evotec

#RESEARCHNEVERSTOPS

ANNUAL REPORT 2021

www.evotec.com

Evotec SE, *Manfred Eigen Campus, Essener Bogen 7, 22419 Hamburg (Germany)*

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IMPRINT
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Print: *C. Angerer & Göschl, Friedmanngasse 66, 1160 Vienna, Austria*

Publication Date: 26 April 2022

Evotec's Annual Report 2021 published on 26 April 2022 containing the Consolidated financial statements according to German Commercial Code (Handelsgesetzbuch) is available in English and German.

Forward-looking statements

Information set forth in this annual report contains forward-looking statements, which involve a number of risks and uncertainties. The forward-looking statements contained herein represent the judgement of Evotec as of the date of this report. Such forward- looking statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from those contemplated in these forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.

For further information on Evotec, please be invited to visit our website at www.evotec.com. You can also contact us by email: investorrelations@evotec.com.

Dr Werner Lanthaler
Chief Executive Officer

Dear Shareholders *and* Friends of Evotec,

Let me take you back to the year 1993, the year Evotec was founded. It was then that the term "information superhighway" became all the rage. The number of computers connected to the internet soared from just 313,000 in the autumn of 1990 to close to 10 million by 1996. Today, we may smile when we remember the slow rates that were sold to us as a "highway" back then. Using a dial-up modem, downloading the equivalent of a single CD-ROM would take you over a day, sending it more than two. Today, the internet has brought about fundamental changes to almost all areas of life – and has even been declared a human right. But at its very core, the story of the internet is an infrastructure story.

In 2021, we introduced our strategic framework, Action Plan 2025 "The Data-driven R&D Autobahn to Cures". This is our innovation highway leading into a future of effective precision medicines. Much like the internet since its early days, we will be setting the pace on our Autobahn as we continue to build, expand and refine it. And – not unlike the internet – data and our ability to connect and compute them, are central to our Autobahn as well.

In early R&D, the transition to data-driven, AI/ML-enabled precision medicine approaches is in full swing already. However, without a scientific infrastructure that is capable of integrating all available data along the entire value chain even the most innovative concepts will never make it to market. To get to your goal, you need to navigate on the right roadmap, apply innovative technologies and rely on a sustainable infrastructure. This is why we are calling our approach the "Data-driven R&D Autobahn to Cures", an essential part of the infrastructure, and the backbone of the industry.

2021 has again been a very successful year for Evotec. Our business has demonstrated extreme resilience, and once again grown substantially. As of November, Evotec has a secondary listing on NASDAQ. Both our operational growth and the additional tailwinds from our NASDAQ listing have given us the means we need to drive our own sustainable growth forward with infrastructure projects at all of our global sites.

2021 saw the opening of our first J.POD® facility in Redmond, Washington, USA, as well as the initiation of a second J.POD® facility at our Campus Curie in Toulouse, France. The past year also saw significant expansions at our Dorothy Crowfoot Hodgkin Campus in Abingdon, UK, as well as the initiation of Campus Levi-Montalcini, following the acquisition of our Verona, Italy, site. Furthermore, we have initiated a construction project for a new lab building at our headquarters, the Manfred Eigen Campus in Hamburg, Germany, and expanded at our sites in Göttingen and Munich.

These are all examples for infrastructure investments, but really they are investments in future innovation at scale. Our globally integrated network of capabilities is what will deliver on the promise of precision medicine. Or, to use another image, we are building forward rather than building back. In keeping with Evotec's founding mission, the Autobahn is constantly evolving, allowing us to set the pace for innovation.

We continuously add new lanes to our Autobahn. In 2021 Evotec announced a discovery and development partnership with Takeda. This partnership employs RNA targeting small molecules as a novel way to tackle highly validated targets that have so far proven to be intractable via conventional protein targeting approaches.

2021 was also the year we launched our Pandemic Preparedness and Rapid Response Technology Platform PRROTECT, a collaboration initiative against the biggest communicable diseases that threaten global health. While COVID-vaccines were available in record time, it was still not enough to get ahead of the virus. This is the big takeaway for all other communicable diseases: If we want our reaction to be fast and – ultimately – successful, we need preparation to give us a head start. At the time of the outbreak the window of opportunity has already started to close. This means we need to change the paradigm from reaction to preparation. PRROTECT is our offer to all healthcare stakeholders to join forces with us to build up a pipeline against major health threats together.

What can come of systematic investments into a leading infrastructure is perhaps best showcased by our recent successes within our iPSC-based partnership with Bristol Myers Squibb. For a decade, Evotec has systematically built up an industrialised iPSC platform with the goal of achieving better translation from a human-based pre-clinical model to the clinic, which has been especially challenging in neurological indications. In 2021, this platform really delivered: the first programme was in-licensed by our partner Bristol Myers Squibb and progressed into clinical trials. At the same time, this neuroscience collaboration was expanded with several programmes to further build on this success. However, this is just the beginning: the validation of our iPSC platform gives us the opportunity to leverage this lane of our Autobahn in a growing number of partnerships.

Much of our strategy, the **EVO***iR&D* continuum from discovery to market, we have successfully driven on for some years. Other parts, such as our gene and cell therapy initiatives **EVO***genes* and **EVO***cells* are only just opening up. However, the ability to combine all of these different lanes on our Autobahn gives us confidence that we will lead the industry's transition to data-driven precision medicine. When you bring together the right people and unite them behind a common goal, translating the vision of precision medicine into reality is little more than an infrastructure project.

Today, I am more convinced than ever that we need to work together to fight diseases globally and tackle them at their causes. This is why we are building our Autobahn as a uniquely accessible hub for innovation. We look forward to leveraging our growing infrastructure within our growing network of partners, to bring the power onto the road.

Thus, I would like to express my sincere thanks for your trust and support on this mission. I look forward to having you on board as we set the pace towards Action Plan 2025.

Yours sincerely,

OUR PEOPLE CREATE OUR SUCCESS

4,198
Employees worldwide

81
Nationalities

>3,300
Scientists

>80%
Employees with academic qualification

54%
Women

31%
Share of women in management positions

OUR OFFERING CLOSE TO PHARMA, BIOTECH AND ACADEMIA (AS OF 31 DECEMBER 2021)

USA

▶ **Branford, Princeton, Redmond, Seattle, Watertown, *USA***
~ 480 employees
- Hit identification
- Cell & protein production
- ADME-Tox, DMPK (Cyprotex)
- Sample management
- Biologics design, development, and production (Just – Evotec Biologics)
- J.POD®
- J.HAL℠

EUROPE

▶ **Hamburg (HQ), Goettingen, Cologne, Munich, *Germany***
~ 1054 employees
- Hit identification and Biophysics
- *In vitro & in vivo* biology
- PanOmics & PanHunter: Genomics, Transcriptomics & Proteomics
- E.MPD
- Biomarker discovery and validation
- Cell production
- iPSC
- Antibody discovery
- Cell Therapy

▶ **Lyon, Toulouse, *France***
~ 903 employees
- Sample management
- Hit identification
- *In vitro & in vivo* oncology
- Medicinal chemistry
- ADME & PK
- Cell, protein & antibody production
- Proteomics & Metabolomics
- Anti-infective research and platforms
- J.POD® (start of contruction 2022)

▶ **Verona, *Italy***
~ 785 employees
- *In vitro* & *in vivo* biology
- Medicinal chemistry
- ADME-Tox, DMPK
- Biomarker discovery and validation
- INDiGO and INDiGO-Select
- Integrated CMC

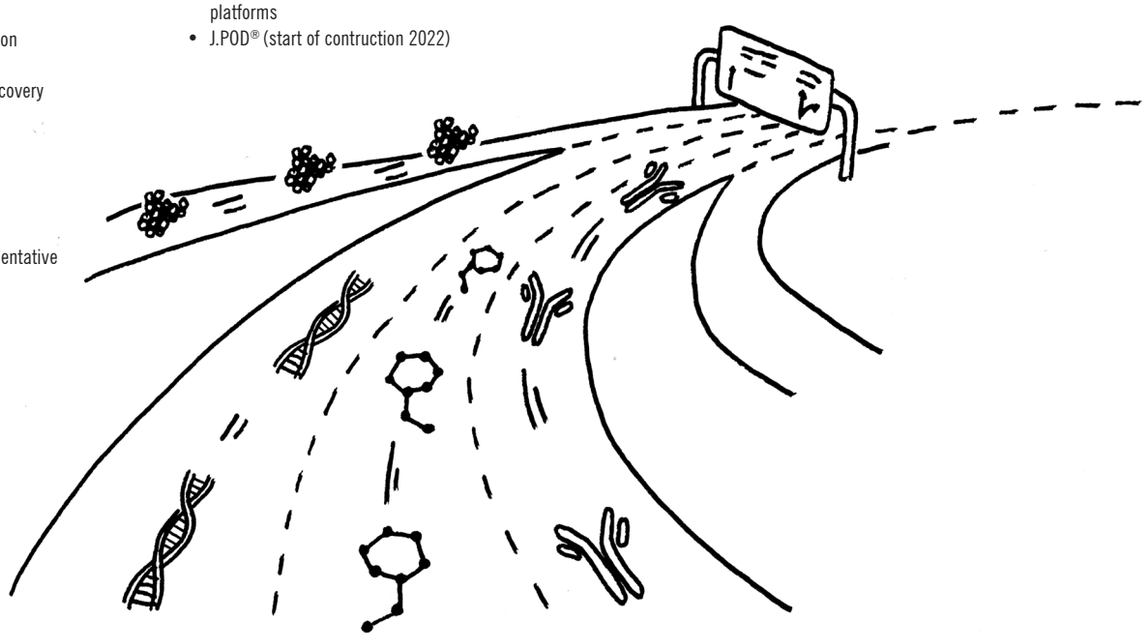
▶ **Orth/Donau, *Austria***
~ 42 employees
- Rare diseases
- Research within gene therapy to different gene therapy-related technologies

UK

▶ **Abingdon, Alderley Park, *UK***
~ 938 employees
- Medicinal chemistry
- ADME-Tox, DMPK (Cyprotex)
- Protein sciences and production
- Structural biology and SBDD
- *In-silico*-design
- *In vitro* & *in vivo* anti-infective platform/screening
- Process development
- CMC and Commercial manufacture
- Pre-formulation

JAPAN

▶ Sales representative office



OUR SPIRIT OF INNOVATION

€ 289.2 m

Capex investments over the last 5 years

› 90

Projects with academia and biotech partners since 2010

New customers during 2021

337

› 10

Precision platforms capable of generating multiple projects

PERFORMANCE OF THE EVOTEC SE SHARE (INDEXED)

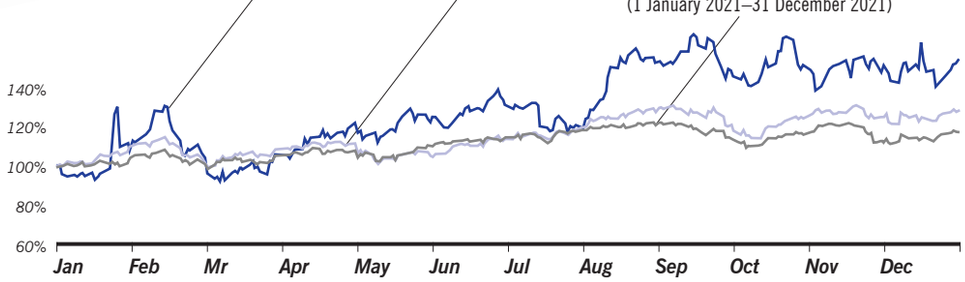
(1 January 2021–31 December 2021)

PERFORMANCE OF THE TecDAX (INDEXED)

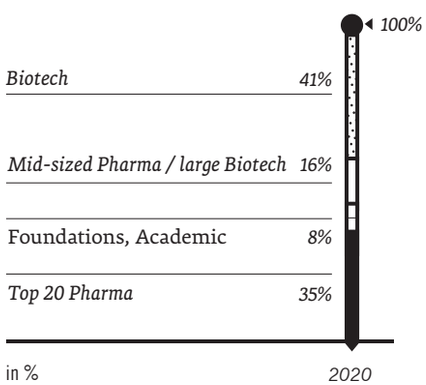
(1 January 2021–31 December 2021)

PERFORMANCE OF THE MDAX (INDEXED)

(1 January 2021–31 December 2021)



THIRD-PARTY REVENUES BY CUSTOMER TYPE 2021



OUR PARTNERSHIPS

› 440 bn

of iPSC-derived cells produced

› 130

Co-owned projects

91 %

Repeat business

31

Equity participants in breakthrough company formations

842

Alliances 2021

Just-Evotec Biologics

Making biologics available

2021 was another eventful year. In the pharmaceutical area, biologics were – and still are – all the rage. Biotherapeutic products carry high hopes as a potential treatment in the pandemic, but as a modality they still go far beyond that. With Just – Evotec Biologics' J.DESIGN suite that integrates technologies for the discovery, development and production of biotherapeutics, Evotec is taking a leading position in this modality.

In October, Evotec opened the first J.POD® antibody manufacturing plant in Redmond, Washington, and announced they will bring the first J.POD® to Europe. Just – Evotec Biologics is an important part of Evotec, and it recently underwent a change in leadership. Towards the end of the year, Linda Zuckerman, PhD took over from Jim Thomas, PhD who co-founded Just back in 2014.

DR JIM THOMAS
CO-FOUNDER OF JUST

Jim, what was the founding idea behind Just?

The idea, or rather the mission, behind Just when we founded it in 2014 was to overcome the scientific and technical hurdles that block access to life-changing biologic treatments. Of great importance to this aim was, and still is, the development of innovative and integrated technologies, from the design of the biotherapeutic molecules to the design of the equipment used to manufacture them.

Protein Biotherapeutics is still a field with much to research and discover, and our understanding and use of this important therapeutic modality is still expanding. Biotherapeutics are currently an important medical tool and are only going to increase in importance going forward. However, the production is highly complex and costly, which makes them challenging for access on a global scale.

How has Just decided to respond to this challenge?

The goal of making antibody therapeutics more easily accessible has been a powerful driver at Just. At the same time, this has been the perfect connection to Evotec. It made absolute sense for both companies to join forces and together create an integrated platform for biotherapeutics research, development and manufacturing, which serves our ultimate mission of making biotherapeutics more accessible to patients. Taking an integrated scientific and technological approach shifts the complexity away from the production facility and focuses on creating the right molecules and processes to make them. The end result is an efficient, integrated continuum that encompasses discovery, molecule optimization, development, and production – and it is this idea of an R&D continuum that is perfectly aligned with Evotec's Autobahn approach.

With the integrated platform you are referring to J.DESIGN – can you tell us a bit more about it?

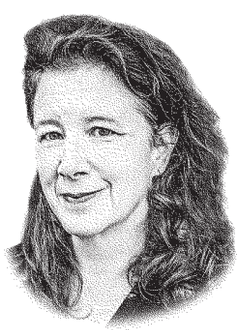
Sure. J.DESIGN is our AI-driven and fully integrated biologics platform. When I say integrated, I mean beginning with discovery that is connected to process and product development and implemented in clinical and pivotal cGMP manufacturing. We are already working with several partners using our J.DESIGN suite, offering them a solution for biologics development challenges and an opportunity for rapid entry and success in the clinic. Overall, J.DESIGN consists of four elements, J.DISCOVERY™, J.MD™, JP3®, and J.POD®. J.DISCOVERY™ is our capability for identifying antibody therapeutics both *in vitro* and *in vivo*. Recently we launched the humanoid antibody library J.HAL℠ as a powerful source for in silico antibody discovery. As we move further down the value chain into development we have J.MD™, which stands for molecule design for improved manufacturing and formulation. JP3® integrates process and product design and is the stepping-stone into the clinical and commercial manufacturing of the antibody product using our J.POD® technology.

The J.POD® was one of the focus topics in 2021. What is so innovative about it?

The J.POD® is our antibody manufacturing plant. Since J.POD® is integrated into the J.DESIGN suite, we can use optimised molecules to develop very productive manufacturing processes for efficient production in J.POD® facilities. This creates a high degree of flexibility with regard to capacity. We can manufacture small (tens of kilograms) and large (metric tons) quantities of high-quality clinical or commercial-grade drug product for our partners. The first J.POD® is located in Redmond, Washington, and was taken into operation in August 2021. The building of the second J.POD® in Toulouse, France, has already been initiated. Construction of the shell building is anticipated to start later this year.

Thank you, Jim. It seems you are leaving Just – Evotec Biologics at a very successful moment, handing over to Linda Zuckerman. So, let's ask Linda what her plans for the future with Just are and where she sees challenges and opportunities.

DR LINDA ZUCKERMAN
HEAD OF BIOTHERAPEUTICS



Linda: is it hard to follow Jim as Head of Biotherapeutics?

Yes and no. Of course, Jim is one of the biggest names in the industry and that leaves huge footsteps. On the other hand, the company is very well positioned and that's why I would like to express my profound gratitude to Jim for making this transition so easy. I myself have over 20 years of experience in the industry from basic discovery all the way through commercialization. By integrating Just into the Evotec platform, Jim and the Just leadership team seized the opportunity to join one of the most exciting healthcare innovators. Evotec puts us in a good position for the coming years as we are the only company that can offer an "under one roof" approach to develop a client's biotherapeutic from discovery all the way through commercialization. Thus, this really is a highly complementary fit and that is also why I am really looking forward to seeing the Company grow as one. This approach combined with our artificial intelligence (AI), machine learning (ML) and natural language processing (NLP) platforms for mAbs will differentiate us in the marketplace.

And why is that?

Multimodality is the future and is becoming increasingly important in the research, manufacture, and production of pharmaceuticals. At the same time, I would like to stress that this in no way diminishes the power of each individual therapeutic modality; on the contrary, it enhances it. Just as our understanding of the human body grows from the phenotype of disease down to the individual molecule to form a holistic picture, so must our ability to influence health and disease come together to formulate an effective response.

What are the most exciting opportunities in the years ahead?

Clearly the rise of data-driven approaches and artificial intelligence. Data will change medicine and our approach towards it. We will see a move away from simply using symptoms to describe, define, and cure diseases to truly understanding a disease and its causes by collecting and analysing data. Such a data-driven approach will make medicine more personalised and precise for each patient.

You also mentioned Artificial Intelligence, how is Just – Evotec Biologics positioned regarding AI?

At Just – Evotec Biologics we have a couple of AI, NLP, & ML tools that help us with both the discovery and optimization of highly effective biotherapeutics. The first one is J.HAL℠ that basically creates a new class of AI-derived humanoid antibodies. J.HAL℠ is able to mimic the diversity and properties of the human antibody repertoire, which allows us to obtain much more sophisticated research results and thereby produce even more effective antibody products without manufacturing liabilities. J.HAL℠ helps us to optimise the antibodies in terms of their development, production and use properties so that they are more suitable as biotherapeutics. This optimisation process is also something we can do with antibodies from other sources. Within our molecule design programme J.MD™, we employ our in-house suite of proprietary computational tools Abacus™ and RANDŸ that enable prediction of the best molecules and conditions for development. Both J.HAL℠ and J.MD™ are part of our overarching J.DESIGN platform that really gives us great opportunities for the future.

... and what are the future challenges?

The biggest challenge is production, especially flexible and scalable production. Therefore, we have to adapt to this in production and create flexible capacities. Our response to this changing demand is J.POD®, a uniquely flexible biomanufacturing facility.

The first J.POD® in Redmond is online, construction on the second one in Toulouse will start later this year – what else has 2022 in stock for biotherapeutics at Evotec?

The years 2020 and 2021 were all about laying the groundwork and building the necessary infrastructure to bring J.DESIGN's integrated end-to-end platform to life. In the coming years, the focus will shift to bringing our offerings and services performance to the streets. This means expanding our network of partnerships – and deepening the relationships with our existing partners to leverage the great assets we have for everybody's benefit. Of course, we are also continuing to build and refine our global infrastructure as we do so. The J.POD® in Redmond has taken us a long way and makes us even more interesting for partners and as a service provider.

After the Redmond J.POD®, the next one will be in Toulouse. Why not build one big J.POD® instead?

That would be defeating the purpose. Think of a J.POD® as a telephone mast. Sure, you need a certain height to allow the signal to travel, but you get to a point where adding more height no longer brings you the same benefit in terms of coverage, because the signal can only travel so far. It's quite similar with biotherapeutics, because they don't have the same shelf life as pills. Some of them need to be cooled or even frozen when they are shipped, so it is hugely beneficial to produce them close to where they are actually needed. This is why it is quite pointless to put a number of J.POD®s in the same place – or even just build one big one. Having several J.POD®s in different locations also gives us more flexibility and allows us to react faster and work much more directly with our customers as local demand shifts. It is also more sustainable because we can produce close to our customers rather than on the other side of the world.

Last question goes to you, Jim: How hard is it for you to really let go?

Quite hard, to be honest – but it's something you must do. If you're flying paper airplanes and you don't let go, they're not really flying, you're carrying them. That's why I'm really excited to follow Evotec closely to see how they steer the business... and as for Just – Evotec Biologics, I couldn't have asked for a better pilot than Linda to take control.

The Evotec *share*

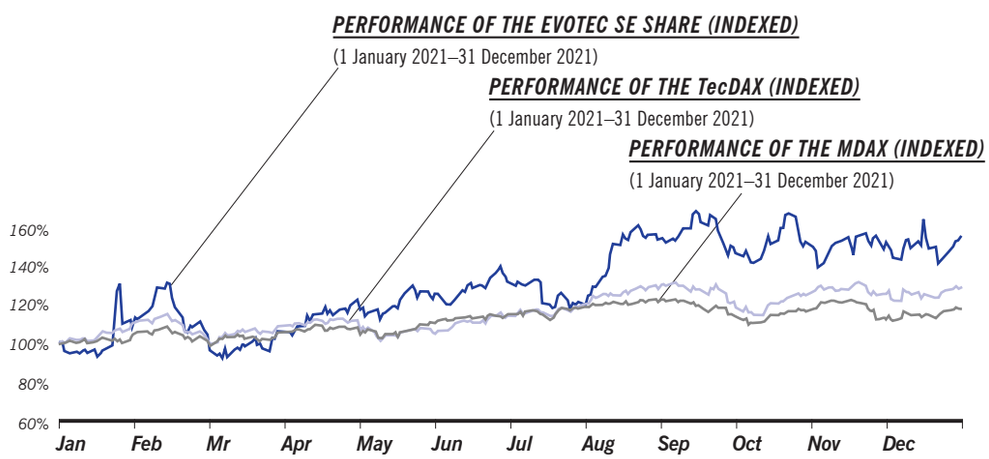
The Evotec share

The continuous dialogue with the global capital markets is one of the pillars of Evotec's corporate strategy. During the financial year 2021, the Company regularly provided focused communications on the progress of its business to the global financial markets. These communications were made through several channels, including participation and presentation at key national and international investor conferences, non-deal road shows in key financial centres across the globe, deal-related road shows in the context of our public offering at NASDAQ in November as well as quarterly, six-months and annual results investor and analyst calls. In 2021, several international banks initiated coverage of Evotec: Bank of America Securities, Morgan Stanley, Jefferies and Cowen, improving Evotec's visibility in particular in the North-American capital market. As of 31 December 2021, a total of 12 analysts regularly monitored and evaluated the performance of Evotec shares. After the reporting period, in January 2022, Berenberg also resumed the coverage of Evotec. Most analyst recommendations were positive, with an average price target of € 41.59 (2020: € 29.77).

Performance of the Evotec share in 2021

Evotec shares performed significantly better than key benchmark indices, such as TecDAX and MDAX. The strong share price development compared with the indices was attributable to an overall supportive environment for listed biotech and pharma companies in connection with the COVID-19 pandemic, as well as to the successful underlying financial and business performance in the fiscal year 2021.

With its share price rising by around 40% from € 30.27 to € 42.50 over the course of 2021, Evotec clearly outperformed the TecDAX, which closed at the end of the year approximately 22% higher than on 31 December 2020. In addition, the shares significantly outperformed the second reference index MDAX, which saw full year growth of around 14%. Evotec's average daily trading volume for all German stock exchanges amounted to 507,881 shares in 2021, compared to 881,667 shares in 2020.



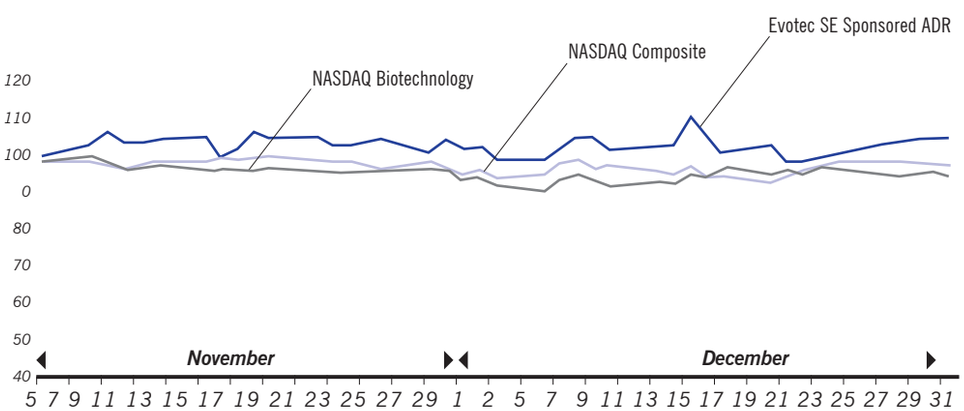
Successful US listing at NASDAQ

On 3 November 2021, Evotec's registration statement was declared effective by the U.S. Securities and Exchange Commission ("SEC") for the public offering of its American Depositary Shares ("ADS"), each representing one-half of one ordinary share, pursuant to which Evotec offered and sold a total of 22,995,000 ADS, at a public offering price of $ 21.75 (€ 18.77) per share.

The offering started on 3 November 2021 and was closed on 8 November 2021. In total, gross proceeds of the transaction amounted to $ 500 m (€ 436 m). The proceeds from the issuance of the new shares will be used to fund and expand the ongoing business operations in the JPOD® biologics manufacturing facility in Redmond (WA), US, and the construction of the second J.POD® in Toulouse, France. Evotec also intends to further invest in its platform portfolio, R&D activities as well as in its **EVO***equity* engagement.

Since the start of trading after the public offering in the US, Evotec shares outperformed the NASDAQ Biotechnology index fell by around ((5)% between 5 November and 31 December 2021) by about 10 percentage points in the same period. Although the broader NASDAQ Composite Index saw minor losses of around (2)%, in the last two months of the reporting period, it was still trailing the performance of Evotec shares at a rate of around 5%.

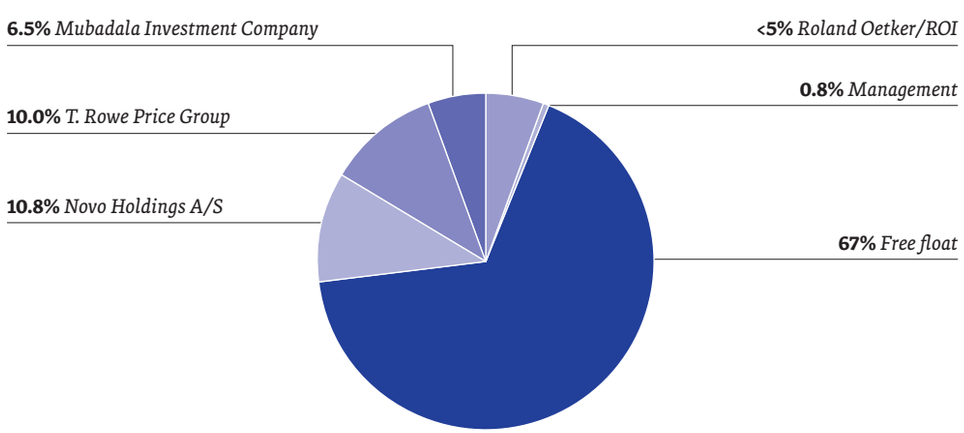
PRIZE PERFORMANCE 2021



Evotec's share capital

Evotec did not make any M&A transactions in 2021 which required the issuance of shares as currency. Issuance of new shares was related to the offering of 11,497,500 new shares, which were issued as part of the US listing in November 2021. In addition, the exercise of 1,195,954 stock options and share performance awards resulted in an increase in the number of Evotec's registered share capital € 176,608,195.00 at year-end 2021 (year-end 2020: € 163,914,741.00). The increase corresponds to a dilution of 7.19%. In 2021, no stock options were serviced out of treasury shares. As of 31 December 2021, a total of 249,915 treasury shares remained from a trust agreement terminated in 2012.

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2021 [1)]



[1)] *Shareholdings excluding interests held through instruments*

Shareholder structure

When certain related to voting rights thresholds are reached or crossed, the respective shareholders are required to inform the issuer of the shares and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) and since November 2021 the SEC as well. According to the voting rights notifications received by the Company by 31 December 2021, the following persons and institutions, excluding shares held via instruments, had exceeded the 5% threshold: Novo Holdings A/S held an interest of 10.8%, T. Rowe Price Group held 10.0%, and the government of Abu Dhabi (Mubadala Investment Company) held 6.5%. Free float as of 31 December 2021 was therefore approximately 67%.

SHARE DATA

	Frankfurt Stock Exchange	NASDAQ New York
Ticker symbol	EVT	EVO
Securities identification number	566480	
ISIN	DE0005664809	US30050E1055
Reuters XETRA symbol	EVTG.DE	
Bloomberg symbol	EVT GY Equity	
Market segment	Prime Standard	Global Select Market
Index	TecDAX, MDAX, STOXX Europe 600	
Designated Sponsor	ODDO SEYDLER BANK AG	

KEY FIGURES PER SHARE

	2021	2020
High (date)	**€ 45.35 (15 Sep)**	€ 30.30 (28 Dec)
Low (date)	**€ 28.50 (10 Mr)**	€ 17.30 (12 Mr)
Opening price	**€ 30.26**	€ 23.97
Closing price	**€ 42.50**	€ 30.28
Weighted average number of shares outstanding	**166,405,926**	153,752,241
Total number of shares outstanding as at 31 December	**176,608,195**	163,914,741
Average daily trading volume (all exchanges)	**507,881 shares**	881,667 shares
Market capitalisation as at 31 December	**€ 7,506 m**	€ 4,963.6 m
Earnings per share (diluted/basic)	**€ 1.30/€ 1.30**	€ 0.04/€ 0.04

FINANCIAL CALENDAR 2022

12 April 2022	Annual Report/20-F 2021
11 May 2022	Quarterly Statement Q1 2022
22 June 2022	Annual General Meeting 2022
11 August 2022	Half-year 2022 Interim Report
9 November 2022	Quarterly Statement 9M 2022

Virtual Annual General Meeting 2021

Evotec held its Ordinary Annual General Meeting on 15 June 2021. Due to the COVID-19 pandemic, the AGM again was held as a virtual event. 65.17% of Evotec's share capital was represented at the AGM (2020: 59.56%), and Evotec's shareholders approved with the required majority all proposals put to vote by the Company's management.

Investor Relations and ESG @ Evotec

For further information on Evotec and its Investor Relations and ESG activities, please visit the IR & ESG section of Evotec's website. A continuous dialogue with the capital market participants is an essential part of the Company's philosophy. Please contact the Investor Relations and ESG team with any questions or suggestions.

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Prof Dr Iris Löw-Friedrich
Chairwoman of the Supervisory Board

Supervisory *Board Report*

As required by the German Stock Corporation Act, Evotec SE has a two-tier board system consisting of Evotec's Management Board and Evotec's Supervisory Board. The Management Board is responsible for managing Evotec and representing the Company in its dealings with third parties, while the Supervisory Board appoints and dismisses the members of Evotec's Management Board and oversees the management of the Company. German law prohibits the Supervisory Board from making operational management decisions. The two boards, however, work closely together to achieve long-term and sustainable growth for the Company and to create shareholder value. They agree on the Company's strategy and on business transactions that are significant.

Evotec's Supervisory Board consists of six members – as provided in the current Articles of Association – all of whom are elected by the shareholders with a simple majority of the votes cast at an Annual General Meeting ("AGM"). The proposal to the AGM is carried out in accordance with the German Corporate Governance Code's recommendations regardless of gender, nationality or age. Appointments are based on qualifications, work experience and independence. With effective date of the Annual General Meeting 2021, the Chairman of the Supervisory Board, Prof Dr Wolfgang Plischke, stepped down from his mandate. The Annual General Meeting elected Dr Constanze Ulmer-Eilfort as a new member of the Supervisory Board. The Company provides a relevant set of on-boarding materials regarding statutory documents, policies, rules of procedures etc. for each new Supervisory Board member, which is also accessible to each member in a virtual Board room.

The Supervisory Board appoints a Chair and one Vice Chair from among its members. After the resignation Prof Dr Wolfgang Plischke effective to the 2021 Annual General Meeting, Prof Dr Iris Löw-Friedrich was elected Chair of the Supervisory Board, and Roland Sackers became her Vice Chair. The members of the Supervisory Board were elected for a term of five years and may be re-elected. A shortening of the five year term is envisaged from the next election. The term of the new Supervisory

Board ends with the close of the AGM 2024 that is charged with approving the actions of the members of the Supervisory Board in the 2023 fiscal year.

The Supervisory Board has determined concrete objectives regarding its composition and competencies, and prepared a profile of skills and expertise reflecting the company-specific situation. These objectives and skills profiles stipulate that the activities of the Company shall be represented by having a majority of independent Supervisory Board members with national and international experience in the respective fields of (i) Research and Development, (ii) Finance, Capital markets, Legal, Corporate Governance, (iii) Marketing and Sales and Operations and (iv) Healthcare Economy/Public Health. In addition, the Supervisory Board shall ensure that the individual age of a candidate shall not exceed 72 years at the time of the proposal. Diversity with regard to female representation shall be ensured by having a target quota of 30% female members of the Supervisory Board. Finally, the Supervisory Board has agreed on two full terms as the regular limit of length of membership to the Supervisory Board. Overall, the Supervisory Board shall be composed in such a way that the majority of its members are independent and that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

Currently, the composition of Evotec's Supervisory Board fulfils all those objectives: All members have an extensive international professional background from working in numerous internationally operating companies. All members are considered as independent following the two-dimensional evaluation criteria of the German Corporate Governance Code, two nationalities are represented and there are three female members.

Evotec's aspiration of a "diversity of thoughts" is ensured by composing an internationally experienced Management and Supervisory Board with broad based skill sets.

Prof Dr Löw-Friedrich is also to be regarded as independent within the meaning of recommendation C.7 of the German Corporate Governance Code. Although Prof Dr Löw-Friedrich is on the Management Board of UCB S.A., which is an Evotec customer, the Evotec Group's turnover with the UCB Group is only about 1% of the total turnover of the Evotec Group, so that no material business relationship between Evotec and UCB within the meaning of recommendation C.7 is to be assumed. Moreover, Iris Löw-Friedrich is responsible at UCB's Management Board for world-wide clinical development and life-cycle of marketed products but not for discovery research and pre-clinical development which are the only subjects of the services provided by Evotec to UCB. Since these services are not of significant amount they are also neither discussed within the UCB Management Board nor Evotec's Supervisory Board. Despite his position as Chief Executive Officer at Novo Holdings A/S, Kasim Kutay is to be considered an independent Supervisory Board member. Novo Holdings A/S holds slightly more than 10% of Evotec SE's voting shares and, thus, has a material interest in Evotec SE within the meaning of section C.13 of the German Corporate Governance Code as amended on 16 December 2019. Nevertheless, Novo Holdings A/S is not a controlling shareholder within the meaning of section C.9 of the German Corporate Governance Code as amended on 16 December 2019. A shareholder's (and thus also Mr Kutay's) dependency would exist if a controlling agreement existed with the shareholder, the shareholder held an absolute majority of the voting rights or at least a sustainable majority at the Annual General Meeting. A voting share of slightly more than 10% does not constitute a sustainable majority at the Annual General Meeting in favour of Novo Holdings A/S and, therefore neither a conflict of interest that is not merely temporary, nor a dependency due to de facto majorities of voting rights, especially since the number of validly cast votes at past general meetings regularly amounted to significantly more than 40% of the share capital. Dr Mario Polywka's cooling off period pursuant to section C.7 of the German Corporate Governance Code expired by the end of 2020.

Notwithstanding Section C.5 of the German Corporate Governance Code, Prof Dr Iris Löw-Friedrich has also a seat in the Supervisory Board of Fresenius SE & Co. KGaA. However, Prof Dr Iris Löw-Friedrich always has devoted sufficient time to perform her function, including attendance at all board and committee meetings and availability to engage with internal and external stakeholders, and has plausibly demonstrated that this will also be the case in the future.

Information on the mandates and occupations of the Supervisory Board members can be found at the end of the combined Management Report under "Supervisory Board and Management Board".

SKILLS/EXPERTISE	*Prof Dr Iris Löw-Friedrich (Chair)*	*Roland Sackers (Vice-Chair)*	*Kasim Kutay*	*Dr Mario Polywka*	*Dr Constanze Ulmer-Eilfort*	*Dr Elaine Sullivan*
Independent members	X[1]	X	X[2]	X[3]	X	X
Experience in the fields of Research & Development	X	–	–	X	–	X
Experience in the fields of Finance & Capital markets	–	X[4]	X	X[5]	X	–
Experience in the fields of Legal & Compliance	–	X	–	–	X	–
Experience in the fields of ESG	X	X	–	–	X	–
Experience in the fields of Marketing and Sales and Operations	X	–	–	X	–	X
Experience in the fields of Healthcare Economy and Public Health	X	–	X	–	–	X
Age of a candidate shall not exceed 72 years at the time of the proposal	X (1960)	X (1968)	X (1965)	X (1963)	X (1962)	X (1961)
Regional experience	EU, USA, Asia	EU, USA	EU, USA, Asia	EU, USA	EU	EU, USA, Asia
Female members	X	–	–	–	X	X
Two full terms as the regular limit of length of membership to the Supervisory Board	X (2014)	X (2019)	X (2020)	X (2019)	X (2021)	X (2015)

[1] Management Board Member of UCB: The business relationship with UCB as a customer of Evotec is considered immaterial (~1% of 2020 group revenue)
[2] CEO of Novo Holdings A/S: Novo Holdings A/S holds ~10% of Evotec's shares but does not have control as defined in C.9 of GCGC
[3] Cooling-Off Period as per C.7 of GCGC has expired by end of 2020
[4] Experience in audit and accounting
[5] Experience i n accounting

A significant proportion of the Supervisory Board's work is conducted in committees. Pursuant to the German Stock Corporation Act and the recommendations of the German Corporate Governance Code, Evotec's Supervisory Board has established an Audit & Compliance Committee as well as a Remuneration and Nomination Committee from among its members.

Evotec's Audit & Compliance Committee, comprising three members, supports the Supervisory Board in independently monitoring the Company's financial reporting activities and in auditing reports. In particular, the Audit & Compliance Committee reviews the Company's accounting processes, the effectiveness of the internal control system and the audit of the financial statements. In addition, it discusses the quarterly and half-year reports with the Management Board as well as its risk management and compliance management systems. Within the scope of the audit of the financial statements commissioned by the Supervisory Board, the Audit & Compliance Committee also reviews possible transactions with related parties. Moreover, the Audit & Compliance Committee also discusses certain steps and procedures of the audit with the appointed auditing firm, including the auditors' independence, quality, the additional services rendered by the auditor, the issuing of the audit mandate to the auditing firm, the determination of auditing focal points, the fee agreement and compliance issues.

The members of the Audit Committee possess the required skills and experience. As a Chief Financial Officer, the Audit Committee's Chairman Roland Sackers is not only independent, but also has the required specialist knowledge and experience in the application of accounting principles and internal control processes and the audit. In addition, as a former member of the Management Board of Evotec, Dr Mario Polywka has expertise in the field of accounting. Neither the Chairman of the Supervisory Board nor a former member of the Management Board may become Chairman of the Audit Committee. Evotec's Audit Committee and Compliance Charter can be found on the Company's website under https://www.evotec.com/en/investor-relations/governance.

The main duties and responsibilities of the Company's Remuneration and Nomination Committee are to prepare the appointment of Management Board members and to prepare recommendations concerning their remuneration system and Share Performance Plan. Final decisions are made by the full Supervisory Board. The Articles of the Remuneration and Nomination Committee can be viewed on the Company's website under the link https://www.evotec.com/en/investor-relations/governance.

Members of both committees are appointed in accordance with the Code. For detailed information about the composition of the Supervisory Board and its committees, please see the table below:

UNTIL AGM 2021	*INITIALLY ELECTED TO THE COMPANY'S SUPERVISORY BOARD*	*AUDIT AND COMPLIANCE COMMITTEE*	*REMUNERATION AND NOMINATION COMMITTEE*
Prof Dr Wolfgang Plischke (Chairman)	2014		X (Chair)
Prof Dr Iris Löw-Friedrich (Vice Chairwoman)	2014	X	
Roland Sackers	2014	X (Chair)	X
Kasim Kutay	2020		X
Dr Mario Polywka	2019		
Dr Elaine Sullivan	2015	X	

FROM AGM 2021	*INITIALLY ELECTED TO THE COMPANY'S SUPERVISORY BOARD*	*AUDIT AND COMPLIANCE COMMITTEE*	*REMUNERATION AND NOMINATION COMMITTEE*
Prof Dr Iris Löw-Friedrich (Chairwoman)	2014	X	X (Chair)
Roland Sackers (Vice Chairman)	2014	X (Chair)	X
Kasim Kutay	2020		X
Dr Mario Polywka	2019	X	
Dr Constanze Ulmer-Eilfort	2021	X	
Dr Elaine Sullivan	2015		X

In the course of 2021, the Supervisory Board held four formal meetings and six extraordinary meetings to discuss the operational and strategic developments of the Evotec Group. The Audit Committee convened separately for four formal and two extraordinary meetings and the Remuneration and Nomination Committee convened for five meetings. Due to the pandemic, the meetings in 2021 were mainly held per videoconference. At the majority of these meetings the Supervisory Board also met in closed session without the Management Board.

The individual attendance of the Supervisory Board members in 2021 at meetings of the Supervisory Board of Evotec SE and its committees was as follows:

SUPERVISORY BOARD MEMBER	NUMBER OF SUPERVISORY BOARD AND COMMITTEE MEETINGS	ATTENDANCE	PRESENCE*
Prof Dr Iris Löw-Friedrich (Chair)[1]	10+6	10+6	100%
Prof Dr Wolfgang Plischke (Chair)[2]	3+2	3+2	100%
Roland Sackers (Vice Chair)[1]	10+11	9+11	95%
Kasim Kutay	10+5	10+4	93%
Dr Mario Polywka	10+3	10+3	100%
Dr Constanze Ulmer-Eilfort	7+3	7+3	100%
Dr Elaine Sullivan	10+6	10+6	100%

[1] Since AGM in June 2021
[2] Until AGM in June 2021
* *Commercially rounded*

At each Supervisory Board meeting, the status of the Company's business, its scientific initiatives, its development partnerships, out-licensing activities and regular standard agenda items were discussed. The Supervisory Board was also updated about Evotec's R&D portfolio and discussed this in-depth with the Chief Scientific Officer.

In particular, the Supervisory Board addressed the following specific subjects in detail during its meetings:

▸ In March 2021, the Supervisory Board discussed and approved the 2020 annual financial statements in one formal and one extraordinary meeting in the presence of the auditors and approved the achievement of Corporate Objectives for 2020 and the bonus payments for the Management Board members for their performance in 2020. The LTI grants to the Management Board members were approved in a circular resolution in January 2021, as well as the Restricted Share Awards granted to the Chief Executive Officer and the Chief Scientific Officer in May 2021. The Supervisory Board also discussed the Company's compliance and risk management system in the March meeting and approved the Corporate Objectives 2021 and the preliminary agenda for the Annual General Meeting 2021. Furthermore, the Supervisory Board reviewed potential equity projects.

The Supervisory Board also discussed with the Management a possible secondary dual listing on NASDAQ and decided to start preparations for this. Thereafter, the Supervisory Board was regularly updated on this topic by the Management.

▸ At the meeting in June 2021, the Supervisory Board focused on the upcoming Annual General Meeting, the operational business of the Company and on strategic development opportunities, including potential M&A projects, the approval of new equity investments and academic BRIDGEs. The Supervisory Board also discussed the long-term financing strategy of Evotec SE including the US listing in preparation. Immediately after the Annual General Meeting in June 2021, another meeting of the Supervisory Board took place, in which the chair and vice-chair as well as the composition of the committees were redefined.

▸ At another extraordinary meeting at the end of June 2021, the Supervisory Board discussed the first draft of the prospectus for the US listing and the status of the project in the presence of the Management Board and the advisors involved. By circular resolution, the confidential submission of the prospectus to the US Securities and Exchange Commission (SEC) was approved at the beginning of July.

▸ At its meeting in September 2021, the Supervisory Board discussed the operational business of the Company, including the global footprint and capacity strategies. It further discussed strategic development opportunities, including the possibility for spin-offs into holding companies and approved certain further equity investments. Furthermore, the Supervisory Board was informed that the auditor oversight authority APAS has denied Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft independence due to the increased expense of PCAOB (Public Company Accounting Oversight Board) audits because of the US listing process. The background and possible next steps were discussed in detail. It was decided to seek appointment of BDO Wirtschaftsprüfungsgesellschaft as a substitute auditor for the 2021 financial year by court order.

▸ In October 2021, the Supervisory Board approved the Company's capital increase through issuing 10,000,000 new shares in the course of the US listing and the launch of the US listing by signing the corresponding agreements with the SEC and the accompanying investment banks.

▸ At the beginning of November 2021, the Supervisory Board approved the issuing price proposed by the banks for the new shares, so that the US listing process could be completed. Shortly thereafter, the Supervisory Board

approved a further capital increase of the company by issuing an additional 1,497,500 new shares in the course of the US listing as a so-called "greenshoe" due to increased demand.

▸ Also in November 2021, the Supervisory Board decided to revoke the audit engagement with Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft due to a lack of independence after the Hamburg District Court appointed BDO Wirtschaftsprüfungsgesellschaft as the new auditor for the 2021 financial year.

▸ In December 2021, the Supervisory Board reviewed and approved the budget and guidance for the fiscal year 2022 as well as regular corporate governance matters. Governance and compliance is a regular topic of the Supervisory Board meeting and lead to the annual announcement of the Corporate Governance declaration in December. The Supervisory Board discussed the performance of the Company in 2021 and the objectives for 2022 and reviewed the current risk report. It further discussed certain strategic opportunities, including M&A and equity possibilities as well as the Company's equity portfolio. The revision of the remuneration system for the Management Board, related investor feedback in the context of the 2021 Annual General Meeting and the corporate goals for 2022 were discussed, including the company's ESG-strategy and goals based on it.

The Supervisory Board passed resolutions on all of those individual measures taken by the Management Board, which by law or the Statutes required the approval of the Supervisory Board.

The Management Board also provided continuous updates to the Supervisory Board through regular verbal and written reports that included in-depth analyses on the status of operations. The information provided included written monthly management reports with extensive coverage of the Company's financial figures for the previous month, accompanied by detailed comments and explanatory text. In addition, the Chairman of the Supervisory Board and the Chief Executive Officer as well as other members of the Management and Supervisory Board monitored and discussed current topics such as strategy, planning, risk management and compliance management systems during numerous conference calls, held whenever appropriate.

Furthermore the Supervisory Board Chair was available to discuss Supervisory Board-related issues with investors.

The financial statements and the Management Report for Evotec SE for the fiscal year 2021 as well as the consolidated financial statements together with the consolidated Management Report of the Evotec Group were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt. The managing auditor of BDO for the Evotec Group is Dr Jens Freiberg since 2021. The auditors issued an unqualified audit opinion.

In preparation for the Supervisory Board meeting on 6 April 2022, the auditors presented the status of the 2021 audit, a summary of key audit findings and other relevant topics to the Audit and Compliance Committee. The Audit and Compliance Committee used this information as a guideline for its own evaluation of the statements and reports. The auditors participated in the meeting of the full Supervisory Board in April 2022 and presented a comprehensive report on the audit and their observations, including the Company's compliance and risk management system. The Supervisory Board examined both the financial statements and the Consolidated Financial Statements prepared by the Management Board based on its own judgment, taking into account the Audit Committee's input as well as information on key topics provided by the auditors. Following this, the Supervisory Board approved the financial statements of Evotec SE and the Consolidated Financial Statements for the year 2021. Evotec issued a separate Non-financial Group Declaration and a Declaration on Corporate Management in accordance with section 315b and section 315d in conjunction with sections 289b to 289f German Commercial Code (HGB) for fiscal year 2021. The Supervisory Board examined these reports on the basis of a preliminary review by the Audit Committee and has no objections to the report.

The Supervisory Board bi-annually evaluates its efficiency and working mode by sending out questionnaires to each Supervisory Board member as an opportunity to identify potential improvements. Each Supervisory Board member is required to provide feedback regarding the performance and efficiency of the Supervisory Board and its committees. The General Counsel reviews the questionnaires and provides summary to the Chair and the full Supervisory Board which is then discussed with the Chair and full Supervisory Board. The Chair develops recommendations for improvements and discusses those recommendations with the full Supervisory Board. Approved changes are implemented with the support (if needed) of the Management Board and the General Counsel, such as e.g.: improved efficiency at meetings by dedicated decision proposals to foster discussions on key topics, the establishment of a virtual board room with all meeting documents, or an on-boarding package for new Supervisory Board members.

The Supervisory Board was not informed of any potential conflicts of interest among one of its members in the course of 2021.

The Supervisory Board thanks the Management Board and the Company's employees for their strong commitment and outstanding performance under difficult, pandemic circumstances and for the excellent work done in the year under review and wishes them ongoing success for 2022.

Hamburg, 6 April 2022

The Supervisory Board
Prof Dr Iris Löw-Friedrich

Combined Management Report '21

Contents

The combined management report relates to the Evotec Group (Group management report) as well as to Evotec SE. The reporting period covers the period from 1 January 2021 to 31 December 2021. The presentation of the business development, the position and the forecast of key performance indicators relate to the Evotec Group, unless otherwise stated. Information which solely relates to Evotec SE is disclosed as such.

The Evotec Group

ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

— GROUP STRUCTURE —

Evotec SE is the parent company of the Evotec Group and its place of incorporation is Hamburg. Founded in 1993, Evotec SE was converted in 2019 into an European stock corporation (Societas Europaea, SE). Since 10 November 1999, Evotec's shares have been listed on the regulated market of the Frankfurt Stock Exchange in the Segment Prime Standard and in the indices MDAX, TecDAX, Prime All Share, LTecDAX, and Technology All Share and CDAX.

At the beginning of November 2021, Evotec SE added an additional US listing at the NASDAQ in New York. The public offering included 10,000,000 ordinary shares of Evotec in the form of 20,000,000 American Depositary Shares ("ADS") and the exercised option of 2,995,000 additional shares at a price of $ 21.75 per ADS. This brought the total number of ADS issued to 22,995,000. Each ADS represented one-half of an ordinary share of Evotec SE.

Evotec's group structure reflects its strategic international positioning and activities. All consolidated subsidiaries are listed in Note (34d) of the Notes to the Consolidated Financial Statements.

In addition, the Evotec Group has further operating sites in Austria, Germany, France, Italy, United Kingdom and USA. By leveraging core competencies developed at its respective sites, the Group creates both operational and technological synergies by way of organic growth and strategic acquisitions.

MAJOR OPERATING ENTITIES*
as of 31 December 2021
* indirect and direct holdings

EVOTEC SE, HAMBURG, DE

Evotec (UK) Ltd. Abingdon, UK 100%	Aptuit (Oxford) Ltd. Abingdon, UK 100%	Aptuit (Potters Bar) Ltd. Abingdon, UK 100%	Cyprotex Discovery Limited Macclesfield, UK 100%	Evotec GT GmbH Orth, AT 100%	Evotec International GmbH Hamburg, DE 100%	Evotec (München) GmbH Munich, DE 100%	Aptuit (Verona) SRL Verona, IT 100%	Evotec (France) SAS Toulouse, FR 100%	Evotec ID (Lyon) SAS Marcy l'Étoile, FR 100%	Evotec (US), Inc. Princeton, NJ, US 100%
			Cyprotex US, LLC Watertown, MA, US 100%							Just – Evotec Biologics, Inc. Seattle, US 100%

— BUSINESS OVERVIEW —

Evotec is an industry-leading drug discovery and development partner for the pharmaceutical and biotechnology industry. Its mission target is to discover in collaboration with its partners best and first-in-class medicines for a broad range of difficult to treat serious diseases in collaboration with its partners for which there are currently inadequate or no treatment options. To that end, Evotec has built a comprehensive suite of fully integrated, next generation technology platforms, which the Company believes will transform the way new drugs are discovered. By leveraging the advanced capabilities of its integrated platforms, Evotec is able to provide solutions to its partners that enable significant improvements in the quality of new drugs while accelerating the drug discovery process and reducing the high failure rates often associated with current drug discovery processes.

In order to address demand for more efficient, cheaper and better outcomes of early-stage drug discovery and development processes, Evotec offers its partners fully integrated drug discovery solutions. These comprehensive, fully integrated platforms include expertise and capabilities in deep learning and computational knowledge integration along the entire research and drug discovery value chain. Evotec provides services for all early research phases from conception to early clinical development using fully integrated drug discovery and development platforms. Part of these fully integrated solutions are platforms specifically designed for precision drug development as well as biomarker selection, human pharmacokinetics (PK). The Company achieves differentiated results by integrating these firmly-established research and development ("R&D") capabilities, cutting-edge proprietary technologies and the knowledge of its experienced scientists. Evotec's drug discovery therapeutic area expertise

and capabilities covers diabetes and its complications, fibrosis, infectious diseases, CNS diseases, oncology, pain and inflammation, immunology, rare diseases, respiratory diseases, and women's health.

With more than 4,000 employees, the Company leverages its technologies and platforms to develop precision medicines across multiple modalities, with the aim of ultimately making the right drug available to the right patient. Evotec's drug candidates can be created more affordably for as little as half the cost of current benchmarks for discovery through IND application than those currently generated by industry players, and up to 30% faster than existing benchmarks for discovery through IND application.

As of 31 December 2021, Evotec's work has resulted in 13 disclosed pipeline assets in clinical development, and over 110 pipeline assets in the discovery and preclinical phase. Moreover, the Company developed a broad multi-disciplinary network of collaborations including 800 partnerships across the pharmaceutical and biotechnology industry and academia.

Manufacturing

The Company currently operates two commercial manufacturing facilities, one of which is located in the United States (Redmond (WA), large molecules) and the other in Europe (Abingdon UK, small molecules). A third manufacturing facility (for large molecules) will be constructed in Toulouse, France.

Evotec has the capability to manufacture drug products to support the clinical development and commercialization of both its own and its partners' assets. The Company applies its machine learning and integrated technology platform J.DESIGN to the manufacturing aspect of its business to bring further value to its partnerships an d produce drug products in a cost-effective and efficient manner. Because Evotec utilizes J.DESIGN early in the drug discovery stage, by the time it reaches the manufacturing stage of any given program Evotec has already predicted and reduced the risk of most scaling problems that may occur. As a result, Evotec is able to deliver flexible, right-sized manufacturing at lower costs and with faster turnaround times, without sacrificing the quality of the products.

In order to enhance the Company's manufacturing capabilities further, Evotec opened its first J.POD®, a late-stage clinical and commercial manufacturing facility that uses single-use technology located in Redmond (WA), USA, in August 2021. Because the facility contains clinical and commercial processes, both can be operated at the same scale to facilitate seamless transfer and eliminate scale-up risk. The building has approximately 130,000 square feet and houses more than 200 employees at full capacity. The site, which will be able to produce on a large enough scale to meet most of Evotec's commercial needs in a single facility and will mainly supply markets in North America.

As global demand for flexible biologics capacity and for more affordable access to medicines increases, Evotec has started planning and construction of a second J.POD® facility in Toulouse, France. Europe is the second largest biologics market and Evotec assumes the COVID-19 pandemic will result in an increasing demand for local capacity and security of supply. The decision to set up this infrastructure at the Company's own site in Toulouse was a strategic one, as the Toulouse footprint creates operational efficiency and co-location with oncology and immunology expertise, adding further synergy with Evotec's strategic needs. The second J.POD® is expected to be completed by 2024.

Certain of the Company's operations are carried out under Good Manufacturing Practice ("GMP") and Good Laboratory Praxis ("GLP") regulations that are certified and periodically audited by regulatory agencies such as the FDA, MHRA, AISA and Evotec's customers.

