acquisitions. In addition, commercialisation strategies might be unsuccessful, or a lack of market acceptance for newly discovered products could influence Evotec’s market position, which could lead to significant negative impact on its business objectives, financial goals and future upside potential.

**Risks from M&A**

Evotec pursues ambitious growth targets both organically and through acquisitions of complementary service capacities and research capabilities. In order to address the risk that the integration of those transactions poses to the Company, dedicated staff will handle the harmonisation of business critical processes and systems.

Transactions inevitably present challenges to Evotec’s management, employees and structures, 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 and the potential loss of key personnel and invalidation of technologies, IP, contracts and science.

Intangible assets and goodwill, resulting from past acquisitions account for a significant portion of Evotec’s assets. If management’s expectations regarding the future potential of these acquisitions cannot be realised, there is a partial or full impairment risk for these intangible assets and goodwill.

To avoid incomplete or failed integration of new companies (culture, system, processes) is an important topic for Evotec.

**Political risks**

The Company monitors political uncertainty and actively works with stakeholders to evaluate and mitigate a potential negative impact on the Company where possible. Scenario planning is used to make the necessary decisions for events such as a “BREXIT”, or the impact of potential trade wars.

The Company evaluated several risk fields, which might exert significant influence on Evotec:

Supply chain and production: Delays in customs clearance followed by delays in delivery and transit of goods needed for the processing of customer orders may occur due to the absence of regulations to date. In particular cases, this may result in delays in the provision of services to execute customer orders. To mitigate the risk, Evotec temporarily increased its stock at its UK sites with the essential components, but revenues could be decrease.

Distribution and logistics: Evotec regularly ships test compounds between its UK sites, its international customers, and other European Evotec sites in order to fulfil its customer orders. Following the uncertainties regarding customs clearance for goods being shipped into and from the UK, delays in customer projects are possible, which potentially may lead to loss of sales or even termination of contracts. However, Evotec may use its other European or US sites to cover the majority of its range of services in the UK. Deployment of Evotec’s other sites enables the Company to compensate for any interruptions in the UK and thus to mitigate this risk.

Personnel: BREXIT may limit the free movement of persons between the UK and the EU member states and their return and their stay could be State regulated. This may lead to some positions not being staffed temporarily. Evotec employs UK citizens in the EU and vice versa. However, the majority of the affected activities could be executed from other sites. Furthermore, the discontinuation of EU-wide social security provisions could negatively impact certain individuals, who work outside of the EU or the UK. Evotec currently evaluates any potential effects on those individuals in order to be able to provide consulting and list possible individual alternatives. Most personnel BREXIT-risks are limited and well known. Even in a no-deal-BREXIT, both sides (EU and UK) will have an interest of free and uncomplicated journeys of business people, even if those travellers need more time and have more effort.

Data protection and free movement of data: Due to the absence of regulations, the UK could be declared a third country without an adequate level of data protection and the exchange of personal data between the UK and other countries could be limited according to GDPR. However, Evotec included standard contractual clauses regarding any processing activities (so-called SCCs) in a contract between all affiliated companies to mitigate this risk. GDPR-Topic is generally part of IT risks.

Patent rights: Due to the European Patent Convention, patent rights will remain largely untouched following the exit of the UK from the EU, since the UK will continue to be a member of the European Patent Convention.
Payment transactions and exchange rates: Due to some provisions regarding the exchange of payment-transaction data between banks in the UK and the rest of Europe becoming invalid, there may be delays in payment transactions. To prevent liquidity shortfalls at its UK subsidiaries, Evotec intends to increase their cash balance temporarily.

Distribution of profit and tax-related issues: Dividends from the UK affiliates to the Company are only distributed when needed or at an economically attractive point in time. Currently, Evotec does not plan any distribution of dividends. Furthermore, it is not possible to predict any tax effects on Evotec following the BREXIT.

Political risk can also negatively impact employee mobility, the Company’s ability to hire the best qualified candidates for all its sites, free movements of funds or goods and logistics within the Group or between Evotec and its customers, e.g. compounds to be tested or manufacturing materials. However, due to the uncertain overall situation it is hard to predict those effects and safeguard the Company via preventive countermeasures.

Risks from investment strategy

The Company has a strict investment policy. The Company’s Audit Committee of the Supervisory Board (the “Audit Committee”) must approve changes.

In 2019, Evotec continued to expand its EVT Innovate business strategy through equity participation and funding rounds in selected companies. These investments enable Evotec to accelerate its business model as they provide a beneficial risk-reward profile potentially through to clinical stage in selected fields of high strategic medical relevance. Typically, Evotec’s equity stake after the financing round lies between 4% and 50%. Based on its shareholdings, Evotec has only limited control regarding the development of such investments and is exposed to the risks inherent in drug discovery and development (see “Business environment and industry risks” paragraph in this chapter), influencing the valuation and further development of these companies.

5. Financial risks and risk management in relation to financial instruments

Although economic hedging relationships exist, Evotec opted not to create a separate valuation unit according to section 254 HGB. Evotec’s financial risk management addresses liquidity, default and currency risks.

Liquidity risks

Revenue fluctuations, expenditures, external events and changes in the business environment 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 impact of all relevant risks. Evotec is currently well-financed; however, the Company regularly reviews all options for refinancing, such as potential capital increases and for the use debt-related tools. Such additional financing might also be required if new opportunities arise for M&A or in-licensing. The Company does not intend to engage in projects unless adequate funding is allocated or can be secured. The Company has successfully enhanced its funding ability due to its market position, growth and commercial record of accomplishment.

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. In 2019, Evotec has reserved € 1.1 m for doubtful receivables in few cases.
The general risk of losing a significant amount of cash in cash investments is mitigated by spreading investments across several different banks in high-quality credit instruments in full compliance with the Company’s investment policy, approved by the Audit Committee. 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 mainly between the US dollar, Pound Sterling and the Euro. The Company manages this exposure via close market monitoring, forwards, natural hedges and selective hedging instruments. The hedging instruments used do not expose the Company to any material additional risk. Hedging transactions are entered into directly in relation to existing underlying transactions and/or future transaction that can be reliably anticipated. The purpose of this strategy is to manage the Company’s current and upcoming currency requirements and it is intended to reduce the exchange rate risks of future financial periods. Despite active currency management, this risk cannot be fully eliminated due to unpredictable volatility within the mentioned currencies.

Currency exchange movements also impact Evotec’s reported liquidity primarily through the translation of liquid assets held in US dollars or Pound Sterling into Euros.

