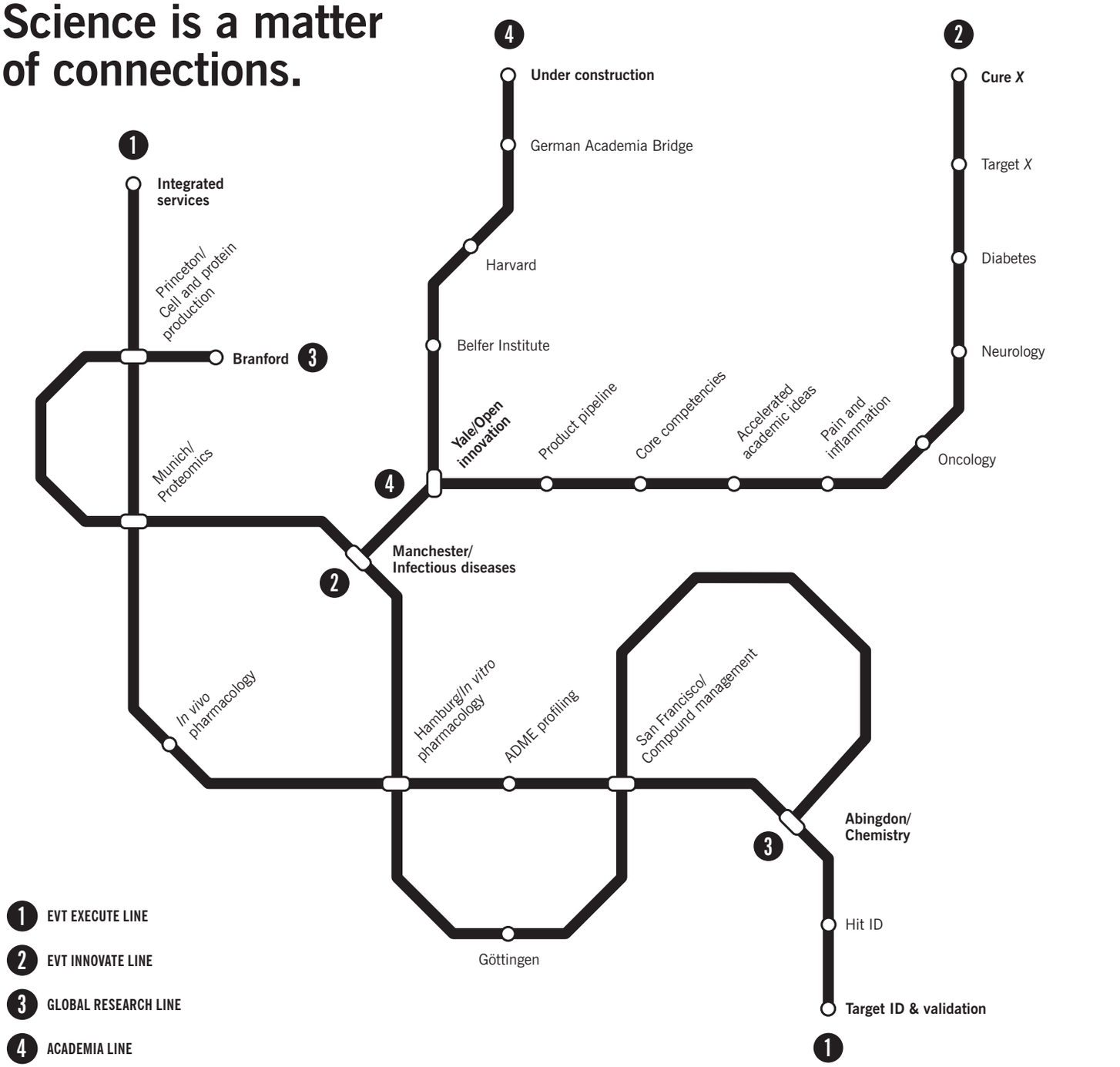
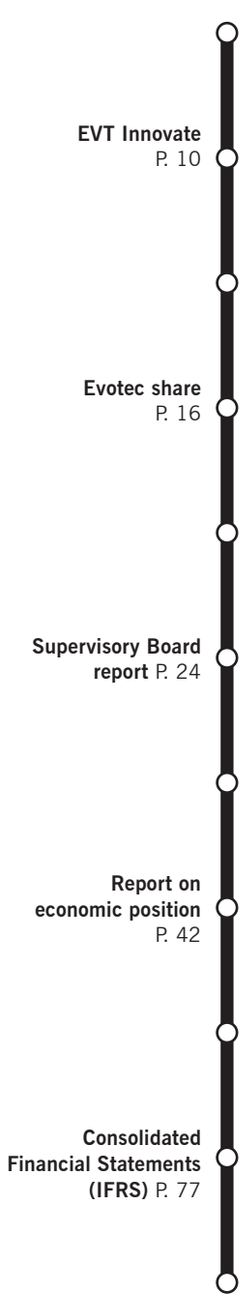
evotec

‘RESEARCH NEVER STOPS’

Science is a matter of connections.





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

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DEAR SHAREHOLDERS

Building bridges from Academia to patients

Building bridges and establishing suitable connections is the key underlying theme within Evotec. In recent years, we have increasingly become a highly respected partner in the drug research and discovery community to create the link from an early academic idea to the Pharma industry and ultimately to patients. Evotec has evolved from being a pure service provider for its customers into a new role as a powerful drug discovery engine with partnered projects in clinical phases as well as discovery and pre-clinical development. Evotec has demonstrated that it understands how to best combine the various steps of the pharmaceutical value chain.

Three big megatrends allow us to dynamically grow our company:

- *High unmet medical needs:* Evotec has the ability and willingness to take a new look at diseases and to develop novel classes of disease-modifying drug candidates in a systematic, comprehensive and unbiased way. In our work we focus on addressing the underlying causes of our health problems and not only the symptoms of diseases.

Dr Werner Lanthaler
Chief Executive Officer

- *Increasing comfort of Pharma companies with external innovation:* Evotec has become the partner of choice for many newly externalised innovation processes for the top-class Pharma industry. Our partnering approach is essential for increased innovation efficiency in many Pharma and biotech companies.

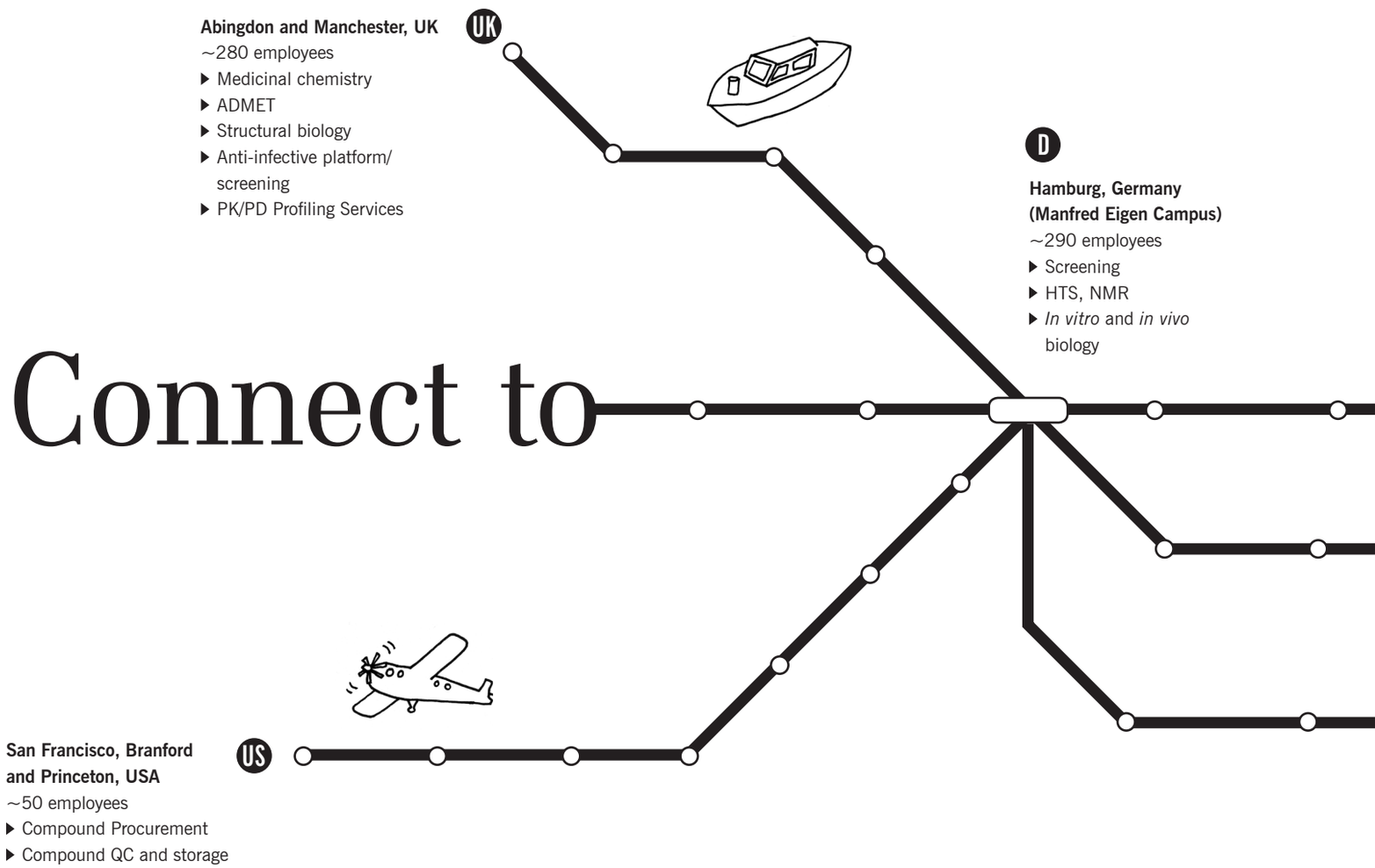
- *New wave of academic and biotech innovations:* Evotec plays a leading role in providing an opportunity for inventions to get access to the best possible research infrastructures and most flexible capital efficient business models.

With more than 20 years of history and dedication to first-in-class science, Evotec has reached a position where we do not follow these trends, but where we set them. Only if you have a firm grasp of an industry and its developments, you can find the optimal ways from starting to end points. Building bridges and establishing the right connections is our core business.

In 2014, we have initiated many processes we believe will accelerate our growth and allow us to optimally leverage our EVT Execute and EVT Innovate capabilities for our customers and shareholders.

Please be invited to read this Annual Report. Thank you for your ongoing support and trust!

Yours sincerely



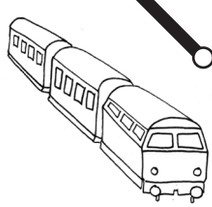
Evotec is a global high-quality provider in the drug discovery field and has a 21-year corporate history. Founded in 1993, the Company has built substantial drug discovery expertise and deep internal knowledge in the fields of CNS/ neurology, diabetes and complications of diabetes, pain and inflammation, oncology and infectious diseases. By leveraging these skills and expertise, the Company intends to develop first- and best-in-class differentiated therapeutics and deliver superior science-driven discovery alliances with pharmaceutical and biotechnology companies. Building on this expertise in the field of drug discovery services, the Company has evolved into a drug discovery engine in its own right with its two business segments EVT Execute and EVT Innovate. Today, Evotec drives research and development projects in numerous alliances and partnerships with Pharma and biotech companies as well as academia. Its strategy follows a clear goal: Achieving the leadership position in high-quality drug discovery solutions and building a partnered product pipeline based on the highest-quality drug discovery science and through innovative collaborations.

Evotec AG is the parent company of the Evotec Group and is headquartered in Hamburg, Germany. The Evotec Group is operating worldwide with subsidiaries in Germany, UK and USA. As a profitable, fast-growing company, in 2014, Evotec generated revenues of € 89.5 m, an adjusted EBITDA of € 7.7 m and had a strong liquidity position at € 93.1 m at the end of 2014 (after adding book cash outflows for M&A-related transactions). Revenues from the EVT Execute segment amounted to € 93.3 m and included intersegment revenues of € 18.5 m. EVT Innovate recorded revenues of € 14.7 m. In the EVT Innovate segment, R&D expenses amounted to € 14.1 m. EVT Execute recorded an adjusted EBITDA of € 22.1 m. For the EVT Innovate segment, the adjusted EBITDA amounted to € (14.4) m. EBITDA was adjusted for changes in contingent considerations as well as for extraordinary effects with regards to the bargain purchase resulting from the acquisition of Bionamics.

At year-end 2014, the Evotec Group employed 717 people at its operating sites worldwide. Shares of Evotec AG are listed in the Prime Standard of the Frankfurt stock exchange and are part of the German technology stock index TecDAX.

D **Göttingen, Germany**
~60 employees
- Metabolics
- Regenerative medicine

the Evotec Group



D **Munich, Germany**
~25 employees
- Phosphoproteomics
- Chemical proteomics

Building a product pipeline by sharing development risks

2009 — 2012 — **2014/15** — 2020

- **Restructuring**
- **Capital efficiency strategy for sustainability**
- **Addition of first Innovate elements**
- **Invest in highest quality early discovery service platform**
- **Build performance-based integrated discovery and clinical alliances**
- **Cure *X*/Target *X* strategy acceleration**
- **Business segmentation**
- **Gain royalties on top of service and milestone income through strategic product pipeline building**
- **Cure *X*/Target *X* initiatives in strategic disease areas with high medical need**
- **High-quality Western Execute business**
- **Academic bridge strategy in EU & US**

EVT EXECUTE

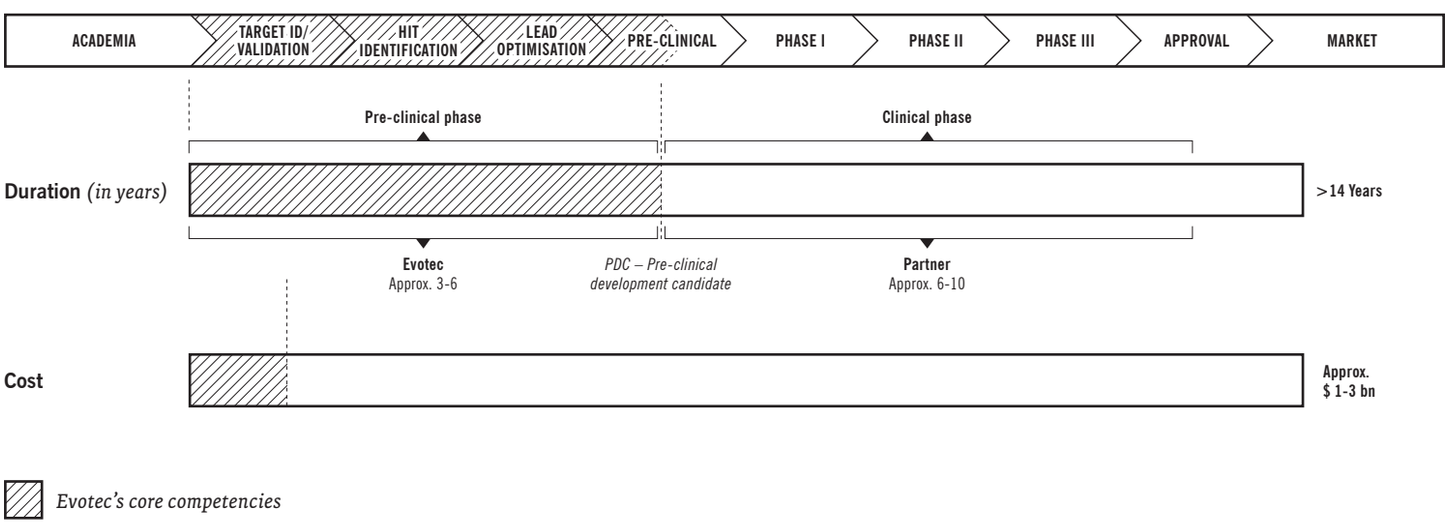
Connected to our clients' VISIONS needs

Within the past few decades, the time and cost of drug development have soared. Today, it typically takes about fifteen to twenty years and costs between $ 1–3 bn to convert a promising new compound into a drug on the market. Those costs reflect the complexity of the drug discovery process.

EVT Execute aims to provide a most capital-efficient innovation process, accomplished by highly experienced and skilled scientists and its state-of-the-art technology platforms that cover all important steps along the early drug discovery value chain up to PDC (**P**re-clinical **D**evelopment **C**andidate). Evotec's services are provided within a broad range of disease areas, like CNS/neurology, diabetes and complications of diabetes and oncology, but also in infectious diseases, pain and inflammation. The portfolio of capabilities includes target identification and validation, screening, hit-to-lead and lead optimisation, medicinal chemistry, *in vivo* and *in vitro* pharmacology, proteomics and biomarker science.

EVT Execute services and access to the high-quality platform are provided under either pure fee-for-service agreements or integrated solutions driven by milestone arrangements but where Evotec basically works on the targets the customers bring into the collaboration. Evotec has long-term discovery alliances with partners including Bayer, CHDI, Genentech, Novartis, Roche and UCB. Collaborations with e.g. Boehringer Ingelheim and Roche have already led to phase I programmes and multiple PDCs.

Our end product: The "PDC" – Evotec's core competence



Evotec's service offering

TARGET ID & VALIDATION	SCREENING	HIT-TO-LEAD	LEAD OPTIMISATION
▸ Molecular biology and cloning	▸ Assay development & screening	▸ Medicinal chemistry	▸ Medicinal chemistry
▸ Bioinformatics	▸ (u)HTS[1)]	▸ Hit expansion	▸ *In vitro* & *in vivo* biology
▸ *In vitro* target validation	▸ High-content screening	▸ Library design	Disease biology and target class expertise
▸ *In vivo* target validation	▸ Microbiological phenotypic screening (class 2)	▸ High-throughput chemistry	▸ Cellular selectivity analysis and Cellular MoA[3)] analysis
▸ Target deconvolution	▸ Electrophysiology	▸ Target deconvolution	▸ Translational assays
	▸ *In silico* screening technologies	▸ Protein-ligand crystallography	▸ Computational chemistry and structure-based drug design
	▸ Fragment-based drug discovery	▸ *In vitro* & *in vivo* biology	▸ *In silico* ADMET[2)]
	▸ Compound management	▸ Early ADMET[2)]	▸ Biomarker discovery
	▸ Chemo-proteomic	▸ *In vivo* proof of concept	▸ PKPD Profiling and mathematical modelling
	▸ Phosphoproteomics	▸ Microbiological testing and characterisation (MICs, MBCs)	

[1)] *Ultra-high throughput screening*
[2)] *Absorption, distribution, metabolism, excretion, toxicity*
[3)] *Mode of Action*

The business segment EVT Execute contributes speed, creativity and new technologies to the drug discovery process. Over the last couple of years, the Company made a huge commitment to upgrade its platforms to build a systematic, unbiased and comprehensive discovery platform which is accessible to its customers, partners and academic institutions. The constant upgrade of core competencies is what makes Evotec the quality leader in the drug discovery market, globally. Evotec has complemented and expanded its service offering continuously through both acquisitions and collaborations since 2010 and continued to execute on this strategy in 2014, with acquiring Manchester-based Euprotec Ltd where Evotec will provide novel assets in the field of infectious diseases to support new customers in the future.

STEP CHANGE IN INNOVATION EFFICIENCY FOR BOTH EVT EXECUTE AND EVT INNOVATE

In December 2014, Evotec announced the beginning of exclusive negotiations with Sanofi on a major multi-component strategic collaboration over the next five years. Closure of the deal is expected in the first half of 2015.
This alliance marks a significant step change for both segments, EVT Execute and EVT Innovate.

Key elements of the alliance:

- Transfer of industry-leading integrated scientific operations in Toulouse with more than 200 scientists to Evotec
- State-of-the-art compound management operations in Toulouse as "Evotec's European centre for compound management services"
- Discovery Master Service Agreement for five years
- Sanofi's global screening library will be made available for screening to Evotec's Pharma, biotech and academic partners
- Pipeline of five pre-clinical oncology discovery projects licensed from Sanofi to Evotec
- Potential joint Cure *X*/Target *X* initiatives and multiple oncology discovery targets
- Creation of fund dedicated to scientific projects with academia in France & EU

This alliance represents a perfect match of growth capacities, high-quality capabilities and a new strategic customer. The Toulouse site allows Evotec to rapidly expand its capacities significantly with a cost coverage of five years, which minimises the financial risk for the company. Growth of capacities is usually a slow and expensive process; the new site presents a non-dilutive growth option.

Beyond the substantial expansion of EVT Execute capacities and capabilities, the Toulouse site gives Evotec the possibility to fast-track its oncology pipeline activities. Five pre-clinical, former Sanofi projects are aimed to be developed up to IND, without taking the financial development risk, as cost are funded by Sanofi. With a good mix of best- and first-in-class possibilities, Evotec's clinical pipeline could be boosted with five new phase I entries within two years.

The deep oncology expertise of the scientists in Toulouse will also support the accelerated development of other, already ongoing Evotec programmes in this disease area.

The alliance with Sanofi would accelerate revenues and profitability growth, would add a new strategic customer and broaden Evotec's pipeline options significantly, especially in the field of oncology.

5 MINUTES WITH DR MARIO POLYWKA

Dr Mario Polywka
Chief Operating Officer,
Head of business segment
EVT Execute

1 *From 01 January 2014 onwards, Evotec has been operating in two business segments. Please provide a short sum-up of the business operations in EVT Execute in this first year of segmentation.*

EVT Execute focuses on both stand-alone platform activities to meet our partners' strategic needs in drug discovery and integrated drug discovery programmes originated from our partners' targets and programmes. The results clearly show that we have a strong profitable segment generating value for our clients and importantly cash to drive forward longer term value in our EVT Innovate segment.

2 *What have been the highlights within 2014 and what are the areas which could be improved looking forward?*

It is important that we continue to deliver on ongoing collaborations such as those with CHDI, Bayer, UCB, Genentech and many others whilst continuing to work hard to attract new partners such as various Atlas companies, Eternygen, Convergence to name just a few. The mix of business from stand-alone platform work and integrated programmes means we are able to maintain a best-in-class infrastructure to prosecute drug discovery in the most capital-efficient manner. Receiving first significant milestones within the Bayer collaboration is an important highlight as it provides not just significant financial rewards but a true validation of our ability to work and deliver as a strategic partner with a major pharmaceutical company. Looking forward we need to strive more to understand our clients' needs and be creative in our deal structures to realise value for our partners and our shareholders. The tactical approach to outsourcing, although still important, must be replaced with more strategic relationships such as the one we entered into negotiations on with Sanofi in December 2014.

3 *Both, capacities and capabilities in EVT Execute have been further broadened in 2014. Where do you see further potential in even more widening Evotec's offering along the drug discovery value chain?*

2014 was a significant year for Evotec in terms of capability and capacity building. The acquisition of the infectious disease platform of Euprotec in May is a clear example of adding a biology expertise which we feel was increasingly important in our scientific offering. It has delivered everything we thought it would and we are pleased that integration is complete. I will elaborate on capacities and capabilities resulting from our Sanofi collaboration later on. Going forward we will continue to look at opportunities that augment our drug discovery offering on a needs be basis.

... we remain confident that with our systematic, unbiased and comprehensive infrastructure coupled with a creative approach to deal making we are ideally positioned to partner with big Pharma on significant integrated alliances.

4 *How would you characterise the cooperation between the two segments EVT Execute and EVT Innovate?*

Firstly, I should point out that both segments, EVT Execute and EVT Innovate, operate from a common drug discovery platform and the expertise from our pool of talented scientists is used where required on a project-by-project basis. On a day-to-day basis, there is little discrimination between the segments. EVT Execute obviously maintains the functional operation of the scientific infrastructure. Effectively, the EVT Innovate segment is accounted for on the return it provides on internal R&D whilst EVT Execute is accounted for on its return on the platform. From a business development perspective the customer is the same, the process of targeting decision makers is the same and both segments of course rely on strong scientific persuasion.

5 *From your point of view, what are the main challenges in creating valuable integrating alliances with big Pharma in times of ongoing restructuring processes globally?*

As stated elsewhere in this Annual Report, continued consolidation in the market slows down decision making as strategies and the people who develop those strategies change on a regular basis. However, the industry continues to demand innovative solutions for all its drug discovery needs and we remain confident that with our systematic, unbiased and comprehensive infrastructure coupled with a creative approach to deal making, we are ideally positioned to partner with big Pharma on significant integrated alliances.

6 *Looking into 2015: In December 2014, Evotec announced that it had entered into exclusive negotiations with Sanofi for a major multi-component strategic collaboration. Where do you see the most positive impact, but also challenges for your segment when looking at the alliance with Sanofi?*

Moving into 2015 and beyond we require a significant capacity increase in our chemistry and biology functions and we have also been developing ideas to further drive our efforts in the oncology space. The collaboration with Sanofi affords us this much needed capacity in chemistry and biology coupled, importantly, with innovation alliances that expand our focus in oncology with a world-renowned partner in the field and will truly drive value for both parties in a financially non-dilutive way. Integration will be key to make this move successful and our cooperation with Sanofi to date would suggest that, although never easy, we have the right spirit and commitment to make this a truly win-win situation for both parties. I look forward to reporting on our progress in a year's time!

5 MINUTES WITH DR CORD DOHRMANN

Dr Cord Dohrmann
Chief Scientific Officer,
Head of business segment
EVT Innovate

1 *From 01 January 2014 onwards, Evotec has been operating in two business segments. Please provide a short sum-up of the business operations in EVT Innovate in this first year of segmentation.*

EVT Innovate focuses on expanding and replenishing Evotec's pipeline of proprietary projects that harbour significant biotech upside in terms of milestones and royalties. The goal is to bring together Evotec's broad and very comprehensive internal discovery platform and disease area expertise with world-leading science and highly innovative biology to create projects that have first-in-class and disease-modifying potential in disease areas of high unmet medical need within large markets.

2 *In 2013, Evotec entered into six additional academic and biotech partnerships within its Cure X/Target X framework. In 2014, this figure could not be reached. How can you assess this development?*

In 2013, we have accelerated the Innovate strategy significantly which led to an aggressive expansion of our portfolio of Cure *X* and Target *X* initiatives. Building these partnerships comes with significant operational challenges, requires a lot of team building as well as the challenge of rolling projects over into Pharma partnerships. We have addressed many of these challenges and are now well prepared for further growth of the EVT Innovate portfolio.

3 *Both, capacities and capabilities in EVT Execute have been further broadened in 2014. How can EVT Innovate benefit from growing capacities and capabilities within EVT Execute?*

Growing our platform capacity and capabilities creates new opportunities for EVT Innovate in different ways. We can start projects in new indication areas, e.g. our Euprotec acquisition perfectly supports our anti-infective project Target*PGB* which we are currently pursuing with Harvard University. Alternatively, expansion of platform technologies allows us to tackle new projects, for example projects that are based on biologics rather than on small molecules. Here in particular our protein production capabilities that have grown significantly have been extremely helpful.

... we have established excellent relations to many top academic institutions such as Harvard, Yale, Dana-Farber Cancer Institute, Brigham and Women's Hospital, Max-Planck and the Fraunhofer Institute that have led to a series of collaborations. And most importantly, we are offering a business model that is good for our academic as well as our Pharma partners and therefore serves a basis for sustainability and growth.

4 *Evotec intends to progress selected Cure X/Target X initiatives towards PDC, stepping away from the strategy to partner projects at earlier stages. Can you elaborate on the reasons for this approach?*

Evotec's platform is very much focused on discovery and development up to the selection of a PDC. In many of our Pharma partnerships we have demonstrated our ability to bring projects to PDC stage and beyond. We intend to take at least some of our EVT Innovate projects a bit further along the value chain, ideally to PDC stage, in order to participate in future value creation in an even more significant fashion.

5 *There is a macro trend in the Pharma industry to enter open innovation alliances and join forces with academic institutions all over the globe. Evotec recognised this trend very early and entered into innovative research with leading universities such as Harvard and Yale. Do you believe Evotec is well-positioned for the coming years to benefit from its strategic positioning?*

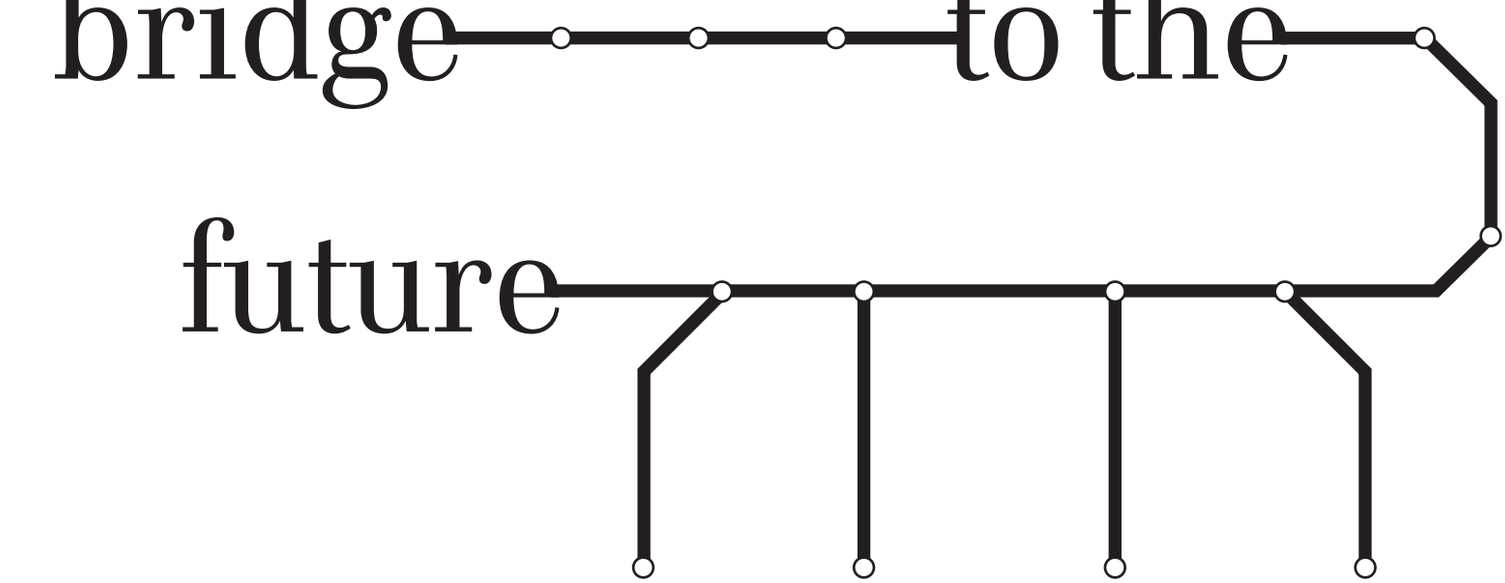
For a number of reasons, Evotec is a uniquely positioned company in this space. First of all, Evotec has established a drug discovery and development platform that is fairly unique in the biotech sector and can serve many indications meeting highest industrial standards. Secondly, we have established excellent relations to many top academic institutions such as Harvard, Yale, Dana-Farber Cancer Institute, Brigham and Women's Hospital, Max-Planck and the Fraunhofer Institute that have led to a series of collaborations. And most importantly, we are offering a business model that is good for our academic as well as our Pharma partners and therefore serves a basis for sustainability and growth.

6 *Looking into 2015: In December 2014, Evotec announced that it had entered into exclusive negotiations with Sanofi for a major multi-component strategic collaboration. Where do you see the most positive impact, but also challenges for your segment when looking at the alliance with Sanofi?*

The Sanofi partnership allows us to aggressively expand and grow our oncology footprint – an area that we intended to grow anyways and this collaboration will provide significant support on multiple levels. Through this collaboration, Evotec will incorporate not only very exciting discovery and development-stage projects but most importantly, we will integrate a highly experienced team of oncology drug hunters. The major challenge will be to integrate the best of Sanofi and Evotec in terms of processes, capabilities and expertise into functional units that will improve productivity and success rates to generate urgently needed new drugs.

EVT INNOVATE

Industry's bridge to the future



Evotec has started to build up a sustainable product pipeline without taking the financial risk of clinical exposure. With its innovative new approach, the so-called Cure *X* and Target *X* initiatives, Evotec aims to accelerate development of targets either within in-house projects or with selected partners, like small biotech companies and academic institutions. Rolling over these programmes into drug discovery collaborations with Pharma companies at a very early stage of development is of key importance for limiting the financial risk and maximising the power of developing projects further.

The most important cornerstone for EVT Innovate and the reason for being able to attract academia and biotech companies to partner their promising targets with Evotec was and will be the company's internal drug discovery engine consisting of its base business, which is Evotec's business segment EVT Execute. The continuous evolution and consequent expansion of both capacities and capabilities within EVT Execute will enable Evotec to develop selected Cure *X*/ Target *X* initiatives up to PDC (**P**re-clinical **D**evelopment **C**andidate) to maximise the value of these programmes, but without compromising the goal of keeping the financial risk within narrow bounds.

Evotec's defined goal for the upcoming years is to clearly deepen its clinical pipeline and to broaden its early drug discovery pipeline even further. The pipeline table on page 11 shows a healthy mixture of clinical and early stage programmes, despite the fact of losing a Phase III project Evotec had milestone and royalty rights on as announced by Hyperion Therapeutics, Inc. in September 2014.

For a more detailed description of Evotec's research and development projects, please see chapter "Research and development" on page 35 of the Management Report.

Evotec's Cure *X*/Target *X* initiatives initiated since 2011

2011	2012	2013	2014
▸ **Cure*Beta*** (Harvard Stem Cell Institute)	▸ **Cure*Nephron*** [1] (Harvard, BWH, USC, AstraZeneca) ▸ **Target*SP*** (Internal) ▸ **Target*ASIC*** [1] (BMBF/ undisclosed Pharma partner) ▸ **Somatoprim** (Aspireo) ▸ **Target*PicV*** (Haplogen) ▸ **Target*CanMet*** [1] (Debiopharm)	▸ **Target*ImmuniT*** (Apeiron) ▸ **Target*DBR*** (Yale) ▸ **Target*FX*** (Internal) ▸ **Target*PGB*** (Harvard) ▸ **Target*KDM*** (Dana-Farber, Belfer) ▸ **Cure*MN*** (Harvard) ▸ **Target*EEM*** (Harvard) ▸ **Target*AD*** [1] (NBB/J&J)	▸ **Target*SX*** (Internal) ▸ **Target*BCD*** (Internal) ▸ **Target*DR*** (Internal) ▸ **Target*ColCan*** (Internal) ▸ **Target*KX*** (Internal) ▸ **Target*Cytokine*** (DRFZ) ▸ **Undisclosed** (Fraunhofer) ▸ **Target*KRas*** (Ohio State University)

[1] *Today at least partly progressed under commercial partnership*

Large portfolio of product opportunities

Molecule	Indication	Partner	Discovery	Pre-clinical	Phase I	Phase II	Phase III
Clinical							
EVT302[1)]	Alzheimer's disease	Roche					
EVT201	Insomnia	JingXin					
Somatoprim	Acromegaly	Aspireo					
EVT100	CNS diseases	Janssen					
EVT401	Inflammation	CONBA					
ND[2)]	Oncology	Boehringer Ingelheim					
ND[2)]	Oncology	Roche					
Pre-clinical							
ND[2)]	Pain	Novartis					
ND[2)]	Oncology	Boehringer Ingelheim					
Various	Endometriosis	Bayer					
EVT770	Diabetes type 2/1	MedImmune/AstraZeneca					
ND[2)]	Pain	Boehringer Ingelheim					
Discovery							
Various	Inflammation	UCB					
Various	Diabetes type 2/1	MedImmune/AstraZeneca					
Various	Diabetes type 2/1	Harvard					
Various	Kidney disease	AstraZeneca					
Various	Oncology	Debiopharm Group					
Various	Alzheimer's disease	Johnson & Johnson Innovation					
Various	CNS/MS	Neu[2]					

[1)] *RO4602522*

[2)] *Not disclosed*

CHRONICLE 2014

Keep connected with facts

We are committed to getting the optimal value out of the alliances and programmes we have with our partners. This is visible through our news flow. The following is a summary of the press releases published in 2014.