The Evotec Innovation Hub: The "Data-driven R&D Autobahn to Cures"

Evotec's innovation hub, its fully integrated discovery and development platform, comprises the platforms set forth below, the integration of which Evotec believes will drive rapid progress and successful outcomes throughout the discovery and pre-clinical development phase, creating a "data-driven R&D Autobahn to Cures." Evotec believes that it is one of the leading companies in the application of artificial intelligence ("AI") and machine learning ("ML") technologies in drug discovery and drug development.

1. **EVO***iR&D* is Evotec's R&D platform, which the Company believes differentiates it from competition as one of the few organizations able to deliver fully integrated drug discovery and development to its partners.

   EVO*iR&D* possesses comprehensive capabilities across all stages of precision medicine discovery, from initial biological validation and target selection through to clinical trial planning, safety assessment and manufacturing. **EVO***iR&D* differentiates Evotec from its competition because it combines multimodality expertise, interdisciplinary integration (e.g. molecular design, chemistry, biology, pharmacology, ADME, toxicology, formulation development, API manufacturing, etc.) across the various stages of discovery and development and expert coordination of these processes led by highly qualified and experienced scientists. Furthermore, the application of AI, ML and model-building capabilities to predictive science in **EVO***iR&D* aims for improving discovery projects in terms of speed, cost and quality for partners.

2. **EVO***panOmics* and **EVO***panHunter* form a central component of Evotec's industrial scale AI, ML and precision medicine platforms. Evotec's **EVO***panOmics* platform generates genomics, transcriptomics, and proteomics and metabolomics data of highest quality on an industrial scale to profile and select promising new drug candidates based on comprehensive cell biological profiles. **EVO***panHunter*, Evotec's integrated data analytics platform, makes the Company's omics data available in a user-friendly manner. Users can freely interact with and combine data in a web-based system where results are available immediately and can be interpreted or used as input for subsequent steps. This rapid feedback is a crucial feature distinguishing **EVO***panHunter* from other similar tools.

   Evotec's AI, ML and precision medicine platforms are complemented by its proprietary induced pluripotent stem cell ("iPSC") technology platform, which utilizes patient-derived cell-based assays for disease modelling. iPSC cell assays are crucial to accurately modelling diseases based on the use of human tissue and represent therefore an alternative to animal models to profile drug candidates in the pre-clinical stage.

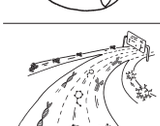
3. **EVO***access* is Evotec's disruptive and cost-effective approach to discover, develop and commercially manufacture biologic therapeutics. The Just – Evotec Biologics platform, **EVO***access*, utilizes proprietary AI and ML capabilities to accelerate the discovery and development of biologic drug candidates and to provide advanced manufacturing process control. Key advantages of **EVO***access* include broadening the scope of disease areas for biologic drug candidates driven by significantly higher yields and lower costs, accelerating growth of biosimilars given cost advantages

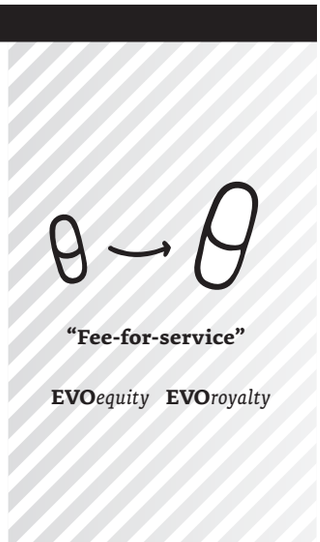
and making orphan diseases more amenable to biologics despite small addressable populations. The ultimate physical representation of this platform is Evotec's J.POD® facility. The J.POD® facility is the first of its kind, based on an industry-leading biologics manufacturing technology, with the first facility located in Redmond (WA), USA, which became operational in August 2021. J.POD® has already garnered significant interest from the pharmaceutical industry with partnerships in place with MSD, a Merck & Co. brand, ABL and Ology. In August 2020, the US Department of Defense awarded Just–Evotec Biologics an order for the development of a highly efficient manufacturing process for monoclonal antibodies against COVID-19, followed by a manufacturing agreement in January 2021.

4. **EVO***cells* is Evotec's cell therapy platform based on its proprietary and best-in-class iPSC technology. Evotec's iPSC platform focuses on developing off-the-shelf cell therapies with long-lasting efficacy like immune cells in oncology (e.g. NK, T cells and others), beta cells for diabetes, cardiomyocytes in heart repair, and retina cells in ophthalmology as well as iPSC-derived exosomes. Evotec's lead cell therapy candidate is a regenerative therapy for type 1 diabetes that is currently in preclinical development.

5. **EVO***genes* is Evotec's proprietary gene therapy platform. Evotec has a dedicated gene therapy site located in Austria with a team of experts that covers the full spectrum of services for end-to-end gene therapy development including capsids, regulatory sequences and production cell lines. Evotec's services include the design of state-of-the-art AAV vectors for a diverse set of therapeutic payloads, the generation of AAV material for research and non-clinical studies, *in vitro* and *in vivo* proof of concept studies for target validation including screening drug candidates.

BUILDING BLOCKS OF DATA DRIVEN R&D AUTOBAHN TO CURES

Evotec's integrated platforms			
	**R&D efficiency platforms**	Fully integrated AI/ML-driven drug discovery & development platforms	**EVO***iR&D*
	**Precision medicine platforms**	Industrial scale Omics and iPSC platform	**EVO***panOmics &* **EVO***panHunter*
	**Just – Evotec Biologics**	AI/ML powered disruptive biologics discovery and manufacturing platform	**EVO***access*
	**Multimodality drug design**	Small molecules, biologics, iPSC-based cell therapy, emerging gene therapy toolbox	**EVO***cells &* **EVO***genes*



Generation of revenues

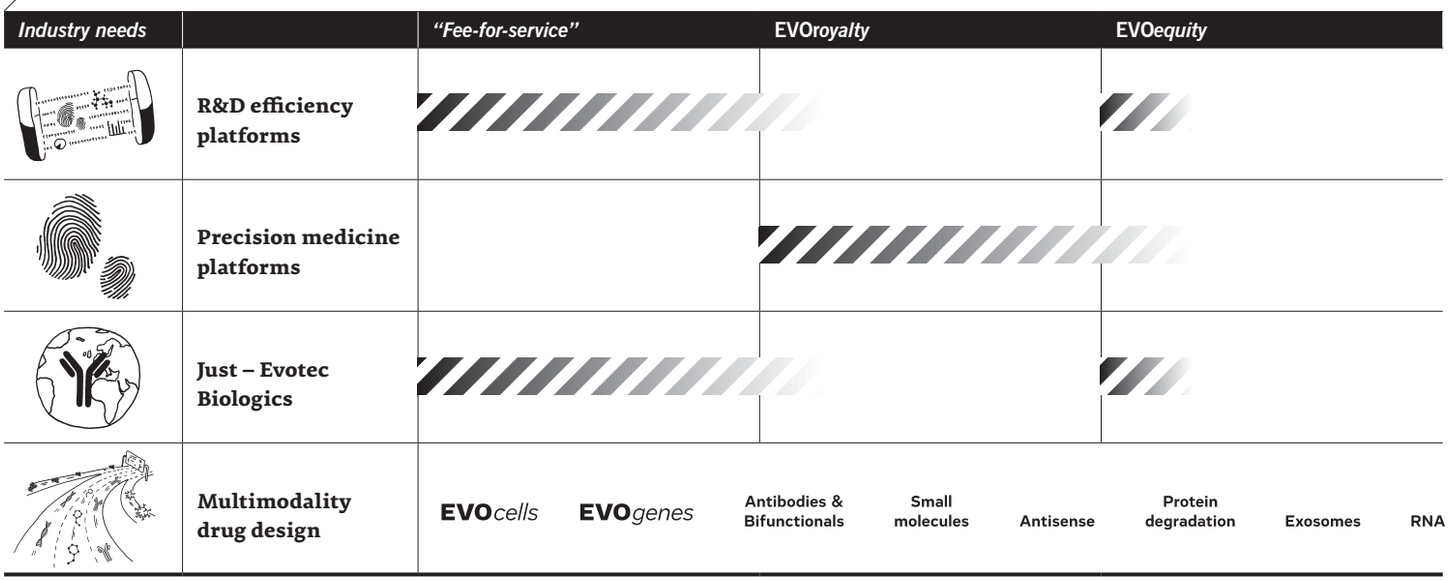
Evotec generates revenue through three core collaboration routes:

1. **"Fee-for-service":** Evotec provides stand-alone or fully integrated drug discovery and development solutions to its partners. The Company's solutions range across all modalities and from early target identification to manufacturing of compounds and commercial products. Well-defined work packages and integrated research programmes are typically provided and compensated at FTE-rates or on a "fee-for-service" basis and they are distinct in scope and nature. Typical examples of such services include, among others, high-throughput screening campaigns, Adsorption, Distribution, Metabolism, Excretion and Toxicity tests ("ADME-tox tests") and Active Pharmaceutical Ingredients ("API") manufacturing. The "fee-for-service" model applies as long as no intellectual property of Evotec is involved or no essential proprietary technology platforms are used. The partners' intellectual property rights therefore protect the resulting therapeutics.

2. **EVO***royalty:* Evotec leverages its proprietary technology platforms to develop new drug discovery projects, assets and platforms, both internally and through collaborations. Such projects allow the Company to create starting points for the development of strategic partnerships through its **EVO***royalty* collaboration model with leading pharmaceutical and biotechnology companies and academic institutions. These collaborations are typically based on **EVO***royalty* agreements with partners, which involve a combination of upfront payments, ongoing research payments (based on FTE-rates), and significant financial upside through milestones and royalties. These collaborations enable the sharing of cost and risk as Evotec's partners typically absorb the costs of clinical development and commercialization.

3. **EVO***equity:* Evotec makes equity investments in products, technology platforms and companies through which it obtains early access to innovation. Evotec facilitates the acceleration of innovation by providing capital as well as access to its technology platforms, expertise and network. The Company sees significant potential for value creation from **EVO***equity* over the coming years from new partnerships, clinical successes and positive commercial developments of portfolio companies. Evotec expects to realize returns on investments both from successful exits from its portfolio companies (e.g. trade sale, M&A or IPO) and fee-for-service and FTE-rate based revenues with its portfolio companies. As of December 31, 2021, Evotec had 24 investments with 89 active projects in its **EVO***equity* pipeline.

EVOTEC'S OFFERING BY PLATFORM AND CORE COLLABORATION ROUTE



— OPERATING SEGMENTS —

Evotec reports the results of its work and collaboration through two operating segments:

EVT Execute

EVT Execute primarily includes fee-for-service and FTE-rate based arrangements where Evotec's customers own the intellectual property. EVT Execute accounted for 76% of the Company's revenues as of 31 December 2021 (31 December 2020: 79%).

EVT Innovate

EVT Innovate includes Evotec's internal R&D activities as well as services and partnerships that originate from these R&D activities. In addition to FTE-based revenues, Evotec generates revenues from milestones and royalties on its pipeline assets. Strategic partnerships under the roof of **EVO***royalty* collaborations are typically recognised in the EVT Innovate segment. EVT Innovate accounted for 24% of the Company's revenues from third parties as of 31 December 2021 (31 December 2020: 21%).

Revenue generated through each of Evotec's collaboration arrangements may contribute to either the EVT Execute or EVT Innovate segment, depending on the nature of the contract with Evotec's customer, the ownership of the intellectual property and the stage of the project. Evotec believes its partnership model is unique and allows the Company to balance and diversify the risks associated with drug discovery.

Broad pipeline of development

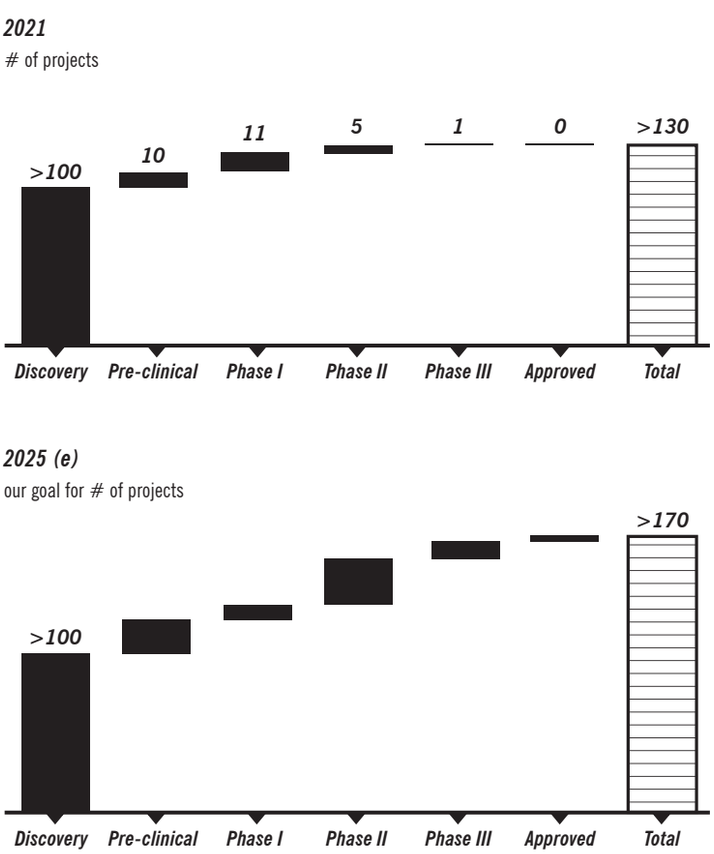
Evotec is convinced that its product pipeline is one of the broadest and deepest in the industry. Since 2015, the number of the Company's assets has more than doubled to more than 130 with 13 disclosed assets in clinical development and another four that have not been disclosed by Evotec's partners as of 31 December 2021. Of the clinical assets, one is in Phase III, five are in Phase II and eleven are in Phase I. Among Evotec's pool of eleven Phase I assets, there are three planned indication extensions, each in a different therapy area. Evotec's pipeline includes candidates that are wholly owned and those for which Evotec has the right to receive royalty or milestone payments.

For candidates for which Evotec has the right to receive royalty or milestone payments, in most cases the Company will have initially developed them and subsequently licensed or assigned to partners for continued pre-clinical and clinical development. They also include candidates that have been initially developed by Evotec's partners and that have become the subject of a joint research project pursuant to which Evotec is eligible for royalty or milestone payments. Evotec does not count among its pipeline those candidates that are being developed by partners in whom Evotec has solely an equity stake through **EVO***equity* and no right to milestone or royalty payments with respect to their candidates in development.

Beyond therapeutic areas, Evotec has also successfully expanded its pipeline across multiple modalities. In 2015, the Company's therapeutic assets were

exclusively small molecules. In contrast, in 2021, more than 10 assets were derived from cell and gene therapy, more than 20 from biologics, more than 90 from small molecules and more than 10 were early-stage projects where several modalities are being investigated. Evotec expects the relative share of **EVO***royalty* revenues as a percentage of total revenue to increase as the Company's **EVO***royalty* pipeline matures and as the revenue mix within **EVO***access* and **EVO***genes* increasingly includes success-based components.

***EVOLUTION OF TOTAL NUMBER OF PROJECTS WITHIN EVO**royalty*



CORPORATE OBJECTIVES AND STRATEGY

— EVOTEC'S GROWTH STRATEGY —

Evotec's growth strategy aims to address the entirety of the R&D continuum by tackling the broadest range of disease areas utilizing a modality-agnostic approach. Evotec believes it has built one of the most efficient integrated drug discovery, development and manufacturing infrastructures, which generates the highest quality results in the fastest and most cost-efficient way. In addition, by leveraging the value of its platforms and sharing intellectual property through **EVO***royalty* and **EVO***equity*, Evotec seeks to de-risk its portfolio through the breadth and diversity of pipeline assets. The Company aims to have over 170 pipeline assets by the end of 2025, with its first royalties to be received in 2025.

Evotec's strategies include:

▸ *Establishing Evotec as a best-in-class, integrated precision medicine platform:* Evotec is an industry-leading drug discovery and development partner for the pharmaceutical and biotechnology industry. The Company's proprietary platforms aim to integrate traditional R&D capabilities with cutting-edge data analytics to deliver potentially best-in-class and first-in-class therapeutics that are designed to be patient-relevant, disease-modifying and have curative potential. Evotec strives to be at the forefront of the ongoing paradigm shift towards precision medicine as its innovation hub allows for competitive predictive capabilities, provides better starting points for clinical research, and potentially increases the likelihood of success in clinical trials. Evotec has built its innovation hub and modality-agnostic expertise to position itself as the 'partner of choice' for companies of all sizes in the biopharma universe and fuel the Company's growth in the long-term.

▸ *Strengthening Evotec's position as the premier service provider to the life sciences sector:* In the past, Evotec has excelled in delivering drug discovery and development solutions. Evotec's current offering and capabilities stretch significantly beyond traditional contract research and development and potentially hold the key to disruptive innovation in the life sciences sector. The Company's growth as a service provider is underpinned by the high quality delivered in the past and by the current breadth of Evotec's capabilities across modalities, technologies and data integrated R&D efforts. Evotec's two-pronged growth strategy includes adding new customers and increasing the scope of work for existing customers.

▸ *Expanding the breadth of assets within* **EVO***royalty***:** To-date Evotec has built a pipeline of more than 130 assets, of which a significant share is partnered. The Company expects its pipeline assets to provide a significant stream of milestones and royalties without direct exposure to trial costs. Evotec expects its cutting-edge key platforms (**EVO***panOmics,* **EVO***panHunter,* iPSC-based drug screening platform, **EVO***cells* and **EVO***genes*) ranging across four modalities to generate additional novel drug development candidates at a rapid pace. In order to find the right partner for each of these emerging assets and platforms Evotec leverages its unique relationships with over 800 partners globally to ensure optimal development of its pipeline.

▸ *Continuing to disrupt the biologics ecosystem through* **EVO***access***:** Since the acquisition of Just–Evotec Biologics in 2019, Evotec has witnessed increasing demand for its disruptive, flexible and cost-effective method of biologics discovery and development. Evotec believes it is well positioned to meaningfully affect the over $ 100 bn market for therapeutic antibodies and drive this market in a new direction. Evotec's first J.POD® manufacturing facility located in Redmond (WA), USA, became operational in August 2021. Evotec has significant agreements in place for its first J.POD® facility even before the completion of construction work, indicative of robust demand from existing and new partners and thus strengthening its belief in this platform. Evotec believes that Just–Evotec Biologics will position the Company to establish significant integrated long-term partnerships with the potential to generate milestones and royalties. Evotec intends to expand its **EVO***access* footprint including the construction of a second J.POD® facility in Toulouse, France.

▸ *Identifying risk-balanced, high-reward opportunities through* **EVO***equity:* With **EVO***equity* Evotec's ambition is to benefit from scientifically and commercially exciting R&D endeavours that are complementary to the Company's R&D capabilities. As of December 31, 2021, Evotec held 24

investments and has seen significant scientific, strategic, financial and corporate progress on many of these projects. Evotec continues to evaluate closely potential opportunities with a favorable risk-reward profile on an ongoing basis to expand the Company's ecosystem.

▸ *Leveraging the synergies between Evotec's businesses:* Evotec's technology platforms and core collaboration routes have a highly symbiotic relationship. The Company is focused on fully integrating all of its technologies, services, and enabling seamless cross-fertilization of knowledge and best practices. Evotec's expanding molecular databases built up through **EVO***panOmics* and analytical capabilities through **EVO***panHunter* ensure that its AI and ML capabilities are constantly advancing. Higher quality data and analytical capabilities have the cascading effect of enhancing the quality of innovation in **EVO***iR&D,* **EVO***access,* **EVO***cells* and **EVO***genes.*

— EVOTEC'S SOLUTION — PROVIDING WHAT THE INDUSTRY REALLY NEEDS

In contrast to the development cost, which increased from $ 1,296 m in 2013 to $ 2,006 m in 2021 for the benchmark of top 15 pharma and biotech companies, the average global peak sales per drug in the last decade declined by more than 30% from $ 520 m per drug in 2013 to expected $ 355 m in 2021, adjusted for the special effect of COVID-19 vaccine sales. In line with this trend, commercial returns as measured by internal rate of return (IRR) have decreased by 58% – from 6.5% in 2013 to 3.2% in 2021 (adjusted for the special COVID-19 effect). Global R&D spend grew by 53%, from $ 139 bn in 2013 to $ 212 bn in 2021.

Evotec believes the existing capital-inefficient R&D model with its fully integrated, pharma-like value chains is no longer sustainable and, most importantly, in many aspects no longer competitive especially when it comes to execution speed of novel ideas. Evotec strives to make Evotec's "Data-driven R&D Autobahn to Cures" the ideal innovation hub for its partners and provide them with the necessary toolkit to carry out cutting-edge research. Evotec delivers critical solutions such as enhanced speed to the clinic, better prediction of clinical efficacy and reduced manufacturing costs. Evotec is able to deliver these critical solutions through a combination of:

▸ Leadership in data generation, data analytics and AI/ML-supported efficacy and safety prediction

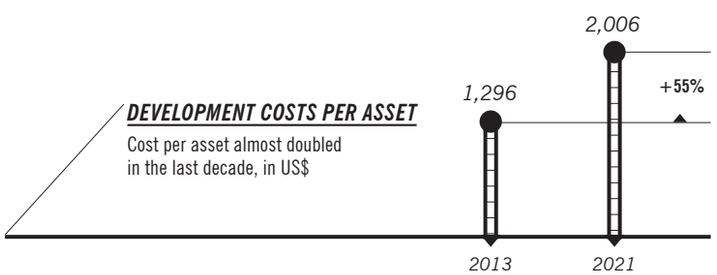
▸ Biology driven scientific disease insights that drive Evotec's R&D efforts

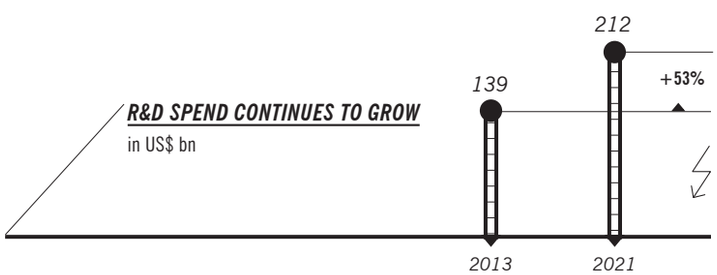
▸ Modality-agnostic expertise (small molecule, biologics, gene therapy, cell therapy among others) that helps to make the drugs of Evotec's partners precise, affordable and more accessible

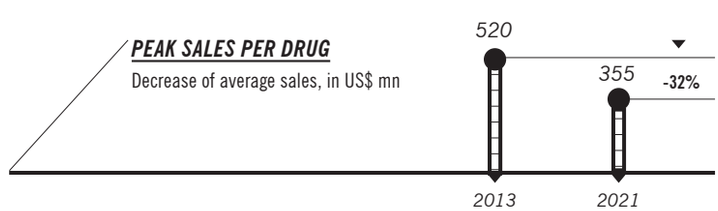
Evotec believes that the future of drug discovery and development requires the integration of different disciplines and approaches to generate treatments that are patient-relevant, disease modifying and have curative potential. Evotec's proprietary discovery and development platforms leverage data, operational efficiencies and technological capabilities with the goal of driving rapid progress and successful outcomes in the early stages of the R&D process. Evotec also applies **EVO***panHunter* to its novel molecular patient databases and disease models to generate and analyze data.

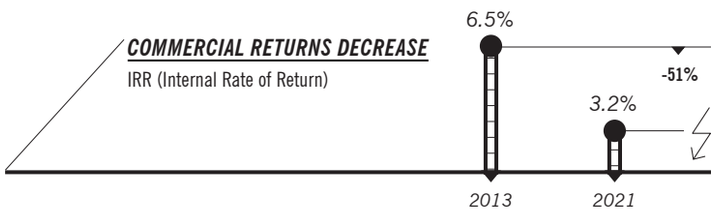
The key criterion for Evotec's decision-making is patient-relevant data, which Evotec thinks facilitates a very stringent project prioritization cascade. Evotec is able to generate disease profiles at a large scale, providing a significant foundation of knowledge on which to base disease modeling and other drug discovery efforts.

Evotec's suite of platforms is a synergistic system – the centre-piece is the high performance integrated R&D infrastructure (**EVO***iR&D*), enhanced even further with advanced platforms for improved prediction and probability of success, as exemplified by **EVO***panOmics*, **EVO***panHunter* and the iPSC drug discovery platform. These central platforms are applicable to all modalities – including **EVO***access*, **EVO***cells* and **EVO***genes*. Evotec's innovation hub creates value through three core collaboration routes – fee-for-service model, **EVO***royalty* and **EVO***equity.*

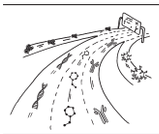








OVERVIEW OF CAPABILITIES AND EXPERTISE IN EVOTEC'S INNOVATION HUB

Industry needs		*Capabilities & expertise (illustrative)*
	**R&D efficiency platforms**	Target ID & validation · Hit identification · Lead optimisation · Sample management · Chemistry · DMPK & ADME-Tox · Research informatics · Bio Reagents · *In vitro* biology · *In vivo* Pharmacology · Biomarker discovery · Antibody discovery · INDiGO · Integrated CMC · Integrated pre-clinical development · Clinical development solution
	**Precision medicine platforms**	**EVO***panOmics* · **EVO***panHunter* · iPSC Drug Discovery · ScreenSeq TRANSCRIPTOMICS · ScreenPep PROTEOMICS · J.HAL℠ AI DESIGNED mAb LIBRARY
	**Just – Evotec Biologics**	J.DISCOVERY™ MOLECULE DISCOVERY · J.HAL℠ AI DESIGNED mAb LIBRARY · J.MD™ MOLECULE DESIGN · JP3® PROCESS & PRODUCT DESIGN · J.POD® MANUFACTURING DESIGN
	**Multimodality drug design**	**EVO***cells* · **EVO***genes* · Antibodies & Bifunctionals · Small molecules · Antisense · Protein degradation · Exosomes · RNA

CORPORATE OBJECTIVES AND ACHIEVEMENTS 2021

The table below shows the Company's specific non-financial targets for 2021 as well as milestone achievements:

	SPECIFIC TARGETS FOR 2021	*MAJOR ACHIEVEMENTS IN 2021 (SELECTION)*
EVT EXECUTE	▶ Expansion of existing and conclusion of new integrated service alliances	▶ New and extended partnerships and alliances, e.g. with Abivax Annexon, Awakn, 1st Biotherapeutics, BMS, EQRx, Interline, Related Sciences, Takeda, The Mark Foundation ▶ Continuation of DOD's collaboration with Just – Evotec Biologics ▶ New development collaborations and INDiGO contracts signed (e.g. Riboscience, Step Pharma, ...)
	▶ Introduction and acceleration of AI/ML offerings across all modalities	▶ Introduction of J.HAL℠ platform
	▶ J.POD® Redmond (WA), USA to be put into operation	▶ Start of operations of the J.POD® production facility in Redmond (WA), USA in August 2021
EVT INNOVATE	▶ Acceleration of cell therapy initiatives	▶ New iPSC multi-year partnership with the Medical Center Hamburg Eppendorf ("UKE") ▶ Bristol Myers Squibb opt-in of EVT8683 as the first programme from iPSC-based neurodegeneration collaboration with Evotec
	▶ New co-owned R&D partnerships based on own R&D and the use of Evotec's proprietary platforms	▶ Initiation of new alliances and strategic collaborations, e.g. with Kazia Therapeutics ▶ Strategic collaboration with Chinook to discover and develop novel precision medicines for chronic kidney diseases ▶ Strategic RNA targeting drug discovery and development alliance with Takeda
	▶ Initiation of new clinical trials and progress in the co-owned pipeline	▶ EVT894 entering clinical stage development (ChikV) ▶ Start of Phase I Immuno-oncology project A2a receptor antagonist (Exscientia) ▶ Positive Phase IIb results in refractory chronic cough with eliapixant (BAY1817080) (studies stopped and rights handed back to Evotec in February 2022)
	▶ Achievement of success-based milestones	▶ Milestone payments of € 49.5 m received in 2021 (BMS, Takeda)
CORPORATE	▶ Equity investments and initiation of new BRIDGEs	▶ Investment in OxVax, a new immuno-oncology company based on research from Oxford University ▶ Participation in the successful extension of Series B financing round of Topas Therapeutics, Celmatix ▶ CureXsys seed financing € 8 m ▶ Successful IPO of Evotec's partner Exscientia at NASDAQ ▶ Initiation of three academic BRIDGE partnerships: beLAB2122, beLAB1407, Danube Labs

The company's objectives for 2022 can be found in the "Business direction and strategy" section of the "Outlook" chapter of this combined Management Report.

PERFORMANCE MEASUREMENT

— FINANCIAL PERFORMANCE INDICATORS —

The Management Board has committed to the following financial objectives: continued revenue growth, progressing R&D innovation, and increasing profitability. The Company's long-term key financial performance indicators are defined to support these goals.

The Company's performance is measured against budgeted financial targets and the prior-year performance. In its monthly financial reviews, Evotec's management puts a strong emphasis on key financial performance indicators such as revenues, unpartnered R&D expenses and Adjusted Group EBITDA.

In addition, management thoroughly analyses costs (cost of sales, research and development expenses, selling and administrative expenses). Liquidity levels are monitored in comparison with the forecast and against defined minimum cash levels. Operating cash flows are reviewed on a regular basis with an emphasis on the receipt of contract research revenues and milestone payments as well as working capital. Investing activities like capital expenditure on maintenance and expansion and funding of Evotec's equity portfolio are compared against budget every month. Balance sheet structure, equity ratio and net debt leverage are monitored in order to manage a balanced equilibrium of financing tools. Treasury management is undertaken on an ongoing basis with a focus on cash management, foreign exchange rate and interest risks, and optimisation of funding and investment opportunities. Value analyses based on discounted cash flow and net present value models are the most important financial metrics for Evotec's investment decisions regarding M&A projects, equity investments and licensing opportunities.

— KEY FINANCIAL PERFORMANCE INDICATORS —

Evotec reviews a number of key performance metrics and non-IFRS measures to assess the progress of its business, make decisions about where to allocate time and investments and assess the near-term and longer-term performance of its business. The measures set forth below should be considered in addition to, not as a substitute for or in isolation from, Evotec's financial results prepared in accordance with IFRS. The following table sets forth these metrics as of and for the period 2017–2021.

KEY FINANCIAL PERFORMANCE INDICATORS

in k€

	2017[1)]	*2018*[2)]	*2019*[2)]	*2020*[2)]	***2021***
Revenues	263,765	375,405	446,437	500,924	**618,034**
Unpartnered R&D expenses[3)]	(17,614)	(22,824)	(37,477)	(46,441)	**(58,117)**
Adjusted Group EBITDA[4)]	57,360	95,649	123,256	106,654	**107,270**

[1)] 2017 restated for IFRS 15 and IAS 19
[2)] 2018 - 2020 restated for IAS 19
[3)] R&D expenses funded by Evotec
[4)] Adjusted for changes in contingent considerations

Revenues
Revenues consist mainly of service fees and FTE-based research payments.

Evotec maintains a large portfolio of partnered pipeline assets generating revenues from upfront and milestone payments as well as a number of unpartnered pipeline assets that Evotec is progressing for future partnering. Evotec expects the relative share of revenues from milestones and royalties as a percentage of total revenue to increase as its pipeline matures over time.

Unpartnered R&D Expenses
Evotec's R&D expenses comprise expenses incurred in connection with its in-house discovery platforms and developing new unpartnered pipeline assets as well as overhead expenses for both the Company's partnered and unpartnered R&D projects.

The Company receives grants and funding from government authorities as well as private foundations for the support of some selected R&D projects. These grants are linked to projects and are recognized as a reduction mainly of R&D expenses when they are received.

Evotec expects R&D expenses to increase continuously for the near future as its current pipeline progresses and the Company develops new pipeline assets.

Adjusted Group EBITDA
EBITDA is defined as net income (loss) adjusted for interest, taxes, depreciation and amortisation, impairments of goodwill and other intangible and tangible assets, total non-operating results and change in contingent consideration (earn-out-liabilities).

Adjusted Group EBITDA is a non-IFRS measure presented as a supplemental measure of Evotec's performance. Adjusted Group EBITDA should not be considered as an alternative to net income as a measure of financial performance. Adjusted Group EBITDA is presented because it is a key metric used by the Evotec Management Board to assess the Company's financial performance. Management believes Adjusted Group EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate directly to the performance of the underlying business.

A reconciliation of Adjusted Group EBITDA with the operating result can be found in the "Results of operations" chapter of this combined Management Report. The Company's 2021 performance compared with planned figures can be found in the "Comparison of 2021 financial results with forecast".

— NON-FINANCIAL PERFORMANCE INDICATORS —

Biotechnology is a research-driven and employee-based industry. Consequently, financial information alone does not provide a comprehensive picture of the Company's potential for value creation. Evotec's management therefore also uses non-financial performance indicators to manage the Company, such as the number of customers, the number of customers who contributed more than € 1 m to revenues, the repeat business and pipeline progress.

Number of Customers

The number of Evotec's customer alliances has expanded significantly in recent years, providing further validation of the Company's services provided. During 2021, 337 new customers were added compared with 315 in 2020 and 283 in 2019, an increase of 7% and 11% year-on-year. An entity with multiple subsidiaries, segments, or divisions is defined and counted as one single customer, even if the Company has separate agreements with multiple subsidiaries, segments, or divisions that are part of the same entity.

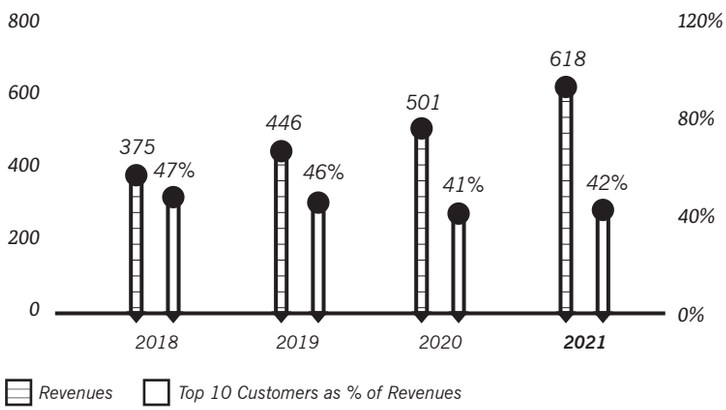
Number of customers who contributed more than € 1 m to revenue

The number of customer alliances that generate revenues of more than € 1.0 m per year has continued to rise and reached 97 in 2021 (2020: 86), or 12% and 10% of total customers in the last two years, pointing to increasing entrenchment with each customer.

Evotec's largest customers by revenues, Bristol Meyer Squibb ("BMS"), Merck and Sanofi, collectively accounted for 25% of revenues in 2021. In 2020, also BMS, Merck and Sanofi were Evotec's largest customers by revenue, together contributing 24% to revenues. Other than BMS, no single customer contributed more than 10% of group revenues.

In addition, Evotec's customer and revenue base have become more diversified over the last three years as revenues have grown significantly. The top 10 customers' contribution to total revenues has increased from 41% in 2020 to 42% in 2021, pointing towards a steady decrease in revenue concentration among top customers.

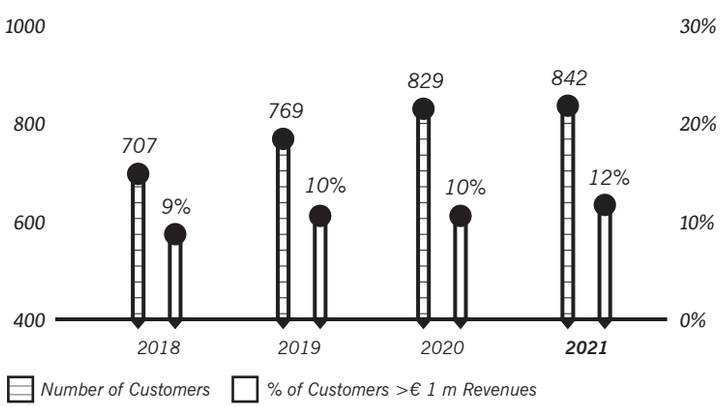
REDUCTION OF CUSTOMER CONCENTRATION



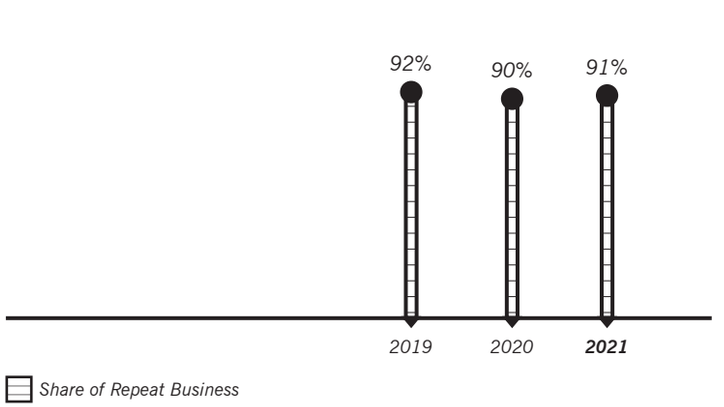
Repeat Business

Evotec has demonstrated solid customer retention rates, as defined by the percentage of revenues from customers that Evotec had a relationship with in the prior year, with 90% or above in each of the last three years. The Company reviews its repeat business on a yearly basis. Repeat business was 91% in 2021 and 90% in 2020, respectively. Evotec believes that its significant amount of repeat business is primarily due to the ability to achieve success and high satisfaction of its partners and customers. The extent to which Evotec generates repeat business from its customers will be an important factor in the Company's continued revenue growth.

CUSTOMER EVOLUTION AND CONTRIBUTION



SHARE OF ANNUAL REPEAT BUSINESS



Pipeline development: Progression of drug programmes and drug candidates in development partnerships

For a company that discovers and develops novel, innovative pharmaceutical drugs, the progression of proprietary drug programmes and candidates within drug discovery and development partnerships is another highly relevant non-financial performance indicator. The success of partnered ("co-owned") research, pre-clinical and clinical programmes progressed by Evotec's partners represents additional value creation potential for Evotec without any financial risk (apart from the risks inherent in the companies themselves in which Evotec holds an interest). Evotec participates in the progress and success of those programmes through potential milestone and royalty payments, without having to make its own investments or expenditures after handover to the partner.

Compared with 2020, some new pipeline assets could be added to the list of drug candidates in clinical trials: EVT8683 (a small molecule targeting a key cellular stress response that holds great promise in neurodegenerative indications) developed in cooperation with BMS, entered clinical Phase I. In January 2021, EVT894, a monoclonal antibody to treat and potentially prevent chikungunya virus infections, entered Phase I of clinical development. The immuno-oncology project A2a receptor antagonist in cooperation with Exscientia reached Phase I. Also, Evotec's oncology agent EVT801 developed in cooperation with Kazia Therapeutics entered clinical development.

Furthermore, in autumn 2021 Bayer's drug candidate eliapixant (BAY1817080) showed positive phase IIb results in refractory chronic cough. At the beginning of February 2022 Bayer informed Evotec about its decision to discontinue the development of the investigational P2X3 receptor antagonist eliapixant (BAY1817080). Following a review of the available data, Bayer concluded that the overall benefit no longer outweighs the risk in the actively pursued indications. As a consequence of Bayer's decision, Evotec regains the rights to all P2X3 assets. The Company will evaluate the underlying data as soon as they are made available and will evaluate all options.

PIPELINE OF DRUG CANDIDATES IN ADVANCED STAGES OF DEVELOPMENT AS OF 31 DECEMBER 2021

Molecule	*Treatment area/indication*	*Partner*	*End of December 2021*
EVT201	CNS – Insomnia (GABA-A)	JingXin	Phase III
ELIAPIXANT (BAY1817080)*	Chronic cough (P2X3)	Bayer	Phase IIb
ELIAPIXANT (BAY1817080)*	Overactive bladder (P2X3)	Bayer	Phase II
ELIAPIXANT (BAY1817080)*	Endometriosis (P2X3)	Bayer	Phase II
ELIAPIXANT (BAY1817080)*	Neuropathic pain (P2X3)	Bayer	Phase II
CT7001	Oncological diseases (CDK7)	Carrick Therapeutics	Phase II
EVT401	Immunological & imflammatory diseases (P2X7)	CONBA Group	End of Phase I
BAYXXX	Gynaecological diseases	Bayer	End of Phase I
BAY2328065	Gynaecological diseases	Bayer	End of Phase I
BI 860585	Oncological diseases (mTORC1/2)	Boehringer Ingelheim, XYNOMIC Pharmaceuticals	Phase I
TPM203	Pemphigus Vulgaris (not disclosed)	Topas Therapeutics	Phase I
DSP-1181	Obsessive-compulsive disorder (5-HT1A)	Exscientia	Phase I
CNTX 6016	Pain (CB2)	Boehringer Ingelheim/Centrexion	Phase I
EVT894	Chikungunya (antibodies)	Sanofi/NIH	Phase I
EXS21546	Oncological diseases (A2a)	Exscientia	Phase I
EVT801	Oncological diseases (VEGFR3)	Kazia Therapeutics	Phase I
EVT8683	Neurodegenerations (elF2b)	Bristol Myers Squibb	Phase I

** At the beginning of February 2022 Bayer decided to discontinue the development of eliapixant (BAY1817080).*

— EARLY INDICATORS —

Several factors are used to evaluate, in a timely manner, whether the Company's goals can be fulfilled in the medium-to-long term. Early indicators used at Evotec include:

- *Current and expected developments in the market for drug discovery alliances and general trends in R&D:* Developments and trends are monitored on an ongoing basis in order to identify potential major changes and triggering events that can have a significant impact on the Company's product portfolio or financial position.

- *The development of Evotec's intellectual property position:* In order to protect its intellectual property, Evotec reviews its patent portfolio on a regular basis (see more details in the "Intellectual Property" chapter of this combined Management Report).

- *Business opportunities:* The monthly review of potential new business opportunities and the status of negotiations are early indicators for the revenue forecast of both EVT Execute and EVT Innovate.

- *Order book:* The order book includes all signed contracts as well as potential new business with high probability of success. It provides a high degree of visibility of future revenues and is updated on a monthly basis.

- *Monthly/quarterly results:* Monthly and quarterly financial results as well as quarterly forecasts with comparison to budget and prior year are reported to and discussed within management to measure and monitor the Company's current performance but also to extrapolate the development of the business in future periods.

- *Expected achievement of milestones in drug discovery alliances and development partnerships based on project progress:* Milestone achievements are major earnings and cash flow drivers for Evotec. Accordingly, the trend in milestone payments in discovery alliances and development partnerships is an indicator of success for Evotec's programmes and for the performance in its risk-shared alliances. All collaborations that may yield milestone payments are reviewed by management on a regular basis.

RESEARCH AND DEVELOPMENT

All of Evotec's activities are related to R&D. Evotec's business segment EVT Innovate distinguishes between partnered and unpartnered R&D: Partnered R&D is where Evotec bears the expenses and is refunded by its partners. Unpartnered R&D is conducted at Evotec's own expense, and if successful, Evotec collaborates or licenses out such projects directly. Unpartnered R&D projects represent the starting points for future revenue and high-potential strategic partnerships as well as spin-outs in which Evotec holds very significant equity stakes and revenue potential.

— UNPARTNERED R&D —

By investing in the discovery and development of proprietary assets and platforms, Evotec builds a long-term pipeline of first-in-class or best-in-class assets and/or unique proprietary platforms. Unpartnered R&D projects are carefully selected to either deliver high-potential, first-in-class drug candidates in indications of high-unmet medical need or highly differentiated platforms that enable enable strategic deals with significant upside. The goal is to use these assets and platforms to build strategic partnerships with pharma, biotech or spin-out companies that deliver not only revenues but significant financial upside.

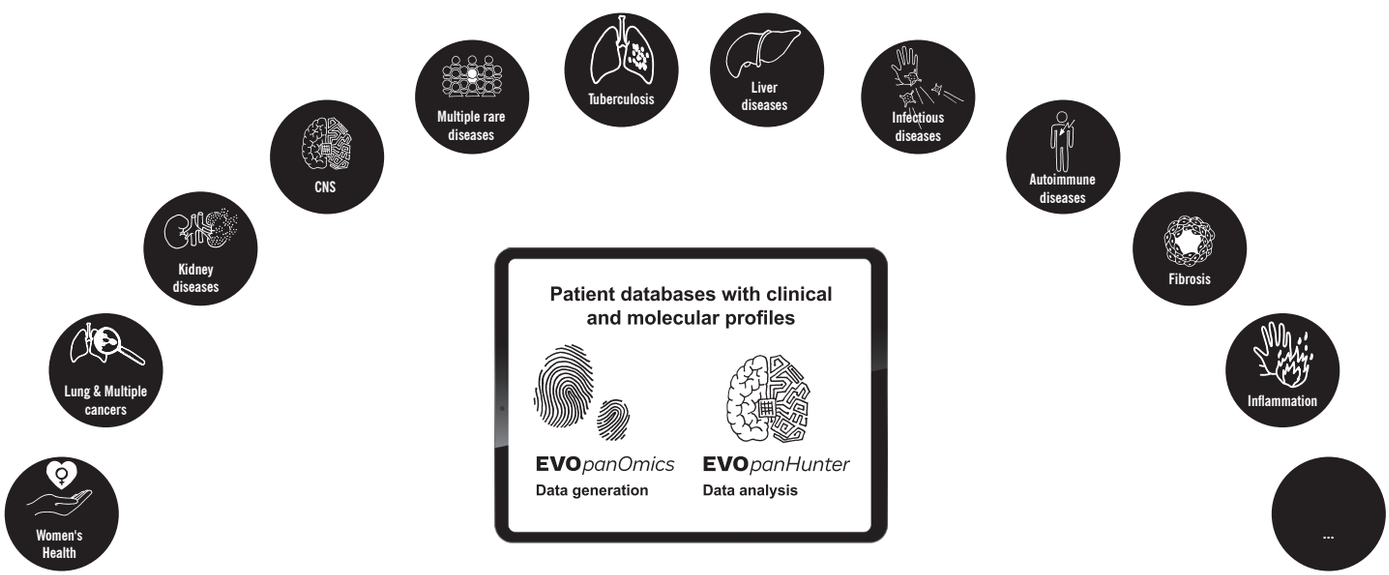
The Company's proprietary pre-clinical and clinical co-owned pipeline has thereby more than doubled from 49 projects in various stages in 2015 to more than 130 in 2021. Overall, Evotec initiated more than 200 R&D projects in this period and kept its innovation rate at a level that more than compensated for the attrition rates common in scientific research. Evotec continuously develops new technologies, platforms and projects, such as its industrial-scale iPSC technology, its data analysis platform **EVO***panHunter* as well as its machine-learning humanoid antibody library (J.HAL℠) platform. Thanks to these developments, Evotec continues to set up valuable partnerships, which offer significant financial value creation potential, participating in both the product development and subsequent commercial success of product candidates.

Evotec is currently pursuing unpartnered projects e.g. in central nervous system disorders, diabetes, immunological diseases, infectious diseases, inflammation, kidney diseases, metabolic diseases, oncological diseases, rare diseases and women's health.

— PARTNERED R&D —

Partnered ("co-owned") R&D projects or R&D programmes are defined as proprietary Evotec projects funded by a partner. Essentially, Evotec is investing in this area in its infectious disease activities, which were acquired in 2018 as part of the acquisition of Sanofi's anti-infective unit in Lyon, the costs of which will be assumed by Sanofi up to a certain amount.

MAIN INDICATION AREAS PARTNERED AND UNPARTNERED R&D



— INTELLECTUAL PROPERTY —

Evotec seeks to protect and enhance the value of its proprietary drug discovery programmes as well as technology platforms, including proprietary processes, technologies, inventions, and methods, and their application to the research and development of treatments for serious diseases and methods of manufacture through the filing of intellectual property. Evotec pursues a multi-layered intellectual property strategy to protect its technology platforms and their application to the research and development of treatments for serious diseases. One focus of Evotec's intellectual property strategy is to provide protection for the Company's platforms and pipeline assets currently in development. Evotec also pursues intellectual property protection for assets that may be used in future development programs and/or that may be of interest to its partners, or otherwise may prove valuable in the field.

Various aspects of Evotec's technology platforms and pipeline assets are protected by patent filings, while other aspects remain trade secrets. Evotec also pursues other methods of protection, including seeking trademark registrations, as appropriate. Many of the Company's intellectual property assets were developed and some have been acquired and are solely owned by Evotec, some have been developed via collaboration and are jointly owned, and some have been licensed from third parties. Evotec will continue to make additional patent application filings and pursue opportunities to acquire and license additional intellectual property assets, technologies, platforms or pipeline assets, as developments arise or are identified.

As of 31 December 2021, Evotec's owned patent portfolio included more than 60 patent families, each of which includes at least one filing in the United States or Europe, and several of which are pending or granted in multiple jurisdictions.

Report on economic position of the Evotec Group

2021 FINANCIAL RESULTS COMPARED WITH FORECAST

—

EVOTEC REMAINED FOCUSED ON EXPANSION – DOUBLE-DIGIT REVENUE GROWTH CONTINUES IN 2021

—

During the reporting period, Evotec once again fulfilled and – regarding top line – even exceeded its performance goals announced in March 2021. The 2021 achievements contain a similar level of COVID-related impacts as in the previous year, with no adverse effect on demand and no severe disruptions either in business operations or in supply chain.

Evotec clearly exceeded its revenue target range of € 550 m to € 570 m. Group revenues rose by 23% year-on-year to € 618.0 m (2020: € 500.9 m). The positive development was mainly due to the continued prospective performance of the base business in all areas as well as higher milestone payments, which were able to compensate for the expiration of the Toulouse agreement with Sanofi (€ (8.6) m vs. 2020). Additionally, fiscal year 2021 benefited from an increased revenue contribution by Just – Evotec Biologics of € 51.0 m (2020: € 39.4 m) with the opening of the new J.POD® facility in Redmond (WA), USA.

PERFORMANCE AGAINST FORECASTS

	Forecast March 2021 (AR)	*Forecast May 2021 (Q1)*	*Forecast August 2021 (Q2)*	*Forecast Nov. 2021 (Q3)*	*2020*	*Actual 2021*
Group revenues[1)]	€ 550 – 570 m	Confirmed	Confirmed	Confirmed	€ 500.9 m	**€ 618.0 m (+23%)**
Unpartnered R&D expenses	€ 50 – 60 m	Confirmed	Confirmed	Confirmed	€ 46.4 m	**€ 58.1 m (+25%)**
Adjusted Group EBITDA[2)]	€ 105 – 120 m	Confirmed	Confirmed	Confirmed	€ 106.7 m	**€ 107.3 m (+1%)**

[1)] Revenues 2020 and 2021 including revenues from recharges (IFRS 15 material recharges)

[2)] Adjusted EBITDA before contingent considerations and excluding impairments on goodwill, other intangible and tangible assets as well as the total non-operating result. (See section "Result of operations" for a reconciliation with operating result)

Total R&D expenses rose to € 72.2 m in the reporting period (2020: € 63.9 m). Unpartnered R&D expenses accounted for € 58.1 m of the total (2020: € 46.4 m), which is at the upper end of the guidance range of € 50 m to € 60 m. These expenses were mainly related to higher research spend for platform projects such as **EVO***panOmics*/**EVO***panHunter* as well as the development of new first in-class drug candidates. Partnered R&D expenses of € 14.1 m (2020: € 17.5 m) were primarily related to the infectious diseases' portfolio and a reduced spend on anti-bacterial infections and global health indications like ChikV.

Adjusted Group EBITDA came in at € 107.3 m and therefore also met the guidance for 2021, exceeding previous year's EBITDA by 1% (2020: € 106.7 m). The increase was mainly due to higher base business and revenues from milestone payments year-over-year (€ +32.4 m) and favourable R&D tax credits in Italy (€ +2.7 m) and France (€ +3.4 m). This was partially offset by the expected expiry of payments from Sanofi related to the Toulouse site since April 2020, but also by the continued investment and expansion modus, e.g. reflected by increased R&D efforts and higher SG&A expenses – the latter also due to the US listing. In addition, negative foreign exchange rate effects had a negative impact on the Adjusted Group EBITDA of € 8.2 m. For the definitions of EBITDA and Adjusted Group EBITDA, please refer to the chapter "Results of operations" of this combined Management Report.

MANAGEMENT BOARD'S GENERAL ASSESSMENT OF EVOTEC'S ECONOMIC SITUATION

Evotec delivered another strong fiscal year with positive momentum across all business operations and meaningful progress across its pipeline. The Group achieved remarkable milestones in particular in its iPSC-based neurodegeneration collaboration with BMS.

As the global fight against SARS-CoV-2 continues, Evotec once again took action and participated in the fight against the disease: internally with the active management of operations to maintain business continuity, externally with an incoming manufacturing order of monoclonal antibodies ("mAbs") for use in the development of a treatment and/or prophylaxis for COVID-19 in its recently opened first J.POD® facility in Redmond (WA), USA. Furthermore, Evotec received federal grants in Germany for the proprietary development of a therapeutic against COVID-19 and launched "PRROTECT" (Pandemic **P**reparedness and **R**apid **R**esp**O**nse **TEC**hnology pla**T**form), a pre-competitive initiative to be better prepared for future pandemics.

Supported by the worldwide demand for drug discovery and development, Evotec clearly exceeded its revenue targets.

Both core segments continued their profitable growth and contributed to the increase in Group revenues: The EVT Execute segment again put in a strong performance with a revenue increase of 20% to € 610.2 m. The EVT Innovate segment even exceeded this growth rate. Revenues rose by 38% to € 147.0 m, largely driven by milestone revenues, higher project revenue from ID Lyon as well as uptake in existing and new collaborations.

The Adjusted Group EBITDA increased by 1% to € 107.3 m compared with the prior-year period; the adjusted EBITDA margin reached 17.4%. At the segment level, the adjusted EBITDA for EVT Execute shows a slight decrease of 3.5% to € 124.8 m in 2021 with an EBITDA margin of 20.5%. This is lower than in 2020, since no payments were received from Sanofi for the Toulouse site from the second quarter 2020 onwards (€ 8.6 m), and due to high start-up costs occurred for the J.POD® Redmond (WA), USA site that could not be capitalised. Furthermore, increased expenditures in R&D and SG&A were made to operate a high-growth company with a dual listing like Evotec. Adjusted EBITDA for the EVT Innovate segment improved to € (17.5) m in 2021 (2020: € (22.7) m), as the result of an increased number of collaborations and higher milestone revenues compared with the previous year.

Evotec's year-end liquidity almost doubled with a year-on-year increase of 78% to € 858.2 m in 2021, mainly due to the net cash inflow resulting from the public offering in the US, which was partially offset by the increased investing activities for the new J.POD® manufacturing site in Redmond (WA), USA and for further expansion of equity investments within **EVO***equity*. This liquidity position allows the Company to implement its growth strategy even faster, not only by organic growth but potentially also by acquisitions. This includes investments in projects in novel cell and gene therapies, and the expansion of the footprints in the USA and Europe. In this context, Evotec intends to build a second J.POD® site in Toulouse, France. Furthermore, Evotec aspires to invest in its proprietary research projects, maintain and upgrade its drug discovery and development platform or take action if new opportunities arise in terms of M&A or in-licensing.

With the liquidity increase following the public offering at NASDAQ, the net debt ratio per 31 December 2021 improved to a net cash position of (negative) 5.5x Adjusted Group EBITDA (2020: (negative) 1.5x Adjusted Group EBITDA). By definition, this figure relates net liquidity/debt to Adjusted Group EBITDA based on a significant net cash position of € 494.3 m. Also, the equity ratio significantly improved from 49.4% in the previous year to 61.6% in 2021.

MACROECONOMIC CONDITIONS AND BUSINESS ENVIRONMENT

— GLOBAL ECONOMIC DEVELOPMENT —

In 2021, the development of the world economy continued to be dominated by the ongoing global COVID-19 pandemic. But compared with 2020, the year with the deepest recession since World War II, the global economy managed to recover significantly showing a growth of 5.9% in 2021. Nevertheless, at the beginning of 2022, the global economy is in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, many countries have reintroduced mobility restrictions. Rising energy prices and supply disruptions have led to higher and broader-based inflation than anticipated, particularly in the United States and many emerging market and developing economies. The ongoing contraction of China's real estate sector and a generally slower-than-expected recovery of private consumption also have limited growth prospects for the current year.