**6. Legal risks**

*Litigation/Contractual*

Evotec operates in a competitive market, in which legal compliance, solid agreements and intellectual property rights are of significant importance. To mitigate that risk Evotec involves also outside counsel expertise in large and/or complex transactions. Evotec does not expect any material warranty or future liability claims from its existing agreements.

In 2019, Evotec did not encounter any additional or significant legal risks. Evotec constantly monitors the legislative changes with direct impact for the Company, trying to prevent any kind of potential critical situations with third parties and to promote a positive relationship with the clients.

**7. Compliance risks**

*Regulatory*

In the research and development space and the countries in which the Company operates, there is a trend towards expanded and stricter regulations. In the event that these regulations are further tightened, there is a possibility that the use of certain technologies can be limited and additional expenses could arise, which could have an adverse influence on the Company’s financial position or results. Regulatory compliance is of utmost importance within the Company. In 2019, like the years before, the Company allocated additional resources to ensure full compliance with all relevant regulations.

*General Legal & Compliance (Fraud, Corporate Governance)*

Internal compliance with company policies is paramount to the Company’s success and ensures a safe work environment for its employees and early detection of potential risks. It is essential for Evotec to ensure that the Company in general and its employees individually conduct business in a legal, ethical and responsible manner.
Employees are obliged to immediately report any incidents they suspect of having breached the ethical guidelines laid out in the Companies Code of Conduct to their manager or to the Company’s Compliance Officer.

8. IP risks

*Dependence on technology patents & proprietary technology as well as dependence on licences granted for partnered assets*

If Evotec’s business activities conflict with patents or other intellectual property rights of other parties, it is possible that activities could be suspended or that there could be a legal dispute. Also, in the event that Evotec believes that its patents or other intellectual property rights have been infringed upon by another party, the Company might file lawsuits. As a result of these actions, there could be an influence on Evotec’s financial position or results.

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 some of its proprietary pre-clinical and clinical research projects. Any termination of these licences could result in the loss of significant rights and endanger existing partnering collaborations or freedom to operate. However, Evotec strives to maintain long-term and trusting relationships with its partners and is therefore confident that such licence agreements will remain unaffected.

9. HR risks

*Industrial action/labor dispute*

HR risks concerning industrial action/labour disputes exist, especially in Germany and France. However, maintaining a constructive, close dialogue and relationship between management and employee representatives remains the best mitigation strategy.
Dependence on key personnel

Evotec, like many biotechnology companies, is highly dependent on the key members of its management and highly specialised scientific staff. The loss, talent acquisition, talent management and replacement of any of Evotec’s key employees or key consultants could impede the achievement of Evotec’s business objectives. Evotec offers an intellectually challenging work place for scientists to perform at their best in world-class quality drug discovery and development and provides attractive working conditions. However, Evotec has set up its organisation such that the Company’s knowledge is shared amongst key employees as a key risk mitigation and business strategy. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future is critical to Evotec’s success and its top scientific staff is in great demand. If Evotec is unable to attract and retain personnel on acceptable terms despite its strong corporate culture and industry leadership position, this may delay Evotec’s development efforts or otherwise harm its business.

Successful integration of the new staff in cultural, operating and administrative terms is a central strategic human resources challenge for the company. Evotec therefore aims to ensure the right fit and smooth integration in terms of culture, systems, and processes of new companies to operate as ONE Evotec.

10. IT and technology risks

Loss of Data

IT services are essential to the Company’s success, and the Company recognises that a loss of data or service may result in a financial loss or liabilities, loss of client trust as well as reputational damage.

Evotec invests in resilient systems, makes upgrades to security systems, backs up data to different geographical locations, enhances IT policies and consolidates user awareness. These measures mitigate the effect of hazards such as natural disasters, power failures, system upgrade failures, theft and data corruption as much as reasonably possible.

Data integrity and protection

Compliance with guidelines relating to data protection, which also regulate the assignment of access rights, is mandatory. The Company performs regular IT risk assessments to identify and rectify weaknesses. In addition, an IT Security Committee meets weekly to analyse threats, investigate reported incidences and make recommendations to management. Where weaknesses are identified, remediation measures are initiated immediately.

Cyber-attacks

Cyber-attacks are increasing in the industry as a whole. With cyber attacks becoming more advanced, there is greater need for all sensitive data to be encrypted at rest, as well as in transit. More system controls (like digital Certificates, PGP, digital signing and encryption) will greatly reduce damage in event of a breach.

The related risks are: loss, blackmail, destruction, unauthorised encryption or corruption of data arising from captured passwords, virus attacks, and physical access to Evotec’s servers by non-authorised people or other unauthorised modifications to the Company’s systems. Evotec’s own and/or client data required for the day-to-day operations might be inaccessible or destroyed and might prevent Evotec from day-to-day management and delivery of its business. To protect the Company from virus attacks and cybercrime activities, Evotec employs antivirus and antimalware software, as well as firewalls running at relevant points of entry. In addition, systems are updated as often as possible, enabling
the installation of new versions or patches with better secured authorised access, improved protection against malware and viruses to all systems possible. Systems that cannot be updated for technical reasons (e.g. due to lack of technical support) are – where feasible – isolated from the main network or replaced. In addition, relevant employees (e.g. in the financial and IT departments) are educated and regularly reminded of the risks and kinds of potential attacks that may occur (e.g. “fake president”). Evotec has increased resources and investments in order to further secure its IT and data on all its sites. Despite the Company's efforts and in light of rapid technology changes and the evolving sophistication of attack methods used to infiltrate systems globally, there is a possibility that a cyber-attack event could occur that would adversely affect the Company's business, financial performance and reputation.

**GDPR-risks**

Considering the significantly expanded regulations for GDPR, Evotec is permanently reviewing the handling of relevant internal and external data and its respective flow, storage and access. In this regard, the Company has intensified its efforts on trainings for employees to increase awareness, reviewing and adjusting internal procedures on data protection, improving restricted access applications. In addition, the Company has defined routines and internal as well as external contact persons in place in case of an identified potential data breach. However, in case of a confirmed and reported breach Evotec could face sensitive fines, which would impact Evotec's financial performance and reputation.

**11. Process risks**

**Knowledge monopolies**

The advantage of employing highly qualified and very experienced employees building up significant and important knowledge about specific assets and projects also brings the risk of creating dependencies from these colleagues and the risk of loss of knowledge, data and projects in case they discontinue work. To reduce this risk, Evotec established defined documentation processes, shared knowledge platforms, lab journals, clearly defined job functions and project meetings to secure share of relevant knowledge, findings and data, while at the same time tying in senior employees long-term through awarding LTI awards as a retention measure.