Q1 2014

ACQUISITION OF BIONAMICS GMBH TO ACCELERATE 'EVT INNOVATE' STRATEGY

Evotec announces the acquisition of the German-based company Bionamics GmbH ("Bionamics"), an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry, effective 01 April 2014. The transaction comprises the acquisition of all shares in Bionamics against cash (€ 0.5 m) and potential future earn-out payments amounting to € 0.4 m. The deferred earn-out payments will be due for a period of four years after the acquisition and are dependent upon the achievement of certain project revenues. In addition to an experienced management team including Dr Timm Jessen (Evotec AG's former CSO), Bionamics brings a portfolio of fully funded projects that have potential upside for Evotec.

INTEGRATED PAIN ALLIANCE WITH CONVERGENCE

Evotec communicates a research alliance with Panion Ltd ("Panion"), a subsidiary of Convergence Pharmaceuticals Holdings Ltd. Convergence is a UK company which focuses on the development of novel, high-value analgesics to treat chronic pain. Panion was awarded a £ 2.4 m Technology Strategy Board Biomedical Catalyst Early Stage Round 2 grant to discover and develop compounds against a novel GPCR pain target. Within this alliance, Evotec is responsible for undertaking key drug discovery activities and will work closely with the Convergence team in identifying pre-clinical candidates over the next three years. Subsequently, and upon meeting certain pre-clinical milestones, Convergence and Evotec will jointly progress the assets further into the clinic or via partnering.

FIRST MILESTONE IN ROCHE BIOMARKER COLLABORATION

In the first quarter of 2014, Evotec achieves a minor milestone on the decision by Roche to use a response prediction marker, identified by using Evotec's Proteome Profiling platform, in an extended Phase I oncology trial. This is the first milestone achieved under the collaboration and licence agreement between Roche and Evotec signed in 2011, which is part of the *m4 Munich Biotech Cluster Personalized Medicine and Targeted Therapies* initiative funded by the German Federal Ministry of Education and Research. Under the initial three-year term, Evotec and Roche conducted biomarker discovery and validation programmes for patient stratification in targeted cancer therapy. Evotec is eligible for further success-based payments upon clinical companion diagnostics development.

RECRUITMENT FOR SIGNIFICANT PHASE IIB TRIAL WITHIN ROCHE ALLIANCE (EVT302) IN ALZHEIMER'S DISEASE COMPLETED

At the end of 2012, Roche started a Phase IIb trial with EVT302 aimed at recruiting 495 patients in more than 140 centres worldwide to assess the efficacy and safety of this compound in patients with moderate severity Alzheimer's disease ("AD"). The patient recruitment was completed in the first quarter of 2014; results are expected in H1 2015. This clinical trial is one of the very few late-stage small molecule trials in this specific AD patient population.

JANSSEN DECIDES TO CONTINUE THE DEVELOPMENT OF THE EVT100 SERIES IN THE FIELD OF CNS DISEASES

In December 2012, Evotec entered into a licence agreement with Janssen for its NR2B subtype selective NMDA-antagonist portfolio for development

against diseases in the field of depression. In December 2013, Evotec announced that certain pre-clinical studies performed by Janssen did not confirm certain properties of the antagonist and further development of the project was evaluated by Janssen. In March 2014, Janssen informs Evotec that it will resume development of the programme. Further details remain undisclosed.

BETA CELL REGENERATION PROGRAMME WILL BE PHASED OUT BY JANSSEN; CURE*BETA*, THE ALLIANCE BETWEEN HARVARD AND EVOTEC, REMAINS

Janssen Pharmaceuticals decides to phase out one partnership with focus on beta cell regeneration in 2014. Cure*Beta*, the alliance between Harvard and Evotec, will remain. Evotec and Harvard will continue to invest into this alliance.

Q2 2014

COLLABORATION WITH DEBIOPHARM GROUP™ ON DEVELOPMENT OF NEW TREATMENT FOR CANCER (TARGET*CANMET*)

Evotec informs the public about a research collaboration and licensing deal with Debiopharm Group™ ("Debiopharm"), Lausanne, Switzerland. The objective of this collaboration is to identify and develop novel compounds with the potential to treat multiple forms of solid tumours and leukaemias with defined genetic alterations. Discovery and pre-clinical development efforts are driven by Evotec, whilst Debiopharm will manage subsequent clinical development. Evotec is entitled to receive milestone payments triggered by clinical, regulatory and commercial milestones in the high double-digit range, plus royalties on sales of resulting commercial products. This Target*CanMet* (Cancer Metabolism) programme is based on Evotec's drug discovery efforts to investigate genetically altered targets whose 'driver' role in several cancer types has been validated and on the shared objective of identifying novel therapeutic agents in a variety of cancers, including Acute Myeloid Leukaemia, prostate cancer and glioblastoma.

COLLABORATION WITH ETERNYGEN TO IDENTIFY AND DEVELOP NOVEL METABOLIC DISEASE THERAPY

Evotec and Eternygen GmbH ("Eternygen"), a privately owned biopharmaceutical company, announce a drug discovery collaboration to develop novel small molecule inhibitors against an Eternygen target to treat metabolic diseases using Evotec's technology platform and broad expertise in drug discovery and pre-clinical development. Eternygen is working on the sodium coupled citrate transporter NaCT, a novel target which is a key regulator of energy metabolism involved in the pathogenesis of fatty liver, diabetes and obesity. Under the terms of the agreement, Evotec uses its best-in-class drug discovery platform to discover and develop a suitable clinical candidate.

NEW INTEGRATED COLLABORATION WITH SHIRE TO DISCOVER DRUG CANDIDATES IN RARE DISEASE

Evotec discloses a new drug discovery collaboration with Shire to develop novel small molecule inhibitors against a target to treat Fabry's disease, an inherited lysosomal storage disease, entered in May 2014. As part of the collaboration, Evotec applies many facets of its world-leading drug discovery engine including high-throughput screening, fragment-based screening, computational chemistry and structure-based medicinal chemistry to address both hit identification and then lead optimisation. The term of the collaboration will be three years.

ACQUISITION OF EUPROTEC LTD TO ESTABLISH ANTI-INFECTIVES PLATFORM

Effective 27 May 2014, Evotec acquires all of the shares in Euprotec Ltd ("Euprotec"), a UK-based specialist contract research organisation focusing on infectious disease drug discovery services. The acquisition of Euprotec strengthens Evotec's position as the quality leader in drug discovery services and creates a new disease franchise to accelerate Cure *X* and Target *X* initiatives. The purchase price consists of a cash consideration of £ 2.5 m and a potential deferred earn-out component of £ 1.25 m in cash. The deferred earn-out payments will be due for a period of two and a half years after the acquisition and are dependent upon the achievement of certain revenue targets.

MILESTONE PAYMENT RECEIVED AS PART OF ITS DISCOVERY ALLIANCE WITH BOEHRINGER INGELHEIM

Evotec discloses that its research alliance with Boehringer Ingelheim has reached a milestone triggering revenues of € 1.0 m to Evotec. The milestone was for the transition of a back-up compound from a respiratory programme into pre-clinical development.

COLLABORATION WITH ACTIVE BIOTECH EXTENDED

Evotec announces the extension of its medicinal chemistry collaboration with Active Biotech AB ("Active Biotech"), which took place in the first half of 2014. The programme aims to find novel small molecule modulators of a priority biological target, selected by Active Biotech, involved in immune disorders and cancer. The programme was initiated in 2010.

COLLABORATION WITH VIFOR EXTENDED AND EXPANDED

Evotec declares that its drug discovery agreement with Vifor, initially signed in February 2010, was extended and expanded in June 2014 to drive a second programme in another mineral deficiency/sufficiency-related therapeutic area. No further details about the research projects are being disclosed.

Q3 2014

STRATEGIC COLLABORATION WITH FRAUNHOFER IN JOINT DRUG DISCOVERY PROGRAMMES

Evotec communicates an exclusive strategic collaboration with the Fraunhofer Institute for Molecular Biology and Applied Ecology ("IME") in several disease areas through the combination of the relevant platforms of both organisations for internal and external drug discovery projects. This alliance expands Evotec's already powerful drug discovery platform with access to a broad range of complementary and highly innovative platforms and capabilities to progress own innovate projects and provides additional capabilities for customers and partners of Evotec and IME, respectively. The deal follows the joint decision of Evotec, Fraunhofer-Gesellschaft and the City of Hamburg to integrate the European ScreeningPort GmbH into the IME, thereby forming the first Fraunhofer life science institution in the City of Hamburg.

FIRST MILESTONES IN TARGET*AD* COLLABORATION ACHIEVED

Evotec discloses the successful achievement of the first milestones in its Target*AD* collaboration with Janssen Pharmaceuticals, Inc. ("Janssen") for the identification and selection of three selected targets from the Target*AD* database. These target selections were achieved under the agreement between Evotec and Janssen, facilitated by the Johnson & Johnson Innovation Center in California, signed in November 2013. Under the terms of the agreement, Janssen and Evotec are collaborating to identify new drug targets for discovery of novel treatment approaches to Alzheimer's disease. Janssen has the option to internalize selected targets and therapeutic candidates and progress them into pre-clinical and clinical development. Janssen funds target drug discovery research via a combination of defined research payments and progress-related milestones.

LONG-TERM COMPOUND MANAGEMENT COLLABORATION WITH MEDICINES FOR MALARIA VENTURE

In August 2014, Evotec (US), Inc. and Medicines for Malaria Venture ("MMV") enter into a multi-year compound management agreement in support of MMV's Malaria and Pathogen Box initiatives. In this collaboration, Evotec leverages its industry-leading and long-standing compound management services to support MMV's efforts to establish, maintain and distribute vital research tools to the global malaria research community.

TERMINATION OF DIAPEP277®

Evotec is informed that US company Hyperion Therapeutics, Inc. ("Hyperion") is terminating the development of DiaPep277® for newly diagnosed Type 1 diabetes. In a press release published by Hyperion on 08 September 2014 at market opening in the USA, the company states that it uncovered evidence that certain employees of Andromeda Biotech, Ltd. ("Andromeda"), which Hyperion acquired in June 2014, in collusion with a third-party biostatistics firm in Israel engaged in serious misconduct with regard to the use of generated data in order to manipulate the analyses to obtain a favourable result of the Phase III trial. Hyperion announced that it will complete the DIA-AID 2 Phase III trial, but will terminate further development in DiaPep277®. DiaPep277® is one of Evotec's advanced pipeline projects, where Evotec is entitled to royalties and milestones. Given the situation of the programme, Evotec does no longer expect this project to hit the market. Therefore, the company records a non-cash impairment charge of € 8.7 m in the third quarter of 2014.

In 2007, DeveloGen AG ("DeveloGen") sold all rights to the drug candidate DiaPep277® to Andromeda, a newly formed wholly owned subsidiary of Clal Biotechnology Industries Ltd. Under the terms of this asset purchase agreement, DeveloGen transferred all rights in DiaPep277® to Andromeda in return for single-digit royalty rates and certain milestones in the single-digit rate upon commercialisation of DiaPep277®. Evotec, which acquired DeveloGen in 2010, had no involvement in any aspect or decision-making regarding the development of DiaPep277®. Similarly, Evotec's subsidiary DeveloGen was also not involved in any way in the further development of DiaPep277® after selling it to Andromeda in June 2007, and had absolutely no role in the data generation and analyses. As a result of these developments Evotec accepts that DiaPep277® is unlikely to ever become a product. However, Evotec will attempt to recover outstanding claims and potential damages resulting from the alleged fraudulent activity.

ONGOING COLLABORATION WITH CHDI FOUNDATION TO FIGHT HUNTINGTON'S DISEASE EXTENDED

Evotec announces that CHDI Foundation, Inc. ("CHDI") extended and restated its collaboration with Evotec through 2017. The collaboration, which aims to find new treatments for Huntington's disease, an inherited neurodegenerative disorder, means that CHDI will fund up to 52 full-time scientists at Evotec over the next three years. The collaboration initially began in 2006 and has expanded considerably over this period to fully leverage Evotec's integrated neuroscience platform. The restated extension of this collaboration is a further validation of Evotec's broad drug discovery expertise in the field of neuroscience and includes an expansion to utilise Evotec's high-throughput screening and proteomics platforms. Evotec provides a full range of research activities and expertise in the neuroscience area to CHDI, including integrated biology and chemistry supported by compound and library management, target validation, stem cell research, high-content screening, computational chemistry, *in vitro* pharmacokinetics and protein production.

COLLABORATION WITH THE JAIN FOUNDATION EXPANDED: START OF MULTIPLE DRUG SCREENING PROGRAMMES

Evotec and the Jain Foundation Inc. ("Jain Foundation") state that they have further extended and expanded the collaboration first signed in 2012 and extended in 2013. This next phase of collaboration includes the screening of compound libraries in multiple assay formats to further support the Jain Foundation's goals of understanding and curing dysferlinopathies, a group of inherited skeletal muscular dystrophy diseases. This marks a major milestone in the efforts of the Jain Foundation to identify therapeutics which can counteract the phenotypes of dysferlin deficiency.

EVOTEC AND ITS PARTNERS AWARDED PUBLIC GRANTS TO DEVELOP NEW DRUG CANDIDATES TO TREAT MULTIPLE SCLEROSIS

Evotec communicates that it has entered into three novel research projects for the treatment of Multiple Sclerosis ("MS") supported by research funds from the German Federal Ministry of Education and Research. The respective scientific approaches stem from the Deutsches Rheuma-Forschungszentrum (an institute of the Leibniz Association) and the University Medical Center Hamburg-Eppendorf comprising cytokine regulation, neuroprotection and tolerance induction. In these projects, Evotec utilises its drug discovery platform, its project management capabilities and its market presence to identify drug candidates in these novel approaches to tackle MS and to commercialise those later on. Current MS treatments mostly constitute symptomatic approaches while more specific, well-differentiated disease-modifying treatment modes are eagerly looked for by the industry. The three projects have a term of between 1.5 and 3 years and comprise a total budget of about € 5 m.

FIRST MILESTONE AS PART OF ITS MULTI-TARGET ALLIANCE WITH BAYER HEALTHCARE RECEIVED

Evotec announces that its multi-target collaboration with Bayer HealthCare ("Bayer") has reached an important milestone for the transition of a molecule into pre-clinical development for the treatment of endometriosis. This milestone was achieved under the agreement between Evotec and Bayer signed in October 2012. The goal of this collaboration is to develop three clinical candidates within the five-year alliance. Both parties contribute innovative drug targets and high-quality technology infrastructures and share the responsibility for early research and pre-clinical characterisation of potential clinical candidates in the disease area of endometriosis.

EXPANSION OF PROTEIN PRODUCTION CAPABILITIES INITIATED IN US TO SERVE A MAJOR US PHARMA PARTNER

Evotec discloses that work has been initiated to establish a protein production and cell services facility on the US East Coast. The new laboratory will become operational in January 2015. This addition complements the expansion in such services at the Abingdon facility and is to meet

an increasing need to deliver services to a major US partner and the general growth in this area.

SUCCESSFUL COMPLETION OF ALL SAFETY STUDIES FOR EVT201 AND INITIATION OF LATE-STAGE CLINICAL PROGRAMMES FOR REGISTRATION IN CHINA

At the end of September 2014, JingXin Pharmaceutical Co., Ltd. ("JingXin") completed all safety studies for EVT201 in China. All of the data met the required standards to progress the compound into further clinical trials for insomnia. Patient recruitment is ongoing and JingXin plans to initiate late-stage trials for China in the near future. EVT201 is a $GABA_A$ receptor partial positive allosteric modulator developed for the treatment of insomnia.

FURTHER MILESTONES ACHIEVED IN TARGET*AD* COLLABORATION

Evotec states that further milestones were achieved in its Target*AD* collaboration with Janssen in September 2014 for the identification and selection of additional targets from the Target*AD* database following first milestone achievements in this collaboration disclosed in July 2014.

Q4 2014

EXCLUSIVE NEGOTIATIONS FOR A MAJOR MULTI-COMPONENT STRATEGIC COLLABORATION WITH SANOFI

Evotec announces that it has entered into exclusive negotiations with Sanofi on a major multi-component strategic alliance over the next five years. The collaboration will comprise three major strategic initiatives all focused on improving innovation effectiveness in the drug discovery and pre-clinical development space and cement Evotec's position as the leading drug discovery collaboration partner to the Pharma and biotech industry as well as academia. These three initiatives are (1) Pipeline-building collaboration with initial focus on oncology, (2) Outsourcing alliance including acquisition of Sanofi's drug discovery operations in Toulouse and (3) Pioneering open innovation by offering combined libraries. The collaboration will result in a minimum guaranteed commitment from Sanofi to Evotec of € 250 m over the next five years, including a sizeable upfront cash payment that will be defined in the agreement. It will include a co-development agreement with associated upfront, development, regulatory and sales milestones as well as royalties benefiting both parties. This multi-component transaction is expected to be signed in the first half of 2015, subject to finalisation of definitive agreements and completion of the appropriate social process.

ACHIEVEMENT OF MULTIPLE, SIGNIFICANT MILESTONES IN EVOTEC'S DRUG DISCOVERY ALLIANCES

Evotec discloses that it achieved multiple milestones in ongoing alliances with its strategic partners. The milestones were reached in its multi-target collaboration with Bayer in endometriosis and within its partnership with Janssen for the EVT100 series for the treatment of CNS diseases. These milestones trigger revenues of approx. € 8 m in total which will be recognised in the financial year 2014.

In its multi-target collaboration with Bayer, Evotec reached significant milestones for the transition of certain molecules into pre-clinical development for the treatment of endometriosis. These milestones were achieved under the agreement between Evotec and Bayer signed in October 2012.

In its collaboration with Janssen on a NR2B subtype selective NMDA-antagonist portfolio for development against CNS diseases, Evotec has reached an important validation milestone for a new compound.

EVOTEC AND OHIO STATE COLLABORATE ON NOVEL CANCER THERAPY

Evotec announces a research collaboration with the laboratories of Prof. Roger Briesewitz at The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute. The objective of the collaboration is to progress a novel mechanism for engaging the KRas target discovered at The Ohio State University using Evotec's technology platform and broad expertise in drug discovery and pre-clinical development, thereby validating and progressing novel leads into pharmaceutically developable candidates.

THE EVOTEC SHARE

Connected to shareholder value

In 2014, Evotec further executed on its Innovate strategy and thus is moving towards sustainable profitability. The Company initiated and extended important alliances and made good progress in existing partnerships. In the course of 2014, Evotec acquired two companies, namely Hamburg-based Bionamics and Manchester-based Euprotec, continuing its expansion path of the previous years. From 01 January 2014 onwards, Evotec has been managing its operations within two business segments: EVT Execute and EVT Innovate, thus increasing the transparency of the Company's core business: Being a drug discovery engine based on two pillars, service business provider and provider of innovative research. It has to be noted that the milestone-based business model of Evotec is exposed to significant fluctuations in the adjusted EBITDA between quarters as a result of the specific timing of performance-based milestones and partnering events. Consequently, and like in the previous years, the share price showed a rather high volatility throughout the year. Evotec's share price ended 2014 at € 3.68 and remained largely unchanged in comparison to the closing price of the previous year (€ 3.67).

RECORD HIGHS IN MAJOR INTERNATIONAL STOCK MARKETS

In the beginning of 2014, the World Bank forecast an increase in global economic output of 3.0% for 2014; however, growth was expected to remain uneven across the globe. In the course of 2014, the continued stabilisation from the Chinese market was weaker than expected and the continuing Eurozone crisis and political conflicts not only in Syria, Afghanistan, Egypt and Iraq but also in Russia and the Ukraine were a source of potential uncertainty for the global economy. Although developed economies such as the USA, Europe and Japan were still struggling with slow growth and uncomfortably low inflation in 2014, the economic strength was nevertheless present and especially the German economy benefitted from the Chinese and the strengthening US economy. As a result, stock markets around the world reacted very volatile in 2014. The positive performance of the German leading stock market index DAX – as well as the performance of many of the major international stock market indices – was carried by an ongoing expansionary monetary policy by major central banks keeping interest rates at record lows which left only very few investment alternatives in 2014. Against this background, investors again showed an increasing risk appetite. However, global growth in 2014 was lower than initially expected. According to the World Bank the economic growth picked up marginally in 2014 to 2.6% from 2.5% in 2013. Global growth for 2015 is expected to rise moderately to 3%.

In view of the above-mentioned economic development, the DAX reached a new all-time-high of 10,087 points on 05 December 2014 following its previous all-time high of 10,050 points on 20 June 2014 and closed with a year-on-year increase of 2.7%. The main benchmark index for the Evotec share, TecDAX, gained about 17.5%. The EURO STOXX 50 and the Dow Jones Industrial were up 1.2% and 7.5%, respectively.

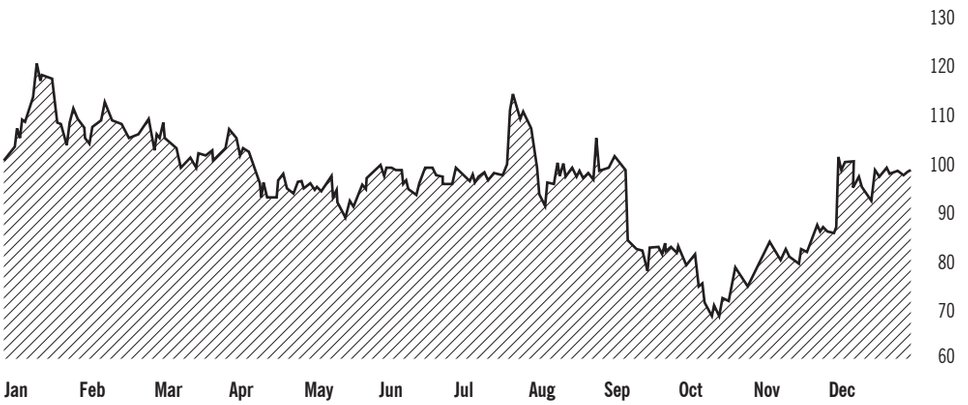
BIOTECH INDUSTRY – FERTILE GROUND FOR INVESTMENTS

The megatrends in the pharmaceutical and biotechnological industry – innovation outsourcing, industry consolidation and extension of value chains – which have been dominant over the last years also continued in 2014. Consequently, the biotech industry again posed a very interesting investment case in 2014. According to a report by Burrill & Company, the M&A deal values increased by 188% compared to the end of 2013, driven by several multi-billion dollar deals. According to Burrill Media, the US Treasury Department took steps in September 2014 to discourage US corporations from seeking to acquire or merge with offshore companies in so-called inversions to avoid US taxation. Such inversions have been a substantial driver of M&A activity in the life sciences industry in 2014 and the new rules will likely slow activity and could lead to more restrictive legislation.

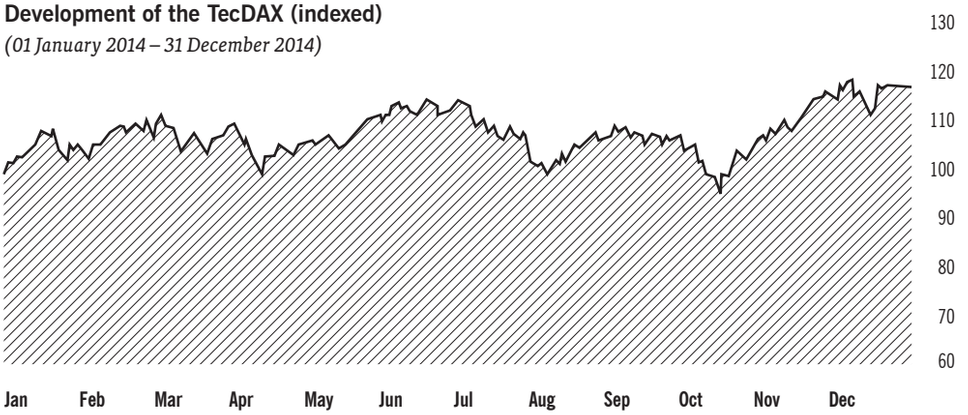
During 2014, life science companies nearly raised $ 10.4 bn globally in about 126 initial public offerings globally, thereby exceeding the already very impressive figure of 66 life science

IPOs completed in 2013, the best IPO result since 2000. Although these IPOs mainly took place in the US, it seems like the European IPO scenery is gaining momentum again, with nineteen biotech IPOs completed in Europe in 2014. An increasing number of new product approvals, growth in R&D investments and a record number of products in clinical trials are mainly responsible for the excitement about the future of the biotech sector. Although investors' appetite for life science IPOs slowed in the second quarter of 2014, there was still plenty of interest concerning innovative ideas coming out of the pharmaceutical and biotechnology industry in the USA and the third quarter of 2014 again saw a growing number of IPOs in the USA. Of the major biotech indices, the AMEX Biotech Index was up 47.6% while the NASDAQ Biotech Index gained 34.1% during the year, heading for new record levels and again outperforming other investment sectors. The expectation is that if economic indicators continue to trend up, the markets will remain robust.

Development of the Evotec share (indexed)
(01 January 2014 – 31 December 2014)



Development of the TecDAX (indexed)
(01 January 2014 – 31 December 2014)



A VOLATILE PERFORMANCE OF THE EVOTEC SHARE 2014

Following a strong performance at the beginning of the year, Evotec's shares developed broadly in line with the German TecDAX during the second quarter of 2014. The third quarter of 2014 again saw a strong performance by the Evotec share due to a positive news flow regarding new collaborations and milestone achievements until Evotec announced that Hyperion Therapeutics, Inc. would terminate the development of DiaPep277® because they discovered alleged scientific fraud regarding the trial data. No Evotec employees were involved in the alleged fraud relating to this compound's clinical trial data, but Evotec was entitled to future royalties and milestones. Given the situation of the programme, Evotec does no longer expect this project to hit the market and the Evotec share price was adversely affected by this announcement at the beginning of September 2014. However, following Evotec's announcement in the beginning of December that it had entered exclusive negotiations about a major multi-component alliance with Sanofi which is expected to close in the first half of 2015, Evotec's stock price rose by almost 15%, regaining some of the percentage points it had lost over the course of 2014. Furthermore, the strong performance of Evotec's base business (business segment EVT Execute) supported the upward trend of the Evotec share, especially in the third quarter of 2014. Evotec's average daily trading volume on all German stock exchanges amounted to 777,215 shares in 2014, compared to 993,229 shares in 2013. Evotec's share price closed the year 2014 at € 3.68 and remained unchanged from its opening price for 2014.

ONLY A SLIGHT CHANGE IN CAPITAL STRUCTURE DUE TO EXERCISE OF STOCK OPTIONS

In 2014, Evotec made no new acquisition where the Company used shares. Consequently, as of 31 December 2014, Evotec's capital structure remained broadly unchanged compared to the end of 2013. Due to the exercise of stock options totalling 250,683, Evotec's registered share capital increased to € 131,710,876 at year-end 2014 (year-end 2013: € 131,460,193), resulting in a total of 131,710,876 ordinary shares outstanding.

Furthermore, a total of 66,500 stock options were serviced out of treasury shares. As of 31 December 2014, a total of 272,315 treasury shares from the trust agreement terminated in 2012 were remaining.

At year-end 2014, three shareholders were known to have exceeded the 3% threshold: Roland Oetker with ROI Verwaltungsgesellschaft mbH held just below 15%. US financial investor BVF and other subsidiaries of BVF Partners L.P. held approximately 12%. TVM V Life Science Ventures GmbH & Co. KG held just below 10% of the Evotec

SHARE DATA

Ticker symbol	*EVT*
Securities identification number	*566480*
ISIN	*DE0005664809*
Reuters symbol	*EVTG.DE*
Bloomberg symbol	*EVT GY Equity*
Stock exchange, market segment	*Frankfurt Stock Exchange, Prime Standard; OTC Markets, OTCBB*
Index	*TecDAX*
Designated Sponsor	*ODDO SEYDLER BANK AG*

KEY FIGURES PER SHARE	2014	2013
High (date)	*€ 4.51 (15 Jan)*	*€ 5.08 (05 Nov)*
Low (date)	*€ 2.57 (16 Oct)*	*€ 2.06 (19 April)*
Opening price	*€ 3.68*	*€ 2.68*
Closing price	*€ 3.68*	*€ 3.67*
Weighted average number of shares outstanding	*131,291,257*	*121,215,288*
Total number of shares outstanding as at 31 December	*131,710,876*	*131,460,193*
Average trading volume (all exchanges)	*777,215 shares*	*993,229 shares*
Market capitalisation as at 31 December	*€ 481.8 m*	*€ 480.9 m*
Earnings per share	*€ (0.05)*	*€ (0.21)*

ANALYST COVERAGE

ODDO SEYDLER BANK AG	*Igor Kim*
Commerzbank AG	*Volker Braun*
Deutsche Bank AG	*Gunnar Romer*
DZ Bank AG	*Heinz Müller*
Edison Investment Research	*Mick Cooper*
getinsight Research GmbH	*Benjamin Ludacka, Thomas Schießle*
Highline Research Advisors	*Michael J. Higgins*
Kempen & Co N.V.	*Mark Pospisilik*
Montega AG	*Stefan Schröder, Tim Kruse*

FINANCIAL CALENDAR

24 March 2015	*2014 Annual Report*
12 May 2015	*Q1 2015 Interim Report*
09 June 2015	*Annual General Meeting 2015*
12 August 2015	*Half-year 2015 Interim Report*
10 November 2015	*Nine-month 2015 Interim Report*

shares. Free float according to Deutsche Börse AG, which is used to determine the weighting of the Evotec stock in stock indices, was approximately 65% of the capital stock.

PROFESSIONAL INVESTOR RELATIONS

It is an integral part of Evotec's strategy to maintain a professional dialogue with capital market experts. During the financial year 2014, the Company gave insight into the latest developments of the Company and focused on communicating its progress alongside its business segments EVT Execute and EVT Innovate, following its strategy to increase innovation efficiency. Progress was proven by positive news regarding extended and expanded partnerships as well as milestone achievements, especially in the second half of the year. Following the announcement by Hyperion Therapeutics, Inc. that it discovered alleged scientific fraud regarding the trial data of a project Evotec had milestone and royalty rights on, the Investor Relations team was keen on keeping up a transparent dialogue with the capital markets, assuring that Evotec was not involved in the development of this project. Management held presentations at seventeen national and international investor conferences as well as at eleven road shows in key financial centres, primarily in Germany, UK, the Netherlands, France, Austria and Switzerland, complemented by activities in the United States.

The Company's Annual General Meeting in June attracted approximately 257 shareholders and guests, representing 34.86% of the Evotec share capital (2013: 40.45%).

THE DEFINITION OF GOOD CORPORATE MANAGEMENT AND SUPERVISION

Corporate Governance Report 2014

Evotec takes its Corporate Governance responsibilities very seriously. As a consequence of its shares being listed on the Frankfurt Stock Exchange and its international shareholder base, the Company adheres not only to German but also to international Corporate Governance standards. Evotec's Management Board and Supervisory Board are convinced that complying with rigorous Corporate Governance standards is of great benefit to the Company. Therefore, Evotec reviews and enhances its Corporate Governance practices on an ongoing basis.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code as amended on 24 June 2014 (the "Code") sets forth substantial legal requirements for the management and supervision of listed German companies. The rules are based to a large extent on internationally recognised standards for sound and responsible company management.

The general key principles of sound Corporate Governance are: observance of shareholder and employee interests, effective cooperation between the Management Board and the Supervisory Board and open and transparent communication.

With the following exceptions, Evotec complies with all recommendations of the Code and the majority of the Code's suggestions. In December 2014, Evotec's Management Board and Supervisory Board declared in accordance with Section 161 of the German Stock Corporation Act (AktG):

"Evotec AG has complied in 2014 with the recommendations of the Governmental Commission on the German Corporate Governance Code (the "Code") as published in the official section of the Federal Gazette and intends to comply in the future with the recommendations of the Code, with the following exceptions:

▸ *To incentivise executives via variable long-term incentive compensation, the 2012 Annual General Meeting in June approved the so-called Share Performance Plan. This complies with the recommendations set forth in Section 4.2.3 of the Code. In particular, it refers to specific key performance indicators and defines a "Maximum Target". From 2012 onwards, the Share Performance Plan replaced Evotec's stock option programme. Stock options issued in existing stock option programmes remain valid. While the exercise of options under these programmes requires an increase of the share price, the exercise is not related to other relevant comparison parameters as recommended in Section 4.2.3 of the Code. This decision is based on the lack of relevant comparison benchmarks in the field of German Biotech at the time when the stock option programmes were created.*

▸ *The Company's D&O insurance and the deductible for members of the Management Board contained therein are in line with Section 3.8 of the Code and with the regulations of the Act on the Appropriateness of Management Board Compensation (VorstAG) that was enacted in 2009. However, for members of the Supervisory Board, the D&O insurance contains a "reasonable" deductible as foreseen by the version of the Code in force before its version published on 05 August 2009. The Company has decided to maintain this reasonable deductible. This decision was made in view of the Company's interest to attract international expertise for its Supervisory Board and the fact that a deductible for non-executive directors is not very common in international practice. Whilst a lot of the German companies quoted on the TecDAX do not have a respective deductible at all, the Company believes that a reasonable deductible is a good compromise.*

▸ *The Supervisory Board has specified concrete objectives regarding its composition, which are ensured when making proposals to the Annual General Meeting (AGM) for election or re-election of new Supervisory Board members. These objectives and Supervisory Board's Rules of Procedure include inter alia that the individual age of a candidate shall not exceed 72 years at the time of the proposal. All members of the Supervisory Board were up for election at the AGM 2014. To ensure the required expertise and some element of continuity in the Supervisory Board after the AGM 2014, it was proposed to the AGM as an exemption that due to his professional expertise Dr Walter Wenninger should serve again as Supervisory Board member although Dr Walter Wenninger was already 76 years at the AGM 2014. The Rules of Procedure of the Supervisory Board allow an exemption from the general age limit of 72 years at election. The AGM has elected Dr Wenninger as Supervisory Board member."*

The current Declaration of Compliance with the German Corporate Governance Code and the declarations of the past five years can be found on Evotec's website (www.evotec.com) in the section 'Investors ▸ Corporate Governance'.

GENERAL INFORMATION ON EVOTEC'S MANAGEMENT STRUCTURE

TWO-TIER MANAGEMENT AND CONTROL SYSTEM: MANAGEMENT BOARD AND SUPERVISORY BOARD

According to the German Stock Corporation Act (AktG), a two-tier system with clear separation of "management" through the Management Board ("Vorstand"), and "control" through the Supervisory Board ("Aufsichtsrat"), is mandatory for German stock corporations. The Management Board is responsible for managing Evotec and representing the Company in its dealings with third parties, while the Supervisory Board appoints and dismisses the members of the Evotec Management Board and oversees the management of the Company. German law prohibits the Supervisory Board from making management decisions. The two boards, however, work closely together to achieve long-term and sustainable growth for the Company and to create shareholder value. They agree on the Company's strategy and on business transactions that are significant. The Annual General Meeting ("Hauptversammlung") is the company body representing the interests of the shareholders.

MANAGEMENT BOARD ("VORSTAND")

The Management Board of Evotec AG is responsible for the day-to-day operations of the Company and is supported by the Management Team. In its business operations and decisions, the Management Board acts on behalf of the Company and works towards its progress with the objective of sustainable creation of value, thus taking into account the interests of the shareholders, the employees and other stakeholders. The Management Board is appointed by the Supervisory Board.