For these reasons, The International Monetary Fund ("IMF") in its World Economic Outlook, published in January 2022, projects global growth to moderate to 4.4% in 2022 – half a percentage point less than reported in the October World Economic Outlook, mainly due to expected slowdowns in the two largest economies USA and China. In 2023, global growth is expected to slow to 3.8%. This forecast assumes that health outcomes in most countries will decline to low levels by the end of 2022, provided vaccination rates improve globally and therapies become more effective.

In March 2022, the International Monetary Fund announced a correction to its forecast for the global economy due to the consequences of the Russian war in Ukraine. In addition to human suffering, the war will lead to massive economic dislocation - for Ukraine, for Russia and beyond, the IMF warned. The war will lead to higher commodity prices, further fuel inflation, and contribute to a worse business climate and more difficult financing conditions. The new IWF forecast is to be published in April 2022.

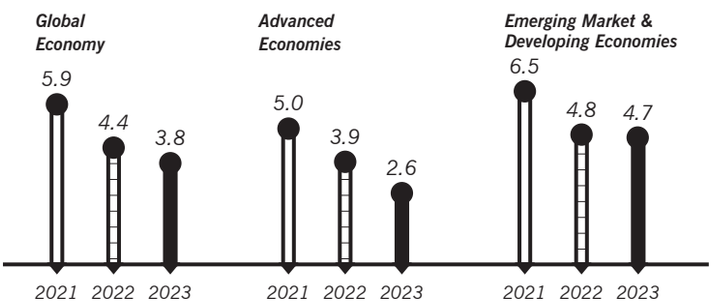
Moreover, high inflation is likely to persist for longer than expected as supply chain disruptions and high energy prices continue in 2022. Assuming that inflation expectations remain firmly anchored, inflation is expected to decline gradually as supply-demand imbalances diminish in 2022 and monetary policy in the major economies responds.

Growth forecasts suggest a downward trend to the global baseline. The emergence of new COVID-19 variants could prolong the pandemic and lead to renewed economic disruptions. Furthermore, supply chain disruptions, energy price volatility, and local wage pressures mean that uncertainty about inflation and policy paths is high. If advanced economies raise interest rates, risks to financial stability and emerging and developing economies' capital flows, currencies, and fiscal positions may emerge, especially as

debt levels have increased significantly in the past two years. Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated.

GROWTH PROJECTIONS

World Economic outlook update January 2022 (in %)



Source: International monetary fund

According to The International Monetary Fund output growth in the advanced economies amounted to 5.0% in 2021 and is expected to decline to 3.9% in 2022 and 2.6% in 2023.

In the United States economic growth significantly recovered in 2021 to 5.6% and will probably decrease to 4.0% in 2022 and 2.6% in 2023.

As Evotec's revenues split is composed of rather similar shares generated in the US (55%) and Europe (41%), and only to a very small extent in the rest of the world (predominantly Japan), the Company limits the analysis by region to these two main areas.

European economy returns to expansion faster than expected

According to the European Commission, the EU economy is recovering faster than expected from the pandemic recession in 2021. As vaccination campaigns progressed and restrictions were lifted, growth resumed in spring and continued unabated through summer, supported by the revival of the economy. Despite increasing headwinds, the EU economy grew in 2021 by 5% and is expected to continue to grow, achieving growth rates of 4.3% and 2.5% in 2022 and 2023, respectively. This outlook is highly dependent on two factors: the evolution of the COVID-19 pandemic and the pace at which supply adjusts to the rapid turnaround in demand following the revival of the economy.

With an annual growth rate of nearly 14%, gross domestic product ("GDP") growth in the EU in the second quarter of 2021 was higher than ever before – the same as the unprecedented GDP decline in the same period last year during the first wave of the pandemic. In the third quarter of 2021, the EU economy returned to pre-pandemic output levels and transitioned from recovery to expansion. Nevertheless, growth momentum is facing new headwinds. Shortages and disruptions in global supply are weighing on economic activity in the EU, in particular in its highly integrated manufacturing sector. In addition, energy prices, especially for natural gas, have increased at a rapid pace in recent months and after their sharp decline in 2020 and are now well above pre-pandemic levels. This will have an impact on consumption and investment.

As a result of the war in Ukraine, the European Central Bank in March 2022 lowered its forecast for the Eurozone, now expecting economic growth of only 3.7% and a higher inflation of 5.1% (before: 3.2%).

Fastest growth of US economy since 1984

The US economy grew last year at its fastest pace since 1984 (7.2%), recovering well from the brief but devastating coronavirus recession in 2020. US GDP – the total output of goods and services – rose by 5.7% in 2021. This was the strongest growth in a calendar year since a 7.2% increase in 1984 after a previous recession.

Real GDP in the USA is anticipated to grow by 3.7% and 2.4% in 2022 and 2023, respectively. Supply disruptions will gradually ease, allowing for a rebuilding of business inventories and stronger consumption growth in the near future. As the labour market continues to recover, nominal wage growth will accelerate further. Although price inflation is expected to moderate in some sectors as supply disruptions subside, higher wages, together with recent increases in housing rents and shipping prices, will lead to stronger overall consumer price growth than prior to the pandemic.

German economy recovered to a growth rate of 2.7%, but not yet back at pre-pandemic level

According to initial calculations by the Federal Statistical Office (Destatis), GDP in Germany was 2.7% higher in 2021 than in 2020. The International Monetary Fund forecasts growth of 3.8% for 2022 and 2.5% for 2023. Economic development in 2021 was again highly dependent on COVID-19 infection rates and the associated prevention measures. Despite the ongoing pandemic situation, further supply bottlenecks and material shortages, the German economy recovered from the sharp decline of 4.6% in 2020, although the economic performance has not yet returned to pre-crisis levels. Thus, GDP in 2021 was still 2.0% lower than in 2019, the year before the beginning of the COVID-19 crisis.

DEVELOPMENTS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY MARKETS

The global biotechnology market was valued at $ 793.9 bn in 2021 and is expected to surpass $ 1,683.5 bn 2030. According to Grand View Research, in 2021, the market for gene therapy was worth $ 3.4 bn. By 2026, this value will rise to $ 12.3 bn. The biologics market had a volume of $ 325 bn in 2020, and it is expected to grow to $ 750 bn by 2028. According to Market Research Future, the global small molecules market is expected to generate revenues of $ 280 bn by 2027.

The money and attention devoted to the biopharma industry reflects the strategic importance of the sector, but also raises pressing questions about drug pricing, R&D efficiency, and priority setting. While the world suffered from COVID-19, the biopharma sector's visibility, relevance, and reputation rose. Health concerns outpaced economic ones; public and private investment flowed at record levels. Vaccines emerged at a rapid pace, mobilizing and validating both old and new technologies.

The rapid and remarkable efforts to develop COVID-19 vaccines helped to refine existing technologies and production methods, and introduce new ones, most notably messenger RNA. This – and the lucrative contracts that resulted for some of the successful companies – has spawned new vaccine

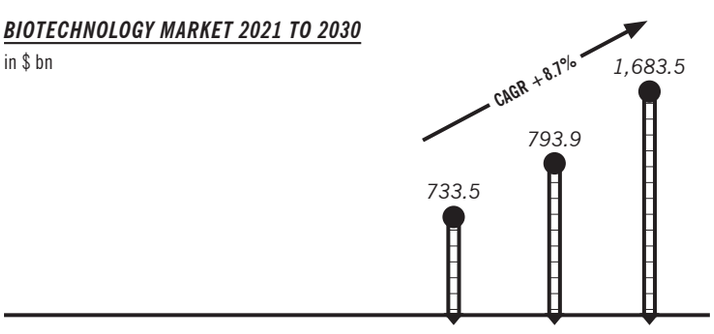
start-ups. Larger players with existing vaccines businesses – even those that have so far failed in COVID-19 – have confirmed their commitment.

By utilizing innovative technologies, the increasing developments in life sciences offer numerous benefits related to healthcare treatments and productivity. The development of innovative techniques and their use by companies are positively impacting the biotechnology market and are expected to drive significant market growth. The ability to produce human cells and tissues provides accurate models for study and analysis, thus expanding the range of applications in medical research. Technological advancements are thus creating lucrative opportunities for the growth of the biotechnology market.

The rise of chronic diseases has led to an increase in number of patients. Bioinformatics helps to store patient data on a large scale. All this information is stored in next-generation sequencing technology. As a lot of information is still unused, data analysis is required. As a result, the data generated in bioinformatics analysis is extremely valuable and can be reused. The problems of data management in bioinformatics are not effectively addressed by current technologies. Therefore, confidentiality of patient data is one of the major challenges for the growth of biotechnology market.

BIOTECHNOLOGY MARKET 2021 TO 2030

in $ bn



Source: www.precedenceresearch.com

Fitch Ratings expects the global pharmaceutical & biotech industry to build on its strong innovation momentum, as evidenced in its COVID-19 response. Partnership models established in key areas of the industry's value chain, such as R&D, supply and manufacturing, will accelerate. The neutral outlook for the sector reflects the assumption of a stable operating environment in 2022, although closer scrutiny of access and pricing models remains a medium-term risk.

The defensive qualities of the sector are underpinned by its strong innovation pipeline, combined with still significant unmet medical needs, steady demand from growing and ageing populations and improved access to healthcare globally.

Biotechnology sector among the winners in the coronavirus crisis

The coronavirus pandemic further stimulated the boom in the pharmaceutical and biotechnology sectors, which moved into the focus of the wider public as they rapidly provided global resources for the development of applicable COVID-19 drugs and vaccines.

Biotechnology is one of the industries with particularly high demand in the COVID-19 pandemic. In particular, biotechnology companies are making an essential contribution to overcoming the crisis in the areas of vaccine research and development, in the development and production of virus-neutralizing antibodies against the COVID-19 virus, and in drug development.

Evotec participates in a number of activities to combat COVID-19, e.g.:

- *"ACTIV":* Initiative "Accelerating COVID-19 Therapeutic Interventions and Vaccines" led by the National Institutes of Health ("NIH")
- *"COVID R&D":* Together with leading pharmaceutical companies, Evotec is involved in "COVID R&D", the global crowdsourcing initiative for the acceleration of the development of therapeutics and vaccines against COVID-19. As part of this initiative, Evotec has taken the lead in the "pre-clinical repurposing" task force to develop pre-clinical approaches from the consortium or from external sources into drug candidates
- *Partnership with Ology* for antibody screening and the analytical characterisation of antibodies against SARS-CoV-2
- *Collaboration with the US DOD:* Evotec's subsidy Just – Evotec Biologics, which is based in Seattle/USA, expanded its contract with the US Department of Defense (worth up to $ 28.6 m) for the development and manufacture of monoclonal antibodies (mAbs) for the treatment and prevention of COVID-19
- *Development order of BMBF:* In late December 2021, Evotec received a € 7.5 m grant from the German Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung, "BMBF") for the development of a therapeutic against COVID-19

Outsourced manufacturing is growing

The global drug discovery outsourcing market size was valued at $ 3.3 bn in 2021 and is expected to grow at a compound annual growth rate ("CAGR") of 7.4% to $ 5.4 bn until 2028. Pharmaceutical companies are gradually outsourcing R&D activities to academic and private Contract Research Organizations ("CROs") to reduce drug development timelines and costs. The pharmaceutical industry has seen radical changes in the past two decades, with a shift toward biologics, patent expiration, and unprecedented downsizing of the in-house research of big pharmaceutical companies. All this has accelerated the adoption of outsourcing activities. While Evotec estimates the share of outsourced early stage drug discovery to be in a range of 10 to 15% of R&D spending, an estimated 75% to 80% of R&D spending in the biopharmaceutical industry could be outsourced providing the chance to foster a dynamic and sustainable market growth.

In contrast to developments five years ago, when pharmaceutical companies preferred partnering with manufacturing facilities in emerging countries due to the availability of skilled, low-cost labour and quality data, a clear trend towards near-shoring can be observed. The COVID-19 crisis shed a light on robustness of supply chains and clearly accelerated this trend. Cost reduction, the pursuit of innovation, access to specialised knowledge and technology, and increased speed and flexibility are some of the key factors encouraging pharma companies to expand their scope of outsourcing.

The ongoing COVID-19 pandemic has slowed down various drug development processes as various clinical trials have been halted. However, pharmaceutical companies are expected to receive better funding and

incentives to invest in the development of drugs and vaccines against infectious diseases. Public health challenges remain in oncology, heart disease and many rare diseases. For these, clinical research must continue. Here, CROs are expected to use their creativity to the fullest. Given the urgent need for effective vaccines/drugs, companies are increasingly opting to outsource their clinical trials, which is expected to drive market growth in the coming years.

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.

Evotec provides the entire drug discovery and development platform as well as the corresponding production capacities needed to realise projects and thereby helps companies to advance their product development efficiently and successfully.

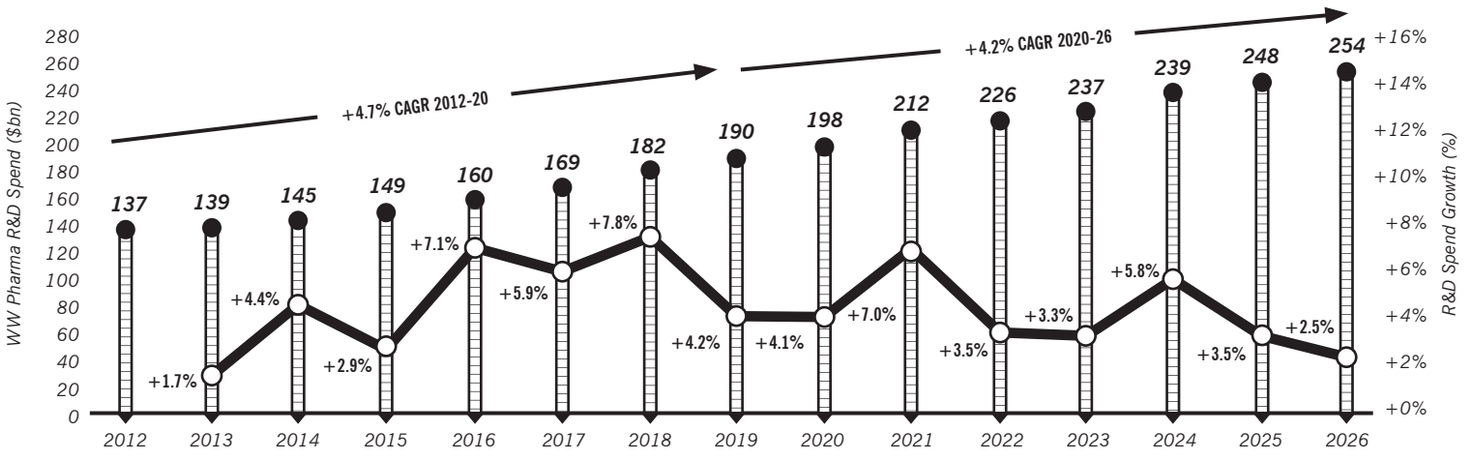
Evotec believes that these market dynamics will continue to provide positive impetus to strategic, integrated and long-term collaborations for the advancement of innovations and the accelerated development of novel drug candidates with first-in-class and/or best-in-class potential.

— OPERATIONAL AND BUSINESS ENVIRONMENT —

Pharmaceutical industry: R&D expenses trending higher, revenues stagnating
For more than ten years, the global pharmaceutical industry has been struggling with declining efficiency in introducing new products. While expenses for research and development have risen significantly over the years, products already on the market are generating lower revenues than in earlier decades: Between 2012 and 2021, expenses for R&D in the biotechnology and pharmaceutical industries rose by almost 55% from $ 137 bn to $ 212 bn. The report EvaluatePharma World Preview 2021 projects a CAGR in R&D expenses of 4.2% from 2021 onward, which corresponds to roughly $ 254 bn in 2026.

GLOBAL R&D EXPENSES OF PHARMA AND BIOTECH COMPANIES (2012-2026)

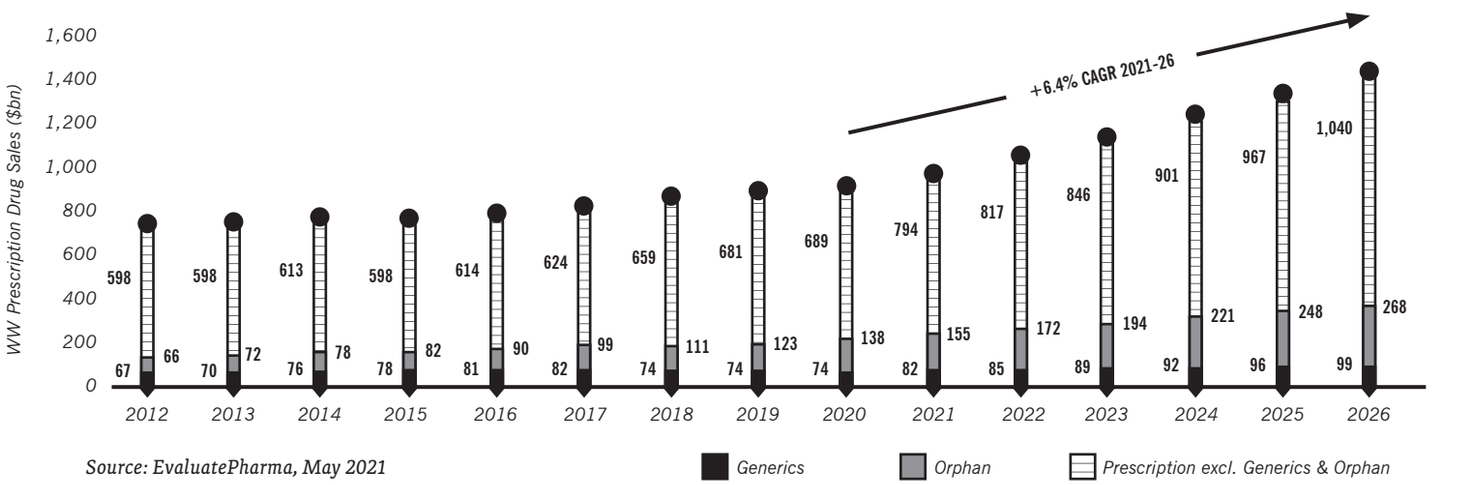
in $ bn



Source: EvaluatePharma, May 2021

TOTAL GLOBAL REVENUES FROM PRESCRIPTION DRUGS (2012-2026)

in $ bn



Source: EvaluatePharma, May 2021

Revenues with prescription drugs amounted to $ 1,031 bn in 2021. According to EvaluatePharma, the number will reach almost $ 1,408 bn by 2026. The 10 best-selling drugs that year, most of them biologics, will together sell $ 127 bn. Oncology will continue to dominate.

In 2021, the US Food & Drug Administration (FDA) approved 50 new drugs (2020: 53 drugs). Of these, 14 were given accelerated approval. The Center for Drug Evaluation and Research ("CDER") identified 27 of the 50 novel drugs approved in 2021 (54%) as first-in-class. These drugs have mechanisms of action different from those of existing therapies. 26 of the novel drug approvals (52%) were approved to treat rare or "orphan" diseases (diseases that affect fewer than 200,000 people in the U.S.).

Evotec's competitive position:

High market demand for external innovation

Evotec's financial results are impacted by its partners and customers' needs for external innovation through partnering or outsourcing their R&D initiatives and/or highly innovative manufacturing activities and Evotec's ability to meet those needs. Evotec will sustain growth only if its existing partners and customers continue to rely on its expertise and capacity and if additional companies select Evotec as their partner of choice for drug discovery and development.

For the past decade, the global pharmaceutical industry has been struggling with declining efficiency in introducing new products to the market. As a result, pharmaceutical companies of all sizes have been and continue to be under pressure to re-evaluate and adjust their business strategies, in particular by accessing innovative technologies such as AI and ML and pursuing innovative treatment modalities, such as personalized medicine, cell therapy and gene therapy. New companies have been formed to specifically develop these technologies and modalities. Moreover, there is an increased focus on early prediction parameters to determine the success or failure of new drugs. In order to access innovation in a capital-efficient manner, industry players increasingly rely on external sources, such as the Company's innovation hub, for innovative R&D and manufacturing expertise and capacity.

Evotec believes that market demand for external innovation will continue to drive demand for its assets and services, facilitate additional collaboration opportunities and potentially improve the volume and terms of partnerships that Evotec is able to secure. Evotec is convinced that this trend will increase the likelihood of strategic, integrated, long-term collaborations and drive the Company's continued growth.

Evotec's performance is dependent not only on the market's need for external innovation, but also on the Company's own ability to provide innovative solutions. For this reason, expenses in technologies and platforms are a core part of Evotec's strategy. In 2020 and 2021, Evotec invested € 63.9 m and € 72.2 m in R&D, respectively, and the Company intends to continue to dedicate significant financial resources to ensuring that its offering continues to meet the industry's needs.

Furthermore, Evotec's financial results depend on the success of its partners' clinical development of Evotec's pipeline assets, receipt of regulatory approval and commercialization. A partner may choose to end the development of a specific program for scientific, strategic or commercial reasons and Evotec typically has no ability to influence such decisions, which may be driven by factors such as pipeline prioritization and the ability to obtain additional required capital.

Evotec's future financial results therefore depend, in part, on the judgment and financial health of its partners. The Company mitigates this risk through diversification in its portfolio of disease areas as well as by growing the network of partners.

The markets of strategic research focus areas

Evotec has ongoing alliances and partnerships in many disease areas including fibrosis, immunological and inflammatory diseases, infectious diseases, metabolic diseases, respiratory diseases, gynaecological diseases and complications such as chronic kidney diseases and retinal diseases, neurological diseases and oncological diseases. These disease areas represent markets with huge unmet medical needs and significant revenue and value opportunities. The table below shows the expected market volumes for Evotec's therapeutics R&D activities.

MARKET POTENTIAL FOR INDIVIDUAL INDICATIONS

* Based on external market data, e.g. Grand Review Research, Fortune Business Insights

Indication	*Current market size*	*Market potential*
Diabetes	**2018: $ 48.8 bn**	2026: $ 78.3 bn
Immunological diseases	**2018: $ 77.4 bn**	2026: $ 143.8 bn
Infectious diseases	**2021: $ 113.5 bn**	2026: $ 166.5 bn
Inflammatory diseases	**2019: $ 93.9 bn**	2027: $ 191.4 bn
Kidney diseases	**2019: $ 81.1 bn**	2027: $ 133.4 bn
Liver diseases	**2019: $ 14.3 bn**	2025: $ 27.6 bn
Metabolic diseases	**2020: $ 61.1 bn**	2025: $ 88.9 bn
Neuronal diseases	**2018: $ 35.5 bn**	2026: $ 62.7 bn
Oncology	**2020: $ 135.5 bn**	2030: $ 274.4 bn
Pain	**2019: $ 71.4 bn**	2027: $ 91.6 bn
Rare diseases	**2019: $ 151.0 bn**	2027: $ 340.8 bn
Respiratory diseases	**2021: $ 142.6 bn**	2026: $ 292.0 bn
Gynaecological diseases (endometriosis)	**2018: $ 1.9 bn**	2026: $ 2.4 bn

Further information on Evotec's activities in individual indication areas can be found on the company's website under https://www.evotec.com/en/execute and https://www.evotec.com/en/innovate.

CURRENT TRENDS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY SECTORS

The COVID-19 pandemic also accelerated several trends that were already under way: the rise of digital solutions, including virtual (or remote) clinical trials, online healthcare provision and telemedicine, and an expanding biotech investor base. In addition, vaccines and anti-infectives went from outsiders to stars.

The impact of COVID-19 has further pushed the industry to rapid innovation and optimisation. Since the start of the pandemic, companies from all around the world have shifted their focus to rapid testing kits, vaccines, and repurposed drugs. To maximise results and efficiency, they have also adopted trends such as AI, automation and data analytics. Outside of COVID-19, there is also considerable growth in different areas such as tissue engineering, gene editing and sequencing.

In 2021 the following main trends could be observed:

Tissue engineering
Tissue engineering has been gaining popularity in recent years. The developments in bioprinting and microfluidics now allow the formation of autologous tissue grafts for organ transplantation, treating burns, and regenerative medicine. The use of 4D printing for the creation of self-healing substances for tissue engineering has also been gaining momentum.

Gene editing & sequencing
With advances in genomics, the use of genetic information for the diagnosis, prognosis and treatment of diseases and disorders will increase. As a result of breakthroughs in this field, there will also be an increase in the development of personalised medicine, where drugs are designed to match the genetic characteristics of the individual patient, making them more effective and with fewer side effects.

Development of vaccines
As previous research has supported today's developments, these research and development processes behind the vaccines also provide valuable information for the development of more effective vaccines in the future. In addition, many synthetic biologists have also discovered a new approach to increasing the production yield of protein-based vaccines. This could perhaps improve access to life-saving drugs in the future.

Antibodies and their alternatives
Interest in alternative antibodies has increased. This is because the standard monoclonal antibodies have not always been successfully produced or proven robust enough to be used. The method also has some disadvantages as they are derived from animals. An alternative to antibodies that has recently become popular is Molecular Imprinted Polymers (MIPs). MIPs are not only better suited for the detection of smaller molecules, but are also associated with lower production costs, higher stability and reusability.

Digitalisation and automation
In 2022, the digitisation aspect of biotechnology will also continue to grow through online diagnosis, prognosis and treatment of patients around the world. Some general physicians can now even prescribe medicines through virtual clinics with an online database.

AI is one of the leading trends in biotechnology. AI is enabling many biotech companies to automate a variety of processes to scale up their operations. Some companies are also using AI to speed up the drug discovery process and screen biomarkers that can be used to develop drugs and diagnostics. As technology continues to advance, the industry has even turned to the Food and Drug Administration (FDA) for guidance on the use of AI in medical devices.

In addition to AI robotic technology also plays an important role in reducing manufacturing downtime and product wastage. From a quality perspective, automation has reduced human intervention, which is associated with high contamination risk and variability. As a result, manufacturing problems are reduced and costs minimised.

Faster time to market for drug discovery
Experimentation with new technologies such as algorithms, ML, AI and big data are reducing the time and cost of developing new drugs. All research and development cycles, including data management, clinical trials and testing, are technology-driven, and more and more companies are collaborating with “health tech partners” and technology brands in the discovery and development of new products.

In addition, approval timelines for various medicines have improved. Previously, critical drugs were held back for a long time due to the lengthy approval process by the FDA. Thanks to technological advances, government regulatory boards have also increased the speed of their drug testing. In addition, they can now conduct better studies for patient candidates.

Collaboration and partnership
Biotechnology research has continued to expand and evolve over the last decade. Its collaborative nature implies that discoveries depend on both previous and current knowledge.

Biotechnology companies coming together to share ideas and contribute to their field of expertise drive the bioscience industry forward. It is expected that biotechnology companies will continue to collaborate and partner for further discoveries and developments in 2022.

Increasing probabilities of success
Apart from accelerating speed and saving costs, finding ways to improve outcomes and to derive higher probabilities of success is a pressing need against the backdrop of still deteriorating returns of pharma investments. Disease relevance based on patient-related omics-data plays a key role. Decisive, in Evotec’s view, is the analysis of curated, proprietary disease-specific data, rather than public data often from unknown sources.

MAJOR BUSINESS EVENTS IN 2021

As part of its long-term strategy, the Action Plan 2025, Evotec saw a number of major business events in 2021.

TIMELY COMPLETION AND OPENING OF THE FIRST J.POD® IN REDMOND, WASHINGTON (USA)

In August 2021, Evotec opened its late-stage clinical and commercial biologics current Good Manufacturing Practice ("cGMP") manufacturing facility, J.POD® Redmond (WA), USA. The innovative cGMP biomanufacturing facility is the final step in Just – Evotec Biologics' J.DESIGN platform that integrates data analytics and ML through all activities involved with the discovery, development, and manufacture of biologics. This includes design of discovery libraries (J.DISCOVERY™), molecules (J.MD™), processes (JP3®) and the manufacturing facility, J.POD®.

The 12,000 square meter (130,000 square foot) J.POD® facility was designed with improved environmental sustainability and a significant compressed construction time compared with traditional biologics manufacturing. The site includes dedicated quality control and process development laboratories for both clinical and commercial products, a warehouse, and collaborative office and meeting spaces for approximately 200 employees at full capacity. It allows the production from a few kilograms to metric tons in the same facility. The start of operations is fully on track among others with orders of the US Department of Defense ("DOD"); first contribution is expected in the course of the year 2022.

Additionally, the design and planning of a second J.POD® facility in Europe has been initiated. The build-up of the J.POD® Toulouse, France, will be supported with a loan of up to € 50 m from the French government, the Occitanie Region, Bpifrance, the Haute-Garonne prefecture as well as the Toulouse Métropole. Significant parts of this loan can be converted into a non-refundable grant if certain criteria and timelines are met. The J.POD® Toulouse, France is expected to be fully operational in 2024.

— CO-OWNED PIPELINE PROGRESS —

In recent years, Evotec has laid a strong foundation for a continued and strong growth of its co-owned pipeline.

Partnership with Kazia Therapeutics for clinical development of EVT801
In April 2021, Evotec entered into both a licensing and master service agreement with Kazia Therapeutics for the company`s oncology project EVT801. Evotec received a small upfront payment and is eligible to receive clinical and commercial milestones of more than € 300 m as well as tiered high single-digit royalties on the net sales of EVT801, which will be shared with Sanofi, Evotec's partner for the discovery and early development of EVT801. In November 2021, Kazia announced that the first patient was enrolled in the first-in-human Phase I trial.

SIGNIFICANT MILESTONE ACHIEVEMENTS AND MAJOR CONTRACTS WON

Great progress within BMS-collaborations

a) iPSC-based neurodegeneration collaboration
In the course of 2021, notable achievements were obtained within Evotec`s strategic partnerships with BMS. BMS exercised its option for EVT8683 as the first programme within the framework of the iPSC-based neurodegeneration collaboration and moved the compound into a first clinical Phase I trial shortly thereafter. The opt-in decision by BMS led to a payment of $ 20 m to Evotec. The inclusion of a new cell type and additional programme designations triggered payments of more than $ 50 m to Evotec.

b) Targeted protein degradation collaboration
In April 2021, it was announced that BMS has decided to exercise its option to extend its partnership with Evotec in the field of targeted protein degradation leading to a double-digit million amount for Evotec. Under this alliance, several undisclosed milestones have been achieved in 2021.

Strategic collaboration in kidney disease with Chinook Therapeutics
In February 2021, Evotec entered into a strategic collaboration with Chinook Therapeutics focused on the discovery and development of novel precision medicine therapies for patients with chronic kidney diseases. Evotec received an undisclosed upfront payment and will be eligible to receive research funding, progress-dependent milestone payments and tiered royalties on net sales for targets identified through the collaboration.

Strategic RNA targeting drug discovery and development alliance with Takeda
In March 2021, Evotec and Takeda initiated a multi-RNA target alliance with the goal to discover and develop RNA targeting small molecule therapeutics for highly attractive targets that are difficult to address via more conventional approaches. Under the terms of the agreement, Evotec will get significant research funding and will be eligible to receive discovery, pre-clinical, clinical, commercial and sales milestone payments of up to $ 160 m per programme. Additionally, Evotec is entitled to tiered royalties on net sales of any products resulting from the collaboration. Under this alliance, several undisclosed milestones have been achieved in 2021.

Continuation of DOD's collaboration with Just – Evotec Biologics
In January 2021, the US Department of Defense ("DOD") awarded Evotec's Seattle, Washington-based subsidiary, Just – Evotec Biologics, Inc., an agreement worth $ 28.6 m for the production of monoclonal antibodies ("mAbs") for use in the development of a treatment and/or prophylaxis for COVID-19.

ACCELERATION OF VALUE CREATION FROM EQUITY INVESTMENT STRATEGY (EVO*equity*)

EVO*equity* is one of the eight building blocks within the Company's Action Plan 2025. Via **EVO***equity*, Evotec makes strategic equity investments in products, technology platforms and companies through which it obtains early access to innovation.

In 2021, Evotec made significant steps forward in generating upside potential regarding equity investments, with some examples listed below:

- In April 2021, Evotec became a co-lead investor in OxVax, a new immuno-oncology company based on research from Oxford University, which enables the development of the next generation of cancer vaccines with the potential to overcome the limitations of the current approaches.
- In July 2021, Evotec`s first spin-off company Topas Therapeutics successfully extended its Series B round with an additional € 18 m raised, bringing the total for this financing to € 40 m. All of Topas' existing investors participated in the extension.
- In October 2021, Exscientia closed its initial public offering at NASDAQ. The total gross proceeds to Exscientia from the offering were approximately $ 350.4 m. Evotec and Exscientia have collaborated since 2016 in the discovery and development of bispecific, first-in-class small molecule immuno-oncology therapeutics. Evotec remains a key shareholder of Exscientia and thus participates in this success. In April 2021, the British pharmatech company declared that one of the programmes developed under this partnership has moved into human clinical trials.

Furthermore, Evotec initiated two new academic BRIDGE partnerships backed by BMS. The new BRIDGEs, beLAB2122 and beLAB1407 were launched in April and May of 2021, respectively, and are each supported with a total funding volume of $ 20 m. beLAB2122 leverages leading academic institutions from the Rhine-Main-Neckar region of Germany while beLAB1407 brings together top-tier academic institutions from the UK.

— SITE EXPANSION —

In July 2021, Evotec announced the acquisition of the land and buildings of the Verona site, now Campus Levi-Montalcini, from GlaxoSmithKline SpA. Evotec has been operating at its Verona site since acquiring Aptuit in 2017 and currently employs more than 750 employees on Campus Levi-Montalcini. Both the existing buildings as well as the plot hold further potential to enter the next growth phase in Verona and continue to build capacity as needed to support the Company's global strategic framework Action Plan 2025.

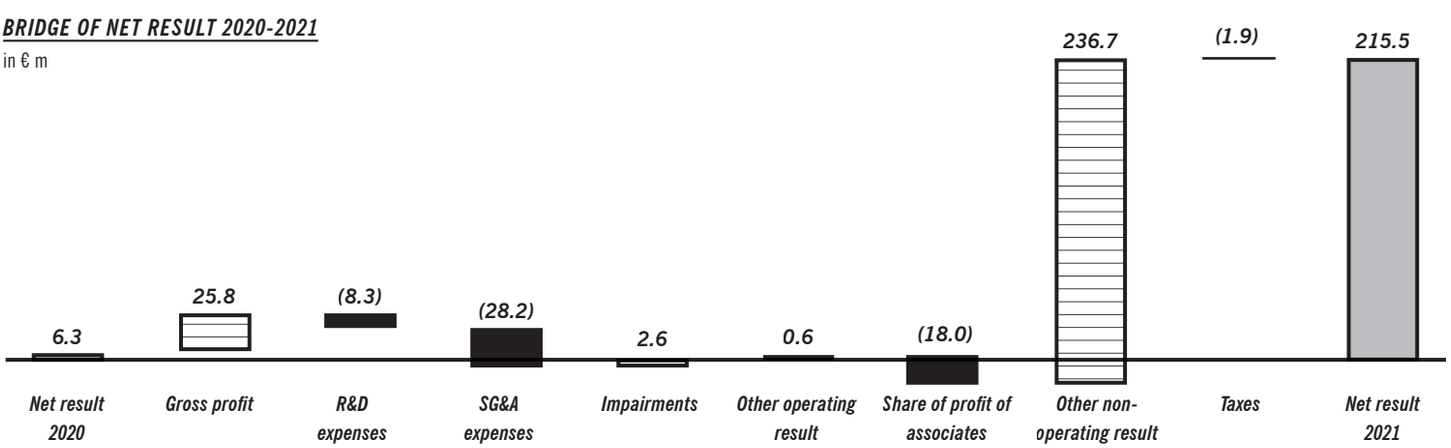
— SUCCESSFUL PUBLIC OFFERING ON NASDAQ — PROCEEDS SUPPORTING STRATEGY WITHIN ACTION PLAN 2025

In November 2021, Evotec closed its public offering of American Depositary Shares (ADSs). In total, gross proceeds of the transaction amounted to $ 500 m (€ 436 m) comprising the first offering of 20,000,000 ADSs ($ 435 m / € 375 m) and the exercised option of 2,995,000 additional ADSs ($ 65 m / € 56 m), before deducting underwriting commissions and estimated offering expenses payable by Evotec. Each ADS represents half of one ordinary share. Evotec offered all ADSs sold in the offering at a public offering price of $ 21.75 (€ 18.77) per ADS. The proceeds from the issuance of the new shares will be used to fund and, in particular, expand the ongoing business operations.

RESULTS OF OPERATIONS

BRIDGE OF NET RESULT 2020-2021

in € m



CONDENSED INCOME STATEMENT
in k€

	2020	2021	Variance
Revenues[1)]	500,924	**618,034**	117,110
Cost of revenue	(375,181)	**(466,491)**	(91,310)
Gross profit	125,743	**151,543**	25,800
Gross margin %	*25.1%*	***24.5%***	*(0.6)%-p*
— R&D expenses	(63,945)	**(72,200)**	(8,255)
— SG&A expenses	(77,205)	**(105,445)**	(28,240)
— Impairment result (net)	(3,244)	**(683)**	2,561
— Other operating income (expenses), net	67,207	**67,781**	574
Operating income (loss)	48,556	**40,996**	(7,560)
Net income	**6,278**	**215,510**	**209,232**
Adjusted Group EBITDA[2)]	***106,654***	***107,270***	***616***

[1)] Including sales from material recharges in accordance with IFRS 15
[2)] Adjusted for changes in contingent considerations
Included in the revenues are revenues from contribution in the year 2021 in the amount of € 8.6 m (2020: € 4.6 m).

— REVENUES —

Double-digit revenue growth
Despite the market circumstances caused by the still ongoing COVID-19 pandemic, the anticipated end of the Sanofi payment after Q1 2020 (€ (8.6) m) and negative FX effects (€ (9.2) m) in 2021, Evotec succeeded in strongly improving its Group revenues by 23% or € 117.1 m to € 618.0 m. Excluding the effect of these items, organic revenue growth was € 134.9 m or 27%, driven by contributions from all eight pillars of Evotec's data-driven R&D Autobahn to Cures (please see chapter "The Evotec Innovation Hub: The "Data-driven R&D Autobahn to Cures" in this combined Management Report. (Please see chapter "The Evotec Innovation Hub: The 'Data-driven R&D Autobahn to Cures'" in this combined Management Report.)

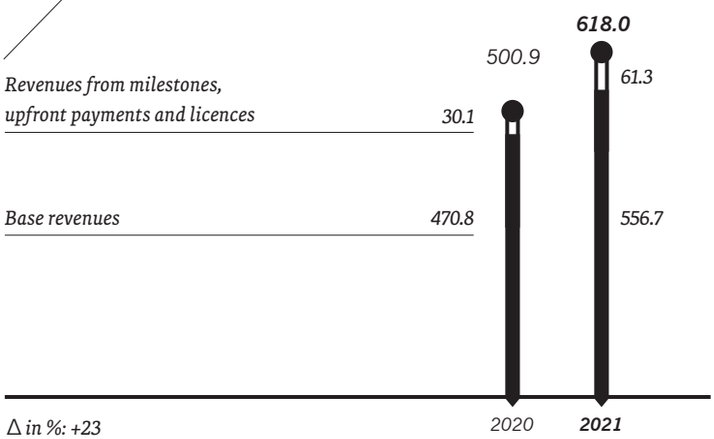
The total increase is attributable to six received milestone payments of € 49.5 m associated with BMS and Takeda (2020: € 17.1 m mostly from five different collaborations). In general, milestone revenue differs at the various development stages as it depends on the success rate and progress of the projects, which may not be within the Group's control.

Group revenues included an impact from application of IFRS15 in 2021 of € 36.0 m (2020: € 21.9 m) which relates to material recharges at a very low margin. Just – Evotec Biologics acquisition contributed an additional € 12.5 m or +30% to consolidated revenue growth compared with 2020 due to the opening of the J.POD® facility in Redmond (WA), USA in Q3.

The Group's total backlog, including revenues from contracts already closed and upcoming potential milestone and upfront revenues, also increased by 15% from € 446.5 m as of 31 December 2020 to € 513.5 m as of 31 December 2021.

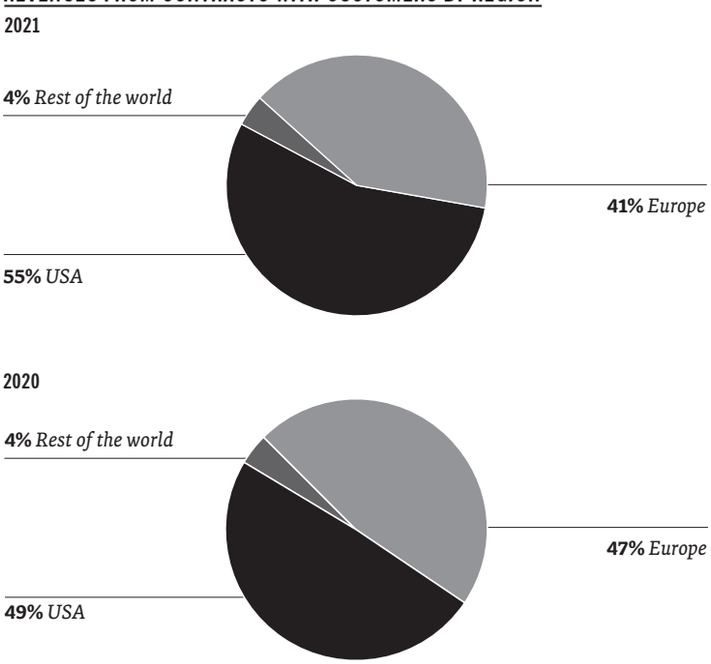
Included in the revenues are revenues from contribution in the year 2021 in the amount of € 8.6 m (2020: € 4.6 m).

REVENUES
in € m



Evotec's revenues were generated primarily with US (55%) and Europe customers (41%), and only to a very small extent in the rest of the world (predominantly Japan).

REVENUES FROM CONTRACTS WITH CUSTOMERS BY REGION



— COSTS OF REVENUE/GROSS MARGIN —

Gross margin unaffected by higher costs of revenue
The costs of revenue of the Group consists of direct personnel costs, associated with revenue-generating projects, facilities, operating costs, depreciation and overhead used to support those projects. Cost of

materials primarily consists of the purchase cost of materials consumed in the provision of the Group's products or services. In addition, costs of revenue include amortisation of intangible assets of € 12.6 m (2020: € 13.4 m) resulting from purchase price allocations (PPA).

The costs of revenue of the Group increased by 24.3% from € 375.2 m for the twelve months ended 31 December 2020 to € 466.5 m for the twelve months ended 31 December 2021, while revenue increased by 23.4% year-on-year in the same period. The proportional more spending in costs of revenue reflected higher manufacturing and process development costs in particular related to the completion of Evotec's first J.POD® in Redmond (WA), USA. The Group's gross profit margin was roughly stable at 24.5% for the twelve months ended 31 December 2021 compared with 25.1% for the twelve months ended 31 December 2020. The slight decrease resulted from ramp-up costs related to the opening of the J.POD® Redmond (WA), USA in particular but also from a negative FX impact which reduced gross profit by € 8.6 m or 1%.

— RESEARCH AND DEVELOPMENT EXPENSES —

Further investments in unpartnered R&D as part of corporate strategy
In 2021, Evotec has continued to progress all projects from the seven core treatment areas (please see chapter "Partnered R&D" in this combined Management Report) the Company is working on. Evotec is investing in first-in-class developments; the ultimate goal of the EVT Innovate segment is therefore to build a broad strategic pipeline, resulting in a portfolio of partnerships to ensure sustainability of these innovations.

Reflecting continuing investments in the capacity and capabilities of Evotec's research and development platform, R&D expenses were € 72.2 m, compared with € 63.9 m in 2020. In particular, more spending is mainly due to the improvement of Evotec's efficiency and precision medicine platforms. The increase was further driven by the recognition of € 58.1 m "unpartnered R&D" (2020: € 46.4 m), partially offset by lower "partnered" R&D with € 14.1 m (2020: € 17.5 m). "Partnered" are funded projects and are mainly run at the ID Lyon site, which was acquired in 2018. Indirect expenses represented 11% (2020: 15%) of the total.

R&D EXPENSES BY CATEGORIES
in k€

	2020	***2021***	*Variance*
Neuroscience & Pain	(7,504)	**(9,352)**	(1,848)
Oncology	(7,773)	**(9,352)**	(1,578)
Metabolic Diseases	(8,767)	**(9,309)**	(542)
Inflammation & Immunology	-	**-**	-
Virology	(3,938)	**(3,597)**	341
Anti-Bacterial	(9,551)	**(7,417)**	2,133
Global Health	(1,675)	**(849)**	826
Innovate Platform R&D	(11,766)	**(21,660)**	(9,894)
Total Innovate excluding Indirect Costs	**(50,974)**	**(61,536)**	**(10,562)**
Biologics	(2,693)	**(572)**	2,121
Gene Therapy	-	**(941)**	(941)
Other	(943)	**(1,015)**	(71)
Total Execute excluding Indirect Costs	**(3,636)**	**(2,528)**	**1,109**
Total Indirect Costs	(9,335)	**(8,136)**	1,199
Total	**(63,945)**	**(72,200)**	**(8,255)**
thereof:			
Partnered (funded) R&D	*(17,504)*	***(14,083)***	*3,421*
Unpartnered R&D	*(46,441)*	***(58,117)***	*(11,676)*

— SELLING, GENERAL AND ADMINISTRATIVE EXPENSES —

Increase in overall headcount
The Group's administrative expenses increased by 36.6% from € 77.2 m for the twelve months ended 31 December 2020 to € 105.4 m for the twelve months ended 31 December 2021. The increase was mainly due to an increase in wages, benefits and social security expenses following an increase in headcount caused by the growing business volume and Nasdaq-related expenses for consulting and legal services as well as higher insurance premiums. Further staff-related IT costs like higher licenses, maintenance and consumables costs in connection with a new contract for the Company's ERP-system as well as depreciation costs for the new facility overseas had to be increased to support Evotec's rapid organic growth. Extraordinary expenses of approximately € 2.3 m were incurred for the US listing and other strategic activities.

— OTHER OPERATING INCOME AND EXPENSES —

Other operating income and expenses, which included mainly Sanofi recharges for ID Lyon, R&D tax credits and changes in the fair value of earn-out liabilities accruals, was € 67.8 m in 2021 compared with income of € 67.2 m for 2020. Other net operating income of € 35.8 m related to Sanofi recharges in 2021 (2020: € 39.8 m) and R&D tax credits mainly received in France for the Toulouse and Lyon sites and an increased contribution from Italy for Aptuit Verona of € 32.0 m (2020: € 25.3 m).

— OPERATING RESULT —

The operating result of the Group decreased by 15.6% from € 48.5 m for the twelve months ended 31 December 2020 to € 41.0 m for the twelve months ended 31 December 2021, which proved Evotec's efforts and measures particularly in administrative expenses as well as the planned higher R&D expenses to advance the company's growth strategy. The result was partly offset by strong top-line growth and higher gross profits as well as favourable other operating income.

Overall, this resulted in a slightly lower R&D cost ratio (R&D spend in relation to revenues) of 11.7% for the twelve months ended 31 December 2021 compared with 12.8% for the twelve months ended 31 December 2020. As expected, the SG&A cost ratio increased from 15.4% in 2020 to 17.1% in the current reporting period. Due to one-off effects from impairments or income from bargain purchase, the operating margin can be volatile. The Adjusted Group EBITDA margin reached 17.4% in 2021 (2020: 21.3%).

MULTIPLE-YEAR OVERVIEW OF RESULTS OF OPERATIONS

in k€

	2017[1)]	*2018[2)]*	*2019[2)]*	*2020[2)]*	***2021***
Revenues	**263,765**	**375,405**	**446,437**	**500,924**	**618,034**
Costs of revenue	(181,965)	(263,389)	(313,546)	(375,181)	**(466,491)**
Gross profit	**81,800**	**112,016**	**132,891**	**125,743**	**151,543**
Research and development expenses	(17,614)	(35,619)	(58,432)	(63,945)	**(72,200)**
Selling, general and administrative expenses	(42,245)	(56,820)	(66,433)	(77,205)	**(105,445)**
Impairment of goodwill (net)	-	-	(1,647)	-	-
Impairment of intangible assets (net)	(1,180)	(4,364)	(10,272)	(3,244)	**(683)**
Income from bargain purchase	-	15,400	-	-	-
Other operating income and (expenses), net	16,104	47,042	66,600	67,207	**67,781**
Operating result	**36,865**	**77,655**	**62,707**	**48,556**	**40,996**
Non-operating income and (expense), net	(11,162)	(5,464)	(6,032)	(22,716)	**195,984**
Profit (loss) before taxes	**25,703**	**72,191**	**56,675**	**25,840**	**236,980**
Tax income (expense)	(2,383)	12,007	(19,363)	(19,562)	**(21,470)**
Net result	**23,320**	**84,198**	**37,312**	**6,278**	**215,510**
P&L Ratios					
Gross margin (= Gross Profit / Revenues)	31.0%	29.8%	29.8%	25.1%	**24.5%**
Operating margin (= Operating result / Revenues)	14.0%	20.7%	14.0%	9.7%	**6.6%**
EBITDA adjusted margin (= EBITDA adjusted / Revenues)	21.7%	25.5%	27.6%	21.3%	**17.4%**
Return on sales (= Net result / Revenues)	8.8%	22.4%	8.4%	1.3%	**34.9%**
R&D cost ratio (= R&D expenses / Revenues)	6.7%	9.5%	13.1%	12.8%	**11.7%**
SG&A cost ratio (= SG&A expenses / Revenues)	16.0%	15.1%	14.9%	15.4%	**17.1%**
Personnel costs to total costs[3)]	47.2%	44.7%	50.7%	54.8%	**49.9%**

[1)] 2017 restated for IFRS 15

[2)] 2018 - 2020 restated for IAS 19

[3)] Total costs = Costs of revenue, Research and development expenses, Selling, general and admininstrative expenses, Other operating income and expenses excluding changes in contingent considerations and R&D tax credits

— OTHER NON-OPERATING RESULT —

The FY 2021 result from other non-operating contribution includes a substantial extra-ordinary positive effect of € 223.8 m, as measurement result of investments mainly from Evotec's Exscientia participation.With two financing rounds and finally the IPO in September, Evotec's stake in Exscientia decreased and had to be re-classified from an at equity to a minority shareholding in March. The fair value adjustment of € 225.8 m reflects the higher market value of Exscientia's shares as a pure accounting effect without any realisation or liquidation so far. In addition, a fair value adjustments of € 2.0 m was recorded for Leon Nanodrugs GmbH.

In addition, impairment of investments using the equity method amounted to € 11.9 m and included impairments for Facio (€ 2.2 m) and Eternygen (€ 2.3 m) after conducting updated business valuations as well as a write-down of the Celmatix stake by € 7.4 m to reflect the difficult re-financing situation of the company.

Share of the result of associates accounted for using the equity method amounted to € 16.6 m.

Interest income increased by € 0.9 m from € 1.3 m in 2020 to € 2.3 m in 2021. This increase is due to the higher overall cash position, in particular after the US NASDAQ listing from November 2020 as well as interest income earned for convertible loans provided to equity investments.

Interest expense increased by € 0.8 m from € 8.5 m in 2020 to € 9.3 m in 2021. This increase was due to a higher volume of long-term bank loans used in 2021 (€ 0.3 m), a revaluation of interest rate swaps as a result of the yield curve (€ 1.0 m), and an increase in interest expense from lease liabilities (€ 0.6 m). This was partly offset by capitalized interest for the J.POD® construction loan (€ 1.2 m).

Foreign exchange gains amounted to € 7.8 m mostly due to the weakened EUR vs USD and the revaluation of USD liquidity and receivables at the balance sheet date. This includes a realised foreign exchange gain of € 1.4 m and an unrealised loss of € 8.6 m from hedging activities in 2021 (2020: realised gain of € 1.9 m and an unrealised gain of € 3.8 m).

For the twelve months ended 31 December 2021, the total tax expense of the Group amounted to € 21.5 m (2020: € 19.6 m). Thereof, Evotec recorded total income taxes of € 16.4 m (2020: € (12.1) m) attributed to income tax from local authorities mainly in Italy, France, UK and due to the increased profitability of Evotec International with its achievement of BMS and Takeda milestones. The remaining € (5.1) m expenses (2020: € (7.5) m) related to deferred taxes.

— NET INCOME & ADJUSTED GROUP EBITDA —

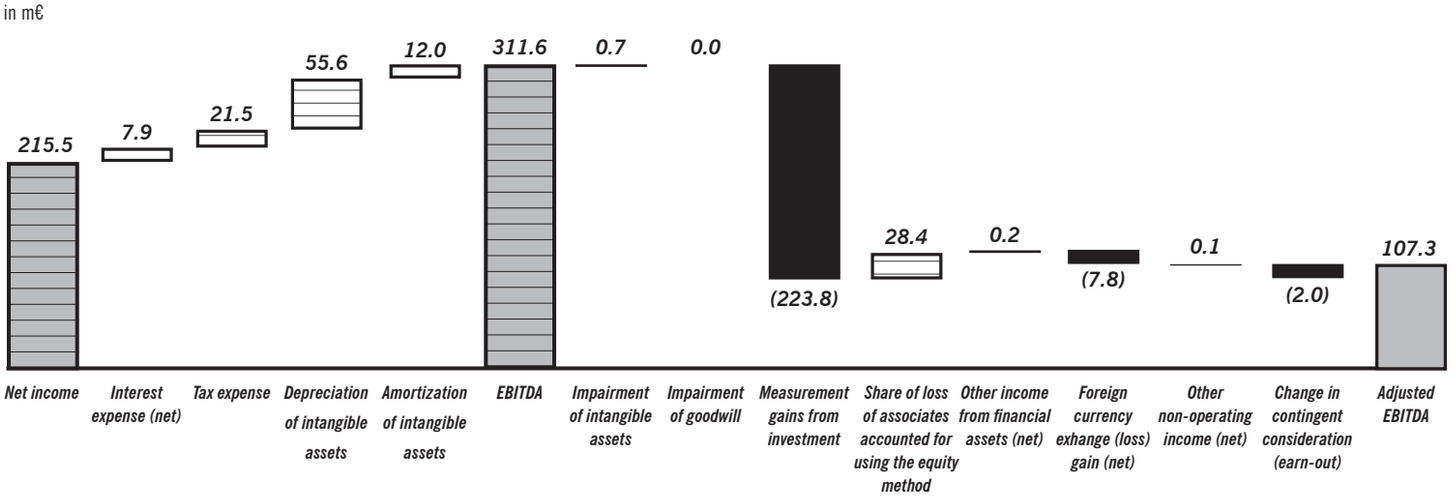
Adjusted Group EBITDA within Guideline

Net income as of 31 December 2021 amounted to € 215.5 m (2020: € 6.3 m), almost entirely due to the large valuation uptick of Evotec's shareholding in Exscientia plc.

Despite the significant expenditures on R&D as well as higher COGS and SG&A expenses ahead of the manufacturing start at J.POD® Redmond (WA), USA, Adjusted Group EBITDA for the twelve months ended 31 December 2021 increased to € 107.3 m (2020: € 106.7 m). Positive contributors to the 1% step up were higher milestone revenues and increased R&D tax credits in France and Italy. Currency effects had a negative impact of € 8.5 m. Adjusting for the effect of € 8.6 m Sanofi payments in the first quarter of 2020 and FX losses, like-for-like growth would have reached a strong 18%.

BRIDGE FROM NET INCOME TO ADJUSTED EBITDA

in m€



— SEGMENT REPORTING —

Note: Since 1 January 2021 material recharges (totalled € 36.0 m) have been allocated to both segments. In the twelve months ended 31 December 2020, material recharges amounted to € 21.8 m (EVT Execute: € 20.7 m, EVT Innovate: € 1.1 m). The prior period was restated.