**Knowledge management due to Company growth**

Evotec knows the importance of balanced knowledge management, for example in the context of external reporting deadlines or adequate runtimes of processes. Due to Evotec's continued growth, the Company has an ongoing need to adjust the organizational and functional guidance as well as standards, business processes and structures in accordance with its current and future scale. Therefore, the Company included process risks in the corporate risk overview. For example, Evotec's global finance function has started organizational improvement activities and additional change management measures in order to avoid knowledge monopolies and make the finance organization more robust and flexible, also making sure to prevent against inefficiencies to secure precise and high quality financial data.

**12. Operational Risk Management**

Evotec continuously enhances its operational risk management and refines the risk management accountability and performance assessment mechanism of all departments and functions. The Company actively gathers data on operational risk to enable proactive mitigation efforts and opportunities. The long-term objective is to monitor the level of operational risk across the company on a monthly basis to have preventive insight, to help
minimise the Company’s operational exposure to risks, and to contribute to long-term cost savings.

**Environmental, Health and Safety**

Evotec has strengthened its global team responsible for Environmental, Health and Safety ("EHS") and works closely with local employee representatives to ensure relevant compliance and best performance for both its employees and clients. Feedback and suggestions from a recent Healthy Workplace survey are being used to improve further and measure success.

As a globally operating company Evotec’s production and supply chains, its logistics as well as regular exchanges with business partners and clients can be negatively affected by external global or local events such as Force majeure, natural disasters, governmental decisions, pandemics (e.g. COVID-19) leading to a loss in revenues or decrease in margins and EBITDA.

Evotec has various business continuity plans in place which are adapted to local needs and will be adjusted in case of changing conditions. In the current COVID-19 outbreak, some of these business continuity measures have been put into action. In addition, local task forces can be set up locally at all sites to initiate further measurements and to ensure adequate communication to all employees and key stakeholders. With this Evotec aims to react to external disruption with a direct or indirect impact for the Company as fast as possible. Further measurements like switching to alternative material, exchanging material internally and providing guidelines for employees and visitors, home office and remote working procedures where feasible were initiated.

With regard to the current Covid-19 pandemic Evotec has not yet recognized imminent significant impacts and could maintain business across all sites but remains cautious, very closely monitoring the further development of the overall situation. Many precautionary measures have been activated, e.g. personnel and physical separation of employees (activating 2-shift system at the sites as well as home-office solutions), daily task force meetings, selected increase of critical supply, continuous monitoring of political and economic options to help overcome the crisis, increased communication with all stakeholders (in particular employees and customers).

**Major disasters on sites**

In the event of a major or secondary disaster that results in stoppages of the company’s activities on one or multiple sites, or in damages and/or interruptions to the operations of key material suppliers, Evotec may be forced to suspend or incur significant delays in parts or all of its activities. In each case, the potential exists for the Company’s financial position and operating results to be substantially affected. In addition, the conduct of research and development plans may be impacted by damages to Evotec’s research facilities as well as medical and other institutions at which testing is conducted.

In case of major disasters such as extreme weather events, earthquakes or plane crash, Evotec may suffer loss of business due to inability to execute contracts and fulfil client deliverables. Evotec has created business continuity plans as well as disaster recovery plans and has insurances for these rare events.
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 patent expiries, higher burden of approval, reimbursement and cost pressure that many Pharma companies are currently experiencing. This has led to a decreasing number of research-based pharmaceutical companies taking the full financial risk of drug R&D. New strategies are being developed leading to an increase in the appetite to outsource 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 outsourcing their research and development activities. Such outsourcing enables Pharma companies to convert fixed costs into variable costs, gives them access to expertise in selected areas and spares them the need to build internal, suboptimally utilised capabilities and infrastructure. Evotec’s position enables it to leverage this trend and consequently pursues 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 broad customer base that Evotec can use as an opportunity to generate additional business.
– Strategic opportunities

A major pillar of Evotec’s strategic plan is the creation of a broad and deep co-owned pharmaceutical pipeline without taking the financial risk of clinical development. Currently, Evotec participates in the potential success of a number of clinical assets through development partnerships with various pharmaceutical companies. These clinical development programmes are financed by Evotec’s partners and thus do not carry any cash-related financial risks for Evotec, but only significant commercial upside potential. Within the EVT Innovate business segment, the Company continuously invests into academic or internal R&D projects. These projects are positioned as starting points for future strategic Pharma partnerships with significant commercial upside.

The Company’s liquidity and profitability 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 offer superior service and quality, thereby generating new business possibilities in the future.

– Commercial opportunities

The total number, growth and size of alliances, the high percentage of repeat business, average contract duration, new customer acquisition and the status of the Company’s sales and order book are key indicators of Evotec’s business. These key indicators have improved significantly during the last five years. For more than 20 years, Evotec has continued to deliver excellent results in its collaborations and has expanded its customer base and its global network of partnerships. The Company is now working with approximately 720 partners across the industry on a global basis. The excellent record of accomplishment and the Company’s extensive network is a core building block for sourcing additional business opportunities that may have a significant impact on the performance and results of the Company.

Furthermore, the Company continues to operate 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 its EVT Innovate initiatives to generate potential starting points for higher value partnerships.

As Evotec’s conservative financial planning does not assume any product commercialisation and subsequent commercial milestone and royalty’s payments, any successful product commercialisation would provide a significant upside to Evotec’s business planning and profitability.

Evotec co-owns a strong pipeline of more than 100 partnered programs and more than 20 unpartnered projects. Assuming industry standard attrition rates and with respect to the broad product portfolio, the probability that one or more product opportunities will reach the market and generate significant royalty streams which will contribute to the economic success of Evotec. Evotec's commercial success is increasing.
– HR opportunities

Human resources are the most critical asset for companies in the Pharma and biotech industry. The Company believes that its success in alliances and partnerships is attributable to its key personnel. Approximately 39% of Evotec’s employees have worked for the Company for more than five years. Retention of employees who have outstanding expertise and skills in the long term will have a positive impact on the Company’s business, results of operations and financial position.

Expertise in key therapeutic indication areas and knowledge of innovative technologies are essential in developing new platforms or research initiatives – such as the further development of the iPSC drug discovery platform that may result in new business opportunities for the Company. Evotec is well positioned to attract key personnel to drive the Company’s scientific and business strategy.