The Evotec Management Board consists, in addition to the CEO, of three further board members. In accordance with a suggestion of the Code, new members are appointed for up to three years; however, prolongations of existing contracts might be up to five years as currently agreed with the Chief Executive Officer. Management Board members may be reappointed and may be dismissed with good cause prior to the completion of their terms of office. Members of Evotec's Management Board have accepted no more than a total of three Supervisory Board mandates in non-Group listed companies or in supervisory bodies of companies with similar requirements. Information on the mandates and professional affiliations of the members of the Management Board can be found on page 119.

The Company's rules of internal procedure assign functional duties and responsibilities to the Management Board members. The CEO is functionally responsible for the areas of Corporate Development, Investor Relations and Corporate Communications, the CFO for Finance, Controlling, Information Technology, Legal, Purchasing, Facility Management and Human Resources, the COO for Evotec's EVT Execute segment and global operations and the CSO for Evotec's EVT Innovate segment and Intellectual Property.

The Company has a global presence and an international customer base. Therefore, organisational diversity is a key consideration when it comes to managerial appointments. Currently, three out of four members of the Management Board are non-German.

SUPERVISORY BOARD ("AUFSICHTSRAT")

Following the Articles of Association, the Evotec Supervisory Board consists of six members. The term of all members of the Evotec Supervisory Board expired at the end of the Annual General Meeting 2014. The three members Mary Tanner, Roland Oetker and Prof. Dr Andreas Pinkwart decided not to stand for re-election as members of the Supervisory Board. Instead, the AGM elected Prof. Dr Wolfgang Plischke, Prof. Dr Iris Löw-Friedrich and Prof. Dr Paul Linus Herrling as new Supervisory Board members. Dr Walter Wenninger, Dr Claus Braestrup and Bernd Hirsch were re-elected. Therefore, as at 31 December 2014, Evotec's Supervisory Board consisted of six independent members who, in accordance with the Code's recommendations, were appointed on the basis of their qualifications, work experience, independence and diversity.

The Supervisory Board appoints a chairman and one vice-chairman from among its members. The members of the Supervisory Board are elected for five years and may be re-elected. The term of the current members of the Evotec Supervisory Board will expire at the end of the Annual General Meeting held in the year 2019.

To ensure compliance with these recommendations, the Supervisory Board has specified concrete objectives regarding its composition, which are ensured when making proposals to the AGM for election or re-election of new Supervisory Board members. These objectives stipulate that the activities of the Company shall be represented by having a majority of independent Supervisory Board members with national and international experience in the respective fields of (i) Research and Development, (ii) Finance, Capital markets, Legal, Corporate Governance, (iii) Marketing and Sales and Operations and (iv) Healthcare Economy/Public Health. Potential conflict-of-interest situation(s) shall be avoided by deploying the highest scrutiny when assessing potential candidates. In addition, the Supervisory Board shall ensure that the individual age of a candidate shall not exceed 72 years at the time of the proposal. Diversity with regard to female representation shall be ensured by having a minimum of one female member of the Supervisory Board. Overall, the Supervisory Board shall be composed in such a way that the majority of its members are independent and that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

Currently, the composition of Evotec's Supervisory Board fulfils all those objectives with one exception: all members are independent, three nationalities are represented and there is one female member. However, to ensure the required expertise and some element of continuity in the Supervisory Board after the AGM 2014, it was proposed to the AGM as an exemption to the age-related objective that due to his professional expertise Dr Walter Wenninger should serve again as Supervisory Board member although he was already 76 years at the AGM 2014. The Rules of Procedure of the Supervisory Board allow an exemption from the general age limit of 72 years at election.

Tenures and composition of Supervisory Board committees*

	END OF TENURE[1)]	AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
Prof. Dr Wolfgang Plischke (Chairman)	*2019*		*× (Chair)*
Dr Walter Wenninger (Chairman until 16 June 2014; Deputy Chairman since 17 June 2014)	*2019*		*×*
Dr Claus Braestrup	*2019*	*×*	
Prof. Dr Paul Linus Herrling	*2019*		*×*
Bernd Hirsch	*2019*	*× (Chair)*	
Prof. Dr Iris Löw-Friedrich	*2019*	*×*	
Roland Oetker[2)] (Deputy Chairman until 16 June 2014)	*2014*		*×*
Prof. Dr Andreas Pinkwart[2)]	*2014*	*×*	
Mary Tanner[2)]	*2014*	*×*	

[1)] Following the Annual General Meeting in June 2014

[2)] Until Annual General Meeting on 17 June 2014

**Information on the professional affiliations of Supervisory Board members can be found on page 118.*

No former member of the Management Board is a member of the Supervisory Board. The Supervisory Board appoints Management Board members considering the diversity of the Management Board, provides advice to the Management Board and oversees its activities. The Supervisory Board, and in particular its Chairman, regularly consults with the Management Board and is thus informed at all times about the business planning and development, the strategy of the Company as well as its risk environment and compliance. In addition, the Supervisory Board plays a key role in decisions of fundamental importance.

Business activities of fundamental importance requiring approval of the Supervisory Board include:

- The strategic and operational direction of the Company;
- Annual budget targets and significant deviations from budgets;
- Significant changes in the drug development pipeline;
- Investments outside the Company's ordinary course of business (including in-licensing) in excess of € 2.5 m;
- Establishing and acquiring companies or changing the Group structure;
- Business contracts outside the Company's ordinary course of business that have significantly different risk profiles;
- Out-licensing contracts worth in excess of € 5 m;
- Granting loans or liens, providing guarantees, issuing bonds or any measures of capital acquisitions;
- Buying or selling real estate property; and
- Establishing new business operations or significantly revising existing business operations.

The Supervisory Board has its own internal rules of procedure (see www.evotec.com; 'Investors ▸ Corporate Governance ▸ Policies and Charters') and complies with the Code's suggestion to hold occasional separate discussions.

The Supervisory Board was not aware of any potential conflicts of interest among any of its members in the course of 2014.

Information on the professional affiliations of board members and on related party transactions can be found on pages 114 and 116.

WORK IN SUPERVISORY BOARD COMMITTEES IN ACCORDANCE WITH THE CORPORATE GOVERNANCE CODE

A significant proportion of the Supervisory Board's work is conducted in committees. From among its members, Evotec's Supervisory Board has established, pursuant to the German Stock Corporation Act and the recommendations of the Code, an Audit Committee as well as a Remuneration and Nomination Committee. Members of both committees are appointed in accordance with the Code.

Evotec's Audit Committee, comprising three members, supports the Supervisory Board in independently monitoring the Company's financial reporting activities and in auditing reports. In particular, the Audit Committee scrutinises the Company's accounting processes, the effectiveness of the internal control system and the audit. In addition, it discusses the quarterly and half-year reports with the Management Board. Within the scope of the audit of the financial statements commissioned by the Supervisory Board, the Audit Committee also discusses certain steps and procedures of the audit with the appointed auditing firm, including the auditors' independence, the additional services rendered by the auditor, the issuing of the audit mandate to the auditing firm, the determination of auditing focal points, the fee agreement and compliance issues. The members of the Audit Committee possess the required skills and experience. As a current Chief Financial Officer, the Audit Committee's Chairman Bernd Hirsch not only is independent, but also has the required specialist knowledge and experience in the application of accounting principles and internal control processes. Neither the Chairman of the Supervisory Board nor a former member of the Management Board may become Chairman of the Audit Committee. Evotec's Audit Committee Charter can be found on the Company's website (www.evotec.com) in section 'Investors ▸ Corporate Governance ▸ Policies and Charters'.

The main duties and responsibilities of the Company's Remuneration and Nomination Committee are to prepare the appointment of

Management Board members and to prepare recommendations concerning their remuneration system and Share Performance Plan. Final decisions are made by the full Supervisory Board. For information about the appropriateness of the compensation of individual board members please see page 73 of the "Remuneration Report".

More details on the activities of the Supervisory Board can be found in the "Supervisory Board Report" on page 24.

SUPERVISORY BOARD EFFICIENCY AUDIT

On a regular basis, the Supervisory Board examines the efficiency of its activities as recommended in the Code. To date, all such audits have led to the conclusion that the Supervisory Board is organised efficiently and that the Management Board and the Supervisory Board interact efficiently and effectively.

ANNUAL GENERAL MEETING

Shareholders may exercise their voting rights at the Annual General Meeting. Each share entitles the shareholder to one vote. This year's Annual General Meeting, at which approx. 35% of the share capital was represented, took place in Hamburg on 17 June 2014.

Evotec offers shareholders who are unable to attend the Annual General Meeting the opportunity to access key parts of the event live on the internet. The Company also encourages non-attendees to exercise their voting rights by arranging for independent proxies who are bound to the shareholders' instructions. Shareholders may also authorise a person of their choice to represent them in the meeting. The possibility of a postal vote was not available at the Annual General Meeting 2014.

The remuneration system for the Management Board has not changed since the Annual General Meeting 2012.

REMUNERATION REPORT

Section 4.2.5 of the Code stipulates that the Remuneration Report should be part of the Notes or the Management Report. Accordingly, the remuneration of Management Board members, divided into fixed and variable compensation components as well as any fringe benefits, and remuneration of Supervisory Board members is reported in the "Remuneration Report" of the Management Report on page 76.

DIRECTORS' DEALINGS AND SHAREHOLDINGS

OWNERSHIP OF SHARES AND OPTIONS BY BOARD MEMBERS

The share ownership of members of the Management Board and of the Supervisory Board on 31 December 2014 was as follows: see table below.

DIRECTORS' DEALINGS REGULARLY REPORTED

Under the Securities Trading Act ("Wertpapierhandelsgesetz"), the members of the Supervisory Board and the Management Board of Evotec as well as persons who have a close relationship with these persons are obligated to report trading in Evotec stock so long as the transactions exceed in aggregate € 5,000 (the de minimus threshold) per calendar year. In addition, Evotec has established an Insider Trading Policy (see www.evotec.com; 'Investors ▸ Corporate Governance ▸ Policies and Charters') that sets standards for board members' and employees' trading in Evotec shares and thus ensures transparency.

During 2014, one Directors' Dealing was reported.

CORPORATE GOVERNANCE PRACTICES

COMPLIANCE AND CODE OF CONDUCT

As a matter of course, Evotec abides by the law and by ethical principles. This is shown, amongst

Directors' shareholdings as of 31 December 2014

	SHARES	STOCK OPTIONS	SHARE PERFORMANCE AWARDS
Management Board			
Dr Werner Lanthaler	*526,494*	*940,000*	*722,748*
Colin Bond	*–*	*290,000*	*284,859*
Dr Cord Dohrmann	*41,387*	*340,000*	*303,830*
Dr Mario Polywka	*60,000*	*389,792*	*305,043*
Supervisory Board			
Prof. Dr Wolfgang Plischke	*–*	*–*	*–*
Dr Walter Wenninger	*38,538*	*–*	*–*
Dr Claus Braestrup	*–*	*–*	*–*
Prof. Dr Paul Linus Herrling	*–*	*–*	*–*
Bernd Hirsch	*–*	*–*	*–*
Prof. Dr Iris Löw-Friedrich	*–*	*–*	*–*

Reported Directors' Dealing 2014

DATE	NAME	POSITION	TYPE	NO OF ITEMS	PRICE	TOTAL
15 September 2014	*Dr Werner Lanthaler*	*Member of Management Board*	*Purchase*	*10,000*	*EUR 3.057655*	*EUR 30,576.55*

others, by the Company's Code of Conduct which stipulates fundamental ethical principles, such as integrity and professionalism, that apply to board members and other employees alike.
The Code of Conduct sets standards for

- Accounting and the permissible use of the Company's funds and assets;
- Conduct in cases of insider trading or conflict of interest;
- Compliance with antitrust legislation;
- A work environment free of discrimination and harassment;
- Non-disclosure and protection of intellectual property and business secrets; and
- The duty to report upon the suspicion of an infringement of the Code of Conduct (whistle-blowing).

The Code of Conduct is published on the Evotec website (www.evotec.com) in the section 'Investors ▸ Corporate Governance ▸ Policies and Charters'.

Evotec also complies with the financial market rules. The Company maintains an ad hoc Committee, which consists of the Chief Financial Officer, the General Counsel and the assistant to the Board. This committee examines the ad hoc relevance of insider information and ensures that Evotec complies with the law.

Compliance Programme of Evotec AG is overseen by the Company's Compliance Officer, functioning as an independent and objective body that reviews and evaluates compliance issues/concerns within the organisation.

SUSTAINABILITY

For Evotec, sustainability plays a major role in the Company's business and attitude. Consequently, Evotec sets out its values and economic, ecological and social responsibility. All three criteria are reflected in Evotec's strategy and firmly established in its business processes. Evotec pursues a business model that aims at sustainable growth, creating value for all stakeholders and protecting the interests of its shareholders. Taking responsibility for the Company's employees and business partners and maintaining its commitment to society and a healthy environment are two of Evotec's guiding principles. In its R&D activities, Evotec adheres to the highest scientific and ethical principles.

Further information can be found in the "Sustainability Report" on page 58 in the Management Report.

RISK MANAGEMENT

An important element of sound Corporate Governance is dealing responsibly with risks. Evotec has established an effective risk and opportunities management system that enables the Management Board to detect and react to relevant risks and market developments in good time. The Management Board reports on these to the Supervisory Board. The Company's risk and opportunities management system and policies are covered by the annual audit of financial statements. Details can be found in the Management Report on page 60.

FURTHER INFORMATION

AUDIT OF FINANCIAL STATEMENTS

On a regular basis, Evotec provides financial and business information to its shareholders and other interested parties by publishing its annual consolidated financial statements and quarterly reports. As an incorporated company whose registered head office is located within the European Union, Evotec AG must prepare and publish consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) whilst observing Section 315a HGB (German Commercial Code). The consolidated financial statements of the Evotec Group and the financial statements of Evotec AG are audited by the audit firm and the Supervisory Board. The audit firm is appointed by the shareholders at the AGM and commissioned by the Supervisory Board. It participates at the Supervisory Board's deliberations on the financial statements and reports the most significant results of its audit.

EQUITY INVESTEES AND STOCK OPTION AND SHARE PERFORMANCE PLANS

A list of substantial equity investees as well as details on the Company's stock option plans can be found in the consolidated financial statements on pages 104 and 114.

INVESTOR RELATIONS/TRANSPARENCY

Evotec AG informs its shareholders, financial analysts, the media and the public on a regular basis about its progress. In doing so, the Company complies with all requirements of the Code regarding transparency, timeliness, openness and shareholder equality. Evotec is committed to fair disclosure of information and its communication is governed by a Company Disclosure Policy. It is a prime concern of the Company that all relevant target groups receive the same information at the same time, and this implies communicating in both English and German. The Company's publications are available on its website www.evotec.com, section 'Investors'.

The 'Investors' section of Evotec's website maintains information such as news releases, the financial calendar containing the publication dates of the financial statements, investor relations conferences, annual and quarterly reports, other regulatory news and regularly updated corporate governance information. This section of the website also includes the Articles of Association, the Rules of Procedure of the Supervisory Board, the Audit Committee Charter, the Code of Conduct, the Insider Trading Policy and all declarations of compliance.

Evotec places great emphasis on a continuous dialogue with financial analysts and investors. It conducts at least one analyst meeting every year and telephone conferences when quarterly financial results are published, while ensuring that no stakeholder receives preferential information. In 2014, management presented the Company at seventeen national and international investor conferences.

Supervisory Board Report

The primary task of the Supervisory Board is to supervise and to provide ongoing advice to the Management Board on the management of the Company.

As required by the German Stock Corporation Act (Aktiengesetz), Evotec AG has a two-tier board system consisting of the Evotec Management Board (Vorstand) and the Evotec Supervisory Board (Aufsichtsrat). The Management Board is responsible for managing Evotec and representing the Company in its dealings with third parties, while the Supervisory Board appoints and dismisses the members of the Evotec Management Board and oversees the management of the Company. German law prohibits the Supervisory Board from making management decisions.

The Evotec Supervisory Board consists of six members – as provided in the current Articles of Association – all of whom are elected by the shareholders by a simple majority of the votes cast at an Annual General Meeting ("AGM"). The Supervisory Board appoints a chairman and one vice-chairman from among its members. The members of the Supervisory Board are elected for a term of five years and may be re-elected. The term of all members of the Evotec Supervisory Board expired at the end of the Annual General Meeting 2014. The three members Mary Tanner, Roland Oetker and Prof. Dr Andreas Pinkwart decided not to stand for re-election as members of the Supervisory Board. Instead, the AGM elected Prof. Dr Wolfgang Plischke, Prof. Dr Iris Löw-Friedrich and Prof. Dr Paul Linus Herrling as new Supervisory Board members. Dr Walter Wenninger, Dr Claus Braestrup and Bernd Hirsch were re-elected. The Supervisory Board then approved Prof. Dr Wolfgang Plischke as its new Chairman and Dr Walter Wenninger as Deputy Chairman.

Prof. Dr Wolfgang Plischke
Chairman of the Supervisory Board

A significant proportion of the Supervisory Board's work is conducted in committees. From among its members, Evotec's Supervisory Board has established, pursuant to the German Stock Corporation Act and the recommendations of the German Corporate Governance Code, an Audit Committee as well as a Remuneration and Nomination Committee. Members of both committees are appointed in accordance with the Code. For detailed information about the composition of the Supervisory Board and its committees please see page 21 of the "Corporate Governance Report".

In the course of 2014, the Supervisory Board convened for five formal meetings and two extraordinary meetings to discuss the operational and strategic developments of Evotec AG. The Audit Committee convened separately for four telephone conferences, and the Remuneration and Nomination Committee convened four times in face-to-face meetings.

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

At each Supervisory Board meeting, the status of the Company's business, its scientific initiatives, its development partnerships, out-licensing

activities and regular standard agenda items were discussed.

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

- In March 2014, the Supervisory Board discussed and approved the 2013 annual financial statements in the presence of the auditors and approved the bonus payments for the Management Team for their performance in 2013. The Supervisory Board also approved the acquisition of Manchester-based Euprotec Ltd.
- In June 2014, the Supervisory Board focused on the upcoming AGM, the operational business of the Company and on strategic development opportunities. In addition, the Supervisory Board welcomed its new members and bid farewell to the former members who decided not to stand for re-election.
- In August 2014, the Supervisory Board held an extraordinary meeting on potential strategic development opportunities.
- In its October 2014 meeting, the Supervisory Board discussed the status of the Company's operational business as well as the consequences and potential measures against its contractual partner after Hyperion Therapeutics announced on 08 September 2014 that the DiaPep277® programme was stopped following an alleged detection of fraudulent actions of Evotec's licensee during a clinical trial. This announcement led to a significant interim reduction of Evotec's share price and the write off of the hope for DiaPep277® to become a product. Furthermore, the Supervisory Board discussed and approved the grant of new Share Performance Awards to the Management Board.
- In another extraordinary meeting in November 2014, the Supervisory Board discussed and finally approved the provision of an offer to acquire from Sanofi a research site including the relevant employees in Toulouse, France, together with entering into various collaboration agreements with Sanofi.
- In December 2014, the Supervisory Board reviewed and approved the budget for the year 2015. It discussed the performance of the Company in 2014 and the mid-range plan for the EVT Innovate business.

The financial statements and the Management Report for Evotec AG for the fiscal year 2014 as well as the consolidated financial statements together with the consolidated Management Report of the Evotec Group were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg. For good corporate governance reasons only the Supervisory Board has recommended and the AGM 2014 has approved to elect Ernst & Young as new auditors after several years of KMPG AG, Wirtschaftsprüfungsgesellschaft, being the auditors for the Evotec Group. The managing auditor of Ernst & Young for the Evotec Group is Eckehard Schepers. He is in charge since the AGM 2014. The auditors issued an unqualified audit opinion.

In preparation for the Supervisory Board meeting on 16 March 2015, the auditors presented the status of the 2014 audit, a summary of key audit findings and other relevant topics to the Audit Committee. The Audit Committee used this information as a guideline for its own evaluation of the statements and reports. The auditors participated in the 2015 March meeting of the full Supervisory Board and presented a comprehensive report on the audit and their observations. The Supervisory Board examined both the financial statements and the consolidated financial statements prepared by the Management Board based on its own judgment, taking into account the Audit Committee's input as well as information on key topics provided by the auditors. Following this, the Supervisory Board approved the financial statements of Evotec AG and the consolidated financial statements for the year 2014.

The Supervisory Board was not aware of any potential conflict of interests among any of its members in the course of 2014.

The Supervisory Board thanks the Management Board and the Company's employees for their hard work during the year and wishes them ongoing success for 2015.

Hamburg, 16 March 2015

The Supervisory Board
Prof. Dr Wolfgang Plischke

GROUP MANAGEMENT REPORT 2014

CONTENT

THE EVOTEC GROUP

ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

BUSINESS MODEL

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

The core of Evotec's business is:

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

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

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

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

Further information on Evotec's segments can be found in section "Corporate objectives and strategy" on page 31 of this Management Report.

GROUP STRUCTURE

Evotec AG is a publicly listed stock corporation operating under German law. Evotec AG is the parent company of the Evotec Group and is headquartered in Hamburg, Germany.

In addition to Evotec AG, major operating sites exist in Abingdon and Manchester (UK), Göttingen and Munich (Germany) and South San Francisco and Branford (USA). Further offices in Germany, the USA, the UK and Japan handle Evotec's international business development activities, which are closely integrated with the Group's operations.

Evotec's strategic Group structure reflects the international direction of the Company. Developing and acquiring businesses with assets that complement the Company's offering is a vital part of Evotec's strategy. With affiliates in Germany, the UK and the US, the Group has proven that it is capable of integrating acquisitions and achieving both operational and technological synergies irrespective of geography. All consolidated subsidiaries and other equity investments are listed in Note (34d) to the Consolidated Financial Statements.

The Evotec Group employed 717 people at the end of 2014.

EVOTEC'S PRODUCTS AND SERVICES

Alliances and partnerships

Evotec provides innovative, stand-alone and integrated drug discovery and development solutions to the pharmaceutical and biotechnology industry, ranging from target identification to clinical development through a variety of capabilities and capacities. Evotec's partners include, among others, AstraZeneca AB, Bayer Pharma AG, Boehringer Ingelheim Pharma GmbH & Co. KG, CHDI Foundation, Inc., MedImmune, LLC/AstraZeneca PLC, Genentech, Inc., Jain Foundation Inc., Janssen Pharmaceuticals, Inc., Johnson & Johnson Innovation, Novartis AG, F. Hoffmann-La Roche AG, Shire plc and UCB Pharma (an overview of Evotec's research alliances is provided in the "Research and development" chapter on page 35 of this Management Report).

Major operating entities[1] *as of 31 December 2014*

Evotec AG, Hamburg, D			
Evotec (UK) Ltd. Abingdon, UK 100%	Evotec International GmbH Hamburg, D 100%	Evotec (München) GmbH Munich, D 100%	Evotec (US), Inc. South San Franciso, USA 100%

[1] *Indirect and direct holdings*

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

Drug discovery services

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

Target identification and validation

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

Hit identification (Screening)

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

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

Evotec also supports its customers in the rapid and efficient design and synthesis of compound libraries and in the storage, reformatting and general logistics of compound libraries (compound management).

Hit-to-lead and lead optimisation

In compound optimisation, Evotec has a breadth and depth of expertise across all major target classes and therapeutic areas. With more than two hundred programmes completed for its partners to date, the Group's *medicinal chemistry platform* consistently delivers results with more than thirty pre-clinical development candidates produced for its partners and twenty compounds approved for clinical trials.

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

In the infectious disease therapeutic area, Evotec has state-of-the-art microbiology facilities including a unique and highly characterised strain collection, EvostrAIn™, following the acquisition of Euprotec in 2014.

Overview of Evotec's drug discovery offering

- Molecular biology and cloning
- Bioinformatics
- *In vitro* target validation
- *In vivo* target validation
- Target deconvolution

- Assay development & screening
- (u)HTS[1)]
- High-content screening
- Microbiological phenotypic screening (class 2)
- Electrophysiology
- *In silico* screening technologies
- Fragment-based drug discovery
- Compound management
- Chemoproteomics
- Phosphoproteomics

- Medicinal chemistry
- Hit expansion
- Library design
- High-throughput chemistry
- Target deconvolution
- Protein-ligand crystallography
- *In vitro* & *in vivo* biology
- Early ADMET[2)]
- *In vivo* proof of concept
- Microbiological testing and characterisation (MICs, MBCs)

- Medicinal chemistry
- *In vitro* & *in vivo* biology
- Disease biology and target class expertise
- Cellular selectivity analysis and MoA[3)] analysis
- Translational assays
- Computational chemistry and structure-based drug design
- *In silico* ADMET[2)]
- Biomarker discovery
- PKPD Profiling and mathematical modelling

[1)] *Ultra-high throughput screening*
[2)] *Absorption, distribution, metabolism, excretion, toxicity*
[3)] *Mode of Action*

MARKET AND COMPETITIVE POSITION

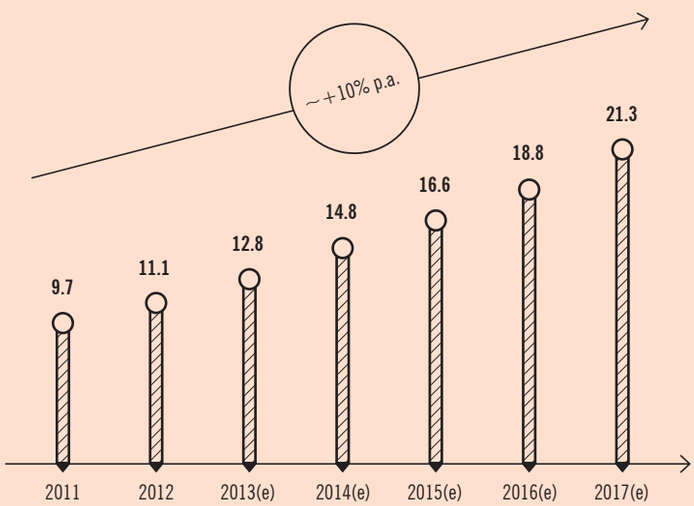
The drug discovery outsourcing market and Evotec's competitive position (EVT Execute business)

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

The use of external innovation solution providers allows fixed costs to be converted into variable costs and also provides expertise in selected areas without the client needing to maintain or build internal capabilities and infrastructure. Based on research by Visiongain, the drug discovery outsourcing market generated $ 9.7 bn in global revenues in 2011 and this is expected to increase to $ 21.3 bn by 2017 and to $ 35.7 bn by 2023, reaching approximately 3.5 times today's market value within the next ten years. In 2011, chemistry services are the largest segment in drug discovery outsourcing, with a market share of 38.9%. However, biological services are expected to increase from their 2011 level of 29.6%. This rise in market share is likely due to the growing complexity and importance of biological and targeted therapies, fast progressing molecular biology and also the emerging market for biosimilars (Source: "Drug Discovery Outsourcing: World Market 2013–2023", report by Visiongain, 2010).

Global drug discovery outsourcing market

Revenues, in $ bn



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

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

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

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

More information regarding Evotec's alliances and partnerships can be found in the "Research and development" chapter on page 35 of this Management Report.

The markets of Evotec's strategic research focus areas and Evotec's competitive position (EVT Innovate business)

In addition to its drug discovery activities, Evotec has ongoing alliances and partnerships with pharmaceutical and biotechnology companies, mainly in the disease areas CNS diseases (especially neurodegenerative diseases including Alzheimer's disease), diabetes and oncology. These disease areas present markets with huge unmet medical needs. The therapeutic markets of these disease areas along with Evotec's approach of focusing on addressing causes rather than on the symptoms of the disease are described below.

CNS diseases

According to the World Health Organization ("WHO"), over 450 million people suffer from CNS disorders globally. The WHO estimates that the burden of brain disorders constitutes 35 to 38% of the total burden of all diseases. A rapidly increasing geriatric population base results in an elevated incidence levels of CNS diseases. CNS disease treatments, though exclusively palliative, already represent one of the three main therapeutic areas worldwide and are expected to reach approximately $ 108 bn in 2017 according to the Jain PharmaBiotech Report (2008), putting them close to cardiovascular diseases and oncology.

The market for CNS disorders is categorised into three segments, namely psychiatry, neurology and pain drugs. Among these, the psychiatry segment, which includes drugs addressing Alzheimer's disease, already holds the largest share, accounting for more than 40% followed by neurology and the pain segment. Furthermore, the Alzheimer's disease market is one of the fastest-growing CNS markets. According to Alzheimer's Disease International, there were 44 million people diagnosed with dementia in 2013 worldwide. It is estimated that this number will almost double by 2030 and more than triple by 2050. The global AD therapeutics and diagnostics market is expected to reach $ 7 bn by 2014.

Evotec has been actively involved in drug discovery and development in neuronal diseases and in particular neurodegenerative diseases for many years and has identified a large number of novel potential targets for AD and other neurodegenerative disorders. One of Evotec's approaches to AD is based on a small molecule inhibitor for monoamine oxidase-B (MAO-B). This approach is currently in Phase IIb clinical studies in partnership with Roche. Furthermore, Evotec has established an AD target

database – a customised system covering all aspects of data produced for potential Alzheimer targets – which it has partnered in the first instance with Janssen Pharmaceuticals.

Diabetes

Diabetes mellitus ("Diabetes") is a chronic incapacitating disease associated with severe lifelong conditions which require intensive monitoring and control, such as cardiovascular diseases, kidney diseases, nerve damage and eye diseases. At present, there is no cure for diabetes and only symptomatic treatment options are available. The most common diabetes types are type 1 and type 2 diabetes. Currently, about 90 to 95% of diabetes patients worldwide have type 2 diabetes. According to the International Diabetes Federation, 387 million people worldwide have diabetes (2013: 382 million). Of these, about 46.3% have not yet been diagnosed and are at risk of costly and debilitating diabetes complications. Concerning the diabetes market volume, approx. $ 612 bn was spent on the treatment of diabetes in 2014 (2013: $ 548 bn).

Through the acquisition of DeveloGen in 2010, Evotec gained access to over ten years of metabolic disease experience in target identification/validation, *in vitro* and *in vivo* pharmacology, regulatory affairs and clinical development. The primary focus is on the identification of novel mechanisms and targets that have the potential to become disease modifying, preventing or even reverting disease progression. In particular, Evotec has accumulated significant capabilities in beta cell biology in pursuit of disease-modifying mechanisms such as beta cell regeneration and protection. In this field, Evotec has built a unique portfolio of partnerships and approaches pursuing potentially first-in-class products.

Oncology

According to the WHO in 2012 there were 14.1 million new cancer cases, 8.2 million cancer deaths and 32.6 million people living with cancer (within five years of diagnosis) worldwide. Cancer deaths are expected to increase to more than 13 million by 2030. According to IMS Health, oncology related drug sales are expected to rise to more than $ 90 bn in 2017.

The development of new, targeted cancer drugs for the treatment of specific cancers continues to be of great importance. Furthermore, innovative technologies such as a focus on epigenetic drug therapies or cancer immunotherapies represent a paradigm shift in the way cancer is treated. Evotec has a long history of contributing to the oncology field through partners, both industrial and not-for-profit, and brings a wealth of drug discovery and biomarker discovery experience to the table.

Pain, inflammation and infectious diseases

Evotec has substantial experience and expertise in key therapeutic areas including pain, inflammation and infectious diseases. Over the last decade, Evotec has collaborated with a variety of biotech and Pharma companies in these therapeutic areas, such as a multi-target collaboration in endometriosis with Bayer Healthcare. In the last year, Evotec has grown its expertise in antibacterial research through the acquisition of Euprotec and leveraged its capabilities in concert with expert academic groups to deliver new options for therapeutic intervention against resistant bacterial infections where there is an urgent and serious medical need.

More information regarding Evotec's alliances and partnerships as well as its internal early-stage assets can be found in the "Research and development" chapter on page 35 of this Management Report.

CORPORATE OBJECTIVES AND STRATEGY

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

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

- **EVT Execute**: The EVT Execute segment provides stand-alone or integrated drug discovery solutions for collaborators' targets and programmes on a typical fee-for-service basis or through a variety of commercial structures including research fees, milestones and/or royalties. Projects are selected to match Evotec's expertise and technology. In these projects, EVT Execute contributes efficiency, project management and speed to the drug discovery process. Over the last couple of years, the Company has invested significantly into upgrading its platforms and to build a systematic, unbiased and comprehensive discovery platform which is accessible to its customers, partners and academic institutions.

- **EVT Innovate**: The EVT Innovate segment focuses on developing its own internal assets including early-stage discovery programmes as well as more advanced drug candidates, which are subsequently positioned for partnering with Pharma clients, usually at pre-clinical stages. Evotec's internal programmes focus on first-in-class and best-in-class projects based on innovative biology. These so called Cure *X* or Target *X* initiatives largely follow indication areas that are firmly established at Evotec: CNS/neurology, diabetes and complications of diabetes, pain and inflammation, oncology and infectious diseases. Projects are also selected to optimally leverage Evotec's drug discovery platform. Ensuing partnerships usually involve upfront and research payments as well as milestones and product royalties.

The focus in 2014 was on realigning the Company's strategic plan through these two segments and demonstrating the value that could be generated via this approach. As a result, Evotec announced in December 2014 that it had entered into exclusive negotiations with Sanofi on a major multi-component strategic alliance which is expected to be signed in the first half of 2015. Further information on the alliance with Sanofi can be found in the "Significant corporate development events 2014" chapter on page 43 of this Management Report.

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

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

	Specific objectives 2014	Major achievements 2014
EVT Execute	▸ Expansion of existing alliances ▸ Significant new long-term deals with big and mid-sized Pharma and biotech ▸ At least one significant new integrated technology/ disease alliance	▸ Deepened collaboration with numerous partners (e.g. CHDI, Jain Foundation, Vifor, Active Biotech) ▸ New long-term alliances (e.g. Convergence, Shire, Medicines for Malaria Venture, Eternygen) ▸ Strategic expansion of protein production in the US with a major Pharma partner ▸ Acquisition of Euprotec adds and expands expertise and capabilities in infectious diseases
EVT Innovate	▸ Expansion of network of top-class academic alliances ▸ Increase in investments in Cure *X*/Target *X* initiatives ▸ Progress of clinical pipeline within partnerships ▸ Partnering of Cure *X*/Target *X* initiatives	▸ Network of academic alliances expanded (e.g. Fraunhofer IME, UKE, DRFZ) ▸ Oncology alliance with Debiopharm Group™ (Target*CanMet*) ▸ Successful completion of all safety studies for EVT201 and initiation of late-stage clinical programmes for registration in China ▸ Recruitment for significant Phase IIb trial completed within Roche alliance (EVT302) in Alzheimer's disease ▸ Acquisition of Bionamics GmbH to accelerate 'EVT Innovate' strategy

Over the past few years, more than a dozen pharmaceutical companies and more than a hundred biotech companies have engaged in partnerships with Evotec on a repeated basis. Following its innovation partnership model, Evotec has begun, especially in the last two years, to build a pipeline of early-stage drug candidates that has attracted significant interest from the pharmaceutical industry.

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

▸ Understanding the needs of the pharmaceutical industry for innovative new medicines

▸ Acquiring a deep understanding of disease biology in core Evotec disease areas

▸ Offering access to the highest-quality resources and a systematic, comprehensive and unbiased drug discovery platform operating at high levels of capital efficiency

▸ Developing a pipeline of first-in-class projects optimally positioned for strategic partnerships

The goals defined for 2015 can be found in the "Business direction and strategy" section of the "Outlook" chapter on page 68 of this Management Report.

PERFORMANCE MEASUREMENT

FINANCIAL PERFORMANCE MEASURES

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

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

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

DEVELOPMENT OF FINANCIAL KEY PERFORMANCE INDICATORS

in T€	2010	2011	2012	2013	**2014**
Revenues	55,262	80,128	87,265	85,938	**89,496**
EBITDA adjusted*	6,480	11,971	10,217	10,394	**7,711**
Liquidity**	70,401	62,428	64,159	96,143	**88,822**

** Adjusted for changes in contingent considerations*
*** Cash and cash equivalents and investments*

The Company's 2014 performance compared to planned figures is presented and discussed in the "Comparison of 2014 financial results with forecast" chapter on page 44 of this Management Report.

