Translation of

Financial Statements as of 31. December 2023 and Combined Management Report

Evotec SE

Evotec SE, Hamburg
Statement of financial position as of December 2023

Assets		31/12/2023 EUR	31/12/2022 EUR
A.	**Assets**		
I.	**Intangible assets**		
1.	Purchased franchises, industrial and similiar rights, assets and licenses in such rights and assets	377.461,84	521.331,98
2.	Intangible assets under development	1.897.003,26	1.897.003,26
		2.274.465,10	2.418.335,24
II.	**Property, plant and equipment**		
1.	Land, land rights and buildings, including buildings on third-party land	1.108.808,44	1.011.962,42
2.	Plant and machinery	18.593.169,67	19.008.904,87
3.	Other equipment, furniture and fixtures	3.349.554,33	4.003.661,65
4.	Prepayments and assets under construction	9.043.219,22	2.303.858,47
		32.094.751,66	26.328.387,41
III.	**Financial assets**		
1.	Shares in affiliates	519.541.725,11	423.452.658,60
2.	Loans to affiliates	267.860.189,20	235.594.970,15
3.	Investments	71.564.167,40	96.636.202,18
4.	Other loans	4.010.968,73	2.583.550,69
		862.977.050,44	758.267.381,62
		897.346.267,20	**787.014.104,27**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials, consumables and supplies	966.242,20	898.261,43
2.	Work in process	582.795,15	302.309,71
		1.549.037,35	1.200.571,14
II.	**Receivables and other assets**		
1.	Trade receivables	1.704.009,26	1.404.331,95
2.	Receivables from affiliates	121.269.344,15	121.823.543,45
3.	Other assets	10.217.425,40	72.817.803,20
		133.190.778,81	196.045.678,60
III.	**Securities**		
	Other securities	228.504.749,52	272.284.184,92
IV.	**Bank balances**	21.638.975,44	25.262.968,91
		384.883.541,11	**494.793.403,57**
C.	**Prepaid expenses**	**6.134.081,84**	**3.928.327,86**
		1.288.363.890,16	**1.285.735.835,70**

Equity and liabilities		31/12/2023 EUR	31/12/2022 EUR
A.	**Equity**		
I.	**Subscribed capital**	177.185.736,00	176.952.653,00
	./. calculated value treasury shares	-249.915,00	-249.915,00
		176.935.821,00	176.702.738,00
II.	**Capital reserves**	903.639.386,90	903.624.726,97
III.	**Reserve for treasury shares**	249.915,00	249.915,00
IV.	**Accumulated loss**	-242.891.800,56	-144.969.125,56
		837.933.322,34	**935.608.254,41**
B.	**Provisions**		
1.	Provisions for pensions and similar obligations	165.523,00	171.685,00
2.	Provisions for tax	830.122,20	0,00
3.	Other provisions	19.463.675,03	22.398.885,51
		20.459.320,23	**22.570.570,51**
C.	**Liabilities**		
1.	Liabilities to banks	408.589.571,97	318.172.117,31
2.	Trade payables	12.620.466,53	4.409.087,04
3.	Verbindlichkeiten gegenüber verbundenen Unternehmen	3.002.542,16	2.175.377,58
4.	Liabilities to affiliates thereof for taxes EUR 912 k (prior year EUR 1.057 k)	4.601.496,20	1.523.690,63
		428.814.076,86	**326.280.272,56**
D.	**Deferred income**	**1.157.170,73**	**1.276.738,22**
		1.288.363.890,16	**1.285.735.835,70**

Evotec SE, Hamburg
Income statement for the period from 1 January 2023 to 31 December 2023

		2023 EUR	2022 EUR
1.	Revenues	112.935.138,63	87.424.973,47
2.	Increase or decrease in finished goods and work in process	280.485,44	-48.194,39
3.	Other operating income thereof income from currency translation: EUR 5.313 k (prior year EUR 57.205 k)	15.916.586,10	58.241.612,48
		129.132.210,17	**145.618.391,56**
4.	Cost of materials		
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	15.383.783,48	13.176.201,56
		1.697.386,52	2.690.359,38
	b) Cost of purchased services		
5.			
	Personnel expenses	55.834.116,81	46.468.394,77
	a) Wages and salaries		
	b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 0 k (prior year EUR 1 k)	8.566.871,10	7.745.722,46
6.	Amortization of intangible assets and deprecition of property, plant and equipment	6.388.149,47	5.541.370,98
7.	Other operating expenses thereof expenses from currency translation EUR 13.970 k (prior year EUR 34.104 k)	83.908.761,39	89.656.377,55
		171.779.068,77	**165.278.426,70**
8.	Income from equity investments thereof from affiliates: EUR 0 k (prior year EUR 13.000 k)	0,00	13.000.000,00
9.	Income from other securities and loans held as financial assets thereof from affiliates EUR 10.655 k (prior year EUR 5.427 k)	12.760.282,34	9.536.403,07
10.	Sonstige Zinsen und ähnliche Erträge thereof from affiliates EUR 0 k (prior year EUR 3.754 k)	1.532.979,29	3.950.731,28
11.	Write-down of financial assets and securities classified as current assets	61.992.314,31	14.179.435,70
12.	Interest and similar expenses	7.118.406,28	9.691.655,74
		-54.817.458,96	**2.616.042,91**
13.	Income taxes	458.357,44	-5.615,37
14.	**Income after tax/net income**	**-97.922.675,00**	**-17.038.376,86**
15.	Net loss carried forward	144.969.125,56	127.930.748,70
16.	**Accumulated loss**	**-242.891.800,56**	**-144.969.125,56**

Evotec SE, Hamburg

Notes to the financial statements for the financial year 2023

I. General remarks

Evotec SE is a Societas Europaea or European company based in Hamburg and entered in the commercial register of Hamburg District Court under the number HRB 156381. Evotec SE - known hereafter as Evotec or the Company - is a large public limited company as defined in Section 267 (3) German Commercial Code (HGB).

The Company's financial statements have been prepared in accordance with the applicable provisions of the German Commercial Code and the German Stock Corporation Act (AktG). Its financial year is the calendar year.

The income statement is prepared using the total cost method in accordance with Section 275 (2) HGB.

The management report for Evotec SE and the group management report have been combined in accordance with Section 315 (5) in conjunction with Section 298 (2) HGB. The financial statements and the combined management report for Evotec SE and the Group for the financial year 2023 are published in the European Business Register.

The financial statements are prepared on a going-concern assumption.

II. Accounting principles

The financial statements were prepared using largely the same accounting and measurement policies as in prior years, which are described below.

Foreign currency items were translated using the average exchange rate on the reporting date. Notwithstanding the accounting principles described above, the principles of cost and recognition of revenue and gains are not applied for terms to maturity of one year or less in accordance to Section 256a s. 2 HGB. Non-current foreign currency receivables and liabilities are recognized at the exchange rate on the reporting date unless the exchange rates at the time of origination were lower (lower of cost or market principle) or higher (higher of cost or market principle). Gains and losses from the translation of transactions in foreign currencies are recognized in profit or loss and reported separately in the income statement under "Other operating income" or "Other operating expenses".

Non-current intangible assets and items of property, plant and equipment are measured at cost less straight-line depreciation and amortisation over their usual useful lives. Assets are depreciated and amortised from the time at which they are available for use by the Company. Depreciation and amortisation are to the nearest month. If assets are impaired and the impairment is expected to be permanent, they are written down to the lower of cost and fair value.

Minor assets with a value of up to €1,000 are written off in full the year of purchase – it is assumed that they are disposed of immediately.

The following useful lives are used for depreciation and amortisation:

	Years
Intangible assets	2-10
Land, land rights and buildings, including buildings on third-party land	10-15
Technical plant and machinery	5-10
Other plant, operating and office equipment	3-10

Tenant fixtures and fittings are depreciated over no longer than the lease term.

Financial assets are measured at the lower of cost or nominal value and fair value if their impairment is expected to be permanent. If the reasons for the permanent impairment no longer apply, the assets are written back.

Inventories are measured at the lower of cost and fair value in accordance with the strict lowest value principle. Production costs include directly attributable costs and a reasonable portion of material overhead. Measurement is at the lower of cost and fair value, in accordance with commercial law.

Receivables and other assets are carried at the lower of nominal and fair value. Any identifiable individual risks are recognised in the form of loss allowances.

Other current securities are measured at the lower of nominal value and fair value, as reflected in listed or market prices on the reporting date, if Section 253 (4) HGB applies.

Bank balances are carried at nominal value.

Subscribed capital is recognised at nominal value.

Treasury shares have been deducted from subscribed capital at their calculated value.

Provisions for pensions and similar obligations are measured using the projected unit credit method and a discount rate of 1.83% p. a. (previous year: 1.78% p.a.), and by reference to the mortality tables drawn up by Klaus Heubeck. This interest rate represents the average market interest rate for the past ten years. An average remaining term to maturity of 15 years was assumed in accordance with Section 253 (2) sentence 2 HGB. An increase of 2.00% p.a. (previous year: 2.0% p.a.) was used to reflect increases in pensions.

Other provisions have been recognised for all contingent liabilities and onerous contracts. They are measured at the amount deemed necessary to settle them using reasonable commercial judgement in accordance with Section 253 (1) sentence 2 HGB, including future (objective) price and cost increases. Provisions with a remaining term to maturity of more than one year are discounted using the average interest rate for the last seven financial years, in accordance with Section 253 (2) sentence 1 HGBwith an assumed residual term of 15 years.

The Company uses derivative financial instruments to hedge foreign exchange risks. These are hedging relationships in economic terms, but hedge accounting is not used.

Liabilities are recognised at the amount needed to settle them.

Deferrals and accruals consist of cash outflows and inflows before the reporting date that constitute expenses or income for a period after this date.

There are no taxable temporary differences that would result in deferred tax liabilities between the carrying amounts of assets, liabilities, deferrals and accruals according to commercial law and their tax base. Deferred tax assets, which consist largely of tax loss carryforwards, are not recognised in accordance with the option defined in Section 274 (1) sentence 2 HGB.

III. Notes on the balance sheet

1. Intangible assets and property, plant and equipment

The statement of non-current assets (see the annexe to the notes) shows the changes in non-current assets, along with the presentation of historic acquisition and production costs and cumulative depreciation and amortisation.

2. Financial assets

Evotec holds equity interests in the following entities as of the reporting date 31 December 2023:

		Equity	Share of capital	Result for the year
		€k	%	€k
1.	Evotec (Hamburg) GmbH, Hamburg, Germany*	12,672	100.00	-1
2.	Evotec International GmbH, Hamburg, Germany (indirectly via 1.)*	37,190	100.00	13,016
3.	Evotec (UK) Ltd., Abingdon, UK*	51,577	100.00	2,632
4.	Evotec (US) Inc., Princeton, USA*	21,685	100.00	-969
5.	Just-Evotec Biologics Inc., Seattle, USA (indirectly via 4.)*	54,193	100.00	-27,089
6.	Evotec (München) GmbH, Planegg, Germany*	4,120	100.00	407
7.	Evotec (France) SAS, Toulouse, France*	179,283	100.00	31,740
8.	Evotec ID (Lyon) SAS, Marcy l'Étoile, France*	35,621	100.00	3,703
9.	Cyprotex Ltd., Manchester, UK*	10,805	100.00	50
10.	Cyprotex Discovery Limited, Manchester, UK (indirectly via 9.)*	29,829	100.00	-255
11.	Cyprotex US LLC, Watertown, USA (indirectly via 9.)*	-3,281	100.00	-3,729
12.	Aptuit Global LLC, Princeton, USA*	36,659	100.00	-272
13.	Aptuit (Potters Bar) Limited, Abingdon, UK*	4,229	100.00	336
14.	Aptuit (Verona) SRL, Verona, Italy (indirectly via 12.)*	107,635	100.00	6,031
15.	Aptuit (Oxford) Ltd., Abingdon, UK (indirectly via 12.)*	20,504	100.00	-5,222
16.	Evotec GT GmbH, Orth an der Donau, Austria*	-2,706	100.00	7,985
17.	Just-Evotec Biologics EU SAS, Toulouse, France*	131,087	100.00	-5,413
18.	Evotec Modena S.r.l, Modena, Italy*	4,778	100.00	1,225
19.	Evotec DS Germany GmbH, Halle, Germany*	-2,225	100.00	-6,575
20.	Evotec (India) Private Limited, Thane, India****	-175	100.00	-11

	Equity	Share of capital	Result for the year
21. Eternygen GmbH, Berlin, Germany*	-6,639	24.97	-700
22. Exscientia plc., Oxford, UK**	452,186	11.41	-121
23. Breakpoint Therapeutics GmbH, Hamburg, Germany*	-5,393	34.03	-11,318
24. Immunitas Therapeutics Inc., Waltham, USA*	-43,855	5.58	-4,543
25. Quantro Therapeutics GmbH, Wien, Austria*	2,300	38.79	-890
26. leon-nanodrugs GmbH, Munich, Germany*	932	12.44	-3,103
27. Immunitas Therapeutics Inc., Boston, USA**	-9,554	19.88	-11,958
28. Tubulis GmbH, Planegg, Germany*	55,060	9.60	13,691
29. Centauri Therapeutics Limited, Cheshire, UK*	10,875	20.04	-3,968
30. CARMA FUND I CAPITAL GmbH & Co. KG, Munich, Germany*	2,315	10.00	-1,537
31. Imidomics Inc., San Rafael, USA*	11,292	8.15	-12,140
33. Sernova Corp., Ontario, Canada***	9,444	5.16	26,721

* Unaudited financial statements

** Figures as of 30/09/2023

*** Financial year November to October

**** In liquidation

The equity in the financial statements of the investee companies prepared in foreign currencies was translated at the spot rate on 31 December 2023 and the result for the year was translated at the average exchange rate for the year 2023.

The figures are based on the commercial law financial statements for the entities in Germany, and as a rule on the IFRS financial statements (HBII) before consolidation for entities abroad.

Impairments of €61,031 thousand were recognised in 2023 on fourteen equity investments and shares in affiliated companies in one entity, as well as other investments, due to delays in the respective lead programmes resulted in the failure of follow-on funding rounds and so to permanent impairments. OXVax Limited, Oxford, UK was liquidated in 2023. The shares in Tucana Biosciences Inc., Boston, USA, were sold in 2023.

3. Receivables and other assets

Trade receivables

Trade receivables are due within one year, as in the previous year.

Receivables from affiliated companies

Receivables from affiliated companies include trade receivables of €55,468 thousand (previous year: €39,677 thousand) and receivables for taxes paid for the tax group of €2,139 thousand (previous year: €2,139 thousand) owed by Evotec International GmbH. The remaining receivables of €63,662 thousand (previous year: €80,008 thousand) include loans made by Evotec. The receivables are due within one year, as in the previous year. Receivables from affiliated companies with a term to maturity of five years and more are shown as loans to affiliated companies.

Other assets

Apart from deposits of €753 thousand (previous year: €626 thousand), the other assets have a term to maturity of less than one year. As of the reporting date, other assets include time deposits of €0 (previous year: €65,629 thousand).

Other assets also include VAT receivables of €3,259 thousand (previous year: €2,970 thousand) that only come into legal existence after the reporting date.

4. Other securities

The terms to maturity of the securities are from one to five years. These investments serve as a short-term liquidity reserve and are not intended to support long-term business operations.

5. Shareholders' equity

The Company's share capital is divided into 177,185,736 bearer shares with a calculated value of €1.00.

The Company also purchased treasury shares with the authorisation of the Annual General Meeting on 16 June 2011 in accordance with Section 71 (1) No. 8 AktG. A total of 1,328,624 treasury shares with a nominal value of €1,328,624 were transferred on 12 March 2012 by the former Renovis, Inc., South San Francisco, USA. This represented 1.12% of share capital. 530,353 shares were used in 2012, 459,456 shares in 2013, 66,500 shares in 2014 and 22,400 shares in 2015, all with the corresponding nominal value, to settle employee share options. In 2017 this represented 0.02% of share capital.

The Company still held 249,915 treasury shares as of the reporting date, with a nominal value of €249,915. They were deducted from share capital in accordance with Section 272 (1a) HGB. Treasury shares represented 0.14% of share capital as of 31 December 2023.

In accordance with Article 5 (5) of the Company's Articles of Association, the Management Board is authorised to increase the share capital of the Company by up to €35,321,639 by 21 June 2025, with the consent of the Supervisory Board, by issuing at one time or multiple times up to a total of 35,321,639 new common bearer shares with no nominal value (non-par value shares) (Authorised Capital 2022).

The contingent capital of €29,959,289.00 was revoked in accordance with Article 5 (10) of the Company's Articles of Association by resolution of the Annual General Meeting on 20 June 2023. New contingent capital of €35,390,530.00 was created at the same time. Articles 5 (10) (share capital and shares, contingent capital) and 15 of the Articles of Association were amended. The capital reserve increased in the reporting year by €14.7 thousand to €903,639 thousand.

The Company reported a loss of €242,892 thousand as of 31 December 2023.

By law, investors whose share of voting rights in publicly listed companies reaches certain thresholds are obliged to notify the company accordingly.

Evotec received the following notifications on voting rights in accordance with Section 33 Securities Trading Act (WpHG) in the reporting year:

Date	Notifier	Reason for change	Threshold concerned	New voting rights
31 March 2023	T. Rowe Price Intern. Funds, Inc., Baltimore, Maryland, USA	Purchase/sale of shares with voting rights	5%	5.003%
20 April 2023	T. Rowe Price Intern. Funds, Inc., Baltimore, Maryland, USA	Purchase/sale of shares with voting rights	5%	4.999%
8 May 2023	T. Rowe Price Intern. Funds, Inc., Baltimore, Maryland, USA	Purchase/sale of shares with voting rights	5%	5.02%
8 May 2023	BlackRock, Inc., Wilmington, Delaware, USA	Purchase/sale of shares with voting rights	3%	1.82%
16 June 2023	BlackRock, Inc., Wilmington, Delaware, USA	Purchase/sale of shares with voting rights	3%	3.29%
28 July 2023	T. Rowe Price Intern. Funds, Inc., Baltimore, Maryland, USA	Purchase/sale of shares with voting rights	5%	4.99%
21 September 2023	T. Rowe Price Intern. Funds, Inc., Baltimore, Maryland, USA	Purchase/sale of shares with voting rights	5%	5.01%

6. Provisions for taxes

The current tax inspection for the years 2017 to 2020 entails a tax risk from direct and indirect taxes of €830 thousand.

7. Provisions for pensions and similar obligations

The difference as defined in Section 253 (6) HGB is €7 thousand (previous year: €7 thousand) and may not be distributed as a dividend.

8. Other provisions

Other provisions were recognised essentially for outstanding invoices amounting to €8,446 thousand (previous year: €5,098 thousand) and personnel-related provisions of €6,874 thousand (previous year: €6,996 thousand).

9. Liabilities

Liabilities to banks

The liabilities to banks of €408,590 thousand (previous year: €318,172 thousand) consist of unsecured loans as of 31 December 2023.

Remaining terms to maturity

31 December 2023				31 December 2022			
up to 1 year	1 to 5 years	more than 5 years	Total	up to 1 year	1 to 5 years	more than 5 years	Total
€k	€k	€k	€k	€k	€k	€k	€k
125,195	111,336*	172,058*	408,589	4,068*	229,486	84,618	318,172

*incl. Interest liabilities

A borrower’s note loan was taken out for a total of €250,000 in 2019. The borrower’s note is divided into four tranches with maturities of 3, 5, 7 and 10 years. As of 31 December 2023 the remaining liabilities to banks from the borrower’s note came to €216,089 thousand. The borrower’s note has a fixed and floating rate of interest, whereby the average interest rate is below 1.5%.

Trade payables

Trade receivables are due within one year, as in the previous year.

Liabilities to affiliated companies

The liabilities to affiliated companies comprise €1,564 thousand (previous year: €2,175) in trade receivables and €1,438 thousand (previous year: €0) in tax payments received, with a term to maturity of up to one year.

Other liabilities

As in the previous year, all other liabilities are due within one year.

IV. Notes on the income statement

1. Revenue

Revenue of €112,935 thousand was realised from services in 2023 (previous year: €87,425 thousand), of which €92,737 thousand (previous year: €67,955 thousand) with affiliated companies in Germany.

External revenue of €20,198 thousand (previous year: €19,470 thousand) includes milestone payments of €1,205 thousand (previous year: €3,000 thousand).

Third-party revenue by geographic region of the customer is as follows:

	2023 €k	2022 €k
USA	18,642	15,637
Germany	1,556	3,833
Total	20,198	19,470

2. Other operating income

Other operating income stemmed primarily from foreign currency translation, €5,313 thousand (previous year: €57,205) and the write-up of other securities, €8,498 thousand (previous year: €865 thousand

The change in income from foreign currency translation particularly includes unrealised and realised exchange rate effects in USD.

Other operating income includes income from other periods from the reversal of provisions, amounting to €967 thousand (previous year: €69 thousand).

3. Cost of materials

The cost of materials in 2023 came to €17,081 thousand (previous year: EUR 15,867 thousand). The main material expenses in 2023 related to chemical products, disposables and consumables.

4. Other operating expenses

Other operating expenses consisted principally of legal and advisory costs of €21,405 thousand (previous year: €10,726 thousand), expenses of foreign currency translation of €13,970 thousand (previous year: €34,104 thousand), IT-related advisory costs, licensing costs and consumables of €20,676 thousand (previous year: €13,569 thousand) and rental expenses of €4,514 thousand (previous year: €4,159 thousand).

Other operating expenses include expenses from other periods for insurance premiums of €711 thousand.

5. Write-downs on financial assets and current securities

Write-downs on financial assets include impairment losses on fourteen equity investments (€32,909 thousand) and shares in one affiliated company (€23,766 thousand) as well as on loans to investor and investee companies (€4,356 thousand) of €61,031 thousand in total, due to permanent impairments. These are expenses of an extraordinary amount. Write-downs on current assets amounted to €962 thousand.

6. Income taxes

Income taxes of €458 thousand (previous year: €-6 thousand) relate exclusively to prior years.

V. Other disclosures

Employees

The company had an average of 718 current employees in 2023 (previous year: 657). Of the total, 286 (previous year: 251) worked in sales and administration. The other employees mostly work in scientific areas.

Other financial obligations

Other financial obligations as of 31 December 2023 particularly relate to obligations under service contracts, rental and lease obligations and contractually agreed capital calls in connection with investments in associated companies (€3,401 thousand) and other long-term equity investments (€16,787 thousand).

The total includes future obligations in connection with milestone commitments of €5,652 thousand and non-milestone commitments of €16,787 thousand.

The milestone commitments are tied to future events and the financial obligation is therefore subject to greater uncertainty.

The total amount of obligations for the years 2024 to 2028 is €78,446 thousand. Additional obligations amount to €57,258 thousand.

Remaining terms to maturity							
31 December 2023				31 December 2022			
up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year	1 to 5 years	over 5 years	Total
€k	€k	€k	€k	€k	€k	€k	€k
26,153	52,293	57,258	135,704	7,521	28,676	45,265	81,462

Evotec signed a loan agreement with the European Investment Bank (EIB) on 29 December 2022, amended on 10 February 2023, for a total volume of €150 million. The loan is disbursed in 3 facilities, each with up to four tranches. As of 31 December 2023 Evotec had drawn down tranches of €93.3 million. When it draws down a tranche, Evotec has to make fixed interest payments and variable payments. The variable payments are linked to progress made on the research and development projects for which the respective tranche has been drawn down.

Derivative financial instruments

	Nominal amount €k	Fair value €k	Carrying amount €k	Line item
Interest rate-related	48,250	-183	-183	Other provisions
Foreign exchange-related	0	-11	-11	Other provisions

The interest rate-related transactions relate exclusively to interest rate swaps. The foreign exchange-related transactions are exclusively foreign exchange forward contracts for USD and GBP.

A provision for onerous contracts of €11 thousand (previous year: €6,228 thousand) was recognised for open positions. For interest rate-related transactions the provision came to €183 thousand (previous year: EUR 271 thousand).

Fair value measurement is based on inputs that are not listed prices but can either be observed for the asset or liability directly (e.g. as a price) or indirectly (i.e. derived from prices).

Contingent liabilities

The insolvency of Evotec International GmbH has been avoided, although its liabilities exceed its assets, because Evotec has issued a comfort letter with legally binding guarantees. There is currently no expectation that a claim will be made under these guarantees because Evotec International GmbH is profitable. In addition, in some tenancy agreements and in various collaboration agreements signed between 2016 and 2022 by Evotec International GmbH, Evotec SE has assumed joint liability towards a named beneficiary or the other contracting party for the duration of the respective agreement. Another comfort letter with legally binding guarantees has also been issued for Evotec DS Germany GmbH, in order to avoid its cash-flow or balance-sheet insolvency. There is currently no expectation that a claim will be made under these guarantees because Evotec DS Germany GmbH has sufficient liquidity.

German Corporate Governance Code

The Management Board and Supervisory Board have issued the following declaration in accordance with Section 161 AktG and made it permanently available to shareholders on the website https://www.evotec.com/de/investor-relations/governance.