VI. 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 amount to 2.5% in 2020. U.S. growth is forecast to slow to 1.8% in 2020, down from an estimated 2.3% in 2019 reflecting the impact of earlier tariff increases and elevated uncertainty. Eurozone growth is projected to slip to a downwardly revised 1.0% in 2020 amid weak industrial activity (2019: 1.1%). Re-escalation of trade tensions and trade policy uncertainty, a sharper-than-expected downturn in major economies, and financial turmoil in emerging markets and developing economies are all expected to influence global economic development in 2020. Evotec is confident that these factors will not have a major impact on the Company’s expected corporate development or performance since discovery and early stage development projects normally are not directly coupled with the overall economic cycles.

– The market for drug discovery and trends

The global drug discovery and development market is expected to experience continued growth. A report from Visiongain forecasts an annual growth rate of about 10% through 2028. This growth is being driven by a variety of industry trends, most notably the need for increased innovation and flexibility. This demand for efficient external innovation will be met increasingly by companies such as Evotec. Details of the global drug discovery and development market can be found in the chapter “II. Report on economic position - Macroeconomic conditions and business environment” of this Management Report.

In 2019, the number of novel drug approvals by the FDA amounted to 48. Of the 48 approved new drugs, approximately 40% originate from biotech companies, demonstrating their importance as a key innovation driver. Pharma companies continue to need access to new innovative medicines and approaches in order to ensure their sustainable growth.
is underlined by the fact that three out of the TOP 15 pharma companies had no FDA approvals in 2019. As a result, pharmaceutical companies are expected to continue to make significant investments into the development of innovative and promising drug candidates and are turning to external innovation sources and partners to enrich and replenish their pipelines. Therefore, the pharmaceutical industry will increasingly favour larger strategic research contracts which are easy to manage and carry low perceived commercial risks. Innovative alliances will shift the drug discovery paradigm. Today, the average costs of bringing new drugs to the market have increased by 67% since 2010. Revenues per product tend to decline and average peak sales have more than halved, while success rates remain approximately unchanged. This presents a challenge for both the pharmaceutical industry and the highly fragmented drug discovery and development outsourcing industry. At the same time, new treatment modalities and an increasing understanding of precision medicine have led to the need for new R&D models and will lead to a future where medicine is more participatory, preventive and personalised. Furthermore, according to a Deloitte report, antibody therapies are now the most valuable drug modality, overtaking small molecules. While there will continue to be a need for small molecule therapies in the future, companies that do not shift their operating models to also include emerging modalities risk becoming less competitive. Evotec’s platform comprises a broad offering from idea to IND and beyond (one-stop-shop), including highly innovative technologies like iPSC, PanOmics, Transcriptomics, artificial intelligence (AI) and machine learning throughout all modalities. Combined with Evotec’s partnered approach to drug discovery and development and its track record of partnerships with Pharma companies, the Company is ideally positioned to take full advantage of these market developments.

**Business direction and strategy**

Following its strategic framework, Action Plan 2022 – “Leading External Innovation”, Evotec’s management focuses on growing the Evotec Group and increasing its value by expanding its leadership position in high-quality drug discovery and development solutions and becoming the most innovative partner across all therapeutic modalities. The strategy is to design and apply innovative technologies and processes across all modalities in order to expand access to more precise and effective medicines. Together with its partners, the Evotec Group strives to become the external innovation partner of choice in drug discovery and development for the industry. Through its hybrid business model, consisting of its two operating business segments EVT Execute and EVT Innovate, Evotec Group is able to engage in profitable fee-for-service alliances under the Execute segments, while simultaneously entering innovative, tailor-made risk-based Innovate collaborations. Additionally, the Evotec Group builds translational (BRIDGE) partnerships with Academia and selectively participates in high-potential ventures through strategic investments and company formations. Evotec will support the achievements of the Evotec Group targets with their scientific expertise, intellectual property and technology.
Financial outlook for 2020

As in the previous year, the main performance indicators for the Company are revenues, adjusted EBITDA and liquidity.

– Expected operating results

Given current global insecurities, a likely negative impact from the ongoing Corona pandemic is already estimated within the introduced guidance for revenues and adjusted EBITDA based on the assumption of disrupted supply chains within Evotec and our partners. However, due to the drastic and very dynamic developments in the overall economic environment since the end of February 2020 and the unforeseeable special situation triggered by the Corona virus pandemic and its associated unknown time lines, it is not possible to precisely predict or quantify the potential impact on revenue and financial performance at this early stage. Evotec will continue to very closely monitor the further development of this exceptional situation and update on guidance in case the situation changes materially.

Evotec conducts a business model in which revenues and adjusted EBITDA are highly connected with the business development of the main subsidiary Evotec International GmbH as new contracts as well as contract extensions are preferably closed with Evotec International GmbH.

Therefore, Evotec expects that the intercompany revenues will increase which will be partly compensated by a further decrease in external revenues. In total Evotec assumes a rise in revenues in a one-digit percentage range. This assumption is based on the current order situation, expected milestones, foreseeable new intercompany work and contract extensions.

Adjusted EBITDA will depend on the productivity of its drug discovery business. A positive adjusted EBITDA in the one-digit million range is expected for 2020 provided that income from investments are on the same level as 2019.

– Expected financing and financial position

Evotec continued to support its ongoing business and operations as well as the Groups business and operations. In 2020, financing for the development and growth of affiliated companies are planned, especially with regard to the USD 128 m loan commitment towards J.POD-Evotec Biologics, Inc. As of 31 December 2019 one tranche in the amount of USD 10 m was exercised. Further utilizations are expected to finance the construction of the first J.POD® in North America with a capital expenditure volume of around € 60 – 90 m. Therefore, it is expected that the liquidity level will decrease significantly below € 100 m.

Dividends

Payment of dividends is dependent upon Evotec 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’s further growth strategy to even better leverage long-term growth and sustainability.

Opportunities

The most important opportunities for the Company are summarised in the chapter “V. Risk and opportunities management - Opportunities” of this Management Report.
General statement of expected development by the Management Board

Evotec continues to strengthen and expand its business as the leading innovative global provider in the provision of drug discovery and development solutions across all therapeutic modalities. Evotec is well-positioned to deliver value to the pharmaceutical and biotechnology industry as well as to foundations, addressing the industry’s growing demand for innovation.

The Management Board is convinced that Evotec will benefit from the continuing trends and challenges in the pharmaceutical industry. On this basis, the Management Board expects Evotec to show revenue growth in about a one-digit percentage range compared to 2019 and adjusted EBITDA in the one-digit-million range provided that income from investments are on the same level as 2019. The cash position will decline significantly below € 100 m but will still provide a firm foundation to further strengthen its strategic role in the drug discovery and development market including the build-up of the facility of the future to increase shareholder value.