SEGMENT INFORMATION 2021
in k€

		EVT Execute	*EVT Innovate*	*Intersegment eliminations*	*Evotec Group*
External revenues[1)]		471,052	146,982	-	618,034
Intersegment revenues		139,116	-	(139,116)	-
- Costs of revenue		(482,588)	(110,379)	126,476	(466,491)
Gross margin	*%*	*20.9%*	*24.9%*	-	*25.1%*
- R&D expenses		(2,900)	(81,940)	12,640	(72,200)
- SG&A expenses		(83,936)	(21,509)	-	(105,445)
- Impairment result (net)		-	(683)	-	(683)
- Other operating income (expenses), net		22,365	45,416	-	67,781
Operating income (loss)		**63,109**	**(22,113)**	**-**	**40,996**
Adjusted EBITDA[2)]		*124,792*	*(17,522)*	-	*107,270*

[1)] Revenues in the segments consist of revenues from contracts with customers without revenues from recharges as those are not of importance for the management to assess the economic situation of the segments
[2)] Adjusted for changes in contingent considerations

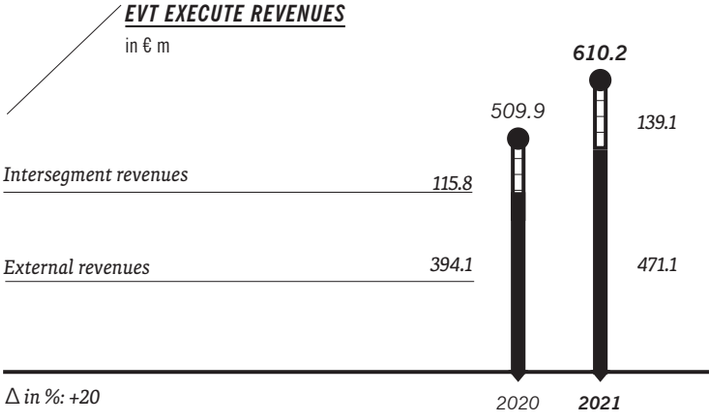
Overall Group revenues increased by 23% to € 618.0 m, compared with the four quarters in 2020, reflecting strength in both business segments – EVT Execute and EVT Innovate.

EVT Execute

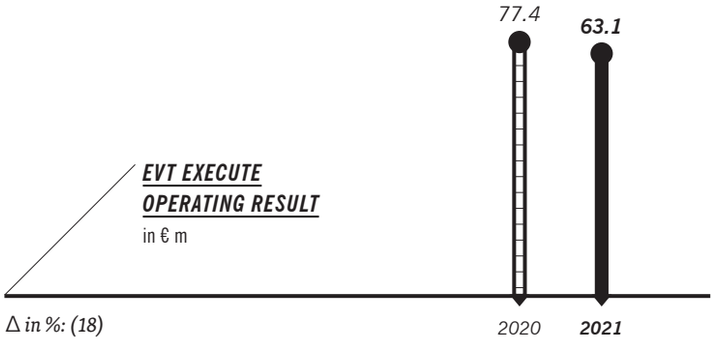
Total revenue in the EVT Execute segment was € 610.2 m for 2021, compared with € 509.9 m for 2020. The 20% growth observed year-over-year was primarily due to a strong base business; Evotec defines its base business as the ongoing business from FTE based research (services) excluding milestone, upfront and royalty payments. Also contributing to higher revenues in EVT Execute was a € 11.6 m or 30% increase in Just–Evotec Biologics. In total, the contribution of Just–Evotec Biologics amounted to € 53.6 m, € 12.5 m higher than in 2020. Excluding the favourable effect of Sanofi in April 2020, revenues grew by 22%.

Growth in intersegment revenues (2021: € 139.1 m, 2020: € 115.8 m) was largely driven by the strong momentum of the EVT Innovate segment. Gross margin performance was negatively affected by the construction and start of J.POD® Redmond (WA), USA, overall amounting to € 127.6 m (2020: € 126.9 m), missing Sanofi payments for Toulouse and negative FX movements. Consequently, gross margin declined from 24.9% to 20.9% in the same period. The increase in SG&A expenses (plus € 22.2 m year-on-year) primarily reflects higher administrative costs in promoting the support of the company's growth pillars as well as costs related to the US stock listing in November 2021. These unfavourable elements were partially offset by additional tax credits in Italy resulting in an other operating result of € 22.4 m (2020: € 16.6 m) and finally in an Adjusted Group EBITDA slightly below the previous year (2021: € 124.8 m vs. 2020: € 129.3 m).

EVT EXECUTE REVENUES
in € m



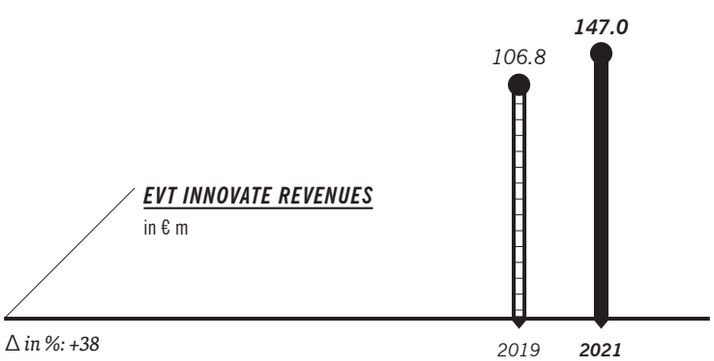
EVT EXECUTE OPERATING RESULT
in € m

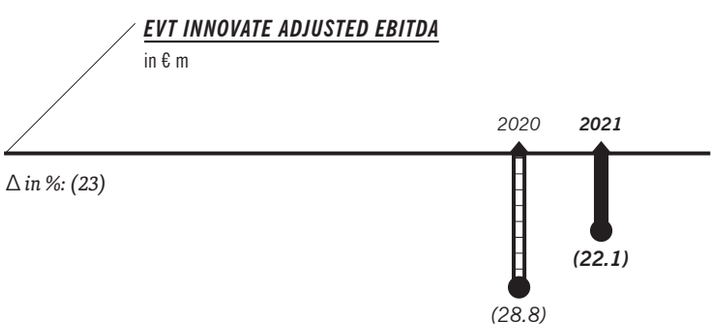


EVT Innovate

Performance in the EVT Innovate segment totalled € 147.0 m in 2021 (2020: € 106.8 m) reflecting revenue growth of 37.6% across all involved sites and projects, entirely of third-party revenues. The increase in EVT Innovate was largely driven by higher project revenue from ID Lyon as well as uptake in projects with BMS. Also contributing to higher base revenue were projects with Chinook and CureXsys. Accretive to revenue, the costs of revenue increased by 13.1% from € 97.6 m in 2020 to € 110.4 m in 2021, resulting in a segment gross margin of 24.9% (2020: 8.6%), which in turn derived from milestone payments of € 44.3 m. For the twelve months ended 31 December 2021, research and development expenses were € 81.9 m, compared with € 69.9 m for the comparative prior year period. The increase was recognized with respect to expanded spending on Evotec's unpartnered Platform R&D activities like the EVT Innovate initiative "QRbeta Therapeutics" (beta cell replacement therapy programme for the treatment of diabetes). The increase from € 15.5 m in 2020 to € 21.5 m in SG&A expenses was driven by the same factors as the rise in SG&A expenses at the Group level, as explained further above. Key driver for improvement in adjusted EBITDA from € (22.7) m in 2020 to € (17.5) m in 2021 was again a strong performance from milestone revenues, in particular with BMS.

Evotec's Management defines segment adjusted EBITDA as segment operating income adjusted for depreciation and amortization of intangibles, impairments on goodwill and other intangible and tangible assets and change in contingent consideration (earn-out). Adjusted EBITDA and segment adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. The Executive Board therefore considers segment adjusted EBITDA to segment operating income, the most directly comparable financial measure, respectively, prepared in accordance with IFRS.





FINANCING AND FINANCIAL POSITION

— FINANCIAL MANAGEMENT PRINCIPLES —

Financial management at Evotec comprises capital structure management, cash and liquidity management including receivables management, and the management of market price risks (currencies, interest rates). Its main objectives are to secure the Group's liquidity and its creditworthiness and to reduce financial risks. The corporate Treasury division ensures uniform financial management for all of the Group's companies in accordance with the relevant legal requirements. In general, financial management operates within a given framework of guidelines, limits and benchmarks.

The Company manages cash and liquidity to secure the financial resources needed to support its business strategy.

Financial resources are usually acquired at the corporate level and distributed internally. Evotec may draw on several bilateral credit lines as required. As of 31 December 2021, the Company held unused credit lines in the amount of € 99.6 m. In addition, the Company may selectively utilise further debt financing such as promissory notes or R&D funding from the EIB or the KfW, or equity-linked instruments, or raise capital through the issuance of new shares when appropriate. In November 2021, Evotec SE announced the placement of its public offering of American Depositary Shares (ADS). The offering produced gross proceeds of $ 435 m from the sale of 10,000,000 ordinary shares of Evotec in the form of 20,000,000 ADSs at a price of $ 21.75 per ADS. In addition, Evotec granted the underwriters an option (greenshoe) to purchase up to 3,000,000 additional ADSs which resulted in gross proceeds of $ 65.1 m. Each ADS represents one half of an ordinary share of Evotec. As a result, the Group's liquidity, which consists of cash on hand, bank balances and investments, rose from € 481.9 m as of 31 December 2020 to € 858.2 m as of December 2021 and a small net debt position of € 10.0 m as of 31 December 2020 was turned into a comfortable net cash position of € 345.3 m as of 31 December 2021.

Thanks to its strong liquidity situation, Evotec is in a position to secure continued organic growth. This includes investments in facilities for the manufacturing of biologics (J.POD®) for clinical development and commercial applications in the US and France, projects in novel cell and gene therapies, as well as the continued expansion of many of its sites in the US and Europe. Furthermore, Evotec intends to invest in the expansion of its precision medicine platform, its proprietary research projects, in maintaining and upgrading its drug discovery and development platforms, and evaluating potential M&A options. The Company invests in selected biotechnology companies in their start-up and early phase to accelerate its co-owning strategy. The implementation of this strategy may lead to additional cash requirements in the short and medium term.

Capital expenditure proposals are carefully evaluated by the management to ensure that they are consistent with the business strategy of either maintaining or expanding the Company's technology platform and its proprietary research. In particular larger capital investments are carefully assessed in terms of the expected financial return and payback periods or savings. The discounted cash flow method is the main management tool for such assessments, supported by key performance indicators such as payback period, return on investment, and internal rate of return.

— CASH FLOW —

NASDAQ listing and the investments in Just – Evotec Biologics had an impact on cash flows

Group *cash flow from operating activities* amounted to € 122.2 m in 2021 (2020: € 44.7 m). Prepayments for ongoing and future project work paid by BMS in particular in the second half of 2021 accounted for a major part of these inflows. Furthermore, the operating income contributed favourably and was supported by a decrease in working capital due to increased Trade Accounts Payable and Contracted Liabilities.

Group *cash flow used in investing activities* was € 243.9 m (2020: € 155.1 m). Net investments in securities and other investments (corporate bonds and fixed deposits) with terms of more than three months were made, amounting to € 96.4 m. Investments in property, plant and equipment rose to € 118.9 m (2020: € 99.1 m) and included in particular € 63 m (2020: € 49 m) for the continuation of the construction of the J.POD® production facility at Just – Evotec Biologics in the US. Furthermore Evotec invested € 25.5 m in the expansion of its sites in Abingdon, UK, Toulouse, France and Verona, Italy. The acquisition of financial assets and investments accounted for using the equity method amounted to € 20.7 m (2020: € 22.7 m) and mainly related to follow-up investments CureXsys (€ 4.0 m), Breakpoint (€ 3.7 m), Topas (€ 2.7 m), Leon (€ 2.0 m), Facio (€ 1.3 m) and Immunitas (€ 1.1 m) as well as a few other smaller investments of less than € 1 m. Issues of convertible loans to Evotec's at equity and minority shareholdings amounted to € 7.4 m (2020: € 6.2 m).

Group *cash flow provided by financing activities* amounted to € 398.4 m (2020: € 246.4 m). With the dual listing in the US on the NASDAQ stock exchange net proceeds from capital increase of € 403.1 m ($ 462.2 m) were recorded. All ADSs sold were offered at a public offering price of $ 21.75 per ADS. In total, gross proceeds of the transaction amounted to $ 500 m comprising a first offering of 20,000,000 ADSs ($ 435 m) and an exercised greenshoe option of 2,995,000 additional ADSs ($ 65 m). The proceeds from the issuance of the new shares are intended to be used to fund and in particular expand the ongoing business operations. In the previous year, the high level of cash flow provided by financing mainly related to a capital increase in October 2020 (€ 250 m net). In addition, bank loans were increased by (net) € 14.8 m. In April a new long-term KfW Innovation loan was provided by IKB with € 20.4 m and in October the first tranche of the BPI France loan for the J.POD® Toulouse, France was received with € 8.6 m. On the other hand, two fixed term loans amounting to € 5 m and € 10 m were repaid as scheduled. Repayments of lease obligations (mainly rent of buildings) amounted to € 20.7 m. Cash flows from option exercises amounted to € 1.2 m.

The impact of exchange rate movements on cash and cash equivalents in 2021 was € (0.1) m (2020: € (1.3) m).

CONDENSED STATEMENT OF CASH FLOWS (INCL. BRIDGE TO LIQUIDITY)

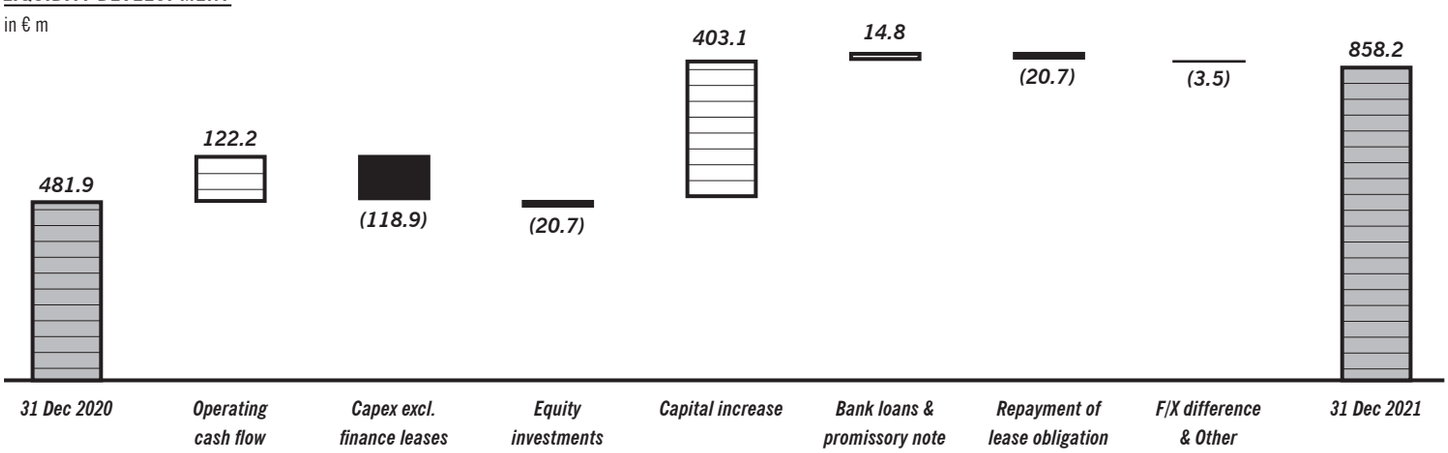
in k€

	2020	2021	Variance
Net cash provided by (used in)			
– Operating activities	44,721	**122,237**	77,516
– Investing activities	(155,089)	**(243,855)**	(88,766)
– Financing activities	246,409	**398,430**	152,021
Net increase/decrease in cash and cash equivalents	**136,041**	**276,812**	**140,771**
Exchange rate difference	9,505	**(66)**	(9,571)
Cash and cash equivalents			
– At beginning of year	277,034	**422,580**	145,546
– At end of year	**422,580**	**699,326**	**276,746**
– Investments	**59,350**	**158,908**	**99,558**
Liquidity at end of year	**481,930**	**858,234**	**376,304**

The year-on-year change in liquidity at year-end can be summarised as follows:

LIQUIDITY DEVELOPMENT

in € m



— MULTIPLE-YEAR OVERVIEW FINANCIAL POSITION —

The multiple-year overview of the financial position underlines the Company's highly flexible financing structure, which draws on a broad range of external and internal sources. Continuous cash inflows from operating activities cover a large part of capital expenditure and equity investments. Further expansion will not be impeded by a lack of capital. Assuming an efficient net debt ratio of 2x net debt/EBITDA, Evotec never fully exploited the strength of its balance sheet in the last five years, even when executing the acquisitions of Aptuit in 2017 and Just Biotherapeutics in 2019.

Capital expenditures exceeded depreciation in the last five years, reflecting continuous investment and growth. The Group's net liquidity clearly improved compared with previous years, which allows continued investments in platforms, services, proprietary R&D projects, growth and capacity as well as potential M&A opportunities. At the same time, financing maturities continue to be long-term and net debt leverage is kept low.

MULTIPLE-YEAR OVERVIEW FINANCIAL POSITION

in k€

	31 Dec 2017[1)]	*31 Dec 2018[2)]*	*31 Dec 2019[2)]*	*31 Dec 2020[2)]*	***31 Dec 2021***
Liquidity[3)]	91,156	149,449	320,022	481,930	**858,234**
Debt[4)]	189,928	114,465	463,099	491,965	**512,917**
Net liquidity	**(98,772)**	**34,984**	**(143,077)**	**(10,035)**	**345,317**
Current liabilities	242,945	196,275	178,955	208,459	**324,516**
Non-current liabilities	89,785	148,706	522,793	529,422	**532,960**
Total stockholders' equity	333,273	426,380	478,613	724,456	**1,377,685**
Total liabilities and stockholders' equity	**666,003**	**771,361**	**1,180,361**	**1,462,337**	**2,235,161**
Cash flow from operating activities	10,828	156,240	42,216	44,721	**122,237**
Cash flow from investing activities	(269,033)	(39,130)	(86,634)	(155,089)	**(243,855)**
Cash flow from financing activities	240,724	(77,764)	211,263	246,409	**398,430**
Movements in investments and fx differences	(17,633)	18,947	3,728	25,867	**99,492**
Net increase/decrease in liquidity	**(35,114)**	**58,293**	**170,573**	**161,908**	**376,304**
Capital expenditures	17,565	27,867	31,322	99,072	**118,943**
Investment rate[5)]	23.1%	30.8%	27.9%	50.5%	**35.0%**
Capex to write-downs[6)]	128.0%	144.5%	139.3%	378.2%	**312.2%**
Net Debt Leverage (= Net liquidity / Adj. EBITDA)[7)]	1.72	(0.37)	1.16	0.09	**(3.22)**

[1)] 2017 restated for IFRS 15 and modified by the effect of the finalisation of Aptuit's purchase price allocation in 2018 in accordance with IFRS 3, see Note 3 in the Notes

[2)] 2018 - 2020 restated for IAS 19

[3)] Cash and cash equivalents and investments

[4)] Loan liabilities and lease obligations

[5)] Ratio Capex / Property, plant and equipment excl. ROU (IFRS16)

[6)] Write-down (Depreciation) excl. IFRS16

[7)] In consideration of IFRS 16

— LIQUIDITY —

Evotec ended the year 2021 with liquidity of € 858.2 m (2020: € 481.9 m). Cash and cash equivalents accounted for € 699.3 m and investments (corporate bonds and time deposits) for € 158.9 m of liquidity. Cash and cash equivalents can be accessed within a period of less than three months. The increase in liquidity in 2021 resulted mainly from the capital increase in connection with the US listing, resulting in net proceeds of € 403.1 m in November.

The following is a historical trend of the Company's year-end liquidity:

LIQUIDITY AS OF 31 DECEMBER 2021

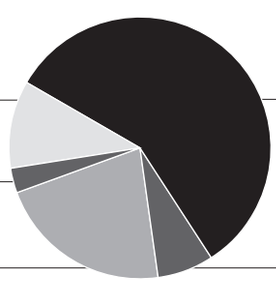
in k€

	2017	2018	2019	2020	**2021**
Cash and cash equivalents	67,017	109,055	277,034	422,580	**699,326**
Current investments	24,139	40,394	42,988	59,350	**158,908**
Total liquidity	**91,156**	**149,449**	**320,022**	**481,930**	**858,234**

Active liquidity management at Evotec is focused on funding the operational business and maintaining and preserving liquidity. At the same time, the Company seeks to maintain general flexibility and optimise returns. Evotec's cash and investments are held with several banks. The Company exclusively invests in liquid instruments with at least an investment grade rating (BBB- or better, Standard & Poor's ratings or equivalent). Only money market funds are allowed a maximum portion of 25% of sub-investment grade ratings, however these must be spread across several investors and are limited in size (max. € 5 m). All investments must be in line with Evotec's internal investment policy. As of 31 December 2021, the majority of the liquidity was invested short-term, in bank balances (€ 494.5 m), money-market funds (€ 183.5 m) and corporate bonds (€ 92.0 m) with a maturity of up to seven years. As a result, Evotec has sufficient flexibility to seize strategic growth opportunities and finance the construction of its second J.POD® facility in France, continued growth in ongoing research activities and platforms, and future equity investments.

LIQUIDITY BY INVESTMENT TYPE

in € m



92.0 *Coupon bonds*

494.5 *Cash at bank*

28.4 *Long-term deposits*

183.5 *Money-market funds*

59.7 *Short-term deposits**

** Short-term: Maturity = < 3 months*

Exchange rate development, interest rates and financing

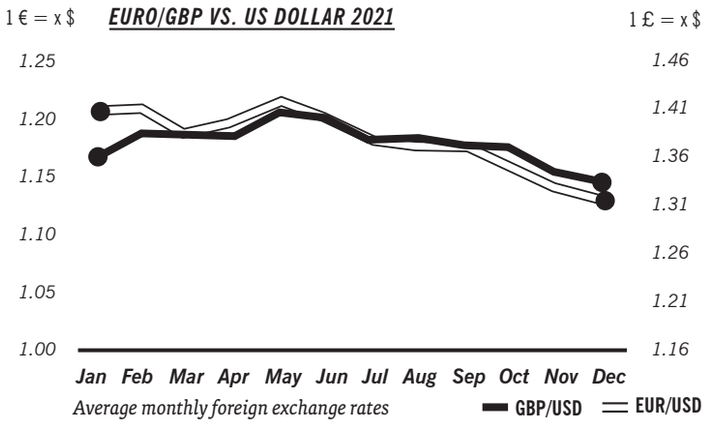
Evotec's financial performance is affected by currency movements and fluctuations in interest rates. Changes in raw material prices may affect aspects of its integrated Chemistry Manufacturing and Controls (CMC) business, and higher prices for laboratory materials may increase R&D costs and FTE rates.

— FX RATES / HEDGING —

The euro (€) to US dollar ($) exchange rate fluctuated in a broad range between $ 1.13 and $ 1.22 in 2021. After starting the year at $ 1.21, the euro oscillated between $ 1.18 and $ 1.22 until August and proceeded to fall until December, ending the year at $ 1.13. On average, the US dollar against the Euro stayed nearly stable with $ 1.14 per Euro in 2020 to $ 1.18 per Euro in 2021.

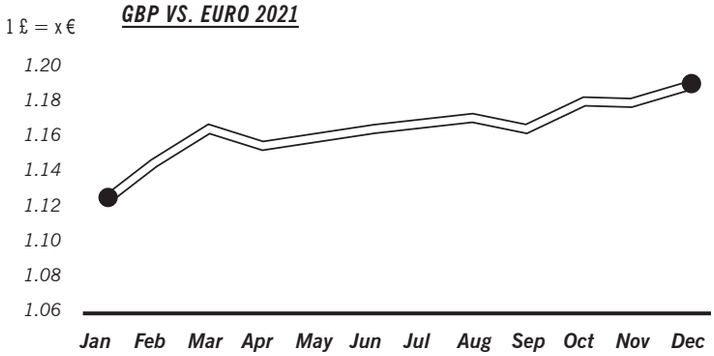
The pound sterling (£) to euro (€) exchange rate fluctuated between € 1.12 and € 1.19 in 2021. In the first quarter of 2021, the pound sterling appreciated € 1.13 to € 1.17, then ranging between 1.15 € and 1.18 €, to increase to 1.19 € at the end of the year. The average exchange rate in 2021 was € 1.16 per pound sterling compared with € 1.13 in 2020.

EURO/GBP VS. US DOLLAR 2021



Average monthly foreign exchange rates
Source: www.oanda.com

GBP VS. EURO 2021



Average monthly foreign exchange rates
Source: www.oanda.com

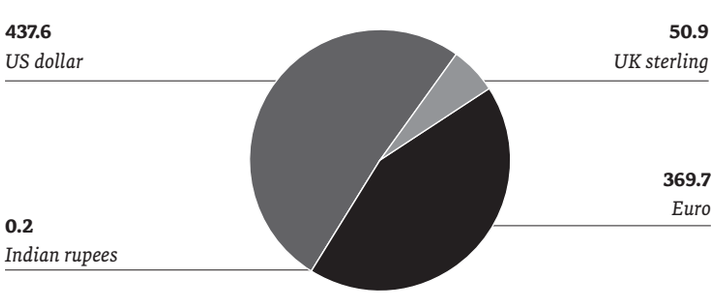
The Evotec Group is exposed to both translational and transactional foreign currency risks. The Company mainly uses forward contracts to hedge its transaction exposures, but does not apply hedge accounting.

Deposits are primarily held in the three major currencies in which the Group trades: euro, pound sterling and US dollar (see pie chart below). In 2021, 50% and 12% of Evotec's revenue and 21% and 18% of Evotec's operating cost was in US dollars and pounds sterling, respectively. Therefore, the Group's foreign exchange risk mainly relates to these two currencies. Evotec uses forward contracts and spot transactions to convert US dollars to euros and pound sterling, mitigate this exposure and cover costs incurred in these currencies.

The currency holding in euro increased to € 369.7 m at the end of 2021 (31 December 2020: € 289.0 m) and accounted for 43% of the Group liquidity. The currency holding in US dollars increased significantly following the USD listing to € 437.6 m or 51% at the end of 2021 (31 December 2020: € 147.4 m). The currency holding in pound sterling was € 50.9 m or 6% as of 31 December 2021 (31 December 2020: € 45.2 m). It was kept at a higher level due to the growth of the UK sites and BREXIT-related uncertainties.

FUNCTIONAL CURRENCY HOLDINGS

in € m



The weaker US dollar exchange rate until July 2021 reduced 2021 revenues by € 11.7 m and Adjusted Group EBITDA by € 7.6 m compared with the prior year. The continuous strengthening of pound sterling against the euro during 2021 had an impact on revenues and costs of Evotec's UK sites after conversion into euro. It had a negative impact on revenues of € 2.5 m and a positive impact on the operating income of € 1.1 m. Overall, currency fluctuations had a negative impact of € 9.2 m on group revenues and of € 8.2 m on the Adjusted Group EBITDA.

The Company mostly uses its foreign currency holdings for operational purposes in the same currency. In order to protect itself against adverse currency movements, Evotec entered into forward contracts, selling US dollars against pound sterling and euros. This resulted in a realised foreign exchange gain of € 1.4 m and an unrealised loss of € 8.6 m in 2021 (2020: realised gain of € 1.9 m and an unrealised gain of € 3.8 m). The economic hedging relationships are not recognized as hedging relationships in the consolidated financial statements.

As of 31 December 2021, the Company held derivative financial instruments in the amount of € 302.5 m (31 December 2020: € 57.5 m), thereof € 255.3 m in forward contracts selling US dollars for euro, € 38.5 m selling US dollars for pound sterling, and € 8.7 m in forward contracts selling euros for pound sterling. These forward contracts have a maturity of up to 24 months. The increase in forward contracts as per 31 December 2021 resulted mainly from hedging the USD equivalent of € 180 m of the proceeds from the US listing selling US dollars for euro.

Interest rates

Reinforced by the COVID-19 pandemic, the European Central Bank (ECB) continued its policy of Quantitative Easing in the EU. The ECB's interbank interest rate (3-month Euribor) remained negative throughout 2021 and decreased slightly from (0.54)% to (0.57)% during the year.

The main impact of low or negative interest rates on the financial performance of Evotec is a reduction in interest income received on cash deposits and short-term investments. In addition, interest expenses paid on bank loans with variable interest also decline.

— DEBT / NET DEBT —

Much lower net debt thanks to capital increase

The Company also makes use of bank loans as a tool to manage its short-to-long-term liquidity. Compared with 31 December 2020, total bank loans increased slightly by € 16.1 m to € 362.5 m as of 31 December 2021 (2020: € 346.4 m). All bank debt was denominated in euros. A long-term KfW Innovation loan was provided by IKB with € 20.4 m and in October the first tranche of a € 43.3 m BPI France loan for the J.POD® Toulouse, France was drawn with € 8.6 m. On the other side, two fixed term loans amounting to € 5 m and € 10 m were repaid as scheduled.

As a result of the capital increase in the US, the net debt ratio changed to a net cash position of (negative) (3.2) in relation to Adjusted Group EBITDA (2020: 0.1x Adjusted EBITDA), which can be seen in the chapter "Multiple-year overview financial position" of this combined Management Report. The ratio amounts to (5.5)x Adjusted Group EBITDA (2020: (1.5)x Adjusted Group EBITDA), when taking effects of IFRS 16 into account, i.e. the effects of additional depreciation and amortization from rights of use and additional lease liabilities.

— CAPITAL EXPENDITURE TO DEPRECIATION —

Increased investments in upgrading and expanding Evotec's platforms

Capital expenditure rose significantly as planned to € 118.9 m in 2021 (2020: € 99.1 m), mainly driven by the creation of production capacity of the J.POD® Redmond (WA), USA, as well as the initiation of J.POD® Toulouse, France. In addition, a variety of other investments were made to support continued growth and maintain the highest technology and infrastructure standards. This includes the expansion of scientific capacity on multiple sites, primarily Abingdon, UK, Toulouse, France and Verona, Italy, and group-wide investments in equipment and supporting infrastructure, including growing investment in carbon-efficient energy utilisation in Abingdon, which Evotec expects to result in savings of CO_2 equivalents of 800 tons on an annualised basis as of H2 2022. Moreover, major technology enhancements were deployed in a number of high value and strategically important areas, such as additional capacities and upgrades in controls of iPSC processes, state-of-the-art acoustic tubes technology for sample management, translational

biology (initiation of Autobahn labs), high content imaging (as part of the CRISPR technology), high-throughput screening and PanOmic technologies. Investments were also made to enhance the efficiency and quality of technology platforms, such as the development of automation for end-to-end continuous bio-manufacture and by developing the AI-based humanoid antibody library (J.HAL℠), both of which will enhance Just – Evotec Biologics offering. Just as importantly, expanding, upgrading and digitising supporting administrative tools and systems will continue to consume significant capex in order efficiently support and optimise growth and scalability.

Depreciation of property, plant and equipment amounted to € 55.6 m (2020: € 42.1 m), mainly due to higher investments. Of this amount, € 17.5 m can be attributed to IFRS 16 and the related lease liabilities (2020: € 15.9 m).

ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

— CAPITAL STRUCTURE —

US NASDAQ Listing: $ 500 m capital increase completed; equity ratio increases significantly to 62%

In 2021, Evotec's share capital increased by 7.7% to € 176.6 m (31 December 2020: € 163.9 m) and additional paid-in capital by 38.8% to € € 1,430.1 m (31 December 2020: € 1,030.7 m), mainly due to the capital increase in connection with the dual listing in November 2021.

The capital increase and the net profit were main reasons for the significant increase in stockholders' equity of € 653.2 m to € 1,377.7 m as of the end of 2021 (31 December 2020: € 724.5 m).

Furthermore, in 2020, a total of 32,594 stock options (2019: 50,000 options) were exercised. As of 31 December 2021 and 2020, no options were available for future exercise. Options have been accounted for under IFRS 2 as an equity-settled plan using the fair value at the grant date.

At the Annual General Meetings in 2012, 2015, 2017 and 2020, contingent capital amounting to € 4.0 m, € 6.0 m, € 6.0 m and € 1.2 m, respectively was approved for use in the share performance plans and the restricted shares plan. In 2021, a total of 1,195,954 shares (2020: 1,501,254 shares) were issued from conditional capital for exercised Share Performance Awards (SPA). During the first quarter of 2021, a total of 285,075 SPAs (2020: 307,832) were granted to the Management Board and key employees. These awards could result in a maximum of 570,150 bearer shares (2020: 615,664) being issued at maturity after four years. In the fourth quarter of 2020, an additional 323,635 restricted share awards (RSA) were granted to key employees, which could result in the same number of bearer shares being issued at maturity at the most.

As of 31 December 2021, the total number of awards granted for future exercise amounted to 1,325,450 (2020: 1,570,113), approximately 0.8% of issued shares in 2021 and 1.0% in 2020.

As a result, Evotec's equity ratio increased significantly to 61.6% at the end of 2021 (2020: 49.5%).

— ASSETS AND LIABILITIES —

CONDENSED BALANCE SHEET

in k€

	2020	**2021**	Variance
Cash, cash equivalents and investments	481,930	**858,234**	376,304
Trade accounts receivables incl. related parties	87,896	**134,721**	46,825
Inventories	13,585	**25,793**	12,208
Other current assets	75,433	**82,192**	6,759
Deferred tax assets	24,392	**17,359**	(7,033)
Property, plant and equipment	337,297	**484,597**	147,300
Intangible assets, excluding goodwill	98,036	**30,851**	(67,185)
Goodwill	247,370	**257,569**	10,199
Long-term investments	19,288	**268,793**	249,505
Equity investments and other long-term investm.	39,711	**13,068**	(26,643)
Other non-current assets	37,399	**61,984**	24,585
Total assets	**1,462,337**	**2,235,161**	**772,824**
Current maturities of loans and finance leases	30,008	**50,609**	20,601
Trade accounts payable	42,549	**72,598**	30,049
Current provisions	41,848	**39,260**	(2,588)
Current contract liabilities	66,477	**112,061**	45,584
Other current liabilities	27,577	**49,988**	22,411
Long-term loans and finance leases	461,957	**462,308**	351
Non-current provisions	20,731	**18,021**	(2,710)
Non-current contract liabilities	22,437	**33,476**	11,039
Other non-current liabilities	24,297	**19,155**	(5,142)
Total stockholders' equity	724,456	**1,377,685**	653,229
Total liabilities and stockholders'equity	**1,462,337**	**2,235,161**	**772,824**

— CURRENT AND NON-CURRENT ASSETS —

The Company's total assets rose by € 772.8 m to € 2,235.2 m as of 31 December 2021 (2020: € 1,462.3 m), mainly due to the inflows from the US capital increase, the follow-on investments in Just – Evotec Biologics, the extension of Evotec's BMS collaborations with several prepayments and the upward valuation of the Company's minority shareholding in Exscientia plc (see "Major business events" chapter of this combined Management Report).

Liquidity, which consists of cash and cash equivalents and investments, increased by € 376.3 m to € 858.2 m (31 December 2020: € 481.9 m). The increase in liquidity mainly resulted from the US listing and related capital increase (see "Financing and financial position" chapter of this combined Management Report.

Trade accounts receivable and accounts receivable from related parties included several milestones and prepayments invoiced close to year-end and hence rose from € 87.9 m at 31 December 2020 to € 132.1 m as of 31 December 2021. The amount of milestones and significant prepayments as per 31 December 2021 amounted to € 40.4 m compared with only € 2.3 m as per 31 December 2020 and is only a short-term increase due to timing of project achievements late in 2021. The remaining receivables grew from € 85.6 m as per 31 December 2020 to € 91.7 m as per 31 December 2021 due to the overall increased base business. The amount of aged debtors overdue by more than 120 days was reduced during 2021 to € 2.2 m (31 December 2020: € 6.2 m).

Inventories as per 31 December 2021 amounted to € 25.8 m, an increase of € 12.2 m compared with 31 December 2020 (€ 13.6 m). This increase related mainly to the Just – Evotec Biologics US with the new J.POD® becoming operational in the third quarter of 2021 with € 13.9 m (31 December 2020: € 5.1 m) and COVID-19 related safety stocks.

Property, plant and equipment increased significantly by € 147.3 m to € 484.6 m in 2021 (31 December 2020: € 337.3 m). The increase was mainly due to advance investments in the J.POD® (reported as construction in progress) and the acquisition of the Verona site from GSK which led to a reclassification of € 56.2 m from intangibles (favourable contracts) to fixed assets land and buildings. The investments into the J.POD® US facility, which summed up to € 108.6 m fixed assets and € 14.6 m assets under construction, € 57.4 m higher than at the beginning of the year. The construction of J.POD® Toulouse, France started and built € 3.4 m of assets under construction by end of 2021. Other group companies, mainly Aptuit Verona and Evotec UK, expanded as well and showed a total increase of € 7.2 m in assets under construction. Furthermore, remaining capital expenditure for laboratory equipment and infrastructure exceeded depreciation to enable further growth.

Intangible assets decreased by € 67.2 m to € 30.9 m, mainly due to the Verona/GSK transaction as aforementioned as well as scheduled write-downs on the valuations of customer lists, technologies and trademarks from purchase price allocation. Goodwill increased by € 10.2 m to € 257.6 m, mainly due to the currency-related increase of the valuations of Aptuit, Cyprotex and Just – Evotec Biologics.

Long-term investments and investments accounted for using the equity method increased from € 59.3 m to € 281.9 m at 31 December 2021. This substantial increase resulted nearly exclusively from a gain from fair value adjustments of Exscientia of € 225.4 m as well as losses from fair value adjustments for Evotec's investments in Leon Nanodrugs (€ 2.0 m) as well as impairments of Facio, Eternygen, Leon and Celmatix (in total loss of € 11.9 m). Follow-up and new investments amounted to € 20.7 m, and were partially offset by the share of losses from the investments of € 16.2 m.

Other non-current assets amounted to € 62.0 m (31 December 2020: € 37.4 m) of which the majority or € 56.0 m related to R&D tax credits in France.

— CURRENT AND NON-CURRENT LIABILITIES —

The current portion of loans increased from € 15.4 m as of 31 December 2020 to € 36.1 m, as the three-year promissory note was reclassified during the 2021 financial year due to the shorter remaining term. Two fixed term loans were repaid as scheduled. Current lease obligations came to € 14.5 m and remained stable versus 31 December 2020 (€ 14.6 m). Current trade accounts payable increased from € 42.5 m to € 72.6 m mainly due to the D&O insurance and general business growth, in particular at Aptuit) in the financial year, while current provisions decreased from € 41.8 m to € 39.3 m. Current contract liabilities amounted to € 112.1 m (31 December 2020: € 66.5 m). The increase resulted mainly from the BMS collaborations and related upfront payments (€ +29.4 m).

The long-term portion of bank loans decreased by € 4.7 m to € 326.3 m as of 31 December 2021 (31 December 2020: € 331.0 m). Long-term lease obligations increased from € 130.9 m to € 136.0 m, driven by new rental contracts e.g. for the expansion at Alderley Park (UK). Non-current contract liabilities increased to € 33.5 m in 2021 (31 December 2020: € 22.4 m) and consist mainly of advance payments from BMS.

— WORKING CAPITAL —

The Company's working capital remained negative and changed from € (1.5) m as of 31 December 2020 to € (31.2) m as of 31 December 2021. The increase in current contract liabilities and trade accounts payable exceeded the increase in trade accounts receivables and inventories.

WORKING CAPITAL CALCULATION

in k€

= Current assets without cash on hand, bank balances and investments
- Current liabilities excluding loan and lease liabilities

	2020	***2021***	*Variance*
Trade accounts receivables incl. related parties	87,896	**134,721**	46,825
Inventories	13,585	**25,793**	12,208
Other current assets	75,433	**82,192**	6,759
Current Assets	**176,914**	**242,706**	**65,792**
Trade accounts payable	42,549	**72,598**	30,049
Current provisions	41,848	**39,260**	(2,588)
Current contract liabilities	66,477	**112,061**	45,584
Other current liabilities	27,577	**49,988**	22,411
Current Liabilities	**178,451**	**273,907**	**95,456**
Working Capital	**(1,537)**	**(31,201)**	**(29,664)**

— OFF-BALANCE-SHEET FINANCING INSTRUMENTS AND FINANCIAL OBLIGATIONS —

The Company is not involved in any off-balance-sheet financing transactions in the sense of the sale of receivables, asset-backed securities, sale-and-lease-back agreements or contingent liabilities in relation to special-purpose entities not consolidated.

Other commitments and contingencies consist of consultancy agreements, purchase commitments and guarantees. The future payment obligations resulting from long-term commitments and contingencies total € 9.5 m (31 December 2020: € 14.0 m). Please see section 31b of the Notes to the Consolidated Financial Statements.

The Company has licensed or acquired certain third-party intellectual property for use in its business. Under these agreements, Evotec has a commitment to pay milestones dependent on progress, or make milestone and license payments dependent on present and future net income or on third-party sub-licensing fees.

MULTIPLE-YEAR OVERVIEW BALANCE SHEET STRUCTURE

in k€

	31 Dec 2017[1)]	*31 Dec 2018*[2)]	*31 Dec 2019*[2)]	*31 Dec 2020*[2)]	***31 Dec 2021***
Cash, cash equivalents and investments	91,156	149,449	320,022	481,930	**858,234**
Trade accounts receivable incl. related parties	46,113	48,030	83,616	87,896	**134,721**
Inventories	5,568	5,660	10,749	13,585	**25,793**
Deferred tax assets	18,761	42,807	33,779	24,392	**17,359**
Property, plant and equipment	76,069	90,519	239,229	337,297	**484,597**
Intangible assets, excluding goodwill	135,033	122,989	116,994	98,036	**30,851**
Goodwill	220,447	220,791	255,919	247,370	**257,569**
Other assets[3)]	72,856	91,116	120,053	171,831	**426,037**
Total assets	**666,003**	**771,361**	**1,180,361**	**1,462,337**	**2,235,161**
Loans and finance leases	189,928	114,465	463,099	491,965	**512,917**
Trade accounts payable	26,078	31,137	31,319	42,549	**72,598**
Provisions	37,302	45,943	53,553	62,579	**57,281**
Contract liabilities	44,844	112,228	104,852	88,914	**145,537**
Other liabilities[4)]	34,578	41,208	48,925	51,874	**69,143**
Total stockholders' equity	333,273	426,380	478,613	724,456	**1,377,685**
Total liabilities and stockholders' equity	**666,003**	**771,361**	**1,180,361**	**1,462,337**	**2,235,161**

Working capital[5)]	13,980	(37,014)	(6,581)	(1,537)	**(31,201)**
Current ratio[6)]	0.73	1.27	2.62	3.16	**3.39**
Receivables turnover[7)]	5.72	7.82	5.34	5.70	**4.59**
Intangibles and goodwill to total assets	53.4%	44.6%	31.6%	23.6%	**12.9%**
Provisions to total liabilities and stockholders' equity	5.6%	6.0%	4.5%	4.3%	**2.6%**
Equity ratio	50.1%	55.3%	40.6%	49.5%	**61.6%**

[1)] 2017 restated for IFRS 15 and modified by the effect of the finalisation of Aptuit's purchase price allocation in 2018 in accordance with IFRS 3, see Note 4 in the Notes

[1)] 2018 - 2020 restated for IAS 19

[3)] Consist of tax receivables, deferred tax assets, contract assets, prepaid expenses, equity investments, other long-term investments and other financial assets

[4)] Consist of current and deferred tax, deferred income and other financial and non-financial liabilities

[5)] Working Capital = Current assets excl. cash, cash equivalents and investments minus current liabilities excl. bank loans

[6)] Current ratio = Total current assets / Total current liabilities

[7)] Receivables turnover = Revenues / Trade account receivables

Evotec SE

The management report of Evotec SE and the Group management report for the financial year 2021 have been combined pursuant to section 315 paragraph 5 of the German Commercial Code in conjunction with section 298 paragraph 2 sentence 1 of the German Commercial Code. In addition to the Evotec Group reporting, Evotec SE's net assets, financial position and results of operations as well as its development are described below. The economic situation is presented in a condensed version. Evotec SE's complete statutory financial statements in accordance with the German Commercial Code and the Consolidated Financial Statements are published in the German Federal Gazette.

The risks and opportunities are presented in the "Risk and opportunity management" chapter of this combined Management Report.

According to Evotec SE's business model, revenues and operating profitability strongly depend on the business development of its most important subsidiary, Evotec International, as new contracts and contract extensions are preferably concluded with Evotec International.

FINANCIAL PERFORMANCE INDICATORS

Evotec SE's business is managed by the financial performance indicators revenues, adjusted EBITDA and liquidity (cash & bank balance as well as trade securities less credit defaults under IFRS). The performance indicators are determined in the same way as for the Group.

2021 FINANCIAL RESULTS COMPARED WITH FORECAST

	Forecast Annual Report 2020	*Actual*
Revenues	Decrease by single digit percentage	**4.5%**
Adjusted EBITDA	Positive adjusted EBITDA around single digit million range	**€ (11.2) m**
Liquidity	At the end of the year well below € 200 m	**€ 591.1 m**

As stated in the outlook section of the Management Report 2020 of Evotec SE, a single-digit percentage decrease in revenues for the financial year 2021 had been expected. Evotec SE ended the financial year 2021 with revenues of € 82.0 m (2020: € 78.5 m). This is above the expected level and represents an increase of 4.5% compared to 2020. The increase in revenues is mainly driven by higher intercompany revenues (2021: € 67.5 m; 2020: € 57.4 m).

The adjusted EBITDA amounted to € (11.2) m (2020: € (18.1) m) and was below the expectation. This is primarily due to bank fees related to the initial public offering in the US.

At the end of the year, the liquidity is € 591.1 million. Compared to the previous year (€ 288.8 m) and the forecast (significant reduction below € 200.0 m), the difference is mainly due to the net cash inflow resulting from the listing in the US in November 2021. For further information, please refer to the "Major business events 2021" chapter of this combined Management Report.

RESULTS OF OPERATIONS

— REVENUES —

In 2021, total revenues of Evotec SE amounted to € 82.0 m, an increase of € 3.5 m or 4.5% compared to the previous year (€ 78.5 m). Revenues mainly comprise of drug discovery service revenues, milestone revenues, rent income and intercompany revenues.

Third party revenues including milestones decreased from € 21.1 m in 2020 to € 14.6 m in 2021, a decrease of € 6.5 m. In 2021, milestone revenues of € 0.5 m were generated, which is a decrease of 75% compared to the previous year (2020: € 2.0 m). At the same time, intercompany revenues increased by € 10.1 m to € 67.5 m. This is due to the fact that new contracts and contract extensions were preferably concluded with the subsidiary Evotec International GmbH. As a result, the number of external customers decreased year-on-year.

In 2021, the total revenue contribution of the three largest customers (Evotec International GmbH, CHDI Foundation Inc, Evotec UK Ltd.) amounted to 82% (2020: 87%).

— NET RESULT —

Evotec SE ended up with a net loss of € 27.8 m in 2021. The loss included extraordinary effects from investment revaluations and trade securities of € 14.1 m and provisions for contingent losses of € 8.6 m.

In 2021, adjusted EBITDA* amounts to € (11.2) m (2020: € (18.1) m).

In k EUR	*2020*	***2021***
Net loss	(24,184)	**(27,798)**
– Taxes on income	225	**(27)**
– Interest income	(5,455)	**(8,168)**
– Interest expenses	4,448	**6,290**
– Depreciation of tangible assets	3,623	**4,075**
– Amortization of intangible assets	3,647	**311**
– Amortization of financial assets and securities classified as current assets	132	**14,131**
– Impairments on current intercompany assets	0	**0**
– Reversal of impairments on current and non-current intercompany assets	(550)	**(0)**
Adjusted EBITDA	**(18,114)**	**(11,186)**

** Regarding the definition please refer to the "Results of operations" chapter of this combined management report*

The cost of materials increased by € 3.0 m from € 20.0 m in 2020 to € 23.0 m in 2021. This is primarily the result of purchased services from Evotec's subsidiaries which increased by € 2.2 m to € 9.7 m in 2021 (2020: € 7.5 m).

Personnel expenses increased by € 8.0 m from € 37.4 m in 2020 to € 45.4 m in 2021. This increase was mainly due the increased number of employees because of the company growth.

In the financial year 2021, other operating income increased by € 41.6 m to € 46.0 m (2020: € 4.4 m) and mainly reflects currency gains of € 45.4 m.

Other operating expenses increased by € 33.8 m from € 48.1 m to € 81.9 m. The increase is mainly driven by bank fees and higher legal and consultancy expenses which are related to the listing in the US.

Interest income increased by € 2.7 m to € 8.2 m in 2021 (2020: € 5.5 m). This increase mainly related to the higher overall liquidity, in particular after the NASDAQ listing in the US in November 2021 as well as interest income for convertible loans granted to investments.

Interest expense increased year-on-year from € 4.4 m to € 6.3 m.

Write-downs of financial assets amounted to € 10.5 m (2020: € 0.1 m) and include impairment losses regarding three investments, as further delays in the respective lead programs lead to the failure of further financing rounds and consequently to a permanent impairment.

Income from investments increased by € 2.6 m from € 5.0 m in 2020 to € 7.6 m in 2021. The dividend payments 2021 from affiliated companies primarily related to Evotec France (SAS) (2020: Evotec (France) SAS: € 5.0 m).

In the financial year 2021, income from other securities and from loans held as financial assets increased by € 2.7 m to € 8.1 m (2020: € 5.4 m). This increase is mainly due to interest income on loans granted to subsidiaries of € 2.3 m.

NET ASSETS AND FINANCIAL POSITION FINANCING AND FINANCIAL STATUS

Total assets of Evotec SE amounted to € 1,340.9 m (2020: € 914.7 m) at financial year end.

— LIQUIDITY AND FINANCING —

As of 31 December 2021, liquidity increased by € 308.3 m to € 591.1 m (2020: € 288.8 m). The increase is mainly due to the net cash inflow of € 403.1 m resulting from the NASDAQ listing in the US in November 2021. In terms of cash outflow, the financing of subsidiaries of € 74.7 m was the largest item.

The net cash flow from operating activities amounted to € (12.7) m due to lower milestone payments and higher personnel and administrative expenses as a result of strong growth in Group functions (2020: net cash outflow of € (1.4) m).

The net cash outflow from investing activities amounted to € 19.6 m (2020: € 44.5 m) and consisted mainly of € 4.1 m (2020: € 5.1 m) capital expenditures as well as € 13.7 m (2020: € 16.1 m) purchase of new investments and further investments in existing investments as part of financing rounds.

The net cash flow from financing activities amounted to € 335.1 m (2020: € 213.2 m) and was mostly due to the NASDAQ listing in the US and the associated issuance of new shares. The net cash inflow from this capital increase was € 403.1 m. The net borrowing of new bank loans amounted to € 6.3 m. The granting of loans to affiliated companies of € 74.7 m was the major offsetting effect.

Effects on exchange rate changes on liquidity amounted to € 9.1 m (2020: € (7.2) m).

NET ASSETS

— CAPITAL STRUCTURE —

Total share capital increased by € 12.7 m. In 2021, 1,195,954 shares from share performance awards ("SPAs") from Evotec Group employees and members of the Management Board, as well as former Evotec Group employees and former members of the Management Board (2020: 32,594 stock options and 1,501,254 SPAs) were converted into Evotec shares by using conditional capital. No stock options 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 2021 and 2020, which were serviced by treasury shares. As of 31 December 2021, Evotec SE held 249,915 of its treasury shares (31 December 2020: 249,915).

In 2021, total equity increased by € 418.6 m to € 964.5 m (2020: € 545.9 m) mainly due to the listing in the US. As of 31 December 2021, Evotec SE reported an increased equity ratio of 71.0% (2020: 59.7%). The increase in equity ratio was again mainly due to the listing in the US.

— NET ASSETS AND LIABILITIES —

Financial assets include shares in affiliated companies, loans to affiliated companies, investments and loans to investments. In 2021, the financial assets increased by € 60.6 m and amounted to € 579.7 m as of 31 December 2021 (2020: € 519.1 m). New loans to affiliated companies of € 9.0 m relate to Just – Evotec Biologics EU SAS and of € 52.8 m to J.POD®-Evotec-Biologics Inc). The purchase of investments amounted to € 13.7 m (2020: € 16.1 m). Thereof, € 2.7 m related to new investments, primarily in Ananke Therapeutics Inc. and € 11.0 m to the expansion of already existing investments, primarily in Breakpoint Therapeutics GmbH.

Compared with 31 December 2020, receivables and other assets increased by € 60.2 m to € 146.3 m. This increase is mainly due to the increase in intercompany loans by € 33.5 m as well as in short-term deposits in foreign currency by € 25.3 m to € 35.9 m.

In the financial year 2021, other provisions increased by € 6.6 m from € 13.1 m to € 19.7 m. This increase mainly results from higher provisions for outstanding invoices mainly relating to the capital increase in November (€ 2.8 m) and higher personnel-related provisions (€ 1.0 m).

In 2021, Evotec SE's liabilities to banks increased by € 7.5 m to € 354.3 m (2020: € 346.8 m). This change is primarily a result of a loan disbursement of € 20 m as well as two repayments totaling to € 15 m.

Trade accounts payables increased by € 7.9 m to € 10.9 m (2020: € 3.0 m) in connection with listing in the US.

Effects on exchange rate changes on assets and liabilities amounted to € (12.2) m (2020: € (9.9) m).

GENERAL STATEMENT ON EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

In 2021, Evtoec SE achieved a solid performance with an increase in revenues of 4.5%, which is above the forecast. As most of the upcoming contracts or contract extensions with external customers are concluded with Evotec International GmbH, the portion of external revenues continued to decrease. The decrease of external revenue by € 6.5 m was more the compensated by the increase in intercompany revenues of € 10.1 m.

In 2021, the adjusted EBITDA amounted to € (11.2) m (2020: € (18.1) m). The increase was due to the write-downs of financial assets and other securities.

OUTLOOK EVOTEC SE

— EXPECTED OPERATING RESULTS —

In 2022, Evotec expects revenues to decline in the single-digit percent range. This assumption is based on current orders on hand, foreseeable new contracts and the extension of contracts as well as prospective milestone payments. Despite the positive development of the Evotec Group, the adjusted EBITDA of Evotec SE is expected to be in the range between € (20) m to € (30) m.

— EXPECTED LIQUIDITY —

The Company's strong liquidity position offers a solid basis to further strengthen the strategic position in the drug discovery and development market as well as the building of the "facility of the future" and to increase the shareholder value. In 2022, it is expected that Evotec SE's liquidity will decrease to just over € 400 m, as Evotec SE will support its subsidiaries with liquid funds, including the building of the "facility of the future" in Toulouse as well as scaling the existing technology platforms. In addition, investments in the area of IT as well as the fit out of buildings are planned.

We additionally refer to the statements in the Group outlook section, which also reflects the expectations concerning Evotec SE.

Sustainable business development

Sustainability and compliance with environmental, social and governance (ESG) criteria are of vital importance to the Evotec Group and are an essential component of all the company's business processes. For Evotec, sustainability means effectively combining economic success with ecological and socially responsible activities. This commitment includes reviewing the Company's activities in terms of relevant (reporting) standards and guidelines, codes, and laws as well as towards rating agencies. 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.

For a detailed overview of Evotec's sustainability activities and the Company's ESG performance, please see Evotec's "Sustainability Report 2021". The report provides a new level of ambition and transparency to a broad range of environmental, social and governance topics in business fields such as global health, empowering the Company's people and DEI (Diversity, Equity & Inclusion), taking care of the planet as well as compliance. It is available on the Evotec website under the following link:
https://www.evotec.com/en/investor-relations/ESG

— EMPLOYEES —

Headquartered in Hamburg, Germany, the Evotec Group employs 4,198 people around the globe as of 31 December 2021 (2020: 3,572 employees), which corresponds to a total increase of 18% compared with the prior year's end. Overall, the number of employees grew by 626 (absolute number) in 2021 (2020: 542 employees). Evotec's strong growth is shaped decisively by the expertise, passion, and skill of all employees at all levels both in Europe and recently in the USA for the new J.POD® production site. Focusing on human capital therefore increases the Company's capacity for innovation and continued best-in-class services for its partners and customers.

As of 31 December 2021, the Evotec SE had a total of 563 employees worldwide (2020: 513 employees), which corresponds to a total increase of 9.7% compared to the prior year's end. This growth reflects the continued organic growth. In total, Evotec SE grew by 50 (absolute number) employees in 2021.

— DIVERSITY —

By committing to the German "Charta der Vielfalt" ("Diversity Charter") and its 7 dimensions in 2020, Evotec further continued to work on becoming an even more attractive and diverse employer in 2021.

At the end of 2021, employees of 81 different nationalities worked at Evotec. The average age of Evotec's employees at the end of 2021 was 38.5 years, and 1.6% of the Company's employees have a recognized disability.

Regarding gender diversity, 54% of Evotecs global workforce are women. In 2018, the Company set its corporate gender goal for senior executive management two levels below the Board to reach a proportion of 30% women by 30 June 2022. In 2021, this target was met ahead of time with 31%.