NON-FINANCIAL PERFORMANCE MEASURES

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

Quality of drug discovery solutions and performance in discovery alliances (Sustainable development – Key performance indicator 1 (SD KPI1))
Evotec generates the vast majority of its revenues in alliances with Pharma and biotech companies. Consequently, the most important non-financial performance indicators for Evotec are the quality of its drug discovery solutions, performance within its alliances and overall customer satisfaction.

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

Development of Evotec's alliances*
**To the Company's knowledge, no benchmark data is available*

	2010	2011	2012	2013	**2014**
Number of alliances***	72	97	96	106	**150**
Number of alliances*** > € 1 m in revenues	7	15	16	15	**19**
Repeat business	95%	85%	86%	93%	**85%**
New business during the year****	22	45	29*	39	**82****

** Thereof 22 related to acquisitions (Kinaxo and Compound Focus)*
*** Thereof 19 related to acquisitions (Euprotec)*
**** Number of alliances equal number of customers*
***** Number of new customers vs. previous year*

Development of TOP 10 collaborations* (sorted by reporting year)
**To the Company's knowledge, no benchmark data is available*

in T€	2010	2011	2012	2013	**2014**
TOP 1: CHDI	9,211	8,915	9,905	10,423	**11,177**
TOP 2: Bayer	-	-	512	3,998	**10,867**
TOP 3: Janssen	-	-	4,949	6,067	**8,344**
TOP 4 – 10	37,419	54,079	49,834	43,720	**27,066**
Total TOP 10 revenues	**46,630**	**62,994**	**65,200**	**64,208**	**57,454**
Growth in %	*34%*	*35%*	*4%*	*(2)%*	*(11)%*

Notably, several collaborations have increased in size significantly in recent years. This is regarded as a clear indicator of customer satisfaction. In addition, the number of alliances with which Evotec generates more than € 1 m of revenues per year increased from seven in 2010 to nineteen in 2014. Revenues generated with the Company's TOP 10 collaborations amounted to € 57.5 m in 2014, down 11% compared to the previous year. This decrease was mainly due to lower revenues from upfronts and milestones in 2014 compared to 2013. Revenues from Evotec's TOP 1 customer CHDI increased by 7% due to an expansion of the number of FTEs in the collaboration.

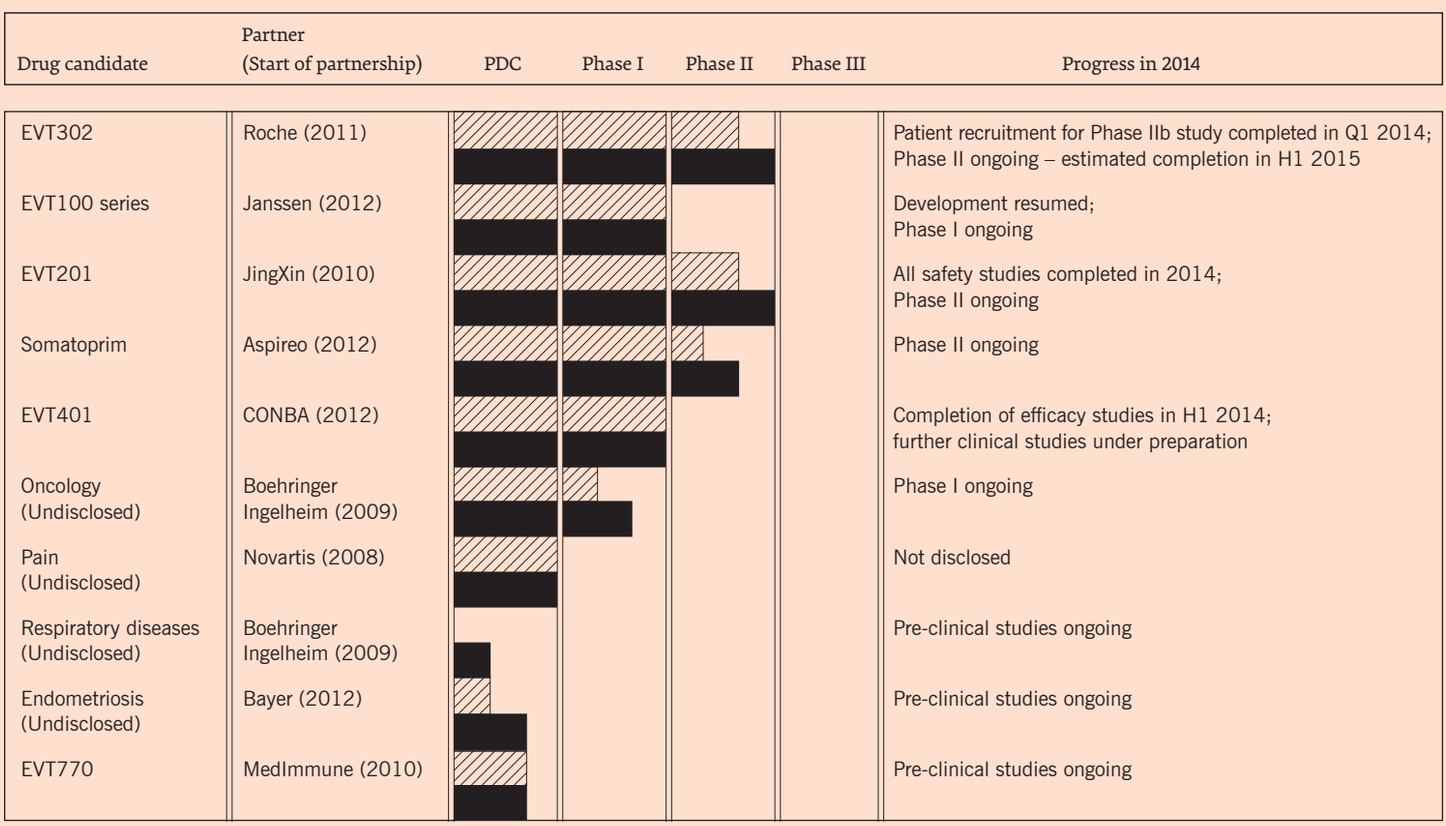
Evotec's repeat business, as defined by the percentage of 2014 revenues coming from customers that the Company already had in 2013, remained high at 85%. In 2014, new collaborations were announced including Convergence Pharmaceuticals Holdings Ltd., Debiopharm Group™, Eternygen GmbH, Medicines for Malaria Venture, The Ohio State University Comprehensive Cancer Center and Shire plc. In addition, substantial contract extensions were signed with Active Biotech, CHDI, the Jain Foundation and Vifor. Evotec also experienced setbacks in its drug discovery pipeline, most notably the termination of Cure*Beta*, a discovery alliance with Janssen Pharmaceuticals.

Research and development performance in development partnerships (Sustainable development – Key performance indicator 2 (SD KPI2))
Evotec is a company which develops novel, innovative pharmaceutical drug compounds. Therefore, the progression of drug candidates within Evotec's partnerships is a second non-financial key performance indicator. Unlike for most biotech companies, success of clinical programmes progressed by its partners represents pure upside for Evotec as all clinical development activities are funded by the Company's Pharma partners. Evotec participates in the progress and success of those programmes through milestone payments and royalties.

Although significant progress was made with the overall portfolio in 2014, the Company recorded a setback with the termination of the DiaPep277® programme by Hyperion Inc. Further information regarding the termination of this advanced programme can be found in the "Significant corporate development events 2014" chapter on page 43 of this Management Report. For a more detailed description of Evotec's advanced drug candidates and its research programmes please see the "Research and development" chapter on page 35 of this Management Report.

Quality and safety performance of products (Sustainable development – Key performance indicator 3 (SD KPI3))
Since Evotec is a high-quality provider of drug discovery services, the quality and safety performance of products is another important non-financial key performance indicator for Evotec. High quality and best practice safety features generate trust and satisfaction among its customers and secure future business. It is important to note that during the past five years no services were recalled and neither fines nor settlement payments related to litigation in Evotec's drug discovery alliances were due.

Status of advanced drug candidates*,**



** To the Company's knowledge, no benchmark data is available*
*** Starting with pre-clinical development stage*

EARLY INDICATORS

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

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

- The development of Evotec's IP position: In order to protect intellectual property, Evotec reviews its patent portfolio on a regular basis (see more details in the "Research and development – Intellectual property" chapter on page 41 of this Management Report).

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

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

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

RESEARCH AND DEVELOPMENT

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

RESEARCH AND DEVELOPMENT – ACTIVITIES

Evotec's pipeline building

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

EVT Execute contributes projects to Evotec's pipeline by entering into partnerships based on the clients' target or intellectual property and receiving research fees and upside including milestones and royalties. By contrast, EVT Innovate contributes projects (so-called Cure *X* and Target *X* initiatives) which are funded by Evotec and based in its own intellectual property. These form the basis of future partnerships with the potential for upfront payments, high margin research payments and significant upside potential in the form of milestones and royalties. Evotec's current pipeline of partnered product opportunities is depicted on page 37.

EVOTEC'S PARTNERED PRODUCT PIPELINE – OVERVIEW 2014

Clinical-stage pipeline

Evotec has a growing pipeline of clinical-stage development partnerships. In all of these partnerships, the projects are fully funded and progressed by Evotec's partners with no further financial obligations for Evotec but significant, potential financial upside in the form of milestones and royalty payments.

The most significant partnerships including their progress in 2014 are listed below.

Roche – EVT302/RO4602522

- **Background** EVT302 is a novel, potent and selective inhibitor of monoamine oxidase type B (MAO-B), an enzyme that breaks down the chemical messenger dopamine in the brain and contributes to the production of free radicals. Free radicals are known to cause oxidative stress, which may contribute to pathogenesis of AD as demonstrated by the up-regulation of MAO-B expression in the brains of AD patients. For these reasons, the selective MAO-B inhibitor is targeted to treat AD symptoms and based on pre-clinical evidence indicating neuroprotective potential may even slow disease progression. Earlier unpublished data from one-year multinational Phase III trials of a first-generation MAO-B inhibitor demonstrated clinical proof-of-concept by slowing symptom progression. Development was, however, subsequently stopped due to isolated reports of safety issues. EVT302 is from a chemically distinct series and was developed as a follow-up based on the positive clinical findings above. The drug would be used in combination with, rather than in competition with, the currently available symptomatic treatments. Alzheimer's disease is characterised by a loss of specific neurons in the brain including those producing dopamine. The resulting deficit in dopamine levels is thought to underlie typical behavioural changes of AD patients such as apathy and subsequent reduction in activities of daily living. In 2006, Evotec in-licensed EVT302 from Roche and developed the compound through Phase I and Phase II studies in a different indication. In 2011, Evotec and Roche entered into an exclusive worldwide agreement for the development and commercialisation of EVT302 in AD.

- **Status** The patient recruitment for the Phase IIb multicentre, randomised, double-blind, parallel-group, placebo-controlled study to evaluate the efficacy and safety of RO4602522 (RG1577/EVT302) in patients with moderate severity Alzheimer's disease was completed in the first quarter of 2014 (542 patients). As a primary outcome measure, changes in cognitive behaviour will be evaluated by means of the AD Assessment Scale – Cognitive Behaviour Subscale. Roche and its subsidiary Chugai (Japan) have also initiated and completed several Phase I

safety trials during 2014. This clinical trial is one of very few late-stage trials in this AD patient population. Results from the Phase IIb study are expected in the first half of 2015.

EVT100 series – Janssen

▸ **Background** The EVT100 series comprises orally active NR2B subtype selective NMDA-antagonists and represents one of the few new approaches in clinical development for depression. Extensive studies over the past 20 years have shown that NMDA receptors are involved in the pathology of depression and other diseases of the central nervous system. Clinical studies of non-selective modulators, however, have been hampered by significant side effects such as hallucinations. Compounds selectively targeting the NR2B subunit containing receptors, such as Evotec's, have proven in pre-clinical studies to retain many of the beneficial effects of non-selective compounds but with improved side effect profiles. The non-selective NMDA receptor blocker ketamine and an NR2B-selective NMDA antagonist have been proven to provide substantial and instant clinical benefit for depressed patients in clinical trials. However, both molecules, for which proof-of-concept has been shown before, require parenteral administration and are not suited for chronic indications. Hence, an orally active therapeutic option is urgently needed. The EVT100 series was originally in-licensed from Roche in 2004. Evotec completed pre-clinical development of the compounds and pursued multiple Phase I studies with EVT101 and EVT103. A development partnership with Roche, initiated in 2009, was dissolved in 2011. The decision to terminate a Phase II study in treatment-resistant patients was triggered by difficulties to recruit patients meeting inclusion criteria defined by the former study protocol. In the fourth quarter of 2012, Evotec successfully partnered its EVT100 series with Janssen. Janssen received an exclusive worldwide licence regarding its NR2B subtype selective NMDA-antagonist portfolio for development against diseases in the field of depression.

▸ **Status** In March 2014, Janssen informed Evotec that despite no longer developing EVT103, it would resume development of the programme in CNS, focusing on another compound from the series.

JingXin – EVT201

▸ **Background** EVT201 is a $GABA_A$ receptor partial positive allosteric modulator developed for the treatment of insomnia. Evotec successfully concluded two Phase II studies, providing excellent safety and efficacy results, but was nevertheless not successful in partnering the compound in the Western market. In October 2010, Evotec entered into a licence and collaboration agreement with JingXin for EVT201. The agreement grants JingXin exclusive rights to develop and market the drug candidate in China.

▸ **Status** In the first half of 2014, JingXin Pharmaceutical Co., Ltd. received approval from the China State Food and Drug Administration ("SFDA") for the EVT201 Phase I study; this single ascending dose study has been completed successfully. The results are in-line with those generated by Evotec. All of the data met the required standards to progress the compound into further clinical trials for insomnia. A Phase II study will be conducted in parallel with the Phase I multiple dose study. Patient recruitment is ongoing.

CONBA – EVT401

▸ **Background** EVT401, Evotec's P2X7 receptor, is an ATP-gated ion channel and may provide a novel approach for the treatment of inflammatory conditions. The compound was completely developed in-house. Phase I results in 2009 showed a very good safety profile and confirmed on-target activity. In May 2012, Evotec started an alliance with CONBA, one of the largest pharmaceutical companies in China. The agreement grants CONBA exclusive rights to develop and commercialise the compound for the Chinese market for human indications with the exception of ophthalmological, chronic obstructive pulmonary disease (COPD) and endometriosis.

▸ **Status** In the first half of 2014, as requested by SFDA, CONBA completed *in vivo* efficacy studies for EVT401 which demonstrated that EVT401 is effective against experimental arthritis in non-human primates. Development of a clinical formulation is ongoing for use in clinical trials.

Pre-clinical and discovery stage

Beyond its partnered clinical-stage partnered product pipeline, Evotec has a broad and deep pipeline of partnered product opportunities at pre-clinical and discovery stages.

In April 2014, Evotec entered into a research collaboration and licensing deal (Target*CanMet*) with Debiopharm Group™ Lausanne, Switzerland. The objective of this collaboration is to identify and develop novel compounds having the potential to treat multiple forms of solid tumours and leukaemias with defined genetic alterations. Discovery and pre-clinical development efforts are driven by Evotec, whilst Debiopharm will manage clinical development. Evotec receives R&D funding and significant double-digit total payments triggered by clinical, regulatory and commercial milestones, plus royalties on sales of resulting commercial products.

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

Effective in April 2014, Evotec acquired the German-based company Bionamics GmbH ("Bionamics"), an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry. Bionamics brought to EVT Innovate a portfolio of funded projects that bear considerable upside for Evotec.

In October 2014, Boehringer Ingelheim decided not to pursue EVT070 further in the disease area of diabetes. The compound has been returned to Evotec and is now being investigated in other indications.

Milestone achievements within existing alliances

In April 2014, Evotec reported the successful achievement of a milestone in its biomarker alliance with Roche. The milestone was achieved on the decision by Roche to use a response prediction marker, identified using Evotec's Proteome Profiling platform, in an extended phase I oncology trial. This is the first milestone achieved under the collaboration and licence agreement between Evotec and Roche, signed in 2011, which is part of the *m4 Munich Biotech Cluster Personalized Medicine and Targeted Therapies* initiative. Evotec is eligible for further success-based payments upon clinical companion diagnostics development.

In June 2014, Evotec disclosed that its research alliance with Boehringer Ingelheim had reached a milestone triggering revenues of € 1.0 m for

Large portfolio of product opportunities with significant upside

Molecule	Indication	Partner	Discovery	Pre-clinical	Phase I	Phase II	Phase III
Clinical							
EVT302[1)]	Alzheimer's disease	Roche					
EVT201	Insomnia	JingXin					
Somatoprim	Acromegaly	Aspireo					
EVT100	CNS diseases	Janssen					
EVT401	Inflammation	CONBA					
ND[2)]	Oncology	Boehringer Ingelheim					
ND[2)]	Oncology	Roche					
Pre-clinical							
ND[2)]	Pain	Novartis					
ND[2)]	Oncology	Boehringer Ingelheim					
Various	Endometriosis	Bayer					
EVT770	Diabetes – type 2/1	MedImmune/AstraZeneca					
ND[2)]	Pain	Boehringer Ingelheim					
Discovery							
Various	Inflammation	UCB					
Various	Diabetes – type 2/1	MedImmune/AstraZeneca					
Various	Diabetes – type 2/1	Harvard					
Various	Kidney disease	AstraZeneca					
Various	Oncology	Debiopharm Group					
Various	Alzheimer's disease	Johnson & Johnson Innovation					
Various	CNS/MS	Neu[2]					

[1)] *RO4602522* [2)] *Not disclosed*

Evotec. The milestone was for the transition of a back-up compound from a respiratory programme into pre-clinical development.

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

In July, September and December 2014, Evotec achieved milestones in its Target*AD* collaboration with Janssen Pharmaceuticals, Inc. ("Janssen") for the identification and selection of targets from the Target*AD* database. These target selections were achieved under the agreement between Evotec and Janssen, facilitated by the Johnson & Johnson Innovation Center in California, signed in November 2013. Under the terms of the agreement, Janssen and Evotec are collaborating to identify new drug targets for the discovery of novel treatment approaches to Alzheimer's disease. Janssen has the option to internalise selected targets and therapeutic candidates and progress them into pre-clinical and clinical development. Janssen funds target drug discovery research via a combination of defined research payments and progress-related milestones.

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

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

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

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

The goal of EVT Innovate is to grow aggressively through additional Cure *X* and Target *X* projects and partnerships. Many projects have been initiated in 2013 and 2014 and the current pipeline of opportunities is shown below.

R&D projects initiated within EVT Innovate

2011	2012	2013	2014
▸ **Cure*Beta*** (Harvard Stem Cell Institute)	▸ **Cure*Nephron*** [1] (Harvard, BWH, USC, AstraZeneca) ▸ **Target*SP*** (Internal) ▸ **Target*ASIC*** [1] (BMBF/undisclosed Pharma partner) ▸ **Somatoprim** (Aspireo) ▸ **Target*PicV*** (Haplogen) ▸ **Target*CanMet*** [1] (Debiopharm)	▸ **Target*ImmuniT*** (Apeiron) ▸ **Target*DBR*** (Yale) ▸ **Target*FX*** (Internal) ▸ **Target*PGB*** (Harvard) ▸ **Target*KDM*** (Dana-Farber, Belfer) ▸ **Cure*MN*** (Harvard) ▸ **Target*EEM*** (Harvard) ▸ **Target*AD*** [1] (NBB/J&J)	▸ **Target*SX*** (Internal) ▸ **Target*BCD*** (Internal) ▸ **Target*DR*** (Internal) ▸ **Target*ColCan*** (Internal) ▸ **Target*KX*** (Internal) ▸ **Target*Cytokine*** (DRFZ) ▸ **Undisclosed** (Fraunhofer) ▸ ...

[1] *Today at least partly progressed under commercial partnership*

Expanding the bridge to academia

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

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

In December 2014, Evotec announced a research collaboration with the laboratories of Prof. Roger Briesewitz at The Ohio State University Comprehensive Cancer Center - Arthur G. James Cancer Hospital and Richard J. Solove Research Institute. The objective of the collaboration is to progress a novel mechanism for engaging the KRas target discovered at The Ohio State University using Evotec's technology platform and broad expertise in drug discovery and pre-clinical development, thereby validating and progressing novel leads into pharmaceutically developable candidates.

Development of R&D expenses

in T€	2010	2011	2012	2013	**2014**
Clinical	1,033	2,512	516	106	116
Discovery	1,804	1,897	2,972	5,246	9,027
Platform R&D	868	1,101	1,942	1,754	742
Overhead R&D	2,411	2,927	2,910	2,558	2,519
Total R&D	**6,116**	**8,437**	**8,340**	**9,664**	**12,404**
Funded R&D	3,878	1,648	554	425	703

In 2014, Evotec's R&D expenditure grew for the fourth year in a row. R&D expenses amounted to € 12.4 m. The significant increase compared to the previous year was due to higher strategic investments in Cure *X* and Target *X* initiatives. Going forward, Evotec will continue to diligently invest in areas that can potentially deliver a significant return in the near term via upfront and research collaboration payments, while at the same time generating a strategic pharmaceutical pipeline of product candidates with milestone- and royalty-bearing potential. The associated costs for contract research conducted under service agreements and R&D alliances with Pharma or biotech companies are not accounted for as R&D expenses in the Company's P&L but shown under "Costs of revenue".

UPDATE ON EVT EXECUTE ACTIVITIES IN 2014

New alliances

In March 2014, Evotec began a research alliance with Panion Ltd ("Panion"), a subsidiary of Convergence Pharmaceuticals Holdings Ltd. Convergence is a UK company focused on the development of novel, high value analgesics to treat chronic pain. Panion Ltd was awarded a £ 2.4 m Technology Strategy Board Biomedical Catalyst Early Stage Round 2 grant to discover and develop compounds against a novel GPCR pain target. Within this alliance, Evotec is responsible for undertaking key drug discovery activities and works closely

with the Convergence team to identify pre-clinical candidates over the next three years. Upon meeting certain pre-clinical milestones, Convergence and Evotec will jointly progress the assets further into the clinic or via partnering.

In May 2014, Evotec entered into a three-year drug discovery collaboration with Shire to develop novel small molecule inhibitors against a target to treat Fabry's disease, an inherited lysosomal storage disease. As part of the collaboration, Evotec applies many facets of its world-leading drug discovery engine including high-throughput screening, fragment-based screening, computational chemistry and structure-based medicinal chemistry to address both hit identification and then lead optimisation.

In August 2014, Evotec entered into a multi-year compound management agreement between Evotec (US) Inc. and Medicines for Malaria Venture ("MMV") in support of MMV's Malaria and Pathogen Box initiatives. In this collaboration, Evotec leverages its industry-leading and long-standing compound management services to support MMV's efforts to establish, maintain and distribute vital research tools to the global malaria research community.

Contract extensions and expansions

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

In September 2014, Evotec and Jain Foundation Inc. extended and expanded the collaboration first signed in 2012 and extended in 2013. This next phase of collaboration includes the screening of compound libraries in multiple assay formats to further support the Jain Foundation's goals of understanding and curing dysferlinopathies, a group of inherited skeletal muscular dystrophy diseases.

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

Others

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

In the first half of 2014, Evotec acquired Euprotec, based in Manchester, UK. Euprotec is a leader in anti-infective drug discovery services and has unique capabilities, which augment and complement Evotec's high-end drug discovery platform such as: anti-infective screening, early PKPD (Pharmacokinetic/Pharmacodynamic) profiling, an extensive range of disease and efficacy models for characterisation of anti-bacterials, anti-fungals, anti-virals and StrainBank (EvostrAIn™), a unique collection of clinical isolates.

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

Molecule	Partner	Indication	Status	Next milestone	Commercials
CNS/Neurology pipeline overview					
EVT302	Roche	Alzheimer's disease (MAO-B)	Phase IIb, recruitment completed	Completion of Phase II, Phase III start	$ 10 m upfront, up to $ 820 m milestones, significant royalties
EVT201	JingXin	Insomnia	Phase II	Start clinical trials	Milestones, royalties
EVT100 series	Janssen	CNS diseases (TRD)	Phase II/Pre-clinical	Confirmation of pre-clinical study/ Phase II start	$ 2 m upfront, up to $ 173 m milestones, significant royalties
Various	NEU[2]	CNS/Multiple sclerosis	Pre-clinical/Various	ND[1)]	ND[1)]
Various	CHDI	Huntington's disease	Discovery	ND[1)]	Research payments
ND[1)]	Genentech	Neurodegeneration	Discovery	ND[1)]	Research payments
ND[1)]	Shire	Fabry's disease	Discovery	ND[1)]	Research payments
Target*AD*	Johnson & Johnson Innovation	Alzheimer's disease (Novel MoA[2)])	Discovery	ND[1)]	Up to $ 10 m research payments, approx. $ 125-145 m milestones, royalties
Target*ASIC*	BMBF, undisclosed Pharma	Multiple sclerosis	Discovery	Lead status	Co-funded
Cure*MN*	Harvard	Amyotrophic lateral sclerosis	ND[1)]	Pharma partnership	–

Molecule	Partner	Indication	Status	Next milestone	Commercials
Diabetes and diabetic complications pipeline overview					
EVT770	MedImmune/ AstraZeneca	Type 1 and 2 diabetes (beta cell regeneration	Pre-clinical	Phase I	€ 5 m upfront, high margin research payments, up to € 254 m milestones/ product, significant royalties
ALM	MedImmune/ AstraZeneca	Type 1 and 2 diabetes (beta cell regeneration)	Discovery	Phase I	€ 2 m upfront, high margin research payments, up to € 183 m milestones/ product, significant royalties
Various	AstraZeneca	Kidney disease	ND[1)]	ND[1)]	Undisclosed upfront, high margin research payments, milestones/product, royalties
Target*EEM*	Harvard	Type 1 and 2 diabetes (enteroendocrine mechanisms)	Discovery	Pharma partnership	–
Cure*Nephron*	Harvard Stem Cell Institute	Chronic kidney disease	Discovery	Pharma partnership	–
Oncology pipeline overview					
Somatoprim (DG3173)	Aspireo	Acromegaly/NET	Phase IIa	Pharma partnership	Consulting fees, royalties
ND[1)]	Boehringer Ingelheim	Oncology	Phase I	ND[1)]	Research payments, milestones, royalties
ND[1)]/Biomarker	Roche	Oncology	Phase I	ND[1)]	Success-based milestones
ND[1)]	Boehringer Ingelheim	Oncology	Pre-clinical	ND[1)]	Research payments, milestones, royalties
Target*ImmuniT*	Apeiron	Various (Immunotherapy)	Discovery	Pharma partnership	Shared research costs, milestones, royalties
Target*KDM*	Belfer Institute	Various (Epigenetic targets)	Discovery	Pharma partnership	ND[1)]
Target*DBR*	Yale University	Glioblastoma (brain tumour)	Discovery	Pharma partnership	ND[1)]
Target*CanMet*	Debiopharm	Various	Discovery	ND[1)]	Research payments, milestones, royalties
Pain and inflammation pipeline overview					
EVT401	CONBA	Inflammation (P2X7 inhibitor)	Phase I/II	Phase II start	Up to € 60 m milestones, royalties
Various	Bayer	Endometriosis	Pre-clinical	Pre-clinical candidate	€ 12 m upfront, up to € 580 m milestones, royalties
Various	Boehringer Ingelheim	Various/Pain	Pre-clinical	Phase I start	Undisclosed upfront, research payments, milestones, royalties
ND[1)]	Novartis	Various/Pain	Pre-clinical	Successful PoC[3)]	Research payments, milestones, royalties
Various	UCB	Inflammation	Discovery	Pre-clinical	Research payments, up to € 183 m milestones/product, significant royalties
ND[1)]	Convergence	Pain	Discovery	Pre-clinical	Milestones, significant royalties
Anti-infectives pipeline overview					
Target*PicV*	Haplogen	Viral host targets	Discovery	Pre-clinical candidate	–
Target*PGB*	Harvard	Antibiotics	Discovery	Pre-clinical candidate	–

[1)] *Not disclosed*
[2)] *Mode of Action*
[3)] *Proof of Concept*

All clinical projects are fully financed by partners but Evotec retains a significant stake in these projects in terms of milestones and royalties. An overview of this pipeline is given in the "Status of advanced drug candidates" table on page 34 of this Management Report.

Evotec provides a detailed overview of achievements in research and development in the "Research and development performance" section of the "Performance measurement" chapter on page 32 of this Management Report.

RESEARCH AND DEVELOPMENT – INTELLECTUAL PROPERTY

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

Evotec reviews its patent portfolio regularly and decides whether to maintain or withdraw its patent applications and patents based on the importance of such intellectual property to maintain its competitive position and deliver on its strategy. As of 31 December 2014, Evotec has more than 85 patent families under its full control. All of these are on file or pending through national and/or foreign applications, such as patent applications filed under the Patent Cooperation Treaty or applications filed with the United States Patent Office, the European Patent Office or the Japanese Patent Office.

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

Evotec also pursues certain discovery projects internally. The Company monitors the research activities and results of this in-house research in order to identify patentable drug candidate series which have the potential for partnering. Numerous patent applications have been generated and filed as a result of such activities. In addition, pursuant to agreements with Roche, intellectual property concerning drug candidates of the EVT100 compound family and EVT201 has been assigned or exclusively licensed to Evotec. These drug candidates are protected by diverse composition-of-matter patent families, covering also their therapeutic use in major countries worldwide.

With its deep knowledge in CNS-related diseases, Evotec has established a solid position in the identification and validation of molecular targets involved in Alzheimer's disease and other neurodegenerative diseases. Over the past years, Evotec has built a patent portfolio that covers the use of such targets for diagnostic and drug discovery purposes.

Furthermore, Evotec has established key metabolic disease know-how and complementary drug discovery expertise. The Company has patent-protected biological factors relevant for the regeneration of insulin-producing beta cells and their corresponding use for the treatment of diabetes.

REPORT ON ECONOMIC POSITION

GENERAL MARKET AND HEALTHCARE ENVIRONMENT

GLOBAL ECONOMIC DEVELOPMENT

Global economic development remained subdued in 2014. According to a publication by the World Bank in January 2015, the global economy grew by 2.6% in 2014, which is only a marginal increase compared to worldwide growth in 2013 (2.5%). 2014 was characterised by a number of factors. For example, tensions over Ukraine between the European Union and the United States on the one hand and the Russian Federation on the other resulted in reciprocal trade sanctions. Furthermore, continuous conflicts in the Middle East increased uncertainty. Finally, an outbreak of Ebola haemorrhagic fever in West Africa proved difficult to contain. In the United States, after a surprisingly dismal first quarter, economic activity picked up in the second quarter and GDP growth reached 2.4% at the end of 2014. In the Eurozone, growth came to a halt in the second quarter, mainly on account of weak investment and exports as well as uncertainty about the duration of the economic upswing. Although the economic slowdown persisted in the Eurozone in 2014 as legacies of the financial crisis lingered, the economy moved from recession in 2013 to recovery in 2014 and grew by 0.8%. According to the German Institute for Economic Research, the German economy continued its moderate upward trend in 2014 with a growth rate of 1.5% (2013: 0.4%).

RECENT TRENDS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY SECTOR

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

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

The year 2014 saw a return of venture funding to the biotech industry and there was a significant increase in the volume of IPOs, especially in the USA. Life science companies raised nearly $ 10.4 bn globally from a total of 126 initial public offerings in 2014, thus almost doubling the number of life science IPOs completed in the previous year (2013: 66 life science IPOs).

DEVELOPMENT OF LEGAL FACTORS

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

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

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

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

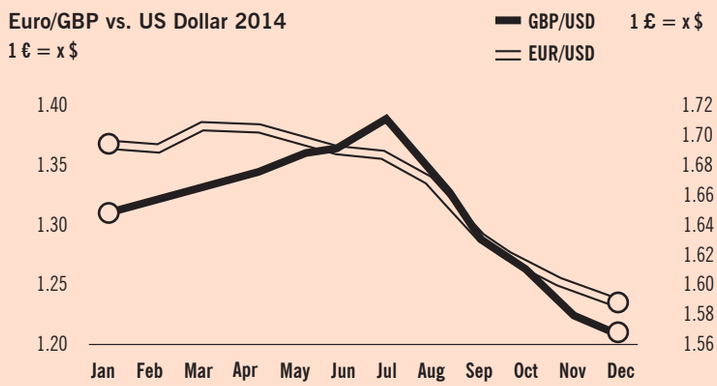
EXCHANGE RATE DEVELOPMENT, INTEREST RATES AND FINANCING

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

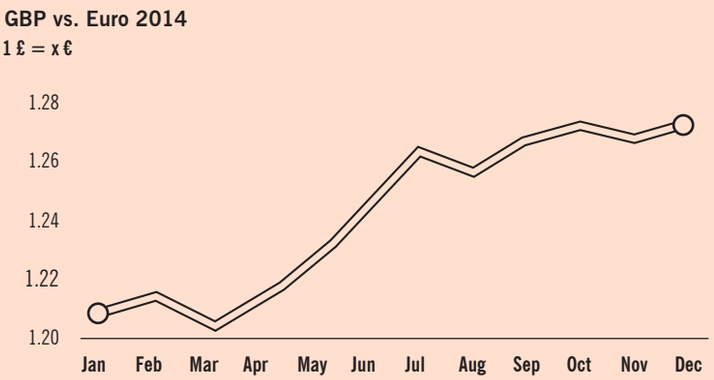
The biggest impact from currency movements on Evotec's financial position in 2014 resulted from the Euro (€) to US dollar ($) exchange rate. The exchange rate fluctuated between $ 1.21 and $ 1.39 to the Euro. As the economic recovery in the USA was stronger than in the Eurozone, the US dollar strengthened against the Euro in the second half of the year. Despite marked Euro/US dollar volatility during 2014, the average exchange rate remained at $ 1.33 per Euro as in the prior year. In terms of cash at the end of 2014, the Euro weakened from $ 1.38 to $ 1.22 to the Euro, which increased Evotec's year-end Euro-denominated liquidity position by € 2.6 m.

The second most important currency for Evotec is the Pound Sterling (£). The Pound Sterling to Euro exchange rate fluctuated between € 1.19 and € 1.28 per Pound Sterling in 2014. The average exchange rate was € 1.24 to the Pound Sterling compared to € 1.18 in the prior year. In terms of liquidity at the end of the year, the Pound Sterling strengthened from € 1.20 to € 1.28 per Pound Sterling, which increased Evotec's year-end Euro-denominated liquidity position by € 0.3 m.

AVERAGE MONTHLY EXCHANGE RATES OF THE COMPANY'S THREE MAJOR CURRENCIES



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



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

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

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

SIGNIFICANT CORPORATE DEVELOPMENT EVENTS 2014

In 2014, the following important corporate developments occurred at Group level. Information on significant events regarding progress in research and development within the business segments EVT Execute and EVT Innovate can be found in the "Research and development" chapter on page 35 of this Management Report.

Successful integration of acquired companies

Signed in March 2014 and effective from 01 April 2014, Evotec acquired the Germany-based company Bionamics GmbH ("Bionamics"), an asset management company that focuses on the translation of academic innovations into attractive assets for the biotech and Pharma industry. The transaction comprised the acquisition of all shares in Bionamics against cash (€ 0.6 m) and potential future earn-out payments amounting to € 0.4 m. According to the agreement, the deferred earn-out payments are due in case of the achievement of certain project revenues within a period of four years after the acquisition. In addition to an experienced management team under the leadership of Dr Timm Jessen, Bionamics brings a portfolio of fully funded projects that have significant upside potential for Evotec.