VII. Information pursuant to section 289a paragraph 1 and section 315a paragraph 1 of the German Commercial Code and explanatory report

Evotec’s management focuses on value creation. For that reason, any change-of-control or takeover offer that would realise some of the Company’s embedded value for the benefit of current shareholders would be carefully analysed with regard to the synergies proposed and the future value creation claimed. A change in control is generally considered to have occurred if, as a result of any takeover, exchange or other transfer, a single shareholder or a group of shareholders acting in concert acquires more than 30% of the outstanding voting rights in Evotec or if as a result of a merger or reverse merger, the shareholders of Evotec from the effective date of such transaction cease to own more than 30% of the outstanding voting shares in the merged entity. Evotec has no specific takeover defence measures in place.

- Composition of capital stock, voting rights and authorisation to issue shares

As of 31 December 2019, the share capital of Evotec SE amounted to € 150,902,578.00 and was divided into 150,902,578 non-par value shares. All shares are bearer shares and have equal voting rights. The Company’s management is not aware of any restriction on the voting rights or the right to transfer. No binding lock-up agreements have been made by the Company with any shareholder, and neither stock loans nor pre-emptive stock purchase rights are known to the Company. The Company does not control voting rights of any shares owned by employees.

No shareholder holds the right to have representatives on the Company’s Supervisory Board, or is restricted or bound to specific votes at the AGM. Existing stock option schemes do not allow for immediate vesting or additional issuance in the case of a takeover offer.

The shareholders have provided the Management Board with the following authorisation to issue new shares or conversion rights:
Authorised capital: Pursuant to section 5 paragraph 5 of the Articles of Association of the Company, the Management Board, with the approval of the Supervisory Board, is authorised to increase the Company’s share capital by up to € 29,332,457.00 in one or more tranches until 13 June 2022 by issuing new shares against cash or non-cash consideration. Any shares to be issued on this basis will be subject to the statutory subscription rights of Evotec’s shareholders. With the approval of the Supervisory Board, the Management Board may, however, exclude the pre-emptive rights of its shareholders on one or several occasions under certain well-defined conditions.

Conditional capital: As of 31 December 2019, the remaining conditional capital of the Company amounted to € 38,774,479.00. Conditional capital in the amount of € 8,815,190.00 shall be used only to the extent that holders of stock options and Share Performance Awards (“SPA”), granted by Evotec on the basis of the shareholders’ resolutions from 7 June 1999, 18 June 2001, 16 June 2011, 14 June 2012, 9 June 2015 and 14 June 2017, exercise their rights to subscribe for new shares in the Company. In 2019, conditional capital in the total amount of € 1,839,784 was used for holders of stock options and SPAs to exercise their rights to subscribe for new shares in the Company. Additional conditional capital in the amount of € 29,959,289.00 exists 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) that may be issued by Evotec on the basis of the authorisation passed by the AGM on 19 June 2019. Any such contingent capital increase shall only be used to the extent that option or conversion rights are utilised, or the owners or creditors are obligated to carry out their duty of conversion, and to the extent that no treasury shares or new shares from an exploitation of authorised capital are utilised for servicing.

The Company has not issued any convertible bonds or option debentures in the last three years and none are currently outstanding.

Shareholdings exceeding 10% of voting rights

On 27 February 2017, Evotec was last notified that the direct shareholdings of Novo Holdings A/S, Hellerup (Denmark) amounted to 10.10%. Since 11 December 2019, Morgan Stanley is also holding more than 10% on Evotec. As of 31 December 2019 they held 12.19%.

Board structure

The board structure of Evotec is explained in detail in the “Corporate Governance report” section.

Authorisation of management to repurchase stock

The Company is authorised by resolution of the AGM 2015 to acquire its 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 (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 is not allowed under the AGM authorisation. The respective authorisation is effective until 8 June 2020. As of 31 December 2019, Evotec has not used its authorisation to acquire own shares.
– 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 17 of the Articles of Association, 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 AGM. 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).

– Change-of-control provisions

The Management Board of the Company has only customary rights in the case of a change of control. The contracts of the members of the Management Board contain a change-of-control clause which would allow the management to terminate their current contracts in the event of a change of control. Further information regarding the respective severance payments are summarised in the chapter “IX. Remuneration report” of this Management Report.

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 289f of the German Commercial Code (HGB) in the “Invest” section on Evotec’s website at www.evotec.com.

IX. Remuneration report

The remuneration report describes the Company’s remuneration system 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 Consolidated Financial Statements and the Corporate Governance report.

Remuneration System of the Management Board

The remuneration system of the Management Board is fixed by the Supervisory Board and is composed of performance-unrelated and performance-related components.

As a principle, Management Board 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 of the Company, 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. Moreover, the Supervisory Board considers the Management Board

4 This section of the management report is not subject to audit.
compensation relative to that of senior management as well as the staff overall, particularly in terms of its development over time.

Following the Code, the remuneration system specifies a target compensation and monetary caps for both the total compensation and the respective compensation components for each Board member. Deviating from that, the Share Performance Plans 2012 and 2015 as approved by the AGMs in 2012 and 2015 include a maximum regarding the number of share-based awards (Share Performance Awards, "SPA") upon allocation. The monetary value of the allocated shares is determined by the share price after the expiration of the vesting period. The Share Performance Plan 2017 has a monetary cap for the Management Board with a maximum level of 350% of the contractual SPA issue value and therefore complies with the Code in all respects.

Benchmarking against other national and international biotech companies and members of the TecDAX and MDAX index as well as a comparison with Corporate Governance best practices is conducted on a periodic basis and prior to each renewal of the management contracts with the support of renowned external compensation and benefits experts. This benchmarking includes monetary aspects and current corporate governance best practices. Based on this benchmarking exercise, the Supervisory Board considers the current remuneration system and its fixed and variable compensation levels with regard to the duties and responsibilities of the Management Board members and decides on adjustments of the management contracts. As an example of the consequence of this practice, a clawback clause has been added to those Management contracts which have been recently renewed.

In accordance with good corporate practice, the Supervisory Board of Evotec SE proposed the system of remunerating members of the Management Board for approval to the AGMs in 2017 and again in 2019 ("say on pay"). At both AGMs, the majority of the shareholders and shareholder representatives voted in favour of this agenda item.

**Performance-unrelated remuneration**

Performance-unrelated remuneration includes base salaries as fixed compensation paid in 12 monthly instalments at the end of each month and fringe benefits such as pension allowances, contribution to commuting expenses, contributions to certain premiums for insurance policies as well as the benefit derived from the private use of a company car or a car allowance. In addition to the aforementioned remuneration, business-related private payments, expenditures and expenses are reimbursed.