— TRAINING AND EDUCATION —

Evotec's employees are highly skilled with more than 80% having an academic background. Evotec is convinced that growth is only possible through continuous learning and development of its people. To offer its people the best growing opportunities with comprehensive and coordinated support, Evotec has a dedicated Center of Expertise (CoE) for Global People Development, within the Global HR function which takes care of this. The Global People Development team provides global learning and development approaches aligned with the Company's strategy, global business needs and a long-term vision.

To succeed in this ambition, Evotec's learning culture encourages each employee to take ownership of their development on the job, through interactions with others and on training. The Company follows the 70/20/10 (on the job / from others / in training) learning approach.

Training programs are provided for employees at all sites and cover a variety of topics, depending on the country of operations: **EVO***lead* – Leading Self & Others, **EVO***talk* training, SBI feedback training, Individual 1-to-1 coachings, Policy training, EHS training and Language training (English, German, Italian, French).

— HEALTH AND SAFETY —

Evotec's EHS department implements measures to safeguard the health, safety and welfare of all staff and visitors, or those affected by the Company's work, so far as is reasonably practicable. As such, it is the policy of the Company to provide and maintain safe and healthy working conditions, equipment and systems of work for all its staff. To this end, information, training and supervision is provided where necessary. Evotec recognises that full compliance with all aspects of national and regional legislation relating to health and safety is essential.

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

Evotec publishes as part of its Sustainability Report a 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 "IR & ESG" section under the link
https://www.evotec.com/en/investor-relations/ESG

Post-balance sheet events

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DISCONTINUATION OF BAYER'S CLINICAL DEVELOPMENT CANDIDATE ELIAPIXANT

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Despite the publication of positive Phase IIb in the treatment of patients suffering from refractive chronic cough in September 2021, Bayer informed Evotec at the beginning of February 2022 of its decision to discontinue the development of the investigational P2X3 receptor antagonist eliapixant (BAY1817080), which stems from a former Evotec/Bayer multi-target research alliance. Following a review of additional data, generated in phase II trials in other indications (endometriosis, overactive bladder), Bayer concluded that the overall benefit no longer outweighs the risk in the actively pursued indications.

As a consequence of Bayer's decision, Evotec regains the rights to all P2X3 assets. The Company will evaluate the underlying data as soon as they are made available and will evaluate all options.

Risk and opportunities management

GROUP WIDE RISK MANAGEMENT

Evotec operates in a complex and ever-changing global business environment. Many internal and external factors therefore affect the achievement of the Group's objectives. For this reason, the assessment of opportunities and risks is embedded in its decision-making. In its risk and opportunity policy, Evotec moves beyond the status quo, aiming to achieve strategic financial and non-financial goals and create sustainable value.

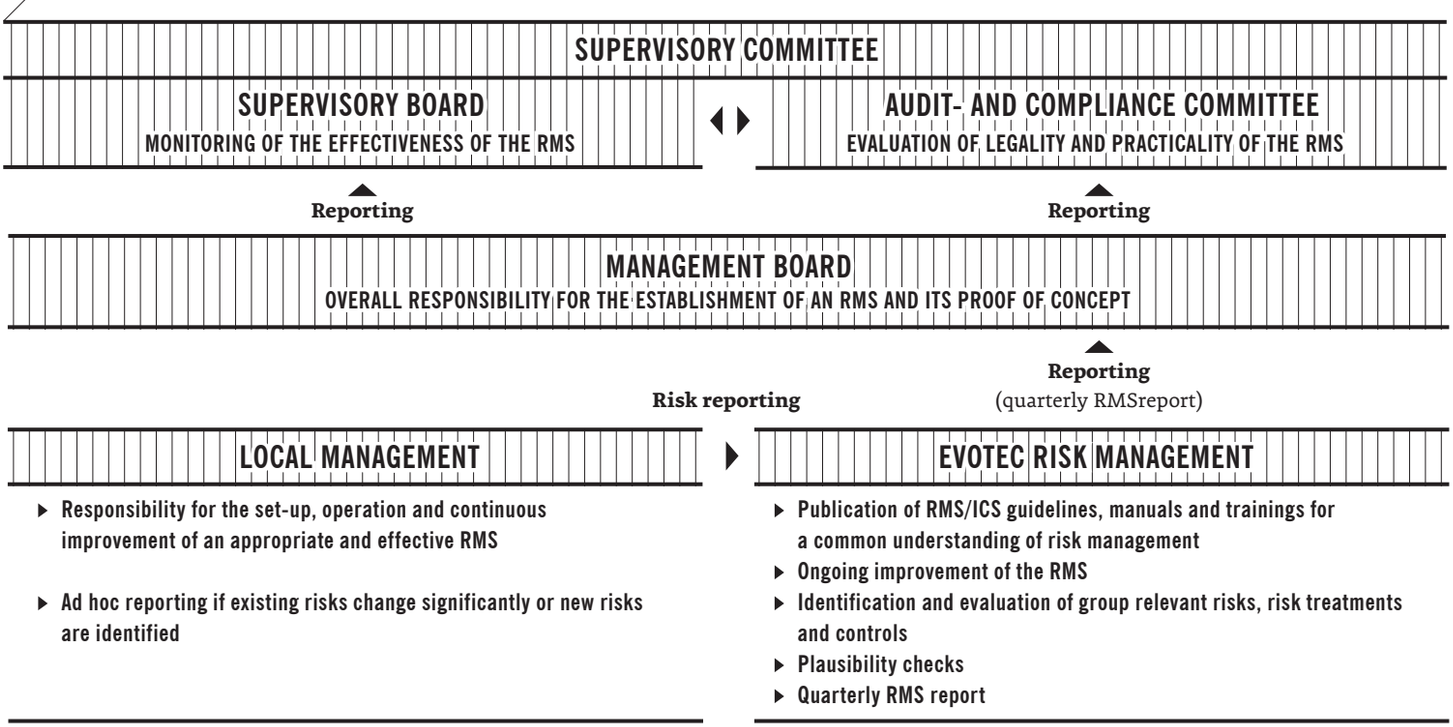
Within the Evotec Group, risks are defined as future events, developments and changes that may negatively affect or jeopardise the achievement of its strategic objectives. Nevertheless, deliberately taking and managing risks is an essential part of the Group's strategy to safeguard any opportunity that may have a positive impact on its projected targets.

Evotec's risk management system comprises all the controls that ensure a structured management of opportunities and risks throughout the Group. The Company sees the management of risks and opportunities as a continuous challenge. The full range of actual and potential developments within the Group and its operating environment must be identified, analysed and assessed. Suitable measures to mitigate risks are taken when needed to optimise the Group's risk situation whilst keeping potential opportunities open. Its risk management is supported by internationally recognised standards (Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission – COSO) and by a group-wide internal control system (ICS) and a compliance management system (CMS).

BASIC ELEMENTS OF THE RISK MANAGEMENT SYSTEM

The Company's risk management system in accordance with Section 91 paragraph 3 of the German Stock Corporation Act ("AktG") is attuned to the early detection, assessment and management of major risks, in particular

RISK MANAGEMENT STRUCTURE AND DUTIES



those that may threaten its existence. Thanks to extensive, continuous analysis and monitoring of individual risks, Evotec can weigh operational and economic parameters and initiate specific measures to mitigate or entirely prevent the potential negative impact of risks.

Evotec's Management Board assumes the responsibility for the risk management system and the underlying cornerstones of risk policy and strategy. The group-wide co-ordination, implementation and development of the risk management system is handled by the Group's risk management department, which routinely reports directly to the Chief Financial Officer (CFO).

The Group's risk management sets the main guidelines and closely communicates with all corporate units and all risk-relevant operational and support divisions both at the group level and in the subsidiaries. It helps to identify and assess risks, providing advice for and monitoring the shaping and implementation of suitable countermeasures. In this context, contacts for risk reporting and risk management in all business units are continuously identified and nominated.

Risk detection

The corporate risk management has the sole right to maintain and update the risk portfolio in the risk management tool. Risk detection happens both at the group level, through continuous monitoring of business activities, the overall economic environment, the competitive environment etc., and at the divisional and regional levels, through the designated risk reporters and risk managers in key positions. In co-operation with the corporate risk management, the detected risks are analysed as regards their effects and classified into pre-defined risk categories and possible risk aggregates.

Risk assessment

Risks are assessed based on two criteria: probability of occurrence and potential damage. As a basic standard, all risks are evaluated on a gross (i.e. before the consideration of response measures) and a net (i.e. remaining risks after existing and risk response measures) risk basis in order to display the effectiveness of risk response activities.

The classification of risks and the risk matrix generated for the internal quarterly risk report are based on the following three-level risk classes:

PROBABILITY OF OCCURRENCE

Category	*Risk*
Low	**< 5%**
Medium	**5 – 25%**
High	**> 25%**

POTENTIAL FINANCIAL IMPACT ON LIQUIDITY

Risk class	*Risk*
Low	**< € 2 m**
Medium	**€ 2 – 5 m**
High	**> € 5 m**

In due consideration of corporate strategy and development, the Company reviews the levels of probability of occurrence and financial impact once a year to see if any changes need to be made. In 2021, neither risk classes nor risk categories needed to be adjusted.

These reporting criteria apply exclusively to the Group. As the subsidiaries vary in size, the regional entities are in charge of adjusting critical damage levels in their local risk management systems to fit local financial capacities.

Risks that do not have any direct impact on liquidity (e.g. write-downs) or that cannot be assessed (yet) due to a lack of available data and information should also be recorded.

Risk management

Regardless of the risk categorisation, all active risks must be managed with appropriate measures (= measure to reduce, prevent or transfer risks). Acceptance of risk without initiating any measures is permitted only in individual cases and generally not for high risks. The risk management is in charge of preparing, implementing and monitoring appropriate measures. The status of all mitigating activities and their efficiency is documented in Evotec`s risk management tool and reviewed by the Group's risk management on a quarterly basis.

Risk reporting

Based on the risks identified and reported through bottom-up and top-down procedures, the corporate risk management submits quarterly risk reports to the Management Board, the Supervisory Board's Audit and Compliance Committee and to the Supervisory Board itself. The continuous risk report focuses on the presentation of the major top 20 risks for the Group as regards the quantitative development and the status of the protective measures that have been or are planned to be implemented.

Risk monitoring

The Supervisory Board is in charge of monitoring the efficiency of the risk management system. The Management Board and the Supervisory Board review the processes of the risk management system once every year during risk reporting. Moreover, Evotec gives high priority to responsible and value-based corporate governance. As in previous years, the Management Board and the Supervisory Board have made a statement of compliance to the German Corporate Governance Codex according to section 161 of the German Stock Corporation Act (AktG). This declaration is available to the shareholders on the Company's website under https://www.evotec.com/en/investor-relations/governance.

CONTROL AND MONITORING SYSTEMS

Evotec has implemented an early risk detection system and a risk bearing capacity model in accordance with section 91 paragraph 2 of the German Stock Corporation Act ("AktG") to ensure the legally required monitoring of essential business risks by the management board and supervisory board. This also includes the upgrade of an internal control system in accordance to Section 91 paragraph 3 of the German Stock Corporation Act ("AktG") in conjunction with Section 289 paragraph 4 of the German Commercial Code ("HGB") which Evotec expanded during the financial year 2021 to ensure compliance with the requirements of the US Sarbanes Oxley Act 2002

(section 404). As a newly public listed company in the US the Company is allowed to wait until Evotec's second annual report to fully comply with Section 404 so that reporting according to SOX compliance regarding ICFR is not yet required for 2021.

Early risk detection system and risk bearing capacity model

Evotec fulfils the requirements according section 91 paragraph 2 AktG to be able to identify all significant developments and/or developments that threaten the existence of the Company at an early stage with Evotec's group wide implemented and standardized Risk Management system. In addition, Evotec set up a risk bearing capacity calculation that examines if Evotec can absorb the impact of all risks on liquidity in the event that the relevant risks materialise. For this purposes, scenarios for all risks are created based on stochastic calculations considering distribution curves. If the risk simulation exceeds the company´s risk bearing capacity and risk tolerance, counter measures are worked out immediately in cooperation with the Management Board.

Internal control system

As part of the comprehensive risk management system, Evotec has an internal control system in place in which suitable structures and processes are defined and implemented in the organization. The aim of the Company's internal control system is to minimize the occurrence of procedural risks to an acceptance level. This also includes ensuring proper and effective accounting and financial reporting in accordance with national and international accounting standard and laws. The accounting based internal control system is designed in such a way that a timely, uniform and correct accounting entry of all business transactions based on applicable accounting standards is guaranteed.

The internal control system, including the accounting based internal control system, of Evotec comprises both process-integrated and process-independent protective measures. The process-integrated measures are organisational, automatic systems and controls that are built into structures and processes and ensure a certain level of protection. These measures include:

- Clear separation of duties
- Dual control principle
- Variance analyses
- Plausibility checks

Process-independent protective measures are conducted on an annual basis by the independent Global Internal audit function. This ensures the legally obligatory monitoring of the effectiveness of the internal control system by the Executive Board in accordance with section 91 paragraph 3 of the German Stock Corporation Act ("AktG"). At the same time, organisational structures and processes are reviewed. The effectiveness of the internal control system was fully tested in 2021 for all material entities – based on a developed scoping model – from the global Risk Management Department and an external consultant firm (PriceWaterhouseCoopers GmbH) in connection with the global Sarbanes Oxley Act implementation. From 2022 onwards, Evotec entities have to evaluate and confirm the appropriateness, documentation and efficiency of the key controls continuously. Key controls will be tested on a yearly basis by Evotec's Global Internal Audit function exclusively and independently.

Based on this information, the Board of Directors has concluded in its review that Evotec's internal control system, which is based on the framework established by the Committee of Sponsoring Organisation of the Treadway Commission ("COSO" framework), is fully functional, adequate and effective, both in terms of its design and in terms of operation.

The results of the effectiveness review are presented once a year to the Executive Board, the Audit and Compliance Committee of the Supervisory Board and the Supervisory Board itself.

Process independent monitoring

The Global Internal Audit function runs independent, risk-oriented and objective audit procedures with a clearly defined systematic approach in order to assess the effectiveness of the corporate management, processes, control and risk management and in order to contribute to the improvement. In addition, the external auditor, as an independent external body, assesses the risk early detection system for its fundamental suitability as part of the audit of the annual financial statements.

OVERVIEW OF CURRENT RISK SITUATION

Evotec is exposed to various risks arising from its activities and from the sector. Each of these risks could have a significant negative impact on its general business, its financial situation and its results.

Evotec has classified the most important risks in the following categories: strategic risks, market risks, financial risks, legal/compliance risks, ownership and patent risks, HR risks, information technology risks, and operational risks.

In the following, the most relevant risks from Evotec´s risk assessment are reported. Established risk control measures are taken into account so that the following risk overview is based on a net risk perspective for the probability of occurrence and the financial impact. Evotec also reports significant risks that may not be financially quantifiable in a meaningful way. In the following, Evotec describes the individual risk categories and indicate their risk classification. The order does not imply any valuation of the risks.

Evotec points out that an inevitable uncertainty in the risk assessment is implicit as risk assessments are subject to considerable estimations and require assumptions that not always can be verified through previous internal experiences or external sources.

The table below is an overview of these risks.

CORPORATE RISK OVERVIEW (AGGREGATED)	*Probability of Occurence*	*Potential financial impact*
1. Strategic risks		
Failure to achieve strategic targets	High	High
Disruptive market participants	Low	High
Future risks to success in drug discovery and development	High	High
Failure of mergers and acquisitions	Medium	Medium
Political risks	High	Low
2. Market risks		
Competitive situation	Low	High
Commercial risks from out-licensing and licenced products	High	Medium
Overall economic development	High	Medium
Risks related to the COVID-19 pandemic	Low	High
Termination of projects and contractual relationships	High	High
3. Financial risks		
Liquidity risk	Low	Low
Currency risks	Low	High
Interest rate risks	Low	Low
Loss of R&D tax credits	Low	High
Risks in the context with changes in tax laws and interpretations by authorities in jurisdictions of business operations	Medium	Medium
4. Legal/compliance risks		
Litigation	Low	High
Contractual risks	Medium	Low
Regulatory risks	Low	Low
Product liability risks	Low	Low
Quality risks in R&D	Medium	High
General governance and compliance risks (fraud, corporate governance)	Low	High
5. Ownership and patent risks		
Patents and proprietary technologies	Medium	Medium
Licences granted for partnered assets	Medium	Medium
6. HR risks		
Loss of highly qualified staff (key employees)	High	Low
7. Information technology risks		
Loss of data	Medium	High
Data integrity and protection	Medium	Low
Cyber risks	High	High
GDPR and other similar jurisdictions	High	High
8. Operational risks		
Environmental, health and occupational safety risks	Medium	Low
Procurement risks	High	High
Process risks	Low	Medium
Major disasters on sites	Low	High

Due to the changed evaluation methodology of risks in connection with the new IDW PS 340, a comparison of the risk evaluation with the previous year is not possible and meaningful.

Compared with fiscal year 2020, Evotec has fundamentally changed its evaluation basis as well as the valuation methodology. As of the fiscal year, all risks are derived using a gross-net method, as recommended by German and international standards. This leads to a more accurate assessment of risks and improved management of countermeasures at Evotec SE. In addition, the risk management has been changed to a cash impact assessment only, which allows for an improved comparability of risks. As a result of this change, a comparison of risks in terms of the amount of damage and probability of occurrence is not meaningful or is only meaningful to a limited extent. For this reason, we have decided to dispense with the presentation of risk development in relation to the previous year for the first time in the 2021 financial year and will do so again from the 2022 financial year in the interests of consistency.

Based on the principles of risk factor assessment described above, the Management Board believes that no risks have been identified currently that jeopardise the continued existence of Evotec, either alone or in a foreseeable aggregation.

1. Strategic risks

The risk of **failure to achieve strategic targets** depends on internal and external factors. Currently, Evotec has more than 4,000 employees and, in connection with the growth and advancement of its pipeline, Evotec expects to increase the number of employees and the scope of Evotec's operations. To manage its anticipated development and expansion, Evotec must continue to implement and improve its managerial, operational, legal, compliance and financial systems, expand its facilities, and continue to recruit and train additional qualified personnel. Also, Evotec's management may need to divert a disproportionate amount of its attention away from its day-to-day activities and devote a substantial amount of time to managing these development activities. Evotec is actively developing pipeline assets in many therapeutic areas and across a wide range of diseases. The Company also routinely pursues new service offerings, such as its recent expansion into CRO services including, but not limited to, protocol preparation and review and regulatory preparation and submission. Successfully developing candidates for, and fully understanding the regulatory and manufacturing pathways to, all of these therapeutic areas and diseases requires a significant depth of talent and experience, resources and corporate processes in order to allow simultaneous execution across multiple areas. In case of limited resources, Evotec may not be able to effectively manage this simultaneous execution and the expansion of its operations or recruit and train additional qualified personnel. This may result in weaknesses in Evotec's infrastructure, give rise to operational mistakes, legal or regulatory compliance failures, loss of business opportunities, loss of employees and reduced productivity among remaining employees. For example, by expanding into CRO services, Evotec may become liable for acts or omissions made in connection with developing clinical protocols. The physical expansion of Evotec's operations may lead to significant costs and may divert financial resources from other projects. If Evotec's management is unable to manage effectively the Company's expected development and expansion, the expenses may increase more than expected, the ability to generate or increase revenue could be reduced and Evotec may not be able to implement its business strategy. Evotec's future financial performance and its ability to compete effectively will depend in part on the ability to manage effectively the future development and expansion of the Company. In order to achieve its strategic targets, the Company above all must continue and expand its top-quality, innovative services.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Evotec faces the risk of **disruptive market participants**, i.e. that new market entrants and existing competition may try to replicate Evotec's business model or introduce a more innovative offering that renders Evotec's services less competitive or obsolete. In addition, Evotec's drug discovery and development efforts may target diseases and conditions for which there are existing therapies or therapies that are being developed by Evotec's competitors, which may have e.g. greater resources or greater manufacturing capabilities than the Company does. Further, any drug products resulting from Evotec's research and development efforts might not be able to compete successfully with others' existing and future products.

Evotec addresses the growing competitive and price pressure with high-quality, innovative and flexible-access services and a unique business model based on proprietary technology platforms. Reasonable cost management, continued development of capacities and technologies, diversification of revenues as well as revenues from valuable, result-driven alliances are critical factors for Evotec in maintaining a significant role in the world of drug discovery in the pharma and biotechnology sector.

Evotec faces **future risks to success in drug discovery and development** due to failure, whereby some of the factors of success are beyond its control. Evotec seeks to serve as a source of innovative drug candidates to potential partners. The Company is advancing a number of active discovery and early-stage development assets that it intends to license to partners for clinical development and commercialization. Some of Evotec's assets are not partnered, and if Evotec cannot find a suitable partner or agree on acceptable terms with a partner, the Company may not be able to generate a return on such assets. Furthermore, the amount of Evotec's return on its investments in the Company's pipeline assets depends on many factors, such as the degree of innovation and strength of Evotec's intellectual property position, as well as on external factors outside of Evotec's control. For example, Evotec's ability to generate a return on its investments in its pipeline assets depends, in significant part, on Evotec's partners' research and development priorities. The market environment, demand and competitive landscape for Evotec's individual pipeline assets might change significantly over time as certain diseases become more or less prevalent or other treatment options are demonstrated to be more safe and effective or become more readily available, thereby reducing the market opportunities for Evotec's pipeline assets in development. As a result, the commercial objectives of Evotec's partners with respect to individual assets and the financial proceeds Evotec may receive from partnering individual assets is highly uncertain, subject to factors outside of Evotec's control and could deviate significantly from its projections.

Whether Evotec is eligible to receive milestone and royalty payments is subject to its partners' success with regard to pre-clinical and clinical testing. The outcome of respective tests and trails is inherently uncertain, and Evotec neither controls nor drives the development process once its partners enter the clinical trial phase. Evotec's partners also may experience unforeseen challenges during, or as a result of, any clinical trial which they conduct. This could significantly delay or even prevent successful product development and subsequent market approval. Furthermore, there is a risk that milestone and potential license payments on future drug sales by partners will be lower than anticipated in Evotec's strategic planning. This could thus lead to impairments of underlying individual intangible assets, affecting Evotec's financial position and jeopardise the corresponding strategic target in the medium to long term.

Evotec has strategic growth targets which it intends to achieve through a combination of organic growth and the acquisition of complementary service and research capacities so that the Company faces the **risk of failure of mergers and acquisitions.**

Evotec intends to undertake additional strategic acquisitions; however, it may not realize the intended advantages of such acquisitions and investments, in particular if Evotec is unsuccessful in ascertaining or evaluating target businesses. For instance, Evotec's assumptions may prove to be incorrect, which could cause the Company to fail to realize the anticipated benefits of these transactions. If Evotec fails to realize the expected benefits from acquisitions or investments, whether as a result of e.g. unidentified risks or liabilities or integration difficulties, the Company's business, results of operations and financial condition could be adversely affected (e.g. impairments on goodwill or intangible assets). Moreover, Evotec may not be able to locate suitable acquisition or partnership opportunities. Following an acquisition, Evotec may not be able to successfully integrate the acquired business or operate the acquired business profitably. In addition, integration efforts often take a significant amount of time, place a significant strain on managerial, operational and financial resources, might result in loss of key personnel and can prove to be more difficult or expensive than predicted. The diversion of the management's attention and any delay or difficulties encountered in connection with any future acquisitions could result in the disruption of Evotec's on-going business or inconsistencies in standards and controls that could negatively affect its operations, including the ability to maintain third-party relationships. If Evotec encounter difficulties integrating newly acquired assets or operations with its platform, its business and results of operations as a group may be adversely impacted. Moreover, if Evotec invests in new modalities and technologies, it may not be successful in integrating them into its platform offerings or generating customer or partner demand for them, which could result in failure to generate a return on Evotec's investment.

Some of the businesses Evotec may seek to acquire may be marginally profitable or unprofitable. For these businesses to achieve acceptable levels of profitability, Evotec may need to improve their management, operations, products and/or market penetration. Evotec may not be successful in this regard, and it may encounter other difficulties in integrating acquired businesses into its existing operations.

Further, as part of Evotec's **EVO***equity* model, from time to time Evotec invests in start-up companies and/or development stage technology. In evaluating these opportunities, Evotec follows an evaluation process that considers factors such as potential financial returns, new expertise in emerging drug discovery and business benefits. Despite Evotec's best efforts to calculate potential return and risk, some or all of these companies the Company invests in may be unprofitable at the time of, and subsequent to, Evotec's investment. Evotec may incur losses from these investments, including the potential for future impairment charges on the investments, and the anticipated benefits of the technology and business relationships may be less than expected.

Evotec therefore strives to ensure the proper adjustment and smooth integration of the new companies' technologies, cultures, systems and processes and act as ONE Evotec. Based on the experience of past acquisitions, the Company makes use of all necessary resources and departments to ensure a smooth integration process.

Political risks, which Evotec considers to be strategic risks, mainly include geopolitical decisions that lead to global trade conflicts or an uncertain economic situation. In case of instable political situations, Evotec also faces the risk of direct impact on its operations e.g. due to delays of deliveries or blacklisted countries including suppliers and customers from these countries. Evotec addresses these risks by continuously monitoring political uncertainties and actively working with stakeholders in order to assess and minimize potential negative effects where possible. For this purpose, special task forces comprising representatives from all necessary business units prepare and implement measures in a timely manner, e.g., a BREXIT task force in 2020 until mid 2021. With the Russia/Ukraine conflict, starting in 2021, Evotec closely monitors all impacts from sanctions against Russia for its business. The impact on Evotec from the Russia/Ukraine conflict is recorded directly under the purchasing risks. Evotec addresses these risks by e.g. transferring orders to other suppliers at an early stage and proactively. However, based on Evotec's evaluation of the impacts on its business from the increasing crisis in the Ukraine, the political risk is currently assessed to be not material.

2. Market risks

The world of drug discovery in the pharmaceutical and biotechnology sector has grown rapidly in recent years. As a result, Evotec is closely monitoring the **competitive situation** and the competitive environment.

Evotec´s mission is to discover best and first-in-class medicines for a broad range of difficult-to-treat diseases in collaboration with Evotec's partners. To that end, Evotec has built a comprehensive suite of fully integrated, next generation technology platforms which it believes will transform the way new drugs are discovered. By leveraging the advanced capabilities of its integrated platforms, Evotec is able to provide solutions to its partners that enable significant improvements in the quality of new drugs while accelerating the drug discovery process and reducing the high cost of attrition often associated with traditional drug discovery processes. The industry in which Evotec operates is highly competitive, with many players pursuing similar scientific approaches. If Evotec does not continually offer its partners innovative and cutting-edge solutions and remain at the forefront of precision medicine, the Company's business may be materially and adversely affected.

Moreover, Evotec's business operations are subject to challenges as a result of industry pressures. For instance, Evotec expects the industry to continue experiencing pricing pressures due to the persistent trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs, particularly with regard to prescription drugs, has intensified and Evotec's partners are impacted accordingly. As Evotec's business is dependent on the continued health and growth of the pharmaceutical and biological industry, should the industry contract due to pricing pressure, Evotec's business may be materially and adversely affected. Evotec addresses this risk with a diversified business model based on innovative, multifunctional technologies and platforms that took years to develop.

The **commercial risk from out-licensing and licensed products** is a medium risk, in Evotec's view. Evotec depends in part on out-licensing arrangements for late-stage development, marketing and commercialization of its pipeline assets. Dependence on out-licensing arrangements subjects

Evotec to a number of risks, including the risk that it has limited control over the amount and timing of resources that the Company's licensees devote to pipeline assets, that its licensees may experience financial difficulties or that its licensees may fail to secure adequate commercial supplies of pipeline assets upon marketing approval, if at all. Moreover, Evotec faces the risks that its future revenues depend heavily on the efforts of its licensees and that business combinations or significant changes in a licensee's business strategy may adversely affect the licensee's willingness or ability to complete the development, marketing and/or commercialization of the relevant pipeline assets. Finally, a licensee could move forward with a competing product candidate developed either independently or in partnership with others, including Evotec's competitors.

If Evotec or any of its licensees breach or terminate their agreements with Evotec or if any of its licensees otherwise fail to conduct their development and commercialization activities in a timely manner or there is a dispute about their obligations, Evotec may need to seek other licensees, or the Company may have to develop its own internal sales and marketing capability for its pipeline assets. Evotec's dependence on its licensees' experience and the rights of its licensees will limit Evotec's flexibility in considering alternative out-licensing arrangements for its pipeline assets. Any failure to develop successfully these arrangements or failure by Evotec's licensees to successfully develop or commercialize any of Evotec's pipeline assets in a competitive and timely manner will have a material adverse effect on the commercialization of the Company's pipeline assets.

To mitigate this risk to the extent possible, detailed project reporting is established within Evotec and stipulated in any collaboration agreement.

Due to its global activities, Evotec is exposed to risks arising from the **overall economic development,** which may have an adverse effect on its revenue and earnings performance in the event of an economic slowdown.

The **COVID-19 pandemic** is an extraordinary shock for the economies of the EU and the rest of the world, and it has severe economic and social consequences.

The COVID-19 pandemic is continually evolving and to date has led to the implementation of various containment measures, including government-imposed shelter-in-place orders, quarantines, national or regional lockdowns, travel restrictions and other public health safety measures, as well as reported adverse impacts on healthcare resources, facilities and providers across the world. In response to the spread of COVID-19, and in accordance with direction from government authorities, Evotec has, for example, limited the number of such personnel that can be present at its facilities at any one time, mandated the usage of face masks in all Evotec facilities, implemented regular COVID-19 task force consultations, limited the maximum numbers of people allowed in rooms at one time and requested that many of the Company's personnel work remotely. In the event that government authorities were to further modify current restrictions, Evotec's employees conducting research and development or manufacturing activities may not be able to access Evotec's laboratory or manufacturing facilities and the Company's core activities may be significantly limited or curtailed, possibly for an extended period of time.

As a result of the COVID-19 pandemic, Evotec has experienced and may in the future (with COVID-19 or other similar pandemics and outbreaks) experience severe disruptions, including:

- interruption of or delays in receiving products and supplies, such as pipettes and pipette tips, from the third parties Evotec relies on to, among other things, provide the Company's service offerings to its customers or manufacture for its customers, which may impair Evotec's ability to operate its business;

- limitations on Evotec's business operations by local, state or federal governments that affect the Company's ability to operate its business;

- delays in customers' orders and negotiations with customers and potential customers;

- delays in clinical trials conducted by Evotec's partners, leading to a decrease in revenue in the Company's EVT Innovate segment due to a corresponding delay in milestone achievements;

- business disruptions caused by workplace, laboratory and office closures and an increased reliance on employees working from home, travel limitations, cyber security and data accessibility limits, or communication or mass transit disruptions; and

- limitations on employee resources that would otherwise be focused on the conduct of the Company's activities, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

Any of these factors could severely affect Evotec's operations. Evotec cannot predict the scope and severity of any potential business shutdowns or disruptions as a result of the ongoing COVID-19 pandemic. The extent to which the pandemic may negatively impact Evotec's consolidated operations and results of operations or those of Evotec's third-party manufacturers, suppliers, partners or customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Although the direct financial effect of the coronavirus pandemic has been less severe for Evotec than for other sectors up to now, due to the high likelihood of occurrence the Company rates the impact of COVID-19 as an ongoing material risk.

Evotec classifies the **termination of projects and contractual relationships** especially Evotec´s key projects with larger customers as a medium net risk, which, however, is also associated with significant opportunities.

Evotec depends on certain individual large customers. The loss of any of these customers would have a material adverse impact on its results of operations. Furthermore, certain of the Company's service contracts involve scientific or technical delivery risks. In the current fiscal year, the revenue contribution of Evotec's three largest customers was 25% compared with 24% in 2020. Although Evotec generally has long-term contracts with its major customers, there is a risk that customers may terminate projects and contractual relationships earlier than planned for strategic reasons or reasons for which Evotec is responsible. High quality services, innovative solutions and close interaction with customers are key measures to reduce the likelihood of early contract termination or to identify its risk at an early stage. Nevertheless, the risk cannot be fully controlled due to strategic decisions of Evotec's customers that cannot be influenced. If a customer exits a drug discovery and development project, future revenues including

milestone and royalty payments would be lost in a high volume. Where contractually permitted, Evotec will always seek to continue the advanced research projects with new partners.

3. Financial risks

Revenue fluctuations, expenditures, external events and changes in the business environment might negatively impact Evotec's short-to-medium term profitability and **liquidity.**

As of December 31, 2021, Evotec had € 858.2 m in cash, cash equivalents and investments. However, Evotec's operating plan may change as a result of many factors currently unknown to the Company, and Evotec may need to seek additional funds sooner than planned, through public or private equity or debt financings, government or other third-party funding, sales of assets, other partnerships and licensing arrangements, or a combination of these approaches. Even if Evotec believes it has sufficient funds for its current or future operating plans, the Company may seek additional capital if market conditions are favourable or if Evotec has specific strategic considerations. Evotec's spending will vary based on new and ongoing development and corporate activities. To actively address any related risk and safeguard its cash position, Evotec has defined minimum liquidity levels and regularly undertakes scenario planning. In full compliance with the Company's investment policy, the general risk of losing a significant amount of cash in cash investments is mitigated by spreading investments in high-quality credit instruments across several banks and by monitoring these banks and investments on an ongoing basis. The selected instruments are used exclusively to secure the underlying transactions, but not for trading or speculation.

All options for refinancing are reviewed on a regular basis, including potential capital increases and the use of debt instruments. Overall, Evotec sees little liquidity risk at this point.

Evotec's business and reported profitability are affected by fluctuations in foreign exchange rates mainly between the US dollar, pound sterling and the euro.

Evotec manages the **currency risks** via close market monitoring, forwards, natural hedges and other selective hedging instruments. Hedging transactions are entered into for future transactions that can be reliably anticipated based on Evotec order book. Despite active currency management, exchange rate risk cannot be eliminated due to unpredictable volatility. As a result, Evotec's business may be affected by fluctuations in foreign exchange rates, which may have a significant impact on its results of operations and cash flows from period to period. Currency exchange movements also impact Evotec's reported liquidity in respect of translating liquid assets held in US dollars or pound sterling into euros.

In its individual financial statements, Evotec SE opted not to create a separate valuation unit according to section 254 German Commercial Code.

Interest rate risks may arise from unavoidable negative interest on investments of available cash after capital increases, financing, etc. Due to the European Central Bank's negative deposit interest rate of (0.5)% (the European Central Bank decided on 3 February 2022, to keep the rate at (0.5)%), Evotec's banks are also charging negative interest on its balances. The Corporate Treasury Team continuously screens the market for suitable short-to-medium term investment options in order to avoid negative interest. In addition, Evotec continuously monitors interest rate market developments in order to react on interest rate increase risks – due to economic developments – on Evotec's floating rate loans at an early stage.

Evotec operates in many different countries and is therefore potentially taxable in several countries and subject to various national tax laws and regulations. **Risks in the context with changes in tax laws and interpretations by authorities in jurisdictions of business operations** as well as findings based on audits by authorities in these countries can lead to additional tax expenses and payments, which can have a negative impact on the Company's business, its financial position and results. These unforeseen additional tax expenses can arise for a number of reasons. Due to the complexity of Evotec's business model, this could affect the tax treatment of individualized elements of customer contracts, the taxable presence of a group company in a tax jurisdiction, adjustments to transfer prices, the application of indirect taxes to certain transactions and the non-recognition of the benefits of double tax treaties. Furthermore, **R&D tax credits** in various countries form a significant part of other operating income and contribute positively to Evotec's financial performance. Influences can also arise from significant acquisitions, divestments, restructuring and other reorganizations. Due to the global economic downturn caused by the COVID-19 pandemic and the resulting increase in government costs, there is a higher risk that Evotec will receive notifications about the reduction or failure to grant tax relief or receive adverse changes to tax assessments. In general, Evotec works together with external consultants in all countries in which the Company operates in order to minimize any risks. In addition, Evotec regularly monitors the political and legal landscape in this regard, but could not completely avoid the negative effect on its results due to the lack of influence and compensation options.

4. Legal/compliance risks

Evotec strives to address legal risks as early as possible and respond pro-actively. Permanent measures are meant to entirely prevent any compliance violations.

Despite Evotec's pro-active measures, the Company is exposed to risks from **litigation** and cannot completely rule out infringements of legislation. As a result, Evotec is exposed to the potential risk that legal action, court rulings or out-of-court settlements may have adverse financial consequences. For major and/or complex transactions, Evotec pro-actively seeks external advice to mitigate the related risks.

The Company is bound by numerous complex contracts with a low degree of standardisation, in particular customer contracts. Contractual clauses that are flawed or contentious or unfavourable for Evotec may entail **contractual risks** like legal liability risks and financial risks. Evotec addresses this risk by continuously involving its corporate legal department as well as external legal advisers when needed. Thanks to this cumulative expertise of established review and contract drafting processes, Evotec has not recorded any judicial or material out-of-court settlements with customers in the past 10 years, so Evotec considers the risk to be low.

Evotec and its pharmaceutical and biotechnology customers and partners are subject to extensive regulations by the FDA and similar regulatory

authorities in other countries for development, manufacturing and commercializing products for therapeutic or diagnostic use. Such regulations include but are not limited to, restrictions on testing on animals and humans, manufacturing, safety, efficacy, labelling, sale, advertising promotion and distribution of Evotec's or its partners' products. In addition, new laws and regulations to which Evotec and its customers and partners are subject may change in the future affecting the viability of market entry for new products developed in the Company's EVT Innovate segment or the ability to continue certain projects in the EVT Execute segment that may consequently be terminated at an early stage.

These **regulatory risks** and risks arising from **changing or stricter regulations** are addressed by continuously monitoring global and local legislations to ensure that imminent changes are detected in time. For this purpose, Evotec also employs external partners such as consultants, auditors and legal advisers under contract. Provided such connections exist, Evotec also engages in early dialogue with the authorities, e.g. regulatory authorities, to create transparency and ensure that its research and development activities conform to relevant legal and ethical requirements.

It is possible that the Company will be responsible for potential **product liability** stemming from product research, development or manufacturing and may face an even greater risk if any drug candidate that Evotec develops is commercialized. If Evotec cannot successfully defend itself against claims that drug products it develops with its partners caused injuries, the Company could incur substantial liabilities. Regardless of the merit or eventual outcome of such claims, any liability claims may result in e.g. decreased demand for any drug product that Evotec may develop with its partner, loss of revenues, significant time and costs to defend the related litigation, initiation of investigations by regulators and injury to Evotec reputation and significant negative media attention. Evotec is covered by liability insurance, but notwithstanding such coverage, the Company's financial position or results could be negatively affected by product liability claims. On occasion, large judgments have been awarded in class action lawsuits based on drugs or medical treatments that had unanticipated adverse effects.

Evotec acts very prudently and responsibly to prove that clinical product candidates are safe and effective for human use and approvable by regulatory agencies. In this context, the direct clinical development, the conduct of human trials and the interaction with the regulatory authorities are usually carried out by Evotec's licensing partners.

Evotec's business processes are designed to meet the highest scientific quality, and the progression of drug programmes and drug candidates in development partnerships is part of Evotec's non-financial performance indicators. The success of Evotec's business therefore hinges upon the fulfilment of both the Company's own and legal quality standards.

Parts of Evotec's operations are subject to GMP, GLP and Good Clinical Practice ("GCP") requirements and similar foreign requirements. Regulatory authorities and Evotec's customers may conduct scheduled or unscheduled (for cause) periodic inspections of Evotec's facilities to monitor its quality control system and verify that it complies with regulatory requirements and with the terms of Evotec's quality agreements with its customers. Audit findings that are classified as "critical" may lead to a loss of certification with regulatory agencies or a loss of approved supplier status with Evotec's customers and a subsequent loss in revenue. Evotec's manufacturing facilities also require certification and validation activities to demonstrate that they operate as designed. In addition, Evotec's manufacturing facilities are subject to regulatory inspections by the FDA, the national competent authorities in EU member states (including AIFA in Italy), the Medicines and Healthcare products Regulatory Agency ("MHRA") in the UK, and other comparable regulatory authorities. If Evotec is unable to reliably manufacture products in accordance with the legal and regulatory requirements of the relevant regulatory authorities, Evotec may not obtain or maintain the necessary approvals. Further, Evotec's facilities may fail to pass regulatory inspections, which would cause significant delays and additional costs required to remediate any deficiencies identified by the regulatory authorities. Any of these challenges could delay completion of clinical trials, require bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay regulatory approval, impair commercialization efforts, increase Evotec's cost of goods, and have an adverse effect on Evotec's business, financial condition, results of operations and growth prospects.

To minimise potential **quality risks in manufacturing and R&D activities,** Evotec has established a quality management system monitored by the Quality Assurance Committee. The Quality Assurance Committee submits regular reports to the Company's management, and it defines quality requirements. In addition, it is in charge of compliance monitoring, reviewing and reporting as well as the implementation of quality improvement measures.

In terms of **governance and compliance risks,** Evotec is mainly exposed to privacy breach and the potential risk of antitrust violations or fraud, e.g. through price fixing, illicit gratuities and the acceptance of unauthorised invitations.

All of Evotec's employees are obliged to adhere to the Company's Code of Conduct, which is applicable across the entire group. Compliance with internal 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 report any incidents they suspect of having breached the ethical guidelines laid out in the Company's Code of Conduct to their supervisor or to the Company's Compliance Officer. Evotec's corporate Legal & Compliance department is in charge of compliance monitoring. Its routine activities include reporting to the Management Board and the Supervisory Board, and the development and implementation of certain compliance guidelines and trainings.

5. Ownership and patent risks

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

The risks associated with intellectual property include the two main general risks **patents** and **proprietary technologies** as well as **licences granted for partnered assets.**

Different risk scenarios could arise which Evotec subdivides in the following risk areas. The Company's success depends in part on Evotec's ability to develop, use and protect its proprietary methodologies, software, compositions, processes, procedures, systems, technologies and other intellectual property. To protect its intellectual property position, Evotec primarily relies upon trade secrets, confidentiality agreements and policies, invention assignments and other contractual arrangements, trademark registrations and copyrights. Although Evotec's patent portfolio is not material to certain aspects of its business as a whole, Evotec has filed patent applications in the United States, Europe and abroad related to the Company's pipeline assets, processes or other technologies (including methods of manufacture). Evotec's collaboration partners also file patent applications on their development assets on which Evotec may earn milestones and royalties. Evotec may not be able to apply for patents on certain aspects of its current or future pipeline assets, processes or other technologies and their uses in a timely fashion or at a reasonable cost. Even issued patents may later be found invalid or unenforceable or may be modified or revoked in proceedings before various patent offices or in courts in the United States, Europe or other jurisdictions. The degree of future **protection for Evotec's intellectual property** and other proprietary rights is uncertain. Only limited protection may be available and may not adequately protect Evotec's rights or permit Evotec to gain or keep any competitive advantage. Additionally, Evotec's intellectual property may not provide the Company with sufficient rights to exclude others from copying Evotec's processes and technologies or commercializing pipeline assets. If Evotec does not adequately obtain, maintain, protect, defend and/or enforce its intellectual property and proprietary technology, competitors may be able to use Evotec's proprietary technologies and erode or negate any competitive advantage Evotec may have, which could have a material adverse effect on Evotec's financial condition and results of operations. The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that Evotec or any of Evotec's current or future licensors or partners will be successful in prosecuting, obtaining, protecting, maintaining, enforcing and/or defending patents and patent applications necessary or useful to protect Evotec's proprietary technologies (including pipeline assets and methods of manufacture) and their uses. Furthermore, the **patent prosecution process** is also expensive and time-consuming, and Evotec may not be able to file, prosecute, maintain, protect, defend, enforce or license all necessary or desirable patents or patent applications, as applicable, at a reasonable cost or in a timely manner or in all potentially relevant jurisdictions.

The patent position of pharmaceutical and biotechnology companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. Moreover, there are periodic **changes in patent law**, as well as discussions in the Congress of the United States and in international jurisdictions about modifying various aspects of patent law and such changes in patent laws or in interpretations of patent laws may diminish the value of Evotec's intellectual property. There is no uniform, worldwide policy regarding the subject matter and scope of claims granted or allowable in pharmaceutical or biotechnology patents. As a result, the issuance, scope, validity, enforceability, and commercial value of Evotec's patent rights are highly uncertain.

Evotec's ability to enforce its owned (solely or jointly), and in-licensed patent and other intellectual property rights depends on Evotec's **ability to detect infringement, misappropriation and other violation** of such patents and other intellectual property. It may be difficult to detect infringers, misappropriators and other violators who do not advertise the components or methods that are used in connection with their products and services. Moreover, it may be difficult or impossible to obtain evidence of infringement, misappropriation or other violation in a competitor's or potential competitor's product or service, and in some cases Evotec may not be able to introduce obtained evidence into a proceeding or otherwise utilize it to successfully demonstrate infringement. Evotec may not prevail in any lawsuits that Evotec initiates and the damages or other remedies awarded if Evotec were to prevail may not be commercially meaningful. If any of Evotec's owned (solely or jointly) or in-licensed patents covering Evotec's pipeline assets, processes or other technologies are narrowed, invalidated or found unenforceable, or if a court found that valid, enforceable patents held by third parties covered one or more of Evotec's pipeline assets, processes or other technologies, the Company's competitive position could be harmed or Evotec could be required to incur significant expenses to protect, enforce or defend Evotec's rights.

Evotec currently has rights to certain intellectual property, through its owned (solely or jointly) and in-licensed patents and other intellectual property rights, relating to identification and development of its pipeline assets, processes or other technologies. Evotec's pipeline assets, processes or other technologies could require the use of intellectual property and other proprietary rights held by third parties and their success could depend in part on Evotec's ability to acquire, in-license or use such intellectual property and proprietary rights. In addition, Evotec's pipeline assets may require specific formulations to work effectively and efficiently and these intellectual property and other proprietary rights may be held by others. Evotec may be **unable to secure such licenses or otherwise acquire or in-license from third parties** any compositions, methods of use, processes or other third-party intellectual property rights that Evotec identifies as necessary or considers attractive, on reasonable terms, or at all, for pipeline assets, processes and other technologies that Evotec may develop. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we, or Evotec's partners, may consider attractive or necessary. These established companies may have a competitive advantage over Evotec due to their size, cash resources, and greater clinical development and commercialization capabilities. Any of the foregoing could have a material adverse effect on Evotec's competitive position, business, financial conditions, results of operations and prospects.

Evotec's owned (solely or jointly) and licensed patents and patent applications may be subject to validity, enforceability and priority disputes. The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Some of Evotec's patents or patent applications (including licensed patents and patent applications) may be challenged at a future point in time in opposition, derivation, re-examination, inter partes review, post-grant review or interference or other similar proceedings. Any successful **third-party challenge to Evotec's or Evotec's licensors' patents** in this or any other proceeding could result in the unenforceability or invalidity of such patents, which may lead to increased competition to Evotec's business, which could have a material adverse effect on Evotec's business, financial condition, results of operations and prospects.

Evotec may **not be aware of all third-party intellectual property rights** potentially relating to its assets. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until approximately 18 months after filing or, in some cases, not until such patent

applications issue as patents. Evotec might not have been the first to make the inventions covered by each of Evotec's pending patent applications and Evotec might not have been the first to file patent applications for these inventions. To determine the priority of these inventions, Evotec may have to participate in interference proceedings, derivation proceedings or other post-grant proceedings declared by the United States Patent and Trademark Office ("USPTO"), or other similar proceedings in non-US jurisdictions (e.g. within the jurisdiction of the "Deutsches Patent und Markenamt" DPMA or European Patent Office EPO), that could result in substantial cost to Evotec and the loss of valuable patent protection. The outcome of such proceedings is uncertain. No assurance can be given that other patent applications will not have priority over Evotec's patent applications. In addition, changes to the patent laws of the United States allow for various post-grant opposition proceedings that have not been extensively tested, and their outcome is therefore uncertain. Furthermore, if third parties bring these proceedings against Evotec's patents, regardless of the merit of such proceedings and regardless of whether Evotec is successful, Evotec could experience significant costs and Evotec's management may be distracted. Any of the foregoing events could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Evotec's commercial success depends in part on its ability and the ability of future partners to develop, manufacture, market and sell Evotec's assets and use Evotec's assets and technologies without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology industry, as well as administrative proceedings for challenging patents, including interference, derivation, inter partes review, post-grant review, and re-examination proceedings before the USPTO, or oppositions and other comparable proceedings in foreign jurisdictions. Evotec may be exposed to, or threatened with, **future litigation by third parties** having patent or other intellectual property rights alleging that Evotec's assets, manufacturing methods, software and/or technologies infringe, misappropriate or otherwise violate their intellectual property rights.

Patents have a limited lifespan. Most international jurisdictions provide a 20-year nominal patent term, though many require payment of regular, often annual, annuities to maintain pendency of an application or viability of an issued patent. In some jurisdictions, one or more options for extension of a patent term may be available, but even with such extensions, the lifespan of a patent, and the protection it affords, is limited. Even if patents covering Evotec's or its partners' assets, processes and other technologies and their uses are obtained, once the patent term has expired, Evotec may be subject to competition from third parties that can then use the inventions included in such patents to create competing products and technologies. Any of the foregoing could have a material adverse effect on Evotec's competitive position, business, financial conditions, results of operations and prospects.

6. HR risks

The **loss of highly qualified staff (key employees)** could impede the achievement of Evotec´s short-term financial targets as well as its medium- and long-term strategic goals.

Evotec's ability to compete in the highly competitive biotechnology and pharmaceutical industry depends upon Evotec's ability to identify, attract, develop, motivate, adequately compensate and retain highly qualified managerial and scientific personnel. Evotec is highly dependent upon members of Evotec's management and qualified scientific personnel to perform research and development work and therefore is exposed to the risk that losing employees may mean the loss of critical knowledge. Evotec may not be able to retain these employees in particular due to the competitive environment in the biotechnology industry. The loss of any of Evotec's employees' services may adversely impact the achievement of Evotec's strategic objectives. Evotec currently does not have "key person" insurance on any of Evotec's employees. Evotec also may encounter problems hiring and retaining the experienced scientific, quality-control and manufacturing personnel needed to operate Evotec's manufacturing processes and operations, which could result in delays in production or difficulties in maintaining compliance with applicable regulatory requirements.

To reduce this risk, Evotec has established defined documentation processes, shared knowledge platforms, lab journals, clearly defined job functions and project meetings to secure some of the relevant knowledge, findings and data. At the same time, LTI awards for senior employees serve as a long-term retention measure. For reasons of risk mitigation and business strategy, Evotec has set up its organisation such that key employees develop a common level of knowledge, with well-defined rules of substitution and succession.

7. Information technology risks

Evotec collects and maintains information in digital form that is necessary to conduct Evotec's business, particularly for purposes of Evotec's **EVO***panOmics*, **EVO***panHunter,* J.DESIGN and induced Pluripotent Stem Cell ("iPSC")-based drug discovery platforms, and Evotec is highly dependent on its information technology systems. In the ordinary course of Evotec's business, the Company collects, stores, and transmits large amounts of confidential information, including intellectual property, proprietary business information, human samples and personal information. Evotec has also outsourced elements of its information technology infrastructure, and as a result a number of third- party vendors may or could have access to confidential information. Despite the implementation of security measures and safeguards, Evotec's information technology systems and data and those of Evotec's current or future contractors and consultants are vulnerable to compromise or damage.

Evotec's internal computer systems and those of its current and any future partners, vendors, and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, cybersecurity threats, war, and telecommunication and electrical failures. Furthermore, because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and often are not recognized until launched against a target, Evotec may be unable to anticipate these techniques or implement adequate preventative measures. Evotec may also experience security breaches that remain undetected for an extended period of time. If any such material system failure, accident or security breach were to occur and cause interruptions in Evotec's operations, it could result in a material disruption of Evotec's development programs and the Company's business operations, whether due to a loss of Evotec's trade secrets or other proprietary information or other similar disruptions. Any such breach, loss or compromise of clinical trial participant personal data, including in connection with **EVO***panHunter,* may also subject Evotec

to civil fines and penalties. To the extent that any disruption or security breach were to result in a loss of, or damage to, data or applications, or inappropriate disclosure of confidential or proprietary information, Evotec could incur internal costs or liability, Evotec's competitive position could be harmed and the further development and commercialization of Evotec's partners' product candidates could be delayed.

Although Evotec takes measures to protect sensitive data from unauthorized access, use or disclosure, Evotec's information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or interruption could compromise Evotec's networks and the information stored there could be accessed by unauthorized parties, manipulated, publicly disclosed, lost or stolen. Any such access, breach or other loss of information could result in legal claims or proceedings, and liability under federal, state or foreign laws that protect the privacy of personal information, as well as regulatory penalties.

Though Evotec has put systems and procedures in place to minimize the likelihood of security breaches, accidents or system failures occurring; Evotec cannot guarantee that third parties will not be able to gain unauthorized access to or otherwise breach Evotec's systems in the future. Any such unauthorized access or breach could adversely affect Evotec's business, results of operations and financial condition.

To minimize the risk of **losing data,** Evotec invests in the resilience and expansion of its 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.

Compliance with corporate guidelines relating to **data integrity and 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, remedies are initiated immediately.

Due to the rising number of external attacks on IT systems, the measures established to prevent **cyber risks** have become much more significant in the last few years. 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. Evotec has increased resources and investments in order to further secure its IT and data on all its sites.

All of the risks named above are given the highest priority regardless of the fact that potential damage can vary greatly depending on scale, duration and cause.

Considering the significantly expanded regulations under **General Data Protection Regulation ("GDPR") and other similar jurisdictions,** Evotec is permanently reviewing the handling of relevant internal and external data and its respective flow, storage and access. If Evotec fails to comply with the GDPR and the applicable national data protection laws of the European Union member states, or if regulators assert Evotec has failed to comply with these laws, it may lead to regulatory enforcement actions or other administrative penalties. This may be onerous and may interrupt or delay Evotec's development activities, and adversely affect the Company's business, financial condition and results of operations. Further, from January 1, 2021, Evotec has to comply with the GDPR and also the UK GDPR, which, together with the amended UK Data Protection Act 2018, retains GDPR in United Kingdom national law. The European Commission has adopted an adequacy decision which will automatically expire in June 2025 unless the European Commission re-assesses and renews/extends that decision. The relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear, and it is unclear how United Kingdom data protection laws and regulations will develop in the medium to longer term, and how data transfers to and from the United Kingdom will be regulated in the long term. These changes may lead to additional costs and increase Evotec's overall risk exposure. Other jurisdictions outside the European Union are similarly introducing new or enhancing existing privacy and data security laws, rules and regulations, which could increase Evotec's compliance costs and the risks associated with non-compliance. Privacy and data security laws are rapidly evolving and the future interpretation of those laws is somewhat uncertain. Evotec cannot guarantee that it is, or will be, in compliance with all applicable international regulations as they are enforced now or as they evolve. There is significant uncertainty related to the manner in which data protection authorities will seek to enforce compliance with privacy and data security laws, including the GDPR. Enforcement uncertainty and the costs associated with ensuring compliance with privacy and data security laws, including the GDPR may be onerous and adversely affect Evotec's business, financial condition, results of operations and prospects. If any of these events were to occur, the Company's business and financial results could be significantly disrupted and adversely affected.

In this regard, the Company has intensified its employee training efforts to increase awareness of the need to review and adjust internal data protection procedures and improve restricted access applications. In addition, Evotec has defined routines and installed internal and external contact persons in the event of certain potential types of data breach.

8. Operational risks

Evotec continuously enhances its operational risk management and optimises the accountability and performance assessment mechanism of all departments and functions. The Company actively gathers data on operational risk to enable proactive risk prevention opportunities. The long-term objective is to monitor the level of operational risk across the Group on a monthly basis to gain insights preventively, thereby reducing the Company's operational risks and saving costs in the long term.

As a global corporation, Evotec is exposed to extensive **environmental, health and occupational safety risks** potentially arising from production and supply chain processes as well as from various external events, such

as force majeure, natural disasters, government decisions, pandemics (e.g. COVID-19) or other global and local incidents.

Evotec has several business continuity plans tailored to different locations which are updated if the general environment changes. In addition, local task forces were installed at individual sites that introduce further measures and ensure appropriate communication with employees and major stakeholders. As a result, Evotec is well prepared to respond as quickly as possible to external disruptions with a direct or indirect impact on its business. The Company has also prepared further measures, including the possibility to draw on alternative materials or suppliers, internal exchange of materials and the definition of a clear code of conduct for employees and visitors and mobile work.