Management Board

Dr. Werner Lanthaler, businessman, Hamburg (Chief Executive Officer), (until 3 January 2024)

Dr. Mario Polywka, chemist, Oxfordshire, UK, (Chief Executive Officer), (from 3 January 2024)

Enno Spillner, businessman, Hamburg (Chief Financial Officer), (until 31 March 2023)

Dr. Cord Dohrmann, biologist, Göttingen (Chief Scientific Officer),

Dr. Craig Johnstone, chemist, Castillon-Savès, Frankreich (Chief Operating Officer)

Dr. Matthias Evers, biologist, Hamburg (Chief Business Officer)

Laetitia Rouxel, businesswoman, Switzerland (Chief Financial Officer), (from 1 April 2023)

Management Board remuneration came to a total of €7,296 thousand in 2023 (previous year: €8,502 thousand), which includes a variable component of €731 thousand (previous year: €1,579 thousand). The Management Board also received long-term incentive remuneration from Share Performance Awards and Restricted Share Awards with a time value of €3,611 thousand (previous year: €4,580 thousand).

The fixed remuneration component comprises the salary, pension contributions, insurance premiums and the financial benefit of using a company car. The variable remuneration component is based on a bonus agreement designed by the Supervisory Board's Remuneration. This agreement was approved by the Supervisory Board.

In accordance with section 4.2.3 of the German Corporate Governance Code (GCGC), the employment contracts for Management Board members provide for payments to Management Board members – if they cease to work on the Management Board earlier than planned and the company has not been acquired by a third party – of not more than two times their annual remuneration and for not more than the remaining term of the employment contract..

In addition, the company has directors and officers liability insurance for the members of the Management Board and the Supervisory Board, the members of the senior management team and the managing directors of subsidiaries.

There is also a pension commitment of €166 thousand to the former managing director of the former Evotec Biosystems GmbH, to which Evotec is the legal successor. €91 thousand were paid in 2023.

Dr. Werner Lanthaler is a non-executive member of the Board of Directors and Chair of the Audit Committee of arGEN-X, Breda, Netherlands, and a non-executive member of the Board of Directors of AC Immune SA, Lausanne, Switzerland.

Dr. Mario Polywka is a non-executive director of Blacksmith Medicines Inc., San Diego, USA, of C4X Discovery Holdings PLC, Manchester, UK, Exscientia plc, Oxford, UK, Orbit Discovery Limited, Oxford, UK and Orbit Discovery Limited, Oxford, UK.

Dr. Cord Dohrmann is a member of the Supervisory Board of Eternygen GmbH, Berlin, and a member of the Supervisory Board of Breakpoint Therapeutics GmbH, Hamburg and a non-executive member of the Board of Directors of FSHD Unlimited Corp, Leiden.

Enno Spillner is a non-executive member of the Board of Directors and Chair of the Audit Committee of Nanobiotix SA, Paris, France, and a member of the Supervisory Board of leon-nanodrugs GmbH, Munich.

Supervisory Board

Prof. Dr. Iris Löw-Friedrich, Chief Medical Officer of UCB S.A.; Chair of the Supervisory Board;

Roland Sackers, CFO and Managing Director of QIAGEN N.V.; Deputy Chair of the Supervisory Board and Chair of the Audit and Compliance Committee;

Dr. Mario Polywka, independent consultant; Supervisory Board member until 3 January 2024, this is suspended during his time as interim CEO for up to 12 months;

Dr. Elaine Sullivan, independent consultant, Managing Director of KELTIC Pharma Therapeutics Ltd. and member of the Board of Directors of the University of Edinburgh;

Dr. Constanze Ulmer-Eilfort, partner of the law firm Peters, Schönberger & Partner (PSP München) and Chair of the ESG Committee;

Camilla Macapili Languille, Head of Life Sciences at Mubadala Investment Company; member of the Supervisory Board since June 2022

Supervisory Board remuneration in financial year 2023 came to a total of €520 thousand (previous year: €509 thousand). The Supervisory Board members had the following other seats on supervisory boards and other supervisory bodies within the meaning of Section 125 (1) sentence 5 AktG.

Prof. Dr. Iris Löw-Friedrich

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

Member of the Executive Board:
PhRMA Foundation, Washington DC, USA

Roland Sackers

Member of the Executive Board:

BIO Deutschland e.V., Berlin, Germany

Dr. Mario Polywka (until 15 January 2024),

Non-executive director:
Blacksmith Medicines Inc., San Diego, USA
C4X Discovery Holdings plc, Manchester, UK
Exscientia plc., Oxford, UK
Orbit Discovery Limited, Oxford, UK

Dr. Elaine Sullivan

Member of the Supervisory Board:
Zealand Pharma A/S, Søborg, Denmark (since December 2023)

Non-executive director:
Active Biotech AB, Lund, Sweden (until May 2023)
Nykode Therapeutics AS, Oslo, Norway
IP Group plc, London, UK
hVIVO plc, London, UK (until May 2023)

Dr. Constanze Ulmer-Eilfort

Member of the Supervisory Board:
Affimed NV, Mannheim, Germany

Camilla Macapili Languille

Member of the Executive Board:

PCI Pharma Services, Philadelphia, USA

Norstella (Caerus PikCo S.A.R.L.), New York, USA (until December 2023)

Envirotainer A/S, Stockholm, Sweden

va-Q-tec AG, Würzburg, Germany

Events after the reporting date

Evotec announced on 3 January 2024 that the CEO Dr. Werner Lanthaler had notified the company of his resignation for personal reasons and would not complete the current term of his contract. The Supervisory Board approved his resignation. The Supervisory initiated an internal and external search for a permanent CEO. In the interim the former COO of Evotec, Dr. Mario Polywka, who had been a member of the Supervisory Board, agreed to act as CEO on a provisional basis. His Supervisory Board seat is suspended for up to 12 months during his time as interim CEO. In addition, Aurélie Dalbiez was announced as the new Chief People Officer (CPO) on 17 April 2024. She will take up her position on 15 June 2024.

Membership of a group

The company prepares mandatory consolidated financial statements in accordance with Section 315e (1) HGB, which is published in the European Business Register. It prepares the consolidated financial statements and group management report for the largest and small group of companies.

Hamburg, 22 April 2024

Dr. Mario Polywka

Dr. Cord Dohrmann Dr. Matthias Evers Dr. Craig Johnstone Laetitia Rouxel

Evotec SE

Statement of changes in fixed assets for the fiscal year 2023

	Acquisition and production cost					Accumulated amortization, depreciation and write-downs				Net book values	
	1.1.2023	Additions	Disposals	Reclassifications	31 Dec 2023	1 Jan 2023	Additions	Disposals	31 Dec 2023	31 Dec 2023	31 Dec 2022
	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO	EURO
I. Intangible assets											
1. Purchased franchise, industrial and similar rights, assets and licenses in such rights & assets	10.740.555,42	0,00	6.474.367,15	201.983,23	4.468.171,50	10.219.223,43	345.853,37	6.474.367,14	4.090.709,66	377.461,84	521.331,99
2. Intangible assets	1.897.003,26	201.983,23	0,00	-201.983,23	1.897.003,26	0,00	0,00	0,00	0,00	1.897.003,26	1.897.003,26
	12.637.558,68	201.983,23	6.474.367,15	0,00	6.365.174,76	10.219.223,43	345.853,37	6.474.367,14	4.090.709,66	2.274.465,10	2.418.335,25
II. Property, plant and equipment											
1. Land, land rights and buildings, including buildings on third-party land	4.504.837,42	0,00	0,00	310.933,01	4.815.770,43	3.492.875,00	214.086,99	0,00	3.706.961,99	1.108.808,44	1.011.962,42
2. Plant and machinery	44.211.172,80	0,00	6.213,56	2.738.022,07	46.942.981,31	25.202.267,93	3.153.757,27	6.213,56	28.349.811,64	18.593.169,67	19.008.904,87
3. Other equipment, furniture and fixtures	11.865.646,68	482.635,27	3.089.799,08	1.537.709,25	10.796.192,12	7.861.985,03	2.674.451,84	3.089.799,08	7.446.637,79	3.349.554,33	4.003.661,65
4. Prepayments and assets under construction	2.303.858,47	11.326.025,08	0,00	-4.586.664,33	9.043.219,22	0,00	0,00	0,00	0,00	9.043.219,22	2.303.858,47
	62.885.515,37	11.808.660,35	3.096.012,64	0,00	71.598.163,08	36.557.127,96	6.042.296,10	3.096.012,64	39.503.411,42	32.094.751,66	26.328.387,41
III. Financial assets											
1. Shares in associated companies	434.204.505,59	118.153.433,21	0,00	1.701.073,75	554.059.012,55	10.751.846,99	23.765.440,45	0,00	34.517.287,44	519.541.725,11	423.452.658,60
2. Loans to affiliates	235.594.970,15	32.265.219,05	0,00	0,00	267.860.189,20	0,00	0,00	0,00	0,00	267.860.189,20	235.594.970,15
3. Investments	107.153.899,28	10.508.939,55	2.503.203,38	-1.701.073,75	113.458.561,70	10.517.697,10	32.909.461,26	1.532.764,06	41.894.394,30	71.564.167,40	96.636.202,18
4. Other loans	2.583.550,69	5.783.250,33	0,00	0,00	8.366.801,02	0,00	4.355.832,29	0,00	4.355.832,29	4.010.968,73	2.583.550,69
									0,00		
	779.536.925,71	166.710.842,14	2.503.203,38	0,00	943.744.564,47	21.269.544,09	61.030.734,00	1.532.764,06	80.767.514,03	862.977.050,44	758.267.381,62
	855.059.999,76	178.721.485,72	12.073.583,17	0,00	1.021.707.902,31	68.045.895,48	67.418.883,47	11.103.143,84	124.361.635,11	897.346.267,20	787.014.104,28

Combined Management Report

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 to 31 December 2023. The presentation of the business development, the position and the forecast of key performance indicators relate to the Evotec Group (the Group), unless otherwise stated. Information which solely relates to Evotec SE is disclosed as such.

The Evotec Group

GENERAL INFORMATION ON BUSINESS AND STRATEGY

– GROUP STRUCTURE –

Evotec SE, headquartered in Hamburg, is the parent company of the Evotec Group, which group structure reflects its strategic international positioning and activities. Evotec operates globally with 5,061 employees at 18 sites in six countries across Europe and the US. In Germany, we have operating sites in Hamburg (headquarters), Cologne, Göttingen, Halle (Westphalia) and Munich (Germany). The remaining sites are located in Lyon and Toulouse (France), Abingdon and Alderley Park (United Kingdom), Verona and Medolla (Italy), Orth an der Donau (Austria), as well as in Branford, Framingham, Princeton, Seattle, and Redmond, (US).

MAJOR OPERATING ENTITIES1)
as of 31 December 2023

EVOTEC SE, HAMBURG, GERMANY

Evotec (UK) Ltd.	**Abingdon, UK**	
Cyprotex Ltd.	**Manchester, UK**	Cyprotex Discovery Ltd. Manchester, UK; Cyprotex US, LCC Framingham, USA
Evotec (US) Inc.	**Princeton, USA**	Just-Evotec Biologics, Inc. Seattle, USA
Evotec (Hamburg) GmbH	**Hamburg, Germany**	Evotec International GmbH Hamburg, Germany; NephThera GmbH Hamburg, Germany
Evotec (München) GmbH	**Munich, Germany**	
Evotec DS Germany GmbH	**Halle, Germany**	
Evotec GT GmbH	**Orth (Donau), Austria**	
Evotec (France) SAS	**Toulouse, France**	
Evotec ID (Lyon) SAS	**Lyon, France**	
Aptuit Global LLC	**USA**	Aptuit (Verona) Srl Verona, Italy; Aptuit (Oxford) Ltd. Abingdon, UK
Aptuit (Potters Bar) Limited	**Abingdon, UK**	
Evotec (UK) Limited	**Abingdon, UK**	
Evotec (Modena) Srl	**Medolla, Italy**	
Just-Evotec Biologics EU (SAS)	**Toulouse, France**	
Evotec Asia Pte. Ltd	**Singapore**	

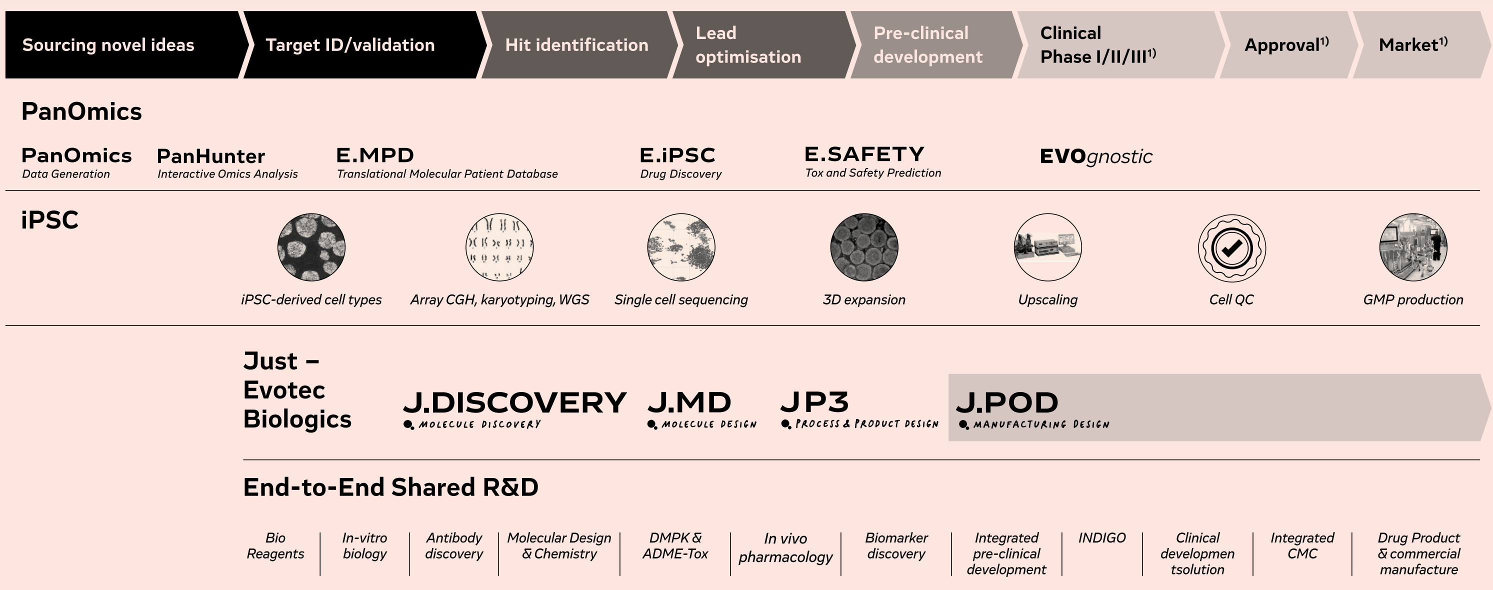
1) indirect and direct holdings

– BUSINESS OVERVIEW –

Evotec is a Research & Development ("R&D") company partnering with companies and mission driven organisations in the pharmaceutical and biotech industry with the aim to co-create pipelines and deliver high-value life science services and solutions. The Groups's mission is to discover and develop medicines that matter in efficient collaborations with its partners by focusing on data-driven disease understanding, precision medicine, and early disease relevance to increase probabilities of success.

To achieve this mission, Evotec focuses in particular on the following four main areas:

PanOmics-driven drug discovery for deep disease understanding and effective therapies
IPSC cell therapies based on induced-pluripotent stem cells
Just – Evotec Biologics: Artificial Intelligence ("AI") and continuous manufacturing for more cost-efficient access to antibodies
End-to-End Shared R&D: integrated discovery and development (business-to-business) platform for increased probabilities of success from the target to the patient



[1)] *Sponsoring and execution of clinical trials as well as distribution & marketing is under the responsibility of partners, still sharing upside in case of success*

To this end, Evotec has developed a comprehensive range of fully integrated technology platforms, from target identification/validation to approval, as shown in the graphic above. The Group collaborates with its partners across all research phases from sourcing of novel drug starting points, through to development and manufacturing of drug product up to commercial quantities. With more than 5,000 employees, the Company leverages its technologies and platforms to not only provide services and solution, but also to co-create pipelines together with its partners. Evotec provides solutions to its partners, which it believes will fundamentally transform drug discovery by reducing costs and timelines and improving quality to increase overall probabilities of success in the clinic. In addition, the company aspires to make a visible contribution to improve chances for better access to medicines in many underserved areas such as still developing countries or in the field of rare diseases.

Evotec's drug discovery therapeutic areas of expertise and capabilities cover autoimmune diseases, cancer, CNS diseases, diabetes and its complications, fibrosis, immunology, infectious diseases, kidney diseases, liver diseases, pain and inflammation, rare diseases, respiratory diseases, tuberculosis and women's health.

Evotec's continuous manufacturing of biologics (Just Evotec Biologics) is located in the United States, in Redmond (WA). A second manufacturing plant is under construction at our site in Toulouse and scheduled for completion in Q2 of 2024 and expected to be fully operational in Q1 2025. In Europe, the Company has production capacity for active pharmaceutical ingredients ("API") at its sites in Abingdon (UK) and Verona (Italy) and Halle (Westphalia, Germany). The Group also has GMP production capacities ("Good Manufacturing Practice") for cell and gene therapies in Medolla, near Modena (Italy). Evotec is able to manufacture drug products across all relevant modalities (small molecules, biologics and cell and gene therapy) to support the clinical development of drug candidates and commercialisation of drugs for its partners on an industrial scale.

Our focus areas

PanOmics-driven drug discovery

Evotec's PanOmics platform generates genomics, transcriptomics, proteomics and metabolomics data on an industrial scale. This enables the Group to profile and select promising novel targets derived from comprehensive cell biological profiles from molecular patient databases – Evotec's Molecular Patient Databases (**"E.MPD"**).

Profiles derived from Evotec's PanOmics platform can be used to identify new targets - often for specific patient populations - as well as to patient specific markers that can lead to tailored, more precise medicines. The aim of improving our understanding of molecular biology, cell regulation and the pathogenesis of individual diseases has led to a shift in focus, away from a "one-drug-fits-all" approach to more precise approaches. It has become possible with the developments of new platforms, tools, and methods based on AI to better understand, interpret, and translate the vast amounts of information and data being generated. **PanHunter**, Evotec's integrated data analytics platform, is a key enabler for achieving this goal. It makes the Company's *-omics* data available in a user-friendly manner at enterprise level. Users can freely interact with and combine data in a modular, app-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 making PanHunter very user-friendly even for non-bioinformaticians.

Molecular patient databases
Re-defining health and disease via molecular disease profiles

Patient derived disease models & precision medicine approaches
Focus on **early** disease relevance

Patient stratification and biomarkers
Precision diagnostics and tracking of diseases

PanOmics *Data Generation*	▶ Genomics, transcriptomics, proteomics, metabolomics data at industrial scale ▶ Multiple patient-derived data bases, e.g. CKD database (>10,000 patients; >600 billion data points)
PanHunter *Interactive Omics Analysis*	▶ User friendly A.I./M.L. driven multi-omics analysis platform ▶ Exceeding industry standards in e.g. predicting drug safety (e.g.: liver injury 86% vs. 70%)
E.iPSC *Drug Discovery*	▶ One of the largest and most sophisticated iPSC platforms for drug discovery and cell therapy in industry ▶ First iPSC-derived drug candidate in clinic, large pipeline evolving in drug discovery and cell therapy

iPSCs

Evotec's AI and precision medicine platforms are complemented by our induced pluripotent stem cell (**"iPSC"**) technology platform, which utilises patient-derived cell-based assays for disease modelling. iPSC cell assays are crucial to model diseases based on the use of human tissue and therefore represent an alternative to animal models for profiling drug candidates in the pre-clinical stage. The group has meanwhile more than 20 different cell models based on new cell types or co-cultures of more than one cell type in one model. The analysis of disease signatures and individual patient signatures improves patient stratification, driven by biomarker identification (**EVO***gnostic*) as well as human in vitro model based safety prediction (**E.SAFETY**).

Induced pluripotent stem cells are not only used to model diseases in culture. They are the basis for next generation allogeneic cell based regenerative medicine addressing several non-communicable diseases that represent a large burden for patients and healthcare systems world-wide. Evotec's iPSC platform focuses on developing off-the-shelf cell therapies with long-lasting efficacy, such as immune cells in oncology (e.g., NK, T cells and others), beta cells for diabetes, cardiomyocytes in heart repair, and retina cells in ophthalmology. Evotec's lead cell therapy candidate is a cell replacement therapy for type 1 diabetes that is currently in pre-clinical development.

	Field		Program/ Project	Disease area	Protocol	Pre-clinical research	Pre-clinical development	IND / Phase I	iPSC-derived cell types
Partnered	Cancer immunotherapy	*Pharma*	γδ iT	Oncology	*Undisclosed*				**iNK** Natural killer cells **iT** T cells **iMAC** Macrophages **iBeta** Pancreatic islets **iCM** Cardiomyocytes **iRPE** Retinal pigment epithelium cells **iPR** Photoreceptors
	Metabolic disease	*Sernova*	E.iBeta (Device)	Diabetes					
Partnering oppor-tunities	Cancer immunotherapy		iNK	Oncology					
			iMAC	Oncology					
			αβ iT	Oncology					
	I&I[1]		iNK, αβ iT	Fibrosis, SLE[2]					
	Metabolic disease		E.iBeta (Engineered)	Diabetes					
	Other		iCM	Heart failure					
			iRPE, iPR	Ophthalmology					Unpartnered programs/ projects are open for new business opportunities
			...						

▸ Each cell type can deliver multiple differentiated products

1) Inflammation and Immunology disease area

2) Systemic Lupus Erythematosus

End-to-End Shared R&D

Evotec has built an end-to-end Shared R&D platform in drug discovery and development. Our network of partners and customers includes leading pharmaceutical companies, small and large biotechs, academic institutions, patient advocacy groups, venture firms ("VCs"), as well as foundations and other not-for-profit organizations.

Together with our partners, through a combination of leading technologies, expertise, knowledge and integrated scientific capabilities, we generate and progress assets through drug discovery and development pipelines across a broad range of diseases.

Evotec differentiates itself from its competitors by combining multimodal platforms, expertise and interdisciplinary integration over the entire added value of discovery and preclinical research and also the production of active substances for clinical development. The portfolio of platforms includes inter alia target validation, molecular design, chemistry, biology, pharmacology, absorption, distribution, metabolism, excretion ("ADME"), toxicology, formulation development, and active pharmaceutical ingredient ("API") manufacturing, across the various stages of research and development. Evotec's qualified and experienced scientists make a significant contribution in the technical coordination of these processes. In addition, the application of AI and modelling capabilities in predictive science aim to improve the probability of success of research projects and enhance performance in terms of speed, cost and quality.

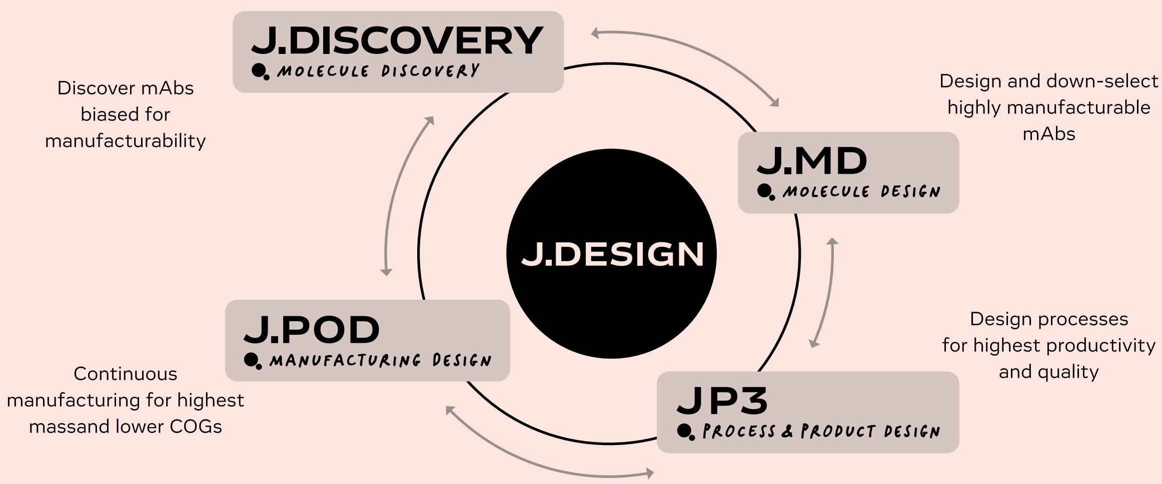
Target ID/Validation	Hit identification	Lead optimisation	Pre-clinical/ IND[1]	Phases I/II/III	Approval	Market
▸ Disease area expertise ▸ Exploratory biology ▸ Target validation ▸ Assay Development	▸ Structural biology ▸ Screening, virtual screening ▸ Molecular design, chemistry ▸ Biotherapeutic discovery	▸ Molecular optimization ▸ PK/PD, ADME, PK ▸ Safety, biomarkers ▸ Development readiness	▸ Regulatory Toxicology ▸ Formulation science ▸ Process development and manufacture	▸ Translational biology, biomarkers ▸ Clinical development support ▸ API manufacturing, product for clinical testing ▸ Drug Product	▸ Commercial API and drug product manufacturing	

▸ **Comprehensive "under ONE roof" integration of technologies, experience and expertise**

▸ **Operational excellence and A.I./M.L.-driven predictive science**

[1] *Investigational New Drug Application*

Just – Evotec Biologics
In the field of biologics discovery, development and manufacturing, Evotec applies its machine learning and integrated technology platform J.DESIGN to bring further value to its partnerships by designing, developing, and manufacturing biologics in a cost-effective and efficient manner. Because Evotec utilises 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 can offer flexible, on-demand production compared to traditional large single batch-based processes, so-called fed-batch processes, without any loss of product quality. Due to significantly higher yields resulting from continuous harvesting of biologics over several weeks, and thus lower average unit costs, the new paradigm expands the indication areas for biologic drug candidates to include diseases with small case numbers for which a conventional process has proven uneconomical in the past.