**Performance-related remuneration**

The performance-related remuneration components consist of a one-year variable compensation (Short Term Incentive or "STI") determined by a bonus scheme and a long-term Share Performance Plan, which was approved by the AGMs 2012, 2015 and 2017. The one-year variable remuneration is determined by a bonus scheme based on the achievement of certain targets specified by the Remuneration and Nomination Committee of the Supervisory Board and subsequently approved by the Supervisory Board for each financial year. The Share Performance Plans are based on a forward-looking, multi-year assessment period.

The STI bonus scheme for the Management Board is based on the achievement of clearly measurable corporate objectives equally set for each Management member by the Supervisory Board rather than individual objectives. Such corporate objectives are geared to support the mid- and long-term growth strategy of the Company and generally relate to financial objectives, such as growth in total revenues, adjusted EBITDA and R&D expenses as set in accordance with the relevant guidance for that specific financial year, plus operational, strategic and cultural objectives. In its March meeting, the Supervisory
Board reviews the achievement of these corporate objectives of the previous year and approves the respective bonus pay-out.

The target bonuses for the one-year variable compensation amount to 100% of the fixed remuneration for the Chief Executive Officer (2018: 100%) and to 70% of the fixed remuneration for all other members of the Management Board (2018: 75% for the Chief Operating Officer, 70% for the Chief Scientific Officer and 55% for the Chief Financial Officer).

In addition to the one-year variable compensation, the members of the Management Board are eligible for an annual grant of Share Performance Awards (SPAs) under Evotec’s current Share Performance Plan 2017, building the basis for the Long Term Incentive or “LTI”. The Evotec Share Performance Plan is an important step in supporting the interests of the Company’s shareholders and in establishing a state-of-the-art long-term compensation that is in line with remuneration and corporate governance standards as well as the German Corporate Governance Code.

The number of granted SPAs is determined by dividing a defined percentage of the Board member’s total direct compensation (base salary, target annual bonus (STI) and target long-term incentives (LTI)) by the applicable fair market value of an SPA. The percentage amounts to 50% of total direct compensation for the Chief Executive Officer (2018: 50%) and to 35% of total direct compensation for all other members of the Management Board (2018: 30%).

For each annual award of SPAs, a Performance Measurement Period of four consecutive calendar years applies. Two equally weighted external Key Performance Indicators (KPIs) have been set forth by the Annual General Meeting 2017 oriented on long-term value creation, consisting of “Share Price” and “Relative Total Shareholder Return” (yield on shares). Relative Total Shareholder Return is a measure to determine the performance of an investment in the shares of the Company compared to the TecDAX. Relative Total Shareholder Return measures the return on a share investment over a period of time, including dividends as well as share price performance (positive and negative) and adjusted for any equity issues or share-splits. The KPIs are measured for each year of the Performance Measurement Period. The achieved performance for a respective year is locked-in for the remaining Vesting Period.

Within each of the two KPIs there is a “Minimum Target” that has to be reached for Share Performance Awards to be exercised (partially), as well as a “Maximum Target” that, once it is reached, allows for all Share Performance Awards for the respective KPI (100%) to be exercised to the full amount, after the Vesting Period has expired (one Share Performance Award entitles the holder to subscribe in the maximum for no more than two whole shares in Evotec SE).

100% of the KPI “Share Price” (the “Target Share Price”) is achieved for a calendar year if the average share price of the Company stock in the closing auction of XETRA trading (or a corresponding successor system) on the last thirty (30) trading days of the Frankfurt stock exchange in the respective performance period, i.e. a calendar year (the “Closing Price”) exceeds by 8% the average share price of the Company stock in the closing auction of XETRA trading (or a corresponding successor system) on the last thirty (30) trading days of the Frankfurt stock exchange before the start of the respective performance period (the “Opening Price”). The Minimum Target for the KPI “Share Price” is reached if the Closing Price is higher than the Opening Price. The Maximum Target for the KPI “Share Price”, which entitles all Share Performance Awards for this KPI to be exercised for the respective performance period, is reached if the Closing Price is 16% or more above the Opening Price.

100% of the KPI “Relative Total Shareholder Return” is achieved for a calendar year (the “Target Relative Total Shareholder Return”), when the Total Shareholder Return for the
shares of the Company (average share price of the Company at the closing auction of XETRA trading on the 30 trading days at Frankfurt Stock exchange prior to the relevant date plus dividends, and adjusted for any equity issuance or share-splits, matches the Total Shareholder Return of the German TecDAX index during the same period. The Minimum Target for the KPI “Relative Total Shareholder Return” is achieved when the annual average Total Shareholder Return for the shares of the Company is 10%-points below the Total Shareholder Return of the TecDAX during the respective performance period (i.e. each calendar year). The Maximum Target, at which all the Share Performance Awards for the KPI “Relative Total Shareholder Return” can be exercised, is achieved when the annual average Total Shareholder Return for the shares of the Company is at least 10%-points above the average Total Shareholder Return of the TecDAX during the respective performance period. Relevant values of the Total Shareholder Return of the Company and of the Total Shareholder Return of the TecDAX will be calculated annually and based on the average TecDAX (Total Return Index) during the 30 trading days at Frankfurt Stock exchange prior to the relevant date.

The right to exercise awards from the Share Performance Plan arises only on expiry of the Vesting Period after four years of the respective SPA tranche. Depending on the achievement of the Key Performance Indicators for each of the four years, each Share Performance Award entitles the participant to the subscription of up to a maximum of two Company shares (200% cap). After each of the four performance periods (i.e. each calendar year) for a tranche of Share Performance Awards has ended, the target achievement for the two KPIs is determined for the respective calendar year and the corresponding number of subscription rights are calculated and provisionally set. At the end of all the four performance periods, i.e. the four calendar years of one tranche, the subscription rights determined for each year are added and represent the total number of exercisable subscription rights.

Each participant is required to make a payment of the nominal amount of € 1 (one Euro) per share to Evotec upon exercising, independent from the trading price of the Evotec share at that point in time. The new shares received are not subject to any specific lock-up; they are freely tradable immediately subject to insider trading rules which are the sole responsibility of each participant.

The Supervisory Board reserves the right at its sole discretion to replace the shares to be allocated to the participants with a cash payment and/or Evotec shares kept in treasury by the Company. The value of the shares to be used in calculating the cash payment shall be the average share price during the 30 day trading period immediately before the Vesting date.
Remuneration Report of the Management Board

The Management Board compensation for 2019 was carried out in full compliance with the Company’s Remuneration System as approved by the Annual General Meeting (AGM) and the monetary cap for both the total compensation and the respective compensation components.