Aside from the safety of Evotec's processes, the safety of Evotec's employees and the protection of the environment are also given high priority at Evotec. Any misconduct may lead to personal, property, environmental and reputational damage, which in turn may cause short-term business interruptions, (temporary) shutdowns of projects, and penalties. Based on continuous threat analyses, Evotec has established guidelines, standards and measures that should reduce any environmental, health and occupational safety risks to a minimum.

Finally, Evotec's operations, including its research, development, testing and manufacturing activities are subject to numerous environmental, health and safety laws and regulations. These laws and regulations govern, among other things, the controlled use, handling, release and disposal of, and the maintenance of a registry for, hazardous materials and biological materials. Evotec's operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Evotec's operations also produce hazardous waste products. Evotec generally contracts with third parties for the disposal of these materials and wastes. In the event of contamination or injury resulting from the use of hazardous materials, Evotec could be held liable for any resulting damages, and any liability could exceed Evotec's resources. Evotec also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

Evotec's business depends on a reliable supply of various materials for its laboratories and production. Due to Evotec's business model, short-term order inquiries are unavoidable, so that delivery bottlenecks can lead to delays in projects and production and thus have a negative impact on Evotec's capacity planning and earnings situation. Price increases for laboratory and production materials, but also for electricity and gas, represent a financial risk. Evotec faces this risk by working closely with its suppliers and using different sources of supply. Due to regulatory requirements, however, Evotec is not always able to switch to other sources of supply, so that it cannot fully mitigate the risk. Evotec tries to limit the risk by reviewing and monitoring Evotec's supplier relationships, a continuous exchange with the operational areas for the early identification of needs and constant market analyses. In the context of the Russia / Ukraine conflict Evotec is facing high **procurement risks** in the short term due to increasing electricity and gas prices for entities purchasing gas and electricity on the Spot market. In the event of a short- to medium-term gas shortage, it may come to interruptions up to productions stop in Evotec´s sites if Evotec is unable to switch sufficiently to alternative sources of supply. Such a gas shortage could also have a direct impact on Evotec's suppliers and could disrupt the entire supply chain. Evotec also sees a risk of increasing transportation costs due to higher transport times and on-charging of costs from its suppliers.

Evotec recognises the importance of balanced knowledge management, for example in the context of external reporting deadlines or adequate runtimes of processes. Due to its steady growth, the Company must continuously adjust its organisational and functional management as well as standards, business processes and structures in accordance with its current and future scale. For example, Evotec's global finance function has initiated organisational improvement measures and additional change management measures in order to avoid knowledge monopolies and make the finance organisation more robust and flexible. This is also meant to prevent **process risks** such as inefficiencies and ensure accurate and high-quality financial data.

In the event of a **direct or secondary disaster** that results in stoppages of the Group's activities on one or multiple sites, or in damages and/or interruptions to the operations of key suppliers, Evotec may be forced to suspend or incur significant delays in parts or all of its activities. In each case, there is a potential risk that the Company's financial position and operating results may be substantially affected. Evotec therefore rates this risk as high from a financial standpoint. In addition, the implementation 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 (especially in risk areas like Seattle, US) 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 REPORT

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

A major pillar of Evotec's strategic plan is the creation of an extensive co-owned pipeline of product candidates without taking the financial risk of clinical development. The Company's many development partnerships with pharmaceutical companies represent **significant strategic opportunities.** Evotec participates in the potential success of a number of clinical assets currently. These clinical development programmes are financed by the Company's partners and therefore do not involve any financial risks for Evotec (apart from the risks inherent in the companies themselves in which Evotec holds an interest). However, they do harbour significant value creating potential. Within the EVT Innovate segment, Evotec continuously invests in academic or internal R&D projects. These projects are positioned as starting points for future strategic partnerships with significant commercial value creating potential.

Thanks to its profitability and liquidity position, Evotec can expand its business activities through both organic and inorganic growth, including acquisitions contributing unique technologies or skills that complement the Company's drug discovery offering. This could have a positive impact on the Company's business and its strategic and financial targets.

The last few years have been a phase of extensive restructuring and transition for the pharmaceutical industry, as many companies are faced with pending patent expiries, compensation and cost pressure. This has led to a decreasing number of research-based pharmaceutical companies taking the full risk of drug discovery and development. As a result, R&D outsourcing continues to grow. Outsourcing to external providers of innovative solutions converts fixed costs into variable costs and in certain areas offers access to expertise without having to invest in internal, underutilised capacities or infrastructure. In addition, external partners often have more innovative solutions and technologies, which can improve product development in terms of both quality and time.

Evotec is able and in a position to leverage these **market opportunities** and therefore pursues a business model that protects its existing business and at the same time generates future business opportunities. Evotec is a provider of high-quality drug discovery and development services. Its excellent reputation in the market plays a major role in generating new business. In addition, Evotec goes to great lengths to continuously upgrade and expand its technological capacity and ensure continued superior quality in its services, thereby generating business opportunities. Evotec's capabilities and platforms are well established in the industry and have generated a significant growing revenue stream over the past years. This has resulted in a high level of customer satisfaction, which Evotec can leverage to generate new business.

Furthermore, Evotec currently operates from a **sound liquidity position.** This financial stability allows Evotec to continue to make a wide range of investments, including a novel biologics facility (J.POD®), novel cell and gene therapy projects, the expansion of its presence in the US and Europe, as well as proprietary research projects, the further development of its proprietary drug discovery and development platform. In addition, Evotec's strong cash position enables it to evaluate potential M&A opportunities and generate potential exit points for higher value partnerships through its EVT Innovate initiatives. As Evotec's conservative mid-term financial planning does not yet assume any product commercialisation and subsequent commercial milestone and royalty payments, any successful product commercialisation would provide significant upside to Evotec's business planning and profitability.

Evotec co-owns a strong pipeline of more than 130 partnered programmes and more than 20 unpartnered projects. Assuming industry standard attrition rates and with respect to the broad product portfolio, the probability increases that one or more product opportunities will reach the market and generate significant royalty streams which will contribute to the economic success of Evotec.

Human resources are highly valuable assets for companies in the pharmaceutical and biotechnology industries. The Company believes that its success in alliances and partnerships is attributable to its key personnel. Roughly, 37% 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 may therefore have a positive impact on the Company's business and its strategic and financial targets. Leaving aside the troubles of the COVID-19 pandemic, the current crisis may also create opportunities. Pharmaceuticals and biotech have broadened their appeal, and they enjoy increasing confidence and standing as a driving force for the future. The increased media attention may also increase the Company's appeal and improve its chances to attract highly qualified people.

Outlook for the Evotec Group

The information set forth in this section contains forward-looking statements concerning future events. Words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "should," "target," "would" and variations of such words and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on the information available to, and the expectations and assumptions deemed reasonable by Evotec at the time these statements were made. No assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates, which are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of Evotec. Evotec expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Evotec's expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.

BUSINESS DIRECTION AND STRATEGY

In accordance with the strategic Action Plan 2025, "The data-driven R&D Autobahn to Cures", Evotec's management focuses on sustainable growth and value creation by expanding the Company's position as a leader in external innovation, offering high-quality drug discovery and development solutions to its pharma and biotech partners as well as to mission-driven foundations and academic institutions. By collaborating with partners and applying state-of-the-art platforms and the most suitable therapeutic modalities, Evotec aims to develop most efficiently new or at least best-in-class cures and to increase probabilities of success of future therapies targeting the treatment of diseases so far deemed incurable. The strategy of sharing the success of Evotec's proprietary platforms is expected to result in the building of a very extensive co-owned pipeline, which will form the basis for future royalty payment streams. Evotec aims to build one of the largest pools of royalty payment streams in the industry by continuously expanding the co-owned pipeline.

The strategy is to develop and apply innovative technologies and processes for all modalities allowing the development of more precise and efficient therapies. The Company acts as a partner, granting access to its platform and creating a position for itself to become the preferred external innovation partner in drug discovery and development through joint innovation projects. The type of partnership determines the type of revenue to be recognised in either the EVT Execute or the EVT Innovate segment. In the EVT Execute segment, the fee-for-service model accounts for the lion's share of revenues. The majority of revenue is generated on the basis of FTEs (Full Time Equivalent) or Fee-for-Service. Within this model, any project-specific intellectual property remains with the partner. The EVT Innovate segment comprises partnered projects with intellectual property originating from either both partners' joint efforts or from Evotec alone. Thanks to these innovative, tailored and risk-balanced collaborations, the business segment generates both FTE rate-based revenues and milestone and royalty payments for progress made within a project. In order to expand its pool of innovative approaches, the Company enters into translational (BRIDGE) partnerships with academic institutions and selectively participates in ventures via strategic investments and company formations.

In late 2021, Evotec set the following non-financial targets for 2022 for the EVT Execute and EVT Innovate segments and for the group:

Please find detailed information about the eight building blocks of Evotec's Action Plan 2025 "The data-driven R&D Autobahn to Cures" on the Evotec website under https://actionplan.evotec.com.

EVT EXECUTE

- Expansion of capacity
- Expansion of existing and conclusion of new integrated service alliances
- Introduction and acceleration of AI/ML offerings across all modalities
- Start manufacturing in J.POD® Redmond (WA), USA
- Start construction of J.POD® Toulouse, France
- Build a strategy beyond the J.POD® Toulouse, France

EVT INNOVATE

- Build co-owned new alliances and Spin-Offs along the Building Blocks of Action Plan 2025
- Initiation of new clinical trials and progress in the co-owned pipeline
- Acceleration of Cell therapy initiatives
- Invest >10% of R&D commitments & footprint in Women's health, Tuberculosis (GH) & AMR

GROUP

- Hire, entrepreneurially build and integrate new employees >700 new hires in 2021
- Build long term leadership, learning and succession plans while keeping the Company's employee turnover rate below 2021
- Align all environment goals with 1.5° C SBTi commitment with best possible impact latest until 2025

FINANCIAL OUTLOOK FOR 2022

Revenues from contracts with customers, unpartnered research and development expenses and Adjusted Group EBITDA are the most important and thus the key financial performance indicators for the management of the Evotec Group.

— EXPECTED OPERATING RESULTS —

A milestone achievement is a single event that is subject to certain risks and uncertainties of which some are beyond Evotec's control. The number of projects with potential for milestone payments is rising. When taking account of the probability of success, the total amount of revenues from milestone payments is therefore becoming less erratic over time. In general, milestones should contribute significantly to the company's overall profitability.

In € m	*Actual figures for 2021*	*Forecasts for 2022*	*Main assumptions*
Group revenues	**618**	700–720[1)]	Growth driven by ▶ current orders on hand ▶ foreseeable new contracts ▶ extension of contracts ▶ prospective milestone payments
Adjusted Group EBITDA	**107**	105–120[2)]	▶ Growing base business ▶ Investing into sustainable structure to augment future growth ▶ Expanding expenses for unpartnered R&D
Unpartnered R&D expenses	**58**	70–80	▶ Long-term expansion of the pipeline ▶ Focus on first-in-class platforms and projects

[1)] At unchanged exchange rates against the average rate for 2021, this forecast range would be approximately € 690 m to € 710 m, ceteris paribus.
[2)] At unchanged exchange rates against the average rate for 2021, this forecast range would be around € 95 m to € 110 m, ceteris paribus.

In 2022, Evotec expects group revenues to grow to a range of € 700–720 m. This assumption is based on current orders on hand, foreseeable new contracts and the extension of contracts as well as prospective milestone payments as well as the current status of the main foreign currency exchange rates (especially USD; GBP). Furthermore, the forecast takes into account – as far as possible – the current global uncertainties related to the COVID-19 pandemic.

Regardless of the challenges arising from COVID-19, Evotec still expects Adjusted Group EBITDA to grow to € 105–120 m. This projection takes into account of increasing expenses for promising R&D projects, the adoption of organisation structures to ensure sustainable growth and the ramp-up of the Just – Evotec Biologics business via investments, the further expansion of the J.POD® capacities in the US and the construction of a second J.POD® in Europe (Toulouse, France).

Evotec's activities are all related to R&D. Aside from the partnered and funded R&D, Evotec will continue to strongly invest in its own unpartnered R&D to further expand its long-term and sustainable pipeline of first-in-class projects and platforms. Evotec expects unpartnered R&D investments in this area of between € 70 and 80 m in 2022.

— EXPECTED LIQUIDITY AND STRATEGIC MEASURES —

The Company's operational financing plan does not necessarily require any additional external financing to fund organic growth in the medium term. However, any strategic moves to further push growth and strengthen the Company's competitive position or increase critical mass via potential company or product acquisitions, equity investments or extended R&D efforts will need to be considered separately. Evotec intends to achieve significant organic capacity growth as a result of its corporate strategy and the Action Plan 2025. The Company continued to increase investments in the expansion and development of individual locations in 2021. In Toulouse, it intends to significantly expand its capacities and to build J.POD® Toulouse, France. Likewise the Company is expanding the existing campus in Abingdon, Oxfordshire, UK, building new capacities for proteomics in Munich in 2022, and a new building for the planned iPSC centre will be erected in Hamburg in the next few years. After the completion of the first J.POD® facility in North America, an integral part of Just – Evotec Biologics' J.DESIGN platform, the Company is evaluating the expansion of capacity in Redmond (WA), USA depending on the development of Evotec's order book. The J.POD® fulfils all production requirements for the coming years and strengthens Evotec's leading position as a major partner in drug discovery and development with pioneering technologies.

DIVIDENDS

The payment of dividends depends on Evotec's financial situation and liquidity requirements, 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 growth strategy to even better advance long-term growth and sustainability. In addition, Evotec SE will not be authorised to pay dividends before its annual profits exceed the losses carried forward. Evotec SE does not generate any distributable profits currently.

OPPORTUNITIES

The most important opportunities for Evotec are summarised in the "Opportunities" section of the "Risk and opportunity management" chapter of this combined Management Report.

GENERAL STATEMENT ON EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

Evotec intends to further strengthen and expand its business as a leading top-quality, innovative provider of drug discovery and development solutions across all therapeutic modalities. Evotec intends to further expand its integrated capabilities of biologics discovery, development and manufacturing in North America as well as in Europe. The Company is well-positioned to generate value for pharmaceutical and biotechnology companies and for 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 sector. Although its R&D investments are higher today than ever before in the Company's history, the Management Board expects Evotec to achieve strong growth in revenue, and improved Adjusted Group EBITDA of at least the level seen in 2021. With its strong cash position, Evotec will be able to further strengthen its strategic role in the drug discovery and development market and in expanding its production capabilities (among others by building the second J.POD® in Toulouse, France), while creating shareholder value.

Information pursuant to section 289a and section 315a of the German Commercial Code (HGB) and explanatory report

Evotec management primarily aims to generate shareholder value. For that reason, any proposed change of control or takeover offer that could realise hidden reserves and value for the benefit of Evotec shareholders will be carefully analysed with regard to the expected synergies and future value creation. A change of 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, or if, as a result of a merger or reverse merger, the shareholders of Evotec from the effective date of such a transaction own less than 30% of the voting rights in the merged entity. Evotec has no specific takeover defence measures in place.

COMPOSITION OF SHARE CAPITAL, VOTING RIGHTS AND AUTHORISATION TO ISSUE NEW SHARES

As of 31 December 2021, the share capital of Evotec SE amounted to € 176,608,195 and was divided into 176,608,195 non-par value shares. All shares are bearer shares and have equal voting rights. Evotec management is not aware of any restriction on the voting rights or the right to transfer. Other than short-term lock-up agreements with the members of the Supervisory and Management Board in the course of the US listing in November 2021, 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. Moreover, the Company does not control voting rights of any shares owned by employees.

No shareholder is entitled to have representatives on the Supervisory Board, or is restricted or bound to specific votes at the Annual General Meeting. Existing stock option schemes do not allow for immediate vesting or additional issuance in the case of a takeover offer.

The shareholders have authorised the Management Board to issue new shares or option or conversion rights as follows:

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, having partially used the authorised capital in a capital increase on 4 and 15 November 2021, is authorised to increase the Company's share capital by up to € 21,417,436 in one or more tranches until 15 June 2026 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. However, with the approval of the Supervisory Board, the Management Board may exclude the pre-emptive rights of its shareholders for some of the shares on one or several occasions under certain defined conditions.

Conditional capital: As of 31 December 2021, the remaining conditional capital of the Company amounted to € 37,077,323.00. Conditional capital in the amount of € 7,118,034.00 shall be used only to the extent that holders of stock options, share performance awards (SPA) or restricted share awards, granted by Evotec on the basis of the shareholders' resolutions of 18 June 2001, 14 June 2012, 9 June 2015, 14 June 2017 and 16 June 2020, exercise their rights to subscribe for new Evotec shares. In 2021, conditional capital in the total amount of € 11,195,954.00 was used as holders of stock options and SPAs exercised 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 at the Annual General Meeting 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

As of 31 December 2021, the following investors held voting rights in Evotec SE equivalent to more than 10%: On 27 February 2017, Evotec was last notified that the direct shareholdings of Novo Holdings A/S, Hellerup (Denmark) amounted to 10.10%. Novo Holdings A/S participated in the capital increase of Evotec SE that closed on 12 October 2021. As a result, it held voting rights as of 31 December 2021 equivalent to 10.75%. On 23 June 2021, Evotec was notified by T. Rowe Price Group Inc., Baltimore, Maryland, USA that its voting rights held reduced to equivalent to 9.97% (9.90% via shareholdings, 0.07% via instruments) from previous 10.08%.

CORPORATE GOVERNANCE STRUCTURE

Evotec's corporate governance structure is further detailed in the "Declaration of Corporate Management", which is available on the Company's website under https://www.evotec.com/en/investor-relations/governance.

AUTHORISATION OF MANAGEMENT TO REPURCHASE STOCK

Evotec is currently not authorised by a resolution of the Annual General Meeting to acquire its treasury 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 Annual General Meeting. Appointment and dismissal of 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 merely has customary rights in the event of change of control where a shareholder of the Company or a third party acquires either alone or under the rules of section 30 WpÜG (German Securities Acquisition and Takeover Act (e.g. via 'acting in concert') a holding of more than 30% of the shares of the Company, and as a consequence thereof, the members of the Management Board's tasks and scope of responsibility are substantially altered. The contracts of the members of the Management Board contain a standard clause that allows the members of the Management Board to terminate their existing contracts with three month notice in such an event. In the event of such an effective termination the member of the Management would be entitled to a settlement payment amounting to eighteen (18) month's salary calculated as the sum of the monthly base payments and 1/12 of the target bonus, but no more than the total compensation due for the remaining term of the service agreement.

Declaration of corporate management

Evotec SE is guided by recognised standards of good and responsible corporate governance: the German Corporate Governance Code ("Deutscher Corporate Governance Kodex"), as amended from time to time, is the guideline for the exercise of management and control. The corporate governance standards applied are summarised in the corporate governance declaration in accordance with section 289f and section 315d HGB. It contains the Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act ("Deutsches Aktiengesetz"), which was adopted by the Management Board and the Supervisory Board in December 2021, as well as the Corporate Governance Report (Principle 22 of the Code 2020).

The corporate governance declaration is available for download on the Company's website in the "IR & ESG" section at
https://www.evotec.com/en/investor-relations/governance

Remuneration Report

The Remuneration Report of Evotec is available on the Company's website in the Governance/Remuneration of Management Board and Supervisory Board section under the following link:
https://www.evotec.com/en/investor-relations/governance

Consolidated Financial Statements (IFRS)

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EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021

in k€ except share data	*Note reference*	***as of 31 Dec 2021***	*as of 31 Dec 2020[1)]*
ASSETS			
Current assets:			
Cash and cash equivalents	4	**699,326**	422,580
Investments	4	**158,908**	59,350
Trade accounts receivables	5	**132,078**	79,005
Accounts receivables from associated companies and other long-term investments		**2,643**	8,891
Inventories	6	**25,793**	13,585
Current tax receivables		**23,419**	21,718
Contract assets	7	**18,614**	12,607
Other current financial assets		**264**	10,704
Prepaid expenses and other current assets	8	**39,895**	30,404
Total current assets		**1,100,940**	**658,844**
Non-current assets:			
Long-term investments	10	**268,793**	19,289
Long-term investments accounted for using the equity method	9	**13,068**	39,710
Property, plant and equipment	11, 12	**484,597**	337,297
Intangible assets, excluding goodwill	13	**30,851**	98,036
Goodwill	14	**257,569**	247,370
Deferred tax asset	19	**17,359**	24,392
Non-current tax receivables	15	**55,966**	36,485
Other non-current financial assets		**5,148**	22
Other non-current assets		**870**	892
Total non-current assets		**1,134,221**	**803,493**
Total assets		**2,235,161**	**1,462,337**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in k€ except share data	*Note reference*	***as of 31 Dec 2021***	*as of 31 Dec 2020[1)]*
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities	16	**36,136**	15,392
Current portion of lease obligations	12	**14,473**	14,616
Trade accounts payable		**72,598**	42,549
Provisions	17	**39,260**	41,848
Contract liabilities	18	**112,061**	66,477
Deferred income		**14,718**	4,172
Current income tax payables		**10,596**	3,362
Other current financial liabilities	20	**12,115**	-
Other current liabilities		**12,559**	20,043
Total current liabilities		**324,516**	**208,459**
Non-current liabilities:			
Non-current loan liabilities	16	**326,344**	331,019
Long-term lease obligations	12	**135,964**	130,938
Deferred tax liabilities	19	**17,688**	20,399
Provisions	17	**18,021**	20,731
Contract liabilities	18	**33,476**	22,437
Deferred income		**1,000**	3,693
Other non-current financial liabilities		**467**	205
Total non-current liabilities		**532,960**	**529,422**
Stockholders' equity:			
Share capital[2)]	22	**176,608**	163,915
Additional paid-in capital		**1,430,136**	1,030,702
Accumulated other comprehensive income		**(12,638)**	(37,522)
Accumulated deficit		**(216,421)**	(432,639)
Equity attributable to shareholders of Evotec SE		**1,377,685**	**724,456**
Non-controlling interest		**-**	-
Total stockholders' equity		**1,377,685**	**724,456**
Total liabilities and stockholders' equity		**2,235,161**	**1,462,337**

[1)] Includes the impacts of the IFRIC final agenda decisions of April 2021 of benefits to periods of service, as described in Note 3 "First time adoption of new accounting standards in the financial year 2021"

[2)] 176,608,195 and 163,914,741 shares issued and outstanding in 2021 and 2020, respectively

See accompanying notes to consolidated financial statements.

EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

in k€ except share and per share data	*Note reference*	***Year ended 31 Dec 2021***	*Year ended 31 Dec 2020[1)]*
Revenues	23	**618,034**	500,924
Costs of revenue		**(466,491)**	(375,181)
Gross profit		**151,543**	**125,743**
Operating income and (expenses)			
Research and development expenses	24	**(72,200)**	(63,945)
Selling, general and administrative expenses	25	**(105,445)**	(77,205)
Impairment of intangible assets	13	**(683)**	(3,244)
Other operating income	26	**73,472**	72,175
Other operating expenses		**(5,691)**	(4,968)
Total operating income and (expenses)		**(110,547)**	**(77,187)**
Operating income		**40,996**	**48,556**
Non-operating income (expense)			
Interest income		**2,272**	1,339
Interest expense		**(9,254)**	(8,465)
Measurement result from investments	10	**223,791**	1,500
Share of the result of associates accounted for using the equity method	9	**(16,570)**	(10,434)
Impairment of investments using the equity method		**(11,863)**	-
Other income from financial assets		**24**	70
Other expense from financial assets		**(198)**	(43)
Foreign currency exchange gain (loss), net		**7,843**	(6,935)
Other non-operating income		**84**	683
Other non-operating expense		**(145)**	(431)
Total non-operating income (expense)		**195,984**	**(22,716)**
Income before taxes		**236,980**	**25,840**
Current tax expense	19	**(16,404)**	(12,065)
Deferred tax income (expense)	19	**(5,066)**	(7,497)
Total taxes		**(21,470)**	**(19,562)**
Net income		**215,510**	**6,278**
thereof attributable to:			
Shareholders of Evotec SE		**215,510**	6,278
Non-controlling interest		**-**	-
Weighted average shares outstanding		**166,405,926**	**153,752,241**
Net income per share (basic)		**1.30**	**0.04**
Net income per share (diluted)		**1.30**	**0.04**

[1)] Includes the impacts of the IFRIC final agenda decisions of April 2021 of benefits to periods of service, as described in Note 3 "First time adoption of new accounting standards in the financial year 2021"

See accompanying notes to consolidated financial statements.

EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

in k€	*Note reference*	***Year ended 31 Dec 2021***	*Year ended 31 Dec 2020*
Net income		**215,510**	**6,278**
Accumulated other comprehensive income			
Items which are not re-classified to the income statement			
Remeasurement of defined benefit obligation	30	**664**	(580)
Taxes	19	**7**	149
Items which have to be re-classified to the income statement at a later date			
Foreign currency translation		**26,091**	(17,655)
Revaluation and disposal of investments		**(1,878)**	126
Other comprehensive income		**24,884**	**(17,960)**
Total comprehensive income		**240,394**	**(11,682)**
Total comprehensive income attributable to:			
Shareholders of Evotec SE		**240,394**	(11,682)
Non-controlling interest		**-**	-

See accompanying notes to consolidated financial statements.

EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

in k€	*Note reference*	***Year ended 31 Dec 2021***	*Year ended 31 Dec 2020[1)]*
Cash flows from operating activities:			
Net income		**215,510**	6,278
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property, plant and equipment	11	**55,596**	42,122
Amortisation of intangible assets	13	**12,012**	13,936
Depreciation of current assets		**2,791**	160
Impairment of intangible assets	13	**683**	3,244
Stock compensation expense	21	**7,805**	5,285
Non-cash foreign exchange loss		**8,565**	0
Interest income/expense		**9,827**	6,269
Loss on sale of financial assets		**198**	43
Gain on sale of financial assets		**(24)**	(70)
Share of the result and impairment of investments of associates accounted for using the equity method	9	**28,433**	17,274
Purchase price adjustments of associates accounted for using the equity method	9	**0**	(6,839)
Fair value adjustments on long-term investments	10	**(223,791)**	(1,500)
Loss on sale of property, plant and equipment		**147**	50
Gain on sale of property, plant and equipment		**(5)**	(51)
Deferred tax expense (benefit)	19	**5,066**	7,497
Decrease (increase) in:			
Accounts receivables	5	**(48,032)**	(4,178)
Inventories	6	**(11,653)**	(3,631)
Other assets		**(28,999)**	(25,851)
Other tax assets		**(18,932)**	(13,836)
Increase (decrease) in:			
Accounts payable		**31,341**	2,165
Contract liabilities and deferred income	18	**63,083**	(14,618)
Provisions	17	**(8,060)**	4,879
Current income taxes payable		**18,850**	15,486
Other liabilities		**121**	2,677
Cash received during the year for:			
Interest		**1,106**	1,191
Taxes		**17,644**	11,428
Cash paid during the year for:			
Interest		**(5,429)**	(3,465)
Taxes		**(11,616)**	(21,224)
Net cash provided by operating activities		**122,237**	**44,721**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

in k€	Note reference	Year ended 31 Dec 2021	Year ended 31 Dec 2020[1)]
Cash flows from investing activities:			
Purchase of current investments		**(123,696)**	(70,932)
Purchase of investments in affiliated companies net of cash acquired		**-**	(10,929)
Purchase of investments in associated companies and other long-term investments	10	**(20,680)**	(22,703)
Purchase of property, plant and equipment	11	**(118,943)**	(99,072)
Issue of convertible loan		**(7,376)**	(6,242)
Payment of subsequent contingent considerations		**(410)**	-
Proceeds from sale of current investments		**27,250**	54,789
Net cash used in investing activities		**(243,855)**	**(155,089)**
Cash flows from financing activities:			
Proceeds from capital increase	22	**403,126**	249,972
Proceeds from option exercise		**1,196**	1,592
Proceeds from loans		**30,791**	21,539
Repayment of lease obligation	12	**(20,665)**	(20,174)
Repayment of loans		**(16,018)**	(6,520)
Net cash provided by (used in) financing activities		**398,430**	**246,409**
Net increase (decrease) in cash and cash equivalents		**276,812**	**136,041**
Exchange rate difference		**(66)**	9,505
Cash and cash equivalents at beginning of year		**422,580**	277,034
Cash and cash equivalents at end of the period		**699,326**	**422,580**
Supplemental schedule of non-cash activities:			
Additions to leases		**14,292**	68,044

[1)] Includes the impacts of the IFRIC final agenda decisions of April 2021 of benefits to periods of service, as described in Note 3 "First time adoption of new accounting standards in the financial year 2021"

See accompanying notes to consolidated financial statements.

EVOTEC SE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

		Share capital		
in k€ except share data	*Note reference*	***Shares***	***Amount***	
Balance at 1 Jan 2020		**150,902,578**	**150,903**	
Impact of applying IFRIC agenda decision on IAS 19[1)]		-	-	
Balance at 1 January 2019 after impact of applying IFRIC agenda decision on IAS 19		**150,902,578**	**150,903**	
Capital increase	22	11,478,315	11,478	
Exercised stock options	22	1,533,848	1,534	
Stock option plan	21	-	-	
Deferred and current tax on future deductible expenses		-	-	
Other comprehensive income				
Net income for the period				
Total comprehensive income (loss)				
Balance at 31 Dec 2020		**163,914,741**	**163,915**	
Capital increase	22	11,497,500	11,497	
Exercised stock options	22	1,195,954	1,196	
Stock option plan	21	-	-	
Deferred and current tax on future deductible expenses		-	-	
Other comprehensive income				
Net income for the period				
Total comprehensive income				
Balance at 31 Dec 2021		**176,608,195**	**176,608**	

[1)] Includes the impacts of the IFRIC final agenda decisions of April 2021 of benefits to periods of service, as described in Note 3 "First time adoption of new accounting standards in the financial year 2021"

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Income and expense recognised in other comprehensive income					
Additional paid-in capital	*Foreign currency translation*	*Revaluation reserve*	*Accumulated deficit*	*Stockholders' equity attributable to shareholders of Evotec SE*	*Non-controlling interest*	*Total stockholders' equity*
786,865	**(24,127)**	**4,565**	**(441,177)**	**477,029**	**-**	**477,029**
-	-	-	1,584	1,584	-	1,584
786,865	**(24,127)**	**4,565**	**(439,593)**	**478,613**	**-**	**478,613**
238,495	-	-	-	249,973	-	249,973
58	-	-	-	1,592	-	1,592
5,284	-	-	-	5,284	-	5,284
-	-	-	676	676	-	676
	(17,655)	(305)	-	(17,960)	-	(17,960)
	-	-	6,278	6,278	-	6,278
	(17,655)	**(305)**	**6,278**	**(11,682)**	**-**	**(11,682)**
1,030,702	**(41,782)**	**4,260**	**(432,639)**	**724,456**	**-**	**724,456**
391,629	-	-	-	403,126	-	403,126
-	-	-	-	1,196	-	1,196
7,805	-	-	-	7,805	-	7,805
-	-	-	708	708	-	708
	26,091	(1,207)	-	24,884	-	24,884
	-	-	215,510	215,510	-	215,510
	26,091	**(1,207)**	**215,510**	**240,394**	**-**	**240,394**
1,430,136	**(15,691)**	**3,053**	**(216,421)**	**1,377,685**	**-**	**1,377,685**

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements for the financial year 2021

(1) BUSINESS DESCRIPTION AND BASIS OF PRESENTATION

Evotec SE ("Evotec" or the "Company") is a drug discovery and development company, continuously driving innovative approaches to develop new pharmaceutical products through discovery alliances and development partnerships with leading pharma and biotechnology companies as well as academic institutions, patient advocacy groups and venture capital partners.

Evotec SE, located in Hamburg (Essener Bogen 7, Hamburg), is registered in the Commercial Registry of Hamburg with HRB 156381.

Evotec was founded on 8 December 1993 and is listed on Frankfurt Stock Exchange, Segment Prime Standard, under the trading symbol "EVT" as well as on NASDAQ, New York under the trading symbol "EVO" since 8 November 2021.

Evotec SE, being the ultimate parent entity, presents its consolidated financial statements in its functional currency of Euro. All amounts in the notes are shown in thousands of Euro (k€), unless indicated otherwise. The consolidated financial statements of Evotec were prepared under the going concern premises.

The Executive Board prepared the consolidated financial statements for fiscal year 2021 on 30 March 2022 and subsequently submitted them to the Supervisory Board for review and approval at its meeting on 6 April 2022. With reference to Section 264 (3) of the German Commercial Code, the subsidiary Evotec International GmbH does not prepare a management report (Section 289 of the German Commercial Code).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU) and additionally as issued by the IASB, as well as the additional requirements of the German Commercial Code (Handelsgesetzbuch – HGB) pursuant to Sec 315e par. 1 HGB, as applicable at the end of the reporting period.

The accounting policies below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by all entities except as explained in the Notes "Recent accounting pronouncements, not yet adopted" as well as "Changes in accounting policies" which address changes in accounting policies.

— USE OF ESTIMATES —

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as of the balance sheet date of the financial year as well as income and expenses during the reporting period.

Main estimates and assumptions affect the following subjects:

- Acquisitions: Assets and liabilities acquired in a business combination are initially accounted for at fair value on the acquisition date. Fair values

are determined using a discounted cash flow model which relies on input parameters derived from observable market data. Significant input parameters used in determining the fair values are the estimated useful life of the assets identified, the long-term business plan as the basis for determining the expected cash flow from these assets and the discount rate applied,

- Revenues: Where we have certain fixed-price arrangements with customers, the stage of completion of performance obligations is reviewed by reference to input-based methods, such as hours delivered or full cost incurred (e.g. labor, materials and other costs) under a contract in relation to expected total hours or total costs needed to fulfil the performance obligation. Revisions made to the estimated stage of completion can result in an adjustment to revenues in the current or future financial periods (see Note 23) and

- Impairment testing and fair values: Management has identified the discount rate as well as the growth rate in the terminal value as key assumptions that have the potential to vary and thereby cause the recoverable amount to be lower than the carrying amount. Fair values for long-term investments at the time of acquisition correspond to the acquisition cost. Changes in fair value may occur due to adjusted scientific or financial plans or new financing rounds. (see Note 9, 10, 11, 13 and 14).

Other estimates and assumptions were exercised in the following areas:

- Earn-out Provisions: Management estimates are made on discounted expected future cash flows. These cash flows are based on the contracts underlying the conditional consideration and the relevant project or business planning. The discount rate takes into account the risk underlying cash flows (usually weighted average cost of capital of the acquired entity). Additional non-observable input factors include, for example, marketing success probabilities (see Note 17 and 29),

- Measurement of the Share-based payment plans: Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including risk-free interest rates and volatility measures (see Note 21),

- Valuation of deferred tax assets: Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be charged. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the expected business performance of the tax subject and respective business plans (see Note 19).

- Exercising significant influence on an investee: To determine whether an investor with minority voting rights has significant influence over an investee requires judgement, in particular regarding participation rights in significant financial and operating decisions of these entities (see Note 34d).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are made prospectively in the period in which the estimates are revised.

— PRINCIPLES OF CONSOLIDATION —

In the consolidated financial statements of Evotec SE, all domestic and foreign companies are included. Evotec controls an entity if it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date Evotec´s control ceases.

If Evotec loses control over a subsidiary, all assets and liabilities of that subsidiary together with any related non-controlling interests and other equity components are derecognised. Any resulting gain or loss is recognised in the income statement. Any retained interest in the former subsidiary is measured at fair value at the time of loss of control.

All intercompany receivables, liabilities and all intercompany revenue, income, expenses and all intragroup profits or losses are eliminated in the consolidation.

The financial statements of the subsidiaries are prepared using the same reporting date as the consolidated financial statements (31 December).

— TRANSACTIONS IN FOREIGN CURRENCY —

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each to be consolidated entity the respective functional currency will be determined.

- Subsidiaries

The assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated into Euro using the respective exchange rates at the end of the reporting period, while the income statements of such subsidiaries are translated using monthly average exchange rates during the period. Gains or losses resulting from translating foreign functional currency financial statements are recognised directly in other comprehensive income and realised on disposal of the subsidiary.

- Associated companies and joint ventures

The currency translation of the proportionate equity of joint ventures and associated companies is performed at the respective closing rate of inclusion. The share of the results of associated companies and joint ventures, is translated at the average exchange rate and recognized as share of the result of associates accounted for using the equity method in the statement of comprehensive income.

- Transactions and balances

Transactions in foreign currencies are translated into the respective functional currency using the transaction foreign exchange rate. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective functional currency using the exchange rates at the end of the period.

— FINANCIAL INSTRUMENTS —

Recognition of financial instruments
Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the financial instrument. Regular way purchase and sales of financial instruments are generally recognized on the settlement date. Derivatives are recognized on the day of trading.

Derecognition of financial instruments
Financial assets are derecognised if either the payment rights arising from the instrument have expired or substantially all risks and rewards attributable to the instrument have been transferred. Financial liabilities are derecognised if the obligations have expired or have been discharged or cancelled.

Measurement of financial assets
The initial recognition is measured at fair value. The subsequent measurement depends on the classification of the categories as defined in IFRS 9. Classification is based on two criteria: the Group's business model for managing assets and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. For the financial assets the following applies:

Debt instruments are held by Evotec with the intention to collect contractual cash flows (interest and principal) and to sell these debt instruments. Consequently, they are measured at fair value through OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Equity instruments are measured at fair value through profit and loss. At Evotec this primarily relates to the long-term investments.

All other non-derivative financial assets are measured at amortised cost and therefore according to the effective interest method.

Non-derivative financial liabilities
For subsequent measurement, non-derivative financial liabilities are measured at amortised cost.

Impairment of financial assets
Impairment is recognised for all financial assets not held at fair value through profit or loss and contract assets using the expected credit loss (ECL) model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Evotec expects to receive. For trade receivables and contract assets, Evotec applies a simplified approach in calculating ECLs. Therefore, Evotec does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. See Notes 4 and 5 for details.

Offsetting financial instruments
Financials assets and liabilities are only offset and the net amount presented in the consolidated statement of financial position when, and only when, Evotec has the legal right to offset the amounts and either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting
Evotec uses foreign currency derivative financial instruments as well as interest swaps to hedge its exposure to foreign exchange risks and interest rate fluctuations. Derivative financial instruments are measured at fair value through P&L. For these economic hedge relationships Evotec does not apply hedge accounting under IFRS 9. Derivatives embedded for financial liabilities in host contracts are accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not closely related. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Basis for determining fair values of financial instruments
The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

The fair value is determined primarily on the basis of publicly determinable bid prices at the reporting date. For unlisted equity instruments or financial instruments without an active market, fair value is estimated using valuation techniques. Unless otherwise reported, the fair values of financial instruments equaled the carrying amounts.

— CASH AND CASH EQUIVALENTS —

The Company considers all highly liquid short-term investments with original maturities at the date of acquisition of three months or less to be cash equivalents.

— CONTRACT ASSETS —

A contract asset is the right to a consideration in exchange for goods or services transferred to the customer. If Evotec fulfils its contractual obligations by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

— TRADE RECEIVABLES —

A trade receivable is recognised if an amount of consideration that is unconditional is due from the customer. Appropriate allowances are made for identifiable risks.

— INVENTORIES —

In accordance with IAS 2, inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Costs consist of purchased component costs and manufacturing costs, which are comprised of direct material and labour costs and systematic allocated costs. Costs are removed from inventories to costs of revenue based on specific identification.

— PROPERTY, PLANT AND EQUIPMENT —

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Property, plant and equipment acquisitions, including leasehold improvements, are recorded at cost less any vendor rebates.

Depreciation of property, plant and equipment is generally calculated using the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is calculated using the straight-line method over the shorter of the related lease term or the estimated useful life. The useful lives are as follows:

Buildings and leasehold improvements	3–30 years
Plant, machinery and equipment	4–15 years
Furniture and fixtures	3–15 years
Computer equipment	3–10 years

The depreciation period is reviewed at each balance sheet date. Differences from previous estimates are accounted for as a change in an accounting estimate in accordance with IAS 8. The costs included in property, plant and equipment related to assets under construction are not depreciated until the assets are placed into service by the Company. Upon sale or retirement, the costs and the related accumulated depreciation are removed from the respective accounts and any gain or loss is included in other operating income and expense. Maintenance and repairs of property, plant and equipment are expensed as incurred.

— LEASES —

Evotec as a lessee

Evotec recognises and measures all leases (excluding short-term leases and leases of low-value assets) using the Right-of-Use model. The Company recognises liabilities to make lease payments and Right-of-Use assets representing the right to use the underlying assets.

i) Right-of-Use assets

Evotec recognises Right-of-Use assets at the commencement date (i.e. the point in time the underlying leased asset is available for use). Right-of-Use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of Right-of-Use assets include the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-Use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Right-of-Use assets relating to buildings	> 1–20 years
Right-of-Use assets relating to plant and machinery	2–7 years
Right-of-Use assets relating to motor vehicles	3–4 years

If legal ownership of the leased asset transfers to Evotec at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the leased asset.

ii) Lease liabilities

On the provision date of the lease, Evotec recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification to the lease, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

Evotec applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Evotec also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense.

— ASSOCIATES AND JOINT VENTURES —

Associates and joint ventures are entities in which Evotec has significant influence over the financial and operating policies. This significant influence is usually exercised through a direct or indirect share of voting power of 20% to 50%. Significant influence can also exists through a direct or indirect share of voting power of less than 20%, indicators are:

- Representation on the board of directors and/or on the supervisory board,
- (Significant) participation in operating policies, including participation in decisions about dividends of the investee,
- Interchange of managerial personnel,
- Material transactions between the entity and its investee,
- Provision of essential technical information.

In case one or more of the above-mentioned indicators apply, Evotec verifies if significant influence exists.

Associates and joint ventures are accounted for in the consolidated financial statements using the at-equity method and initially measured

at cost. Subsequent to acquisition, Evotec's share in the associates and joint ventures' profit or loss is included in the consolidated statement of comprehensive income. Unrealised gains and losses from transactions between Evotec and its associates or joint ventures are recognised only to the extent of unrelated investors' interests in the associates and joint ventures.

—INTANGIBLE ASSETS, EXCLUDING GOODWILL —

Intangible assets, excluding goodwill, consist of separately identified intangible assets such as developed technologies, customer related intangibles and patents, which were acquired in business combinations, purchased licences and patents.

Intangible assets with definite useful lives are recorded at cost and are amortised using the straight-line method over the estimated useful lives of the assets.

Trademarks	2 – 10 years
Developed technologies	6 – 18 years
Customer related intangibles	5 – 8 years
Patents and licences	15 years or shorter life

Developed technologies acquired in business combinations are amortised as soon as the intangible assets start to generate sustainable benefits and tested for impairment at least annually.

The amortisation period is reviewed at each balance sheet date.

— GOODWILL —

Goodwill recognised in a business combination according to the acquisition method is recognised as an asset.

If the net assets acquired exceed the fair value of the consideration transferred, the income from bargain purchase is recognised in the consolidated income statement following a reassessment.

— IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS AND GOODWILL —

The Company reviews non-financial non-current assets (property, plant and equipment and intangible assets including goodwill) for impairment, in the respect to the recoverable amount in accordance with IAS 36. An impairment review is performed at least annually for intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill, or whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. In line with the Company's policy concerning the impairment of intangible assets with indefinite useful lives and goodwill, the Company carried out an impairment test in the fourth quarter of 2021 and 2020 on the basis of 30 September balance sheet information, see Note 13 and 14.

An impairment loss is recognized if the carrying amount of an asset (or a group of assets when considering a cash-generating unit) exceeds its recoverable amount which is the higher of its fair value less costs to sell or value in use. The value in use for an asset or cash-generating unit, which is used by Evotec for the impairment testing of non-financial non-current assets and goodwill, is calculated by estimating the net present value of future cash flows arising from that asset or cash-generating unit. The discount rate used to calculate the value in use is determined to reflect the risks inherent for each asset or cash-generating unit. The evaluation of the further use is based on a mid-range or where applicable long-range forecast. Management judgment is necessary to estimate discounted future cash flows.

Any impairment loss is reported as a separate component of other operating expenses in the consolidated income statement. An impairment of property, plant and equipment and intangible assets excluding goodwill is again reversed if there has been a change in the estimates used to determine the recoverable amount leading to an increase in value for a previously impaired asset or group of assets as one cash-generating unit. It is reversed only to the extent that the assets or the group of assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized. Impairments of goodwill are not reversed.

— PROVISIONS —

Provisions are recognised when the Company has a present obligation as a result of a past event which will result in a probable outflow that can be reliably estimated. The amount recognised represents the best estimate of the settlement amount of the present obligation as of the balance sheet date. Non-current provisions are discounted applying a risk adjusted market interest rate.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from such a contract are lower than the unavoidable expenses of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected expenses of terminating the contract and the expected net expense of continuing with the contract. Before a provision is established, Evotec recognises any impairment expense on the assets associated with that contract.

— PENSION AND SIMILAR OBLIGATIONS —

The Company's net obligation for defined benefit and other postretirement benefit plans have been calculated using the projected unit credit method. The calculation is based on actuarial expertise taking into account the relevant biometric factors. Actuarial gains and losses are recognised in other comprehensive income. Service and interest costs for pensions and other postretirement obligations are recognised as an expense in the operating result.

The Company's obligations for contributions to defined contribution plans are recognised as expense in the income statement.

The effects of the IFRIC agenda decision of April 2021 regarding benefits depending on the length of employment are explained in note 2 "Changes in accounting policies with mandatory application in the financial year 2021".

— CONTRACT LIABILITIES —

A contract liability is the obligation of Evotec to transfer goods or services to a customer for which Evotec has received a consideration (or an amount of consideration is due). If a customer pays the consideration before Evotec transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when Evotec fulfils its contractual obligation.

— SHARE CAPITAL —

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognised net of tax as a deduction from equity.

The Company applies the regulations of IAS 32 in accounting for treasury shares. When ordinary shares recognised as equity would be reacquired, the amount of the consideration paid for those treasury shares is recognised as a deduction from equity. If treasury shares are subsequently sold or granted, the proceeds will be recognised net of tax as an increase in equity.

— STOCK OPTIONS AND SHARE PERFORMANCE AWARDS —

The Company applies the regulations of IFRS 2 with regard to the accounting for options granted under its stock option plans and under its Share Performance Plan. All plans are settled in shares and therefore are recorded through equity. Compensation cost from the issuance of employee and Management Board stock options are measured using the fair value method at the grant date and charged straight-line to expense over the service period. This is also the case for the grant of Share Performance Awards to employees and to members of the Management Board. In case the estimates regarding the achievement of the key performance indicators change, the fair value of Share Performance Awards is adjusted as long as it is not a share price-based indicator.

— REVENUES —

Revenue is recognised when the control over separable services or research services is transferred to the customer, provided that a contract with enforceable rights and obligations exists and that collectability of consideration is probable. The Company assesses collectability based on a number of factors, including past transaction history with the customer and the customer's creditworthiness.

The Company has entered into contracts which can have multiple-elements and thoroughly determined whether the different revenue-generating elements are sufficiently separable and whether there exists sufficient evidence of their fair values to separately account for some or all of the individual elements of the contracts. Only if an element is considered to meet these criteria it does represent a separate unit of accounting. When allocating the transaction price to individual performance components, Evotec uses in particular FTE-rates as indicator of the fair value of these components.

Evotec's revenues include service fees, FTE-based research payments revenue for delivered goods and deliverable kind of services, recharges, technology access fees as well as milestone fees, licences and royalties.

Service fees, FTE-based research payments as well as deliverable kind of services

Revenues generated from service contracts or FTE-based research contracts or deliverable kind of services are recognised as the services are rendered. Evotec applies an input-based method to measure the progress of completion of its performance obligations. In rare cases and only for specific contracts, output-based methods are applied whenever the contracts warrant such measurement. Payments for those services are generally paid in full or in parts in advance and recorded as contract liabilities. Contract assets are recognised in case Evotec's progress of completion of its performance obligations exceeds the amount of the payments received. Those contracts may also contain variable compensation, which Evotec only includes in the transaction price when it becomes highly probable that such payments will be received. This is rarely the case upon contract inception or in early stages of contracts, owing to the nature of the services.

Technology access fees

Revenue from technology access fees is recognised pro rata over the related forecasted service period. Payments for technology access fees are generally paid in full or in parts in advance and recorded as contract liabilities until earned.

Milestone fees

Revenue contingent upon the achievement of certain milestones is recognised in the period the milestone is successfully achieved. This occurs when the Company's contract partner agrees that the requirements stipulated in the agreement have been met. Under IFRS 15, earlier recognition carries an increased risk of revenue corrections required and hence Evotec refrains from an earlier recognition.

Licences

Revenue from the sale of licences is recognised at the date of the sale. Revenue from out-licensing in combination with a collaboration is realised pro rata over the collaboration period. Payments from the sale of licences are received on the day of the sale or thereafter.

Royalties

Revenue from royalties, which are dependent on other company's respective product sales, is recognised in the period in which the royalty report or the payment is received. Payments are received either on the same day as the royalty report or thereafter. Royalties are typically contract components with a variable consideration which will as mentioned above only be realized as revenues when it is highly probable that the consideration will be received.

Main estimates and assumptions

▸ Identifying performance obligations, allocating the transaction price and determining the stage of completion of contracts with service fees, FTE-based research payments as well as deliverable kind of services

Evotec performs research and development services for a variety of customers under different contractual arrangements. When performance obligations are individually capable of being distinct and distinct in the context of the contract, Evotec allocates the transaction price to distinct performance obligations on the basis of relative stand-alone selling prices of the obligations.

Primarily, contracts for research and development services often contain a large amount of individual services, trigger upfront payments to partially or fully cover the entire transaction price and are concluded for the overall purpose of identifying new research results. The Group has determined that services under such contracts are integrated and qualify as one performance obligation. As far as other distinct services are included in those type of contracts, Evotec allocates the transaction price on the basis of relative stand-alone selling prices of the obligations.

Such fixed-price arrangements are recognized over time as the respective performance obligation is fulfilled. Evotec applies an input-based method to measure the progress of completion of its performance obligations such as hours delivered or full cost incurred (e.g. labor, materials and other costs) under a contract in relation to expected total hours or total costs needed to fulfil the performance obligations. For each contract, Evotec selects the input-based method that most faithfully depicts the transfer of services stated in the contract. In rare cases and only for specific contracts, output-based methods are applied whenever the contract warrants such measurement.

▸ Determining method to estimate variable compensation and assessing the constraint

Customer contracts often contain success-based variable compensation for research services and other contingent payments. The contingency often relates to few and specific research services, which is why Evotec determines the most likely amount payable under the contract. In addition Evotec assesses whether a constraint exists in reference to revenue recognition for such variable compensation. Based on Evotec's historical experience and due to the inherent risk of research, success-based variable compensations are regularly not included in the transaction price upon contract inception, but are only included when the contingent events occur or become highly probable.

— REVENUE RECOGNITION FROM CONTRIBUTIONS —

Evotec receives private contributions for which the existence of an adequate exchange transaction for research projects serving the public good is refuted. A realisation of revenue from contracts with customers is not possible. A private contribution exists for which a contribution revenue item is recognised.

The effect on profit or loss is immediate or occurs over the period in which the subsidised service is provided. A liability item must be recognised for a contribution that has already been received, but this is not a contractual obligation, but rather other liability. The reversal of the liability item is gross, i.e. as contribution revenue separately from the revenues.

— GOVERNMENT GRANTS —

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction of the related expense. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Under the terms of the grants, governmental agencies generally have the right to audit qualifying expenses submitted by the Company.

— RESEARCH AND DEVELOPMENT —

Research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Due to the high uncertainty associated with development activities in the pharmaceutical sector the precondition for the capitalisation of development expenses is generally not fulfilled. Evotec did not capitalise anything for pharmaceutical development costs in 2021 and 2020, respectively.

Research and development projects that are acquired in a business combination are capitalised at fair value when those research and development projects are expected to generate probable future economic benefits to the Company. Research and development costs acquired in a business combination are not regularly amortised until they are sustainably generating benefits.

The development expenses for internally generated software are capitalised when the recognition criteria's are met.

— OTHER OPERATING INCOME —

Evotec receives tax credits from tax development programmes in the context of qualifying research and development expenses in different jurisdictions. Such tax refunds regularly result in amounts which can be offset against taxable income, so as to provide a partial or full relief from tax or other payments to fiscal authorities. Evotec determined that under its significant tax development programmes, the feature of the credit is provided in a way which allows either offsetting against taxable income or instead, when insufficient taxable profits are available, direct reimbursement and payment in cash. In addition, the tax development programmes are provided for specific activities, often limited to specific research and development expenses. As such, Evotec accounts for such tax development programmes as other operating income and does not account for such income as tax income or offsets tax credits from income tax expense.

In certain cases Evotec recharges costs to third parties. The income from those recharges are recognised in other operating income when it is a direct reimbursement of costs. There is no underlying direct exchange of services for this income and therefore a recognition as revenues is not suitable. The relating expenses are recognised in other operating expenses as well as in research and development expenses.

— INTEREST INCOME AND EXPENSE —

Interest is recorded as expense or income in the period to which it relates. All interest income and expense including the unwind of the discount on contingent considerations are recognised in the income statement using the effective interest rate method.

Evotec considers assets with a construction term over 12 months as qualifying assets according to IAS 23. For the purpose of determining the amount of borrowing eligible for capitalization when funds are borrowed for general purposes, the Group computes a weighted average cost of borrowing, which is then applied to qualifying assets as a capitalization rate.

— INCOME TAXES —

Income taxes comprise the current taxes on income in the individual countries as well as the deferred taxes. For uncertain tax positions tax assets or liabilities are recorded.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group generates taxable income. The tax rates for domestic companies are 27 to 32% and for foreign companies 19 to 28%.

Deferred tax
Deferred tax is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred taxes are recognised for all taxable temporary differences, except:

- temporary differences arising on the initial recognition of goodwill,
- temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- temporary differences relating to investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Future tax rate changes are taken into account if, in the scope of a legislative procedure, substantial prerequisites for its future applicability are met.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same taxation authority.

Tax exposures
In determining the amount of current and deferred taxes Evotec takes into account the impact of uncertain tax positions and whether additional taxes and interest maybe due. This assessment relies on estimates and assumptions and may involve a series of judgement about future events. New information may become available that forces the Company to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expenses in the period in which such determination is made.

— NET INCOME PER SHARE —

The undiluted results per share is calculated by dividing the net income (loss) by the weighted average number of ordinary shares outstanding for the period, excluding common stock equivalents.

The weighted average number of ordinary shares are calculated as follows:

Shares in thousands	***2021***	*2020*
Issued ordinary shares 1 January	**163,915**	150,902
Treasury shares 1 January	**(250)**	(250)
Effect of weighted average share options exercised	**1,953**	2,509
Effect of weighted average share options exercised	**788**	591
Weighted average number of ordinary shares 31 December	**166,406**	153,752

Diluted net income per share is computed by dividing the surplus attributable to shareholders of Evotec SE by the weighted-average number of ordinary shares and share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, stock options and Share Performance Awards are considered to be common stock equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive. In 2021, the number of potentially dilutive shares to be issued from stock options and Share Performance Awards amounted to 722,286 (2020: 1,172,673). For calculating the diluted net result per share the resulting dilutive shares are included from the beginning of the period.

FIRST TIME ADOPTION OF NEW ACCOUNTING STANDARDS IN THE FINANCIAL YEAR 2021

Standards/Interpretation		*Effects*
IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16	**Interest Rate Benchmark Reform – Phase 2:** Modification of financial assets, financial liabilities and leasing liabilities, requirements regarding accounting and disclosure of hedging relationships under application of IFRS 7	No material effects
IFRS 16	**COVID-19-Related Rent Concessions beyond 30 June 2021:** The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.	No effects

Other changes for first time adoption in fiscal year 2021 did also not have a significant impact on the Evotec Group.

CHANGES IN ACCOUNTING POLICIES WITH MANDATORY APPLICATION IN THE FINANCIAL YEAR 2021

In its April 2021 Update, the IFRS IC published an agenda decision clarifying how to calculate the obligation relating to certain defined benefit plans under which the retirement benefit is (i) contingent on the employee being employed by the entity at the time of retirement; (ii) capped at a specified number of years of service; and (iii) linked to the employee's length of service at the date of retirement. In that decision, the IFRS IC took the view that the obligation should be recognized only over the years of service preceding the date of retirement in respect of which the employee generates entitlement to the benefit. Applying that decision has resulted in a change in accounting policy, the effects of which have been reflected retrospectively in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). Consequently, the previously published periods have been adjusted, with the impact of first-time application reflected as from 1 January 2020, the beginning of the earliest comparative financial period presented. The opposite entry to the adjustment as of that date was recognized in equity. The service cost (including past service cost), interest cost and actuarial gains and losses have been adjusted, as have the related deferred taxes. The impacts of the decision are presented in note (30) Pension plan.