Evotec operates a manufacturing site in Redmond (WA), USA, called J.POD, a late-stage clinical and commercial manufacturing facility that can manufacture larger quantities of products for late-stage clinical development and commercialisation. As there are no process differences in the production facility between clinical and commercial quantities, the facility can be operated at the same scale for both requirements, ensuring a seamless transfer from small to large quantities and reducing scale-up risk. The facility is approximately 12,000 square metres in size 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 current commercial needs in a single facility, will mainly supply markets in North America.

As global demand for more affordable access to medicines and flexible manufacturing capacity of biologics increases, Evotec has started construction of a second J.POD facility in Toulouse, France in September 2022. Europe is the second largest biologics market. Nevertheless, one of the lessons of the COVID 19 pandemic was that there were bottlenecks and national preferences in supply. This has increased the need for local capacity and the need for security of supply in all regions, including Europe, to improve pandemic preparedness in case needed. The decision to set up this infrastructure at the Company's own site in Toulouse, France 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 in Q2 2024 and fully operational in Q1 2025.

Generation of revenues
Evotec's revenue mix varies by type of contract with its partners, often determined by the ownership or origination of intellectual property ("IP"):

In collaborations where ownership of IP is with the partner, Evotec provides stand-alone or fully integrated drug discovery and development services and solutions to its partners. Well-defined work packages are typically provided and compensated 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, ADME-tox tests and API manufacturing. In addition, fully integrated drug discovery projects, in which partners work with Evotec to conduct interdisciplinary research in pursuit of novel therapeutics, usually under multi-year contracts, are typically compensated on an Full Time Equivalent ("FTE")-basis.

Evotec leverages its proprietary technology platforms and related IP to enable co-creation of pipelines with its partners. We partner with pharmaceutical and biotechnology companies, as well as academic institutions to develop new drug discovery projects and assets. Collaborations with partners are typically based on agreements, involving a combination of upfront payments, ongoing research payments, and financial upside via milestones and royalties.

By providing access to Evotec's industrialised and integrated technology platforms and expertise, Evotec facilitates acceleration of early-stage scientific projects and supports product development up to IND-readiness and beyond. Based on the commitment to stay as a true long-term partner to start-ups, Evotec also provides access to capital in selected cases, augmented by informed decisions based on the data that is generated on Evotec's platform.

Evotec has a strong interest in patient-data-based discovery projects. This provides a significant potential for value creation from new partnerships, future clinical successes, and positive commercial developments of portfolio companies. Realisation of returns on investments is based on both successful exits from our portfolio companies (e.g., trade sales, mergers and acquisitions or Initial Public Offerings) and on obtaining access to unique IP via our portfolio companies. As of 31 December 2023, Evotec holds 31 equity investments.

VALUE CREATION PILLARS OF BUSINESS-TO-BUSINESS MODEL IN BIOTECH

	IP partnering[1)]/ Pipeline of co-owned assets	Partner owns IP
Value Creation Model	▶ Fee-for-Service/FTE-rates ▶ Upfront payments, milestones, licenses, royalties ▶ Equity investments	▶ Fee-for-Service/FTE-rates ▶ Success payments ▶ Price per amount manufactured
Focus areas	***PanOmics*** ***iPSC***	***End-to-End Shared R&D***
	Just – Evotec Biologics	

[1)] *Ranging from outlicensing of own IP to joint creation of IP*

Reporting segments
Evotec reports the results of its work and collaboration with third parties through two operating segments:

EVT Execute
EVT Execute is the segment in which revenues are recognised from partners owning the IP. It primarily includes fee-for-service and FTE-rate based arrangements. In 2023 EVT Execute accounted for 66% of the group's revenues a (2022: 73%).

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. In 2023 EVT Innovate accounted for 34% of the groups's revenues (2022: 27%).

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 to balance and diversify the risks associated with drug discovery.

Broad pipeline of development
Evotec's pre-clinical pipeline includes candidates that are wholly owned and those for which Evotec has the right to receive royalty or milestone payments. Since 2015, the number of Evotec's pipeline assets has more than doubled from 49 to over 140 of which 18 assets are in clinical development as of 31 December 2023. Of the pipeline assets, one obtained approval in South Korea in 2022, one obtained market approval in China in 2023, six are in Phase II and ten are in Phase I.

The partnered pipeline consists of projects, either derived from proprietary target identification or shared discovery & development activities. Involvement of Evotec's intellectual property is the basis for sharing returns in case of scientific and commercial success by means of milestone payments or royalties. For the sake of transparency, Evotec also discloses candidates that are being developed by partners in whom Evotec has an equity stake.

Beyond therapeutic areas, Evotec has also successfully expanded its pipeline across multiple modalities. In 2015, the group's therapeutic assets were exclusively small molecules. In contrast, in 2023, 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 early-stage projects where several modalities are being investigated. Evotec expects the relative share of pipeline-related revenues as a percentage of total revenue to increase as the group's amount of projects increase, the pipeline matures and as the revenue mix within all focus areas increasingly includes also success-based components, such as milestone payments or, after approval, royalties.

— EVOTEC'S GROWTH STRATEGY —

Evotec's growth strategy aims to cover the entirety of the early R&D value chain by addressing a broad range of disease areas utilising a modality-agnostic approach. In addition, by leveraging the value of its platforms and sharing intellectual property, Evotec seeks to de-risk its portfolio through the breadth and diversity of pipeline assets. Evotec aims to have over 170 pipeline assets by the end of 2025.

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 the development of precision medicines. Evotec delivers solutions which allow for 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:

- Biology-driven, patient-specific disease insights
- Steadily expanded capacities in the areas of data generation, data analytics and AI-supported efficacy and safety prediction, converging with scientific expertise
- Modality-agnostic expertise (small molecule, biologics, cell therapy among others) which can help to make the drugs of Evotec's partners precise, affordable and more accessible

Evotec is convinced 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's strategic goals include:

- Establishing Evotec's offer as a competitive, integrated disease understanding and precision medicine platform
- Strengthening Evotec's position as a premier partner to the life sciences sector
- Building a high-value portfolio of co-owned assets
- Driving access to high-value and affordable biotherapeutics with Just - Evotec Biologics
- Identifying risk-balanced, high-reward opportunities through equity investments

— FINANCIAL PERFORMANCE INDICATORS —

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

The Group's performance is measured against budgeted financial targets and the prior-year's performance.

In addition, management thoroughly analyses all costs (with a focus on cost of sales, research and development expenses and selling and administrative expenses). Liquidity levels are monitored in comparison to forecasts 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 management. Investing activities like capital expenditure in 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 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, as well as 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.

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 2019–2023.

KEY FINANCIAL PERFORMANCE INDICATORS

in k€

	2019[1)]	2020[1)]	2021	2022	2023
Revenues	446,437	500,924	618,034	751,448	781,426
Unpartnered R&D expenses[2)]	(37,477)	(46,441)	(58,117)	(70,204)	(64,818)
Adjusted Group EBITDA[3)]	123,256	106,654	107,270	101,654	66,352

1) 2019 and 2020 restated for IAS 19.
2) R&D expenses funded by Evotec.
3) Adjusted for changes in contingent considerations and external expenses related to the cyber-attack

Revenues
Please refer to the 'Generation of revenues' section above.

Unpartnered R&D Expenses
Evotec's unpartnered 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.

Adjusted Group EBITDA
Adjusted Group EBITDA is defined as net income (loss) adjusted for interest, taxes, depreciation and amortization of intangibles, impairments on goodwill and other intangible and tangible assets, total non-operating results, change in contingent consideration (earn-out) and items that in magnitude, nature or occurrence would distort the presentation of the financial performance of the Group.

Adjusted Group EBITDA is reported as an additional performance indicator and does not correspond to the EBITDA resulting from IFRS. 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 Group'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 operational 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 2023 performance compared to planned figures can be found in the "Comparison of 2023 financial results with forecast" chapter.

— NON-FINANCIAL PERFORMANCE INDICATORS —

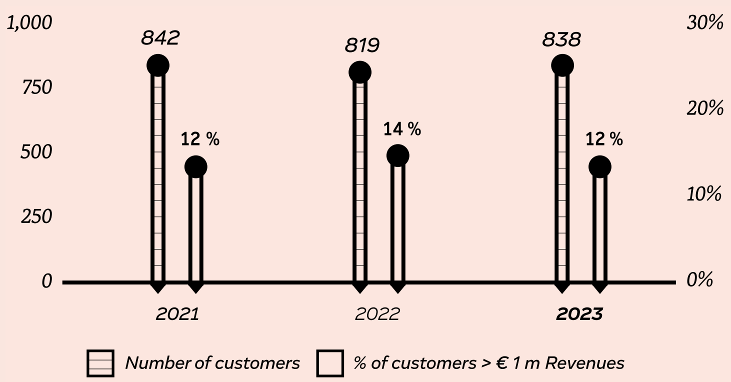
Biotechnology is a research-driven and employee-based industry. Consequently, financial information alone does not provide a comprehensive picture of the Group's potential for value creation. Evotec's management therefore also uses non-financial performance indicators to manage the Group, e.g. total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

Number of customers
The number of customer alliances has exceeded 800 in the past three years, confirming the range of offered services. Management intended for an increase in the total number of customers in 2023, however, during 2023, 298 new customers were added compared to 325 in 2022 and 337 in 2021, a decrease of (8)% versus 2022 and (12)% versus 2021, nevertheless highlighting the successful closing or larger collaborations with key partners. The decrease in 2023 was a direct result of the downturn in business in Q2 caused by the cyber-attack. An entity with multiple subsidiaries, segments, or divisions is defined and counted as one single customer, even if Evotec 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 decreased to 102 in 2023 (2022: 118), or 12% and 14% of total customers in the last two years, in part caused by the interruption of the business in the second quarter.

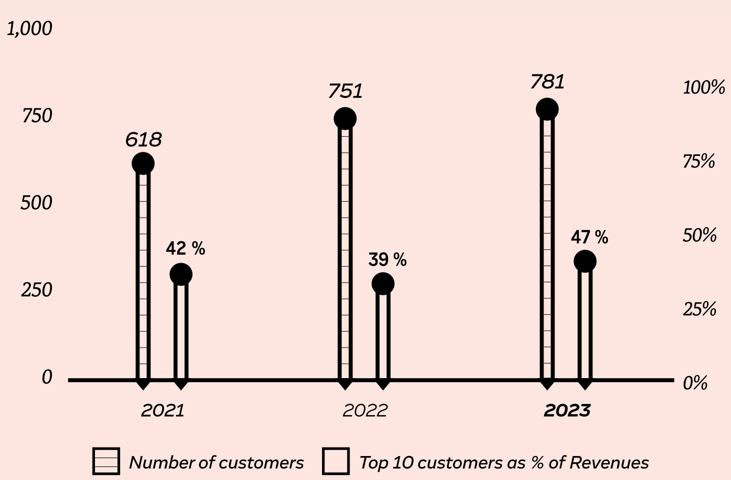
Evotec's largest three customers by revenue collectively accounted for 35% of the Group´s revenues in 2023. In 2022, Evotec's three largest customers by revenue contributed 25% to revenues. As in the previous year, other than Bristol Meyers Squibb, no single customer contributed more than 10% of group revenues.

CUSTOMER EVOLUTION AND CONTRIBUTION



Despite the slight decrease of Evotec's customers over the last three years, revenues have grown significantly. The top 10 customers' contribution to total revenues has increased from 39% in 2022 to 47% in 2023.

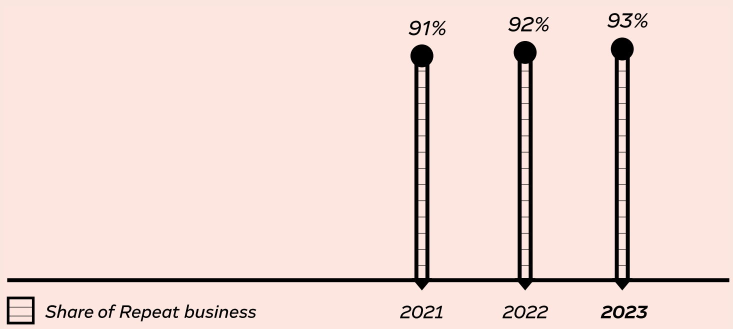
EVOLUTION OF CUSTOMER CONCENTRATION



Repeat Business

Evotec has demonstrated solid customer retention rates, as defined by the percentage of revenues from customers that Evotec had a relationship within the prior year, with 90% or above in each of the last three years. Evotec reviews its repeat business on a yearly basis, and aims to maintain current retention rates. Repeat business was retained at 93% in 2023 and 92% in 2022, 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 Group's continued revenue growth.

SHARE OF ANNUAL REPEAT BUSINESS



Pipeline development: Progression of drug programs and drug candidates in development partnerships – EVT 8683: iPSC-derived disease model with positive phase I data in neurodegeneration

Progress in the co-creation of pipelines together with our partners, based on drug discovery and development partnerships is another highly relevant performance indicator. The success of partnered ("co-owned") research, pre-clinical and clinical programs represents additional value creation potential for Evotec. The Group participates in the progress and success of those programmes through potential milestone and royalty payments, without own investments or expenditures after handover to the partner. In case of failure, Evotec may lose an option to benefit from future milestone payments or royalties linked to the respective product. However, such an event does not affect the overall set-up of Evotec.

Compared to 2022, one asset progressed from Phase III to market approval, one asset progressed from Phase I to Phase II and four assets progressed from the pre-clinical phase to Phase I. Overall, Evotec's work has resulted in 18 disclosed co-owned pipeline assets as of 31 December 2023, compared to a total number of 17 disclosed co-owned pipeline assets as of 31 December 2022.

PIPELINE OF DRUG CANDIDATES IN ADVANCED STAGES OF DEVELOPMENT
as of 31 December 2023

Molecule	Treatment area/indication	Partner	End of December 2022	End of December 2023
SKY Covione	COVID-19	SK bioscience	Market approval	Market approval
EVT201	Insomnia (GABA-A)	JingXin	Phase III	Market approval
CT7001 + fulvestrant	Oncology (CDK7)	Carrick Therapeutics	Phase II	Phase II
CT7001 + elacestrant	Oncology (CDK7)	Carrick Therapeutics	Phase II	Phase II
CT7001 + vepdegestrant	Oncology (CDK7)	Carrick Therapeutics	Phase II	Phase II
CT7001 + giredestrant	Oncology (CDK7)	Carrick Therapeutics	Phase II	Phase II
Cell Pouch	Metabolic - Diabetes	Sernova	Phase I	Phase II
TPM502	Celiac Disease	Topas Therapeutics	Phase II	Phase II
GTAEXS617	Oncology (CDK7)	Exscientia	pre-clinic	Phase I
EVT401	Immunology & Inflammation (P2X7)	CONBA Group	Phase I	Phase I
CNTX-6016	Pain (CB2)	Centrexion	Phase I	Phase I
EVT894	Chikungunya (Antibody)	Sanofi/NIH	Phase I	Phase I
EVT801	Oncology (VEGFR3)	Kazia Therapeutics	Phase I	Phase I
EVT8683	Neurodegeneration (elF2b activator)	Bristol Myers Squibb	Phase I	Phase I
TPM203	Pemphigus Vulgaris (not disclosed)	Topas Therapeutics	Phase I	Phase I
IMT-009	Oncology (CD161)	Immunitas	pre-clinic	Phase I
BMS-986447	Immunology & Inflammation	Exscientia	pre-clinic	Phase I
BAY3401016	Alport Syndrome (Sema3A)	Bayer	pre-clinic	Phase I

— RESEARCH AND DEVELOPMENT —

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

Unpartnered R&D

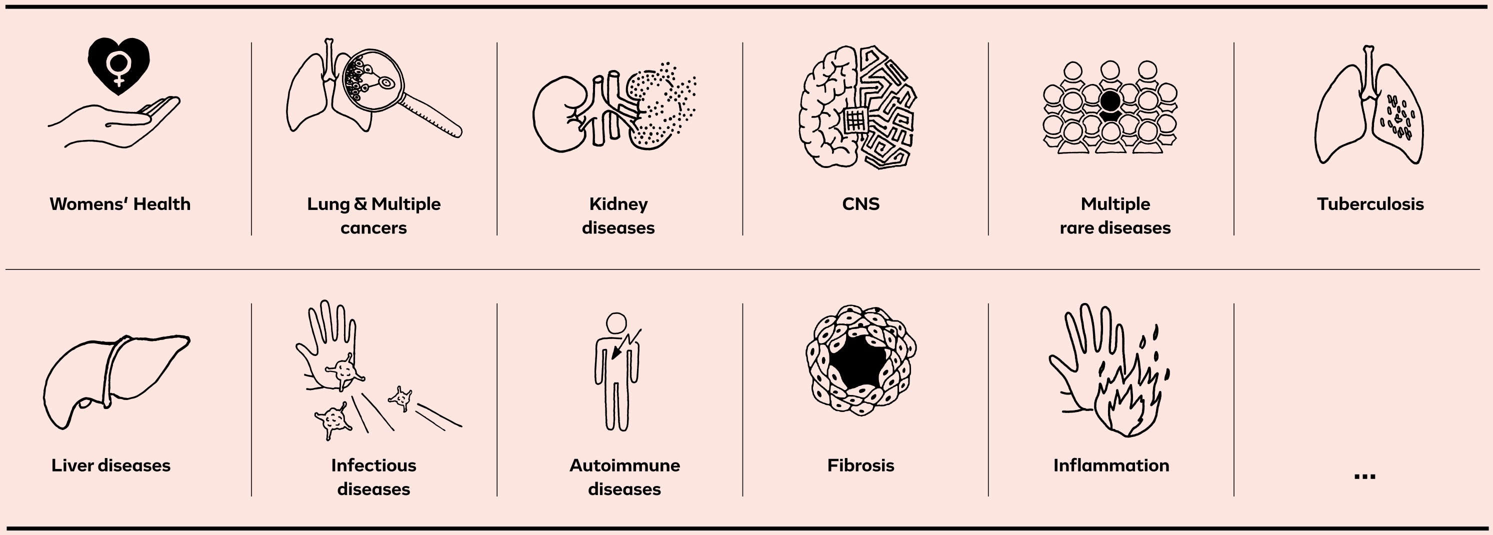
By investing into the discovery and development of proprietary assets and platforms, Evotec builds a long-term pipeline of first-in-class and/or best-in-class assets or unique proprietary platforms. Unpartnered R&D projects are carefully selected to either deliver high potential, first-in-class drug candidates in indications of high-unmet medical need or highly differentiated platforms that enable upside-bearing strategic deals. The goal is to use these assets and platforms to build strategic partnerships with Pharma, Biotech or Spin-out companies that deliver 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 140 in 2023. Evotec continuously develops new technologies, platforms and projects, such as PanOmics, its industrial-scale iPSC technology, its enterprise-level data analysis platform 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 currently pursues 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. Evotec is investing among others 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. After an extension of five months due to the cyber-attack, the contract ended November 2023 after over five years. Subsequent to the contract end, all capacities of the relevant units have been switched to the fee-for-service business available for Evotec's partners.

MAIN INDICATION AREAS PARTNERED AND UNPARTNERED R&D



— INTELLECTUAL PROPERTY —

Evotec seeks to protect and enhance the value of its proprietary drug discovery programs 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 2023, Evotec's owned patent portfolio included more than 50 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

2023 FINANCIAL RESULTS COMPARED WITH FORECAST

PERFORMANCE AGAINST FORECASTS
in € m

in € m	Forecast in Annual Report 2022	Forecast July 2023	Result 2023	Result 2022
Group revenues	820 - 840	750 - 790	**781.4 (+4%)**	751.4
(at constant exchange rates)1)	835 - 855	765 - 805	**795.2 (+6%)**	-
Unpartnered R&D expenses	70 - 80	60 - 70	**64,8 (-8%)**	70.2
(at constant exchange rates)1)	70	-	**64,9 (-8%)**	-
Group EBITDA	115 - 130	60 - 80	**66.4 (-35%)**	101.7
(at constant exchange rates)1)	125 - 140	70 - 90	**73,6 (-28%)**	-

1) At constant exchange rates from Actual 2022 (EUR/USD 1.05; GBP/EUR 1.17)

— CYBER-ATTACK —

On 7 April, 2023 we announced an ad hoc release, that on 6 April, 2023 a cyber-attack occurred on our IT systems. As a result, the systems were shut down proactively and disconnected from the Internet to secure from data corruption.

As of the date of this annual report, the cyber-attack has had a significant adverse impact on our financial results. Overall, in 2023, we again exceeded previous year revenue, however productivity was affected throughout the entire second quarter 2023, which led to a revision of the guidance. We took immediate action to contain and remediate the attack by taking our external-facing systems offline. This was deemed necessary to protect all the Company's partners and stakeholders and allowed us to ensure that the integrity of our scientific data remained unaffected. The Company re-started operations at the end of April with productivity reaching more than 50% in May and more than 80% in June as our systems were brought back on-line.

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

Against the backdrop of the cyber-attack, Evotec successfully completed the financial year 2023 despite a challenging macro-economic environment and a competitive market. The revenue development evidenced the Company's strategy to extend and expand existing collaborations as well as to expand its network of alliances.

The start to the year was very dynamic with a year-over-year revenue growth of 30% in the first quarter. Measured by revenues per quarter Q1 2023 represented the strongest quarter in Evotec's history . Main drivers were extension and expansion of two contracts with BMS, as well a new contract with Janssen in the field of cell therapy.

While Q2 in particular was influenced by the cyber attack, it saw the signing of a technology partnership with Sandoz on 9 May.

The third quarter saw a recovery of the business and the majority of Evotec operations were back in business, resulting in a 13% revenues growth versus Q3 2022. However, the cyber incident and necessary measures to mitigate related effects made it necessary to adjust guidance in July. The new guidance also reflected changing market dynamics, showing signs of a "buyers' market in some areas of our business, resulting in higher price sensitivity and a more competitive market environment.

Evotec delivered on the revised guidance by year-end. Revenue still grew by 4% (fx-adjusted +6%), despite a significant loss in business in Q2. Non-recoverable business and a temporary low utilisation of capacities resulted in a more pronounced - though anticipated - effect on EBITDA of -34%. In a particularly challenging year, the customer retention rate of 93% again exceeded our target of 90%, which we consider an excellent achievement and a strong basis for good start to 2024.

MACROECONOMIC CONDITIONS AND BUSINESS ENVIRONMENT

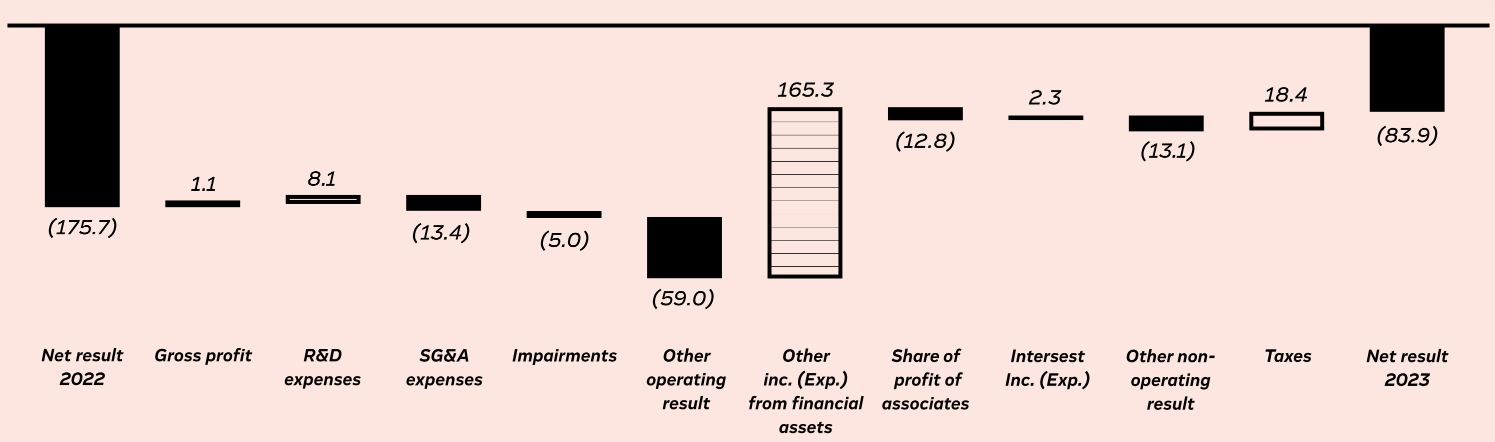
The biopharmaceutical industry was also affected by a number of negative market developments and indicators in 2023, especially in the second half of the year. Over 180 companies, encompassing both established pharmaceutical and emerging biotechnology firms, have implemented workforce reductions impacting thousands of employees. Additionally, a number of companies have ceased operations entirely. Private financing has also contracted substantially. While a limited number of companies ventured into the public markets through initial public offerings, the vast majority have adopted a wait-and-see approach, anticipating more favourable market conditions. Furthermore, the federal government has intensified its efforts to control drug pricing and has implemented heightened scrutiny of biopharmaceutical business transactions.

An analysis from Leerink through Q3 2023 revealed that the stocks of 154 biotechnology and pharmaceutical companies, with market capitalizations ranging from $200 mi to $10 billion, had depreciated by at least 20% in value. Notably, nearly 70% of these companies were biotech firms with market capitalizations between $ 200 m and $ 1 bn. Furthermore, the number of biotech companies in this size range experiencing a decline of at least 20% in stock value was three times greater than the number experiencing a gain of 20%. Additionally, the backlog of companies seeking IPOs has continued to grow in 2023, with 129 biotech firms having completed a crossover financing round but remaining private as of the third quarter's end.