The 2019 corporate objectives related to financial objectives, such as growth in total revenues, adjusted EBITDA and R&D expenses as set in accordance with the relevant guidance for that specific financial year 2019. Further targets included the execution of at least two significant asset transactions in EVT Innovate and at least one new alliance more than € 20m in transaction value, the building at least two new academic BRIDGEs and preparing the Company for sustainable growth. The individual Corporate Objectives for 2019 are set out in the following table:

<table>
<thead>
<tr>
<th>No.</th>
<th>Corporate Objective</th>
<th>When</th>
<th>End Product</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Continue growth path with optimal cross-selling</td>
<td>Q4</td>
<td>€ 446 m</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>€ 123 m</td>
<td>10%</td>
</tr>
<tr>
<td>2</td>
<td>Expansion of co-ownership strategy</td>
<td>Q4</td>
<td>Geltgene € 3.0, Bayer € 3.0 m</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Breakpoint, Neopharma</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Delivered in Q3</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Foster ONE Evotec Growth Culture</td>
<td>Q4</td>
<td>Significant 2nd line upgrade, IDO strategy</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Significantly better integration, Reduced fluctuation</td>
<td>10%</td>
</tr>
</tbody>
</table>

The bonus for the achievement of the targets set for the financial year 2019 will be paid out to the Management Board members in March 2020. Based on the 100% achievement of the Corporate Objectives 2019 this will be total of T€ 1,222 for the variable portion of the remuneration to be paid to the members of the Management Board.

In addition to their one-year variable compensation, the members of the Management Board received a total of 86,283 SPAs in January 2019 (2018: 103,861) under the Company’s Share Performance Plan, thereof 45,161 SPAs for Dr Werner Lanthaler, 13,318 SPAs for Dr Cord Dohrmann, 16,733 SPAs for Dr Craig Johnstone and 11,071 SPAs for Enno Spillner. The fair value of all SPAs granted as multi-year variable compensation amounted to T€ 1,605 (2018: T€ 1,529) on the day of calculation on 01 January 2019. The reduced amount of SPAs in 2019 compared to 2018 is due to the increased share price in 2019 and the resulting increase in fair market value recognised per SPA. The SPAs that were granted in January 2019 vest and become exercisable after four years in January 2023.
Remuneration tables

For 2019, the performance-unrelated and one-year variable compensation of the active members of the Management Board totalled €2,607, of which the variable part amounted to €903.

The following tables 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, fringe benefits, short-term variable compensation and long-term variable compensation for the year under review, broken down into the relevant reference years

The compensation for Dr Craig Johnstone was not paid by Evotec but is rather recharged as management fee by another Group company.

<table>
<thead>
<tr>
<th>Name of the Management Board member</th>
<th>Function of the Management Board member</th>
<th>Date on which the member joined/ left the Management Board, if in the financial year under consideration n (year under review) or n-1</th>
<th>Financial year under consideration n (year under review) or n-1</th>
<th>Minimum value of granted compensation components that can be achieved in financial year n (year under review), e.g. Zero</th>
<th>Maximum value of granted compensation components that can be achieved in financial year n (year under review)</th>
<th>Notes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Werner Lanthaler</td>
<td>CEO</td>
<td>2018</td>
<td>2019</td>
<td></td>
<td></td>
<td>Name of the Management Board member</td>
</tr>
<tr>
<td>Enno Spillner</td>
<td>CFO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Function of the Management Board member</td>
</tr>
<tr>
<td>Dr. Cord Dohmann</td>
<td>CSO</td>
<td>2018</td>
<td>2019</td>
<td></td>
<td></td>
<td>Date on which the member joined/ left the Management Board, if in the financial year under consideration n (year under review) or n-1</td>
</tr>
<tr>
<td>Dr. Craig Johnstone</td>
<td>COO</td>
<td>2018</td>
<td>2019</td>
<td></td>
<td></td>
<td>Financial year under consideration n (year under review) or n-1</td>
</tr>
</tbody>
</table>

Notes:
- Non-performance-related components, e.g. fixed salary, fixed annual pay-off-payments (amounts correspond to amounts in “Allocation” tab]; values in columns II, III and IV are identical
- 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
- Total of non-performance-related components (1+2) (amounts correspond to amounts in “Allocation” table]; values in columns II, III and IV are identical
- One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components
- 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
- Multi-year variable compensation, broken down into plans and stating the period of time
- Total of non-performance-related and variable components and service cost (1+2+4+5)

<table>
<thead>
<tr>
<th>Allocation (in TC)</th>
<th>Dr. Werner Lanthaler</th>
<th>Enno Spillner</th>
<th>Dr. Cord Dohmann</th>
<th>Dr. Craig Johnstone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed compensation</td>
<td>1.779</td>
<td>1.837</td>
<td>545</td>
<td>3.955</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>712</td>
<td>746</td>
<td>348</td>
<td>376</td>
</tr>
<tr>
<td>Total</td>
<td>2,607</td>
<td>2,607</td>
<td>556</td>
<td>3,955</td>
</tr>
<tr>
<td>Multi-year variable compensation</td>
<td>1.779</td>
<td>1.837</td>
<td>545</td>
<td>3.955</td>
</tr>
</tbody>
</table>

| Service cost       | 0                    | 0            | 0                | 0                  |
| Total              | 939                  | 939          | 506              | 540                |

48/51
Term of contract and early termination clauses

In accordance with the Code, new members of the Management Board are appointed for three years. Prolongations of existing contracts might be up to five years as has been agreed with the Chief Executive Officer for his current contract and with the Chief Scientific Officer for his current contract as renewed in 2019.

Their contracts contain a change-of-control clause, which allows 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; and for Dr Cord Dohrmann, Dr Craig Johnstone and Enno Spillner, the payment shall be equal to 18 months of their base salary plus target bonuses for this time period. 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 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.
Remuneration paid to Management Board for other board mandates

Members of the Management Board do not receive any remuneration for intra-group director or board roles. If Supervisory Board mandates are assumed at non-group entities, the supervisory board decided that such remuneration received for non-group supervisory board or board of director mandates shall not be offset from the Management remuneration.

Pension provisions for former Management Board members

The Company has made a provision for a pension for one former Management Board member amounting to T€ 205 (2018: T€ 189). 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 prescribed in the Company’s Articles of Association.