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

The following standards and interpretations published by the IASB are not yet mandatory because the date of their first mandatory application has not yet been reached:

Standards/Interpretation		*Mandatory application*	*Endorsement by European Commission*	*Expected Effect*
ANNUAL IMPROVEMENT CYCLE 2018–2020: - IFRS 1 - IFRS 9 - IAS 41	IFRS 1: Subsidiary as a first-time adopter IFRS 9: Clarification with regard to fees in the 10 per cent test for derecognition of financial liabilities. IAS 41: Taxation in fair value measurements	1. Jan 2022	Yes	No effects
IFRS 3	Replacement a reference to the Framework for the Preparation and Presentation of Financial Statements, without significantly changing its requirements	1. Jan 2022	Yes	No effects
IFRS 16	Change in accounting of proceeds before intended use	1. Jan 22022	Yes	No effects
IFRS 37	Specification which costs an entity needs to include when assessing whether a contract is onerous or loss making	1. Jan 2022	Yes	No effects
IFRS 1	In the future, only “material” accounting policies are displayed in the notes	1. Jan 2023	Yes	Effects are still being analyzed
IFRS 8	Clarification to help entities to distinguish between accounting policies and accounting estimates	1. Jan 2023	Yes	No material effects
IFRS 17	New accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure	1. Jan 2023	Yes	Effects are still being analyzed
IFRS 1	Change in classification of liabilities as current or non-current	1. Jan 2023	No	No effects
IFRS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from Single Transactions	1. Jan 2023	No	Effects are still being analyzed
IFRS 17	Amendments to IFRS 17 to add a transition option for a “classification overlay” to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17	1. Jan 2023	No	Effects are still being analyzed

(3) SEGMENT INFORMATION

EVT Execute and EVT Innovate were identified by the Management Board as operating segments. EVT Execute includes mainly fee-for-service and FTE-rate arrangements where our customers own the intellectual property, whereas EVT Innovate comprises of internal R&D activities as well as services and partnerships that originate from these R&D activities where we typically own or co-own intellectual property with our strategic partners. The responsibility for EVT Execute was allocated to the COO, Dr Craig Johnstone, while the responsibility for EVT Innovate was allocated to the Chief Scientific Officer (CSO), Dr Cord Dohrmann. Management does not allocate assets and liabilities to segments. Intersegment revenues are valued with a price comparable to other third-party revenues. The evaluation of each operating segment is performed on the basis of revenues and adjusted EBITDA. The adjusted EBITDA is calculated without non-operating income (expense) as well as the adjustments listed in the reconciliation below. Expenses and income below operating result are not part of the segment result. Management had previously excluded recharges from the segments; however, in 2021, management changed its presentation of segment information to include recharges in the segments and the amounts of segment revenues and costs of revenues below have been restated accordingly. Since 1 January 2021, revenues from recharges, previously shown in the column "Transition" and not allocate to the segments, are allocated to the segments EVT Execute and EVT Innovate. The prior year figures have been adjusted. In 2021, revenues from recharges amounted to k€ 35,991 (2020: k€ 21,835) whereof k€ 34,104 (2020: k€ 20,728) is allocated to EVT Execute and k€ 1,887 is allocated to EVT Innovate (2020: k€ 1,107).

The segment information for the financial year 2021 is as follows:

in k€	*EVT Execute* [1]	*EVT Innovate*	*Intersegment elimination*	*Evotec Group*
Revenues	471,052	146,982	-	618,034
Intersegment revenues	139,116	-	(139,116)	-
Costs of revenue	(482,588)	(110,379)	126,476	(466,491)
Gross profit	**127,580**	**36,603**	**(12,640)**	**151,543**
Operating income and (expenses)				
Research and development expenses	(2,900)	(81,940)	12,640	(72,200)
Selling, general and administrative expenses	(83,936)	(21,509)	-	(105,445)
Impairment of intangible assets	-	(683)	-	(683)
Other operating income	26,684	46,788	-	73,472
Other operating expenses	(4,319)	(1,372)	-	(5,691)
Total operating income and (expenses)	**(64,471)**	**(58,716)**	**12,640**	**(110,547)**
Operating income (loss)	**(63,109)**	**(22,113)**	**-**	**40,996**
Interest result				(6,982)
Measurement gains from investments				223,791
Share of the loss of associates accounted for using the equity method				(16,570)
Impairment of financial assets				(11,863)
Other income (expenses) from financial assets, net				(174)
Foreign currency exchange gain (loss), net				7,843
Other non-operating income (expense)				(61)
Income before taxes				**236,980**
EBITDA adjusted	**124,792**	**(17,522)**		**107,270**

[1] *Included in the revenues for EVT Execute are revenues from contribution in the year 2021 in the amount of k€ 8,565.*

The adjusted EBITDA for the financial year 2021 is derived from operating income (loss) as follows:

in k€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Operating income	**63,109**	**(22,113)**	**40,996**
plus depreciation of tangible assets	51,687	3,909	55,596
plus amortisation of intangible assets	11,930	82	12,012
plus impairment of intangible assets	-	683	683
EBITDA	**126,726**	**(17,439)**	**109,287**
less change in contingent consideration (earn-out)	(1,934)	(83)	(2,017)
EBITDA adjusted	**124,792**	**(17,522)**	**107,270**

The segment information for the financial year 2020 is as follows:

in k€	*EVT Execute*[1)]	*EVT Innovate*	*Intersegment elimination*	*Evotec Group*
Revenues	394,093	106,831	-	500,924
Intersegment revenues	115,776	-	(115,776)	-
Costs of revenue	(382,920)	(97,607)	105,346	(375,181)
Gross profit	**126,949**	**9,224**	**(10,430)**	**125,743**
Operating income and (expenses)				
Research and development expenses	(4,449)	(69,926)	10,430	(63,945)
Selling, general and administrative expenses	(61,753)	(15,452)	-	(77,205)
Impairment of intangible assets	-	(3,244)	-	(3,244)
Other operating income	20,792	51,383	-	72,175
Other operating expenses	(4,177)	(791)	-	(4,968)
Total operating income and (expenses)	**(49,587)**	**(38,030)**	**10,430**	**(77,187)**
Operating income (loss)	**77,362**	**(28,806)**	**-**	**48,556**
Interest result				(7,126)
Other income from long-term investments				1,500
Share of the loss of associates accounted for using the equity method				(10,434)
Other income (expense) from financial assets, net				27
Foreign currency exchange gain (loss), net				(6,935)
Other non-operating income				252
Income before taxes				**25,840**
EBITDA adjusted	**129,314**	**(22,660)**		**106,654**

[1)] *Included in the revenues for EVT Execute are revenues from contribution in the year 2020 in the amount of k€ 4,648.*

The adjusted EBITDA for the financial year 2020 is derived from operating income (loss) as follows:

in k€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Operating income	**77,362**	**(28,806)**	**48,556**
plus depreciation of tangible assets	39,332	2,791	42,123
plus amortisation of intangible assets	13,654	283	13,937
plus impairment of intangible assets	-	3,244	3,244
EBITDA	**130,348**	**(22.488)**	**107,860**
plus change in contingent consideration (earn-out)	(1,034)	(172)	(1,206)
EBITDA adjusted	**129,314**	**(22,660)**	**106,654**

Non-current assets categorized by the location of the companies as of 31 December can be analysed as follows:

in k€	***2021***	*2020*
USA	**209,508**	144,820
United Kingdom	**196,543**	202,980
Italy	**188,858**	189,351
France	**129,178**	93,812
Germany	**105,283**	101,926
Switzerland	**14,089**	13,879
Austria	**2,697**	2,853
Canada	**1,913**	1,935
Netherlands	**-**	1,986
	848,069	**753,541**

(4) CASH AND CASH EQUIVALENTS AND INVESTMENTS

Included in investments are corporate bonds, which are reported at fair value. The corporate bonds and similar instruments are classified as measured at fair value through OCI. As of 31 December 2021, unrealised gains in the amount of k€ 1,448 (31 December 2020: gains of k€ 51) were recognised in other comprehensive income relating to those assets. In the course of managing liquidity, Evotec is investing in deposits with maturities beyond three months which are also included in investments. The deposits are measured at amortised costs.

Based on the expected credit loss an allowance of k€ 239 has been recognised as of 31 December 2021 (31 December 2020: k€ 139).

As of 31 December 2021, k€ 7,736 of the cash balances with credit institutions were restricted (31 December 2020: k€ 8,270).

(5) TRADE ACCOUNTS RECEIVABLES

The Company has assessed the non-payment risk of all trade accounts receivables. The resulting risk provision as of 31 December 2021 amounts to k€ 2,100 (31 December 2020: k€ 782) and includes a risk provision for specific default risks of trade receivables in the amount of k€ 1,584 as well as for expected credit risks according to IFRS 9 in the amount of k€ 516 (31 December 2020: k€ 332). The risk provision only concerns a part of the corresponding receivables.

The maturities of trade receivables as at 31 December, taking into account risk provisions, are as follows:

in k€	***31 Dec 2021***	*31 Dec 2020*
Not past due	**95,556**	54,855
Risk provision not past due	**-**	(2)
Past due 0–30 days	**31,222**	13,284
Risk provision 0–30 days	**(30)**	(9)
Past due 31–120 days	**5,164**	5,489
Risk provision 31–120 days	**(89)**	(60)
More than 120 days	**2,236**	6,159
Risk provision more than 120 days	**(1,981)**	(711)
Total trade accounts receivables	**132,078**	**79,005**

The risk provision for expected credit risks in accordance with IFRS 9 of k€ 516 (31 December 2020: k€ 332) has been determined with estimates, expected failure rates between 0.024% and 21.8% (31 December 2020: 0.004% and 5.114%) and is included in the allowance.

Trade accounts receivables included several milestones and prepayments invoiced close to year-end. The amount of milestones and significant invoiced prepayments as per 31 December 2021 amounted to € 40.4 m compared to only € 2.3 m as per 31 December 2020.

(6) INVENTORIES

Inventories consist of the following:

in k€	***31 Dec 2021***	*31 Dec 2020*
Raw materials	**25,043**	13,306
Work-in-progress	**750**	279
Total inventories	**25,793**	**13,585**

Increase in raw materials is mainly driven by the J.POD® warehouse, in Redmond, Washington/USA starting its service in 2021. The main materials in the raw materials are consumables, cell culture medias and disposables.

Allowances on inventories exist at the balance sheet date k€ 595 (31 December 2020: k€ 428).

(7) CONTRACT ASSETS

Contract assets completely consist of assets resulting from customer contracts. As of 31 December 2021 no material risk provision was recorded.

(8) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses as of 31 December 2021 mainly relate to prepayments for insurance premiums. The other current assets mainly comprise VAT-related receivables of k€ 14,943 (31 December 2020: k€ 14,657).

in k€	***31 Dec 2021***	*31 Dec 2020*
Prepaid expenses	**19,210**	9,258
Other	**20,685**	21,146
Total prepaid expenses and other current assets	**39,895**	**30,404**

(9) LONG-TERM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Individually insignificant shares in companies accounted for using the equity method are presented in aggregate, provided that at the balance sheet date the equity book value did not exceed € 10 million or Evotec's share of earnings in the result was less than € 3 million in the company's profit or loss.

For some of those insignificant investments delays in respective lead programs led to failure of further financing rounds. This led to impairment tests of the two investments which resulted in an impairment in the amount of k€ 2,497, with both investments being fully impaired. In connection with the impairment test, related loans issued to the respective investments were adjusted to the fair value of nil resulting in a fair value adjustment in the amount of k€ 9,367.

The following table summarises the development of the long-term investment during the year 2021:

in k€	*Exscientia plc*	*NephThera GmbH*[2)]	*Breakpoint Therapeutics GmbH*	*Insignificant investments*	*Total*
Balance at 1 January 2021	**21,040**	**486**	**1,918**	**16,266**	**39,710**
Acquisition	**-**	**-**	**3,667**	**7,244**	**10,911**
Pro rata net result	**(1,577)**	**(486)**	**(2,811)**	**(11,696)**	**(16,570)**
Loss against other current assets	**-**	**-**	**-**	**977**	**977**
Impairment	**-**	**-**	**-**	**(2,497)**	**(2,497)**
Discontinued use of equity method	**(19,463)**[1)]	**-**	**-**	**-**	**(19,463)**
Net book value 31 December 2021	**.**	**0**	**2,774**	**10,294**	**13,068**

[1)] In the first half of 2021, Evotec did not participate in two financing rounds of Exscientia plc (before: Exscientia Ltd.), resulting in Evotec's shareholding decreasing from 20.32% to 14.84%. In the third quarter of 2021, Exscientia plc was listed for the first time on the NASDAQ and the shareholding further decreased through dilution to 11.70% as of 31 December 2021 through dilution. Consequently, Exscientia plc is no longer accounted for using the equity method but at fair value in accordance with IFRS 9.

[2)] NephThera GmbH is a joint venture.

The additions during the year 2021 relates to financing rounds in the existing long-term investments of Topas Therapeutics GmbH in the amount of k€ 2,856; FSHD Unlimited Coop. in the amount of k€ 1,257; Breakpoint Therapeutics GmbH in the amount of k€ 3.667; Ananke Therapeutics Inc. in the amount of k€ 1,483 and Quantro Therapeutics GmbH in the amount of k€ 1,250. Furthermore, subsequent acquisition costs due to contributions in kind were capitalised in the amount of k€ 398.

The following table summarises the development of the long-term investment during the year 2020:

in k€	*Exscientia plc*	*NephThera GmbH*[1)]	*Breakpoint Therapeutics GmbH*	*Insignificant investments*	*Total*
Balance at 1 January 2020	16,236	-	5,900	7,631	29,767
Additions	9,194	3,864	-	14,159	27,217
Pro rata net result	(4,390)	(3,378)	(3,982)	(5,524)	(17,274)
Net book value 31 December 2020	**21,040**	**486**	**1,918**	**16,266**	**39,710**

[1)] NephThera GmbH is a joint venture.

In 2020, the additions included subsequent acquisition costs due to contributions of k€ 6,839, of which k€ 3,850 related to the investment in NephThera GmbH and k€ 2,989 to the investment in Curexsys GmbH.

Further financial information on the significant investments accounted for using the equity method is presented below:

2021 in k€	*NephThera GmbH*	*Breakpoint Therapeutics GmbH*
Current assets	**8,013**	**18,501**
Non-current assets	**10**	**2**
Current liabilities	**525**	**719**
Non-current liabilities	**-**	**-**
Revenues from 1 Jan to 31 Dec	**-**	**-**
Net result from 1 Jan to 31 Dec	**(5,769)**	**(8,283)**

2020 in k€	*Exscientia plc*[1)]	*NephThera GmbH*	*Breakpoint Therapeutics GmbH*
Current assets	75,882	3,683	4,229
Non-current assets	11,306	0	4
Current liabilities	20,854	413	664
Non-current liabilities	-	-	-
Revenues from 1 Jan to 31 Dec	10,786	-	-
Net result from 1 Jan to 31 Dec	**(21,935)**	**(6,755)**	**(8,231)**

[1)] Net result included prior year adjustment k€ 2,165

(10) OTHER LONGTERM INVESTMENTS

The development of investments measured at fair value in accordance with IFRS 9 is shown below:

in k€	***2021***	*2020*
Balance at 1 January	**19,289**	11,462
Additions	**6,647**	6,327
Additions due to discontinue use of equity method	**19,463**	
Adjustments at fair value, affecting net income	**223,394**	1,500
Net book value 31 December	**268,793**	19,289

(11) PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in 2021 and 2020 is shown in the following tables. The table below also includes the right of use assets (see note 12 Leases) with a net book value of k€ 145,038 as of 31 December 2021 (31 December 2020: k€ 142,110).

	2021				
in k€	*Buildings and leasehold improvements*	*Plant, machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Total*
Acquisition and manufacturing costs					
Amount beginning of the year	215,055	168,224	27,445	71,155	481,879
Foreign currency translation	9,099	4,576	718	3,362	17,755
Additions	83,535	36,082	7,546	66,653	190,816
Business combination	-	-	-	-	-
Disposals	3,022	443	860	39	4,364
Reclass	73,800	19,172	4,809	(97,781)	-
Amount end of the year	**378,467**	**227,611**	**39,658**	**40,350**	**686,086**
Depreciation, amortisation and write-downs					
Amount beginning of the year	40,472	87,048	17,062	-	144,582
Foreign currency translation	1,919	2,628	620	-	5,167
Additions	23,463	24,826	7,307	-	55,596
Disposals	2,552	424	880	-	3,856
Reclass	77	(177)	100	-	-
Amount end of the year	**63,379**	**113,901**	**24,209**	**0**	**201,489**
Net book value					
Amount beginning of the year	174,583	81,176	10,383	71,155	337,297
Amount end of the year	**315,088**	**113,710**	**15,449**	**40,350**	**484,597**

	2020				
in k€	*Buildings and leasehold improvements*	*Plant, machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Total*
Acquisition and manufacturing costs					
Amount beginning of the year	172,259	143,208	22,371	12,577	350,415
Foreign currency translation	(4,617)	(3,403)	(496)	1,077	(7,439)
Additions	87,540	28,622	6,323	63,034	185,519
Business combination	-	-	-	-	-
Disposals	40,564	3,405	1,178	1,469	46,616
Reclass	437	3,202	425	(4,064)	-
Amount end of the year	**215,055**	**168,224**	**27,445**	**71,155**	**481,879**
Depreciation, amortisation and write-downs					
Amount beginning of the year	28,526	69,140	13,520	-	111,186
Foreign currency translation	755	744	(346)	-	1,153
Additions	17,412	19,649	5,061	-	42,122
Disposals	6,465	2,241	1,173	-	9,879
Reclass	244	(244)	-	-	-
Amount end of the year	**40,472**	**87,048**	**17,062**	**-**	**144,582**
Net book value					
Amount beginning of the year	143,733	74,068	8,851	12,577	239,229
Amount end of the year	**174,583**	**81,176**	**10,383**	**71,155**	**337,297**

The increase in property, plant and equipment to k€ 484,597 is mainly due to further investments in the new J.POD® facility at the subsidiary J.POD® Evotec Biologics Inc., in Redmond, Washington, USA which was opened in August 2021. This lead to a reclassification of € 89.2 m from assets under construction to mainly buildings and leasehold improvements and plant and machinery. The construction of J.POD® Toulouse, France started in 2021. This resulted in assets under construction of € 3.4 m as of 31 December 2021.

In addition, an increase of € 56.2 m results from a disposal of intangible assets excluding goodwill and an addition to buildings and leasehold improvements as of 1 July 2021. At the end of June 2021, GlaxoSmithKline S.p.A (GSK) sold the R&D site in Verona, Italy to Evotecs Italian subsidiary for a purchase price of € 1. In exchange, the beneficial contract granted by GlaxoSmithKline S.p.A (GSK) to Evotec in 2010 was cancelled. The beneficial agreement granted Evotec the free use and occupancy of the R&D site in Verona, Italy until 2058.

(12) LEASES

Set out below are the carrying amounts of right-of use assets recognized and the movements during the period:

	2021			
in k€	*Right of use Buildings and leasehold improvements*	*Right of use Plant, machinery and equipment*	*Right of use Furniture and fixtures*	*Total*
Acquisition and manufacturing costs				
Amount beginning of the year	158,454	8,382	529	167,365
Foreign currency translation	7,442	30	-	7,472
Additions	14,077	-	215	14,292
Business combination	-	-	-	-
Disposals	2,453	-	-	2,453
Reclass	82	(335)	253	-
Amount end of the year	**177,602**	**8,077**	**997**	**186,676**
Depreciation, amortisation and write-downs				
Amount beginning of the year	21,169	3,939	147	25,255
Foreign currency translation	2,573	120	24	2,717
Additions	14,160	1,462	207	15,829
Disposals	2,163	-	-	2,163
Reclass	(17)	(137)	154	-
Amount end of the year	**35,722**	**5,384**	**532**	**41,638**
Net book value				
Amount beginning of the year	137,285	4,443	382	142,110
Amount end of the year	**141,880**	**2,693**	**465**	**145,038**

	2020			
in k€	*Right of use Buildings and leasehold improvements*	*Right of use Plant, machinery and equipment*	*Right of use Furniture and fixtures*	*Total*
Acquisition and manufacturing costs				
Amount beginning of the year	136,158	10,475	465	147,098
Foreign currency translation	(3,410)	(6)	-	(3,416)
Additions	66,270	1,710	64	68,044
Business combination	-	-	-	-
Disposals	40,564	3,797	-	44,361
Amount end of the year	**158,454**	**8,382**	**529**	**167,365**
Depreciation, amortisation and write-downs				
Amount beginning of the year	13,702	2,914	110	16,726
Foreign currency translation	(374)	4	-	(370)
Additions	14,306	1,692	37	16,035
Disposals	6,465	671	-	7,136
Amount end of the year	**21,169**	**3,939**	**147**	**25,255**
Net book value				
Amount beginning of the year	122,456	7,561	355	130,372
Amount end of the year	**137,285**	**4,443**	**382**	**142,110**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

in k€	***2021***	*2020*
Amount beginning of the year	**145,554**	131,870
Foreign currency translation	**6,691**	(4,126)
Additions	**14,292**	67,842
Business combination	**-**	-
Disposals	**58**	32,983
Accretion of interest	**3,728**	3,125
Payments	**19,770**	20,174
Amount end of the year	**150,437**	145,554

The following amounts are recognised in profit and loss:

in k€	***2021***	*2020*
Depreciation expense of right-of-use assets	**15,829**	16,035
Interest expense on lease liability	**3,728**	3,125
Expense relating to short-term leases	**839**	807
Expense relating to leases of low-value assets	**56**	33
Variable lease payments	**-**	-
Total amount recognised in profit and loss	**20,452**	20,000

The lease liabilities are due as follows:

in k€	***31 Dec 2021***	*31 Dec 2020*
Current portion of lease obligations	**14,473**	14,616
Long-term lease obligations	**135,964**	130,938
	150,437	145,554

The Group's cash outflows for leases amounted to k€ 20,665 in 2021 (2020: k€ 21,014). Future cash outflows for leases that have not yet begun are set out in the explanation "(31) Commitments and contingencies".

(13) INTANGIBLE ASSETS, EXCLUDING GOODWILL

The development of intangible assets in 2021 and 2020 is shown in the following tables.

			2021			
in k€	*Rights, patents and licences*	*Developed technology*	*Customer related*	*Trademarks*	*Favourable contract*	*Total*
Acquisition and manufacturing costs						
Amount beginning of the year	10,772	98,845	67,647	6,539	62,033	245,836
Foreign currency translation	-	939	1,442	-	-	2,381
Additions	439	-	-	-	-	439
Business combination	-	-	-	-	-	-
Disposals	-	-	-	-	(62,033)	(62,033)
Reclass	-	-	-	-	-	-
Amount end of the year	**11,211**	**99,784**	**69,089**	**6,539**	**0**	**186,623**
Depreciation, amortisation and write-downs						
Amount beginning of the year	10,095	90,272	37,786	4,574	5,073	147,800
Foreign currency translation	-	348	691	-	-	1,039
Additions	87	1,680	8,914	642	689	12,012
Disposals	-	-	-	-	(5,762)	(5,762)
Reclass	-	-	-	-	-	-
Impairment	-	683	-	-	-	683
Amount end of the year	**10,182**	**92,983**	**47,391**	**5,216**	**0**	**155,772**
Net book value						
Amount beginning of the year	677	8,573	29,861	1,965	56,960	98,036
Amount end of the year	**1,029**	**6,801**	**21,698**	**1,323**	**0**	**30,851**

			2020			
in k€	*Patents and licences*	*Developed technology*	*Customer related*	*Trademarks*	*Favourable contract*	*Total*
Acquisition and manufacturing costs						
Amount beginning of the year	10,784	99,591	68,590	6,539	62,033	247,537
Foreign currency translation	-	(746)	(943)	-	-	(1,689)
Additions	2	-	-	-	-	2
Business combination	-	-	-	-	-	-
Disposals	14	-	-	-	-	14
Amount end of the year	**10,772**	**98,845**	**67,647**	**6,539**	**62,033**	**245,836**
Depreciation, amortisation and write-downs						
Amount beginning of the year	6,559	88,498	28,283	3,628	3,575	130,543
Foreign currency translation	-	(36)	113	-	-	77
Additions	292	1,810	9,390	946	1,498	13,936
Disposals	-	-	-	-	-	-
Impairment	3,244	-	-	-	-	3,244
Amount end of the year	**10,095**	**90,272**	**37,786**	**4,574**	**5,073**	**147,800**
Net book value						
Amount beginning of the year	4,225	11,093	40,307	2,911	58,458	116,994
Amount end of the year	**677**	**8,573**	**29,861**	**1,965**	**56,960**	**98,036**

Intangible assets, excluding goodwill decreased from k€ 98,036 as of 31 December 2020 to k€ 30,851 as of 31 December 2021 by k€ 67,185. Part of the decrease of € 56.2 m relates to a disposal of the favourable contract which in return resulted in an addition to buildings and leasehold improvements, for further information see note 11 "Property, plant and equipment".

In the financial year 2021 developed technology in the amount of k€ 683 was impaired.

In the financial year 2020, rights and licences were impaired in the amount of k€ 3,244. This impairment concerned the rights to future sales of Haplogen GmbH, Vienna and is due to the fact that Haplogen GmbH, Vienna has lost a significant financing partner, so that the further development of the underlying projects is no longer assured.

(14) GOODWILL

The Company has tested the cash-generating units for impairment on the annual designated test date in the fourth quarter 2021 based on the net book values as of 30 September 2021. The impairment tests are based on discounted cash flow, used to determine the value in use.

With respect to the development of goodwill please refer to the following detailed schedules.

2021

in k€	*OAI/Evotec International Execute*	*OAI/Evotec International Innovate*	*Aptuit Execute*	*Evotec (US) Execute*	*Just Execute*	*Total*
1 Jan 2021	**79,816**	**9,154**	**126,059**	**3,874**	**28,467**	**247,370**
Business combination	**-**	**-**	**-**	**-**	**-**	**-**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**
Reclass	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**4,664**	**50**	**2,786**	**323**	**2,376**	**10,199**
31 Dec 2021	**84,480**	**9,204**	**128,845**	**4,197**	**30,843**	**257,569**

2020

in k€	*OAI/Evotec International Execute*	*OAI/Evotec International Innovate*	*Aptuit Execute*	*Evotec (München) Execute*	*Evotec (US) Execute*	*Just Execute*	*Total*
1 Jan 2020	75,098	9,194	128,317	7,983	4,232	31,095	255,919
Business combination	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
Reclass	7,983	-	-	(7,983)	-	-	-
Foreign currency translation	(3,265)	(40)	(2,258)	0	(358)	(2,628)	(8,549)
31 Dec 2020	**79,816**	**9,154**	**126,059**	**0**	**3,874**	**28,467**	**247,370**

In the financial year 2020 Evotec (Munich) Execute goodwill was reclassified to the cash-generating unit OAI/Evotec International Execute.

The change in accumulated impairment of goodwill as of 31 December 2021 of k€ 233,577 compared to k€ 254,725 as at 31 December 2020 is entirely due to foreign currency translation.

The estimated future cash flows are based on a strategic plan of up to five years, an extrapolation of the cash flows over a simplified transition period of further five years and a terminal value. With the exception of the cash-generating units Aptuit Execute and Just Execute, for which the fair value less disposal costs method was applied, the impairment tests are based on the calculation of values in use.

The following tables show the relevant pre-tax discount rate as well as the growth rates used to determine the perpetual annuity in the respective discounted cash flows.

Cash-generating units 2021

	OAI/Evotec International Execute	***OAI/Evotec International Innovate***	***Evotec (US) Execute***	***Aptuit Execute***	***Just Execute***
Denominated in	GBP/EUR	GBP/EUR	USD	GBP/EUR	USD
Pre-tax discount rate	8.19%	11.51%	7.87%	9.83%	9.22%
Growth rate for terminal value	2.0%	2.0%	2.0%	2.0%	2.0%

Cash-generating units 2020

	OAI/Evotec International Execute	*OAI/Evotec International Innovate*	*Evotec (US) Execute*	*Aptuit Execute*	*Just Execute*
Denominated in	GBP/EUR	GBP/EUR	USD	GBP/EUR	USD
Pre-tax discount rate	9.16%	11.37%	9.78%	11.27%	9.60%
Growth rate for terminal value	1.5%	1.5%	1.5%	1.5%	1.5%

The impairment tests of the goodwill in OAI/Evotec International Execute, OAI/Evotec International Innovate, Evotec (US) Execute, Aptuit Execute, Just Execute and the relating estimated cash flows are based on past experience and expectations for the future. The impairment test of goodwill in Just Execute is based on less experience, since the structure of the J.POD® is a new technology and thus the correspondingly estimated capital flows are subject to a higher degree of uncertainty of assessment.

In addition, the following assumptions were used in the models:

- The estimates of revenues were based on knowledge of overall market conditions combined with specific expectations of customer growth and product performance.

- Cost estimates were developed using the 2022 and 2021 budgeted cost base projected forward to reflect volume increases, mix changes, specific investments and inflationary expectations.

- The exchange rates and interest rates used were based on current market expectations and predictions.

The sustainable growth rate in the terminal value based on current inflation expectations in the regions relevant to Evotec's business is 2.0% as of 30 September 2021 (30 September 2020: 1.5%) for all cash-generating unit units. Even with an unchanged growth rate in the terminal value no impairment of goodwill would have occurred.

Management has identified the discount rate and the growth rate for the terminal value as key assumptions that have the potential to vary and thereby cause the recoverable amount to decrease and to be lower than the carrying amount.

No impairment of goodwill would need to be recognized in the event of a reasonably possible change in the key assumptions used in 2021.

In 2021, the analysis of the cash-generating unit Aptuit showed a difference between the recoverable amount and the carrying amount for Aptuit Execute, which has increased compared to 2020, mainly due to the recent positive performance, so that a possible change in the key assumptions could no longer potentially lead to an impairment. The following table shows an analysis of the cash-generating unit Aptuit Execute in 2020 for which a potential change in these key assumptions could lead to an amount lower than the carrying amounts in that year. Those changes in assumptions are shown, which result in the estimated recoverable amount to be equal to the carrying amount in 2020.

2020

	Recoverable amount exceeding net book value	*Applied post-tax discount rate*	*Increase of post-tax discount rate*	*Applied terminal value*	*Decrease terminal value*	*Reduction in gross margin*
	in k€	in %-points	in %-points	in %-points	in %-points	in %-points
Aptuit Execute	**5,704**	**9.07**	**0.16**	**1.50**	**0.28**	**0.35**

In 2021 and 2020, the Company did not record impairments as a result of annual impairment assessments.

In 2021 and 2020, it was verified whether the COVID-19 pandemic should be considered a triggering event in accordance with IAS 36.12 for Evotec. The analysis showed that the pandemic had only a minor and temporary impact on Evotec's business. Accordingly, the COVID-19 pandemic is not a triggering event.

(15) NON-CURRENT TAX RECEIVABLES

Non-current tax receivables as of 31 December 2021 and 2020 relate mainly to tax refunds from tax development programs in the context of qualifying research and development expenses within France (crédit d'impôt recherche).

(16) LOAN LIABILITIES

Throughout the years 2021 and 2020, Evotec met all covenants under the various loan agreements shown below. All loans are unsecured. In 2021 and 2020, Evotec always had to maintain a minimum liquidity of k€ 35,000.

				31 Dec		*31 Dec*	
Country of lender	*Currency*	*Nominal interest rate*	*Maturity until*	***2021 Fair value***	***2021 Carrying amount***	*2020 Fair value*	*2020 Carrying amount*
				in k€	in k€	in k€	in k€
Germany	EUR	fixed interest rate of 0.7% to 2%	2022-2031	**254,911**	**249,530**	261,601	249,369
Germany	EUR	1.60%	2024-2027	**78,596**	**75,000**	79,950	75,000
Germany	EUR	1.20%	2021-2029	**8,014**	**7,797**	16,341	16,652
Germany	EUR	1.40%	2031	**21,332**	**20,367**	-	-
Germany	EUR	1.28%	2021	**-**	**-**	5,000	5,000
Germany	EUR	1.25%	2021	**-**	**-**	178	178
Italy	EUR	1.50%	2021	**-**	**-**	212	212
France	EUR	0.55%	2025	**8,559**	**8,650**	-	-
				371,412	**361,344**	**363,282**	**346,411**

Current loan liabilities as of 31 December 2021 consist of interest liabilities of k€ 1,136 and of two loans in the amount of k€ 35,000 which are scheduled to be repaid in 2022 (31 December 2020: k€ 15,392).

As of 31 December 2021, the Company maintained unutilised lines of credit totalling k€ 99,601 (31 December 2020: k€ 51,953).

(17) PROVISIONS

The financial year ending 31 December 2020 was adjusted for the effects of the IFRIC agenda decision of April 2021 regarding the benefits to be taken into account depending on the length of service. The adjustment of the previous year's values led to an overall decrease in non-current provisions for pensions of k€ 2,168. See Note 2 "Changes in accounting policies with mandatory application in the financial year 2021".

The current provisions consist of the following:

in k€	***31 Dec 2021***	*31 Dec 2020*
Other personnel expenses	**33,983**	34,728
Pensions	**1,478**	1,275
Other provisions	**3,799**	5,845
Total current provisions	**39,260**	**41,848**

The non-current provisions consist of the following:

in k€	***31 Dec 2021***	*31 Dec 2020*
Pensions	**12,950**	13,166
Other personnel expenses	**2,029**	2,277
Other provisions	**3,042**	5,288
Total non-current provisions	**18,021**	**20,731**

The following table summarises the development of total provisions recorded during 2021:

in k€	*1 Jan 2021*	*Business combination*	*Consumption*	*Release*	*Foreign exchange*	*Additions*	*31 Dec 2021*
Other personnel expenses	**37,005**	**-**	**33,018**	**3,644**	**636**	**35,033**	**36,012**
Pensions	**14,441**	**-**	**463**	**813**	**-**	**1,263**	**14,428**
Other provisions	**11,133**	**-**	**4,760**	**7,021**	**655**	**6,834**	**6,841**
Total	**62,579**	**-**	**38,241**	**11,478**	**1,291**	**43,130**	**57,281**

The following table summarises the development of total provisions recorded during 2020:

in k€	*1 Jan 2020*	*Business combination*	*Consumption*	*Release*	*Foreign exchange*	*Additions*	*31 Dec 2020*
Other personnel expenses	32,814	-	26,492	716	(593)	31,992	37,005
Pensions	12,131	-	354	-	-	2,664	14,441
Other provisions	8,608	-	1,046	1,216	(439)	5,226	11,133
Total	**53,553**	**-**	**27,892**	**1,932**	**(1,032)**	**39,882**	**62,579**

The provision for personnel expenses mainly consists of bonus accruals (31 December 2021: k€ 22,396; 31 December 2020: k€ 22,881) and accrued vacation (31 December 2021: k€ 13,904; 31 December 2020: k€ 12,354). The provision for pensions relate mainly to pensions in France (see Note 30).

The other provisions mainly consists of provisions to address the risk of a potential divergent interpretation of selected contracts by the tax authorities (31 December 2021: k€ 2,139; 31 December 2020: k€ 0). Additionally, earn-out provision (31 December 2021: k€ 1,103; 31 December 2020: k€ 6,381) were recorded. The decrease in earn-out provision (shown as release) mainly relates to a reclassification of k€ 3,571 due to a reclassification to other current financial liabilities. The development of the provision for contingent consideration is shown in "Note 29 Fair Values".

(18) CONTRACT LIABILITIES

As of 31 December 2021 and 2020, contract liabilities mainly originate from the upfront payments relating to the customer contracts with BMS in the amount of k€ 94,988 (31 December 2020: k€ 51,101) of which k€ 62,568 (31 December 2020: k€ 33,281) is classified as current contract liabilities.

(19) INCOME TAXES

The financial year ending 31 December 2020 has been adjusted for the effects of the IFRIC agenda decision of April 2021 regarding the benefits to be taken into account depending on the length of service. The adjustment of the previous year's values led to an overall decrease in deferred tax assets of k€ 558. See note 2 "Changes in accounting policies with mandatory application in the 2021 financial year".

a) AMOUNTS RECOGNISED IN CONSOLIDATED INCOME STATEMENT

Income tax benefit and expense for the years 2021 and 2020 comprise the following:

k€	***2021***	*2020*
Current taxes		
– Current tax expense	**(12,309)**	(12,804)
– Adjustment for prior years	**(4,095)**	739
Total current taxes	**(16,404)**	(12,065)
Deferred taxes:		
– Tax loss carry forwards	**(5,140)**	(10,319)
– Temporary differences	**74**	2,822
Total deferred taxes	**(5,066)**	(7,497)
Total income tax expense	**(21,470)**	(19,562)

— b) RECONCILIATION OF EFFECTIVE TAX RATE —

The difference between the actual income tax expense and the product of the net income and the applicable Group tax rate in the reporting year and the previous year is made up as follows:

k€	*2021*	*2020*
Income before taxes	**236,980**	25,840
Expected German income tax rate	**32.28%**	32.28%
Expected income tax benefit (expense)	**(76,497)**	(8,341)
Non-deductible expenses	**(511)**	(2,533)
Taxable income not recognised in income before tax	**-**	(7,796)
R&D tax credits	**6,742**	5,983
Tax free income	**71,917**	5,485
Permanent differences from GILTI	**(444)**	(1,401)
Tax effects from investments accounted for using the equity method	**(9,300)**	(2,884)
Deviation tax rates to expected tax rate	**1,815**	690
Change in tax rates	**521**	124
Change in recognition of deferred tax assets	**(10,247)**	(9,317)
Non-periodic taxes		
– Current Taxes	**(4,095)**	739
– Deferred Taxes	**(570)**	203
Other	**(801)**	(514)
Effective income tax income (expense)	**(21,470)**	19,562
Effective income tax rate	**9.06%**	75.70 %

The group tax rate includes corporate income tax plus solidarity surcharge of 15.825% and trade tax, which ranges from 10.825% - 16.625% depending on the municipality.

The initial public offering of Exscientia plc in the United States resulted in 2021 in a significant increase of the investment which impacts income and is significant tax free income in 2021. Taxable income not recognised in income before tax in 2020 was generated from revealing hidden reserves from in-kind contributions of assets.

Deferred income tax assets and liabilities calculated with the anticipated tax rates of each entity as of 31 December 2021 and 2020 relate to the following:

	1 Jan 2021				*31 Dec 2021*		
in k€	*Net balance*	*Recognised in profit or loss*	*Recognised in the other comprehensive income*	*Foreign currency translation*	*Net*	*Deferred tax assets*	*Deferred tax liabilities*
Property, plant and equipment	**(2,840)**	**(1,969)**	**-**	**(46)**	**(4,855)**	**1,528**	**(6,383)**
Intangible assets	**(25,314)**	**3,296**	**-**	**(330)**	**(22,348)**	**468**	**(22,816)**
Right of use assets	**(23,535)**	**1,556**	**-**	**-**	**(21,979)**	**-**	**(21,979)**
Financial assets	**(316)**	**(3,669)**	**-**	**-**	**(3,985)**	**401**	**(4,386)**
Provisions and deferred income	**4,801**	**(768)**	**7**	**(75)**	**3,965**	**6,516**	**(2,551)**
Lease obligations	**23,274**	**(3,347)**	**-**	**-**	**19,927**	**20,297**	**(370)**
Other	**(1,309)**	**6,245**	**-**	**13**	**4,949**	**5,254**	**(305)**
Tax credits	**1,521**	**(1,270)**	**708***	**75**	**1,034**	**1,034**	**-**
Loss carryforward	**27,711**	**(5,140)**	**-**	**392**	**22,963**	**22,963**	**-**
Total	**3,993**	**(5,066)**	**715**	**29**	**(329)**	**58,461**	**(58,790)**
Set off of tax	-	-	-	-	-	**(41,102)**	**41,102**
Net	**3,993**	**(5,066)**	**715**	**29**	**(329)**	**17,359**	**(17,688)**

** Recorded in Equity without any impact on other comprehensive income*

in k€	1 Jan 2020 Net balance	Recognised in profit or loss	Recognised in the other comprehensive income	Foreign currency translation	31 Dec 2020 Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(2,947)	284	-	(177)	(2,840)	1,450	(4,290)
Intangible assets	(29,494)	4,964	-	(784)	(25,314)	564	(25,878)
Right of use assets	(31,729)	8,194	-	-	(23,535)	-	(23,535)
Financial assets	(1,012)	704	-	(8)	(316)	29	(345)
Provisions and deferred income	4,699	(75)	149	28	4,801	7,541	(2,740)
Lease obligations	31,180	(7,906)	-	-	23,274	23,557	(283)
Other	1,841	(3,150)	-	-	(1,309)	1,601	(2,909)
Tax credits	2,493	(192)	(881)*	102	1,521	1,521	-
Loss carryforward	37,549	(10,319)	-	481	27,711	27,711	-
Total	**12,580**	**(7,490)**	**(732)**	**(358)**	**3,993**	**63,974**	**(59,981)**
Set off of tax	-	-	-	-	-	(39,582)	39,582
Net	**12,580**	**(7,497)**	**(732)**	**(358)**	**3,993**	**24,392**	**(20,399)**

** Recorded in Equity without any impact on other comprehensive income*

— c) UNRECOGNISED DEFERRED TAX LIABILITIES —

Concerning undistributed foreign subsidiaries earnings, temporary differences in the amount of k€ 12,009 were not recognised according to IAS 12.39 (2020: k€ 9,982) as Evotec controls the timing of such reversal and it is not planned to distribute the foreign subsidiaries earnings.

— d) UNRECOGNISED DEFERRED TAX ASSETS —

The Company's deferred tax assets are recorded to the extent it is probable that such tax benefits would be realised in future years. As of 31 December 2021, no additional deferred tax assets on tax loss carryforwards exceeding the recognised deferred tax liabilities, were recognised for two German, one French, one UK entity, the US entities as well as the Swiss, Austrian and Indian entity. In the following schedule, tax loss carryforwards, interest carryforwards and tax credits for which no deferred tax assets were recorded are shown. Tax loss carryforwards on different types of income taxes were aggregated into one total amount.

in k€	***2021***	*2020*
Tax loss carryforwards (not expiring)	**307,682**	272,796
Time-limited tax losses		
— expiring until 2026 (2020: 2025)	**21,409**	19,259
— expiring from 2027 to 2031 (2020: 2026–2030)	**38,207**	45,409
— expiring from 2032 (2020: 2031)	**73,811**	43,945
Interest carryforward	**-**	-
Tax credits	**1,286**	1,119
Total	**442,395**	**382,528**

In addition to unrecognized deferred tax assets from tax loss carryforwards a net asset position for temporary differences amounting to k€ 6,346 was not recorded as of 31 December 2021 (31 December 2020: k€ 2,707) as there was no sufficient taxable income foreseen.

(20) OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities of k€ 12,115 consist of liabilities from forward currency contracts of k€ 8,565 (2020: Other current financial assets of k€ 3,845) and a liability concerning an earn-out provision (reclassification from provisions) which is now due.

(21) STOCK-BASED COMPENSATION

— a) SHARE PERFORMANCE AWARDS —

To further incentivise executives via variable long-term incentive compensation, the Annual General Meeting in June 2020, June 2017 and June 2015 approved the respective contingent capital necessary to support the Restricted Share Plan 2020 ("RSP 2020") as well the Share Performance Plan 2017 ("SPP 2017") and 2015 ("SPP 2015"). Under these plans, Restricted Share Awards ("RSA") may be granted to a level of 1,200,000 bearer shares ("RSP 2020) and Share Performance Awards ("SPA") may be granted to a level that may result in up to 6,000,000 bearer shares (SPP 2017) and 6,000,000 bearer shares (SPP 2015) of the Company being issued at maturity to members of the Management Board and other key employees. Each RSA grants one subscription right to shares of the Company while each SPA grants up to two subscriptions rights to shares of the Company, each of which in turn entitles the holder to subscribe for one share of the Company.

SPAs under SPP 2017 are exercised automatically within 10 trading days after the four-years holding period, whereas RSAs under RSP 2020 and SPAs under SPP 2015 can be exercised at the earliest after a vesting period of four years after the date of their grant but no later than five years after the respective grant. After five years RSAs are exercised automatically. The holder has to contribute € 1.00 per share at the date of issue.

RSAs under RSP 2020 can only be exercised, if, when and to the extent that performance targets are achieved in a single of four consecutive calendar years. These performance targets consist of Evotec's adjusted EBITDA. The Supervisory Board determines annually key performance indicators for each individual tranche of awards at grant date. The Restricted Share Plan 2020 is subject to certain restrictions regarding issuing periods and the allocation of the grants to members of the Management Board and other key employees.

SPAs under SPP 2017 can only be exercised, if, when and to the extent that two specified and equally weighted key performance indicators are achieved in a single of four consecutive calendar years. These performance targets consist of Evotec's "share price", the XETRA price is relevant here, and "relative total shareholder return", which is derived by comparison with the return of the TecDax index. The Supervisory Board determines annually key performance indicators for each individual tranche of awards at grant date. The Share Performance Plan 2017 is subject to certain restrictions regarding issuing periods and the allocation of the grants to members of the Management Board and other key employees.

SPAs under SPP 2015 can only be exercised, if, when and to the extent that key performance indicators are achieved within a performance measurement period of three years. These performance indicators consist of service conditions relating to certain key financial figures (e.g. revenue- and income-related indicators) of the Company as well as certain share-based measurements (e.g. Evotec's XETRA share price). The Supervisory Board determines annually key performance indicators for each individual tranche of awards at grant date. The Share Performance Plans SPP 2015 are subject to certain restrictions regarding issuing periods and the allocation of the grants to members of the Management Board and other management members. If a member of the Management Board leaves the company during the performance measurement period, he is entitled to receive proportionate Share Performance Awards dependent on the achievement of the key performance indicators. The selected key employees generally do not have this entitlement.

A summary of the status of the Share Performance Plans as of 31 December 2021 and 2020 and the changes during the year then ended is presented as follows:

	31 Dec			
	2021 Share Performance Awards (SPAs)	***2021 Weighted average exercise prices***	*2020 Share Performance Awards (SPAs)*	*2020 Weighted average exercise price*
		€ per share		€ per share
Outstanding at beginning of the year	**1,570,113**	**1.00**	2,149,562	1.00
SPAs granted	**608,710**	**1.00**	325,612	1.00
SPAs exercised	**(701,278)**	**1.00**	(865,687)	1.00
SPAs forfeited	**(152,095)**	**1.00**	(39,374)	1.00
Outstanding at end of the year	**1,325,450**	**1.00**	**1,570,113**	**1.00**
Thereof exercisable	**-**	**1.00**	**432,450**	**1.00**

Evotec's average weighted share price at the exercise day of SPAs in fiscal year 2021 was € 37.97 (2020: € 24.26). In the financial year 2021, 160,048 Awards (2020: 77,214 Awards) from the total granted 608,710 SPAs (2020: 325,612 SPAs) were given to the members of the Management Board. The SPAs exercised in 2021 correspond to 1,195,954 shares (2020: 1,501,254 shares).

The fair value of the grant of Share Performance Awards was estimated on the date of grant using a Monte-Carlo-Simulation model with the following assumptions:

	22 Oct 2021	*28 May 2021*	*1 Feb 2021*
Risk-free interest rate in %	(0.43)	(0.57)	(0.78)
Volatility of Evotec share in %	35.0	40.0	42.0
Volatility of TecDAX index in %	-	-	29.0
Fluctuation in %	5.00	0.0 - 5.0	0.0 - 5.0
Exercise price in Euro	1.00	1.00	1.00
Share price at grant date in Euro	44.98	35.49	32.25
Market value of TecDAX index at grant date in Euro	-	-	3,375.67
Fair value according to IFRS 2 at grant date per SPA of the Management Board in Euro	-	33.50	31.34
Fair value according to IFRS 2 at grant date per SPA of employees in Euro	43.96	34.47	36.65

	29 Oct 2020	*15 Jan 2020*	*15 Jan 2019*	*15 Jan 2018*
Risk-free interest rate in %	(0.85)	(0.55)	(0.46)	(0.25)
Volatility of Evotec share in %	40.00	37.00	54.00	51.00
Volatility of TecDAX index in %	-	18.00	22.00	13.00
Fluctuation in %	5.00	0.0 - 5.0	0.0 - 5.0	0.0 - 5.0
Exercise price in Euro	1.00	1.00	1.00	1.00
Share price at grant date in Euro	22.92	23.39	18.83	14.35
Market value of TecDAX index at grant date in Euro	-	3,099.05	2,478.06	2,663.91
Fair value according to IFRS 2 at grant date per SPA of the Management Board in Euro	-	22.69	15.33	12.19
Fair value according to IFRS 2 at grant date per SPA of employees in Euro	21.89	25.28	20.84	15.94

The performance measurement period for all grants started on 1 January of the corresponding year. The expected dividend yield is zero. The expected life is 4 years for the vesting periods starting in January and February, and 5 years for the vesting periods starting in May and October. The base for the expected volatility are the historic volatilities of the year before the grant date.

— b) SHARE OPTION PLANS —

In the beginning of 2020, there remained a few stock options from the past. A summary of the status of the stock option plans as of 31 December 2020 and the changes during the year then ended is presented as follows:

	2020 Options	*2020 Weighted average exercise price*
		€ per share
Outstanding at beginning of the year	**32,594**	**2.79**
Options exercised	**(32,594)**	**2.79**
Options expired	**-**	**-**
Options forfeited	**-**	**-**
Outstanding at end of the year	**-**	**-**
Thereof exercisable	**-**	**-**

As of 31 December 2020 no more stock options were outstanding. Evotecs average share price at the exercise day of share options amounted to € 25.17 in the financial year 2020.

The Company recognised current service costs for all Share Performance Awards and Restricted Share Awards totalling to k€ 7,805 in 2021 and to k€ 5,285 in 2020, which were recognised as operating expenses in the consolidated income statement. Thereof, k€ 2,002 are related to Share Performance Awards of the Management Board in 2021 (2020: k€ 1,902). In 2021 and 2020, no current service costs related to stock options were recognised. The expenses relating to accelerated vesting as well as the adjustment of current service costs due to changes in assumptions in the financial year 2021 are included in the amount above.

(22) STOCKHOLDERS' EQUITY

The share capital is made up of:

Shares in thousands	*2021*	*2020*
Issued as of 1 Jan	**163,915**	150,903
Capital increase (cash contribution)	**11,497**	11,478
Exercise of share purchase rights	**1,196**	1,534
Issued as of 31 Dec	**176,608**	163,915

On 31 December 2021, there are 176,608,195 shares issued and outstanding with a nominal amount of € 1.00 per share. On 8 November 2021 Evotec successfully closed its public offering in the United States of 20 million ADSs. Each ADS represents half of one ordinary share of Evotec. All ADSs were sold in the offering at a purchase price of $ 21.75. On 16 November 2021 additional 2,995,000 ADSs, representing 1,497,500 ADSs were sold. In total, gross proceeds of the transaction amount to $ 500 million comprising the first offering of 20,000,000 ADSs ($ 435 million) and, the exercised option of 2,995,000 additional ADSs ($65 million) before deducting the transactions cost. The associated transaction costs consisting of underwriting commissions and offering expenses payable by Evotec amount to k€ 29,799 and were recognised as a reduction in equity.

Share purchase rights exercised in 2021 show an average exercise price amounting to € 1.00 (2020: € 1.06) per share. The conditional capital as of 31 December 2021 consists of 7,118,034 shares available with respect to the Share Performance Plans 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). Evotec can award those based on the resolution of the Annual General Meeting as of 19 June 2019. Consequently, the remaining conditional capital as of 31 December 2021 amounted in total to 37,077,323 shares.

Pursuant to section 5 paragraph 5 of the Articles of Association of the Company, the Management Board, with the approval of the Supervisory Board, having partially used the authorised capital in a capital increase on 4 and 15 November 2021, is authorised to increase the Company's share capital by up to € 21,417,436 in one or more tranches until 15 June 2026 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. However, with the approval of the Supervisory Board, the Management Board may exclude the pre-emptive rights of its shareholders for some of the shares on one or several occasions under certain well-defined conditions.

Evotec owns 249,915 of Evotec's shares as of 31 December 2021 (2020: 249,915), representing 0.1% (2020: 0.2%) of Evotec's share capital as of 31 December 2021.

(23) REVENUES

As of 1 January 2021, revenues from recharges previously shown in the "Reconciliation" column and not allocated to the segments are allocated to the EVT Execute and EVT Innovate segments. Revenues from recharges to customers amounted to k€ 35,991 (2020: k€ 21,835) whereof k€ 34,104 is allocated to EVT Execute (2020: k€ 20,728 and k€ 1,887 is allocated to EVT Innovate (2020: k€ 1,107).

The following schedule analyses the revenues Evotec recognised in the financial year 2021:

in k€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Revenues from contracts with customers			
Service fees and FTE-based research payments	431,184	99,570	530,754
Recharges	34,104	1,887	35,991
Compound access fees	1,532	43	1,575
Milestone fees	4,232	45,237	49,469
Licences	-	245	245
Total	**471,052**	**146,982**	**618,034**
Timing of revenue recognition			
At a certain time	38,336	47,124	85,460
Over a period of time	432,716	99,858	532,574
Total	**471,052**	**146,982**	**618,034**
Revenues by region			
USA	236,009	101,593	337,602
Germany	24,279	22,573	46,852
France	16,876	13,715	30,591
United Kingdom	98,735	5,905	104,640
Rest of the world	95,153	3,196	98,349
Total	**471,052**	**146,982**	**618,034**

The following schedule shows the revenue in the financial year 2020:

in k€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Revenues from contracts with customers			
Service fees and FTE-based research payments	366,946	93,648	460,594
Recharges	20,728	1,107	21,835
Compound access fees	1,361	-	1,361
Milestone fees	5,059	12,033	17,092
Licences	-	42	42
Total	**394,094**	**106,830**	**500,924**
Timing of revenue recognition			
At a certain time	25,787	13,140	38,927
Over a period of time	368,307	93,690	461,997
Total	**394,094**	**106,830**	**500,924**
Revenues by region			
USA	189,488	58,360	247,848
Germany	19,529	24,792	44,321
France	21,499	15,561	37,060
United Kingdom	89,258	4,729	93,987
Rest of the world	74,320	3,388	77,708
Total	**394,094**	**106,830**	**500,924**

The revenues are allocated to regions according to the head office of the external customers.

The transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) are as follows:

in k€	***31 Dec 2021***	*31 Dec 2020*
In the course of one year	**225,061**	377,216
After one year	**67,619**	69,328

In the year under review no material revenues were recognized for which the performance obligation was fully or partially fulfilled in prior periods.

In the financial year 2021, BMS, Evotec's largest customer, contributed more than 10% of the Group revenues equalling to k€ 98,616 (2020: k€ 62,561) and was allocated to the segments EVT Execute and EVT Innovate.

Included in the revenues are revenues from contribution in the year 2021 in the amount of k€ 8,565 (2020: k€ 4,648).

(24) RESEARCH AND DEVELOPMENT

In 2021, research expenses mainly relate to company-owned Innovate projects amounting to k€ 64,064 (2020: k€ 55,992) as well as overhead expenses in the amount of k€ 8,136 (2020: k€ 9,341). The overhead expenses consist mainly of patent costs and overhead personnel expenses. The increase in research and development expenses compared to the financial year 2020 is mainly due to initiatives in the areas of platform R&D. Included in research and development expenses are amortisation for intangible assets and depreciation for property, plant and equipment of k€ 1,042 (2020: k€ 789).

In the financial year 2021 development costs for software of k€ 980 were capitalised.

(25) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Included in selling, general and administrative expenses in 2021 are expenses for sales and marketing in the amount of k€ 9,422 (2020: k€ 9,503). Other administrative expenses in 2021 amount to k€ 96,023 (2020: k€ 67,356). The increase in general and administrative expenses in 2021 compared to 2020, is in particular due to personnel expenses as a result of significant company growth. Included in selling, general and administrative expenses are amortisation for intangible assets and depreciation for property, plant and equipment of k€ 24,957 (2020: k€ 19.840).