Biopharmaceutical companies secured approximately $ 22.9 bn in venture capital financing in 2023, reflecting a 23% decrease compared to 2022. Early-stage and first-time venture capital financings experienced a more pronounced decline relative to later-stage financings. PitchBook reports that despite the substantial decrease in venture capital availability, deal activity persists, albeit with a shift in investment strategy. This shift is characterized by a decrease in the total number of deals in favour of larger transactions, indicative of a more discerning approach that prioritizes investments in established or potentially more stable entities. Additionally, investors have implemented more rigorous standards for clinical data evaluations, a development that has revitalized fundraising efforts for early-stage ventures.

RESULTS OF OPERATIONS

BRIDGE OF NET RESULT 2022-2023
In €m



CONDENSED INCOME STATEMENT
in €k

		2022	2023	Variance
Revenues		751,448	781,426	29,978
Cost of revenue		(577,383)	(606,375)	(28,991)
Gross profit		174,065	175,051	986
Gross margin	%	23.2%	22.4%	(0.8)%
– R&D expenses		(76,642)	(68,529)	8,113
– SG&A expenses		(156,190)	(169,610)	(13,420)
– Impairment result (net)		0	(5,011)	(5,011)
– Other operating income (expenses), net		79,617	20,591	(59,026)
Operating income (loss)		20,850	(47,507)	(68,357)
Net income		**(175,655)**	**(83,913)**	**91,742**
Adjusted Group EBITDA		***101,654***	***66,352***	***(35,302)***

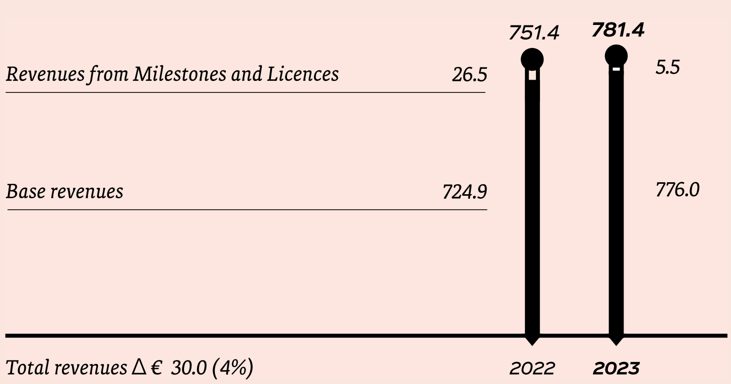
— REVENUES —

Another year of top line growth

In the financial year 2023, Evotec increased its consolidated revenues by 5%. During the twelve months ended 31 December 2023 Group revenues increased by € 30.0 m to € 781.4 m compared with the same period of the previous year (2022: € 751.4 m). The rise against the prior-year period was mainly driven by new collaborations (please see chapter "Business overview" in this combined Management Report). At constant FX rates, Group revenues grew by 5.8% to € 795.2 m. The base business increased by 7.0% from € 724.9 m in 2022 to € 776.0 m in 2023 despite operational disruption in Q2 and part of Q3 caused by the cyber-attack.

Milestones significantly decreased in 2023 to € 4.8 m (2022: € 18.1 m). In general, milestone revenue differs at the various development stages, which may not be within the Group's control. It also is determined by the entire set of terms of the respective contract.

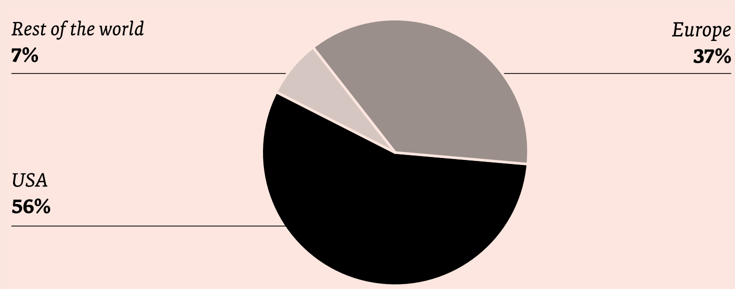
REVENUES



Evotec's revenues in 2023 were generated primarily with US (60%) and European customers (36%), and only to a very small extent in the rest of the world (predominantly Japan). The shift towards the US was mainly triggered by the latest expansion in BMS partnerships.

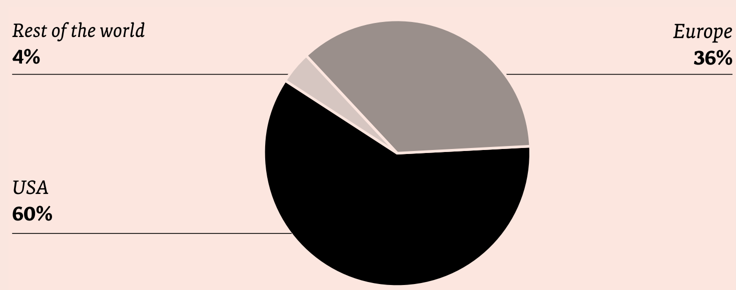
REVENUES BY REGION

2022



*2023 Different methodology for the breakdown of countries in Europe and the rest of the world. Previous year figures have been adjusted accordingly.

2023



COSTS OF REVENUE/GROSS MARGIN

The Costs of revenue within 2023 amounted to € (606.4[1])m (2022: € (577.4) m yielding a gross margin of 22.4% (2022: 23.2%).The increase in cost of revenues was mainly attributable to the accelerated expenses for Biologics, which increased by € 19.1 m year over year primarily driven by an increase in headcount to fulfil the increased sales demand and continue building up the J.Pod facility in the US. In the other business areas, we faced an increase of € 8.6 m year over year. This was driven by higher labour costs due to the yearly merit increase and higher costs for facilities and depreciation due to continued expansion of our footprint. Across all business areas, idle time of our operations group caused by the cyber-attack further increased cost of revenue. The internal time of our people in the operations functions focused on business recovery in the wake of the cyber-attack were included in Other Operating Expenses.

RESEARCH AND DEVELOPMENT EXPENSES

In 2023, Evotec has continued to progress its 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 (please see chapter "Partnered R&D" in this combined Management Report) the Company is working on. Thus, Evotec builds a long-term pipeline of assets and/or unique proprietary platforms; the ultimate goal of the EVT Innovate segment is to build proprietary platforms and early-stage assets to enable upside-bearing strategic deals.

R&D expenses were at € 68.5 m in 2023, compared to € 76.6 m in the twelve months ended 31 December 2022 ((11)%). The decrease in unpartnered R&D expenses by (7.7)% (€ 64.8 m vs. 2022: € 70.2 m) represents a balance between strong investments in Evotec's capabilities to improve efficiency and precision medicine platforms, and financial stewardship in the year impacted by the cyber-attack. Partnered R&D expenses decreased at a scheduled rate to € 3.7 m (2022: € 6.4 m). "Partnered" R&D projects are funded by our partners; for 2022 and 2023, this mainly concerned the ID Lyon site, which was acquired by Sanofi in 2018 and has been funded by Sanofi until the end of November 2023. Indirect expenses represented 15.6% (2022: 15.9%) of the total.

R&D EXPENSES BY CATEGORIES

in €k

	2022	*2023*	*Variance*
Neuroscience & Pain	(10,009)	(6,400)	3,609
Oncology	(10,242)	(11,701)	(1,459)
Metabolic Diseases	(9,341)	(10,966)	(1,625)
Innovate Platform R&D	(26,065)	(24,285)	1,780
Communicable Diseases	(6,442)	(3,159)	3,283
Total Innovate excl. Indirect Costs	**(62,100)**	**(56,511)**	**5,588**
Other	(2,345)	(1,319)	1,025
Total Execute excl. Indirect Costs	**(2,345)**	**(1,319)**	**1,025**
Total Indirect Costs	(12,198)	(10,698)	1,500
Total R&D	**(76,642)**	**(68,529)**	**8,113**
thereof:			
Partnered (funded) R&D	*(6,438)*	*(3,711)*	*2,728*
Unpartnered R&D	*(70,204)*	*(64,818)*	*5,386*

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Group's selling, general and administrative expenses (SG&A) increased by € 13.4 m or 9% from € 156.2 m in 2022 to € 169.6 m end of 31 December 2023, mainly due to higher personnel-related expenses and headcount growth.

Personnel-related expenses increased by €13.3 m, from € 84.1 m in 2022 to € 97.4 m in 2023, mainly driven by growth in employee headcount in most areas of the enabling functions. Consultancy costs decreased by € 6.7 m, from € 28.6 m in 2022 to € 21.9m in 2023, partially compensating an increase in headcount growth and partly driven by delayed commencement of internal projects due to cyber-attack. Insurance costs decreased by € 2.6 m from € 10.3m to € 7.7 m driven by lower D&O insurance expenses. Audit and Tax Fee expenses increased by € 3.0 m from € 6.1 m in 2022 to € 9.1 m. Furthermore, IT and license costs increased by € 2.3 m from € 11.5 m in 2022 to € 13.8 m in 2023, due to continued expansion of IT capabilities.

OTHER OPERATING INCOME AND EXPENSES

Other operating income, which included mainly Sanofi recharges for Evotec ID Lyon, R&D tax credits and changes in fair value of earn-out liabilities, was € 64.8 m in 2023 compared to income of € 81.6 m for 2022. Other operating income, related to Sanofi decreased to € 16.6 m in 2023 (2022: € 34.2 m). R&D tax credits were mainly recognized in France for the Toulouse and Lyon sites, UK, and Italy, resulting in an a overall R&D related other operating income of € 44.0 m (2022: € 42.9 m).

Other operating expense amounted to € (44.2) m (2022: € (2.0) m. The significant increase was driven by the cyber-attack and related costs of € 43.5 m, which comprises of € 26.5 m internal costs and € 15.9 m of external costs. Internal costs represent employee's active efforts to restore normal operations after the attack. External costs are additional third-party costs incurred due to the cyber-attack, such as increased consulting and IT costs, that the Group would not have otherwise incurred. The external costs are considered to be an item that in magnitude, nature or occurrence would distort the presentation of the financial performance of the Group, as these are not deemed to be recurring costs.

OPERATING RESULT

The operating result of the Group came in at € (47.5) m for the twelve months ended 31 December 2023 (2022: € 20.8 m). The business excluding Just – Evotec Biologics generated an operating result of € (19.8) m (2022: € 79.0 m).

Albeit a decrease from prior year, the company maintained a high level of investment in R&D expenses. Overall, unpartnered R&D cost ratio (unpartnered R&D spend in relation to revenues) of (8)% for the twelve months ended 31 December 2023 remained stable.

The SG&A cost ratio increased from (21)% in 2022 to (22)% in the actual reporting period driven by slowdown in revenue and company's decision to maintain SG&A structures ready for future growth.

In addition, the operating result was further reduced by the impairment loss of intangible assets which amounted to € 5.0 m.

OTHER NON-OPERATING RESULT

The FY 2023 result from other non-operating contribution amounts to € (33.1) m versus € (174.8) m in 2022 and driven by a measurement loss of € (15.0) m from equity investments and convertibles, a share of loss in associates amounting to € (12.9) m and an impairment loss in the amount of € (7.9) m related to our investments in associates. This effect is offset by a remeasurement gain of the investment in Exscientia in the amount of € 11.3 m due to an increase of the share price from $ 5.33 to $ 6.41 in 2023. In 2022, the other non-operating result included a significant measurement loss of the investment from the investments in Exscientia of € (174.7) m.

During 2023 Evotec impaired some of the equity investments leading to an impairment in the amount of € (7.9) m as per 31 December 2023 (2022: € 0 m). The share of current losses from equity investments amounted to € (20.8) m in 2023 (2022: € (16.0) m).

Interest expense decreased by € 1.4 m from € (13.1) m in 2022 to € (11.7) m in 2023. This decrease was due to revaluation of interest rate swaps because of the steep increase in interest yield curve in the first half of 2023 (€ 4.8 m). The financial impact was further aided by higher interest income (€ 9.3 m in 2023 versus € 8.3 m in 2022) due to increased interest rates on short-term investments, in particular in EUR and USD, and interest income from convertible loans provided to minority shareholdings.

Foreign exchange loss amounted to € (2.5) m (2022: € 13.1 m), mostly due to the strengthened EUR vs USD from 1.067 as per 31 December 2022 to 1.105 as per 31 December 2023 which resulted in a devaluation in particular of the USD denominated cash and receivables after conversion in EUR.

Total Tax expense amounted to € (3.3) m for full year 2023, versus an amount of € (21.7) m in 2022. Thereof, Evotec recorded total income taxes of € (7.0) m (2022: € (14.0) m). The reduction in the current tax expense is generally a result of decreased taxable profits in Evotec International GmbH, Evotec ID (Lyon) SAS, Cyprotex Discovery Ltd and Aptuit (Verona) Srl. Deferred tax expense amounted to € 3.7 m (2022: € (7.7) m, generally relating to tax loss carry forward attributes as well as intangible assets.

— NET INCOME & ADJUSTED GROUP EBITDA —

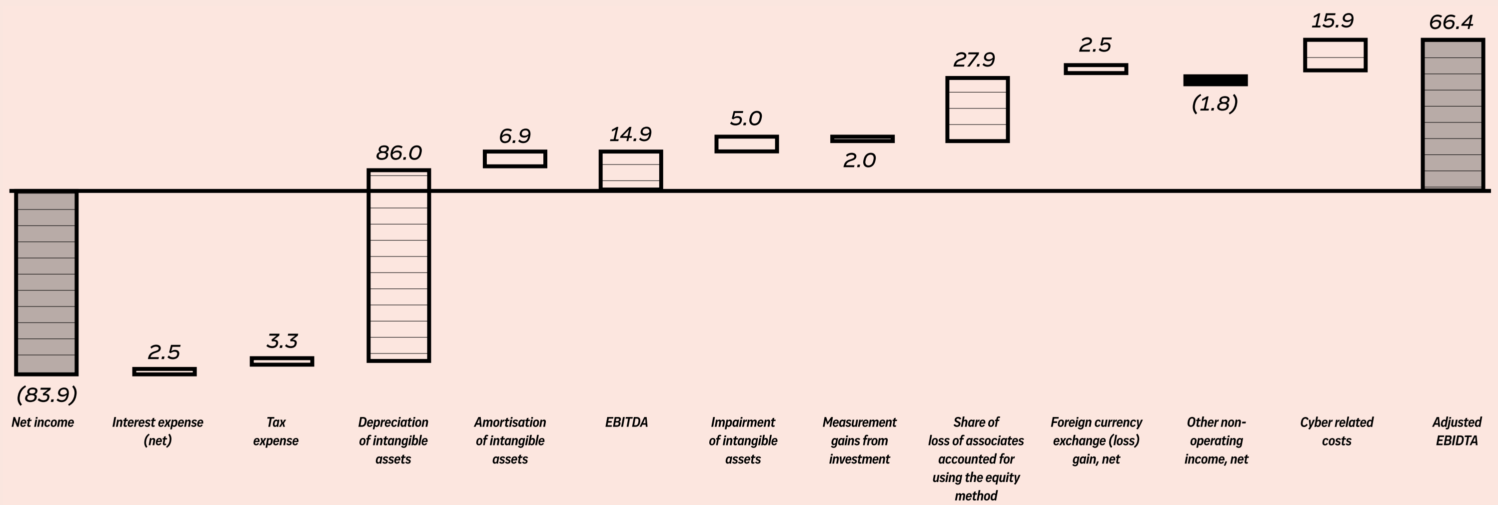
Adjusted Group EBITDA within Guideline

The net income as of 31 December 2023 amounted to € (83.9) m (versus € (175.7) m in 2022.

Adjusted Group EBITDA for the twelve months ended 31 December 2023 amounted to € 66.4 m versus € 101.7 m in 2022. The result was driven by a combination of single digit revenue growth, led by new partnerships however impacted by cyber incident in Q2, and cost increases to support the investment posture of the company and mitigate the cyber incident. The adjusted Group EBITDA as well as revenue and unpartnered R&D all ended up within the revised guidance that was published in July 2023.

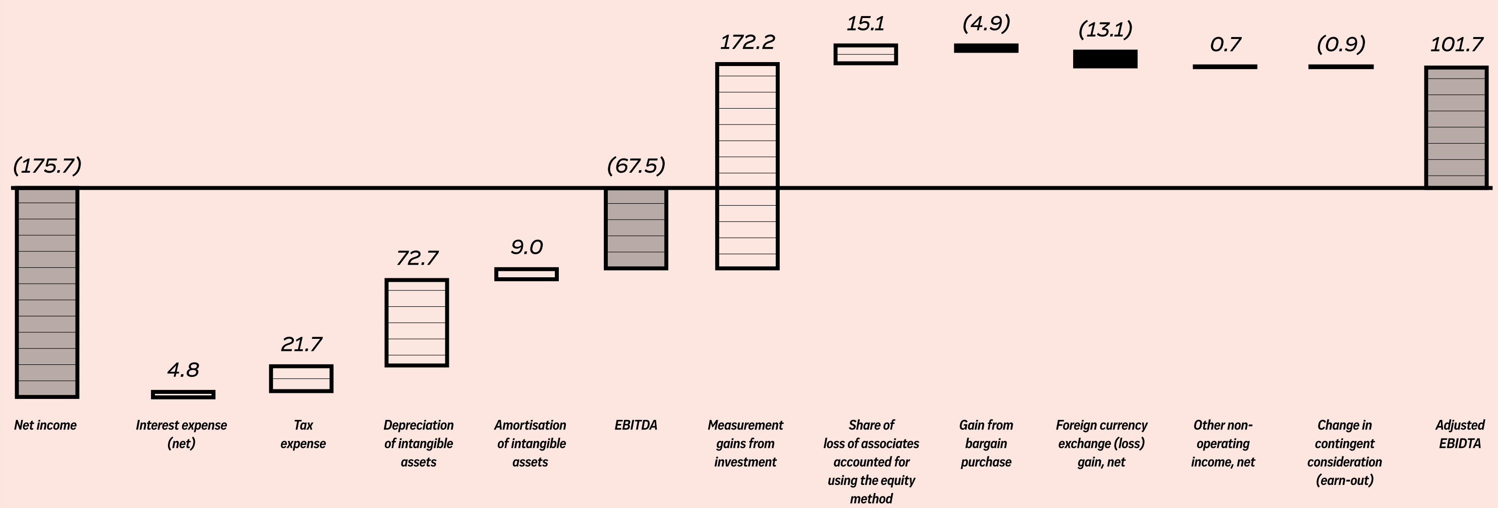
BRIDGE FROM NET INCOME TO ADJUSTED GROUP EBITDA FOR 2023

in €m



BRIDGE FROM NET INCOME TO ADJUSTED GROUP EBITDA FOR 2022

in €m



— SEGMENT REPORTING —

Overall Group revenues increased by 4% to € 781.4 m, compared to the four quarters in 2022, reflecting strength in both business segments – EVT Execute and EVT Innovate.

SEGMENT INFORMATION 2023
in €k

	EVT Execute	EVT Innovate	Intersegment eliminations	Evotec Group
External revenues	514,542	266,884	—	781,426
Intersegment revenues	224,196	—	(224,196)	—
Costs of revenue	(631,373)	(184,700)	209,698	(606,375)
Gross margin	15 %	31 %		22 %
R&D expenses	(4,391)	(78,636)	14,497	(68,529)
SG&A expenses	(130,810)	(38,800)	—	(169,610)
Impairment result (net)	(5,011)	—	—	(5,011)
Other operating income (expenses), net	(10,171)	30,762	—	20,591
Operating income (loss)	**(43,018)**	**(4,489)**	**—**	**(47,507)**
Adjusted EBITDA	**65,394**	**958**	**—**	**66,352**

SEGMENT INFORMATION 2022
in €k

	EVT Execute	EVT Innovate	Intersegment eliminations	Evotec Group
External revenues	546,718	204,730	—	751,448
Intersegment revenues	188,917	—	(188,917)	—
Costs of revenue	(605,751)	(145,566)	173,934	(577,383)
Gross margin	18 %	29 %		23 %
R&D expenses	(5,305)	(86,320)	14,983	(76,642)
SG&A expenses	(125,293)	(30,897)	—	(156,190)
Impairment result (net)	—	—	—	—
Other operating income (expenses), net	33,237	46,380	—	79,617
Operating income (loss)	**32,523**	**(11,673)**	**—**	**20,850**
Adjusted EBITDA	**108,256**	**(6,602)**	**—**	**101,654**

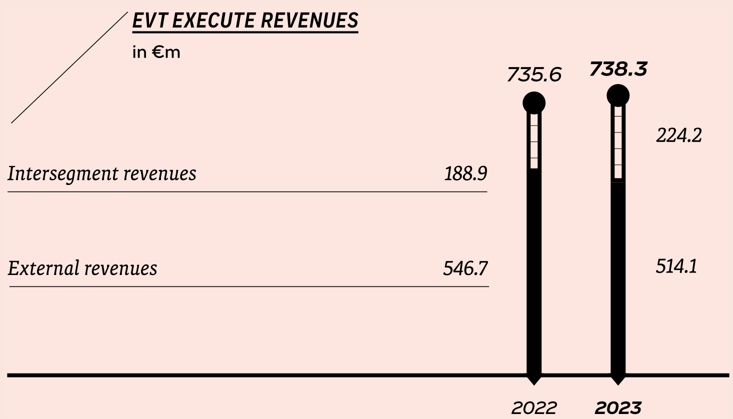
EVT Execute

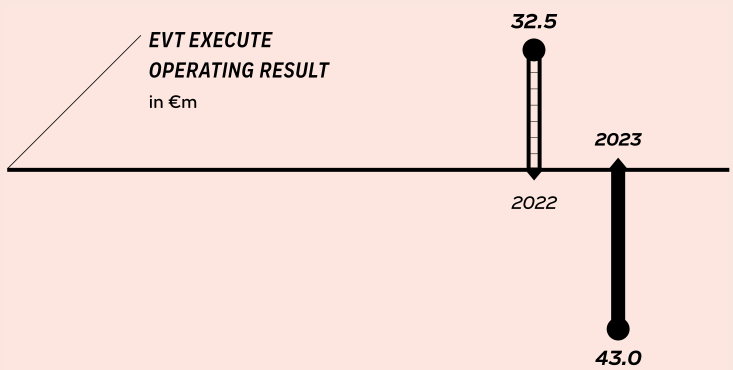
Total revenues in EVT Execute segment amounted to € 738.7 m in the financial year 2023 (2022: € 735.6 m). The contribution from the Sandoz collaboration significantly impacted the revenue growth for the segment in 2023 but was offset by decreased revenues in the other business areas, especially due to reduced activities in Q2 and parts of Q3 after the cyber incident.

Intersegment revenues amounted to € 224.2 m (2022: € 188.9 m), which is an indicator for the convergence of Evotec's offering based on its fully integrated platform. Intersegment sales are reflective of the progress of projects recognised within EVT Innovate where Evotec maintains rights to participate in the success of partnered projects in the future.

Costs of revenue of EVT Execute came in at € (631.4) m in the twelve months ended 31 December 2023 (2022: € (605.8) m), corresponding to a gross margin of 14.5% (2022: 17.7%). Cost of revenue increased due to higher headcount, including idle time driven by the cyber incident, and ramp-up cost for Just - Evotec Biologics. Higher energy costs, merit-based salary increases, and inflation on materials and supplied services also contributed to the increase. EVT Execute gross margin excluding Just - Evotec Biologics has reached 17.9% in 2023, a 7 percentage point decrease compared to 25.3% in 2022. R&D expenses were € (4.4) m (2022: € (5.3) m), SG&A expenses increased to € (130.8) m (2022: € (125.3) m) in accordance with the overall group trend. The operating result of the EVT Execute segment reached € (43.0) m (2022: € 32.5 m), leading to an adjusted segment EBITDA of the segment of € 65.4 m (2022: € 108.3 m). The adjusted EBITDA, excluding Just – Evotec Biologics reached € 71.4 m – a 51% decrease versus € 144.9 m in 2022.

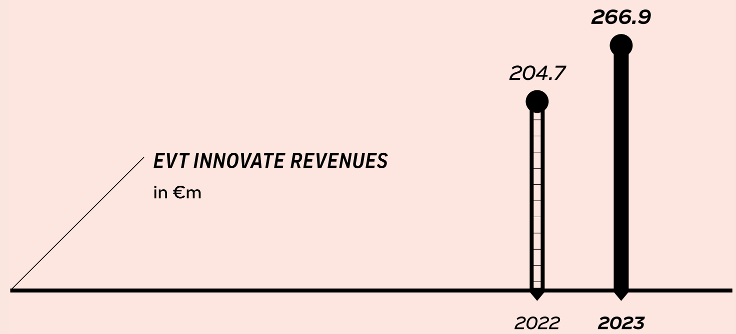
Further, other operating expense resulting from cyber-attack amounting to € 43.5 m was fully allocated to Execute Segment, which was a key driver of the year over year decline in the Segment result. The cyber costs were allocated to the Execute Segment, as Execute is the owner of the associated IT infrastruture that was impacted by the attack.