Effective 27 May 2014, Evotec acquired all of the shares in Euprotec Ltd, a UK-based specialist contract research organisation focusing on infectious disease drug discovery services. The purchase price consisted of a cash consideration of £ 2.5 m and a potential deferred earn-out component of £ 1.25 m in cash. The deferred earn-out payments depend upon the achievement of certain revenue targets within a period of two and a half years after the acquisition. The integration of Euprotec's unique capabilities in anti-infective screening, early PK/PD (Pharmacokinetic/Pharmacodynamic) profiling, an extensive range of disease and efficacy models for characterisation of anti-bacterials, anti-fungals and anti-virals, as well as its StrainBank (EvostrAIn™), a unique collection of clinical isolates, into Evotec has been completed. Significant synergies across Evotec's business segments EVT Execute and EVT Innovate were realised in the course of 2014.

Both acquisitions are completely aligned with Evotec's strategic objective to become the global leader in high-quality drug discovery solutions, also by

means of mergers and acquisitions, and are expected to support the Company's Cure *X* and Target *X* initiatives.

Termination of Hyperion's DiaPep277® programme
On 08 September 2014, US-based Hyperion Therapeutics, Inc. ("Hyperion") announced that it will discontinue the product development of DiaPep277® for the treatment of type 1 diabetes. Hyperion's decision to discontinue development of DiaPep277® was based on evidence that certain employees of Andromeda Biotech, Ltd. ("Andromeda"), which Hyperion acquired in June 2014, engaged in serious misconduct with regard to the use of generated data in order to manipulate the analyses to obtain a favourable result of the Phase III trial.
In 2010, Evotec acquired DeveloGen, the company which originally developed DiaPep277®. Neither Evotec nor DeveloGen have been involved in any aspect or decision-making regarding the clinical development of DiaPep277® following the sale of the compound by DeveloGen to Andromeda in June 2007. In addition, neither Evotec nor DeveloGen had any role in the data generation and analyses. However, as a consequence of the acquisition of DeveloGen in 2010, Evotec holds certain royalty and milestone rights in respect of DiaPep277®. As a result of these developments Evotec accepts that DiaPep277® is unlikely to ever become a product. However, Evotec will attempt to recover outstanding claims and potential damages resulting from the alleged fraudulent activity.

Exclusive negotiations for a major multi-component strategic collaboration with Sanofi
In December 2014, Evotec announced that it had entered into exclusive negotiations with Sanofi on a major multi-component strategic alliance over the next five years. The transaction will further consolidate Evotec's position as the leading drug discovery collaboration partner to the Pharma and biotech industry. The collaboration comprises three major strategic initiatives, all focused on improving innovation efficiency in the drug discovery and pre-clinical development space:

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

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

MANAGEMENT BOARD'S ASSESSMENT OF THE ECONOMIC SITUATION

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

COMPARISON OF 2014 FINANCIAL RESULTS WITH FORECAST

IN LINE WITH 2014 GUIDANCE

Performance against forecasts

	Forecast March 2014**	**Final results**
Revenues*	+5% – 9%	**+7%**
R&D expenses	€ 10–14 m	**€ 12.4 m**
EBITDA adjusted	Similar level to 2013	**€ 7.7 m**
Liquidity adjusted for M&A	> € 90 m	**€ 93.1 m**

** Excluding milestones, upfronts and licences ** As per Annual Report 2013*

Evotec's financial guidance for the full year 2014, as stated in the "Outlook" chapter on page 69 of the 2013 Annual Report, consisted of the following: High single-digit percentage growth for total Group revenues excluding milestones, upfronts and licences; total R&D expenses were forecast to be in the range of € 10 m to € 14 m, an increase above the levels of 2013; Evotec's Group EBITDA before changes in contingent considerations was expected to be positive and at a similar level to 2013; top-line growth was anticipated to generate a positive operating cash flow at a similar level to 2013 and liquidity was expected to exceed € 90 m at 31 December 2014. This forecast excluded any potential cash outflow for M&A-related transactions.

Evotec ended 2014 with base revenues (excluding milestones, upfronts and licences) of € 73.4 m (an increase of 7%), R&D expenses of € 12.4 m and an adjusted EBITDA of € 7.7 m compared to the prior-year amount of € 10.4 m. EBITDA was adjusted for changes in contingent considerations as well as for extraordinary effects in 2014 with regards to the bargain purchase resulting from the acquisition of Bionamics. End of year liquidity after adding back cash outflows for M&A-related transactions amounted to € 93.1 m.

The Company generated a negative operating cash flow of € (3.8) m due to the cash from the Bayer milestones that were recognised in revenues in December 2014 being received in January 2015.

RESULTS OF OPERATIONS

The 2013 and 2014 results are not fully comparable due to the acquisition of Bionamics GmbH ("Bionamics") effective 01 April 2014 and Euprotec Ltd ("Euprotec") effective 27 May 2014. The results of Euprotec and Bionamics are therefore included in the accompanying consolidated income statement for 2014.

For further details on the acquisitions of Bionamics and Euprotec and selected pro forma financial results, see Note 4 to the Consolidated Financial Statements.

Condensed income statement

		2013	**2014**
Revenues	T€	85,938	**89,496**
Gross margin	%	36.3%	**32.8%**
— R&D expenses	T€	(9,664)	**(12,404)**
— SG&A expenses	T€	(16,597)	**(17,990)**
— Amortisation	T€	(3,222)	**(2,462)**
— Impairment result (net)	T€	(25,047)	**(8,523)**
— Restructuring expenses	T€	(474)	-
— Other operating expenses (income)	T€	2,430	**5,620**
Operating income (loss)	T€	(21,351)	**(6,381)**
*Operating income (loss) adjusted**	*T€*	*1,229*	***(825)***
Net income (loss) total	**T€**	**(25,433)**	**(6,978)**
*EBITDA adjusted***	*T€*	*10,394*	*7,711*

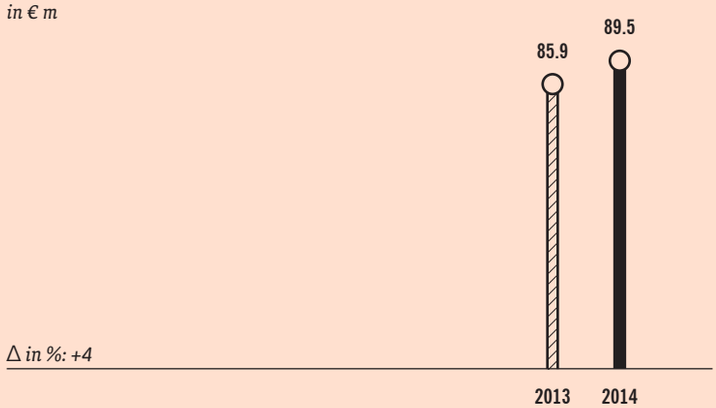
** Operating result excl. impairments, reversal of impairments and changes in contingent considerations*
*** Adjusted for changes in contingent considerations*

REVENUES
REVENUES INCREASE DUE TO STRONG BASE BUSINESS

Total Evotec Group revenues amounted to € 89.5 m in 2014, an increase of 4% compared to the previous year (2013: € 85.9 m). This increase is primarily due to continued growth in the base business. At constant 2013 foreign exchange rates, 2014 revenues would have amounted to € 89.6 m.

Revenues from milestones, upfronts and licences including software licences amounted to € 16.1 m a decrease of 5% in comparison with the previous year (€ 17.1 m). This decrease mainly resulted from lower milestone contributions in 2014 compared to 2013. Excluding milestones, upfronts and licences, Evotec's revenues for the year 2014 increased by 7% to € 73.4 m (2013: € 68.8 m). Revenue contributions from the newly acquired business of Euprotec and Bionamics amounted to € 1.4 m for the year 2014.

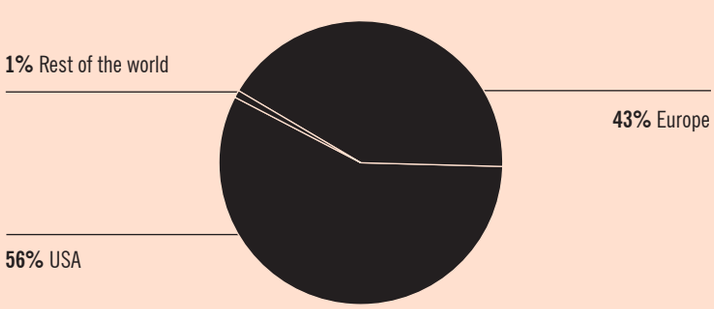
Revenues
in € m



Geographically, 56% of Evotec's revenues were generated with customers in the USA, 43% in Europe, and 1% in Japan and the rest of the world. This compares to 47%, 50% and 3%, respectively, in the previous year.

Revenues from the USA grew by € 10.0 m whereas revenues from Europe and Japan and the rest of the world declined by € 6.4 m. Growth in the US was due to new collaborations such as the Target*AD* collaboration with Johnson & Johnson Innovation signed in November 2013 together with increases in certain ongoing collaborations such as CHDI. The decreased contribution to Group revenues from the European region is mainly due to smaller milestone contributions from European customers compared to the previous year.

Revenues by region

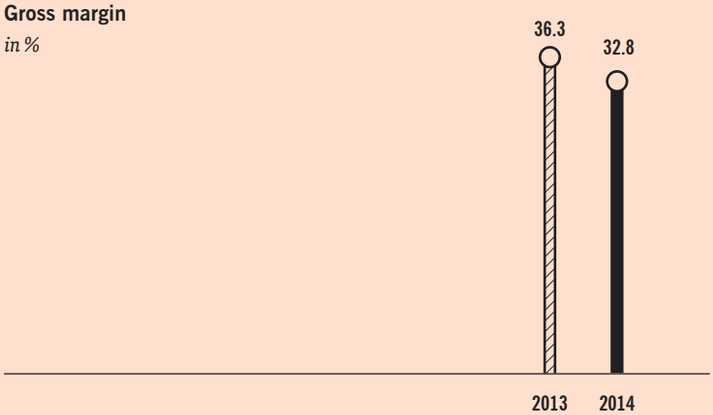


COSTS OF REVENUE/GROSS MARGIN
DECREASE IN MARGIN REFLECTS LOWER MILESTONE CONTRIBUTIONS

Costs associated with Group revenues include the cost of personnel directly associated with revenue-generating projects, facilities and overhead used to support those projects as well as materials consumed in the provision of the product or service.

Costs of revenue increased by 10% to € 60.1 m (2013: € 54.7 m), yielding a gross margin of 32.8% (2013: 36.3%). The reduced gross margin resulted mainly from lower milestones, the partial write-off of the Andromeda receivable and adverse currency movements in 2014 compared to the previous year. At constant 2013 exchange rates, the gross margin would have been 33.9%. Gross margins may continue to vary due to the uncertainty of achieving potential milestone or out-licensing revenues.

Gross margin
in %



RESEARCH AND DEVELOPMENT EXPENSES
HIGHER R&D EXPENSES RESULTING FROM INCREASED INVESTMENT IN CURE *X* AND TARGET *X* INITIATIVES

The associated costs for contract research conducted under service agreements and alliances with Pharma or biotech companies are not accounted for as R&D expenses in the Company's P&L but shown under "Costs of revenue". However, Evotec invests in building, maintaining and upgrading its in-house discovery platforms and developing of assets in key therapeutic areas as part of its Cure *X* and Target *X* initiatives. These activities are the basis for Evotec's reported R&D expenses (a multi-year overview of Evotec's key R&D figures is reported in the "Research and development" chapter on page 38 of this Management Report).

In 2014, R&D expenses amounted to € 12.4 m (2013: € 9.7 m). This increase was due to higher strategic investments in Cure *X* and Target *X* initiatives and the broadening of the EVT Innovate project portfolio. Internal discovery projects accounted for 73% (2013: 54%) of total R&D expenses, while R&D to support specific platform technologies accounted for 6% (2013: 18%). R&D expenses for discovery projects include Cure *X* and Target *X* initiatives like the projects with the universities of Harvard and Yale and the Belfer Institute, as well as several R&D collaborations will small biotech companies. Platform R&D focused primarily on expanding Evotec's already broad discovery and biomarker platforms.

Finally, 20% (2013: 27%) of total R&D expenses is categorised as overhead expenses and consisted of patent costs as well as expenses for managing early discovery programmes and platform technologies (see table below).

R&D expenses by categories

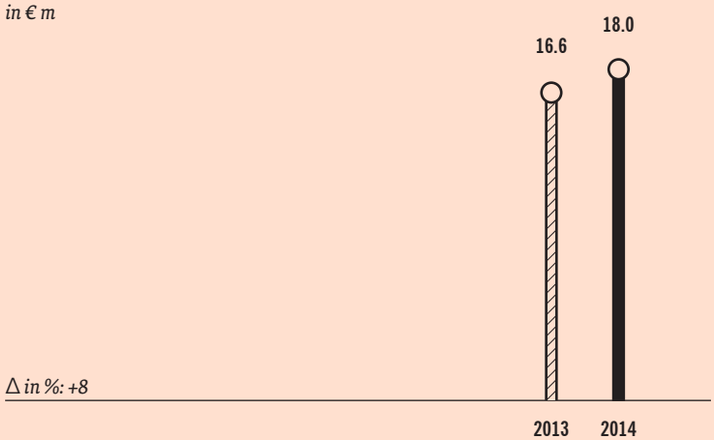
		2013	**2014**
Discovery projects*	T€	5,246	**9,027**
Platform R&D	T€	1,754	**742**
Clinical projects	T€	106	**116**
Overhead expenses	T€	2,558	**2,519**
Total	**T€**	**9,664**	**12,404**

** Discovery projects are those that have not reached the clinical phase*

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
PLANNED INCREASE

In 2014, the Group's selling, general and administrative ("SG&A") expenses increased by 8% to € 18.0 m (2013: € 16.6 m). This increase was mainly due to an increase in business development and administrative activities to support the Company's future growth, M&A activities relating to the strategic collaboration with Sanofi as well as the acquisitions of Bionamics and Euprotec during 2014, resulting in a higher cost base.

SG&A expenses
in € m



IMPAIRMENTS
SIGNIFICANT IMPAIRMENTS IN 2014

In 2014, amortisation of intangible assets decreased to € 2.5 m compared to € 3.2 m in the previous year. This was primarily due to several licences and customer lists having been fully amortised during the previous year.

Evotec recorded an impairment of two intangible assets in 2014, totalling € 15.0 m (2013: € 22.0 m). In the third quarter of 2014, Hyperion announced that it would stop the development of DiaPep277®; as a result, Evotec

impaired the asset value in the amount of € 8.7 m. Furthermore, in October 2014, Evotec received notice that Boehringer Ingelheim had terminated the alliance to develop EVT070 in the disease area of diabetes. This resulted in an impairment of € 6.2 m.
In December 2014, Evotec AG was involved in advanced discussions with an undisclosed partner to extend an existing licence agreement to include also all rights for the lead compound EVT401 except for the Chinese market. This resulted in a reversal of impairment for this intangible asset of € 6.4 m.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses, net amounted to an income of € 5.6 m in 2014 (2013: income of € 2.4 m). This was primarily due to fair value adjustments in the context of the contingent consideration (earn-out) due to the sellers of Evotec (Göttingen) which resulted in net income of € 2.8 m. Furthermore, the termination of the strategic collaboration agreement with 4-Antibody AG for early antibody functionality testing signed in May 2012 resulted in extraordinary income gain of € 1.0 m. In 2014, Evotec elected to claim € 1.5 m under the Research and Development expenditure credit (RDEC) scheme in the UK which is treated like a government grant and therefore recorded as other operating income. In addition, other operating income was favourably affected by proceeds of € 0.1 m resulting from the purchase price allocation for the business combination with Bionamics.

ADJUSTED EBITDA
POSITIVE ADJUSTED EBITDA

Adjusted EBITDA is being disclosed from 2014 onwards and replaces the adjusted operating result as a key performance indicator.

Adjusted Group EBITDA for 2014 was positive at € 7.7 m (2013: € 10.4 m). EBITDA was adjusted for changes in contingent consideration as well as for extraordinary effects in 2014 with regards to the bargain purchase resulting from the acquisition of Bionamics.

Evotec's operating loss amounted to € 6.4 m in 2014 (2013: operating loss of € 21.4 m) mainly due to the impairment and reversal of impairment of intangible assets (€ 8.5 m, net).

EBITDA adjusted

NET RESULT
IMPACT OF INCOME TAXES IN 2014

The Company's net loss in 2014 amounted to € 7.0 m (2013: net loss of € 25.4 m).

The total non-operating result amounted to € 1.2 m (2013: € (2.3) m). This resulted from foreign currency exchange gains due to the strengthening of the Pound Sterling and US dollar against the Euro in 2014 (€ 2.3 m) and was partially off-set by interest expenses of € 1.2 m due to the unwind of the discount relating to the earn-outs.

Tax expenses amounted to € 1.8 m in 2014 (2013: € 1.8 m) and resulted mainly from current tax expenses at Evotec AG and Evotec (UK) Ltd. In 2013, this expense resulted from the impairment of deferred tax assets recognised in the previous year (€ 1.5 m).

The total net result per share for Evotec of € (0.05) (2013: € (0.21)) is based on a weighted average number of shares of 131,291,257 (2013: 121,215,288).

Net result 2014 vs 2013

Multiple-year overview results of operations

in T€	2010	2011	2012	2013	**2014**
Revenues	**55,262**	**80,128**	**87,265**	**85,938**	**89,496**
Costs of revenue	(30,916)	(45,143)	(56,242)	(54,715)	**(60,118)**
Gross profit	**24,346**	**34,985**	**31,023**	**31,223**	**29,378**
Research and development expenses	(6,116)	(8,437)	(8,340)	(9,664)	**(12,404)**
Selling, general and administrative expenses	(15,956)	(15,760)	(16,301)	(16,597)	**(17,990)**
Amortisation of intangible assets	(672)	(1,703)	(2,768)	(3,222)	**(2,462)**
Impairment of goodwill (net)	-	-	-	(1,948)	-
Impairment of intangible assets (net)	-	(557)	(3,505)	(22,023)	**(8,523)**
Impairment of tangible assets (net)	-	-	-	(1,076)	-
Restructuring expenses	-	-	-	(474)	-
Other operating income and expenses (net)	113	(3,321)	(3,311)	2,430	**5,620**
Operating result	**1,715**	**5,207**	**(3,202)**	**(21,351)**	**(6,381)**
Operating result adjusted*	***1,715***	***5,764***	***1,401***	***1,229***	***(825)***
Non-operating income and expense (net)	2,152	49	(1,812)	(2,297)	**1,222**
Profit (loss) before taxes	**3,867**	**5,256**	**(5,014)**	**(23,648)**	**(5,159)**
Tax income (expense)	(882)	1,395	7,492	(1,785)	**(1,819)**
Net result	**2,985**	**6,651**	**2,478**	**(25,433)**	**(6,978)**
Gross margin	44.1%	43.7%	35.6%	36.3%	**32.8%**
Operating margin	3.1%	6.5%	(3.7)%	(24.8)%	**(7.1)%**
Operating margin adjusted	*3.1%*	*7.2%*	*1.6%*	*1.4%*	***(0.9)%***
EBITDA margin	12.4%	15.4%	10.8%	15.1%	**11.9%**
R&D cost ratio	11.1%	10.5%	9.6%	11.2%	**13.9%**
SG&A cost ratio	28.9%	19.7%	18.7%	19.3%	**20.1%**
Personnel costs to total costs	45.8%	42.9%	42.2%	43.9%	**49.9%**

** Operating result excl. impairments and reversal of impairments and changes in contingent considerations*

SEGMENT REPORTING

Since 01 January 2014, the Company has been operating, managing and reporting its business under two segments, EVT Execute and EVT Innovate. Comparable figures for 2013 are not available. A more detailed description of the segments as well as a table showing the segment information can be found in the Notes to the Consolidated Financial Statements on pages 94 to 95 of this report.

Revenues from the EVT Execute segment amounted to € 93.3 m in 2014 and included € 18.5 m of intersegment revenues. The EVT Innovate segment generated revenues of € 14.7 m consisting entirely of third-party revenues.

For the EVT Execute segment, costs of revenue came in at € 64.7 m in 2014, yielding a gross margin of 30.7%. The EVT Innovate segment reported costs of revenue of € 11.2 m, yielding a gross margin of 23.4%. The gross margin of EVT Innovate was negatively affected by the partial write-off of the Andromeda receivable.

In 2014, R&D expenses totalled € 0.9 m for the EVT Execute segment. The EVT Innovate segment reported R&D expenses in the amount of € 14.1 m.

SG&A expenses in 2014 amounted to € 13.6 m for the EVT Execute segment and € 4.4m for the EVT Innovate segment.

The impairment charges of € 8.5 m net in 2014 were all attributable to EVT Innovate.

In fiscal year 2014, the adjusted EBITDA of the EVT Execute segment was positive at € 22.1 m. The EVT Innovate segment reported an adjusted EBITDA of € (14.4) m. EBITDA was adjusted for changes in contingent consideration as well as for extraordinary effects with regards to the bargain purchase resulting from the acquisition of Bionamics.

Segment information 2014

		EVT Execute	EVT Innovate	Intersegment eliminations	Evotec Group
Revenues	T€	93,287	14,672	(18,463)	89,496
— Costs of revenue	T€	(64,677)	(11,240)	15,799	(60,118)
Gross margin	%	30.7%	23.4%		32.8%
— R&D expenses	T€	(921)	(14,147)	2,664	(12,404)
— SG&A expenses	T€	(13,550)	(4,440)	-	(17,990)
— Amortisation	T€	(2,148)	(314)	-	(2,462)
— Impairment result (net)	T€	-	(8,523)	-	(8,523)
— Restructuring expenses	T€	-	-	-	-
— Other operating expenses (income)	T€	2,206	3,414	-	5,620
Operating income (loss)	**T€**	**14,197**	**(20,578)**	**-**	**(6,381)**
*EBITDA adjusted**	*T€*	*22,065*	*(14,354)*	-	*7,711*

* *Adjusted for changes in contingent considerations*

FINANCING AND FINANCIAL POSITION

FINANCIAL MANAGEMENT PRINCIPLES

Evotec manages its financial resources to support its strategy of providing innovative drug discovery solutions and alliances to the pharmaceutical and biotechnology industry. When appropriate, the Company utilises selected debt financing and raises capital through the issuance of new shares. At the end of December 2014, Evotec had a Group liquidity of € 88.8 m. This strong liquidity position allows the Company to invest in Cure *X* and Target *X* initiatives together with top academic partners and biotech companies. In addition, it allows the Company to consider M&A opportunities to acquire additional technologies and assets. Apart from bank debt, the Company has no major long-term financial obligations or liabilities.

Capital expenditure proposals are carefully evaluated by the management to ensure that they are consistent with the business strategy of either maintaining or enhancing the Company's technology platforms and its proprietary research. In addition, each capital investment is assessed in terms of the expected financial return. Capital investments are expected to be financed from the cash generated by the operating business.

Evotec is currently well financed and has no plans or need to raise capital in the near- to mid-term to support its ongoing business and operations. However, the option of increasing capital may be considered at any time. This might be the case if new opportunities arise in terms of M&A, in-licensing or R&D investments requiring additional financing. The Company does not intend to engage in projects unless adequate funding is either allocated or secured.

CASH FLOW

SOLID OPERATING CASH FLOW

Group *cash flow used in operating activities* amounted to € 3.8 m in 2014 (2013: cash flow generated € 6.7 m) and reflected the operating income adjusted for non-cash items like depreciation, amortisation and impairments and a significant increase in working capital. The operating cash flow was negative due to the cash related to significant milestone payments from Bayer that were recorded as revenue in December 2014 being received in January 2015. This was also the main reason for the increase in working capital at year end of € 12.1 m.

Condensed statement of cash flows

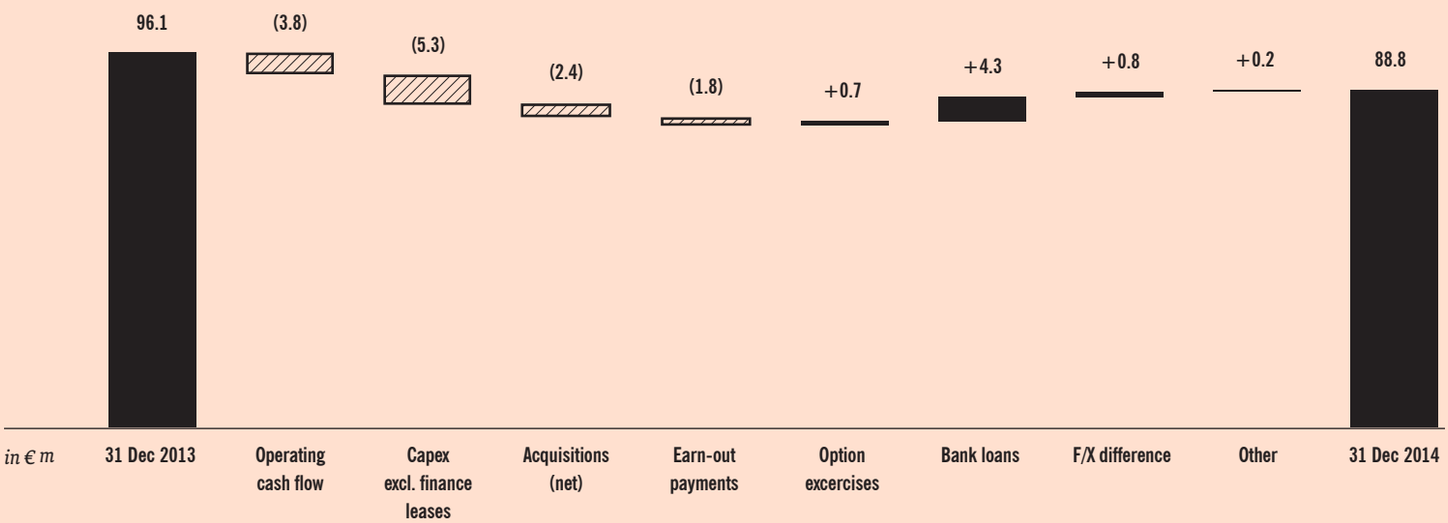
in T€	2013	**2014**
Net cash provided by (used in)		
— Operating activities	6,657	**(3,797)**
— Investing activities	(31,513)	**2,975**
— Financing activities	31,936	**3,096**
Net increase/decrease in cash and cash equivalents	**7,080**	**2,274**
Exchange rate difference	(501)	**792**
Cash and cash equivalents		
— At beginning of year	39,065	**45,644**
— **At end of year**	**45,644**	**48,710**
— Investments	50,499	**40,112**
Liquidity at end of year	**96,143**	**88,822**

Cash flow provided by investing activities was € 3.0 m (2013: cash flow used in investing activities of € 31.5 m). Proceeds from the sale of current investments (€ 37.0 m) significantly exceeded purchases of current investments (€ 26.4 m). The proceeds were used primarily to finance working capital needs, capital expenditure and earn-out payments. Capital expenditure remained at a sustainable long-term level in 2014 and amounted to € 5.3 m (2013: € 5.2 m). The acquisition costs for Euprotec and for Bionamics amounted to € 3.0 m and € 0.5 m, respectively. Acquired cash from these two transactions was € 0.7 m and € 0.4 m, respectively.

Net *cash flow provided by financing activities* amounted to € 3.1 m (2013: € 31.9 m) and mainly related to an increase in long-term debt financing (€ 4.3 m) and to proceeds from the exercise of stock options (€ 0.7 m), partly off-set by earn-out payments (€ 1.8 m).
The impact of exchange rate movements on the net increase in cash and cash equivalents in 2014 was € 0.8 m (2013: € (0.5) m). This was primarily due to the US dollar strengthening against the Euro.

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

Liquidity development



CAPITAL EXPENDITURE
CONTINUOUS INVESTMENT TO UPGRADE AND EXPAND EVOTEC'S CAPACITIES

Capital expenditure amounted to € 5.3 m in 2014 (2013: € 5.2 m) and consisted of investments in new technologies, an expansion of capacity and investment in software licences. The majority of capital expenditure on instrumentation was to support the Company's platform offering, including upgrades to imaging systems, protein production, compound management and biophysical screening. Facility investments focused on the continued development and fit-out of the Manfred Eigen Campus in Hamburg, the fit-out of 300 m² of laboratory area in Abingdon (UK) as well as the fit-out of a new protein production facility in Princeton (USA).

Capital expenditures

COST OF CAPITAL
WEIGHTED AVERAGE COST DECREASED FOR SERVICE ENTITIES

Evotec calculates the cost of capital according to the debt/equity ratio at the end of the year using the weighted average cost of capital ("WACC") formula. The cost of equity capital is the return expected by stockholders, computed from capital market information. Evotec's peer group is predominantly equity-financed and as a result the WACC of these peer group companies is mainly based on the cost of equity capital. The Evotec model uses the yield on long-term risk-free bonds, increased by the risk premium typical for investments in the equity market as well as the beta factors of Evotec's peer group. The risk premium comprises a general market risk and a specific business risk. The analysis period for the beta factor calculation is five years, with annual beta figures determined on a weekly basis and an average subsequently being calculated.

To take into account the different risk and return profiles, Evotec calculates individual post-tax capital cost factors for its different product categories. In 2014, these ranged between 10.3% and 11.4% for the Company's drug discovery and development programmes (2013: 10.6%) and between 7.1% and 8.7% (2013: 8.1% to 9.6%) for the Company's service entities.

LIQUIDITY AND HEDGING

LIQUIDITY AT € 89 M: PROVIDES FLEXIBILITY FOR INVESTMENTS

Evotec ended 2014 with a liquidity of € 88.8 m (2013: € 96.1 m), which was composed of cash and cash equivalents (€ 48.7 m) and investments (€ 40.1 m). Cash and cash equivalents as well as current investments could all be accessed within a period of less than three months. Liquidity in 2014 decreased in comparison with 2013, mainly due to capital expenditure, M&A and related costs like earn-out payments as well as an increased working capital.

The following is a historic trend of the Company's year-end liquidity.

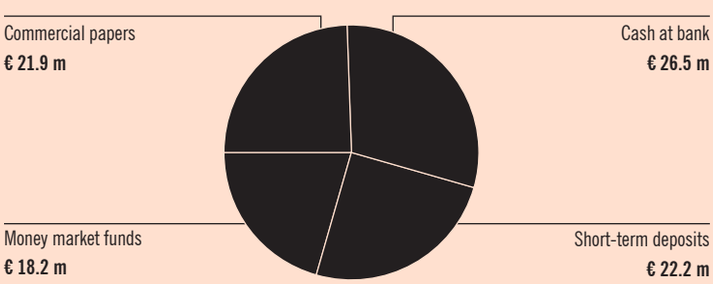
Liquidity as of 31 December

in T€	2010	2011	2012	2013	**2014**
Cash and cash equivalents	21,091	17,777	39,065	45,644	**48,710**
Current investments	46,303	44,651	25,094	50,499	**40,112**
Non-current financial investments	3,007	-	-	-	**-**
Total liquidity	**70,401**	**62,428**	**64,159**	**96,143**	**88,822**

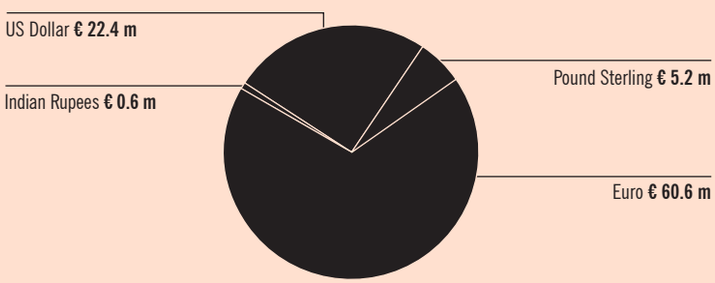
Deposits are primarily held in the three major currencies in which the Group trades – Euro, Pound Sterling and US dollar (see pie chart below). In 2014, approximately 55% of the Company's revenues were generated in US dollars and approximately 35% of its costs of revenue was in Pound Sterling. The Group's primary risk exposure relates to these two currencies. Evotec uses forward contracts and spot transactions to convert US dollars to Pound Sterling to address this risk. At 31 December 2014, the Company held forward contracts until the end of 2015 in the amount of $ 24 m. During 2014, the currency holdings in US dollars increased from € 14.1 m at the end of 2013 to € 22.4 m at the end of 2014. The currency holding in Pound Sterling (31 December 2014: € 5.2 m) was kept at a low level with the objective of having sufficient cash available to meet short-term local operating needs. The Company still held € 0.6 m cash in Indian Rupees. Operations in Thane/India were closed in 2013 and Evotec (India) Private Ltd. is in process of being wound up.

Evotec actively manages its funds to maximise returns while seeking to preserve principal preservation and maintain liquidity. Evotec's cash and investments are held at several banks. Financial investments are only made in liquid instruments and low-risk products with financial institutions rated A- or better (Standard & Poor's ratings or equivalent).

Liquidity by investment type



Functional currency holdings



A CONTINUED CHALLENGING CASH MANAGEMENT ENVIRONMENT

The Evotec Group is exposed to both translational and transactional foreign currency risks. The Company uses forward contracts to hedge its transaction exposures.

In the first half of 2014, the US dollar was constantly weak against the Euro in comparison with the 2013 exchange rates whereas in the second half of 2014 the Euro weakened significantly. Overall, this had a negative impact of € 0.2 m on 2014 revenues and € 0.1 m on gross profit compared to prior year. Pound Sterling strengthened against the Euro in comparison with 2013. This negatively affected the cost base of the UK operations in Euro terms and had an adverse impact of € 0.9 m on the 2014 gross profit. Overall, the gross margin decreased by 1.1 percentage points in 2014 compared to prior year as a result of FX movements. In order to protect itself against adverse currency movements, the Company entered into forward contracts, selling US dollars against Pound Sterling or Euro. This resulted in a realised gain of T€ 462 and an unrealised loss of T€ 155 in 2014.

The notional amounts of currency-related derivative financial instruments held at 31 December 2014 were $ 24.0 m (2013: $ 6.0 m). These were exclusively

forward contracts selling US dollars for Pound Sterling, all with a maturity of up to 12 months.

The Company makes use of bank loans as a tool to manage short-term and medium-term liquidity. During 2014, the sum of debt instruments was increased by € 4.3 m to € 21.5 m at 31 December 2014 (2013: € 17.2 m); thereof € 19.0 m of the bank loans were denominated in Euro and € 2.5 m in Pound Sterling. Furthermore, Evotec had unused lines of credit of T€ 128 and $ 7.5 m at the balance sheet date.

Multiple-year overview of the financial position

in T€	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	**31 Dec 2014**
Liquidity*	70,401	62,428	64,159	96,143	**88,822**
Debt	11,997	15,566	17,402	17,241	**21,549**
Net liquidity	**58,404**	**46,862**	**46,757**	**78,902**	**67,273**
Current liabilities	32,802	42,833	33,882	38,953	**33,068**
Non-current liabilities	26,420	28,135	38,998	29,460	**33,149**
Stockholders' equity	132,637	147,245	152,547	158,967	**158,383**
Total liabilities and stockholders' equity	**191,859**	**218,213**	**225,427**	**227,380**	**224,600**
Cash flow from operating activities	899	10,146	11,957	6,657	**(3,797)**
Cash flow from investing activities**	(9,877)	(15,068)	8,775	(31,513)	**2,975**
Cash flow from financing activities**	(3,367)	2,139	(397)	31,936	**3,096**
Movements in investments and fx-differences	12,152	(5,190)	(18,604)	24,904	**(9,595)**
Net increase/decrease in liquidity	**(193)**	**(7,973)**	**1,731**	**31,984**	**(7,321)**
Capital expenditure	2,433	8,139	8,175	5,160	**5,282**
Investment rate	12.7%	44.0%	32.8%	21.3%	**22.0%**
Capex to write-downs	59.4%	180.7%	135.2%	86.8%	**87.0%**

** Cash and cash equivalents and investments*

*** Presentation 2012 adjusted for payments of subsequent earn-outs*

ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

ACQUISITIONS

With effect from 01 April 2014, Evotec acquired 100% of the shares in Bionamics GmbH, Hamburg, a company focused on the translation of academic innovations into attractive assets for the biotech and Pharma industry. The purchase price of € 0.6 m in cash includes a potential earn-out as contingent consideration amounting to € 0.1 m. The estimated maximum potential earn-out payment amounts to € 0.4 m as of the date of the acquisition.