(26) OTHER OPERATING INCOME

In 2021 and 2020, other operating income mainly relates to refunds from Sanofi relating to the development of portfolios in Lyon and Toulouse in the amount of k€ 35,762 (2020: k€ 43,398). Further included are refunds from French CIR (crédit d'impôt recherche) in the amount of k€ 22,691 (2020: k€ 19,308) and Italy in the amount of k€ 2,784 (2020: k€ 124) as well as similar refunds in UK from the „Research and Development Expenditure Credit"(RDEC) in the amount of k€ 6,502 (2020: k€ 4,337). These tax refunds from tax development programmes are akin to a government grant and as a result shown as other operating income.

(27) FINANCIAL INSTRUMENTS

— FINANCIAL RISK MANAGEMENT —

Evotec is exposed to the following risks arising from financial instruments:

- currency risks
- interest rate risks
- liquidity risks (see Note 28)
- capital management risk (see Note 28)
- credit risks (see Note 28)
- market risks (see Note 28)

The Management Board has overall responsibility for the establishment and oversight of the Company's management framework. The Management Board has installed a Group Risk Manager, who is responsible for developing and monitoring the risk management policies. The Group Risk Manager reports regularly to the Management Board on its activities. The Audit Committee of the Supervisory Board oversees how management monitors compliance with the Company's risk management policies and procedures.

Currency risks

The Company is exposed to currency risks, if Evotec companies enter into revenues, purchases and borrowings that are denominated in a currency other than the functional currency of the respective Evotec company. The functional currencies of all Evotec companies consist mainly of Euro, US Dollar and Pound Sterling. The Evotec companies are in the normal course of business particularly exposed to currency fluctuations between US Dollar, Pound Sterling and the Euro.

The following table shows the average currency rates as well as the currency rates at 31 December 2021 and 2020 each against the Euro:

	Average rate		*31 Dec*	
in €	***2021 1 Jan – 31 Dec***	*2020 1 Jan – 31 Dec*	***2021***	*2020*
USD	**0.8455**	0.8755	**0.8829**	0.8149
GBP	**1.1633**	1.1240	**1.1901**	1.1123

A strengthening (weakening) of the Euro, the US Dollar and the British Pound among themselves and against other currencies, as shown below as at 31 December, would lead to an increase (reduction) in equity and earnings with the amounts mentioned below. This analysis relates to financial instruments held for sale on condition that all other variables remain constant and ignore the impact of purchases and sales.

	Variance 2021		*Variance 2020*	
in k€	***Equity***	***Profit and loss***	*Equity*	*Profit and loss*
USD (10% strengthening)	**42,053**	**42,053**	11,321	11,321
USD (10% weakening)	**(42,053)**	**(42,053)**	(11,321)	(11,321)
GBP (10% strengthening)	**6,643**	**6,643**	5,702	5,702
GBP (10% weakening)	**(6,643)**	**(6,643)**	(5,702)	(5,702)
EUR (10% strengthening)	**48,699**	**48,699**	17,032	17,032
EUR (10% weakening)	**(48,699)**	**(48,699)**	(17,032)	(17,032)

The Company manages the foreign exchange exposure via natural hedges and selective hedging instruments such as forward currency contracts. The hedging instruments used do not expose the Company to any material additional risk. The objective of these transactions is to reduce the risk of exchange rate fluctuations of the Company's foreign currency denominated cash flows. Evotec does not enter into derivative transactions for trading or speculative purposes. Foreign currency contracts are carried at fair value. Foreign currency forward contracts amounting to a fair value of k€ (8,565) were held by the Company as of 31 December 2021 (31 December 2020: k€ 3,845). Gains and losses from the fair value accounting related to foreign currency derivatives are included in non-operating income and expense and amounted to a net loss of k€ 12,410 in the financial year 2021 (2020: net loss of k€ 20). This net loss results mainly from the strong USD appreciation during the 2021.

Derived regularly from the summarised quantitative data about the Company's currency risks, based on the report to the Management Board, the expected future USD cash flows which should be hedged with USD/GBP forward contracts and USD/EUR forward contracts are determined. As of 31 December 2021, cash flows of kUSD 344,830 (31 December 2020: kUSD 70,500), thereof kUSD 300,430 against Euro (31 December 2020: kUSD 45,000), and kUSD 44,400 (31 December 2020: kUSD 25,500) and cash outflows of k€ 8,400 against GBP were hedged.

The fair value of cash and cash equivalents, investments, trade accounts receivable and trade accounts payable approximate their carrying values in the consolidated financial statements due to their short-term nature. Financial assets are accounted for at the settlement date.

Interest rate risks

The Company is exposed to interest rate risks in Germany, UK and USA due to current investments as well as loans. Financial instruments with fixed interest rates are not subject to interest rate risk and therefore are not included in the sensitivity analysis. Financial instruments with variable market interest rates as of 31 December 2021 and 2020 are included in the sensitivity analysis for the period of their existence. If the interest rate had been 100 basis points higher (lower) at 31 December 2021, the effect on net income without considering any potential tax effects would have been k€ 746 higher and k€ 827 lower (31 December 2020: net income k€ 415 higher (lower)). Shareholders' equity would be impacted in the same amount.

The fair value of debt varies from the carrying amount, if there is a difference between the underlying interest rate to the market interest rate. The fair value is then determined using an appropriate market interest rate.

The fair values of the loans and current investments with variable market interest rates as of 31 December 2021 and 2020 would vary by the following amounts:

in k€	***31 Dec 2021***	*31 Dec 2020*
Variable interest rate +1 %-point	**2,570**	37
Variable interest rate (1) %-point	**(827)**	(415)

Evotec regularly uses interest rate swaps to economically hedge the interest rate risks from its borrowings. In June 2019, two interest rate swaps with a notional of k€ 48,250 were agreed to swap portions of the variabilized interest-bearing tranches of the promissory note against a fixed rate of 0.17% and 0.24%, respectively. In addition, two additional interest rate swaps with a notional of k€ 22,500 each were concluded in 2021. Here, a fixed rate of 2.00% and 1.12% is swapped against a floored Euribor plus spread. The Company does not use fair value through profit or loss accounting for its financial assets and liabilities with fixed interest rates.

The Company is exposed to interest rate risk through variable interest-bearing loans. These interest rate risks are deemed not to be significant.

Other price risks
The Company is not exposed to any price risks associated to their financial instruments.

(28) RISKS

Liquidity risks
Revenue fluctuations, 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 prepared a scenario planning to safeguard its cash position. Evotec believes that existing liquidity reserves are sufficient to cope with the cumulative impact of all identified risks. Evotec currently has sufficient liquidity reserves, in particular due to a public placement in the US in 2021. However, the option of increasing capital is always considered. This additional financing might be required if new opportunities arise in terms of M&A or in-licensing. The Company does not intend to engage in projects unless adequate funding is allocated or secured. Evotec has successfully increased liquidity through market positioning and growth. Given the current business environment with economic and political uncertainties, Evotec assesses the associated liquidity risks still to be low (previous year: low).

The general risk of losing a significant amount of cash in cash investments should continuously be mitigated by spreading the investments across several different banks in high-credit quality instruments in full compliance with the Company's approved investment policy. Evotec monitors its banks and investments on an ongoing basis. Therefore, Evotec assesses the current default risks to be low, remaining unchanged in comparison to the previous year.

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. A portion of the funds is held in currencies other than Euro in order to meet local operating needs. This risk has increased due to extensive political uncertainty and a potentially strong market reaction in the forthcoming months, but was already subject to increasing volatility in previous years.

The contractual maturities of financial liabilities, including estimated interest payments as of 31 December 2021 and 2020 are included in the following tables:

			31 Dec 2021		
in k€	*Carrying amount*	*Contractual cash flow*	*Due in 1 year*	*Due in 2–5 years*	*More than 5 years*
Non-derivative financial liabilities					
Loans	**(362,480)**	**(382,867)**	**(40,467)**	**(253,391)**	**(89,009)**
Lease obligations	**(150,437)**	**(175,040)**	**(17,343)**	**(69,396)**	**(88,301)**
Contingent consideration	**(1,103)**	**(1,156)**	**(1,156)**	**-**	**-**
Trade accounts payable	**(72,598)**	**(72,598)**	**(72,598)**	**-**	**-**
Other financial liabilities	**(4,017)**	**(4,017)**	**(4,017)**	**-**	**-**
Total non-derivative financial liabilities	**(590,635)**	**(635,678)**	**(135,581)**	**(322,787)**	**(177,310)**
Derivative financial liabilities					
Interest rate swap	**(9,344)**	**(9,344)**	**(7,423)**	**(1,660)**	**(261)**
Total derivative financial liabilities	**(9,344)**	**(9,344)**	**(7,423)**	**(1,660)**	**(261)**

		31 Dec 2020			
in k€	*Carrying amount*	*Contractual cash flow*	*Due in 1 year*	*Due in 2–5 years*	*More than 5 years*
Non-derivative financial liabilities					
Loans	(346,411)	(370,425)	(20,632)	(273,457)	(76,336)
Lease obligations	(145,554)	(171,708)	(20,043)	(66,062)	(85,603)
Contingent consideration	(6,381)	(7,228)	(5,201)	(1,597)	(430)
Trade accounts payable	(42,549)	(42,549)	(42,549)	-	-
Other financial liabilities	(205)	(205)	-	(205)	-
Total non-derivative financial liabilities	**(541,100)**	**(592,115)**	**(88,425)**	**(341,321)**	**(162,369)**
Derivative financial liabilities					
Interest rate swap	(502)	(502)	(17)	(202)	(283)
Total derivative financial liabilities	**(502)**	**(502)**	**(17)**	**(202)**	**(283)**

Capital management risk

Evotec actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximise returns. Evotec's cash and short-term investments are located at several different banks. Financial investments are made in liquid, highly diversified investment instruments having at minimum a Standard & Poor's rating (or equivalent) of at least BBB-.

The following table shows the total assets, equity as well as equity ratio and net cash (cash and cash equivalents minus current and non-current loan liabilities and current and non-current finance lease obligations):

in k€	***31 Dec 2021***	*31 Dec 2020*[1)]
Total assets	**2,235,161**	1,462,337
Equity attributable to the shareholders of Evotec SE	**1,377,685**	724,456
Equity ratio (in %)	**61.6%**	49.5%
Net cash	**186,409**	(69,386)

[1)] *Includes the impacts of the IFRIC agenda decision of April 2021 of benefits to periods of service, see note 2 "Changes in accounting policies with mandatory application in the financial year 2021".*

Evotec remains well financed with an equity ratio relating to equity attributable to Evotec's shareholders of 61.6 % as of 31 December 2021 (31 December 2020: 49.5%) and currently has no necessity to raise capital to maintain its operations in the near to mid-term. However, the option to increase capital must always be considered if new opportunities arise in terms of M&A or in-licensing which require additional financing. Furthermore, the acquisition of anchor investors can be of strategic importance for the company.

No minimum capital requirements are stipulated in Evotec's statutes. The Company has obligations to issue shares out of the conditional capital relating to the exercise of stock options on the basis of miscellaneous stock option plans as well as Share Performance Awards on the basis of Share Performance Plans (see Note 21).

Credit risks

Credit risk is the risk of financial loss to the Company if a customer fails or partly fails to meet any of its contractual obligations and arises primarily from the receivables from customers, contract assets and investment securities. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

in k€	***31 Dec 2021***	*31 Dec 2020*
United States	**78,543**	32,511
France	**17,098**	15,413
United Kingdom	**12,391**	9,683
Germany	**6,283**	5,072
Rest of Europe	**10,363**	14,006
Rest of the world	**7,400**	2,320
	132,078	**79,005**

The maximum exposure to credit risk for contract assets at 31 December 2021 equals the net book value in the amount of k€ 18,614 (31 December 2020: k€ 12,607).

The Company has exposure to credit risk primarily with respect to its trade accounts receivables. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an appropriate specific allowance for uncollectible accounts receivable based upon the expected collectability of all accounts receivable. The Company's accounts receivables are generally unsecured and are not backed by collateral from its customers. As of 31 December 2021, one customer accounted for 23% of trade receivables (31 December 2020: 9%). Concentrations of credit risk with respect to trade accounts receivables are generally limited by a number of geographically diverse customers and the Company's monitoring procedures.

Market risks

The market environment and competitive landscape for licensing and licensed projects or individual drug candidates, in general or for individual treatments might change while engaging in individual projects.

Reconciliation of cash flows from financing activities to the changes in financial liabilities

in k€	*Loan liabilities*	*Lease obligations*	*Loan notes*
As of 1 Jan 2021	**346,411**	**145,554**	**3**
Proceeds from issuance of loans	**30,791**	**-**	**-**
Repayment	**(16,018)**	**(19,770)**	**-**
Cashflow from financing activities	**14,773**	**(19,770)**	**-**
Disposal of finance lease obligation	**-**	**(58)**	**-**
Foreign currency translation	**-**	**6,691**	**-**
Changes in fair value	**160**	**-**	**-**
Interest increase	**1,136**	**3,728**	**-**
Issue of finance lease obligation	**-**	**14,292**	**-**
As of 31 Dec 2021	**362,480**	**150,437**	**3**

in k€	*Loan liabilities*	*Lease obligations*	*Loan notes*
As of 1 Jan 2020	**331,229**	**131,870**	**3**
Proceeds from issuance of loans	21,539	-	-
Repayment	(6,521)	(20,174)	-
Cashflow from financing activities	**15,018**	**(20,174)**	**-**
Disposal of finance lease obligation	-	(32,983)	-
Foreign currency translation	2	(4,126)	-
Changes in fair value	162	-	-
Interest increase	-	3,125	-
Issue of finance lease obligation	-	67,842	-
As of 31 Dec 2020	**346,411**	**145,554**	**3**

(29) FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		31 Dec 2021		31 Dec 2020	
in k€	Classification according to IFRS 9	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	Amortised cost	**699,326**	**699,326**	422,580	422,580
Investments	Fair value through other comprehensive income	**158,908**	**158,908**	59,350	59,350
Long-term investments	Fair value through profit and loss	**268,793**	**268,793**	19,289	19,289
Trade accounts receivable	Amortised cost	**132,078**	**132,078**	79,005	79,005
Contract assets	Amortised cost	**18,614**	**18,614**	12,607	12,607
Other current financial assets	Amortised cost	**264**	**264**	10,704	10,704
Other non-current financial assets	Amortised cost	**5,148**	**5,148**	22	22
Current loan liabilities	Amortised cost	**(36,136)**	**(36,136)**	(15,392)	(15,392)
Non-current loan liabilities	Amortised cost	**(326,344)**	**(336,412)**	(331,019)	(347,890)
Current portion of lease obligations	Amortised cost	**(14,473)**	**(14,473)**	(14,616)	(14,616)
Long-term lease obligations	Amortised cost	**(135,964)**	**(135,964)**	(130,938)	(130,938)
Trade accounts payable	Amortised cost	**(72,598)**	**(72,598)**	(42,549)	(42,549)
Current contract liabilities	Amortised cost	**(112,061)**	**(112,061)**	(66,477)	(66,477)
Non-current contract liabilities	Amortised cost	**(33,476)**	**(33,476)**	(22,437)	(22,437)
Other current financial liabilities	Amortised cost	**(3,550)**	**(3,550)**	-	-
Other non-current financial liabilities	Amortised cost	**(467)**	**(467)**	(205)	(205)
Derivative financial instruments	Fair value through profit and loss	**(9,344)**	**(9,344)**	3,343	3,343
Contingent consideration	Fair value through profit and loss	**(1,103)**	**(1,103)**	(6,381)	(6,381)
		537,615	**527,547**	**(23,114)**	**(39,985)**
Unrecognised (gain)/loss			**10,068**		**16,871**

In determining the fair values on level 2 and 3 the following valuation techniques are used:

Financial instruments measured at fair value
The fair value of derivative financial instruments is determined using market-related methods. The valuation model is based on quoted values of similar instruments, the characteristics of which are broadly in line with the instruments to be evaluated.

The fair values for contingent consideration are determined using discounted cash flow models. The capital flows used are basically based on the contracts underlying the conditional consideration and the relevant project or business planning. The discount rate takes into account the risk structure underlying capital flows (usually weighted average cost of capital of the acquired entity). Additional non-observable input factors include, for example, marketing success probabilities.

At the time of acquisition of investments, the fair value corresponds to the acquisition costs. Changes in fair value may occur due to scientific or financial plan discrepancies or new financing rounds. These deviations are determined by means of discounted cash flow valuation models.

Financial instruments not measured at fair value
For cash and cash equivalents, trade accounts receivables, contract assets, trade accounts payable, contract liabilities, loan liabilities, lease obligations and other current financial assets and liabilities, fair value is determined without the use of significant unobservable inputs, respectively the net book values represent an appropriate approximation of the fair value.

Assets and liabilities that are not measured at fair value but whose fair value is expressed
The present value for long-term credit liabilities was calculated using a simplified model using unobservable input factors (discount rate 1.00155%) and thus corresponds to the level 3 investigation hierarchy.

Hierarchy levels

The following table allocates financial assets and financial liabilities to the three levels of the fair value hierarchy as defined in IFRS 13:

in k€	31 Dec 2021 Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income	**158,908**	**-**	**-**	**158,908**
Assets at fair value through profit and loss	**244,866**	**-**	**23,927**	**268,793**
Liabilities at fair value through other comprehensive income	**-**	**-**	**-**	**-**
Liabilities at fair value through profit and loss	**-**	**(9,344)**	**(1,103)**	**(10,447)**

in k€	31 Dec 2020 Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income	59,350	-	-	**59,350**
Assets at fair value through profit and loss	-	3,343	19,289	**22,632**
Liabilities at fair value through other comprehensive income	-	-	-	**-**
Liabilities at fair value through profit and loss	-	-	(6,381)	**(6,381)**

The levels of the fair value hierarchy and its application to Evotec's financial assets and financial liabilities are described below:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

The following tables show the movement of fair values at level 3 for the financial years 2021 and 2020, respectively:

in k€	Note	Other investments	Contingent consideration
Balance at 1 Jan 2021		**19,289**	**(6,381)**
Exchange rate differences		**-**	**(268)**
Addition	10; 17	**6,647**	**-**
Additions due to discontinuation of the use of equity method		**-**	
Consumption		**-**	**445**
Reclassification to Liabilities			**3,571**
Net income/expense effected	10	**2,009**	**1,530**
Balance at 31 Dec 2021		**23,927**	**(1,103)**

in k€	Note	Other investments	Contingent consideration
Balance at 1 Jan 2020		11,462	(4,265)
Exchange rate differences		-	324
Addition	10; 17	6,327	(2,941)
Consumption		-	-
Net income/expense effected	10	1,500	501
Balance at 31 Dec 2020		**19,289**	**(6,381)**

The effects recognised in the income statement above from the adjustment of the fair values at level 3 were included in the consolidated income statement "Other operating income" and "interest expense".

For the fair value of the level 3 hierarchy, possible alternative assumptions of significant unobservable inputs would have ceteris paribus the following effects as of 31 December 2021 and 2020:

in k€	2021 Net result Increase	Decrease	2020 Net result Increase	Decrease
Contingent consideration				
Discount rate (movement of 1.5 %-points)	**(11)**	**11**	(121)	131
Commercialisation success rate (movement of 10 %-points)	**109**	**(109)**	768	(355)
Long-term investments				
Discount rate (movement of 1.5 %-points)	**(4,118)**	**6,279**	(3,282)	(4,975)

In the financial years 2021 and 2020, no reclasses were made among the individual levels.

(30) PENSION PLAN

Defined contribution pension plans

In UK Evotec operates a defined contribution Group Personal Pension Plan (GPPP) and makes contributions to employees' own schemes. With the acquisition of Aptuit in 2017, the Company took over other additional plans. The pension charge for the year represents contributions payable by the Company to the fund (and to employees' own pension schemes) and amounted in 2021 to k€ 4,519 (2020: k€ 3,727). Contributions amounting to k€ 152 (2020: k€ 353) were payable to the fund at the year-end 2021 and 2020 respectively and are included in provisions. The Company's contribution rate is employee-specific and is determined by the level of an employee's contribution and the relevant legislation.

Further, the Company operates defined contribution 401K plans in the USA with the contribution to these plans amounting to k€ 646 during 2021 (2020: k€ 530).

Defined benefit pension plans

The company operates a defined benefit pension plan for employees in France. The calculation of the provision for this pension obligation is based on the projected unit credit method according to IAS 19. In 2021 and 2020, a calculation for this obligation was done which includes the following assumptions.

	31 Dec 2021	*31 Dec 2020*
Actuarial interest rate	**0.80%**	0.60%
Salary increase	**1.90%**	1.80%
Employee turnover	**0% – 1.10%**	0% – 2.85%
Retirement age	**62 years**	62 years

For the measurement of the mortality rate the mortality tables of France according to l'INSEE 2011–2013 were used. The mortality rate is not subject of a material sensitivity as the payment is processed at the beginning of the retirement. The sensitivity of the actuarial interest rate and the resulting change of the relating pension provision is shown in the following table. This change would be recognised as actuarial gain or loss in other comprehensive income in equity. For the other assumptions, no material change is expected, as they are based on historical values, which will not change much in the course of a year.

in k€	***31 Dec 2021***	*31 Dec 2020*
Actuarial interest rate +0.50 %-points	**(626)**	(814)
Actuarial interest rate -0.50 %-points	**676**	890

The financial year ending 31 December 2020 has been adjusted for the impact of the IFRIC agenda decision of April 2021 regarding the benefits to be taken into account depending on the length of service. See note 2 "Changes in accounting policies with mandatory application in the financial year 2021".

The Company operates a defined benefit pension plan for one former member of the Management Board of Evotec SE. The provision for this pension is calculated using the projected unit credit method in accordance with IAS 19. An actuarial report was prepared in 2021 and 2020 for this obligation. The calculations are based on assumed pension increases of 1.50% and a discount rate of 1.06% in 2021 and 1.5% and 0.70% in 2020. The discount rate reflects market conditions. The provision amounted to k€ 189 and k€ 205 as of 31 December 2021 and 2020, respectively.

The pension provisions developed as follows:

in k€	***31 Dec 2021***	*31 Dec 2020*
Pension provision at beginning of the year	**14,441**	12,131
Addition at acquisition date	**-**	771
Benefit payments from the employer	**(468)**	(9)
Included in other comprehensive income:		
Actuarial gains/losses from:		
– Changes in financial assumptions	**(551)**	(499)
– Experience adjustments	**(116)**	1,022
– Impact of changes in demographic assumptions	**3**	56
Included in net income:		
– Current service costs	**1,021**	888
– Interest cost	**98**	80
Pension provision at year-end	**14,428**	**14,441**

The pension provision is mainly unfunded.

Expenses for the statutory retirement obligations are explained in Note 33.

(31) COMMITMENTS AND CONTINGENCIES

— a) OPERATING LEASE OBLIGATIONS —

The future minimum lease payments under non-cancellable lease agreements, signed in 2021, but not yet to be recognised according to IFRS 16, are as follows:

in k€	***31 Dec 2021***	*31 Dec 2020*
Less than one year	**801**	71
Between one and five years	**10,595**	3,419
More than five years	**46,474**	9,332
Total	**57,870**	**12,822**

In addition, the Company maintains leases which were not recognised in accordance with the exemptions in IFRS 16. These amounts are not material and therefore not presented here.

— b) OTHER COMMITMENTS AND CONTINGENCIES —

The future minimum payments associated with miscellaneous long-term commitments total approximately k€ 9,459 and k€ 14,042 at 31 December 2021 and 2020, respectively. The significant portion thereof related to long-term commitments in connection with facility expenses.

As of 31 December 2021, the Company has entered into purchase commitments in the amount of k€ 66,154 (31 December 2020: k€ 32,976).

The Company has licensed or acquired certain third-party intellectual property for use in its business. Under these agreements, the Company is required to pay milestones, dependent on development progress and/or royalties and milestones dependent on present and future net income or on sublicensing fees received from third parties. The Company also agreed with several third parties on getting access to their technology and know-how for use in Evotec's business activities or within collaborations. Under those agreements, the Company is required to pay if neccessary a share of the revenue relating to those technologies and know-how to the respective third parties.

The Company is not aware of any material actual or threatened litigation as of 31 December 2021.

(32) RELATED PARTY TRANSACTIONS

Related persons and entities within the meaning of IAS 24 represent for the Group, in particular, shareholders who (jointly) have a dominant or significant influence, as well as subsidiaries, associates and joint ventures, key management personnel as well as members of the Supervisory Board.

Evotec has not entered into any material transactions with any key management personnel or member of the Supervisory Board. The remuneration paid to key personnel is presented in note 34 e) "Management Board"; the remuneration paid to the members of the Supervisory Board is shown in note 34 f) "Supervisory Board".

In addition to the business relationships with the subsidiaries eliminated in the consolidated financial statements by means of full consolidation, mainly business transactions with associated companies and joint ventures exist.

The terms and conditions of all transaction were made on terms and conditions that prevail in an arm's length transaction. The balances from the transactions with related parties are unsecured and are fulfilled by payment or service. In the period under review, the Group has recorded expenses for allowances on outstanding balances in the amount of k€ 8,969 (2020: k€ 0).

in k€ Transactions with	***Revenues from contracts/ other income 1 Jan–31 Dec 2021***	***Cost of revenue/ other expense 1 Jan–31 Dec 2021***	***Trade accounts receivables 31 Dec 2021***	***Other financial assets 31 Dec 2021***	***Other liabilities 31 Dec 2021***
– associated companies and joint ventures	**28,868**	**146**	**2,643**	**153**	**-**

in k€ Transactions with	*Revenues from contracts/ other income 1 Jan–31 Dec 2020*	*Cost of revenue/ other expense 1 Jan–31 Dec 2020*	*Trade accounts receivables 31 Dec 2020*	*Other financial assets 31 Dec 2020*	*Other liabilities 31 Dec 2020*
– associated companies and joint ventures	35,450	497	2,984	6,435	5,635
– other related party companies	32,961	-	6,492	-	-

Other liabilities to associates result from capital transactions.

(33) PERSONNEL EXPENSES AND COST OF MATERIAL

The personnel expenses of the Company in 2021 amounted to k€ 319,353 of which k€ 240,947 relate to personnel expenses outside Germany, in the UK, Italy, Switzerland, France and USA (2020: k€ 250,082 and k€ 187,677, respectively). Thereof expenses for the statutory retirement insurance amounted to k€ 12,407 of which k€ 7,566 relate to expenses outside Germany in the UK, Italy, Switzerland, France and USA (2020: k€ 10,065 and k€ 6,292, respectively).

Cost of materials in 2021 amounted to k€ 107,837 thereof k€ 83,275 were cost of materials outside Germany in the UK, Italy, Switzerland, France and USA (2020: k€ 92,827 and k€ 73,064, respectively).

(34) OTHER DISCLOSURES

German law in accordance with the European Directives on Accounting and the Corporate Governance Codex requires the following additional disclosures.

— a) NUMBER OF EMPLOYEES —

The average number of people employed by the Company in 2021 was 3,945 (2020: 3,355). 583 (2020: 439) employees thereof are allocated to sales and administration. The total increase is mainly due to the organic growth of the company and in particular the build-up of the J.POD® production site in the US.

— b) REMUNERATION OF THE AUDITOR —

In 2021, audit fees of k€ 821 are exclusively attributable to BDO AG, Wirtschaftsprüfungsgesellschaft. The audit services relate to the audit of the consolidated financial statements of Evotec SE and the statutory audits of the financial statements of Evotec SE and Evotec International GmbH.

Furthermore, k€ 46 of other services were provided for an analytical plausibility check of the interim financial statements as of 30 September 2021 and in the context of a readiness check for the non-financial consolidated financial report.

In 2020, fees for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and other Ernst & Young companies were recognized as expenses in the amount of k€ 781. These expenses were attributable in the amount of k€ 725 to audit services, in the amount of k€ 52 to other confirmation services and in the amount of k€ 5 to other services. The fees attributable exclusively to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft of k€ 495, included k€ 446 of audit services, as well as other assurance services of k€ 49. The amount relating to audit services includes k€ 81 from prior-year financial statements.

— c) CORPORATE GOVERNANCE CODE —

According to Sec 161 AktG, the Management Board and the Supervisory Board issued a statement of compliance with regard to the German Corporate Governance Code. This statement has been made accessible to the Company's shareholders in the 'Invest' section on Evotec's website (www.evotec.com).

— d) CONSOLIDATED SUBSIDIARIES AND EQUITY INVESTEES —

Information below shows Evotec's direct and indirect voting rights in their subsidiaries and other investments. Evotec's direct and indirect voting rights in dormant companies are not included.

in %	*2021* *Company's voting rights*
Subsidiaries	
Aptuit Global LLC, Princeton, USA	**100.00**
Aptuit (Verona) SRL, Verona, Italy	**100.00**
Aptuit (Oxford) Ltd., Abingdon, UK	**100.00**
Aptuit (Switzerland) AG, Basel, Switzerland*	**100.00**
Aptuit (Potters Bar) Ltd, Abingdon, UK	**100.00**
Cyprotex Discovery Ltd., Manchester, UK	**100.00**
Cyprotex Ltd, Manchester, UK	**100.00**
Cyprotex US, LLC, Watertown, USA	**100.00**
Evotec (France) SAS, Toulouse, France	**100.00**
Evotec ID (Lyon) SAS, Marcy l'Étoile, France	**100.00**
Evotec (Hamburg) GmbH, Hamburg, Germany	**100.00**
Evotec GT GmbH, Orth an der Donau, Austria	**100.00**
Evotec (India) Private Limited, Thane, India*	**100.00**
Evotec International GmbH, Hamburg, Germany	**100.00**
Evotec (München) GmbH, Martinsried, Germany	**100.00**
Evotec (UK) Ltd., Abingdon, UK	**100.00**
Evotec (US), Inc., Princeton, USA	**100.00**
J.POD-Evotec Biologics Inc., Seattle, USA	**100.00**
Just – Evotec Biologics, Inc, Seattle, USA	**100.00**
Just – Evotec Biologics EU SAS, Toulouse, France	**100.00**
Associates	
Ananke Therapeutics Inc., Boston, USA	**22.70**
Autobahn Labs LLC, Palo Alto, USA	**25.58**
Breakpoint Therapeutics GmbH, Hamburg, Germany	**34.61**
Celmatix Inc., New York, USA	**23.75**
Curexsys GmbH, Göttingen, Germany	**39.82**
Dark Blue Therapeutics LTD, Oxford, UK	**17.11**
Eternygen GmbH, Berlin, Germany	**24.97**
FSHD Unlimited Coop, Leiden, Netherlands	**21.46**
NephThera GmbH, Hamburg, Germany	**50.00**
Pancella Inc, Toronto, Canada	**12.69**
Quantro Therapeutics GmbH, Wien, Austria	**34.52**
Topas Therapeutics GmbH, Hamburg, Germany	**22.14**

** in voluntary liquidation*

in %	2021 Company's voting rights
Other Investments	
Aeovian Pharmaceuticals Inc., San Francisco, USA	**4.80**
AgroBio SAS, Paris, France	**10.03**
Blacksmith Medicines Inc. San Diego, USA	**15.10**
Cajal Neuroscience Inc., Seattle, USA	**2.27**
Carrick Therapeutics Ltd., Dublin, Irland	**4.56**
Exscientia plc (before: Exscientia Ltd.), Oxford, UK	**11.70**
Fibrocor LLP, Toronto, Canada	**16.26**
Fibrocor Therapeutics Inc.,Toronto, Canada	**8.73**
Forge Therapeutics, Inc., San Diego, USA	**15.04**
Immunitas, Therapeutics, Inc., Waltham, USA	**5.86**
Leon Nanodrugs GmbH, München, Germany	**12.43**
Mission BioCapital V LP, Cambridge, USA	**3.64**
OxVax Limited, Oxford, UK	**4.42**

The subsidiaries listed in this table are included in the consolidated financial statements.

In the first half of the year Evotec SE founded Just – Evotec Biologics EU SAS, France. The new fully consolidated company started initiating in the second half of the year the construction of its J.POD® 2 EU biologics manufacturing facility at Evotec's Campus Curie in Toulouse, France.

Associates and joint ventures are accounted for at-equity.

Through the shareholder agreement of Pancella Inc. and Dark Blue Therapeutics GmbH, Evotec participates in all significant financial and operating decisions. The group has therefore determined that it has significant influence over this entities, even though it only holds below 20% of the voting rights.

The Group investments in subsidiaries, associated companies and joint ventures are not hedged as those currency positions are considered to be long-term in nature.

— e) MANAGEMENT BOARD —

Dr Werner Lanthaler, *Business Executive, (CEO),*
Dr Cord Dohrmann, *Biologist, (CSO),*
Dr Craig Johnstone, *Chemist, (COO) and*
Enno Spillner, *Business Executive, (CFO).*

The remuneration granted to the members of the Management Board for the financial year 2021 totalled k€ 3,247 (2020: k€ 3,079) of which k€ 1,319 (2020: k€ 1,311) was variable remuneration. The Management Board received also Share Performance Awards and Restricted Share Awards in 2021 as a component with long-term incentive effect with a fair value in 2021 of k€ 5,235 (2020: k€ 1,752). Current service costs in the amount of k€ 2,002 (2020: k€ 1,902) were recorded in 2021 for Share Performance Awards of the Management Board. The total remunerations does not include any amounts for services after termination of the employment relationship or termination benefits.

Fixed remuneration includes base salaries, contributions to personal retirement insurance, premiums for accident, home costs and accidental death insurances 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. The respective objectives are specified every year by the Remuneration and Nomination Committee of the Supervisory Board, and subsequently approved by the Supervisory Board. Furthermore, the Management Board receives Share Performance Awards as a component with long-term incentive effect.

For the financial year 2021, the variable granted remuneration is based on the achievement of eight corporate milestones (strategic targets). The group corporate milestones for the financial year 2021 are defined in achievements of 40% corporate targets and 60% corporate financial targets. The variable pay in 2021 for the financial year 2020, was based on the achievement of eight corporate milestones (strategic targets). These group corporate milestones are defined in achievements of 40% corporate targets and 60% corporate financial targets. As of 31 December 2020, the Company had accrued k€ 1,106 for this purpose, which was composed of k€ 384 for Dr Werner Lanthaler, k€ 280 for Dr Cord Dohrmann, k€ 218 for Dr Craig Johnstone and k€ 224 for Enno Spillner. The actual payout in 2021 amounted to k€ 476 for Dr Werner Lanthaler, k€ 277 for Dr Cord Dohrmann, k€ 236 for Dr Craig Johnstone and k€ 222 for Enno Spillner.

In addition to their fixed and variable remuneration, the members of the Management Board received Share Performance Awards (SPA) under the Company's Share Performance Plans. These Share Performance Awards vest after four years according to achievement level of defined key performance indicators over a four-year (2020: four-year) performance measurement period. Further information concerning SPAs is available in Note 21.

	2021 Fixed remuneration	*2021 Variable remuneration*	*2021 Share Performance Awards*	*2021 Fair values of SPAs granted*	*2021 Total remuneration*
	in k€	in k€	in pcs	in k€	in k€
Dr Werner Lanthaler	**711**	**590**	**100,769**	**3,313**	**4,614**
Dr Cord Dohrmann	**451**	**275**	**40,956**	**1,348**	**2,074**
Dr Craig Johnstone	**382**	**234**	**9,439**	**296**	**912**
Enno Spillner	**384**	**220**	**8,884**	**278**	**882**
Total	**1,928**	**1,319**	**160,048**	**5,235**	**8,482**

The fixed remuneration was fully paid in 2021. The variable remuneration, based on a bonus scheme, is presented within current provisions.

	2020 Fixed remuneration	*2020 Variable remuneration*	*2020 Share Performance Awards*	*2020 Fair values of SPAs granted*	*2020 Total remuneration*
	in k€	in k€	in pcs	in k€	in k€
Dr Werner Lanthaler	585	476	38,400	871	1,932
Dr Cord Dohrmann	415	377	14,647	332	1,124
Dr Craig Johnstone	382	236	12,450	282	900
Enno Spillner	386	222	11,717	266	874
Total	**1,768**	**1,311**	**77,214**	**1,751**	**4,830**

The fixed remuneration was fully paid in 2020. The variable remuneration, based on a bonus scheme, is presented within current provisions. The individual contracts of the Management Board members contain a common change-of-control clause that would allow them to terminate their current contracts in the event of a change in control. Such a change-of-control occurs when a third party assumes more than 30% of the shares of the Company. If members of the Management Board should make use of their right of termination, they are entitled to the following severance payments: Dr Werner Lanthaler receives a severance payment of two years base salary, Dr Craig Johnstone, Enno Spillner as well as Dr Cord Dohrmann an 18 months base salary plus agreed bonus. In no case, the respective severance payment shall be higher than the total compensation due for the remaining term of the respective Management Board member's contract.

The Company has a Directors and Officers (D&O) insurance policy in place for the Management Board, the Supervisory Board, its senior management and the directors of subsidiary companies which was paid by the Company. For the members of the Management Board, a deductible in line with the stipulations of the legal provisions of the Act on Appropriateness of Management Board Compensation (VorstAG) was agreed.

The Members of the Management Board and their additional memberships in supervisory boards and memberships in comparable governing bodies of enterprises are listed below:

- Dr Werner Lanthaler
  - *Non-Executive Member of the Board of Directors & Chairman of the Audit Committee: arGEN-X, Breda/NL*
  - *Non-Executive Member of the Board of Directors: AC Immune SA, Lausanne/CH*
- Dr Cord Dohrmann
  - *Member of the Supervisory Board: Eternygen GmbH, Berlin/DE* Breakpoint Therapeutics GmbH, Hamburg/DE**
  - *Non-Executive Member of the Board of Directors: FSHD Unlimited, Leiden/NL**
- Dr Craig Johnstone
- Enno Spillner
  - *Non-Executive Member of the Board of Directors & Chairman of the Audit Committee: Nanobiotix SA, Paris/FR*
  - *Member of the Supervisory Board: Leon Nanodrugs, Munich/DE**

** Associated company of Evotec*

— f) SUPERVISORY BOARD —

Prof Dr Iris Löw-Friedrich, *Member of the Management Board (Chief Medical Officer) at UCB S.A.; Vice Chairperson of the Supervisory Board until June 2021; Chairperson of the Supervisory Board since June 2021;*
Roland Sackers, *CFO and Managing Director of QIAGEN N.V.; (Deputy Chairman of the Supervisory Board since June 2021);*
Dr Mario Polywka, *non-independent consultant; Former Member of the Management Board of Evotec SE*
Dr Elaine Sullivan, *independent consultant; CEO of KELTIC Pharma Therapeutics;*
Kasim Kutay, *CEO of Novo Holdings A/S;*
Dr Constanze Ulmer-Eilfort, *Partner of the law firm Peters, Schoenberger & Partner (PSP Munich); Member of the Supervisory Board since June 2021;*
Prof Dr Wolfgang Plischke, *independent consultant, former Member of the Management Board of Bayer AG; Chairman of the Supervisory Board (until June 2021).*

The remuneration accrued for the members of the Supervisory Board in the financial year was as follows:

in k€	***2021 Remuneration***	*2020 Remuneration*
Prof Dr Iris Löw-Friedrich	**113,6**	70,0
Roland Sackers	**90,5**	85,0
Dr Mario Polywka	**55,5**	50,0
Dr Elaine Sullivan	**60,0**	60,0
Kasim Kutay	**60,0**	32,5
Dr Constanze Ulmer-Eilfort	**32,7**	0,0
Prof Dr Wolfgang Plischke	**68,2**	150,0
Michael Shalmi	**-**	27,5
Total	**480,5**	**475,0**

In the financial year 2021, the remuneration of each Supervisory Board member amounted to k€ 50 per year (2020: k€ 50). The Chairman receives k€ 125 (2020: k€ 125) and his Vice Chairman k€ 60 (2020: k€ 60). Members of Supervisory Board committees additionally receive k€ 10 per committee (2020: k€ 10), with the chairperson receiving k€ 25 (2020: k€ 25).

In the financial years 2021 and 2020, there was no share-based remuneration.

The Company has a Directors and Officers (D&O) insurance policy in place for the Management Board, the Supervisory Board, its senior management and the directors of subsidiary companies, which was paid by the Company. For the members of the Supervisory Board, an appropriately sized deductible was agreed.

The Members of the Supervisory Board and their additional memberships in supervisory boards and memberships in comparable governing bodies of enterprises according to Sec 125 par. 1 fifth sentence of the AktG are listed at the end of this report.

(35) SUBSEQUENT EVENTS

Bayer informed Evotec at the beginning of February 2022 about its decision to discontinue the development of the investigational P2X3 receptor antagonist eliapixant (BAY1817080), which stems from a former Evotec/ Bayer multi-target research alliance.

As a consequence of Bayer's decision, Evotec regains the rights to all P2X3 assets on request. The Company will evaluate the underlying data as soon as they are made available and will evaluate all options.

With the Russia/Ukraine conflict, Evotec is facing since February 2022 high procurement risks in the short term due to increasing electricity and gas prices for entities purchasing gas and electricity on the Spot market. We also see a risk of increasing transportation costs due to higher transport times and on-charging of costs from our suppliers.

Hamburg, 30 March 2022

Dr Werner Lanthaler

Dr Cord Dohrmann

Dr Craig Johnstone

Enno Spillner

Supervisory Board and Management Board

SUPERVISORY BOARD

Prof Dr Iris Löw-Friedrich Chairwoman of the Supervisory Board (since June 2021) *Member of the Management Board (Chief Medical Officer) of UCB S.A.*	***Member of the Supervisory Board:*** Fresenius SE & Co. KGaA, Bad Homburg/DE TransCelerate BioPharma Inc., King of Prussia/US ***Member des Board of Directors:*** PhRMA Foundation, Washington DC/US
Roland Sackers Vice Chairman of the Supervisory Board (since June 2021) *Chief Financial Officer and Managing Director of QIAGEN N.V.*	***Member of the Board of Directors:*** Bio Deutschland e.V., Berlin/DE
Kasim Kutay Member of the Supervisory Board *CEO of Novo Holdings A/S*	***Member of the Supervisory Board:*** Novo Nordisk A/S, Hellerup/DK Novozymes A/S, Bagsværd/DK
Dr Mario Polywka Member of the Supervisory Board *Non-independent consultant* *Former Member of the Management Board Evotec SE*	***Member of the Board of Directors:*** Forge Therapeutics, Blacksmith Medecines Inc, San Diego/US Exscientia plc, Oxford/UK Orb it Discovery Limited, Oxford/UK ***Non-executive Director:*** C4X Discovery Holdings plc, Manchester/UK (since December 2021)
Dr Elaine Sullivan Member of the Supervisory Board *Independent consultant* *CEO of KELTIC Pharma Therapeutics Ltd. (since October 2021)*	***Member of the Supervisory Board:*** IP Group plc, London/UK Active Biotech AB, Lund/SE Open Orphan, London/UK
Dr Constanze Ulmer-Eilfort Member of the Supervisory Board (since June 2021) *Partner at Baker McKenzie (until December 2021)* *Partner at Peters, Schönberger & Partner (since January 2022)*	***Chairperson of the shareholder committee:*** S4DX GmbH, Munich/DE
Prof Dr Wolfgang Plischke Chairman of the Supervisory Board (until June 2021) *Independent consultant* *Former Member of the Management Board of Bayer AG*	***Chairman of the Supervisory Board:*** Bayer AG, Leverkusen/DE (until April 2021)

MANAGEMENT BOARD

Dr Werner Lanthaler CEO *Business Executive*	***Non-Executive Member of the Board of Directors & Chairman of the Audit Committee:*** arGEN-X, Breda/NL ***Non-Executive Member of the Board of Directors:*** AC Immune SA, Lausanne/CH
Dr Cord Dohrmann CSO *Biologist*	***Member of the Supervisory Board:*** Eternygen GmbH, Berlin/DE* Breakpoint Therapeutics GmbH, Hamburg/DE* ***Non-Executive Member of the Board of Directors:*** FSHD Unlimited, Leiden/NL*
Dr Craig Johnstone COO *Business Executive*	
Enno Spillner CFO *Business Executive*	***Non-Executive Member of the Board of Directors & Chairman of the Audit Committee:*** Nanobiotix SA, Paris/FR ***Member of the Supervisory Board***: Leon Nanodrugs GmbH, Munich/DE*

** Associated company of Evotec*

Independent Auditor's Report

Note: This is a convenience translation of the German original.
Solely the original text in German is authoritative.

To Evotec SE, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of Evotec SE and its subsidiaries (the group), which comprise the consolidated statement of financial position as at December 31, 2021, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in stockholders' equity for the financial year from January 1, 2021 to December 31, 2021, and notes to the consolidated financial statements for the fiscal year 2021, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of Evotec SE for the financial year from January 1, 2021 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of those parts of combined management report listed in section "OTHER INFORMATION".

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at December 31, 2021, and of its financial performance for the financial year from January 1, 2021 to December 31, 2021, and

- the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in section "OTHER INFORMATION".

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 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 CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities 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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2021 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We have identified the following matters as key audit matters:

1. Recoverability of goodwill
2. Revenue recognition from long-term contracts with customers
3. Classification and impairment of financial assets

Recoverability of goodwill

Matter

In the consolidated financial statements of Evotec SE, goodwill in the amount of € 257.6 Mio (11.5 % of the consolidated total assets or 18.7 % of the consolidated equity) is reported under the statement of financial position line item "Goodwill". Goodwill was allocated to cash-generating units. Cash-generating units with allocated goodwill are subjected to an impairment test by the company at least once a year and additionally if there are indications of impairment. The valuation is carried out using a discounted cash flow method. If the carrying amount of cash-generating unit is higher than the recoverable amount, an impairment loss is recognized in the amount of the difference. In the financial year 2021, no impairment of goodwill was recognized.

The impairment test for goodwill is complex and requires judgment and inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability. The assessment of the recoverability of goodwill is complex and requires various estimates and judgements by the management of the company, particularly with regard to the amount of future cash flows in the detailed planning period, the growth rate for forecasting cash flows beyond the detailed planning period and the discount rate to be used.

Due to the significance of goodwill for Evotec SE's consolidated financial statements in terms of amount, the complexity of the assessment and the significant inherent uncertainties in the assessment, a key audit matter has been identified. Evotec SE's disclosures on goodwill are included in sections "(2) Summary of significant accounting policies", subsection "Impairment of non-financial non-current assets and goodwill" and "(14) Goodwill" of the notes to the consolidated financial statements for the financial year 2021.

Auditor's Response and Observations

As part of our audit, we initially assessed the appropriateness of the key assumptions as well as the methodology used for the purposes of performing the impairment test with the involvement of our valuation specialists. We obtained an understanding of the methodology and budgeting process, as well as of the significant assumptions made by the management of the company in the forecasts. We reconciled the forecast of future cash flows in the detailed planning period with the multi-year plan prepared by the management of the company and convinced ourselves of the company's quality of planning comparing the plan in the past with developments in the current period. We verified the assumptions used for the planning and the growth rates assumed in the forecast of cash flows beyond the detailed planning period by comparing them with past developments and current industry-specific market expectations. In addition, we critically examined the discount rates used on the basis of the average cost of capital of a peer group. Our audit also included the sensitivity analyses performed by Evotec SE. With regard to the effects of possible changes in the cost of capital and the assumed growth rates, we additionally performed our own sensitivity analyses. Furthermore, we obtained reasonable assurance about the completeness and accuracy of the disclosures in the notes regarding the recoverability of goodwill. In our opinion, the valuation parameters and assumptions applied by the management of the company have been appropriately determined for the purpose of the impairment test.

Revenue recognition from long-term contracts with customers

Matter

In Evotec SE's consolidated financial statements, revenues of € 618.0 Mio are recognized in the income statement. A significant part of Evotec Group's revenues, which are based on an agreement with enforcable rights and obligations and in some of them comprising multiple performance obligations (€ 609.5 Mio), is generated from long-term contracts with customers. The agreed consideration from a contract with a customer is sometimes paid in advance in part or in full and recognized as a contract liability until the progress of performance exceeds the amount of the advance payment or the performance obligation is fulfilled. The agreed transaction price may also include variable components dependent on the achievement of certain milestones and is allocated to the identified performance obligations based on the individual selling prices.

Revenue recognition for long-term contracts with customers is performed over time for those performance obligations where control is not transferred at a point in time. Evotec measures its progress for the part of long-term contracts with customers for which revenue recognition is performed over time in satisfying performance obligations by applying input-based methods, i.e. on the basis of the ratio of the factor input already performed on the reporting date to the expected total factor input required. The measurement of progress is primarily based on the number of actual FTE delivered in relation to total planned FTE.

Significant judgment is exercised by management of the company in identifying performance obligations, determining, and allocating the transaction price to multiple performance obligations and in estimating the number of total FTE. Given this background and the materiality of the revenue, the recognition of revenue from long-term contracts with customers was a particularly important audit matter. Evotec SE's disclosures on revenue recognition from contracts with customers are included in the sections "(2) Summary of significant accounting policies", subsection "Revenues from contracts with customer" and "(23) Revenues" of the notes to the consolidated financial statements for the financial year 2021.

Audit approach and findings

We obtained an understanding of the group-wide process for recognition of revenue from long-term contracts with the customer and reviewed the process based on the documentation provided to us. In the course of this, we obtained an understanding of the relevant internal controls and assessed their appropriateness and implementation.

For a risk-based selection as well as a sample of closed agreements, based on the understanding of an appropriate categorization as a contract with a customer, we performed and assessed the identification of stand-alone performance obligations, the determination of the transaction price as well as the allocation of the transaction price to the identified performance obligations based on the contractual basis. In the case of agreements with variable components of the transaction price in the form of milestone payments, we obtained confirmation from the respective contractual partner and evidence of payments already received that any uncertainty in connection with the achievement of the milestones no longer existed. Furthermore, for the selected agreements, we assessed whether the requirements over time revenue recognition are met for the performance obligations concerned.

We have assessed the progress of the respective agreements by discussing the planned and actual factor input for the selected agreements with the management of the company and comparing the underlying planning with the development in the fiscal year 2021. In addition, we performed a multi-year assessment of the planning accuracy and quality for selected long-term agreements. Furthermore, we verified the hourly statements on which the determination of the progress of work is based for conformity with the billing of the respective project.

By issuing appropriate instructions to the subdivision auditors, we ensured that audit procedures were performed consistently throughout the Group.

We were able to convince ourselves that the estimates and assumptions made by the management of the company are sufficiently documented and reasoned to ensure the appropriate recognition of revenue. Therefore, as judgment was used in the accounting treatment, this was used appropriately.

Classification and impairment of financial assets

Matter

The consolidated financial statements of Evotec SE include several investments in (early-stage) companies that are not fully consolidated as subsidiaries due to a lack of control over the relevant business activities. The investments entered into are mainly of a strategic nature and are made with the aim of progressing new business models as well as, in particular, the development of products and/or technology platforms in pharmaceutical research. In the event of development failures, there is a risk of the need for partial or full impairment of the financial assets. The statement of financial position line item "Long-term investments accounted for using the equity method" and "Long-term investments" include shares in companies accounted for using the equity method as well as other investments amounting to € 281.9 Mio. The subsequent measurement of financial assets relates to other non-operating income with a contribution to earnings of € 195.4 Mio (90 % of profit for the period), of which - after recognition of impairment losses of € 11.8 Mio - an amount of € 223.8 Mio relates to measurement income from investments and € -16.6 Mio to the share of profit/loss of companies accounted for using the equity method.

The classification of non-controlling interests in companies accounted for using the equity method and other investments is monitored on an ongoing basis and, in addition to considering the share of voting rights, depends in particular on the level of interdependence in terms of personnel and economic factors. If there is significant interest or control, the investment is included in the consolidated financial statements at equity; if there is no ability to exercise control, the investment is included in the consolidated financial statements at fair value. For the investments accounted for using the equity method, an impairment test is performed using a discounted cash flow model in addition to the continuous updating of the equity carrying amount by, among others, assuming the share of earnings if there are indications of impairment. The fair value of other investments is also determined using valuation techniques in the absence of an observable market price.

The use of valuation techniques requires numerous assumptions and judgments, especially with regard to the achievement of (pre-)clinical stages and the probability of success of the research activities, which are reflected in the recoverable amount and the fair value of the respective investment. Given the inherent judgment involved in separating in-vestments in companies accounted for using the equity method due to the possibility of significant influence or control and other investments, as well as the significant uncertainty associated with subsequent accounting, we consider the accounting for and recoverability of financial assets to be a key audit matter.

Evotec SE's disclosures on the recognition and measurement of investments are included in the sections "(2) Summary of significant accounting policies" and "(9) Long-term Investments accounted for using the equity method" and "(10) Other long-term investments" of the notes to the consolidated financial statements for the financial year 2021.

Auditor's Response and Observations

In addition to the percentage of shares held and voting rights, we assessed the level of personnel, economic and material (inter-)relationship based on the agreements under company law and the law of obligations concluded with the individual investees. We assessed whether Evotec SE is able to exercise significant influence over the operating and financial policies of the investees based on these agreements, or whether joint control exists, and thus understood the appropriateness of determining the measurement at equity or at fair value following the classification of the investment.

We assessed the process used by the management of the company to identify indications of impairment and evaluated whether the process ensures full identification of potential impairment. We discussed the assessment of possible indications with the management of the company and critically reviewed the assumptions made in this context. In so far as a valuation technique was used for the valuation of financial assets, we assessed the reasonableness of the significant assumptions and discretionary parameters as well as the measurement method with the involvement of our valuation specialists. We discussed and critically assessed the assumptions made regarding the achievement of (pre-) clinical phases and the probability of success of the research activities with the management of the company.

We were able to confirm that the estimates and assumptions made by the management of the company regarding the accounting treatment, in particular the distinction between accounting at equity or at fair value, and the valuation of financial assets are sufficiently documented and explained.

OTHER INFORMATION

The management of the company or the supervisory board are responsible for the other information. The other information comprises:

- the separately published non-financial group report, to which reference is made in the section "Sustainable business development" of the combined management report;

- the separately published group statement on corporate governance, to which reference is made in section "Declaration of corporate management" of the combined management report;

- the separately published remuneration report according to § 162 AktG, to which reference is made in section "Remuneration Report" of the combined management report;

▸ the other parts of the annual report, except for the audited consolidated financial statements and combined management report as well as our auditor's report.

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

We have not audited the contents in the following section of the combined management report: "Pipeline development: Progression of drug programmes and drug candidates in development partnerships".

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other in-formation

▸ is materially inconsistent with the consolidated financial statements, with the combined management report, or our knowledge obtained in the audit or

▸ otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT OF THE COMPANY AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The management of the company is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the management of the company is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management of the company is responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the management of the company is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management of the company is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an ap-propriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, com-plies 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 consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 consolidated financial statements and this combined 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 consolidated financial statements and of the combined 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 audit 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;

▸ evaluate the appropriateness of accounting policies used by the management of the company and the reasonableness of estimates made by the management of the company and related disclosures;

▸ conclude on the appropriateness of the managements' 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 group'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 consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit 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 group to cease to be able to continue as a going concern;

▸ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB;

▸ obtain sufficient appropriate audit evidence regarding the financial in-formation of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

▸ evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the group's position it provides;

▸ perform audit procedures on the prospective information presented by the management of the company in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management of the company 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, the 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 consolidated 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

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT, PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 (3A) HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "Evotec_SE_KA_KLB_ESEF-2021-12-31" (SHA256 hash value: c2a1615dec9a0ea322c1651bf81cb777 df296140b337f5781dc575f8adc53307) and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1, 2021 to December 31, 2021 contained in the "REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT" above, we do not ex-press any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above..

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Management of the company and the Supervisory Board for the ESEF Documents

The management of the company is responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

In addition, the management of the company is responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion;

- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls;

- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file;

- evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report;

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were appointed as group auditor by the Hamburg Local Court on October 29, 2021. We were engaged by the Supervisory Board on November 8, 2021. We have been the group auditor of Evotec SE without interruption since the financial year 2021.

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

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report: Analytical plausibility check of Evotec's interim financial statements as of September 30, 2021 and a readiness check for the non-financial report.

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Jens Freiberg.

Frankfurt am Main, 25 April 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

Klaus Eckmann
Wirtschaftsprüfer
[German Public Auditor]

Dr Jens Freiberg
Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial results of the Group, and the Group Management Report, which has been combined with the Management Report of Evotec SE for the financial year 2021, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Evotec SE
The Management Board

Hamburg, 30 March 2022

Dr Werner Lanthaler
Chief Executive Officer

Dr Cord Dohrmann
Chief Scientific Officer

Dr Craig Johnstone
Chief Operating Officer

Enno Spillner
Chief Financial Officer