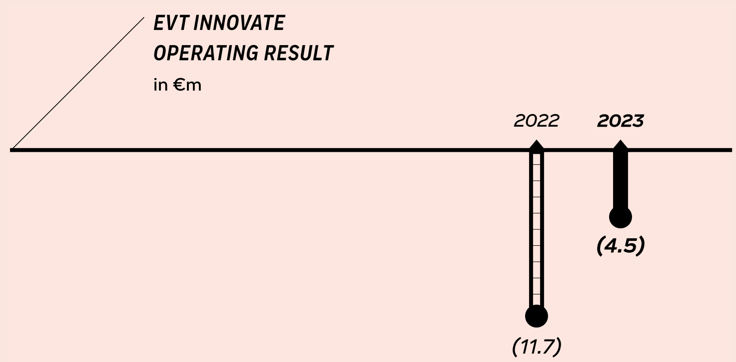




EVT Innovate

Revenues in EVT Innovate segment amounted to € 266.9 m in 2023 (2022: € 204.7 m) reflecting an organic growth of 30%. This growth was driven by higher base revenues and project-related revenues from BMS and other strategic pharma deals. The costs of revenue increased by 27% from € (145.6) m in 2022 to € (184.7) m in 2023, resulting in a segment gross margin of 30.8% (2022: 28.9%), mainly driven by the BMS collaboration and despite substantially lower revenues from milestones, upfronts and licenses in 2023 versus 2022. Overall, our customer mix within the EVT Innovate segment was more favourable towards our large, strategic partners, which impacted our gross profit positively. For the twelve months ended 31 December 2023, research and development expenses were € (78.6) m, compared to € (86.3) m for the comparative prior year period. Research and development expenses decreased by 8.9%, particularly driven by lower expenses for proprietary projects and platform R&D ("unpartnered R&D costs"). The increase from € (30.9) m in 2022 to €(38.8) m in SG&A was mainly due to higher personnel-related expenses, IT expenses, insurance, and consultancy expenses. Key driver for improvement in operating result from € (11.7) m in 2022 to € (4.5) m in 2023 as well as adjusted segment EBITDA from € (6.6) m) in 2022 to € 1.0 m in 2023 was higher top line growth in revenues and a better fixed-cost absorption.





— 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. In December 2022, the European Investment Bank (EIB) and Evotec signed an unsecured loan facility of € 150 m, to support the Company's R&D activities, equity investments and the building of the new J.POD biologics manufacturing facility on Evotec's Campus Curie in Toulouse, France. As of 31 December 2023, € 93.3 m of this loan facility were drawn. The Company's unused credit lines were therefore reduced to € 141.1 m. In addition, there is a wide range of financing options accessible for the company across debt capital markets, or raise capital through the issuance of new shares when appropriate. The Group's liquidity, which consists of cash and cash equivalents and investments, decreased from € 718.5 m as of 31 December 2022 to € 604.1 m as of

December 2023 and the net debt position (incl. finance leases obligations according to IFRS16) is € 22.1 m (compared to a net cash position of € 211.8 m as of 31 December 2022). The decrease in liquidity was due primarily to continued Capex investment within the Group, including the J.POD build-out in Toulouse.

Due to its liquidity situation, Evotec is in a position to support continued organic and non-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.

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 —

Group cash flow provided by operating activities amounted to € 36.4 m in 2023 (2022: € 205.8 m). The reduction in operating cash flow in 2023 is primarily driven by a significant reduction in prepayments received compared to 2022.

Group cash flow used in investing activities was € (13.3) m (2022: € (412.8) m). The net cash inflow from the sale of investments (corporate bonds and fixed deposits) with terms of more than three months amounted to € 212.0 m. Investments in the amount of € 260.4 m were sold while investments in the amount of € (48.4) m were acquired.

Investments in property, plant and equipment rose to € (213.3) m (2022: € (181.4) m) and included the construction of a new J.POD production facility at Just - Evotec Biologics in Toulouse (France) (2023: € (110.2) m) as well as further investments into the first J.POD facility in the US (2023: € (18.3) m). In total, the investments into the J.POD facilities in France and the US increased by € 54.8 m to € 128.5 m (2022: € 73.7 m). Furthermore, the remaining investment was primarily for the expansion of its sites in Toulouse, France, Alderley Park and Abingdon, UK, Verona, Italy and Hamburg, Germany.

At the beginning of July, Evotec fully acquired NephThera GmbH for € 1.65 m, which was previously a joint venture with CSL Vifor. In December, Evotec sold it's shares in Tucana Biosciences Inc. for € 1 m. No new investments were made during 2023. Follow-on investments in total for investments using the equity method and for long term investments amounted to € 16.5 m (2022: € 58.8 m), thereof € 7.8 m for at equity investments and € 8.7 m for minority shareholdings. Key follow-on investments of investments using the equity method were made with € 2.4 m in Autobahn Labs Ltd., with € 3.5 m in Centauri Therapeutics Ltd., with € 2.0 m in Topas Therapeutics GmbH and with € 3.4 m in Tubulis GmbH for long-term investments. Issuance of convertible loans and SAFEs (Simple Agreement for Future Equity) to Evotec’s at equity and minority shareholdings amounted to € 7.1 m (2022: € 6.9 m).

Group cash flow used in financing activities amounted to € 72.0 m (2022: € (58.1) m). Repayment of bank loans amounted to € (112.9) m, while proceeds from bank loans amounted to € 219.9 m, thereof in September and December a total of € 93.3m was drawn from the R&D EIB loan. As part of the financing of Just-Evotec Biologics EU, Evotec drew a further tranche of the bank loan with bpi France for € 16.2 m. Repayments of lease obligations (mainly rent of buildings) amounted to € (22.4) m (2022: € (19.0) m).

The impact of exchange rate movements on cash and cash equivalents in 2023 was € 0.6 m (2022: € (19.0) m).

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

in €k

in T€	*2022*	*2023*	*Variance*
Net cash provided by (used in)			
Operating activities	205,811	36,439	(169,373)
Investing activities	(412,797)	(13,291)	399,506
Financing activities	(58,145)	71,963	130,108
Net increase/decrease in cash and cash equivalents	**(265,131)**	**104,616**	**369,747**
Exchange rate difference	(19,040)	644	19,684
Cash and cash equivalents			
At the beginning of the year	699,326	415,155	(284,171)
At end of the year	**415,155**	**510,909**	**95,754**
Investments	303,334	93,203	(210,131)
Liquidity at end of the year	**718,489**	**604,112**	**(114,377)**

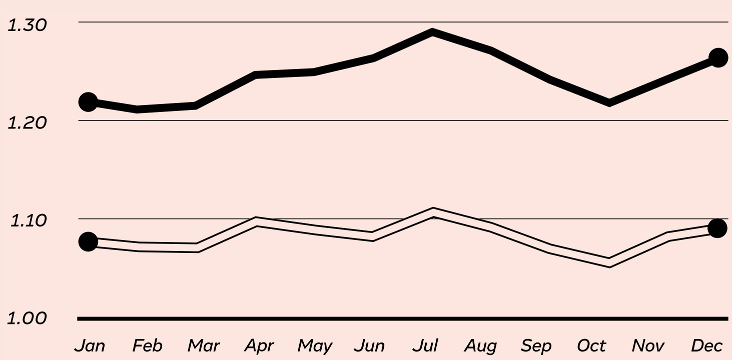
FINANCING AND FINANCIAL POSITION

— FX RATES / HEDGING —

The Euro (€) to US dollar ($) exchange rate fluctuated in a range between $ 1.0469 and $ 1.1255 in 2023. The year started with a EUR/USD fx rate of $ 1.0683. The volatility in this currency pair was particularly high in the second half of the year with peak in July and low point in October. Overall the USD depreciated against the EUR and closed at a rate of $ 1.1050. On average, Euro to US dollar was 3% higher with $ 1.0813 per Euro in 2023 to $ 1.053 per Euro in 2022.

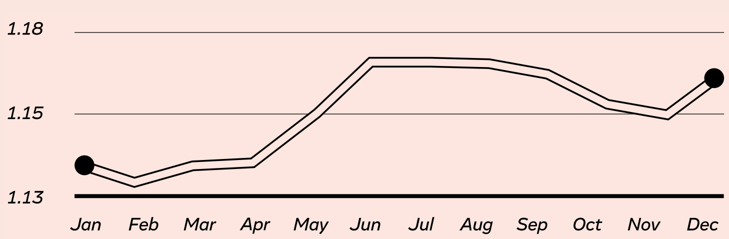
The Pound Sterling (£) to Euro (€) exchange rate fluctuated between € 1.1193 and € 1.1750 in 2023. In the first half of 2023, the Pound Sterling crawled up to its high in July, then moved sideways with a short drop in fall, ending the year at 1.1507. The average exchange rate in 2023 was € 1.1497 per Pound Sterling compared to € 1.1727 in 2022.

EUR/GBP VS. USD 2023



Average monthly foreign exchange rates
Source:European Central Bank

GBP/EUR 2023



Average monthly foreign exchange rates
Source:European Central Bank

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

Deposits are primarily held in the three major currencies: Euro, Pound Sterling and US dollar (see pie chart "Functional currency holdings" below). in 2023, 65% of group's revenue and 28% of group's operating costs were in USD, along with 11% of the group's revenue and 20% in operating costs in GBP. Therefore, the Group's foreign exchange risk mainly relates to these two currencies. Evotec uses foreign currency forward contracts and spot transactions to convert US dollars to Euros and Pound Sterling, mitigate this exposure and cover costs incurred in these currencies.

€ 379.8 m of the liquidity position is held in Euros as per end of 2023 (31 December 2022: € 357.5 m) and accounted for 63% of the Group Liquidity. The currency holding in US dollars decreased to € 187.8 m or 31% at the end of 2023 (31 December 2022: € 331.8 m). The currency holding in Pound Sterling was € 36.4 m or 6% as of 31 December 2023 (31 December 2022: € 29.0 m). Pound Sterling is kept to finance the growth of the UK sites.

Weaker US Dollar exchange rate decreased group revenues by € 13.8 m and adjusted Group EBITDA by € 6.9 m compared to the prior year.

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 € 2.2 m and an unrealised gain of € 6.1 m in 2023 (2022: realised loss of € 33.7 m and an unrealised gain of € 9.4 m). The economic hedging relationships are not recognized as hedging relationships in the consolidated financial statements.

As of 31 December 2023, the Company held derivative financial instruments in the amount of € 219.9 m (31 December 2022: € 374.4 m), thereof € 160.1 m in forward contracts selling US dollars against Euro, € 55.8 m selling US dollars against Pound Sterling, and € 4.0 m in forward contracts selling Euros against Pound Sterling. These forward contracts have a maturity of up to 12 months.

Interest rates
Driven by high inflation rates, the European Central Bank ("ECB") was forced to end its long-lasting policy of low interest rates in the EU. The European Interbank Offered Rate (EURIBOR) with a 3-months term has increased further during 2023 from 2.1% to +3.9% during the year.
The main impact of increased interest rates on the financial performance of Evotec is an increase in interest income received on cash deposits and short-term investments. In addition, interest expenses paid on bank loans with variable interest also increased. As per 31 December, 85% of Evotec's bank loans had a fixed interest rate.

— DEBT / NET DEBT —

Net cash/debt development
The Company also makes use of bank loans to manage its short-to-long-term liquidity. Compared to 31 December 2022, total bank loans increased by € 107.3 m to € 436.1 m as of 31 December 2023 (2022:

€ 329.8 m) due to two drawdowns of the EIB loan. All bank debt was denominated in Euros.

As a result of an increased debt position, the net debt ratio changed to positive with 0.4x in relation to adjusted Group EBITDA (2022: (2)x Adjusted Group EBITDA). The ratio amounts to (negative) (6.2)x Adjusted Group EBITDA (2022: (4.6)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. All financial covenants in the loan agreements were therefore complied with.

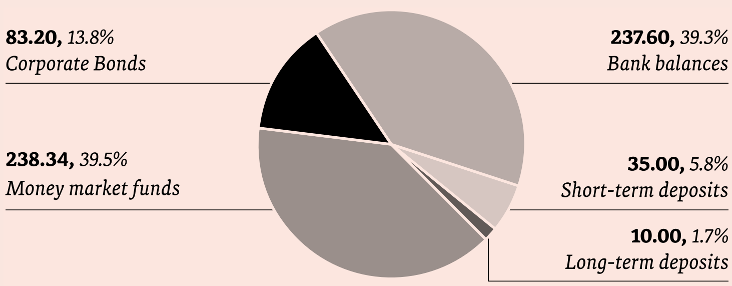
— LIQUIDITY —

Evotec ended the year 2023 with liquidity of € 604.1 m (2022: € 718.5 m). Cash and cash equivalents accounted for € 510.9 m and investments (corporate bonds and long term deposits) for € 93.2 m. Cash and cash equivalents can be accessed within a period of less than three months. The decrease in liquidity in 2023 resulted mainly from the the conversion of short-term investments to cash, used to finane further Capex investments of € (213.3) m.

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 flexibility and optimise returns. Evotec's cash and securities as well as other financial investments are held with several banks. The Company exclusively invests in liquid instruments with at least 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, the liquidity was diversified invested, short-term, in bank balances (€ 237.6 m), money-market funds (€ 238.3 m) and short-term deposits (€ 35.0 m) as well as in corporate bonds and long-term deposits (€ 93.2 m) with a maturity of up to 7 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



** 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. Higher energy, raw material and logistic prices may affect, in particular, aspects of its integrated Chemistry Manufacturing and Controls (CMC) business, and higher prices for laboratory materials may increase R&D costs and FTE rates.

— CAPITAL EXPENDITURE TO DEPRECIATION —

Increased investments in upgrading and expanding Evotec's platforms

Capital expenditure rose significantly as planned to € (213.3) m in 2023 (2022: € (181.4) m), mainly driven by the construction of a new J.POD production facility at Just - Evotec Biologics in Toulouse (France) as well as further investments into the first J.POD facility in the US. In addition, Evotec invested another € 84.8 m to support continued growth and maintain the highest technology and infrastructure standards for scientific operations. One example was the construction of the new iPSC lighthouse building in Hamburg which will be operational in the course of 2024. In order to support the growing End-to-End R&D business, investments in facilities expansion to host core scientific operations such as in vitro biology, DMPK, chemistry and safety assessment have been delivered in 2023, thus enabling efficient expansion in Abingdon, Göttingen, Toulouse and Verona.

Depreciation of property, plant and equipment amounted to € 86.0 m (2022: € 72.7 m), mainly due to higher investments. Of this amount, € 21.1 m can be attributed to IFRS 16 Right of Use assets (2022: € 19.0 m).

— CAPITAL STRUCTURE —

Solid equity ratio with 50%

In 2023, Evotec's share capital increased by 0.1% to € 177.2 m (31 December 2022: € 177.0 m) and additional paid-in capital by 0.7% to € 1,449.7 m (31 December 2022: € 1,440.0 m) due to exercised stock options.

The decrease in stockholders' equity of € 67.3 m to € 1,119.9 m as of the end of 2023 (31 December 2022: € 1,187.2 m) is due to the net loss of € 83.9 m (2022: € 175.7 m), partially offset by additional paid-in capital (€ 9.6 m) and Other Comprehensive Income (€ 6.8 m).

At the Annual General Meetings in 2017, 2020 and 2022, contingent capital amounting to € 6.0 m, € 1.2 m and € 6.0 m, respectively, was approved for use in the share performance plans and the restricted shares plan. At the Annual General Meeting 2023 a new contingent capital of € 35.4 m was created to grant bearer shares to holders or creditors of convertible bonds and/or warrant-linked bonds and/or profit-linked bonds (or combinations of these instruments) that are issued for subscription in cash by Evotec SE or its direct or indirect investee companies and include a conversion right, a warrant or a conversion obligation for new bearer Company shares.

In 2023, a total of 233,083 shares (2022: 344,458 shares) were issued from conditional capital for exercised Share Performance Awards (SPA). During the first quarter of 2023, a total of 227,555 SPAs (2022: 282,519) were granted to the Management Board. These awards could result in a maximum of 455,110 bearer shares (2022: 565,038) being issued at maturity after four years. In 2023, no additional restricted share awards (RSA) (2022: 186,187) were granted to Management Board. 79,750 RSAs 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, the total number of awards granted for future exercise amounted to 2,571,334 (2022: 1,504,638), approximately 1.5% of issued shares in 2023 and 0.9% in 2022. As a result, Evotec's equity ratio changed to 50% at the end of 2023 (2022: 53%).

NET ASSETS

— CURRENT AND NON-CURRENT ASSETS —

The Company's total assets decreased slightly by € -4.8 m to € 2,252.5 m as of 31 December 2023 (2021: € 2,257.2 m). The increase in total assets was driven primarily by the reduction in cash and cash equivalents which was offset by the increase in Property, Plant, and equipment. Further slight increases in prepaid expenses and other current assets, current tax assets and non-current investments and other non-current financial assets were offset by the decrease in trade and other receivables.

Trade and other receivables decreased by € 73m from € 171.8m on 31 December 2022 to € 98.4m on 31 December 2023. The reduction from 2022 was due to the large milestones invoiced in December 2022 that were not yet received as of year end and which was not repeated in 2023.

Inventories as per 31 December 2023 amounted to € 30.9 m, an increase of € 1.1 m compared to 31 December 2022 (€ 29.8m). This increase related mainly to the Just – Evotec Biologics in US with its J.POD facility being fully operational in 2023 with € 18.2 m (31 December 2022: € 13.9 m) mainly compensated with reduced inventory levels at other sites.

Current tax assets amounted to € 80.7 m as per end of 2023, an increase of € 26.2 m compared to 31 December 2022 with € 54.4 m, mainly because of increased R&D tax credit receivables across various entities mainly in France and the UK.

Prepaid expenses and other current assets decreased from € 57.1 m as per 31 December 2022 to € 51.3 m as per 31 December 2023. This decrease resulted mainly from a reduction in VAT receivables.

Property, plant and equipment increased significantly by € 156.4 m to € 806.6 m in 2023 (31 December 2023: € 650.2 m). The increase was partially due to advance investments for site expansions (reported as construction in progress) which increased by € 110.2 m and related mainly to the J.POD facility in Toulouse (France). Buildings and buildings improvements increased by € 17.3 m and related primarily to the J.POD US facility and site expansion in the Abingdon (UK) into building B95 and the site expansion in Verona (Italy). The increase in plant and equipment of € 19.7 m resulted from the overall investments into laboratory equipment and infrastructure to support the continued growth of the Company and to maintain the highest technology and infrastructure standards. Right of use Buildings increased by € 7.1 m and were driven mainly by new rental agreements in Hamburg, Munich and Alderley Park.

Intangible assets and goodwill decreased slightly from € 298.6 m as of 31 December 2022 to € 291.1 m as of 31 December 2023. Intangible assets decreased by € 8.4 m to € 15.5 m, mainly due to linear write-downs on the valuations of customer lists, technologies and trademarks from purchase price allocation. Goodwill increased by € 0.8 m to € 275.6 m due to foreign currency translation effects on Goodwill held by non-Euro functional currency entities.
Non-current investments and other non-current financial assets and investments in associates and joint ventures increased from € 150.3 m at 31 December 2022 to € 142.1 m at 31 December 2023. This increase primarily resulted from a gain from fair value adjustment of Exscientia plc in the amount of € 11.3 m for Evotec's 14 m shares in this company. Follow-up investments amounted to € 18.0 m, and were partially offset by impairments of the investments in the amount of € (7.9) m.

Deferred tax assets increased to € 14.3 m (31 December 2022: € 10.3 m) generally due to a local GAAP correction for intercompany acquisition of intangible assets in Evotec International GmbH as well as a net increase in tax loss carry forward attributes in Aptuit (Oxford) Ltd. and Evotec (Modena) Srl, reduced by utilization of such attributes in Evotec (France) SAS.

Non-current tax assets amounted to € 94.4 m (31 December 2022: € 70.3 m) and related with € 67.1 m to R&D tax credits in France. The movement mainly relate to R&D tax credits in France and Italy as well as tax receivables in Evotec International GmbH.

— CURRENT AND NON-CURRENT LIABILITIES —

The current financial liabilities increased from € 23.5 m as of 31 December 2022 to € 149.1 m as of 31 December 2023. The increase is mainly driven by the current portion of loans (from € 1.6 m as of 31 December 2022 to € 130.0 m as of 31 December 2023), as a five-year promissory note matures in June 2024. The current financial liabilities further include current lease obligations which came to € 19.1 m, an increase of € 4.3 m over 31 December 2022 (€ 14.8 m) due to new leases in 2023. Current trade and other payables increased from € 97.3 m to € 134.3 m mainly due to an improved working capital management. Current provisions decreased from € 54.4 m to € 45.2 m driven by a reduction in personnel related expenses, while current contract liabilities amounted to € 97.6 m 31 December 2022: € 122.9 m). Other current liabilities increased to € 22.6 m (31 December 2022: € 16.9 m) mainly due to an increase in social charges.

The non-current financial liabilities decreased from € 490.3 m as of 31 December 2022 to € 477.1 m as of 31 December 2023. The non-current financial liabilities consist of the long-term portion of bank loans and long-term lease obligations. The long-term portion of bank loans decreased by € 21.2 m to € 307.1 m as of 31 December 2023 (31 December: € 328.3 m) mainly due to a € 93.3 m increase of the EIB loan drawdowns and the shift of the maturity of the next promissory note tranche (€ 108.5) into the current portion. The remaining movement is due to regular repayments of long-term loans. Long-term lease obligations increased from € 162.0 m to € 170.0 m, driven by new or increased rental contracts e.g. for the expansion in Munich, Hamburg and at Alderley Park (UK). Non-current contract liabilities amounted to € 155.3 m in 2023 (31 December 2022: € 206.1 m). The decrease corresponds mainly to the reclassification of a portion of the $ 200 m BMS up front from 2022 to current contract liabilities.

Deferred tax liabilities amounted to € 18.1 m (31 December 2022: € 18.5 m). Movements generally relate to book to tax temporary differences in fixed assets and amortization of intangible assets as well as to changes in tax loss carry forward attributes.

OFF-BALANCE-SHEET FINANCING INSTRUMENTS AND FINANCIAL OBLIGATIONS

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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 € 80.4 m (31 December 2022: € 22.1 m). Please see section 17 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.

Evotec SE

The management report of Evotec SE and the Group management report for the financial year 2023 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 form. 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.

In accordance with Evotec SE's business model, revenues and operating profitability strongly depend on the business development of its most important subsidiary, Evotec International GmbH. New contracts and contract extensions are preferably concluded with Evotec International GmbH.

FINANCIAL PERFORMANCE INDICATORS

Evotec SE's business is controlled by the financial performance indicators revenues, adjusted EBITDA and liquidity (bank balances as well as trade securities). The remaining performance indicators are determined in the same way as for the Group.

2023 FINANCIAL PERFORMANCE INDICATORS COMPARED WITH FORECASTS

	Forecast Annual Report 2022	*Actual result*
Revenues	Decrease by a single percentage	*29.2 %*
Adjusted EBITDA	The expected adjusted EBITDA between € -40.0 m to € -50.0 m	*€ (30.0)m*
Liquidity	Slightly below € 230 m	*€ 250.1 m*

As stated in the outlook section of the 2022 management report of Evotec SE, a single-digit percentage decrease in revenues was expected for the financial year 2023. Evotec SE ended the financial year 2023 with revenues of € 112.9 m (2022: € 87.4 m). This is above the expected level and represents an increase of 29.2% compared to 2022. The increase in revenues was mainly driven by revenue from intercompany recharges of € 28.9 m (2022: € 11.3 m) and revenues with CHDI Foundation Inc. of € 17.9 m (2022: € 15.2 m).

The adjusted EBITDA amounted to € (30.0) m (2022: € (1.1) m) and therefore exceeded expectations. This is primarily due to realised and unrealised currency gains of € 5.3 m (2022: € 57.2 m) as well as a 29.2% revenue increase compared to the previous year.

At the end of the year, the liquidity was € 250.1 m. Compared to the previous year (€ 297.5 m) and the forecast (slightly below € 230 m), the difference is mainly due to the cash outflow from capital increases and investments, transaction costs, the repayment of loans, and funds provided to subsidiaries. The deviation from the forecast is due to effects such as the planning of advance payments and slightly different cost forecast.

RESULTS OF OPERATIONS

— REVENUES —

In 2023, total revenues of Evotec SE amounted to € 112.9 m, an increase of € 25.5 m or 29.2% compared to the previous year (€ 87.4 m). Revenues mainly comprised drug discovery revenues and milestone revenues.

Third party revenues including milestones rose increased by € 0.7 m from € 19.5 m in 2022 to € 20.2 m in 2023. In 2023, the company generated milestone revenues of € 1.2 m, which corresponds to an decrease of 60% compared to the previous year (2022: € 3.0 m). Intercompany revenues increased from € 68.0 m in 2022 to € 92.7 m in 2023 due to similar increased external revenues of Evotec International GmbH as well as increased revenue from intercompany recharges of € 28.9 m (2022: € 11.3 m).

In 2023, the three largest customers (Evotec International GmbH, CHDI Foundation Inc, Bayer AG) contributed 94.5% to total revenues (2022: 99.5%).

— NET RESULT —

Evotec SE ended the financial year 2023 with a net loss of € 97.9 m. The adjusted EBITDA for 2023 amounted to € (30.0) m (2022: € (1.1) m).

in € k	2023	2022
Net loss	(97,923)	(17,038)
Addition/deduction of taxes on income	458	(6)
Deduction of interest income	(14,293)	(13,487)
Addition of interest expenses	7,118	9,692
Addition of depreciation of tangible assets	6,042	4,824
Addition of amortization of intangible assets	346	717
Addition of amortization of financial assets and securities classified as current assets	61,992	14,180
Addition of external cyber-related expenses	6,300	0
Adjusted EBITDA1	(29.960)	(1,118)

[1] *Regarding the definition please refer to the "PERFORMANCE MANAGEMENT - financial performance indicators" chapter of this combined management report*

In 2023, other operating income decreased by € 42.3 m to € 15.9 m (2022: € 58.2 m) and mainly reflect income from financial assets and investments revaluation € 8.5 m as well as currency gains of € 5.3 m.