With effect from 27 May 2014, Evotec acquired 100% of the shares in Euprotec Ltd, Manchester, UK. Euprotec is a specialist contract research organisation and a recognised leader in anti-infective drug discovery services. These capabilities further enhance Evotec's ability to deliver high-quality innovative solutions to its partners on a global scale. The purchase price of € 3.7 m in cash includes a potential earn-out of € 0.7 m as contingent consideration. The maximum potential earn-out payment amounts to € 1.5 m as of the date of the acquisition.

CAPITAL STRUCTURE
EQUITY RATIO REMAINS STRONG AT 71%

In 2014, Evotec's share capital increased by 0.2% to € 131.7 m (31 December 2013: € 131.5 m) and additional paid-in capital went up by 0.3% to € 688.7 m (31 December 2013: € 686.8 m) due to the exercise of stock options. Due to the net loss, total equity decreased by € 0.6 m to € 158.4 m as of the end of 2014 (31 December 2013: € 159.0 m).

In 2014, a total of 317,183 stock options (2013: 1,554,197 options) were exercised. No stock options were granted to Evotec employees in 2014 and 2013. As of 31 December 2014, the total number of options available for future exercise amounted to 3,041,446 (approximately 2% of issued shares). Options have been accounted for under IFRS 2 using the fair value at the grant date.

In 2012, a Share Performance Plan (SPP 2012) was implemented to replace the stock option programme as the Company´s long-term incentive compensation scheme for executives. At the Annual General Meeting in June 2012, contingent capital amounting to € 4 m that was needed to support SPP 2012 was approved. During the fourth quarter of 2014, a total of 1,504,030 awards (2013: 773,757 awards) were granted to the Management Board and key employees under SPP 2012. These awards could result in a maximum

of 3,008,060 bearer shares (2013: 1,547,514) being issued at maturity. Stock-based compensation is described in detail in the "Employees" chapter on page 57 of this Management Report.

Evotec's equity ratio remained strong, amounting to 70.5% at the end of 2013 (2013: 69.9%).

ASSETS AND LIABILITIES
ACQUISITIONS AND IMPAIRMENTS IMPACTED EVOTEC'S BALANCE SHEET IN 2014

The Company's total assets decreased by € 2.8 m to € 224.6 m as of 31 December 2014 (31 December 2013: € 227.4 m).

Current assets as of 31 December 2014 grew by € 2.8 m to € 125.3 m (31 December 2013: € 122.5 m). Cash and cash equivalents decreased by € 7.3 m to € 88.8 m (31 December 2013: € 96.1 m). Trade accounts receivable increased from € 17.8 m as of 31 December 2013 to € 25.3 m at the end of December 2014 due to the high level of revenues in the fourth quarter of 2014 compared to the prior-year period. Inventories increased by € 0.8 m to € 3.1 m at the balance sheet date (31 December 2013: € 2.4 m) due to a higher WIP position. Prepaid and other current assets increased by € 2.3 m to € 6.1 m due to prepayments in the context of customer agreements.

Property, plant and equipment amounted to € 24.0 m in 2014 (31 December 2013: € 24.2 m), thus remaining at a similar level to 2013.

Goodwill and intangible assets decreased by € 5.0 m to € 75.0 m (31 December 2013: € 80.0 m). Whereas intangible assets decreased by € 9.6m due to the impairment of two assets, goodwill increased due to the acquisition of Euprotec (€ 2.5 m) and foreign currency effects of € 4.7 m. The acquisition of Bionamics resulted in a bargain purchase of € 0.1 m (for more details see the "Goodwill and intangible assets" section on page 54 of this Management Report).

In 2014, current liabilities decreased by € 5.9 m to € 33.1 m (31 December 2013: € 39.0 m), mainly as a result of a current loan being refinanced as a non-current loan and a decrease in deferred revenues. Trade accounts payable increased by € 2.8 m from € 6.7 m to € 9.5 m mainly due to significant capital expenditure at the end of the year. Current provisions decreased from € 5.8 m to € 3.7 m, largely due to earn-out payments to the former shareholders of CCS (€ 1.3 m) and Kinaxo (€ 0.5 m). Current deferred revenues decreased by € 3.3 m to € 2.8 m. The decrease resulted from the termination of the CureBeta agreement with Janssen and therefore full realisation of the upfront revenue. The short-term portion of loans amounted to € 13.4 m as of 31 December 2014 (2013: € 17.2 m).

Total non-current liabilities increased by € 3.6 m to € 33.1 m as of 31 December 2014 (31 December 2013: € 29.5 m). The non-current portions of the upfront payments from Bayer, AstraZeneca and Janssen are shown as deferred revenues and decreased by € 4.1 m to € 4.3 m (31 December 2013: € 8.4 m). Non-current provisions fell from € 18.6 m to € 18.0 m and related mainly to potential earn-out payments. The long-term portion of loans increased to € 8.2 m as of 31 December 2014 (31 December 2013: € 0.0 m). Three long-term loans were drawn, on the one hand to redeem short-term loans and on the other hand to finance selected Innovate projects and the acquisition of Euprotec, respectively. Overall, the total amount of loans (current and non-current) increased by € 4.3 m.

Condensed balance sheet

in T€	2013	**2014**
Cash, cash equivalents and investments	96,143	**88,822**
Trade accounts receivable	17,777	**25,259**
Inventories	2,358	**3,111**
Other current assets	6,248	**8,108**
Deferred tax assets	-	-
Property, plant and equipment	24,239	**24,045**
Intangible assets and goodwill	79,962	**75,025**
Other non-current assets	653	**230**
Total assets	**227,380**	**224,600**
Current maturities of loans and finance leases	17,227	**13,363**
Trade accounts payable	6,653	**9,450**
Current provisions	5,788	**3,694**
Other current liabilities	9,285	**6,561**
Long-term loans and finance leases	14	**8,186**
Deferred tax liabilities	1,245	**1,583**
Other long-term liabilities	28,201	**23,380**
Total stockholders' equity	158,967	**158,383**
Total liabilities and stockholders' equity	**227,380**	**224,600**

Working capital calculation

= Current assets excl. cash, cash equivalents and investments
- current liabilities excl. bank loans

in T€	2013	**2014**
Trade account receivables	17,777	**25,259**
Inventories	2,358	**3,111**
Other current assets	6,248	**8,108**
Assets	**26,383**	**36,478**
Trade account payable	6,653	**9,450**
Current provisions	5,788	**3,694**
Other current liabilities	9,285	**6,561**
Liabilities	**21,726**	**19,705**
Working Capital	**4,657**	**16,773**
Δ Working Capital		**12,116**

TANGIBLE ASSETS

In 2013, Evotec adjusted the value of the Indian property, plant and equipment down to its net realisable value (€ 1.1 m) as a result of the decision to close its Indian operations.

GOODWILL AND INTANGIBLE ASSETS

Goodwill impairment

In the fourth quarter of 2014, Evotec performed its annual goodwill review with the result that no goodwill impairment was deemed necessary.

Intangibles impairment

In the third quarter of 2014, Hyperion disclosed that it would stop the development of DiaPep277® due to alleged misconduct by Andromeda employees with regard to the use of generated data. Based on this information Evotec reviewed the related developed technologies and concluded that a full impairment of the asset in the amount of € 8.7 m had to be recorded.

The Company also performed its annual regular review of intangible assets for potential impairment in accordance with IFRS during the final quarter of 2014.

An impairment review was performed of the intangible assets acquired in the acquisition of DeveloGen AG (now: Evotec International GmbH). As a result, an impairment charge of € 6.2 m was booked for the EVT070 programme. The programme was partnered with Boehringer Ingelheim through DeveloGen in May 2009 for the treatment of insulin resistance in type 2 diabetes patients. In October 2014, Evotec received notice that Boehringer Ingelheim had decided not to pursue into clinical development in the disease area of diabetes with EVT070. Evotec is currently investigating the use of the compounds in other indications.

Evotec also performed an impairment review of the intangible assets acquired in the acquisition of Renovis Inc. (now: Evotec (US) Inc.). In December 2014, Evotec AG was involved in advanced discussions with an undisclosed partner to extend an existing licence agreement in order to include all rights for the lead compound EVT401 except for the Chinese market. This resulted in a reversal of impairment for this intangible asset of € 6.4 m.

No impairment was deemed necessary for any of the other intangible assets.

Assets/liabilities not accounted for

The assets of a company do not only consist of quantifiable components, but also of elements that can only be described in qualitative terms. The employees of the Company are the most important asset in ensuring the continued operation and success of Evotec (this topic is covered in more detail in the "Employees" chapter on page 56 of this Management Report).

Excellent customer relationships are also critical to Evotec's success. Respectability, reliability and continuity are key determinants of the quality of customer relationships. The Company not only has an increased customer base, but is also able to use its long-standing experience to quickly establish a successful business relationship with new customers (the five-year trend analysis of Evotec's performance in such alliances is shown in the description of the Company Sustainable Development Key Performance Indicator 1 in the "Performance measurement" chapter on page 32 of this Management Report. In addition, the quality and continuity of Evotec's supplier relationships are highly significant to the Company's success. Evotec collaborates with more than 1,300 vendors throughout the world.

With its broad market acceptance and high market penetration, the Evotec brand represents an intangible asset for the Company. The positive image of the brand among customers, vendors and employees, which has been built up over many years, is very important for the Group's business success.

OFF-BALANCE-SHEET FINANCING INSTRUMENTS AND FINANCIAL OBLIGATIONS

The Company is not involved in any off-balance-sheet financing instruments in the sense of the sale of receivables, asset-backed securities, sale and lease-back transactions or contingent liabilities in relation to special-purpose entities not consolidated. Evotec only has finance leases for company vehicles. These instruments have no material impact on the economic position of the Company.

As of 31 December 2014, the Company had operating lease obligations in the amount of € 40.5 m (31 December 2013: € 37.1 m). The majority of the operating lease obligations relate to rent expenses for facilities.

Other commitments and contingencies consist of consultancy agreements, purchase commitments and guarantees. The future payment obligations resulting from those long-term commitments and contingencies total € 7.2 m (31 December 2013: € 4.5 m) (see note 31 a and b 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, the Company has a commitment to pay milestones, dependent on development progress and/or royalties and milestones dependent on present and future net income or on sub-licensing fees received from third parties.

Multiple-year overview balance sheet structure

in T€	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	**31 Dec 2014**
Cash, cash equivalents and short-term investments	67,394	62,428	64,159	96,143	**88,822**
Trade accounts receivable	11,869	10,393	15,053	17,777	**25,259**
Other current assets	7,429	8,139	8,892	8,606	**11,219**
Property, plant and equipment	18,487	24,946	27,181	24,239	**24,045**
Intangible assets, excluding goodwill	57,615	67,652	63,266	39,826	**30,210**
Goodwill	25,979	42,202	42,342	40,136	**44,815**
Other non-current assets	3,086	2,453	4,534	653	**230**
Total assets	**191,859**	**218,213**	**225,427**	**227,380**	**224,600**
Loans and finance leases	11,997	15,566	17,402	17,241	**21,549**
Trade accounts payable	6,980	10,134	6,363	6,653	**9,450**
Provisions	19,378	25,663	25,731	24,374	**21,651**
Deferred revenues	11,181	5,884	18,064	14,433	**7,150**
Other financial liabilities	9,686	13,721	5,320	5,712	**6,417**
Stockholders' equity	132,637	147,245	152,547	158,967	**158,383**
Total liabilities and stockholders' equity	**191,859**	**218,213**	**225,427**	**227,380**	**224,600**
Working capital	(5,039)	(8,784)	3,287	4,657	**16,773**
Current ratio	2.64	1.95	2.60	3.15	**3.79**
Receivables turnover	4.66	7.71	5.80	4.83	**3.54**
Intangibles and goodwill to total assets	43.6%	50.3%	46.8%	35.2%	**33.4%**
Provisions to total liabilities and stockholders' equity	10.1%	11.8%	11.4%	10.7%	**9.6%**
Equity ratio	69.1%	67.5%	67.7%	69.9%	**70.5%**

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

2014 was another solid year for Evotec following the successful segmentation of the business into EVT Execute and EVT Innovate from 01 January 2014 onwards. In 2014, overall revenues excluding milestones, upfronts and licences increased by 7% to € 73.4 m compared to prior year and thereby continued the growth trend of previous years. However, revenues from upfronts, milestones and licences decreased by € 1.1 m in 2014 compared to the previous year. The year 2014 was a strong year for the EVT Execute segment with revenues amounting to € 93.3 m including € 18.5 m of intersegment revenues. In 2014, the EVT Innovate segment generated revenues of € 14.7 m all of which were third party.

Evotec's strong cash position continued to support the Company's strategy of inorganic growth through the acquisition of technologies and assets as illustrated in 2014 by the acquisitions of Bionamics and Euprotec. The strong cash position also supports the Company's continued investment in proprietary R&D via Cure *X* and Target *X* initiatives in order to generate significant future upside potential. In 2015 and beyond, Evotec's management expects continued growth of the service business and significant new innovative alliances to be concluded.

R&D expenses increased compared to the previous year due to the investment in new Cure *X* and Target *X* initiatives that are expected to provide a source of financial upside in future years.

SG&A expenses increased compared to the previous year, partially due to an increase in business development and administrative activities to support the Company's future growth as well as the acquisitions of Bionamics and Euprotec, resulting in a higher cost base.

Adjusted Group EBITDA for 2014 was positive at € 7.7 m and is expected to remain positive in 2015. In fiscal year 2014, the adjusted EBITDA of the EVT Execute segment was positive at € 22.1 m resulting in an EBITDA margin of 24%. The EVT Innovate segment reported an adjusted EBITDA of € (14.4) m due to the high level of investment in Cure *X* and Target *X* initiatives and required adjustments.

Evotec's year-end liquidity and equity ratio continued to be very strong at € 88.8 m and 71% respectively.

EMPLOYEES

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

HEADCOUNT

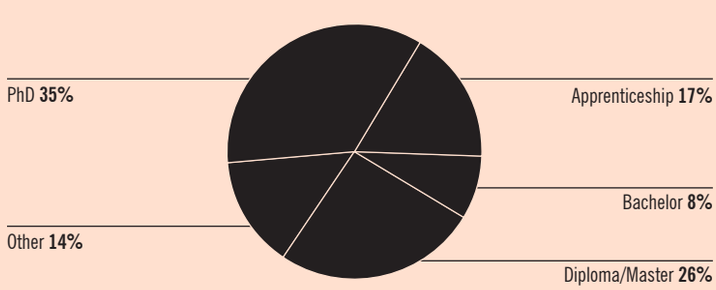
As of 31 December 2014, the Evotec Group employed a total of 717 people worldwide. This is an absolute increase of 107 or 18% compared to the prior year, which reflects the significant expansion of the Company's drug discovery resources and capabilities in every research area across all sites. The increase includes 22 employees from the acquisitions of Euprotec and Bionamics.

Headcount as of 31 December

	2013	**2014**
Research in Germany	264	315
Research in the UK	206	248
Compound Management	28	43
Sales and Administration	112	111
Total Evotec Group	**610**	**717**
Total Germany	321	381
Total UK	243	285
Total India	10	-
Total US	36	51
Total Evotec Group	**610**	**717**

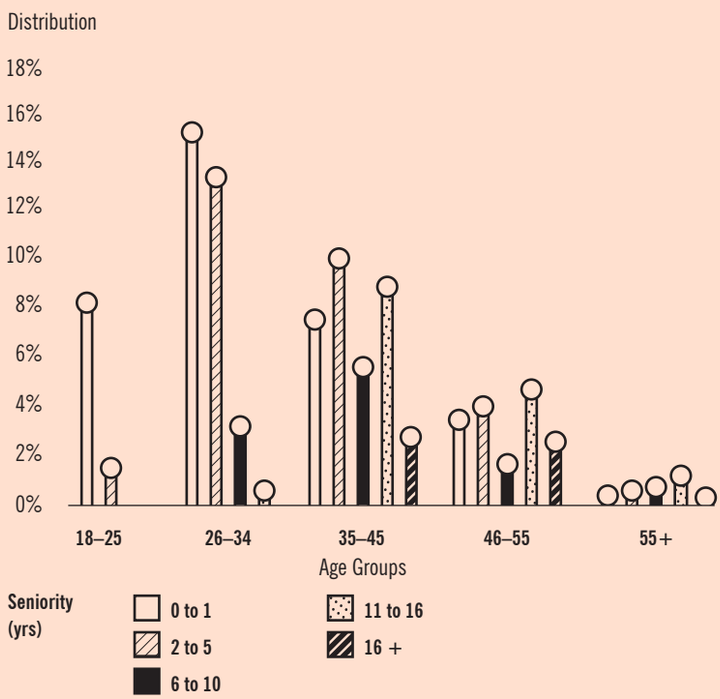
The workforce at Evotec is highly skilled with almost 75% of all employees having an academic education. A total of 249 employees, more than one-third of the Company's total workforce, hold a PhD degree.

Employees by level of education as of 31 December 2014



Approximately 36% of Evotec's employees have worked for the Company for more than five years. The average age of Evotec's employees at the end of 2014 was approximately 38 years.

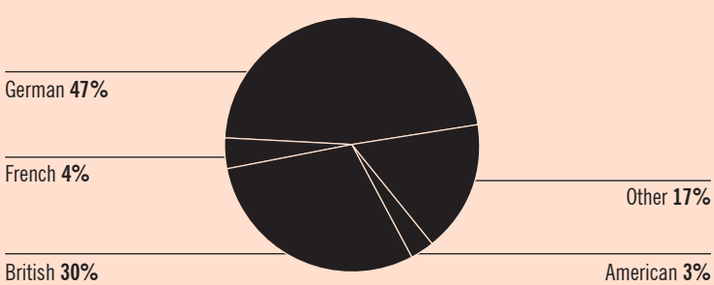
Employees by age groups and seniority



DIVERSITY

Evotec operates in a global industry with an international customer base. Therefore, the Company seeks the most suitably qualified talent regardless of gender, nationality or age. At the end of 2014, Evotec employed individuals of 40 nationalities possessing a rich diversity of skills, capabilities, backgrounds and experience. This diversity brings a range of perspectives and ideas to the workplace.

Employees by nationality as of 31 December 2014



Women account for more than 50% of employees globally. At the junior entry level for newly qualified graduates, more than half of the individuals Evotec hired in 2014 were also females.

WORK-LIFE BALANCE

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

SUCCESSION PLANNING AND DEVELOPMENT

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

EDUCATION AND TRAINING

In support of the succession planning and development programme, two major leadership courses were initiated in 2014 – one for middle management and one for young talents. A total of 112 employees attended these courses with the objective of strengthening their skills and encouraging behaviours which are essential for strong and effective leadership.

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

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

PERFORMANCE MANAGEMENT

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

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

PROCUREMENT AND FACILITY MANAGEMENT IN 2014

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

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

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

In April 2014, Evotec signed a lease contract for a new building in Göttingen with 1,620 m² of laboratories and offices to support further expected growth. The facility is being constructed by a governmental development company and will be leased to Evotec for a fixed twelve-year term. It is expected that Evotec will move into this building in the first half of 2015.

In the fourth quarter of 2014, Evotec (UK) Ltd initiated a fit-out of 300 m² of laboratory area at its Abingdon facility. This will support an expansion of the protein purification business and will release existing space to allow other departments to expand. The new laboratories will be ready for use in January 2015.

In October 2014, Evotec (US), Inc. signed a lease on a site in Princeton, New Jersey, to support protein production and other discovery services for East Coast-based Pharma clients. Evotec converted this site into a functioning drug discovery facility with operations commencing in January 2015. The new facility is modular in approach, meaning that it is scalable to accommodate future business growth.

SUSTAINABILITY REPORT

ECONOMIC, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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

SUSTAINABLE CORPORATE MANAGEMENT AT EVOTEC

Life science – Contributing to the health and well-being of society

Today, there is still no cure available for a large number of serious diseases. Consequently, indirect healthcare costs for treating patients are enormous, especially considering the impact of ageing populations in many countries of the developed world. Hence, the life science industry contributes immensely to the health and well-being of our society.

Evotec aims to address the causes rather than the symptoms of diseases by using its systematic, unbiased and comprehensive technology platform. In addition, the Company aims to develop first-in-class and best-in-class treatments in its key disease areas, using new and innovative cooperation models for its partnerships with pharmaceutical, biotech and healthcare players, academic institutions and regulatory bodies in order to find ways to accelerate the development of drug candidates into clinical development.

Evotec's business model: Driving innovation efficiency for sustainable growth

Innovation efficiency is a key driver for the success of Evotec's business model, which aims at achieving sustainable growth while protecting the interests of its shareholders and creating value for all stakeholders at the same time. These objectives are reflected in the Company's business strategy (see the "Corporate objectives and strategy" chapter on page 31 of this Management Report). The Company's success is measured using both financial and non-financial performance indicators. As recommended by the SD KPI Standard, Evotec employs a number of Sustainable Development Key Performance Indicators ("SD KPI"). These include "Quality of drug discovery solutions and performance in discovery alliances" (SD KPI 1), which measures the commercialisation rate in alliances, "Research and development performance" (SD KPI 2), which measures the progression of drug candidates within Evotec's partnerships and "Quality and safety performance of products" (SD KPI 3), which measures how well products perform in these two areas (see "Performance measurement" on page 32 of this Management Report).

A comprehensive risk management system has been implemented within the Company in order to ensure that factors which could potentially endanger the Company's sustainable performance are recognised at an early stage and adequate countermeasures can be taken (see the "Risk and opportunities management" chapter on page 60 of this Management Report).

The Management Board does not consider Evotec's business model to contain any aspects that contradict the interests of shareholders focusing on sustainable investments.

Corporate Social Responsibility (CSR) and Code of Conduct

At Evotec, the entire Management Board under the leadership of the Chief Executive Officer is responsible for ensuring Group-wide adherence to the Company's sustainability strategy. This strategy is integrated into Evotec's planning and affects the business operations at each Company site. The Company's Ethical Business Conduct Policy, known as the Code of Conduct, includes a description of how this strategy translates into the daily business of every employee at Evotec. The Code of Conduct is published on Evotec's website (www.evotec.com ▸ Investors ▸ Corporate Governance ▸ Policies and Charters ▸ Code of Conduct). It covers topics such as the use of corporate funds and proper record keeping, behaviour with regards to personal conflicts of interest and insider trading, compliance with antitrust laws, employees' working environment, health and safety protection, minimising the impact on the environment, and confidentiality with respect to intellectual property and trade secrets. Evotec's Code of Conduct also provides the framework for responsible and correct behaviour towards business partners. Like all processes in research and development, Evotec's Code of Conduct is based on Company and industry standards and regulations, too.

In order to ensure that a corporate behaviour that complies with these regulations, Evotec's employees are required to immediately report any actions or facts which indicate even the slightest possibility of a breach of this Ethical Business Conduct Policy to the Company's in-house Legal Counsel or the Chief Financial Officer. In addition, no new commitments should be undertaken which are likely to breach this policy. Furthermore, in cases where an employee does not want to report an observed breach to the Counsel or Chief Financial Officer, there is the option to contact a (non-executive) Supervisory Board member under the Company's separate whistle-blower policy. However, the Company regards serious violations by individual employees, which could have a significant impact on the net assets, financial position and results of operations, as unlikely. No breach has been reported so far.

Research and development ethics

Evotec's core business focus is on applying its scientific expertise and know-how together with its partners to develop potential medicines for many different indications that could ultimately improve treatment options. Several examples of Evotec's efforts in different areas are given in the "Research and development" chapter on page 35 of this Management Report.

Evotec is committed to using alternatives to animal studies wherever reasonable in accordance with German legislation (section 7a (2) of the German Animal Welfare Act, TierSchG) or the UK Animal (Scientific Procedures) Act 1986. When animal experimentation is necessary, Evotec ensures a high standard of housing and care for laboratory animals as set out in Annex III of the European Directive 2010/63/EU applied to German Law in the TierSchG (Tierschutzgesetz) and the corresponding Regulation on Animal Protection: Laboratory (Tierschutzversuchstierverordnung, TierSchVersV) as well as according to the UK Animal (Scientific Procedures) Act 1986. Evotec is also committed to the Replacement, Reduction and Refinement of the use of animals in research (3R-Principle developed by Russell and Burch). The

3R-Principle contributes towards good laboratory animal welfare and is an integral part of the R&D processes at Evotec. Each proposed use of animals is reviewed and approved by Evotec's veterinarians and scientists.

Studies that cannot be accomplished in-house are subcontracted to dedicated, carefully selected and audited contract research organisations which apply the same principles. Evotec does not currently manage or sponsor human clinical trials.

Placing great importance on occupational safety and environmental management

Occupational safety and environmental management are fundamental considerations in any activity undertaken by Evotec. A biotech company like Evotec operates in a tightly regulated sector where issues concerning stakeholder safety are treated with the appropriate high level of importance.

Many of the chemicals utilised in Group operations and their use require specific licences or are controlled by statutory regulation. Evotec follows strict protocols to ensure that these chemicals and their use are controlled and monitored in such a way as to minimise the risk to health and safety along with the environmental impact as set out in the appropriate guidelines and licences. Evotec complies with national and local regulations, reporting requirements, permits and licences in all areas of health, safety and environmental control relevant to the operations undertaken. Documentation, practices and audits of key processes provide a strong basis for continuous improvement. These include emergency response, fire safety, engineering and maintenance procedures, waste disposal and safe handling as well as the use of dangerous substances. Furthermore, considering and addressing the environmental impact of Group operations is seen as a vital aspect of the Group's global responsibilities and is also part of the Group's continuous objective to manage and control costs. Reducing energy consumption and waste production and increasing recycling are all areas that have a positive effect on both Evotec's global cost base and the environment.

In 2014, Evotec successfully passed all official inspections and regulatory audits at its sites. As in previous years, the rate of work-related accidents was extremely low at all sites, demonstrating strict compliance with occupational health and safety regulations.

Social responsibility

Evotec encourages social responsibility by supporting charities and other good causes. For example, in 2014, donations were made to a variety of charities including Die Arche e. V. (an organisation which supports socially disadvantaged children), the ALS Association and the Alzheimer's Society, a charity that provides support to people suffering from Alzheimer's disease and also funds research into the cause, cure, care and prevention of dementia. Furthermore, Evotec made donations to the Huntington's Disease Society of America to fund the vital work that this organisation does for families affected by this disease. In addition, employees held various fundraising events for the charity throughout the year.

Evotec also assists students in choosing a career in the pharmaceutical industry by hosting them for periods of work experience. In 2014, the Company helped many students from a wide variety of schools and universities to spend a few weeks or months gaining valuable experience and insights into their future careers. Evotec has also continued to sponsor PhD researchers at academic institutions and host their industrial work experience periods.

POST-BALANCE SHEET EVENTS

There are no material events to be reported.

RISK AND OPPORTUNITIES MANAGEMENT

RISK AND OPPORTUNITIES MANAGEMENT PRINCIPLES

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

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

RISK AND OPPORTUNITIES MANAGEMENT SYSTEM

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

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

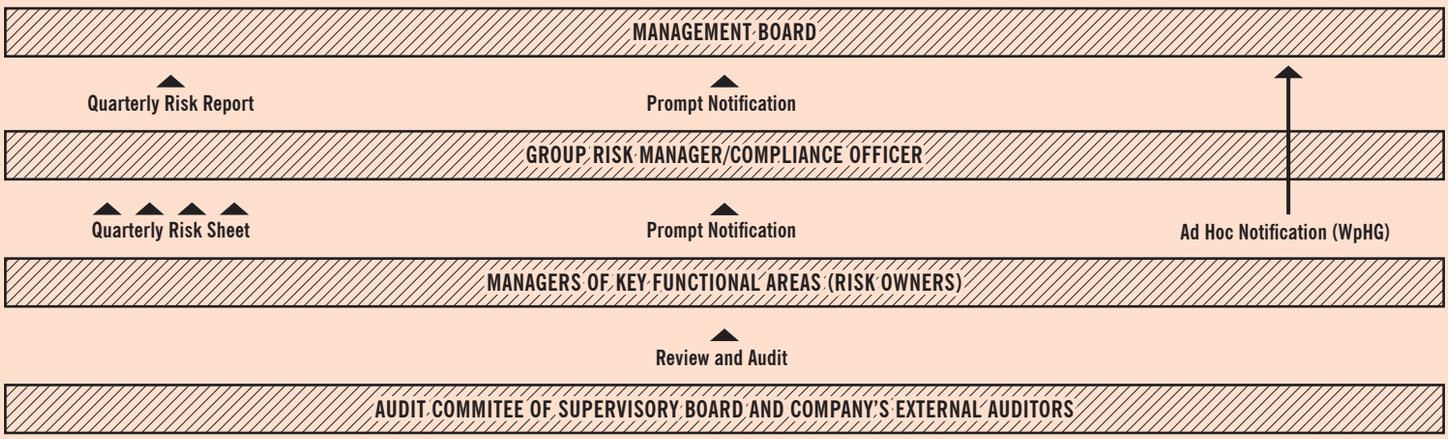
According to the Company's *risk management policy*, Evotec engages in businesses and incurs risks only when the business activities are in line with its strategy, when they have a risk profile consistent with industry norms, when there is a corresponding opportunity for an increase in value and when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

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

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

The risk management system comprises the following elements:
(i) An **early detection system** to identify risks as soon as possible, to precisely describe them, quantify them and estimate their probability of occurrence and to report them immediately to the management to enable the management to deal with them in a timely manner. The Risk Owners have primary responsibility for the identification of risks and opportunities. Through *Prompt notifications* and *Quarterly risk reports* any risks that are either outside the normal course of business or might have a material impact on the Company's financial performance are raised and reported to the Group Risk Manager together with a summary and assessment of the specific risk and the countermeasures to be taken by the Risk Owners. The Group Risk Manager, together with the Chief Financial Officer, evaluates and summarises these risk reports in a report for the Management Board. This report also includes a cash stress test to examine whether Evotec could bear the cash effect of all captured risks should they fully materialise simultaneously. To date, Evotec has always passed this cash stress test.

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



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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Section 91 paragraph 2 of the German Stock Corporation Act (AktG) in conjunction with section 289 paragraph 5 of the German Commercial Code (HGB) requires the Management Board to take responsibility for adhering to and reporting on an internal control system for reliable financial reporting. The internal control system is part of the risk management system and primarily ensures the preparation of financial statements according to regulatory and legal requirements. It is continually developed and is an integral part of the accounting and financial reporting process in all relevant legal entities and central functions. The internal control system comprises all the principles, processes and measures (such as preventive and detective controls) that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. Evotec complies fully with the requirements of the German Commercial Code.

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

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

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

Among other things, Evotec regularly checks whether:

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

The management has determined that Evotec's internal controls over financial reporting, based on the integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), are effective in both their design and operation.
Evotec routinely engages external specialists in order to minimise the risk related to specific issues, for example to value share-based compensation or to derive deferred taxes.

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

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

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

RISKS

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

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

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

MANAGEMENT BOARD'S ASSESSMENT OF THE RISK SITUATION

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

Probability of occurrence

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

Potential financial impact

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

Corporate risks overview

	Probability of occurrence	Potential financial impact	Comparison to prior year
Business environment and industry risks			
a. Risk inherent to drug discovery alliances			
Pricing pressure	**medium**	**medium**	**unchanged**
b. Risk inherent to proprietary drug discovery and development			
Risk of failure	**high**	**medium/high**	**unchanged**
Risk of extensive regulation	**medium**	**low**	**unchanged**
Product liability claims	**low**	**high**	**unchanged**
Performance-related risks			
Fluctuating capacity and resource allocation	**medium**	**medium**	**unchanged**
Dependence on individual larger customer	**medium**	**high**	**unchanged**
Scientific or technical delivery risks	**medium**	**medium**	**unchanged**
Maintenance of customer recognition and branding	**low**	**medium**	**unchanged**
Commercial risks			
Changing market environment	**low**	**medium**	**unchanged**
Dependence on individual out-licensing events	**medium**	**medium**	**unchanged**
Outperformance by competitors	**low**	**medium**	**unchanged**
Strategic risks			
Implementation and achievement of strategic goals	**medium**	**high**	**unchanged**
Risk from M&A	**low/medium**	**medium/high**	**increased due to significant transactions**
Financial risks			
Liquidity risks	**low/medium**	**medium/high**	**unchanged**
Default risks	**low**	**medium/high**	**unchanged**
Currency risks	**medium**	**medium**	**unchanged**
IP risks			
Dependence on technology patents and proprietary technology	**low/medium**	**medium/high**	**unchanged**
Dependence on licences granted for partnered assets	**low**	**medium/high**	**unchanged**
Legal risks	**low**	**low**	**slightly decreased due to settlements**
HR risks			
Dependence on key personnel	**low**	**medium**	**unchanged**
IT risks			
Loss of data	**low**	**medium/high**	**unchanged**
Data integrity and protection	**low**	**medium**	**unchanged**
Other risks			
Environmental risks	**low**	**low**	**unchanged**
Compliance risks	**low**	**low**	**unchanged**
Risks involving production	**low**	**low**	**unchanged**
Risks involving procurement	**low**	**low**	**unchanged**

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

BUSINESS ENVIRONMENT AND INDUSTRY RISKS

Risks inherent to drug discovery alliances

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

Risks inherent to proprietary drug discovery and development

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

Although Evotec's proprietary investments are limited, drug discovery and development always carries inherent risk. Today, the Company has no commercial drug products and there is no assurance that Evotec or its strategic partners will successfully develop and commercialise potential drugs. Significant returns are only expected to materialise when successful research leads to upfront and milestone payments and when potential royalties from future drug sales are received. However, if the development of an in-licensed or acquired project or drug candidate does not proceed as expected, an impairment of the intangible asset may be required. In 2014, Evotec experienced such an event when the EVT070 programme and the Cure*Beta* programme performed by Evotec's licensees did not confirm certain properties of the antagonist and did not justify the planned immediate development progress. Moreover, the DiaPep277® programme was stopped by Evotec's licensee and its holding company after an alleged detection of fraudulent actions of Evotec's licensee during a clinical trial.

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

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

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

- The use of any of Evotec's product candidates in clinical trials may expose Evotec to *product liability claims* in excess of Evotec's limited insurance coverage, although such exposure is diligently assessed for each trial. As of today, Evotec is not aware of any pending threats of product liability claims.

PERFORMANCE-RELATED RISKS

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

- Even with a stable revenue stream, *fluctuating capacity utilisation and requirements as well as resource allocation* between different parts of the business can significantly impact profitability and therefore needs to be carefully managed. In addition, *dependence on individual large customer contracts* needs to be closely monitored. In 2014, Evotec's largest customer accounted for 13% of total revenues (see the "TOP 10 Collaborations" table on page 33 of this Management Report).

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

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

COMMERCIAL RISKS

Commercial risks include the following:

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

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

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

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

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

STRATEGIC RISKS

Implementation and achievement of strategic goals

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

Mid-range planning

Evotec continued to focus its internal R&D activities on its most valuable and promising assets. At present, the Company continues to build an extensive pipeline, by concentrating its efforts on bringing proprietary products from its existing portfolio and from collaborations with scientific institutions to important value inflection points ready for partnering. As a consequence, Evotec increased its capacities to support future growth by signing a lease contract for a new building of 1,620m² of labs and offices in Göttingen, undertaking a fit-out of 300m² of laboratory area at its Abingdon facility and signing a lease on a site in Princeton, New Jersey, to support protein production and other discovery services for East Coast based Pharma clients (see the "Procurement and facility management in 2014" chapter on page 57 of this Management Report).