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 personal requirements of Supervisory Board members, especially of the Chairman of the Supervisory Board, regarding qualification and the amount of time have increased significantly in recent years. Evotec SE expects this trend to continue in the future, which is accompanied by an increasing risk exposure and higher liability risks of Supervisory Board members. In order to be well-positioned for attracting top-class Supervisory Board candidates within a competitive international environment, who meet Evotec SE’s competence profile, the AGM 2019 has approved an increase of the compensation of Supervisory Board members from fiscal year 2019 onwards.

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 memberships in committees are considered when determining the remuneration of individual members. Consequently, as amended following the approval of the AGM 2019, the fixed compensation is T€ 50 per Supervisory Board member. The Chairman of the Supervisory Board is paid T€ 125, and the Vice Chairman is paid T€ 60. Supervisory Board members serving on its committees shall be paid T€ 10 per committee membership; the Chairman of a committee shall be paid T€ 25.

For their contributions in 2019, the individual members of the Evotec Supervisory Board received the following compensation in 2019:
## Remuneration of the Supervisory Board 2019

<table>
<thead>
<tr>
<th>Name</th>
<th>Total remuneration in T€¹</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof. Dr Wolfgang Plischke</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Bernd Hirsch*</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Dr Claus Braestrup*</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Prof. Dr Iris Löw-Friedrich</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>Dr Mario Polywka**</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Roland Sackers**</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Michael Shalmi</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Dr Elaine Sullivan</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>480</strong></td>
<td></td>
</tr>
</tbody>
</table>

¹) *Cash remuneration*

* Tenure ends at AGM 2019

** Tenure starts at AGM 2019

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)⁵

In 2019, Evotec procured directors’ and officers’ liability insurance cover for its Management and Supervisory Board members, its senior management and the directors of its subsidiaries at a cost to the Company of T€ 132 (2018: T€ 82). An appropriately sized deductible was agreed upon for the members of the Supervisory Board. The deductible agreed upon for the members of the Management Board is in line with the stipulations of the legal provisions of the VorstAG.

Hamburg, 23 March 2020

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⁵ This chapter of the management report is not subject to audit.
The translation of the audit opinion reads as follows:

**Independent auditor's report**

To Evotec SE (formerly: Evotec AG)

**Report on the audit of the annual financial statements and of the management report**

**Opinions**

We have audited the annual financial statements of Evotec SE (formerly: Evotec AG), Hamburg, which comprise the balance sheet as at 31 December 2019, the income statement for the fiscal year from 1 January to 31 December 2019 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Evotec SE (formerly: Evotec AG) for the fiscal year from 1 January to 31 December 2019. In accordance with the German legal requirements we have not audited the content of those parts of the management report listed in the appendix to the auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the fiscal year from 1 January to 31 December 2019 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the parts of the management report listed in the appendix to the auditor’s report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

**Basis for the opinions**

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor’s responsibilities for the audit of the annual
financial statements and of the management report" section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be a key audit matter:

Recoverability of shares in affiliates

Reasons why the matter was determined to be a key audit matter

The Company accounts for material shares in affiliates. Recoverability of these assets is based on forecasting and discounting future cash flows, which are highly judgmental. An impairment assessment is carried out annually by management by assessing the fair value and if an impairment is identified, whether this is permanent. This requires significant assumptions about future developments. Due to the judgment and inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, we consider the recoverability of shares in affiliates to be a key audit matter.

Auditor’s response

We involved our valuation specialists to assist in evaluating the discounted cash flow models and management’s key assumptions used in the impairment calculations. We evaluated the main assumptions included in the forecast with regard to growth and business development by discussing these with the management board and executives of the company and by comparing the underlying outlook with developments in the current period. Additionally, we compared previous forecasts to actual results to assess the accuracy of forecasts. We assessed the method used to determine the weighted average capital cost (WACC), evaluated the applied beta factor by reviewing the selected peer group and compared the debt and equity interest rates with market data. To assess the risk for impairment from a reasonably possible change in a key assumption, we also performed our own sensitivity analyses.

We also verified that the disclosures in the financial statements for shares in affiliates and impairment of fixed assets comply with the German Commercial Code.
Our audit procedures did not lead to any reservations relating to the recoverability of shares in affiliates.

Reference to related disclosures

With regard to the accounting and measurement policies applied in accounting for shares in affiliates, refer to note "III. Basis of Presentation, Accounting and Valuation Practices" within the notes to the financial statements.

Other information

The management board is responsible for the other information. The other information comprises the parts of the management report listed in the appendix to the auditor’s report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

• is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

• otherwise appears to be materially misstated.

Responsibilities of the management board and the supervisory board for the annual financial statements and the management report

The management board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the management board is responsible for such internal control as it, in accordance with German legally required accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the management board is responsible for assessing the Company’s ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the management board is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal
requirements and appropriately presents the opportunities and risks of future development. In addition, the management board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

**Auditor’s responsibilities for the audit of the annual financial statements and of the management report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
• Evaluate the appropriateness of accounting policies used by the management board and the reasonableness of estimates made by the management board and related disclosures.

• Conclude on the appropriateness of the management board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

• Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

• Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company’s position it provides.

• Perform audit procedures on the prospective information presented by the management board in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.
Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 19 June 2019. We were engaged by the supervisory board on 16 September 2019. We have been the auditor of Evotec SE (formerly: Evotec AG) without interruption since fiscal year 2014.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the company or entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report:

- Support services in connection with the enforcement procedure performed by the Deutsche Prüfstelle für Rechnungslegung (DPR) of Evotec SE.
- Audit of the research and development expenses of the Aptuit (Verona) SRL for the year 2018 as evidence to the local tax authorities.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dirk Machner.
Appendix to the auditor’ report:

Parts of the management report, whose contents are unaudited

We have not audited the content of the following parts of the management report:

- the non-financial statement in section “Reporting pursuant to section 289c and section 315c of the German Commercial Code” of the management report, and
- the statement on corporate governance published on the website indicated in the management report, which forms part of the management report.

Furthermore, we have not audited the content of the following listed disclosures extraneous to management reports. Disclosures extraneous to management reports are such disclosures that are neither required pursuant to §§ 289, 289a or § 289b through § 289f HGB.

- Section "Intellectual Property" in chapter "I. Operations and business environment"
- Section "Sustainable Business Development" in chapter "III. Financial report"
- Section "Directors’ and Officers’ Liability Insurance (D&O Insurance)" in chapter "IX. Remuneration report".

Hamburg, 23 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Machner             Middelhoff
Wirtschaftsprüfer   Wirtschaftsprüferin
[German Public Auditor] [German Public Auditor]