The cost of materials increased by € 1.2 m from € 15.9 m in 2022 to € 17.1 m in 2023 mainly due to price increases for purchased services and raw materials.

Personnel expenses increased by € 10.2 m from € 54.2 m in 2022 to € 64.4 m in 2023. The increase is mainly driven by an overall increased number of employees due to company growth.

Other operating expenses were reduced by € 5.8 m from € 89.7 m in 2022 to € 83.9 m in 2023. The decrease was mainly driven by foreign exchange losses € 14.0 m (2022: € 34,1 m). Cyber-attack and general price increases had an opposite effect on the costs. As a result IT-related consulting costs, license costs and consumables of € 20.7 m (2022: € 13.6 m) and legal and consulting costs of € 21.4 m (2022: € 10.7 m) overall increased.

Income from investments decreased by € 13.0 m from € 13.0 m in 2022 to € 0.0 m in 2023 as SE did not receive any dividend payments from affiliated companies in 2023.

Depreciation of financial assets increased by € 47.8 m from € 14.2 m to € 62.0 m. The total amount of € 61.0 m is due to impairments of fourteen equity investments € 32.9 m, shares in one affiliated company € 23.8 m and loans to investments € 4.3 m due to impairment losses that are likely to be permanent. In addition Evotec SE had to write off current assets of € 1.0 m.

In the financial year 2023, income from other securities increased by € 3.3 m to € 12.8 m (2022: € 9.5 m). This increase is mainly due to interest income on loans granted to subsidiaries of € 10.7 m as well as interest income on short-term investments of € 1.8 m.

Interest expenses decreased from € 9.7 m to € 7.1 m year-on-year, mainly from interest SWAP agreements.

NET ASSETS AND FINANCIAL POSITION

— FINANCING AND FINANCIAL STATUS —

The total assets of Evotec SE amounted to € 1,288.4 m (2022: € 1,285.7 m) at the financial year end.

— LIQUIDITY AND FINANCING —

As of 31 December 2023, liquidity decreased by € 47.4 m to € 250.1 m (2022: € 297.5 m). Changes in foreign exchange rates have a minor impact. The decrease is mainly due to a capital increase at Just – Biologics EU SAS of € 86.0 m and Evotec (US) Inc. of € 27.5 m, as well as additional equity investments of €14.9 m and financing of affiliated companies of € 29.7 m. This got partially offset by € 93.3 m drawdown of the EIB loan.

The net cash inflow from operating activities amounted to € 14.8 m (2022: net cash outflow of € 41.2 m). The main cash inflow primarily resulted from intercompany payments from Evotec International GmbH, as contracts are preferably concluded with Evotec International GmbH. The cash outflows were mainly due to operating costs such as personnel and purchased services.

The net cash outflow from investing activities amounted to € 138,4 m (2022: net cash outflow € 159.0 m). The cash outflow was mainly driven by equity injections, new equity investments and Capex investments.

The net cash inflow from financing activities amounted to € 76.2 m (2022: € 118.7 m). This primarily results from new intercompany loans partially offset by the repayment of previous loans.

NET ASSETS

— CAPITAL STRUCTURE —

The total share capital increased by € 0.2 m to € 177.2 m. In 2023, 233,083 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 (2022: 344,458 shares) were converted into Evotec shares by using conditional capital. As of 31 December, Evotec SE held 249.915 treasury shares (unchanged versus 2022).

In 2023, total equity decreased by € 97.7 m to € 837.9 m (2022: € 935.6 m), mainly due to the net result. As of 31 December, Evotec SE reported an equity ratio of 65.0 % (2022: 72.8%).

— NET ASSETS AND LIABILITIES —

Property, plant and equipment increased by € 5.8 m to € 32.1 m as at December 31, 2023 (2022: € 26.3 m). This is mainly due to an increase in advance payments and assets under construction of € 6.7 m. This is based on investments in measures relating to the cyber-attack.

The financial assets include shares in affiliated companies, loans to affiliated companies, investments and loans to investments. In 2023, the financial assets increased by € 104.7 m and amounted to € 863.0 m as of 31 December (2022: € 758.3 m). New loans to affiliated companies of € 32.2 m are related to Aptuit (Oxford) Ltd., Evotec UK, Ltd. and Cyprotex US, LLC. The purchase of investments amounted to € 128.7 m (2022: € 131.9 m). The total of € 128.7 m relates to the expansion of existing investments in affiliated companies, mainly in the subsidiaries Just – Evotec Biologics EU SAS and Evotec (US) Inc.. In addition Evotec SE had to impair fourteen equity investments, shares in one affiliated company and other investments with the total amount of € 61.0 m , as delays in the respective lead programs led to the failure of further financing rounds.

OXVax Limited, Oxford, UK, was liquidated in the 2023 financial year. The shares in Tucana Biosciences Inc, Boston, USA, were sold in the 2023 financial year.

Compared with 31 December 2022, receivables and other assets decreased by € 62.8 m to € 133.2 m (31 December 2022: € 196.0 m). This drop results primarily from the decrease in short-term investments (time deposits) in foreign currency by € 65.6 m to € 0.0 m.

As a result of less new investments, securities decreased by € 43.8 m to € 228.5 m compared to the previous year (2022: € 272.3 m).

In 2023, other provisions decreased by € 2.9 m from € 22.4 m to € 19.5 m. The decrease resulted mainly from lower provisions for onerous contracts.

In 2023, Evotec SE’s liabilities to banks increased by € 90.4 m to € 408.6 m (2022: € 318.2 m). The difference is primarily due to € 93.3 m drawdown of the EIB loan, decreased by redemptions.

Trade accounts payable increased by € 8.2 m to € 12.6 m (2022: € 4.4 m) due to higher invoice volume related to after cyber effects and Capex investments.

GENERAL STATEMENT ON EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

In 2023, Evotec SE achieved a solid performance with an increase in revenues of 29.2%, which is above the forecast. External revenues exceeded those achieved in 2022 of € 0.7 m. Intercompany revenues increased from € 68.0 m in 2022 to € 92.7 m in 2023 due to similar increased external revenues of Evotec International GmbH.

The adjusted EBITDA for 2023 amounted to € (30.0) m (2022: € (1.1) m). The decrease is due to higher sales revenue, which is offset by lower currency gains and higher personnel expenses

Against the backdrop of the cyber-attack, Evotec SE successfully completed the financial year 2023 despite a challenging macro-economic environment and a competitive market. The revenue development evidenced the Company's growth strategy, while adjusted EBITDA development evidenced impact of the cyber-attack and costs needed to support the revenue growth strategy.

OUTLOOK FOR EVOTEC SE

— EXPECTED OPERATING RESULTS —

For the financial year 2024, Evotec SE expects a low double digit percentage reduction in revenues. This assumption is based on current orders on hand, foreseeable new orders, 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 a range of € (55.0) m and € (65.0) m, as the Evotec SE mainly bears the costs for strategy developments, technology expansions and other general costs of a parent company.

— EXPECTED LIQUIDITY —

Evotec SE's strong liquidity position provides a solid foundation that will allow the Company to further strengthen its strategic position in the market for drug discovery and development, support the building of the “facility of the future”, and increase the shareholder value. In 2024, the liquidity of Evotec SE is expected to decrease to just below € 230 m, as Evotec SE will support its subsidiaries with cash funds, including for the building of the second J.POD in Toulouse and the scale-up of existing technology platforms. In addition, the Company has plans to invest in information technology and the fitting-out of buildings. At the end of 2022, Evotec was able to secure an additional financing with the EIB of € 150 m, out of which Evotec was able to draw € 93.3 m by the end of 2023.

Please also refer to the statements in the Group outlook section, which also reflect the expectations concerning Evotec SE.

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

Evotec publishes as part of its Sustainability Report a Group non-financial report in accordance with section 289c and section 315c of the German Commercial Code. To get a detailed overview about Evotec's sustainability strategy in its implementation as well as the Company's ESG performance, please see Evotec's "Sustainability Report 2023".

The report provides a new level of ambition and transparency to a broad range of environmental, social and governance topics in business fields. It is available on the Evotec website under the following link: *https://www.evotec.com/en/investor-relations/financial-publications*

Risk & Opportunities Report

RISK AND OPPORTUNITY 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 aims to include 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").

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. Beyond this, Evotec has implemented an internal control system as required by Section 91 paragraph 3 of the German Stock Corporation Act ("AktG") in conjunction with Section 289 paragraph 4 and Section 315 paragraph 4 of the German Commercial Code ("HGB"). Since 2022, Evotec has also been required to comply with the requirements of the US Sarbanes-Oxley Act 2002 (Section 404) regarding internal controls over accounting and financial reporting.

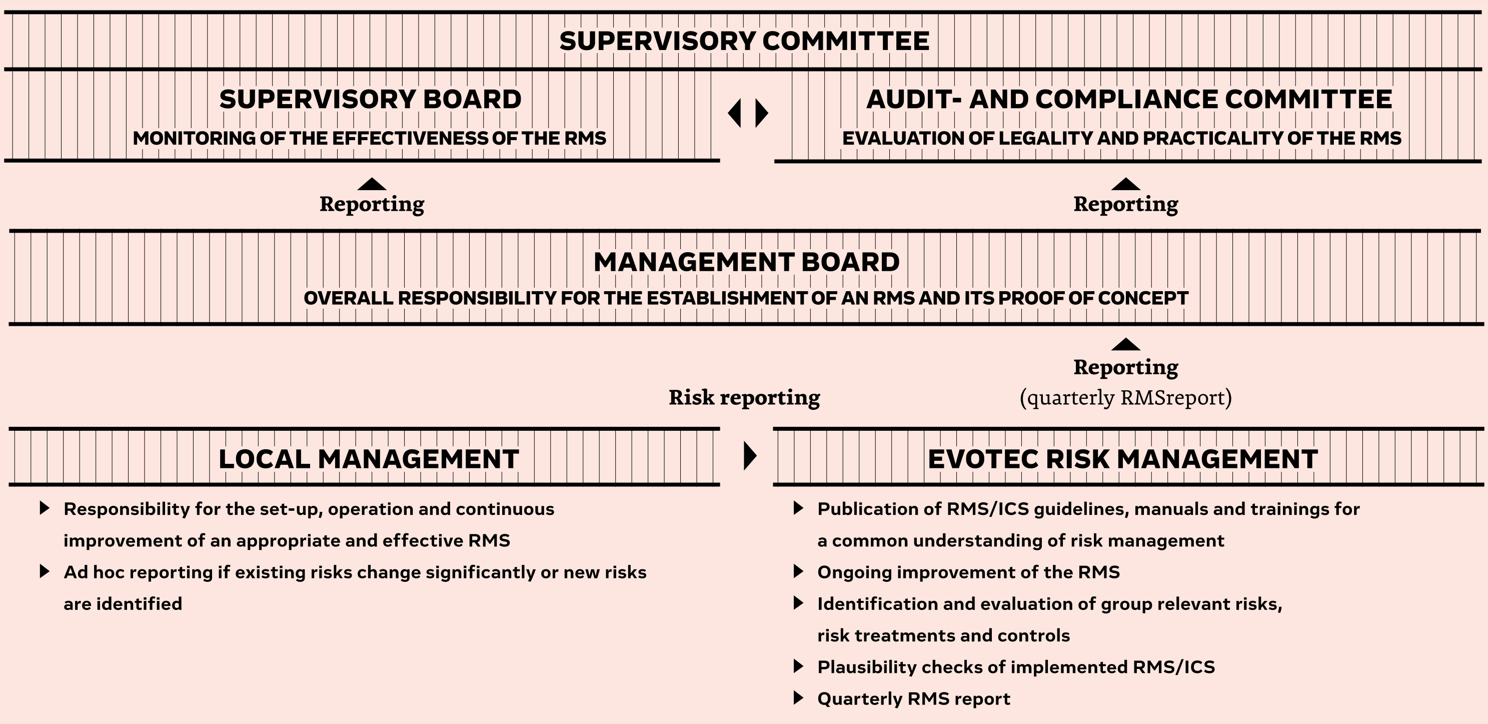
— BASIC ELEMENTS OF THE RISK MANAGEMENT SYSTEM AND THE INTERNAL CONTROL SYSTEM —

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 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 coordination, implementation and development of the risk management system is handled by the Group's Risk & Control department, which routinely reports directly to the Chief Financial Officer (CFO). Full risk reports are also presented at least twice a year to the Management Board and Audit and Compliance Committee.

The Group's Risk & Control department sets the main guidelines and closely communicates with all corporate units and all risk-relevant operational and enabling functions 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 MANAGEMENT STRUCTURE AND DUTIES



Risk detection

The process and responsibility of continuous detection of risks happens both at the group level, through continuous monitoring of business activities, the overall economic environment, the competitive environment etc., and at the entity levels, through the designated risk owners and risk specialists in key positions. In cooperation with the corporate Risk & Control department, the detected risks are analysed in regards to their effects and classified into predefined risk categories and possible risk aggregates. Corporate Risk & Control department has the overall responsibility to maintain and update the risk portfolio in the risk management tool based on the information received and developed.

Risk assessment

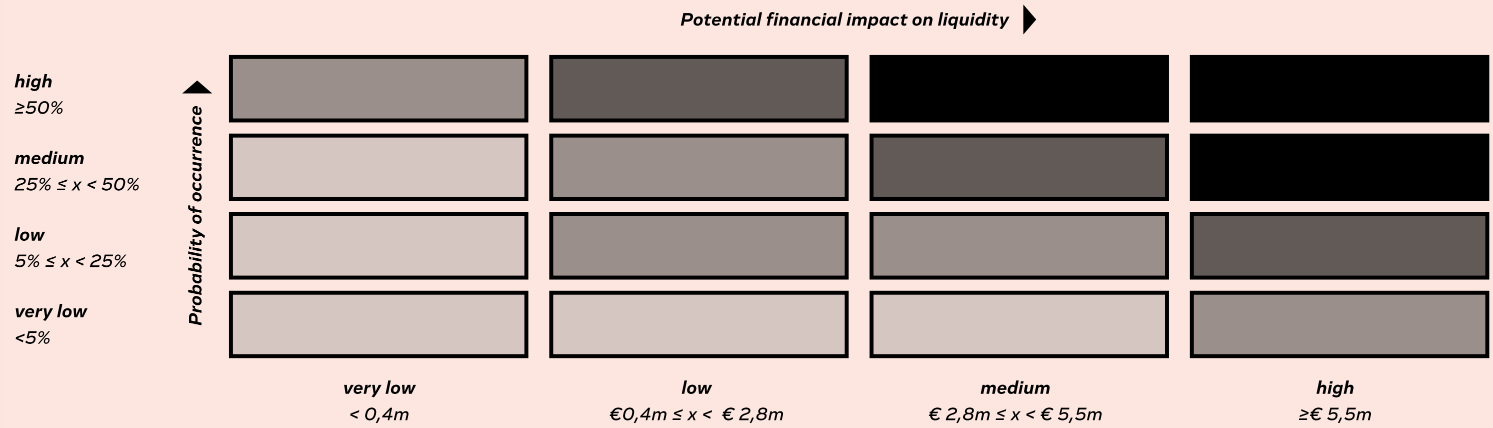
Risks are assessed based on two criteria: probability of occurrence and potential damage. As a basic standard, all risks are evaluated on a gross (i.e., before the consideration of response measures) and a net (i.e., remaining risks under consideration of effective risk response measures) risk basis. The risk assessment is based on the potential impact on cash, taking into account materiality thresholds. The materiality for reportable risks is reviewed annually and recalculated based on Evotec's business development and risk-bearing capacity and adjusted if necessary. Evotec's risk approach generally assumes that risks can have a direct or indirect impact on Evotec's financial performance. A cash-based risk assessment of all risk types and their consequential risks (strategic risks, compliance risks, reputational risks, etc.) is a fundamental expectation.

Notwithstanding this, Evotec also includes non-financial risks in its risk management that have no direct or indirect impact on liquidity, but may nevertheless have a negative impact on the achievement of the Company's objectives.

The classification of risks and the risk matrix generated for the internal quarterly risk report are based on the following four-level risk classes. In comparison to prior years, Evotec´s risk approach has changed from a three-level to a four-level risk class approach. This should further improve risk classification and prioritization.

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. The risk criteria for the potential impact on liquidity are calculated under consideration of the business development (financial criteria), tolerance materiality and risk appetite. In comparison to prior year the criteria level increased on a low level (2022: Low: < € 2 m; Medium: € 2 - 5 m; High: > € 5 m)

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.



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 appropriateness, implementation grade and execution of implemented and planned measures is monitored by the Risk & Control department. The status of all mitigating activities and their efficiency is documented in Evotec`s risk management tool and reviewed by the Group's Risk & Control department at least twice a year.

Risk reporting

Based on the risks identified, evaluated and reported through bottom-up and top-down procedures, the corporate Risk & Control department submits risk reports to the Management Board, the Supervisory Board's Audit and Compliance Committee and to the Supervisory Board itself. In addition to presenting the risk assessment of new and existing top risks, Evotec´s risk reporting also includes a presentation of risk development and the degree of effectiveness and development of countermeasures. Year-end reporting also includes a comprehensive presentation of all risks, including all countermeasures that have been implemented, are being implemented and are planned.

Risk monitoring

The Supervisory Board oversees the monitoring of the appropriateness and effectiveness of the risk management system. The Management Board and the Supervisory Board review the processes of the risk management system once every year. Moreover, Evotec gives high priority to responsible and value-based corporate governance. The Management Board considers the risk management system to be appropriate and effective for the reporting year. 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/sustainability/governance.

Internal control system

With our listing on the U.S. stock exchange "Nasdaq" in 2021, we have expanded our documentation of existing accounting-related internal controls to include the regulations of the Sarbanes-Oxley Act of 2002, Section 404 (SOX 404). Section 404 of the Sarbanes-Oxley Act (SOX) requires all publicly traded companies to establish internal controls and procedures over accounting and financial reporting and to document, test, and maintain those controls and procedures to ensure their effectiveness. The results for the evaluation of the internal control system in accordance with the regulations of SOX 404 are published annually in the 20-F document that must be submitted to the United States Securities and Exchange Commission ("SEC"). Under Section 404, Evotec is required to include in their 20-f document with their annual filing:

- A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting
- A statement identifying the framework used by management to evaluate the effectiveness of internal control
- Management's assessment of the effectiveness of internal control as of the end of Evotec's fiscal year end
- A statement that Evotec's external auditor has issued an attestation report on management's assessment

Evotec's internal control system is based on the globally recognized "COSO 2013 Internal Control - Integrated Framework" defined by the COSO organization (Committee of Sponsoring Organizations of the Treadway Commission). 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.

All internal controls are defined and rolled out for all companies in scope with support of the Global Risk & Control department in close coordination with the departments involved. 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.

Furthermore, internal guidelines and procedural instructions exist that regulate the implementation of process activities and controls and must always be complied with by the employees involved. The control mechanisms described apply both to the accounting processes on local and group level, which includes consolidation as well. In addition to process integrated measures, process-independent protective measures are conducted by the independent Global Internal audit function. This ensures the legally obligatory monitoring of the effectiveness of the internal control system by the Supervisory Board in accordance with § 107 paragraph 3 of the German Stock Corporation Act ("AktG"). Due to the additional obligations of SOX 404 the Internal Audit is responsible to perform a yearly independent audit of the internal control system over financial reporting. The results for the evaluation of the internal control system in accordance with the regulations of SOX 404 are published annually in the 20-F document that must be submitted to the United States Securities and Exchange Commission (“SEC”). The Internal Audit function reports on a regular basis to the Chief Financial Officer and at least on a quarterly basis to the Audit and Compliance Committee on the results of the audits of the accounting-related internal control system. Regardless, internal controls can only provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with applicable legal requirements for external purposes. During the reporting year, management identified certain weaknesses in our internal control over financial reporting. As a result, management has concluded that our internal controls over financial reporting are partially inadequate and not effective in the overall assessment.

— 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. As part of our comprehensive risk and opportunity management, we also identify current and potential risks and opportunities arising from ESG (environmental, social and governance) aspects. In the following, Evotec describes the individual risk categories and indicate their risk classification. The order does not imply any valuation of the risks. As a result of the risk analysis for the material non-financial topics, no material risks within the meaning of Section 289c (3) sentence 1 no. 3 and 4 HGB from the company's own business activities or from business relationships are known at the reporting date - taking into account the risk mitigation measures - that are very likely to have or will have a serious negative impact on the non-financial aspects.

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.

Changes in key financial figures, which serve as the basis for the quantitative risk assessment of some risks (e.g. turnover), can lead to an increase or decrease in the overall risk assessment. An increase or decrease in the risk position compared to the previous year may therefore be due to a change in the risk assessment and/or a mathematical valuation adjustment.

CORPORATE RISK OVERVIEW (AGGREGATED)

	Probability of occurence	*Potential financial impact*	*Change compared with previous year*
1. Strategic risks			
Failure to achieve strategic targets	Medium	High	
Future risks to success in drug discovery and development	Medium	High	
Failure of mergers and acquisitions	Medium	Medium	
2. Market risks			
Political risks	Medium	High	
Commercial risks from out-licensing and licenced products	Medium	Medium	
Competitors and disruptive market participants	Low	High	
3. Financial risks			
Liquidity risk	Low	Low	
Currency risks	Low	High	↑
Loss of R&D tax credits	Very Low	High	
4. Legal/compliance risks			
Litigation	Low	High	
Regulatory risks	Low	High	↑
Product liability risks	Low	Low	
Quality risks in R&D	Medium	High	
General governance and compliance risks (fraud, corporate governance)	Medium	High	
Changes in tax laws, jurisdictions and interpretations by tax authorities	Medium	Medium	
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)	Medium	High	↑
7. Information technology risks			
Loss of data	Medium	High	
Data integrity and protection	Medium	Medium	↑
GDPR and other similar jurisdictions	Low	High	↑
Cyber risks	Medium	High	
8. Operational risks			
Environmental, health and occupational safety risks	Low	Medium	
Supply chain risks	Low	High	↓
Process risks	Medium	High	↑
Major disasters on sites	Very Low	High	

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.

At the end of 2023, Evotec had more than 5.000 employees and, in connection with the growth of business and advancement of its pipeline, Evotec expects to increase the number of employees and the scale of Evotec's operations. To manage Evotec´s anticipated development and expansion, the company must continue to implement and improve its managerial, operational, legal, compliance and financial systems, and continue to recruit and train additional qualified personnel.

The company also routinely pursue new service offerings, such as its expansion into Contract Research Organization ("CRO") services including, but not limited to, protocol preparation and review and regulatory preparation and submission. Evotec´s ability to sustain growth and secure new business is dependent on the biopharma industry's willingness and ability to invest into R&D and continued outsourcing.

The company´s business could be significantly impacted by any decline in R&D spending or outsourcing activities in the biopharma industry. Evotec is actively developing pipeline assets in many therapeutic areas and across a wide range of diseases. Successfully developing candidates for, and fully understanding the regulatory and manufacturing pathways to all these therapeutic areas and diseases requires a significant depth of talent and experience, resources, and corporate processes.

In case of limited resources, Evotec may not be able to effectively manage this execution and the expansion of its operations or recruit and train additional qualified personnel. This may result in weaknesses in its 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 Contract Development and Manufacturing Organization ("CDMO") services, Evotec may become liable for acts or omissions made in connection manufacturing active pharmaceutical ingredients under GMP for the supply of clinical trials.

Additionally, the company consistently invests in and develop new cutting-edge technology platforms and services or products to enhance the competitiveness of its business. However, the failure to create demand for these new offerings could significantly impact operations and cash flows, thereby having an adverse effect on the company´s business strategy. As a specific example, JPOD2 development presumes matching demand and obtaing matching business operations. Should these not be realized or a significant delay occurs in the ramp up, Evotec would need to absorb the fixed costs.

Moreover, if Evotec´s new service offerings or platforms fail to generate the anticipated market demand, the company might not receive the desired return on investment, putting forecasted revenue and profitability at risk. The physical expansion of Evotec´s operations may lead to significant costs and may divert financial resources from other projects.

As a part of Evotec´s routine business operations, the company collects, analyses, and stores considerable volumes of data related to the activities conducted for its customers. The security of these data systems is crucial, as unauthorized third parties might attempt to gain access to this data for the purpose of data theft, disruption of operation, or financial gain. Evotec has encountered and expect to face various threats and breaches to its data and systems, as the frequency and complexity of these threats continue to grow. The contractual agreements Evotec has in place with customers typically include clauses on confidentiality of customer information. The confidentiality of such information could be compromised during such attempts, exposing Evotec to substantial risks. This could lead to significant consequences including termination of contracts, harm to customer relationships, damage to the reputation, and legal lawsuits. The events could not only have a material adverse effect on Evotec's operating and financial performance, they could also jeopardise the Group's overall strategic objectives and the achievement of its business goals.

Evotec faces **risks to success in drug discovery and development** due to failure whereas 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 several 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 its return on the investments in its own 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 its control. For example, Evotec´s ability to generate a return on the investments in its pipeline assets depends, in significant part, on its partners' R&D priorities and the market dynamics in each disease area.

The market environment, demand and competitive landscape for Evotec ´s individual pipeline assets might change significantly over time as certain diseases become prevalent or other treatment options emerge, that have a better safety and efficacy profile or become more readily available, thereby reducing the market opportunities for its pipeline assets in development. As a result, the commercial objectives of Evotec´s partners with respect to individual assets and the financial proceeds it may receive from partnering individual assets are highly uncertain, subject to factors outside of its control and could deviate significantly from its projections.