Risks from M&A

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

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

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

FINANCIAL RISKS AND RISK MANAGEMENT IN RELATION TO FINANCIAL INSTRUMENTS (IFRS 7)

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

Liquidity risks

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

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

Default risks

▸ As a service provider, Evotec always faces the risk of bad debt losses. However, Evotec's customers are generally financially stable pharmaceutical

companies, foundations and larger biotech companies. There has been no history of significant *doubtful receivables* except for one and this is not expected to change.

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

Currency risks

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

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

INTELLECTUAL PROPERTY RISKS

The risks associated with intellectual property include the following:

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

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

LEGAL RISKS

▸ On 02 September 2014, the District Court of Frankfurt/Main ruled on an alleged infringement of section 15 of the German Securities Trading Act (WpHG) as reported in previous years resulting from an ad hoc release made by the Company on 12 August 2010. The court decided to significantly lower the penalty payment of € 0.17 m as requested by the BaFin in May 2013 to T€ 45. Evotec accepted the court ruling and paid the reduced penalty. This case is closed now.

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

HR RISKS

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

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

IT RISKS

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

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

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

OTHER RISKS

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

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

OPPORTUNITIES

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

BUSINESS ENVIRONMENT AND INDUSTRY OPPORTUNITIES

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

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

STRATEGIC OPPORTUNITIES

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

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

PERFORMANCE-RELATED OPPORTUNITIES

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

COMMERCIAL OPPORTUNITIES

The total number, growth and size of alliances, the percentage of repeat business, average contract duration, new customer acquisition and the status of the Company's sales and order book are key indicators of Evotec's business. These key indicators have improved significantly during the last five years. During its 21-year history, Evotec has continued to deliver excellent results in its collaborations and has expanded its customer base and its global network of partnerships. The Company is now working with approximately 150 Pharma and biotech companies on a global basis. The excellent track record and the Company's extensive network is an excellent basis for creating additional business opportunities that would have an impact on the performance and results of the Company.

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

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

HR OPPORTUNITIES

Since the biotechnology and pharmaceutical industry is very people dependent, employees are a critical asset for companies in this industry. As stated in the "Employees" chapter on page 56 of this Management Report, approximately 36% of Evotec's employees have worked for the Company for more than five years. The Company believes that its success in alliances and partnerships is attributable to its key personnel to a large extent. Thus, retaining employees who have outstanding expertise and skills in the long term could have a positive impact on the Company's business, results of operations and financial position.

Furthermore, employees with new ideas, expertise in further key indication areas and knowledge of innovative technologies are essential in developing new branches or initiatives such as the Cure *X* and Target *X* initiatives the Company is pursuing, since they result in new business opportunities for the Company. Thus, Evotec sees itself well positioned to attract key personnel which provide the opportunity of outperformance due to enhanced knowledge accumulation and innovation.

OUTLOOK

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

EXPECTED GENERAL MARKET AND HEALTHCARE DEVELOPMENT

ECONOMIC DEVELOPMENT

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

THE MARKET FOR DRUG DISCOVERY ALLIANCES

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

The overall outsourcing trend in the pharmaceutical industry is moving toward larger strategic research contracts favouring big alliance partners, which feature a lower perceived commercial risk. This presents a challenge for the highly fragmented drug discovery outsourcing industry. However, Evotec is ideally positioned to take full advantage of these market developments. The Company is one of the few drug discovery businesses that can execute a comprehensive outsourcing strategy, because it is able to undertake integrated drug discovery projects. In addition, the Company has an outstanding track record in the industry and is financially stable. The strategic alliance in negotiation with Sanofi to align certain capacities and capabilities in the drug discovery space also reflects the macro trend towards larger outsourcing alliances.

TRENDS IN RESEARCH AND DEVELOPMENT

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

BUSINESS DIRECTION AND STRATEGY

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

Evotec manages its drug discovery activities under the business segments EVT Execute and EVT Innovate. EVT Execute represents all partnerships in which the partner brings the underlying intellectual property to the collaboration. EVT Innovate comprises all partnerships derived from Evotec's internally developed intellectual property. Further information on Evotec's two business segments can be found in the "Corporate objectives and strategy" chapter on page 31 of this Management Report.

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

EVT EXECUTE	EVT INNOVATE
▸ New long-term deals with big and mid-sized Pharma and biotech ▸ New integrated technology/disease alliance ▸ Integration of new capacities and capabilities in global offering	▸ Partnering of Cure *X*/Target *X* initiatives ▸ Expansion of network of top-class academic alliances ▸ Progress of clinical pipeline within partnerships

Revenues and EBITDA before changes in contingent consideration are key performance indicators for EVT Execute and EVT Innovate. In addition, R&D expenses are another key performance indicator for EVT Innovate.

A condensed income statement for 2014 based on both segments is shown in the chapter "Results of operations" on page 49 of this Management Report.

EXPECTED RESEARCH AND DEVELOPMENT, NEW PRODUCTS, SERVICES AND TECHNOLOGIES

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

In terms of in-house research, the Company will continue to invest in a selected number of highly innovative approaches to address key medical areas. The cornerstones of this are the Company's Cure *X* and Target *X* initiatives, whereby Evotec accesses and accelerates early academic or research initiatives in innovative areas of disease biology and develops and positions such assets for commercial partnering. In 2015, Evotec sees a significant opportunity to expand its oncology and metabolic disease franchises.

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

FINANCIAL OUTLOOK FOR 2015

EXPECTED OPERATING RESULTS

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

In 2015, total *Group revenues excluding milestones, upfronts and licences* are expected to increase more than 10%. This assumption is based on the current order book, expected new contracts and contract extensions.

Evotec expects *research and development (R&D) expenses* in 2015 to be broadly in-line with the levels of 2014.

Evotec's Group *EBITDA before changes in contingent considerations* is expected to be positive and at a similar level to 2014.

EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles. EBITDA excludes impairments on intangible and tangible assets as well as the total non-operating result.

EXPECTED FINANCING AND FINANCIAL POSITION

In 2015, Evotec will continue to invest in its technology platforms and capacities in order to drive its long-term growth strategy. It is therefore planned that up to € 7 m will be invested in further capacity increases and the upgrade of Evotec's technological capabilities.

In 2015, top-line growth is expected to generate a *positive operating cash flow*. Liquidity is expected to exceed € 90 m at 31 December 2015. This forecast excludes any potential cash outflow for M&A or similar transactions.

The Company's mid-term financial plan does not envisage the need for any additional external financing for Evotec's operating business. However, all strategically desirable moves such as potential company or product acquisitions will need to be considered separately.

DIVIDENDS

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

OPPORTUNITIES

The most important opportunities for the Company are summarised in the "Opportunities" section of the "Risk and opportunities management" chapter on page 67 of this Report.

GENERAL STATEMENT OF EXPECTED DEVELOPMENT BY THE MANAGEMENT BOARD

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

The Management Board believes that Evotec will benefit from the outsourcing trend in the pharmaceutical industry and partner with an increasing number of customers.

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

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

INFORMATION PURSUANT TO SECTION 289 PARAGRAPH 4 AND 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT

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

COMPOSITION OF CAPITAL STOCK, VOTING RIGHTS AND AUTHORISATION TO ISSUE SHARES

As of 31 December 2014, the share capital of Evotec AG amounted to € 131,710,876.00 and was divided into 131,710,876 non-par value shares. All shares are bearer shares and have equal voting rights. The Company's management is not aware of any restriction on the voting rights or the right to transfer. No binding lock-up agreements have been made by the Company with any shareholder, and neither stock loans nor pre-emptive stock purchase rights are known to the Company. The Company does not the control voting rights of any shares owned by employees. In a simultaneous transaction to a capital increase in 2013, the subscriber of the new shares the Biotechnology Value Fund, L.P. ("BVF") also purchased an option from TVM Capital to acquire an additional 11,818,612 Evotec shares from the Company's two major shareholders, TVM Capital and ROI Verwaltungsgesellschaft mbH.

No shareholder holds the right to have representatives on the Company's 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 provided the Management Board with the following authorisation to issue new shares or conversion rights:

Authorised capital: Pursuant to section 5 paragraph 4 of the Articles of Association of the Company, the Management Board, with the approval of the Supervisory Board, is authorised to increase the Company's share capital by up to € 26,292,038.00 in one or more tranches until 16 June 2019 by issuing new shares against cash or non-cash consideration. Any shares to be issued on this basis will be subject to the statutory subscription rights of Evotec's shareholders. With the approval of the Supervisory Board, the Management Board may, however, exclude the pre-emptive rights of its shareholders on one or several occasions under certain well-defined conditions.

Conditional capital: As of 31 December 2014, the remaining conditional capital of the Company amounted to € 32,002,802.00. Conditional capital in the amount of € 8,339,630.00 shall be used only to the extent that holders of stock options and Share Performance Awards, granted by Evotec on the basis of the shareholders' resolutions from 07 June 1999, 26 June 2000, 18 June 2001, 07 June 2005, 30 May 2007, 16 June 2011 and 14 June 2012, exercise their rights to subscribe for new shares in the Company. As of 31 December 2014, conditional capital in the total amount of € 1,094,741.00 was used for holders of stock options to exercise their rights to subscribe for new shares in the Company. Additional conditional capital in the amount of € 23,663,172.00 exists to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments) that may be issued by Evotec on the basis of the authorisation passed by the Annual General Meeting on 14 June 2012. 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.

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

SHAREHOLDINGS EXCEEDING 10% OF VOTING RIGHTS

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

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

BOARD STRUCTURE

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

AUTHORISATION OF MANAGEMENT TO REPURCHASE STOCK

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

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

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

CHANGE-OF-CONTROL PROVISIONS

The Management Board of Evotec AG has only customary rights in the case of a change of control. The contracts of the members of the Management Board contain a change-of-control clause which would allow the management to terminate their current contracts in the event of a change of control. Further information regarding the respective severance payments is reported in Note 34e to the Consolidated Financial Statements and in the "Remuneration report" section on page 73 of this Management Report.

DECLARATION OF CORPORATE MANAGEMENT

More information on Company management practices can be found in the Company's "Declaration of Corporate Management" according to section 289a HGB on Evotec's website at www.evotec.com; 'Investors ▸ Corporate Governance ▸ Declaration of Corporate Management'.

REMUNERATION REPORT

The remuneration report describes the Company's remuneration structure and provides information about payments to the board members in accordance with the requirements of the German Corporate Governance Code (the "Code"). It is part of both the Consolidated Financial Statements and the Corporate Governance report. The variable remuneration for all employees is detailed in the "Employees" chapter on page 57 of this Management Report.

REMUNERATION OF THE MANAGEMENT BOARD

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

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

The German Law on the Appropriateness of Management Board Compensation (VorstAG) of 31 July 2009 allows the Annual General Meeting ("AGM") to approve the system of remunerating members of the Management Board (section 120 paragraph 4 AktG). The Management Board and the Supervisory Board of Evotec AG proposed such an approval at the AGM in 2012. The shareholders and shareholder representatives voted in favour of this item of the agenda with a majority of 92.22% of the votes. Following section 4.2.3 of the Code, this item was put to neither the 2013 AGM nor to the 2014 AGM as the remuneration system for the Management Board has not changed.

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

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

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

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

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

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

The following overviews present for each Management Board member:

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

		I	II	III	IV												
a	Benefits granted (in T€)	Dr Werner Lanthaler				Colin Bond				Dr Cord Dohrmann				Dr Mario Polywka			
b		CEO				CFO				CSO				COO			
c																	
d		2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
1	Fixed compensation	340	340	340	340	266	275	275	275	271	300	300	300	269	304	304	304
2	Fringe benefits	74	76	76	76	14	24	24	24	14	14	14	14	48	54	54	54
3	**Total**	**414**	**416**	**416**	**416**	**280**	**299**	**299**	**299**	**285**	**314**	**314**	**314**	**317**	**358**	**358**	**358**
4	One-year variable compensation	187	119	-	510	80	48	-	165	87	61	-	180	92	57	-	182
5	Multi-year variable compensation	287	567	-	1,146	109	236	-	477	118	257	-	520	105	262	-	531
5a	Long Term Incentive ("SPA", as described in the text above) (Vesting 2018) (Number of SPA x fair market value)	287	567	-	1,146	109	236	-	477	118	257	-	520	105	262	-	531
6	**Total**	**888**	**1,102**	**416**	**2,072**	**469**	**583**	**299**	**941**	**490**	**632**	**314**	**1,014**	**514**	**677**	**358**	**1,071**
7	Service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	**Total**	**888**	**1,102**	**416**	**2,072**	**469**	**583**	**299**	**941**	**490**	**632**	**314**	**1,014**	**514**	**677**	**358**	**1,071**

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

	Allocation (in T€)	Dr Werner Lanthaler		Colin Bond		Dr Cord Dohrmann		Dr Mario Polywka	
a		CEO		CFO		CSO		COO	
b									
c									
d		**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
1	Fixed compensation	340	340	275	266	300	271	304	269
2	Fringe benefits	76	74	24	14	14	14	54	48
3	**Total**	**416**	**414**	**299**	**280**	**314**	**285**	**358**	**317**
4	One-year variable compensation	119	187	48	80	61	87	57	92
5	Multi-year variable compensation	155	1,026	-	106	47	-	47	548
5a	Long Term Incentive ("SPA")	-	-	-	-	-	-	-	-
...	Stock Option Programme 1999 (term until 2021)	-	-	-	-	-	-	21	-
	Stock Option Programme 2000 (term until 2015)	-	-	-	-	-	-	-	5
	Stock Option Programme 2001 (term until 2021)	-	-	-	-	-	-	26	39
	Stock Option Programme 2005 (term until 2017)	-	-	-	-	-	-	-	-
	Stock Option Programme 2007 (term until 2015)	155	1,026	-	-	-	-	-	-
	Stock Option Programme 2008 (term until 2017)	-	-	-	106	47	-	-	504
	Stock Option Programme 2011 (term until 2019)	-	-	-	-	-	-	-	-
6	Other	-	-	-	-	-	-	-	-
7	**Total**	**690**	**1,627**	**347**	**466**	**422**	**372**	**462**	**957**
8	Service	-	-	-	-	-	-	-	-
9	**Total**	**690**	**1,627**	**347**	**466**	**422**	**372**	**462**	**957**

a Name of the Management Board member
b Function of the Management Board member, e.g. CEO, CFO
c Date on which the member joined/left the Management Board, if in the financial year under consideration n (year under review) or n-1
d Financial year under consideration n (year under review) or n-1
1 Non-performance-related components, e.g. fixed salaray, fixed annual pay-off payments (amounts correspond to amounts in "Benefits granted" table)
2 Non-performance-related components, e.g. benefits in kind and fringe benefits (amounts correspond to amounts in "Benefits granted" table)
3 Total of non-performance-related components (1+2) (amounts correspond to amounts in "Benefits granted" table)
4 One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components
5 Multi-year variable compensation (total of rows 5a - ...), e.g. multi-year bonus, deferral, long-term incentive (LTI)
5a-... Multi-year variable compensation, broken down into plans and stating the period of time
6 Other, e.g. clawbacks, which are entered as a negative amount with reference to previous disbursements
7 Total of non-performance-related components and variable components (1+2+4+5+6)
8 Service cost in accordance with IAS 19 from pension schemes and other benefits (amounts correspond to amounts from row 4 of the "Benefits granted" table and row 7 of the "Allocation table"); this is not an allocation in the financial year
9 Total of non-performance-related components and variable components and service cost (1+2+4+5+6+8)

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

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

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

REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

Remuneration of the Supervisory Board 2014

	Total remuneration in T€ [1]
Prof. Dr Wolfgang Plischke[2]	51
Dr Walter Wenninger	71
Dr Claus Braestrup	35
Prof. Dr Paul Linus Herrling[2]	19
Bernd Hirsch	50
Prof. Dr Iris Löw-Friedrich[2]	19
Roland Oetker[3]	23
Prof. Dr Andreas Pinkwart[3]	16
Mary Tanner[3]	16
Total	**300**

[1] *Cash remuneration*
[2] *Relates to the period from 17 June 2014 onwards, when elected to the Supervisory Board by the Evotec Annual General Meeting*
[3] *Relates to the period until 17 June 2014*

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE (D&O INSURANCE)

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

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2014

Evotec AG and Subsidiaries – Consolidated statement of financial position as of 31 December 2014

in T€ except share data	footnote reference	as of 31 December 2014	as of 31 December 2013
ASSETS			
Current assets:			
Cash and cash equivalents	5	48,710	45,644
Investments	5	40,112	50,499
Trade accounts receivables	6	25,259	17,777
Inventories	7	3,111	2,358
Current tax receivables		887	433
Other current financial assets	8	1,094	1,995
Prepaid expenses and other current assets	9	6,127	3,820
Total current assets		**125,300**	**122,526**
Non-current assets:			
Long-term investments	10	13	10
Property, plant and equipment	11	24,045	24,239
Intangible assets, excluding goodwill	12	30,210	39,826
Goodwill	13	44,815	40,136
Other non-current financial assets		78	77
Other non-current assets	14	139	566
Total non-current assets		**99,300**	**104,854**
Total assets		**224,600**	**227,380**

See accompanying notes to consolidated financial statements.

in T€ except share data	footnote reference	as of 31 December 2014	as of 31 December 2013
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities	15	13,363	17,222
Current portion of finance lease obligations		-	5
Trade accounts payable		9,450	6,653
Advanced payments received		542	232
Provisions	16	3,694	5,788
Deferred revenues	17	2,806	6,051
Current income tax payables	18	1,046	741
Other current financial liabilities		1,384	342
Other current liabilities		783	1,919
Total current liabilities		**33,068**	**38,953**
Non-current liabilities:			
Non-current loan liabilities	15	8,186	-
Long-term finance lease obligations		-	14
Deferred tax liabilities	18	1,583	1,245
Provisions	16	17,957	18,586
Deferred revenues	17	4,344	8,382
Other non-current financial liabilities		1,079	1,233
Total non-current liabilities		**33,149**	**29,460**
Stockholders' equity:			
Share capital*	20	131,711	131,460
Additional paid-in capital		688,669	686,767
Accumulated other comprehensive income		(23,169)	(27,410)
Accumulated deficit		(638,828)	(631,850)
Total stockholders' equity		158,383	158,967
Total liabilities and stockholders' equity		**224,600**	**227,380**

** 131,710,876 and 131,460,193 shares issued and outstanding in 2014 and 2013, respectively*

See accompanying notes to consolidated financial statements.

Evotec AG and Subsidiaries
Consolidated income statement for the period from 1 January to 31 December 2014

in T€ except share and per share data	footnote reference	Year ended 31 December 2014	Year ended 31 December 2013
Revenues	21	89,496	85,938
Costs of revenue		(60,118)	(54,715)
Gross profit		**29,378**	**31,223**
Operating income and (expenses)			
Research and development expenses	22	(12,404)	(9,664)
Selling, general and administrative expenses	23	(17,990)	(16,597)
Amortisation of intangible assets	12	(2,462)	(3,222)
Restructuring costs		-	(474)
Impairment of property, plant and equipment	11	-	(1,076)
Impairment of intangible assets	12	(14,967)	(22,023)
Impairment of goodwill	13	-	(1,948)
Reversal of impairment of intangible assets	12	6,444	-
Other operating income	24	15,352	4,410
Other operating expenses	24	(9,732)	(1,980)
Total operating expenses		**(35,759)**	**(52,574)**
Operating income		**(6,381)**	**(21,351)**
Other non-operating income (expense)			
Interest income		469	261
Interest expense	25	(1,621)	(1,870)
Other expense from long-term investments		(10)	-
Other income from financial assets		79	26
Other expense from financial assets		-	(174)
Foreign currency exchange gain (loss), net	26	2,266	(556)
Other non-operating income		146	16
Other non-operating expense		(107)	-
Total non-operating income (expense)		**1,222**	**(2,297)**
Income before taxes		**(5,159)**	**(23,648)**
Current tax income (expense)	18	(1,858)	(299)
Deferred tax income (expense)	18	39	(1,486)
Total taxes		**(1,819)**	**(1,785)**
Net income (loss)		**(6,978)**	**(25,433)**
Weighted average shares outstanding		**131,291,257**	**121,215,288**
Net income (loss) per share (basic/diluted)		**(0.05)**	**(0.21)**

See accompanying notes to consolidated financial statements.

Evotec AG and Subsidiaries
Consolidated statement of comprehensive income for the period from 1 January to 31 December 2014

in T€	footnote reference	Year ended 31 December 2014	Year ended 31 December 2013
Net income (loss)		**(6,978)**	**(25,433)**
Accumulated other comprehensive income			
Items which are not re-classified to the income statement			
Remeasurement of defined benefit obligation		(46)	(37)
Taxes		-	-
Items which have to be re-classified to the income statement at a later date			
Foreign currency translation		4,333	(1,834)
Revaluation and disposal of available-for-sale securities		(46)	(38)
Taxes		-	-
Other comprehensive income		**4,241**	**(1,909)**
Total comprehensive income		**(2,737)**	**(27,342)**

See accompanying notes to consolidated financial statements.

Evotec AG and Subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2014

in T€	footnote reference	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities:			
Net income		**(6,978)**	**(25,433)**
Adjustments to reconcile net income to net cash used in operating activities			
Depreciation of property, plant and equipment	11	6,074	5,943
Amortisation of intangible assets	12	2,462	3,222
Depreciation of current assets		2,704	84
Impairment of intangible assets	12	14,967	22,023
Reversal of impairment of intangible assets	12	(6,444)	-
Impairment of property, plant and equipment		-	1,076
Impairment of goodwill		-	1,948
Impairment of long-term investments		10	-
Stock compensation expense	19	1,495	1,255
Non-cash foreign exchange gain		-	267
Interest expense	25	1,131	1,692
Loss on sale of financial assets		-	174
Gain on sale of financial assets		(79)	(26)
Gain on bargain purchase	4	(137)	-
Loss on sale of property, plant and equipment		10	83
Deferred tax expense (benefit)	18	(39)	1,486
Decrease (increase) in:			
Accounts receivable		(9,263)	(2,477)
Inventories		(916)	60
Other assets		(1,109)	327
Increase (decrease) in:			
Accounts payable		2,418	218
Advanced payments received		309	-
Deferred revenues		(7,341)	(3,646)
Provisions		(3,028)	(3,714)
Current income taxes payable		422	427
Other liabilities		(369)	2,095
Cash received during the year for:			
Interest		474	230
Cash paid during the year for:			
Interest		(433)	(467)
Taxes		(137)	(190)
Net cash provided by operating activities		**(3,797)**	**6,657**

See accompanying notes to consolidated financial statements.

in T€	footnote reference	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from investing activities:			
Purchase of current investments		(26,350)	(45,551)
Purchase of investments in affiliated companies	4	(3,505)	(1,150)
Purchase of property, plant and equipment	11	(5,282)	(5,160)
Purchase of intangible assets	12	-	(30)
Cash acquired in connection with acquisitions	4	1,069	119
Proceeds from sale of property, plant and equipment		-	583
Proceeds from sale of current investments		37,043	19,676
Net cash provided by (used in) investing activities		**2,975**	**(31,513)**
Cash flows from financing activities:			
Proceeds from capital increase	19	-	30,137
Proceeds from option exercise	19	658	2,370
Proceeds from issuance of loans		8,446	-
Payment of subsequent earn-outs	16	(1,813)	(278)
Purchase of treasury stock		-	(109)
Repayment of loans		(4,195)	(184)
Net cash provided by financing activities		**3,096**	**31,936**
Net increase in cash and cash equivalents		**2,274**	**7,080**
Exchange rate difference		792	(501)
Cash and cash equivalents at beginning of year		45,644	39,065
Cash and cash equivalents at end of the period		**48,710**	**45,644**

See accompanying notes to consolidated financial statements.

Evotec AG and Subsidiaries
Consolidated statement of changes in stockholders' equity for the year ended 31 December 2014

		Share capital		
in T€ except share data	footnote reference	Shares	Amount	
Balance at 1 January 2013		**118,546,839**	**118,547**	
Capital increase	20	11,818,613	11,818	
Exercised stock options	19	1,094,741	1,095	
Stock option plan	19	-	-	
Purchase of treasury shares		-	-	
Transfer of treasury shares		-	-	
Total comprehensive income				
Balance at 31 December 2013		**131,460,193**	**131,460**	
Exercised stock options	19	250,683	251	
Stock option plan	19	-	-	
Total comprehensive income				
Balance at 31 December 2014		**131,710,876**	**131,711**	

See accompanying notes to consolidated financial statements.

			Income and expense recognised in other comprehensive income			
	Additional paid-in capital	Treasury shares purchased on stock exchange	Foreign currency translation	Revaluation reserve	Accumulated deficit	Total stockholders' equity
	665,918	**-**	**(32,542)**	**7,041**	**(606,417)**	**152,547**
	18,319	-	-	-	-	30,137
	1,275	-	-	-	-	2,370
	1,255	-	-	-	-	1,255
	-	109	-	-	-	109
	-	(109)	-	-	-	(109)
			(1,834)	**(75)**	**(25,433)**	**(27,342)**
	686,767	**-**	**(34,376)**	**6,966**	**(631,850)**	**158,967**
	407	-	-	-	-	658
	1,495	-	-	-	-	1,495
			4,333	**(92)**	**(6,978)**	**(2,737)**
	688,669	**-**	**(30,043)**	**6,874**	**(638,828)**	**158,383**

Evotec AG and Subsidiaries – Consolidated fixed asset movement schedule for the year ended 2013

	Acquisition and manufacturing costs						
in T€	1 January 2013	Foreign exchange	Additions	Business combination	Disposals	Reclass	31 December 2013
I. Intangible assets							
1. Patents and licences	7,780	-	30	-	30	3	7,783
2. Goodwill	42,342	(809)	-	551	1,948	-	40,136
3. Developed technology	124,922	(1,241)	-	-	-	-	123,681
4. Customer list	36,728	(576)	-	1,979	-	-	38,131
	211,772	**(2,626)**	**30**	**2,530**	**1,978**	**3**	**209,731**
II. Property, plant and equipment							
1. Buildings and leasehold improvements	12,381	(255)	512	-	219	65	12,484
2. Plant, machinery and equipment	42,340	(744)	3,099	128	3,214	285	41,894
3. Furniture and fixtures	8,521	(196)	826	9	543	85	8,702
4. Purchased software	1,363	-	63	-	15	22	1,433
5. Finance leases	18	-	-	18	-	(4)	32
6. Assets under construction	1,212	(10)	660	-	70	(456)	1,336
	65,835	**(1,205)**	**5,160**	**155**	**4,061**	**(3)**	**65,881**

Evotec AG and Subsidiaries – Consolidated fixed asset movement schedule for the year ended 2014

	Acquisition and manufacturing costs						
in T€	1 January 2014	Foreign exchange	Additions	Business combination	Disposals	Reclass	31 December 2014
I. Intangible assets							
1. Patents and licences	7,783	-	-	-	2,000	-	5,783
2. Goodwill	40,136	2,145	-	2,534	-	-	44,815
3. Developed technology	123,681	2,426	-	394	-	-	126,501
4. Customer list	38,131	775	-	302	-	-	39,208
	209,731	**5,346**	**-**	**3,230**	**2,000**	**-**	**216,307**
II. Property, plant and equipment							
1. Buildings and leasehold improvements	12,484	765	132	8	-	25	13,414
2. Plant, machinery and equipment	41,894	1,923	2,415	108	840	945	46,445
3. Furniture and fixtures	8,702	546	711	32	631	64	9,424
4. Purchased software	1,433	-	103	-	-	54	1,590
5. Finance leases	32	-	-	-	18	-	14
6. Assets under construction	1,336	41	1,921	-	20	(1,088)	2,190
	65,881	**3,275**	**5,282**	**148**	**1,509**	**-**	**73,077**

The consolidated fixed asset schedule is part of the notes to the consolidated financial statements.

	Depreciation, amortisation and writedowns							Net book value	
	1 January 2013	Foreign exchange	Additions	Disposals	Impairment	Reclass	31 December 2013	31 December 2013	31 December 2012
	6,291	-	1,195	30	-	-	7,456	327	1,489
	-	-	-	-	-	-	-	40,136	42,342
	66,809	(1,130)	456	-	22,023	-	88,158	35,523	58,113
	33,064	(480)	1,571	-	-	-	34,155	3,976	3,664
	106,164	**(1,610)**	**3,222**	**30**	**22,023**	**-**	**129,769**	**79,962**	**105,608**
	7,069	(174)	942	217	81	-	7,701	4,783	5,312
	24,097	(398)	3,814	2,553	908	-	25,868	16,026	18,243
	6,329	(151)	1,084	523	87	4	6,830	1,872	2,192
	1,142	-	98	15	-	-	1,225	208	221
	17	-	5	-	-	(4)	18	14	1
	-	-	-	-	-	-	-	1,336	1,212
	38,654	**(723)**	**5,943**	**3,308**	**1,076**	**-**	**41,642**	**24,239**	**27,181**

	Depreciation, amortisation and writedowns							Net book value	
	1 January 2014	Foreign exchange	Additions	Disposals	Impairment	Reversal of impairment	31 December 2014	31 December 2014	31 December 2013
	7,456	-	326	2,000	-	-	5,782	1	327
	-	-	-	-	-	-	-	44,815	40,136
	88,158	1,977	814	-	14,967	6,444	99,472	27,029	35,523
	34,155	551	1,322	-	-	-	36,028	3,180	3,976
	129,769	**2,528**	**2,462**	**2,000**	**14,967**	**6,444**	**141,282**	**75,025**	**79,962**
	7,701	617	892	-	-	-	9,210	4,204	4,783
	25,868	1,529	4,129	685	-	-	30,841	15,604	16,026
	6,830	490	934	629	-	-	7,625	1,799	1,872
	1,225	-	117	-	-	-	1,342	248	208
	18	-	2	6	-	-	14	-	14
	-	-	-	-	-	-	-	2,190	1,336
	41,642	**2,636**	**6,074**	**1,320**	**-**	**-**	**49,032**	**24,045**	**24,239**

Evotec AG and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014

(1) *Business description and basis of presentation*

Evotec AG, Essener Bogen 7, Hamburg, Germany and subsidiaries ("Evotec" or the "Company") is a drug discovery and development company, continuously driving innovative approaches to develop new pharmaceutical products through own research as well as discovery alliances and development partnerships with leading Pharma and biotechnology businesses. Evotec operates worldwide, offering high quality, independent and integrated solutions in drug discovery to its customers. Today, Evotec is positioned in key therapeutic areas such as neuroscience, pain, metabolic diseases, oncology, inflammation and infection. Evotec provides best-in-class drug discovery solutions in the most efficient manner and thereby maximising their customer's opportunities to progress candidates into the clinic and beyond.

Evotec was founded on 08 December 1993 as EVOTEC BioSystems GmbH and is listed on Frankfurt Stock Exchange under the trading symbol "EVT" since 10 November 1999.

All amounts in the notes are shown in thousands of Euro (T€), unless indicated otherwise. The Euro is the reporting currency of the Company.

On 06 March 2015, the Management Board authorised the 2014 consolidated financial statements for issue.

(2) *Summary of significant accounting policies*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), as well as the additional requirements of German commercial law pursuant to § 315a par. 1 HGB (German Commercial Law). The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in the more detailed disclosures below.

The accounting policies below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by all entities except as explained in the section "Recently issued accounting pronouncements" which addresses changes in accounting policies.

USE OF ESTIMATES

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

Main estimates and assumptions affect the following subjects:

- Acquisitions (Note 4),
- Collectability of trade accounts receivables (Note 6),
- Impairment testing (Note 12 and 13),
- Provisions (Note 16),
- Measurement of the share option plans and the Share Performance Awards (Note 19) and
- The recoverability of deferred tax assets (Note 18).

Actual results could differ from these estimates.

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

PRINCIPLES OF CONSOLIDATION

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

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

TRANSLATION OF FOREIGN CURRENCY DENOMINATED TRANSACTIONS AND FOREIGN OPERATIONS

The assets and liabilities including goodwill of foreign subsidiaries with functional currencies other than the Euro are translated into Euro using the exchange rates at the end of the reporting period, while the income statements of such subsidiaries are translated using monthly average exchange rates during the period. Gains or losses resulting from translating foreign functional currency financial statements are recognised directly in other comprehensive income.
Transactions in foreign currencies are translated into Euro using the monthly average foreign exchange rate. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Euro using the exchange rates at the end of the period. Gains or losses resulting from foreign currency denominated transactions are included in other non-operating income and expense.
The transaction in foreign currency included in the consolidated statement of cash flows are translated at average exchange rates during the period.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Evotec classifies non-derivative financial instruments into financial assets and liabilities at fair value through profit or loss, financial investments held to maturity, loans and receivables and available for sale assets and liabilities. Non-derivative financial instruments consist of certain long-term and short-term investments, trade accounts and other receivables, cash and cash equivalents, loans, trade accounts and other payables. These instruments are recognised if Evotec becomes party to the contractual provisions of the financial instrument. Evotec accounts for financial assets and financial liabilities at the date of contract conclusion with the settlement amount.
Financial assets are derecognised if either the payment rights arising from the instrument have expired or substantially all risks and rewards attributable to the instrument have been transferred. Financial liabilities are derecognised if the obligations have expired or have been discharged or cancelled.
Financials assets and liabilities are offset and the net amount presented in the financial position when, and only when, Evotec has the legal right to offset the amounts and either to settle on a net basis or to realise the asset and settle the liability simultaneously.
At initial recognition, non-derivative financial instruments are measured at fair value. The subsequent measurement of the financial instruments at Evotec depends on the designation of the financial instruments to the following categories as defined in IAS 39:

Financial assets and financial liabilities at fair value through profit or loss

Evotec makes no use of the option to classify financial assets and financial liabilities as at fair value through profit or loss at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to the initial recognition financial instruments of this category are measured at amortised cost using the effective interest method less any impairment losses. Loans and receivables include trade accounts and other receivables.

Available-for-sale financial assets

Evotec's long-term and short-term investments, unless accounted for under the equity method in accordance with IAS 28 or as held-to-maturity investments, are classified as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value at the balance sheet date or, if this value cannot be determined, at cost. Unrealised gains and losses resulting from changes in fair value are reported in other comprehensive income in equity, net of any tax effect. Changes in fair value are not recognised in the income statement until the asset is sold or until an impairment loss is recorded. Investments that qualify as equity instruments are measured at cost if their fair value cannot be determined based on quoted prices or by reference to the current fair value of comparable instruments, or by using appropriate pricing models (in cases where cash flows are volatile or cannot be reliably determined).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that are quoted in an active market. If Evotec has the intent and ability to hold long-term and short-term investments to maturity, those assets are classified as held-to maturity. Held-to maturity financial assets are initially measured at fair value plus transactions costs. Subsequent to the initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses.

DERIVATIVE FINANCIAL INSTRUMENTS INCLUDING HEDGE ACCOUNTING

Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts, are measured at fair value. Accounting for the change in fair value of derivatives depends on whether they are designated as hedging instruments and qualify as part of a hedge relationship under IAS 39. If these conditions are not met, even if there is an economic hedge relationship with an underlying transaction, changes in fair value of the derivatives are recognised directly in the income statement. Derivatives embedded in host contracts are accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not closely related. The Company uses foreign currency derivative financial instruments as well as interest swaps to hedge its exposure to foreign exchange risks and interest rate fluctuations. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.
Evotec's foreign currency derivative financial instruments are economic hedges, however, they are not accounted for as hedges in accordance with IAS 39. Therefore, all changes in the fair value of the foreign currency derivative financial instruments are recognised in foreign currency exchange gains and losses.