Furthermore, the changing market environment and commercial performance of Evotec´s partners could lead to strategic re-prioritization and discontinuation of some projects or partnerships, transferring the risk of further development and re-partnering of these assets to Evotec. Failure to successfully re-partner these assets could lead to additional costs and loss of potential revenue streams forecasted from these assets.

Whether Evotec is eligible to receive milestone and royalty payments is subject to the company´s partners' success in preclinical and clinical testing. The outcome of respective tests and trials is inherently uncertain, and Evotec neither controls nor drives the development process once our partners enter the clinical trial phase. Evotec´s partners also may experience unforeseen challenges during, or because of, any clinical trial that 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 the Company´s liquidity and financial position and jeopardizing the corresponding strategic target in the medium to long term.

Evotec has strategic growth targets for the future which it might intend to achieve through organic growth but also through the acquisition of complementary service and research capacities so that the Company faces the **risk of failure of mergers and acquisitions**.

Evotec might intend in the future, as part of its expansion efforts, 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. This is a risk that pertains to the existing setup of the company which included several acquisitions over the previous years. They continue to require investment and focus in order to continue to integrate them and obtain the lift through synergies. This can create a stress, especially on enabling functions. Not obtaining the synergies and optimal integration means that the full value anticipated upon purchase may not be realized. 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 encounters 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, Evotec invests in start-up companies and/or early 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.

2. Market risks:

Difficult political conditions are currently prevailing in various parts of the world which Evotec considers as political risks. While the health risks posed by the coronavirus have been significantly reduced due to increasing population immunity, geopolitical risks are currently emerging, particularly in connection with Russia's war in Ukraine and the Middle East conflict, as well as swelling conflicts between China and Taiwan. Both the direct influence of the war and indirect influences due to significant sanctions could have a negative impact on Evotec´s business. An expansion of the conflict beyond the borders of Ukraine would have beyond this considerable global consequences. The effects of the war are unpredictable and have the potential to continue to have a significant impact on the markets and financial markets, for example by leading to high currency volatility, inflation and an economic slowdown or even a recession. The war related energy crisis in particular, with all its implications, will be strongly influenced by political decisions in the future.

An increasing escalation and expansion of the trade conflict between the USA and China could have a significant direct and indirect negative impact on the Company´s business. For example, tariffs on Evotec´s customers' pharmaceutical products or active pharmaceutical ingredients could be increased or unstable conditions on the global markets could lead to delays in the market launch of Evotec´s partners' new medicines or make it more difficult for its partners and customers to supply patients globally. These effects mean that the Company´s customers and partners may be under increased cost, sales and margin pressure and may postpone, terminate or reduce the scope of strategic projects and new projects with Evotec. The Company maintains a close partnership and exchange with all its customers and partners in order to also monitor the financial situation and liquidity of these third parties. Irrespective of this, there is a risk that some of them may no longer be able to pay their invoices on time in future or may even become insolvent.

Although Evotec includes geopolitical developments and forecasts in its planning for future orders, sales and costs, there is a risk that such forecasts or outlooks may prove to be incorrect. Unforeseeable effects in world trade and global economic policy can therefore adversely affecting Evotec´s financial position and jeopardizing the corresponding strategic target in the medium to long term.

The **commercial risk from out-licensing and in-licensed products** is a risk in Evotec's view as 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's 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 successfully develop 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.

The biotechnology and pharmaceutical industries have grown rapidly in recent years, are intensely competitive and subject to rapid and significant technological change. Evotec faces the risk of **that competitors and disruptive market participants** may try to replicate Evotec's business model or introduce a more innovative offering that renders Evotec's services less competitive or obsolete.

As a result, Evotec is closely monitoring the competitive situation and the competitive environment. The Company´s mission is to discover best and first-in-class medicines for a broad range of difficult-to-treat diseases in collaboration with its partners. To that end, Evotec has built a comprehensive suite of fully integrated, next-generation technology platforms that it believes will transform the way new drugs are discovered. By leveraging the advanced capabilities of Evotec´s integrated platforms, it can 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 the Company does not continually offer its partners innovative and cutting-edge solutions and remain at the forefront of precision medicine, the business may be materially and adversely affected. Moreover, Evotec´s business operations are subject to challenges because of industry pressures. The downward pressure on healthcare costs, particularly on prescription drugs, has intensified and Evotec´s partners are impacted accordingly. As the Company´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.

In the event competitors introduce more superior offerings, it could adversely impact its effect positioning, thereby impact revenues and financial conditions, and ultimately, the Company´s overall business strategy. If Evotec´s current customers or customer targets decide to continue working with one of our competitors it could have a significant adverse impact on the Group, especially if one of our key alliances are impacted. 35% of Evotec's revenue in 2023 was generated with 3 customers and 102 customer alliances generated revenue in 2023 of more than € 1.0 m. Evotec faces intensifying competition from Far East and Eastern European CROs, which present a compelling alternative for cost-conscious customers. This heightened competition poses a substantial challenge for Evotec as this could impact our market share. The growing emphasis on quality and expanding geographic presence poses a significant threat to the Company as they eat into our market share with their cost-sensitive offering. The growing presence of pharmaceutical companies into the biotech services space also increases the outsourcing options for biotech companies, heightening the risk of losing customers to these established players. Additionally, the emergence of disruptive AI biotech, pose a growing competitive threat in the drug discovery services space. These companies are increasingly competing with drug discovery service companies for deals and partnerships with big pharma companies. There is a risk that these companies could improve their wet lab capabilities, becoming more competitive in the drug discovery space, intensifying competition.

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 market players, who may have e.g., greater resources or superior manufacturing capabilities than Evotec does. Furthermore, any drug products resulting from the Company`s research and development ("R&D") efforts might not be able to compete successfully with others' existing or future products. These factors could increase competitive pressure on Evotec´s pipeline products, increasing the uncertainty of future cash flows from these assets, ultimately impacting its financial position and overall business strategy. 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 addresses this risk with a diversified business model based on innovative, multifunctional technologies and platforms that took years to develop.

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. Evotec participates in scientific projects with milestone character in order to benefit financially from high success or specific results. However, these are usually linked to the successful achievement of an important scientific result or regulatory event, so that the outcome is uncertain due to the nature of scientific research and development. Therefore, despite our best efforts, there is a risk that these milestones will not be reached or will be reached later than planned, which may have a negative effect on the planned liquidity and margin. Evotec may also be exposed to liquidity risks from long-term fixed-price contracts if the planned cash inflows in connection with these contracts are lower than expected and if cost increases (e.g. inflation) were not sufficiently factored in and negotiated when the contracts were concluded.

As of 31 December 2023, Evotec had € 604.1 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 to have 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. All options of refinancing are reviewed on a regular basis, including potential capital increases and the use of debt instruments. At the end of 2022, Evotec was able to secure € 150 m in additional financing from the EIB. In 2023, Evotec drew € 93.3 m of this loan to finance its research. 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. Overall, Evotec believes to have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. 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 (approximately 30% of Evotec's liquid assets) or pound sterling into Euros. In the course of 2023 we have reduced our currency exposure. On 31 December 2023, we hold 63% of our Liquidity in EUR improving from 50% at the end of 2022.

Interest rate risks may arise from inevitable negative interest on investments of available cash after capital increases, financing, etc. The increase in interest rates affects the interest charges on Evotec´s variable interest-bearing loans and leads to additional interest expenses. At the end of 2023, 15% of Evotec's loans have variable interest conditions. Additionally, the Company regularly maintain cash balances at third-party financial institutions in excess of applicable insurance limits and are therefore reliant on banks and other financial institutions to safeguard and allow ready access to the assets. If banks or financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, Evotec´s ability to access its existing cash, cash equivalents and investments may be threatened.

Default risks can arise as a result of a customer defaulting on payment. Our customers are generally financially stable pharmaceutical companies, research institutions and larger biotechnology companies, meaning that the risk can be classified as rather low.

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 by the Company or the ability to continue certain projects for our customers and partners 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 looming 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.

Regulations related to sustainability and environmental, social and governance ("ESG") issues have become increasingly important for companies in the recent years and are subject to rapid and ongoing development. Due to the growing report requirements with the EU Taxonomy, Supply Chain Act and Corporate Sustainability Reporting Directive ("CSRD"), the scope of reporting is increasingly enormous. Combining the financial report and sustainability report from the financial year 2024 onwards increases the relevance of the information but is also associated with increased additional work due to more complex auditing requirements. This requires enhancing cooperation between internal functions and with that preparation and further provision of capacities within the company.

The EU Taxonomy poses a challenge with the requirements for checking eligibility and alignment with the environmental objectives and disclosing financial KPIs. Specifically with the introduction of the CSRD, and with that the European Sustainability Reporting Standards ("ESRS") that will be applicable for financial year 2024 ongoing and are replacing the currently applicable CSR-RUG (German: CSR-Richtlinie-Umsetzungsgesetz) demand in metrics and detailed information is rising. The information thus departs from a compilation of sustainability data to the fact that information requires more strategy and an impacts analysis as a base. The analysis of the impacts now forms the ground of the materiality and thus the material topics that must be reported for companies. This may lead to increased regulatory, social or other scrutiny on our part. We have to perform this impact assessment and materiality analysis in preparation for the introduction of the standards in 2024.

Evotec analyses its business activities, business relationships, products and services to determine whether it has a positive and/or negative impacts and the severity and irremediably of those impact on sustainability aspects like the environment, corporate governance, business ethics, respect for human rights or the development of human resources (inside-out perspective).

Furthermore, the analysis of sustainability impacts on the course of business, the results or the situation of the company as opportunities and risks (outside-in perspective) must be included.

Furthermore, national and international regulations expect Evotec to identify, prevent, mitigate and ideally eliminate the extent of potential negative impacts or violations throughout its business activities and value chain. If the Company is not able to adequately meet the statutory reporting obligations and appropriately recognize and respond to the expectations of governments, society and investors with regard to sustainability aspects, Evotec could potentially have to pay significant fines and suffer damage to its reputation. In particular, companies are increasingly being evaluated using their performance on sustainability issues by investors, customers, suppliers and financial institutions.

In addition to Evotec own disclosure obligations, compliance with sustainability aspects is assessed by a large number of organizations and published externally. In addition, sustainability compliance is an increasingly legal obligation for institutional and professional investors, so an inadequate ESG rating may negatively impact the investment decisions of these investors. If any of these events were to occur, it could have a material adverse effect on the Company´s business, financial condition, cash flows and results of operations, and the market value of its common stock could decline.

Any failure on our part in this regard could also have a material adverse effect on Evotec´s reputation and the achievement of our strategic objectives. Evotec counters the risk by implementing a large number of countermeasures, such as growing cooperation and joint preparation between the Finance and ESG departments, expansion of capacities, introduction of new tools for reporting work, Impact and materiality analysis, introduction of a tool for complaints for human rights violations and introduction of a supplier management program.

The German Supply Chain Due Diligence Act was passed by the German Parliament in 2021 and is mandatory for Evotec from 2024 onwards. This new law obliges the Company to respect human rights and the environment and requires Evotec to implement legally defined due diligence obligations. One of the key elements of these due diligence obligations is the establishment of a risk management system. Such a risk management system is intended to identify, prevent or minimize risks of human rights violations and environmental damage. The due diligence obligations apply both to Evotec´s own business activities and to the actions of our contractual partners and suppliers.

If Evotec fails to comply with the German Supply Chain Due Diligence Act or if supervisory authorities are of the opinion that the Company has not complied with its due diligence obligations in accordance with this law, this may lead to official enforcement measures or other administrative penalties and fines. This may interrupt, or delay Evotec´s development activities and could have a material adverse effect on its business, financial condition, reputation and results of operations.

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 our operations are subject to current Good Manufacturing Practice ("cGMP"), Good Laboratory Practice ("cGLP") and Good Clinical Practice ("cGCP") requirements. Regulatory authorities and Evotec's customers may conduct scheduled or unscheduled (for cause) inspections of Evotec's facilities to monitor its Quality System and verify that it complies with regulatory requirements and with the terms of Evotec's quality agreements with its customers. Audit findings that can impact on patient's safety, are classified as "critical" and may lead to a loss of certification with regulatory agencies or a loss of approved supplier status with our customers and a subsequent loss in revenues and in reputation. Evotec's manufacturing facilities also require certification and validation activities to demonstrate that they operate as designed. In addition, our manufacturing and testing facilities are subject to regulatory inspections by the national competent authorities in EU member states (including AIFA in Italy), the Medicines and Healthcare products Regulatory Agency ("MHRA") in the United Kingdom, the FDA, and other comparable regulatory authorities of other countries. If we are unable to reliably conduct the preclinical and clinical study and manufacture products in accordance with the regulatory requirements, we may not obtain or maintain the necessary authorizations. Further, our 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. In addition, any failure of quality in the product could cause significant delays and additional costs required to remediate any deficiencies. Any failure in quality which can cause damage to the patient may be subject to civil and criminal penalties. 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. With reference to all activities performed in research or non-GMP development phases, a lack of quality can bring to generation of unreliable data, with consequent loss of time to repeat the experiments, increase of cost, loss of revenues and loss of reputation.

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.

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. Investigations are currently underway into the late reporting of directors' dealings by the former CEO. Evotec has established appropriate guidelines and processes and therefore assumes that the investigations are directed exclusively against the person concerned and not against the Company. 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.

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 contribute significantly to our financial performance. Influences can also arise from significant acquisitions, divestments, restructuring and other reorganizations. Global economic risks such as recessions or currency fluctuation can directly affect tax revenues. Governments may adjust tax policies or rates in response to economic downturn which may impact our business. Global technological risks, including the need of digitalization, impact tax compliance. Evotec must adapt to digital tax reporting and address risks related to data security. The cyber-attack was a clear operational disruption which also impacted tax revenues and may give rise to tax implications. Hence improvement of processes, simplification of operating model and digitalization is a clear focus to manage tax risk. In general, Evotec works together with external consultants in all countries in which the Company operates 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.

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, if 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 **licenses 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 enforceable 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 was 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 Evotec, 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 or misconduct of **highly qualified staff** and facing challenges in recruiting adequate personnel for replacement or new roles poses significant risks for Evotec across various dimensions. Firstly, it results in a depletion of expertise essential for operations, especially in niche scientific areas, disrupting workflow and productivity as remaining employees' shoulder additional responsibilities, potentially leading to burnout and decreased efficiency. Integrating new hires further impacts productivity. The departure of key team members affects team dynamics, morale, and institutional memory, making it challenging to maintain continuity and make informed decisions in the future. High turnover tarnishes the organization's reputation, signalling instability and impacting the bottom line due to recruitment, training, and productivity losses. In today's competitive landscape, Evotec heavily relies on its human capital to maintain a competitive edge. Losing highly qualified staff can put us at a significant disadvantage compared to competitors with stable and skilled workforces. Despite operating in an attractive industry and market environment, Evotec faces strong competition in the recruitment market, where short-term hiring can be challenging. Furthermore, the departure of key staff members can result in the loss of clients and projects, as they often play crucial roles in maintaining relationships and delivering successful outcomes.

To mitigate the risk, Evotec has devised a comprehensive strategy. Global succession planning ensures a pipeline of qualified individuals for key roles. **EVO***academy* offers web-based training, fostering a culture of continuous learning. **EVO***talks* provide structured feedback, promoting transparency and communication. Talent Identification and Talent Management programs recognize and nurture high-potential employees, ensuring long-term success. **EVO***lead* and Global Talent Acquisition expedite recruitment and onboarding processes, maintaining high standards. Regular follow-ups on engagement surveys through **EVO***voice* demonstrate commitment to employee satisfaction. Evotec's proactive approach underscores its commitment to mitigating the risk of losing key personnel, strengthening its competitive position, and ensuring long-term success.

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 PanOmics, 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 several third- party vendors may or could have access to confidential information.

To protect against cyber-attacks and cybercrime, Evotec uses anti-virus and anti-malware programs as well as firewalls set up at relevant entry points. In addition, systems are updated as often as possible to install new versions or patches that provide better secured access and higher protection against malware and viruses for all possible systems. Systems that can no longer be updated for technical reasons (e.g., lack of technical support) are isolated from the main network or replaced where feasible. In addition, the relevant employees (e.g., in the finance and IT departments) are trained and regularly informed about the risks and possible impending attacks.

Evotec´s information technology systems, including its internal computer systems, and data have been and may continue to be vulnerable. As previously disclosed, on April 6, 2023, the Company was the victim of a ransomware incident that has continued to impact its operations. Upon learning of the incident, Evotec immediately retained a team of third-party forensic, incident response and security professionals and engaged external counsel to respond to and contain, as well as to investigate and determine the full scope of, the incident. The Company also notified law enforcement officials and confirmed that it has certain insurance coverage for such incidents. However, there is no guarantee that Evotec will be fully reimbursed for all expenses incurred in connection with the incident. The incident has caused, and may continue to cause, delays in the Company´s operations and result in a deferral or loss of revenue and incurrence of incremental costs that may adversely impact its results of operations, cash flows and financial condition and the trading price of our Common Stock.

As a result of the ransomware incident and any future **cyber security incidents**, information stored on our networks may be manipulated, publicly disclosed, and permanently lost. Any such breach or other loss of information could result in legal claims or proceedings and liability under laws that protect the privacy of personal information, as well as regulatory penalties. Evotec cannot guarantee that third parties will not be able to access or otherwise breach its systems without authorization in the future. Such unauthorized access or breach could adversely affect the Company´s business, results of operations and financial condition, and there can be no assurance that there will not be future cyber security incidents or vulnerabilities.

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 completely or implement adequate preventative measures in the future as well. Evotec may also experience security breaches that remain undetected for an extended period. If any such material system failure, accident or security breach were to occur and cause interruptions in Evotec’s operations also in the future, 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 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.

To minimize the **risk of losing data**, Evotec invests in the development of a new and more secure infrastructure based on international best practices in Cyber & IT security. In addition to technical measures, structural and procedural changes are made in Information Security, IT and IT Security to continuously review and improve security. Awareness campaigns are conducted to inform employees about current threats. These measures reduce the effect of hazards such as natural disasters, power failures, system upgrade failures, theft and data corruption as much as reasonably possible. As a result of the ransomware attack on 6 April 2023, all security measures and precautions are being extensively reviewed and enhanced with outside consultants and security experts as part of the recovery from the external attack. Nevertheless, there is no assurance that there will not be cyber security incidents or vulnerabilities that will have a material adverse effect on us in the future.

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. A Security Committee reviews and discusses threats and risks on a regular basis and decides on the implementation and handling of mitigation measures. High risks are communicated to the Management Board and the Supervisory Board.

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. 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 on 27 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 therefore 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. Regarding the US the newly adopted adequacy decision by the European Commission (Data Privacy Framework ("DPF") - 10.07.2023) for the transfers between EU-US, finds that the US has introduced new safeguards and mechanisms ensuring an adequate level of data protection 'essentially equivalent to the level of protection within the EU', for companies that commit themselves to a detailed list of privacy obligations similar to the GDPR, apply to join the DPF, and are then placed on the DPF list by the Department of the Commerce ("DoC"). Misleading or improper claims of being certified will be subject to enforcement action by US enforcement authorities. There is the possibility of another challenge to the DPF in the future. These changes may lead to additional costs in case of certification under the DPF. However a penalty risk due to the adequacy decision is improbable and the risk is rather low. 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. Another influence to the GDPR compliance is the upcoming AI Act. The Council of the European Union and the European Parliament have reached an agreement on the EU AI Act which is expected to be formally adopted in early 2024. The final version, to be expected in 2024 needs a close assessment and risk assessment in terms of data protection. Generally, 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 needs to intensify 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 monthly to gain insights preventively, thereby reducing the Company’s operational risks and saving costs in the long term.

The nature of our operating activities exposes Evotec to a wide range of **health, safety and environmental risks**. Our EHS teams and management systems help identify these risks and drive performance improvements by setting and advising of industry standards, compliance requirements and through minimising complexity. Looking forwards we are building governance and competence in the EHS function as we look to establish a deeper focus on proactive risk management along, aligned with the global trends, ongoing compliance developments and client expectations in this space.

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 for alternatives to our single source supplier. In the context of the Russia/ Ukraine conflict and the new rekindled Israel-Hamas conflict with impacts like disrupting the transit via the Strait of Hormuz, Evotec is facing a **procurement risk** due to short-to-medium-term increasing energy prices since about one third of the gas and oil is transported via that route and would have to be re-routed with impact on increased transportation time, costs and availability of materials and goods. Nevertheless, the risk has decreased compared to 2022, mainly due to the inclusion of additional costs in the budget and a trend towards an easing of the situation on individual procurement markets, particularly the energy market. Despite a positive trend on the energy price market, it remains heavily influenced by political decisions and unpredictable geopolitical developments. Interruptions such as production stop at Evotec´s sites because of having no materials are therefore currently not predictable.

For the operation of Evotec´s complex global business, the Company has opted for a best-of-breed approach, i.e. it uses the best system solution for different business processes and connect the various systems using middleware. In this way, Evotec achieves comprehensive coverage of the various business processes and a high degree of accuracy of fit. In the past, acquisitions and in-house developments have resulted in a heterogeneous system landscape that no longer does justice to this approach. As a result, a process landscape has developed in which many (financial) processes are associated with a high number of labour-intensive, manual work steps, which increases the **process risk** of errors in Evotec´s day-to-day business. Evotec is therefore working on a sustainable improvement of the system landscape as part of the reconstruction after the cyber-attack in April last year in order to largely automate manual processes, digitize and standardize business processes and transfer them into a legally compliant process framework. The new system landscape is intended to simplify work in all areas of the company, ensure end-to-end data conformity and provide a clean basis for business decisions. The implementation and operation of new processes and IT projects are associated with certain risks. Failure to integrate properly with other systems Evotec uses, possible loss of data or information, cost overruns and delays could have a negative impact on the Company´s business activities and the effectiveness of its internal controls.

In the event of a disruptive **major 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 unforeseeable disasters such as extreme weather events or earthquakes (especially in risk areas like Seattle, US), 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.

Biotechnology has emerged as one of the key technologies of the 21st century. The growing demand for the development and production of innovative pharmaceuticals presents considerable opportunities for biopharma companies. The crucial role played by the biotechnology industry in developing vaccines against COVID-19 highlights the sector's importance in addressing global health challenges. Aside from the COVID-19 pandemic, the biopharmaceutical industry possesses immense growth potential, given the significant number of diseases currently deemed untreatable. Furthermore, the demographic shift towards an ageing population, the increasing prevalence of chronic disease, and significant unmet needs in numerous diseases underscores the need for innovative therapeutic interventions.

The expanding need for innovative medicines as well as continued growth of the biopharmaceutical market creates significant opportunities for Evotec across the drug discovery and development continuum.

Over the past decade, the biopharmaceutical industry has faced considerable challenges such as patent cliffs, shifting economic conditions, heightened competition, and cost pressures, all of which have adversely affected its innovative output and productivity. Recent research underscores the crucial role of external innovation as a key driver for positively influencing productivity within this industry. One avenue that has been found to enhance productivity is outsourcing. This approach not only grants access to cutting-edge technologies but also contributes to improved operational efficiency. Outsourcing allows companies to convert fixed costs into variable costs, facilitating greater flexibility. Additionally, it enables risk-sharing and provides access to specialized expertise across various spend categories. Findings suggest that biopharma assets sourced via open innovation approaches are three times more likely to be successful than those sourced via traditional approaches. In 2021, 70% of the top 10 biopharmaceutical products were sourced via external innovation, highlighting the role of external innovation in biopharma pipeline development.

Evotec is in a position to leverage these market opportunities and therefore pursues a business model that protects its existing business while also generating future business opportunities. Evotec is a provider of high-quality drug discovery, development, and manufacturing services. Its excellent reputation in the market plays a major role in retaining existing customers and 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 products and 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. Evotec's excellent reputation is also reflected in its long-standing business relationships with internationally renowned customers. These long-standing and growing business relationships can serve as a proof of quality of Evotec's work for other companies and thus open up opportunities for Evotec to establish new customer relationships. Evotec is well positioned to leverage current trends like AI and multi-omics-driven drug discovery, growing demand for biotherapeutics, and growing demand for IND-enabling services with its service offering. Furthermore, Evotec’s business strategy enables expansion of its business activities through both organic and inorganic growth, including acquisitions and partnerships, 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.

To support strategy and growth, Evotec invests in early stage pioneering biotechnology companies with the goal of developing medicines that matter to transform the lives of patients. Evotec is building long standing relationships with venture partners to create paradigm shifts in drug discovery and development through the Group’s highly innovative platforms, technologies, and outstanding drug discovery expertise. Through access to both, funding and operational support, Evotec empowers companies to accelerate their innovation potential. These investments are placed in areas of high unmet medical need including oncology, metabolic diseases, neuroscience, and public health.

Evotec's in-house developed data analysis platform PanHunter provides Evotec with easy access to the currently exponentially growing amount of PanOmics data. With its official launch as commercial software in 2022, Evotec has added a new software perspective to its business activities in the drug discovery market, leveraging the market momentum for multi-omics data analysis. This offers the opportunity to build another well-scaling pillar and can thus have a very positive impact on Evotec's corporate and financial targets.

Evotec’s financial position has enabled it to continue making a wide range of investments, including an additional biologics facility (J.POD) in France, iPSC lighthouse in Hamburg, novel cell and gene therapy projects, the expansion of its presence in the US and Europe, as well as proprietary research projects that further development of its proprietary drug discovery and development platform. The new J.POD facility in France opens several opportunities for Evotec. Not only will the manufacturing capacities in Europe be attractive for European clients, but also for non-European clients with the intent to establish supply from Europe. As J.POD Toulouse is replicated from J.POD Redmond, it further serves as potential back-up solutions for clients which brings more trust and reliability for our existing and future clients. The innovation and the absence of such biomanufacturing capacities in Europe were also identified as strategic by the French authorities, who supported the set-up of JPOD Toulouse, which underlines the opportunities through the plant for Evotec. The design of Evotec’s process is innovative (intensified and continuous manufacturing). It allows high throughputs and requires significantly lower investment compared to classical processes, thus reducing drastically manufacturing costs and offering the opportunity of larger access to innovative drugs. This is an opportunity to open new markets or to address the biosimilars market. Those markets are offering potential high growth rates.

In addition, Evotec's current business strategy enables it to evaluate potential M&A opportunities and generate potential exit points for higher value partnerships through its co-owned partnered pipeline.

A major pillar of Evotec’s strategic plan is the creation of an extensive co-owned pipeline of product candidates typically 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 several clinical assets currently. These clinical development programs 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. Evotec also continuously invests in academic or internal R&D projects. These projects are positioned as starting points for future strategic partnerships with significant potential for long-term commercial value creation.

Evotec co-owns a strong pipeline of more than 80 partnered programmes and more than 60 unpartnered projects. Assuming industry standard attrition rates and Evotec’s broad co-owned 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. As Evotec’s conservative mid-term financial planning does not yet assume any contribution from our partners' product commercialization and subsequent commercial milestone and royalty payments, any successful product commercialization would provide significant upside to Evotec’s business planning and profitability.

Human resources are highly valuable assets for companies in the pharmaceutical and biotechnology industries. The rapid pace of innovation and evolution in the field warrants the need for skilled professionals. The Company believes that its success in alliances and partnerships is attributable to its key personnel. Retention of employees who have outstanding expertise and skills in the long term may have a positive impact on the Company’s business and its strategic and financial targets, generating new business. Furthermore, Evotec’s strong focus on innovation for medicines that matter, increased emphasis on diversity, and positive work culture make it an attractive workplace for highly qualified talent.

Report on Strategy and future Perspectives

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.

OUTLOOK

— BUSINESS DIRECTION AND STRATEGY —

In accordance with the strategic Action Plan 2025, Evotec's management focuses on sustainable growth and value creation by expanding the Company's position as a leader in external innovation to co-create pipelines by offering high-quality drug discovery and development solutions typically in partnerships, 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 suitable therapeutic modalities, Evotec aims to develop first- and best in class therapies that have disease modifying properties and ideally the potential to deliver functional cures. Evotec will continue to focus on the following strategic areas:

–**Just – Evotec Biologics**
–**End-to-End Shared R&D**
–**PanOmics**
–**IPSC**

The strategy of sharing the success of Evotec's proprietary platforms is expected to result in the building of an extensive co-owned pipeline, which will form the basis for future royalty payment streams.

— MACROECONOMIC CONDITIONS OUTLOOK —

According to the World Bank Group Global economic activity continues to weaken, due to the effects of tight monetary policies, restrictive financial conditions, and weak global trade growth. After a sharp slowdown in 2022 and another decline in 2023, global output growth is expected to fall slightly in 2024, marking the third consecutive year of deceleration.

The recent conflict in the Middle East has heightened geopolitical risks and raised uncertainty in commodity markets, with potential adverse implications for global growth. This comes while the world economy is continuing to cope with the lingering effects of the overlapping shocks of the past four years — the COVID-19 pandemic, the Russian Federation's invasion of Ukraine, and the rise in inflation and subsequent sharp tightening of global monetary conditions.

Global economic development - modest growth rates projected for 2024 and 2025

Following the economic outlook of the Organization for Economic Co-operation and Development ("OECD") from February 2024, global growth in 2024 is continuing, although the pace of growth in the single countries and regions remains uneven and inflation is still above target values. The OECD outlook projects a global GDP growth of 2.9% in 2024 and a slight improvement to 3.0% in 2025. Asia is expected to continue to account for the majority of global growth in 2024 and 2025, as it already did in 2023. Inflation is expected to continue its gradual decline, as cost pressures ease. Headline inflation in G20 countries is expected to decline from 6.6% in 2024 to 3.8% in 2025. Core inflation in the G20 advanced economies is projected to fall back to 2.5% in 2024 and 2.1% in 2025.

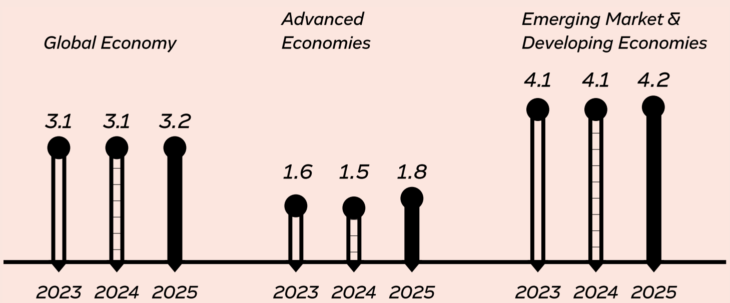
The OECD outlook highlights a number of challenges: Geopolitical tensions as the war in Ukraine continue to be a major source of uncertainty and have increased further as a result of the developing conflict in the Middle East. Shipping costs and supplier delivery times have increased due to the threats to shipping in the Red Sea. In case of an escalation, these factors could result in renewed price pressure in the goods sectors and jeopardise the expected economic recovery. OECD estimates that a doubling in shipping costs, if persistent, would increase consumer price inflation in the OECD by 0.4 percentage points after around one year.

Monetary policy should remain prudent to ensure that inflationary pressures are durably lowered. Policy rates may be cut in most major economies this year if disinflation continues, but the pace of rate cuts will depend on the data and will vary from country to country. The outlook also points to the need for governments to act in the face of increasing fiscal pressures and adjust fiscal policy to address longer-term challenges to growth, including high levels of public debt, the need to improve educational outcomes for future generations and climate change. Revitalising global trade is also crucial to improve the prospects for growth and economic development around the world.

The January 2024 World Economic Outlook Update of the International Monetary Fund ("IMF") projects global growth to reach 3.1% in 2024 and 3.2% in 2024. Global inflation is expected to fall faster than expected to 5.8% in 2024 and 4.4% in 2025.

GROWTH PROJECTIONS

World Economic outlook update January 2023 (in %)



Evotec's revenue split is geared towards a larger contribution from partners based in the US. (60%; 2022: 56%), while Europe accounts for about one third of revenues (36%; 2022: 37%) and a very small share is generated in the rest of the world (predominantly Japan). Hence, the Company limits the macro-economic analysis by region to the two main areas the U.S. and Europe.

US – Lower growth

For the United States the OECD forecasts a growth of 2.1% for 2024 and 1.7% for 2025, as consumers continue to spend their savings accumulated during the COVID-19 pandemic and financial conditions ease.

Based on the International Monetary Fund, growth in the United States is expected to fall from 2.5 percent in 2023 to 2.1% in 2024 and 1.7% in 2025, with the lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand. For 2024, an upward revision of 0.6 percentage point since the October 2023 World Economic Outlook largely reflects statistical carry-over effects from the stronger-than-expected growth result for 2023.

According to the US Bureau of Labor Statistics ("BLS") on an annual average basis inflation significantly decreased in the US from 8.0% in 2022 to 4.1% in 2023. In December 2023, inflation amounted to 3.4%. Looking ahead to 2024, BLS expects inflation further to decrease to an average of 2.6%.

Europe – Slight economic recovery expected

Following the OECD, in the Eurozone, GDP growth is expected to be 0.6% in 2024 and 1.3% in 2025, with economic activity remaining subdued in the short term due to tight credit conditions before picking up as real incomes rise.

According to the IMF, growth in the eurozone will recover from its low rate of an estimated 0.5% in 2023, due to a relatively high burden from the war in Ukraine, to 0.9% in 2024 and 1.7% in 2025. The recovery is expected to be driven by stronger household consumption as the impact of the energy price shock fades and inflation falls, supporting real income growth. Compared to the WEO forecast from October 2023, however, growth for 2024 has been revised downwards by 0.3 percentage points, which is mainly due to the carry-over of the weaker than expected result for 2023.

The European Central Bank ("ECB") projects inflation in the Eurozone to significantly decline from 5.4% in 2023 to 2.3% in 2024 and 2.0% in 2025.

Germany: Restrained growth and declining inflation

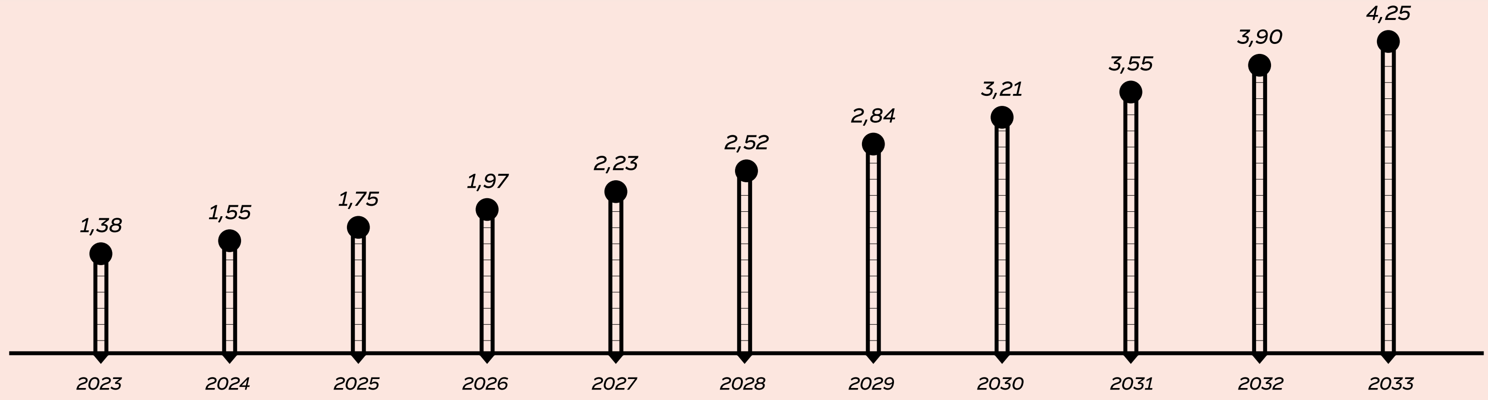
In its December report, the German Bundesbank stated that the German economy will recover in the coming years, albeit with a time lag. At present, weak foreign demand from industry, hesitant private consumption and higher financing costs for investments due to the tightening of monetary policy are still holding back growth. From the beginning of 2024, however, the German economy should return to a path of expansion and gradually gain momentum. Exports will increase due to expanding foreign sales markets and private households will increase their consumer spending as their real incomes rise significantly thanks to a stable labour market, strong wage growth and falling inflation. In contrast, private investment will initially continue to decline and will only provide moderate impetus again from 2026.

The current projection assumes that after a slight decline of 0.1% this year, real gross domestic product (GDP) will increase by 0.4% in 2024, adjusted for calendar effects. In 2025 and 2026, the economy will grow by 1.2% and 1.3% respectively. The main reasons for this are weaker foreign demand, slower growth in consumption and more restrictive financing conditions.

Inflation in Germany is falling and, measured by the Harmonised Index of Consumer Prices (HICP), was expected to fall to an annual average of 6.1% in 2023 before dropping to 2.7% in 2024, i.e. less than half the current level.

Developments in the pharmaceutical and biotechnology markets

According to Grand View Research, the global biotechnology industry is driven by strong government support in the form of initiatives to modernize the regulatory framework, improvements in approval processes & reimbursement policies, as well as standardization of clinical trials. The increasing prevalence of personalized medicine and the growing number of orphan drug formulations are opening new opportunities for biotechnology applications and are encouraging the influx of emerging and innovative biotechnology companies, further boosting market sales.



Quelle: https://www.precedenceresearch.com/biotechnology-market

Precedence Research estimates the global biotechnology market to grow with a Compounded Annual Growth Rate („CAGR“) of 11.8% from $ 1.38 tn in 2023 to $ 4.25 tn by 2033.

The global small molecule discovery market size is expected to increase with a CAGR of 8.0% from $ 82.3 bn in 2023 to $ 163.8 bn by 2032, while the cell and gene therapies continue to become more and more important: The global cell and gene therapy market is expected to grow from $ 18.1 bn in 2023 to $ 82.2 bn in 2032 according to Precedence Research. Rising demand for clinical solutions for the treatment of chronic diseases, such as cancer, diabetes, age-related macular degeneration, and almost all forms of arthritis are also expected to boost the market. The discovery and development of products for diabetes and neurological disorders such as Parkinson's and Alzheimer's, various cancers and cardiovascular diseases, together with its partners, is also a core competence of Evotec.

Fitch Ratings forecasts in its sector outlook a good growth in 2024 for the global pharma and biotech industry, supported by a moderating inflationary environment, despite still-high interest rates. Furthermore, Fitch anticipates that a narrower strategic focus and favourable demand and volume outlooks will increase the focus on drug pricing and patient value as payers manage tight post-pandemic healthcare budgets. These trends are likely to increase the challenge of deciding where and when to invest in R&D and managing regulatory risks.

Drug discovery outsourcing continues to grow

The global drug discovery outsourcing market size was valued at $ 4.1 bn in 2023 and is expected to grow at a CAGR of 6.8% to $ 6.5 bn until 2030.

The global drug discovery outsourcing market is primarily driven by the growing investments in the research and development of various new and innovative drugs. The surging growth and popularity of the global biopharmaceutical industry is a major factor which is estimated to boost the growth of the global drug discovery outsourcing market.

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 10-15% 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 service providers in emerging countries due to the availability of skilled, low-cost labour, a trend towards shortening of supply chains can be observed. The COVID-19 crisis accelerated this trend and shed a light on the importance to have robust supply chains in place. 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 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 spectrum of drug discovery, development and manufacturing platforms needed to realise projects and thereby helps companies to advance their product development efficiently and successfully.

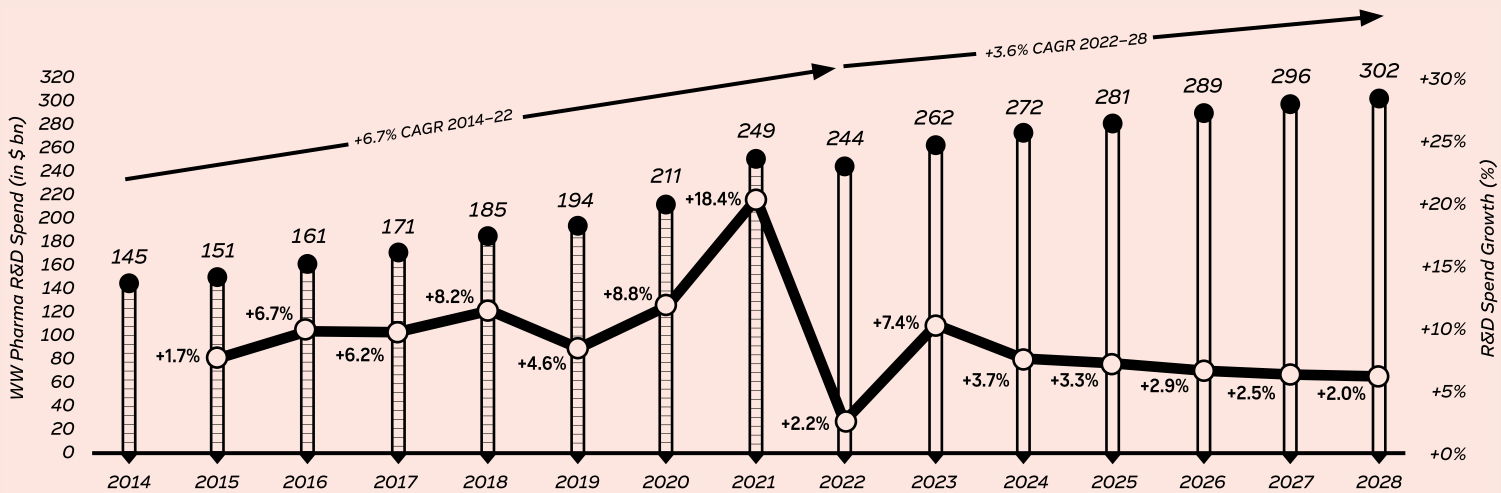
Evotec believes that these market dynamics will continue to provide positive impetus to strategic, integrated and long-term collaborations for the advancement of innovations and the accelerated development of novel targets with first-in-class and/or best-in-class potential.

— 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: According to Evaluate Pharma, from 2014 to 2023, expenses for R&D in the biotechnology and pharmaceutical industries rose by 81% from $ 145 bn to $ 262 bn. Evaluate Pharma projects a CAGR in R&D expenses of 3.6% from 2023 onward, which corresponds to roughly $ 302 bn by 2028.

GLOBAL R&D EXPENSES OF PHARMA AND BIOTECH COMPANIES (2014-2028)
in $ bn



Source: Evaluate Pharma World Preview 2023

In 2023, the US Food & Drug Administration (FDA) approved 55 new drugs (2022: 37 drugs). Of these, 9 (16%) were given accelerated approval. The Center for Drug Evaluation and Research ("CDER") identified 20 of the 55 novel drugs approved in 2023 (36%) as first-in-class. These drugs have mechanisms of action different from those of existing therapies. 28 of novel drug approvals (51%) were approved to treat rare or "orphan" diseases (diseases that affect less than 200,000 people in the US).

Market orientation of strategic research focus areas

Evotec has ongoing alliances and partnerships in many disease areas including autoimmune diseases, diabetes, fibrosis, gynaecological diseases, immunological and inflammatory diseases, infectious diseases, metabolic diseases, respiratory 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 sizes of markets addressed by Evotec's R&D activities.

Market potential for individual indications

Indication	Current market size	Market potential
Autoimmune diseases	2023: $ 71.5 bn	2032: $ 123.5 bn
Diabetes	2023: $ 66.0 bn	2032: $ 118.0 bn
Gynaecological diseases (endometriosis)	2023: $ 1.3 bn	2030: $ 3.2 bn
Infectious diseases	2023: $ 122.5 bn	2028: $ 179.7 bn
Inflammatory diseases	2023: $ 101.8 bn	2032: $ 146.1 bn
Kidney diseases	2023: $ 99.2 bn	2028: $ 137.0 bn
Liver diseases	2023: $ 14.4 bn	2028: $ 25.1 bn
Metabolic diseases	2023: $ 61.4 bn	2030: $ 111.0 bn
Neuronal diseases	2023: $ 44.7 bn	2032: $ 92.0 bn
Oncology	2023: $ 220.3 bn	2030: $ 470.6 bn
Pain	2023: $ 81.2 bn	2032: $ 115.5 bn
Rare diseases	2023: $ 170.1 bn	2027: $ 268.5 bn
Respiratory diseases	2023: $ 86.1 bn	2032: $ 146.1 bn

FINANCIAL OUTLOOK FOR 2024

Revenues, 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 —

Average annual revenue growth is 21% between 2011 and 2023 and Evotec expects to achieve low double digit percentage growth in revenue and mid double digit growth in Adjusted EBITDA, as we assess the financial scenarios following the appointment of the new CEO and make adjustments to the efficiency program and market dynamics, at which point the company will provide more concrete guidance. Revenues should benefit from a robust demand for differentiated services particularly in the areas of PanOmics; iPSCs and Just – Evotec Biologics). Scale effects, compensation for lost business in 2023 due to cyber-attack, a significantly expanded order book of Just – Evotec Biologics as well as a broader pipeline offering the opportunity to benefit from success and milestone payments are the main driver for revenue and EBITDA growth. Higher wages and materials costs as well as underutilisation in selected parts of the business have offsetting effects.   It is important to note that a milestone achievement is a single event that is subject to certain risks and uncertainties of which some are beyond Evotec's control. However, the number of projects with potential for milestone payments is rising and ongoing projects with milestone components continue to progress. Considering the mix of probabilities of success, the total amount of revenues from milestone payments is anticipated to increase over time. In general, milestones should contribute significantly to the company's overall profitability.

In € m		*Actual figures for 2023*	*Forecasts for 2024*	*Main assumptions*
Financial key performance indicators	**Group revenues**	781.4	Low double digit percentage growth	– Growth driven by current orders on hand – Foreseeable new contracts – Comparable basis in 2023 affected from cyber-attack – Available capacity & utilisation – Prospective milestone payments
	Adjusted Group EBITDA	66.4	Mid double digit percentage growth	– Minimum growth double the revenue growth rate – Implementation of efficiency measures to enhance profitability – Growth of Just-Evotec Biologics gaining traction – Improving capacity utilisation
	R&D expenses	64.8 [2)]	Mid single to low double digit percentage reduction	– Long-term expansion of the pipeline – Focus on first-in-class platforms and projects
Non-financial key performance indicators	**Number of customers**	838	>800	– Continued high levels of customer retention
	Number of customers contributing more than € 1 m to revenue	102	>100	– High levels of customer satisfaction and retention leading to extension and expansion of contracts – Recovery after cyber incident
	Repeat business	93%	>90%	– High levels of customer satisfaction
	Pipeline development	>140 assets	>150 assets	– Continued investments into R&D and scalability of platforms leading to faster creation of new projects compared to attrition

1) Average exchange rate euro vs. US Dollar for 2023: 1.0813

2) Comparable metric in 2023 defined as unpartnered R&D expenses

— EXPECTED LIQUIDITY AND STRATEGIC MEASURES —

The Company's operational financing plan does not 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. The Company continued to increase investments in the expansion and development of individual locations in 2023. In Toulouse, it has started to significantly expand its capacities and to build J.POD Toulouse, France. Moreover, it is expanding the existing campus in Abingdon, Oxfordshire, UK, and construction of the new building for the planned iPSC centre in Hamburg has progressed significantly. After the completion of the first J.POD facility in North America, the Company expects the completion of the second J.POD facility in Toulouse, France in 2024. The two J.POD facilities meet the production requirements of the coming years and strengthen Evotec's position as a leading partner for drug discovery and development with revolutionary 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.

GENERAL STATEMENT ON EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

Evotec intends to further strengthen and expand its business as an innovative provider of drug discovery and development solutions across all therapeutic modalities. Evotec aims to further expand its integrated capabilities of small molecules, biologics and cell therapy discovery, development and manufacturing. The Company is very 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 need to generate returns on R&D investment in the pharmaceutical sector. Despite continued very high investment in R&D, the Management Board expects Evotec to achieve strong growth in revenue, and an improved adjusted Group EBITDA in 2024 versus 2023. 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 uncover hidden reserves and value for the benefit of Evotec shareholders will be carefully analysed with regard to the expected synergies and future value creation. Pursuant to German Securities Acquisition and Takeover Act (WpÜG) 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 2023, the share capital of Evotec SE amounted to € 177,185,736 and was divided into 177,185,736 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. 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 holds the right 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 € 35,321,639.00 in one or more tranches until 21 June 2025 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.

Conditional capital: As of 31 December 2023, the remaining conditional capital of the Company amounted to € 47,931,023.00. Conditional capital in the amount of € 12,540,493.00 shall be used only to the extent that holders of stock options, share performance awards ("SPAs") or restricted share awards ("RSAs"), granted by Evotec on the basis of the shareholders' resolutions of 9 June 2015, 14 June 2017, 16 June 2020 and 22 June 2022, exercise their rights to subscribe for new Evotec shares. In 2023, conditional capital in the total amount of € 233,083.00 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 € 35,390,530.00 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 20 June 2023. 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 OF AT LEAST 10% OF VOTING RIGHTS

As of 31 December 2023, T. Rowe Price Group Inc., Baltimore, Maryland, US held 10.1% of voting rights.

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/sustainability/governance*.

AUTHORISATION OF MANAGEMENT TO REPURCHASE STOCK

Evotec is currently not authorised by a resolution of the Annual General Meeting to acquire its own shares.

AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION/APPOINTMENT OF THE MANAGEMENT BOARD

Any amendment to the Company's Articles of Association requires a shareholder resolution. According to sections 133 and 179 of the German Stock Corporation Act (AktG) and section 17 of the Articles of Association, the shareholder resolution amending the Company's Articles of Association requires an affirmative vote of at least three-quarters of the Company's share capital present at an 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 § 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 months' notice within a period of twelve months following the occurrence of 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. The Long Term Incentive Plans contain Change-of-Control regulations.

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 § 289f and § 315d HGB. It contains the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act ("Deutsches Aktiengesetz"), which was adopted by the Management Board and the Supervisory Board in December 2023 and updated in January 2024, as well as the Corporate Governance Report (Principle 22 of the Code 2022).

The corporate governance declaration ("Declaration of Corporate Management") is available for download on the Company's website in the "IR & ESG" section at *https://www.evotec.com/en/sustainability/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://evotec.com/en/sustainability/governance*

Convenience translation – binding is the German version

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements give a true and fair view of the assets, liabilities, financial position and financial results of the Evotec SE, and the Group Management Report, which has been combined with the Management Report of Evotec SE for the financial year 2023, includes a fair review of the development and performance of the business and the position of the Evotec SE, together with a description of the principal opportunities and risks associated with the expected development of the Evotec SE.

Evotec SE
The Management Board

Hamburg, 22. April 2024

Dr. Mario Polywka
Chief Executive Officer

Dr. Cord Dohrmann	**Dr. Matthias Evers**	**Dr. Craig Johnstone**	**Laetitia Rouxel**
Chief Scientific Officer	Chief Business Officer	Chief Operating Officer	Chief Financial Officer