BASIS FOR DETERMINING FAIR VALUES OF FINANCIAL INSTRUMENTS

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments.
The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date unless the available-for-sale financial assets are unquoted equity instruments or financial assets without an active market.
Unquoted equity instruments are measured at cost. Available-for-sale financial assets without an active market are estimated using a valuation technique based on assumptions that are not supported by prices from observable markets.
The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.
The fair value of interest rate swaps is determined by reference to broker quote.
The fair value of contingent considerations arising in a business combination is calculated on the basis of discounted expected payment amounts and related probabilities.
Unless otherwise reported, the fair values of financial instruments equal the carrying amounts.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Property, plant and equipment acquisitions, including leasehold improvements, are recorded at cost less any vendor rebates. Leased property, plant and equipment meeting certain criteria are capitalised at the lower fair value or present value of the minimum lease payments.
Depreciation of property, plant and equipment, which also includes depreciation of assets under finance leases, is generally calculated using the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is calculated using the straight-line method over the shorter of the related lease term or the estimated useful life. The useful lives are as follows:

Buildings and leasehold improvements	6–35 years
Plant, machinery and equipment	3–20 years
Furniture and fixtures	3–15 years
Computer equipment and software	3–5 years

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

INTANGIBLE ASSETS, EXCLUDING GOODWILL

Intangible assets, excluding goodwill, consist of separately identified intangible assets such as developed technologies, customer lists and patents, which were acquired in business combinations, purchased licences and patents.
Intangible assets with definite useful lives are recorded at cost and are amortised using the straight-line method over the estimated useful lives of the assets:

Developed technologies	9–18 years
Customer list	2–7 years
Patents and licences	15 years or shorter life

Developed technologies acquired in business combinations are amortised as soon as the intangible assets start to generate sustainable benefits and tested for impairment at least annually.
The amortisation period is reviewed at each balance sheet date.

GOODWILL

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount of the identifiably assets acquired and liabilities assumed at fair value.

PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reliably estimated. The amount recognised represents the best estimate of the settlement amount of the present obligation as of the balance sheet date. Provisions are discounted applying a risk adjusted market interest rate. Expected reimbursements of third parties are not offset, but recorded as a separate asset if it is highly probable that the reimbursements will be received.

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

The Company accrues for estimated losses from legal actions or claims, including legal expenses, when such losses or expenses are more likely than not and they can be reliably estimated.

Evotec recognises a provision for restructuring costs if there is an approved, detailed restructuring plan and restructuring has been completed or announced.

PENSION AND SIMILAR OBLIGATIONS

The Company's net obligation for defined benefit and other postretirement benefit plans have been calculated using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income in equity.

Service and interest costs for pensions and other postretirement obligations are recognised as an expense in the operating result.

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

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity. The Company applies the regulations of IAS 32 in accounting for treasury shares. When ordinary shares recognised as equity are reacquired, the amount of the consideration paid for those treasury shares is recognised as a deduction from equity. If treasury shares are subsequently sold or granted, the proceeds will be recognised as an increase in equity.

STOCK COMPENSATION

The Company applies the regulations of IFRS 2 with regard to the accounting for options granted under its stock option plans and under its share performance plan. All plans are settled in shares. Compensation cost from the issuance of employee and Management Board stock options is measured using the fair value method at the grant date and is charged straight-line to expense over the vesting period in which the employee or member of the Management Board renders services. This is also the case for the grant of share performance awards to employees. The share performance awards from the share performance plan granted to members of the Management Board are measured using the fair value method at the grant date and is charged to expense as graded vesting over the vesting period in which the members of the Management Board renders services.

REVENUE RECOGNITION

Revenue is recognised when the relevant risks and rewards of ownership associated with the goods and products sold are transferred to the customer and it is probable that the economic benefits associated with the transaction will flow to the Company based upon the performance requirements of the respective agreements, the revenue can be reliably measured regardless of when the payment is being made and collectibility is reasonably assured. The Company assesses collectibility based on a number of factors, including past transaction history with the customer and the customer's credit-worthiness.

The Company has entered into multiple-element contracts and thoroughly determined whether the different revenue-generating elements are sufficiently separable and whether there exists sufficient evidence of their fair values to separately account for some or all of the individual elements of the contracts. Only if an element is considered to meet these criteria it represents a separate unit of accounting.

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

Service fees and FTE-based research payments

Revenues generated from service contracts or FTE-based research contracts are recognised as the services are rendered. Payments for contracted services are generally paid in advance and recorded as deferred revenue until earned.

Revenue for delivered goods and deliverable kind of services

Deliverable kind of contracted services are recorded as revenue upon delivery. Revenue from delivered products are also recognised upon delivery. Payments for deliverable kind of contracted services are generally paid in advance and recorded as advanced payments received.

Compound access fees

Revenue from compound access fees is recognised pro rata over the related forecasted service period.

Milestone fees

Revenue contingent upon the achievement of certain milestones is recognised in the period the milestone is successfully achieved. This typically occurs when the Company's contract partner agrees that the requirements stipulated in the agreement have been met.

Licences

Revenue from the sale of licences is recognised at the date of the sale. Revenue from out-licensing in combination with a collaboration is realised pro rata over the collaboration period.

Royalties

Revenue from royalties, which are dependent on other company's respective product sales, is recognised in the period in which the royalty report or the payment is received.

RESEARCH AND DEVELOPMENT

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

Development activities relate to a plan or design for substantially improved products and processes. Development expenses are capitalised only if they can be measured reliably, the product or process is technically feasible, future economic benefits are probable and Evotec has the intention and resources to complete development and use or sell it. Cost capitalised comprise costs of material and employee services and other directly attributable expenses. Evotec did not capitalise any development costs in 2014 and 2013 respectively. Research and development projects that are acquired in a business combination are capitalised when those research and development projects are expected to generate probable future economic benefits to the Company. Research and development costs acquired in a business combination are not regularly amortised until they are sustainably generating benefits.
The Company receives grants from government authorities for the support of specific research and development projects. These grants are linked to projects. The grants are paid when qualifying expenses have been incurred and are recognised as a reduction mainly of research and development expense when they are received. No grants were received for capitalised development expenditures. The amounts recognised as a reduction of the Company's research and development expenses were T€ 626 in 2014 and T€ 348 in 2013. Furthermore, Evotec recognised grants of T€ 112 as a reduction of selling, general and administrative expenses in the financial year 2014 (2013: T€ 152 reduction of costs of revenue).
Under the terms of the grants, governmental agencies generally have the right to audit qualifying expenses submitted by the Company.

IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS AND GOODWILL

The Company reviews non-financial non-current assets (property, plant and equipment and intangible assets including goodwill) for impairment, in the respect to the recoverable amount in accordance with IAS 36. An impairment review is performed at least annually for intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill, or whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. In line with the Company's policy concerning the impairment of intangible assets with indefinite useful lives and goodwill, the Company carried out an impairment test in the fourth quarter of 2014 and 2013 (see Note 12 and 13).
An impairment loss is recognised if the carrying amount of an asset (or a group of assets when considering a cash-generating unit) exceeds its recoverable amount which is the higher of its fair value less costs to sell or value in use. The value in use for an asset or cash-generating unit is calculated by estimating the net present value of future cash flows arising from that asset or cash-generating unit. The discount rate used to calculate the value in use is determined to reflect the risks inherent for each asset or cash-generating unit. The evaluation of the net cash flow of the further use is based on a mid-range or where applicable long-range forecast. Management judgment is necessary to estimate discounted future cash flows.
Any impairment loss is reported as a separate component of operating expenses in the consolidated income statement. An impairment of property, plant and equipment and intangible assets excluding goodwill is reversed if there has been a change in the estimates used to determine the value in use leading to an increase in value for a previously impaired asset or group of assets as one cash-generating unit. It is reversed only to the extent that the asset's or the group of assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised. Impairments of goodwill are not reversed.

INTEREST INCOME AND EXPENSE

Interest is recorded as expense or income in the period to which it relates. All interest income and expense including the unwind of the discount on contingent considerations are recognised in the income statement using the effective interest rate method.
Evotec has no qualifying assets according to IAS 23 and therefore does not capitalise interest expenses.

INCOME TAXES

Income taxes comprise the current taxes on income in the individual countries as well as the deferred taxes. Income taxes are recorded in the income statement except to the extent they relate to a business combination, or for those items recorded directly in equity.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group generates taxable income. The tax rates for domestic companies are 26-32% and for foreign companies 21-34%.

Deferred tax
Deferred tax is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred taxes are recognised for all taxable temporary differences, except:
— temporary differences arising on the initial recognition of goodwill
— temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
— temporary differences relating to investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based

on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Future tax rate changes are taken into account if, in the scope of a legislative procedure, substantial prerequisites for its future applicability are met.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same taxation authority.
Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

NET INCOME PER SHARE

Basic net income per share is calculated by dividing the net income (loss) by the weighted-average number of ordinary shares outstanding for the period, excluding common stock equivalents.
The weighted average number of ordinary shares are calculated as follows:

Shares in thousands	**2014**	2013
Issued ordinary shares 1 January	**131,460**	118,547
Treasury shares 1 January	**(339)**	(798)
Effect of weighted average share options exercised	**170**	293
Effect of weighted average capital increase	**-**	3,173
Weighted average number of ordinary shares 31 December	**131,291**	**121,215**

Diluted net income per share is computed by dividing the net income attributable to shareholders of Evotec, by the weighted-average number of ordinary shares and share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, stock options and share performance awards are considered to be common stock equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2014, the Company adopted the following accounting pronouncement:

In May 2011, the IASB published IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities and consequential amendments to IAS 27, Separate Financial Statements (amended 2011)" and IAS 28 "Investments in Associates and Joint Ventures (amended 2011)", which were endorsed by the EU on 11 December 2012. IFRS 10 builds on existing principles by identifying a comprehensive concept of control as the determining factor in whether an entity should be included within the Consolidated Financial Statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 11 provides guidance for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and off-balance sheet vehicles. In June 2012, the IASB published "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (Amendments to International Financial Reporting Standards 10, 11, and 12)". These transition requirements were endorsed by the EU on 04 April 2013 and contain clarifications and further transition relief when applying these new standards. The above mentioned requirements, IFRS 10, 11, 12, the transition guidance and the consequential amendments to IAS 27 and IAS 28 are effective for annual periods beginning on or after 01 January 2014. These requirements are to be applied on a retrospective basis. In its consolidated financial statements, Evotec has implemented those new requirements on consolidation and joint arrangement including the new disclosure requirements; they did not result in material impacts on the consolidated financial statements of the Company.
In June 2013, the IASB published amendments to IAS 39 "Financial Instruments: Recognition and Measurement" entitled "Novation of Derivatives and Continuation of Hedge Accounting", which were endorsed by the EU on 19 December 2013. The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted. The amendments are effective for reporting periods beginning on or after 01 January 2014. The amendments had no impact on the consolidated financial statements of the Company.
In December 2011, the IASB issued amendments to IAS 32 "Financial Instruments: Presentation", which were endorsed by the EU on 13 December 2012. The amendment to IAS 32 clarifies the existing offsetting rules and is effective for reporting periods beginning on or after 01 January 2014. This change had no impact on the consolidated financial statements on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

All of the following IFRS pronouncements that were issued by the IASB and the IFRIC and partially endorsed by the EU, were not effective and have not been applied yet by Evotec.

In 2009, 2010, 2013 and 2014, the IASB issued IFRS 9 "Financial Instruments" and "Hedge Accounting: Amendments to IFRS 9, IFRS 7 and IAS 39". The EU has not yet endorsed this regulation. IFRS 9 is the IASB's comprehensive project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for financial instruments accounting. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value, replacing the different rules in IAS 39. With respect to financial liabilities, the provisions of IAS 39 were substantially transferred to IFRS 9. The amendments to IFRS 9 published in 2013 comprise the third phase hedge accounting. The new hedge accounting model of IFRS 9 aims to achieve a closer link between risk management and accounting in the financial statements. The amendments to IFRS 9 published in 2014 include impairment of financial instruments and limited changes to classification and measurement of financial assets. The new impairment model follows the "expected credit loss" concept, with the expected credit loss being recognised either as the "12-months expected loss" or as the "lifetime expected credit loss" of the financial instrument; the latter is applied to financial instruments, whose credit risk has significantly increased since recognition. The standard is expected to become effective on 01 January 2018. The Company is currently evaluating the effect of those changes on the Company's consolidated financial statements.

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers", which establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The standard is expected to become effective 01 January 2017. Either a full or modified retrospective application is required. The Company is currently evaluating the effect of those changes on the Company's consolidated financial statements.

In May 2013, the IASB issued the Interpretation IFRIC 21 "Levies", which was endorsed by the EU on 13 June 2014 and is effective for financial years beginning on or after 17 June 2014. This Interpretation has to be applied retrospectively. IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The Company is currently assessing the impacts on the consolidated financial statements of the Company.

In December 2013, as part of its annual improvement process the IASB issued "Annual Improvements to International Financial Reporting Standards, 2011–2013 Cycle", which were endorsed by the EU on 18 December 2014 and are effective for reporting periods beginning on or after 01 July 2014. In amending some of the wording in IFRSs a clarification of the requirements is envisaged. Furthermore, there are amendments affecting recognition, measurement and disclosure in the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments are effective for financial years beginning on or after 01 January 2015 and have no material effect on Evotec's consolidated financial statements.

In the course of its annual improvement process the IASB issued "Annual Improvements to International Financial Reporting Standards, 2010–2012 Cycle", endorsed by the EU on 17 December 2014 and effective for reporting periods beginning on or after 01 July 2014. Also included is the "2012-2014 Cycle", which was not yet endorsed by the EU. In amending some of the wording in IFRSs a clarification of the requirements is envisaged. Furthermore, there are amendments affecting recognition, measurement and disclosure in the standards IFRS 2, IFRS 3, IFRS 5, IFRS 7, IFRS 8, IAS 16, IAS 19, IAS 24 and IAS 34. The Company is currently assessing the impacts on the consolidated financial statements of the Company.

The IASB issued various other pronouncements, including IFRS 14 "Regulatory Deferral Accounts", which is relevant for first-time adopters only, and amendments to IAS 41 "Agriculture" and amendments to amongst other IAS 16, IAS 19 and IAS 38. These pronouncements, not yet endorsed by the EU, do not have a material impact on Evotec's consolidated financial statements.

(3) *Segment information*

Pursuant to IFRS 8, reporting on the financial performance of the segments has to be prepared in accordance with the management approach. The internal organisation as well as the reporting to the Management Board as chief operating decision maker were changed as of 01 January 2014 so that two different segments are reported. The allocation of resources and the internal evaluation of Evotec's performance by the management are done according to those segments. The evaluation of each operating segment by the management is performed on the basis of revenues and EBITDA before changes in contingent consideration. EBITDA is earnings before interest, tax, depreciation and amortisation. The amortisation includes the amortisation as well as the impairments of the intangible assets and the fixed assets and impairments of Goodwill. The EBITDA is calculated without non-operative income and expense. For the EVT Innovate segment, R&D expenses are another key performance indicator. Expenses and income below operating result are not part of the segment results.

EVT Execute and EVT Innovate were identified by the Management Board as operating segments. The responsibility for EVT Execute was allocated to the COO, Dr Mario Polywka, while the responsibility for EVT Innovate was allocated to the CSO, Dr Cord Dohrmann. The organisation of the whole Evotec Group was structured accordingly.

The main activities in each of the segments are as follows:

- EVT Execute: Evotec offers stand-alone or integrated drug discovery solutions for collaborators' targets and programmes. In EVT Execute, these services are provided on a typical fee-for-service basis or through a variety of commercial structures including research fees, milestones and/or royalties. Projects are selected to match Evotec's expertise and technology.
- EVT Innovate: The segment EVT Innovate focuses on developing its own internal assets including early-stage discovery programmes as well as more advanced drug candidates, which are subsequently positioned for partnering with Pharma clients, usually at pre-clinical stages. Evotec's internal programmes focus on first-in-class and best-in-class projects based on innovative biology. These so called "Cure *X*" or "Target *X*" initiatives largely follow indication areas that are firmly established at Evotec: CNS/neurology, diabetes and complications of diabetes, pain and inflammation, oncology and infectious diseases. Ensuing partnerships usually involve upfront and research payments as well as milestones and product royalties. Projects are selected to match Evotec's expertise and technology and positioned for partnering with Pharma customers, usually at pre-clinical stages.

The segments' key performance indicators are used monthly by the Management Board to evaluate the resource allocation as well as Evotec's performance. Intersegment revenues are valued with a price comparable to other third-party revenues.

The segment information for the financial year 2014 is as follows:

in T€	EVT Execute	EVT Innovate	Intersegment eliminations	Evotec Group
Revenues	93,287	14,672	(18,463)	89,496
Costs of revenue	(64,677)	(11,240)	15,799	(60,118)
Gross profit	**28,610**	**3,432**	**(2,664)**	**29,378**
Operating income and (expenses)				
Research and development expenses	(921)	(14,147)	2,664	(12,404)
Selling, general and administrative expenses	(13,550)	(4,440)	-	(17,990)
Amortisation of intangible assets	(2,148)	(314)	-	(2,462)
Impairment of intangible assets	-	(14,967)	-	(14,967)
Reversal of impairment of intangible assets	-	6,444	-	6,444
Other operating income	5,432	9,920	-	15,352
Other operating expenses	(3,226)	(6,506)	-	(9,732)
Total operating expenses	**(14,413)**	**(24,010)**	**2,664**	**(35,759)**
Operating income (loss)	**14,197**	**(20,578)**	**-**	**(6,381)**
EBITDA adjusted	**22,065**	**(14,354)**		**7,711**

(4) *Acquisitions*

Effective 01 April 2014, the Company acquired 100% of the shares in Bionamics GmbH, Hamburg, a company focused on the translation of academic innovations into attractive assets for the biotech and Pharma industry.

The purchase price of T€ 599 in cash includes a potential earn-out as contingent consideration in the amount of T€ 115. The earn-out was calculated based on estimated future revenues in the next 48 months as of the date of acquisition with a discount of 1.56%. The discount rate is based on usual market interest rate on debt. The estimated maximum potential earn-out payment amounts to T€ 364.

A fair value adjustment has been recorded on the date of acquisition for developed technologies in the amount of T€ 394, which was estimated based on net present value modelling. Related deferred tax liabilities of T€ 127 net were also recorded. The bargain purchase resulting from the acquisition totals T€ 137 and was allocated to the segment Innovate.

The impact of Bionamics GmbH on the net loss recorded by Evotec for the twelfth months ended 31 December 2014 is not material therefore no further details are provided. Even if this combination had taken place at the beginning of the year the impact would not have been material. So no further details are provided. Acquisition-related costs in the amount of T€ 5 were recognised through profit and loss.

Below is a breakdown of the fair value of Bionamics at the date of acquisition:

T€	01 April 2014 Fair value
Cash and cash equivalents	374
Trade accounts receivables	87
Other current assets	8
Long-term investments	12
Property, plant and equipment	2
Developed technologies	394
Provisions	(5)
Trade accounts payables	(1)
Other current liabilities	(8)
Deferred tax liabilities	(127)
Net assets acquired	**736**
Bargain purchase	(137)
Cost of acquisition	**599**
Less cash and cash equivalents acquired	(374)
Less deferred earn-out component	(115)
Cash outflow from acquisition	**110**

Evotec acquired 100% of the shares in Euprotec Ltd, Manchester, UK, effective on 27 May 2014. Euprotec is a specialist contract research organisation and a recognised leader in anti-infective drug discovery services. These capabilities further enhance Evotec's ability to deliver high-quality innovative solutions to its partners on a global scale.

The purchase price of T€ 3,698 in cash includes a potential earn-out as contingent consideration. The earn-out in the amount of T€ 677 as contingent consideration was calculated based on estimated future revenues as well as estimated achievement of a defined future milestone in the next 31 months as of the date of acquisition with a discount rate of 2.03%. The discount rate is based on usual market interest rate on debt. The maximum potential earn-out payment amounted to T€ 1,544 as of the date of the acquisition.
A fair value adjustment has been recorded on the date of the acquisition for a customer list in the amount of T€ 302, which was estimated based on net present value modelling. Related deferred tax liabilities of T€ 63 net were also recorded. The preliminary goodwill resulting from the acquisition amounts to T€ 2,534 and was allocated to the segment Execute. According to IFRS 3 and due to the preliminary assessment of the initial accounting for the acquisition of Euprotec, the initial accounting is provisional with regard to purchase price allocation and the fair values used to identify the purchase price and the assets and liabilities of the combination. It may therefore be subject to changes.
Due to the merger of Euprotec Ltd. into Evotec (UK) Ltd the amount of net income of Euprotec Ltd. could not be determined reliably after this effective date. The net loss of Evotec for the twelfth months ended 31 December 2014 included a net loss of T€ 21 from Euprotec as well as revenues of T€ 1,328 from the period before the merger. If this combination had taken place at the beginning of the year, the Company would have realised revenue in the amount of T€ 2,205 from 01 January 2014 until the effective date of the merger and an effect on profit/loss for the Group in the amount of T€ 147. Acquisition-related costs in the amount of T€ 56 were recognised through profit and loss.

Below is a breakdown of the fair value of Euprotec at the date of acquisition:

T€	27 May 2014 Fair value
Cash and cash equivalents	695
Trade accounts receivables	260
Other current assets	86
Property, plant and equipment	146
Customer list	302
Trade accounts payables	(49)
Other current liabilities	(208)
Deferred tax liabilities	(68)
Net assets acquired	**1,164**
Goodwill	2,534
Cost of acquisition	**3,698**
Less cash and cash equivalents acquired	(695)
Less deferred earn-out component	(677)
Cash outflow from acquisition	**2,326**

Effective 01 January 2013, the Company acquired 100% of the shares in CCS Cell Culture Service GmbH, Hamburg, (CCS).
The purchase price of T€ 2,270 in cash includes a potential earn-out as contingent consideration. The estimated maximum potential earn-out payment amounts to T€ 1,400.
Due to the merger of CCS Cell Culture Service GmbH into Evotec AG, CCS's profit and revenue had to be determined approximately. These amounts were calculated on the basis of cost center and project costing. Evotec's result for the twelve months ended 31 December 2013 included net income of T€ 333 from CCS as well as revenues of T€ 1,848. Acquisition-related costs in the amount of T€ 13 are recognised through profit and loss.

(5) *Cash and cash equivalents and investments*

Investments in mutual funds, which invest in debt instruments to manage the fund investors' liquidity, including debt instruments with an initial maturity beyond three months, are reported as current investments and carried at cost that approximate their fair value. Included in investments are also corporate bonds. The investments are classified as available-for-sale financial assets. As of 31 December 2014, unrealised losses in the amount of T€ 81 (31 December 2013: losses of T€ 35) were recognised in other comprehensive income relating to those assets.

(6) *Trade accounts receivables*

The Company has assessed the non-payment risk of all trade accounts receivables which resulted in an allowance of T€ 2,999 and T€ 696 in 2014 and 2013, respectively. With one exception, the allowance was recognised for the full amount of each relating trade accounts receivable. There are no use restrictions on trade accounts receivable.

The ageing of trade receivables at the year end was:

T€	**31 December 2014**	31 December 2013
Not past due	**23,829**	13,486
Bad debt not past due	**(2,969)**	(656)
Past due 0-30 days	**2,012**	1,229
Past due 31-120 days	**1,828**	3,502
Bad debt 31-120 days	**-**	(4)
More than 120 days	**589**	256
Bad debt more than 120 days	**(30)**	(36)
Total trade accounts receivables	**25,259**	**17,777**

The increase of the trade accounts receivables as of 31 December 2014 in comparison to 31 December 2013 is primarily due to milestones. Included in the trade accounts receivables not past due is an amount of T€ 3,380 (31 December 2013: T€ 3,380), which was partially written down due to bad debt and for which a payment schedule exists.

(7) *Inventories*

Inventories consist of the following:

T€	31 December 2014	2013
Raw materials	1,666	1,919
Work-in-progress	1,445	439
Total inventories	**3,111**	**2,358**

Raw materials consist mainly of compound libraries. Additionally, biological materials and substances as well as chemicals are included. Work-in-progress as of 31 December 2014 and 2013 consists of costs incurred on customer projects, which were not completed at year end.

The following allowances on inventories exist at the balance sheet date and are included in the table above:

T€	31 December 2014	2013
Raw materials	1,305	1,053
Work-in-progress	-	-
Total inventories	**1,305**	**1,053**

The allowances are included in the costs of revenue.

(8) *Other current financial assets*

Other current financial assets mainly include deposits in the amount of T€ 537 (31 December 2013: T€ 673) and in 2013 only derivative financial instruments of T€ 473.
As of 31 December 2014 and 2013, an amount of T€ 417 and T€ 416, respectively, of other current financial assets was pledged as security.

(9) *Prepaid expenses and other assets*

Prepaid expenses as of 31 December 2014 mainly relate to payments regarding the collaboration with Haplogen in the amount of T€ 1,500 (31 December 2013: T€ 500). As of 31 December 2013, prepaid expenses mainly related to payments regarding the collaboration with Harvard, which are recognised over different time periods. From this collaboration, an amount of T€ 566 was included in the other non-current assets in 2013.

T€	31 December 2014	2013
Prepaid expenses	4,293	3,234
Other	1,834	586
Total prepaid expenses and other current assets	**6,127**	**3,820**

(10) *Associates and long-term investments*

Associates comprise of the investment in the NANOdeLIVER GmbH, (NDL), Hamburg. Long-term investments only consist of the investment in the European ScreeningPort GmbH, Hamburg.
In 2007, Evotec founded together with the City of Hamburg the European ScreeningPort GmbH ("ESP"), Hamburg, with an ownership of 19.9% interest. As of 31 December 2014, the carrying amount of the investment is T€ 0 (2013: T€ 10), as the ESP is in liquidation. This investment is classified as available-for-sale financial asset.
In 2014, through the acquisition of Bionamics GmbH the Company also acquired a 50% share in NDL. As of 31 December 2014, the carrying amount of the investment is T€ 13. This investment is consolidated at equity.
The associates and long-term investments of Evotec do not have undistributed profits.
Associates and long-term investments are individually and in aggregate immaterial for the presentation of Evotec's net assets, cash flows and results of operations. Consequently, further financial information is not presented due to immateriality.

(11) *Property, plant and equipment*

With respect to the development of property, plant and equipment, please refer to the consolidated fixed asset movement schedule.
In 2014, additions related to investments in new technologies, the expansion of capacities as well as investments in software licences. Most capital expenditure on instrumentation was to support the Company's platform offering such as an update of imaging systems, protein production, compound management and biophysical screening. Facility investments focused on the continued development and fit-out of the Manfred Eigen Campus in Hamburg, the appliance of 300m² laboratory area in Abingdon/UK as well as the fit-out of a new protein production facility in Princeton, USA. The main additions in 2013 related to investments in new equipment as well as renewing older equipment. Capital expenditure was spent in instruments mainly to support the Company's platform offering, including high-content screening, protein production, biophysical screening, DMPK as well as compound management equipment in Branford. Upon completion of the assets under construction, costs are transferred into their respective fixed assets classification. Depreciation expense amounted to T€ 6,074 and T€ 5,943 in 2014 and 2013, respectively
Laboratory premises in Abingdon, United Kingdom were tested for impairment in 2014 and 2013. During the asset impairment review, as permitted under IAS 36, management estimated the asset impairment using a method based on the physical usage of the laboratory premises. This has resulted in no change to the carrying value of the asset as of 31 December 2014 (2013: T€ 0).
As of 31 December 2014, there are no assets held under finance lease. The net book values as of 31 December 2013 included in fixed assets, which were held under finance leases, related to company cars (T€ 14). The related depreciation amounted to T€ 5 in 2013.
The net book values of property, plant and equipment as of 31 December 2014 can be allocated to Germany in the amount of T€ 15,314, UK T€ 7,212 and to the US T€ 1,519 (31 December 2013: Germany T€ 15,400, UK T€ 7,557 and US T€ 1,282).

(12) *Intangible assets, excluding goodwill*

With respect to the development of intangible assets please refer to the consolidated fixed asset movement schedule.
Intangible assets consist of developed technologies, customer lists and acquired patents and licences.
The main additions to intangible assets in 2014 result from the acquisition of the customer list relating to the business combination with Euprotec Ltd. in the amount of T€ 302 as well as the acquisition of know-how relating to the business combination with Bionamics GmbH in the amount of T€ 394. The main addition to the intangible assets in 2013 resulted from the acquisition of a customer list amounting to T€ 1,979 from the business combination with CCS Cell Culture Service GmbH, effective 01 January 2013. This customer list is amortised over 7 years.
The developed technologies acquired in a business combination are amortised as soon as the intangible assets start to generate sustainable benefits. Part of the developed technologies acquired in the business combination with DeveloGen (now: Evotec International GmbH) with historical acquisition costs of T€ 6,774 started to be amortised in 2011 due to revenues generated with this technology. The carrying amount at 31 December 2014 amounted to T€ 5,235 (31 December 2013: T€ 5,629). Furthermore, amortisation commenced in 2014 for one part of the developed technologies acquired at historical acquisition costs of T€ 3,131 as part of the business combination with Kinaxo (now: Evotec (München) GmbH) due to revenues generated from this technology. Together with the amortisation of further parts (historical acquisition costs of T€ 1,283), commenced for the same reasons in 2013, the whole of these developed technologies is now being amortised. The carrying amount at 31 December 2014 amounted to T€ 3,906 (31 December 2013: T€ 4,334).
The developed technologies which are not yet amortized were tested for impairment on the annual designated test date in the fourth quarter 2014. The annual impairment test in 2014 is based on discounted cash flow models by using the assumptions in the table below.

	31 December 2014 Developed technologies	
	Evotec International GmbH	**Evotec (US), Inc.**
Denominated in	EUR	USD
Basis for cash flow model	PP 10-21 years	PP 14-18 years
Discount rate	10.29%	11.43%

PP = Project planning

The discount rate is calculated with a risk-free interest rate, a beta factor determined on the basis of peer groups and a risk premium.
These annual impairment tests resulted in 2014 in an impairment of

- Know-how resulting from the aquisition of DeveloGen (Evotec International GmbH). An impairment loss in the amount of T€ 6,232 was recognised. The impairment stems from Evotec's partner ending the EVT070 programme in the field of diabetes and the resulting change of the field of indication.

In 2014 the annual impairment test resulted furthermore in a reversal of impairment:

- Know-how arising from the business combination with Renovis (now: Evotec (US), Inc.). The reversal of impairment amounts to T€ 6,444. This is relating to the expected outlicensing of the lead compound and the resulting higher commercialisation success rate in comparison to the original assumed probability.

In the third quarter of 2014, Hyperion disclosed that it would stop the development of DiaPep277® due to alleged misconduct by Andromeda employees with regard to the use of generated data. Based on this information Evotec reviewed the relating developed technologies and concluded that an impairment in the amount of T€ 8,735 had to be recorded. The relating developed technologies were fully impaired in 2014.
No further impairments were recognised in 2014.

Impairment test 2013

The annual impairment test in 2013 was based on a discounted cash flow model by using the assumptions in the table below.

	31 December 2013 Developed technologies		
	Evotec International GmbH	Evotec (US), Inc.	Evotec (München) GmbH
Denominated in	EUR	USD	EUR
Basis for cash flow model	PP 11-20 years	PP 15-19 years	PP 9-15 years
Discount rate	10.60%	10.60%	8.11%

PP = Project planning

These annual impairment tests resulted in 2013 in an impairment of

- developed technologies resulting from the acquisition of Kinaxo Biotechnologies GmbH (now: Evotec (München) GmbH). An impairment loss of T€ 2,656 was recognised for these developed technologies. This impairment stemmed from a delay in revenue growth compared to the original assumed time periods,
- developed technologies resulting from the acquisition of DeveloGen (now: Evotec International GmbH). An impairment loss of T€ 4,051 was recognised for these developed technologies. Due to the already long-lasting development period of the technology, continuing this development was considered to be higher risk bearing and therefore an additional default probability was added.

In December 2013, results of certain pre-clinical studies with the NR2B subtype selective NMDA-antagonist led to an extension of the development period of the intangible asset recorded within Evotec International. This resulted in delayed future milestones. Consequently, Evotec had reviewed the intangible asset for impairment and concluded that an impairment loss of T€ 15,316 had to be recognised. This impairment test was based on discounted cash flow models using the same assumptions as the annual impairment tests.
No further impairments were made in 2013.

In 2013, two discounted cash flow models for some developed technology were altered by extending the estimated life of these technologies. This

extension is a result of changed assumptions regarding the marketed period. This change in estimate had an effect in the amount of T€ 2,672 and results in a lower impairment expense of T€ 2,672. Furthermore, the commercialisation success rate was newly introduced to two discounted cash flow models. The effect of this change in estimate amounted to T€ 14,162 and led to a corresponding higher impairment of T€ 14,162.

The estimated cash flows for the above described cash-generating projects used in the impairment tests are based on past experience. In addition, following key assumptions were used in the models:

- The possibilities of reaching each development phase were obtained from external publications of attrition rates, which were adjusted according to the individual circumstances where necessary.
- The estimated timing of the different development phases in each cash-generating project was individually set based on the past experience and scientific knowledge of management.
- Market size was projected using market research databases. Management estimated the Company's market share based on experience in the specific market environment and by comparing with similar products.
- Milestone and royalty revenues for cash-generating projects were taken from the out-licensing agreements (partnered assets) or estimated based on comparable deal structures in the market and in the Company (unpartnered assets).

In addition to these key assumptions used in all models, commercialisation success rates are only used in some models. They are estimated based on the current knowledge of management.
Management has identified the discount rate and the commercialisation success rate as the two key assumptions that have the potential to vary and thereby may cause the decrease of the recoverable amount to be lower than the carrying amount. The following tables show the amount by which those two assumptions have to change individually in order for the estimated recoverable amount to be equal to the carrying amount in 2014 and 2013.

in %-points	**Discount rate 2014**	**Commercialisation success rate 2014**
Developed technologies Evotec International	0.0-18.1	0.0
Developed technologies Evotec (US)	1.5	(11.5)

in %-points	Discount rate 2013	Commercialisation success rate 2013
Developed technologies Evotec (München)	0.0	not applicable
Developed technologies Evotec International	0.0-12.9	0.0
Developed technologies Evotec (US)	0.0	0.0

The categories listed above consist of several developed technologies.

(13) *Goodwill*

Due to the change in the internal organisation from 01 January 2014 onwards to two segments and the relating allocation of resources Evotec reviewed the allocation of goodwills to cash-generating units. For the purpose of impairment testing, goodwill of Evotec (München) and Evotec (US) is allocated to the operating divisions under consideration of the segments Execute and Innovate. Goodwill for OAI and Evotec International were merged to allocate then the goodwill according to the cash-generating segments Execute and Innovate. This represents the lowest level at which the goodwill is monitored for internal management purposes.
The Company has tested the cash-generating units for impairment on the annual designated test date in the fourth quarter 2014 based on the net book values as of 30 September 2014. The impairment tests are based on discounted cash flow models.
In 2014, the goodwill acquired in the business combination with Bionamics GmbH and Euprotec Ltd. were merged with the goodwill Evotec International respectively OAI under consideration of the cash-generating segments, as those two entities were merged in 2014 and hence the cash-generating units were merged, too. In 2013, the goodwill acquired in the business combination with CCS Cell Culture Service GmbH (CCS) was merged with the OAI goodwill, as CCS was merged and hence the cash-generating units were merged, too.
With respect to the development of goodwill please refer to the consolidated fixed asset movement schedule and the following detailed schedule.

T€	OAI/Evotec International Execute	OAI/Evotec International Innovate	Evotec (München) Execute	Evotec (US) Execute	Evotec (US) Innovate	Total
31 December 2013	14,954	9,200	7,983	6,648	1,351	40,136
Additions	2,534	-	-	-	-	2,534
Disposal	-	-	-	-	-	-
FX revaluation	1,034	50	-	882	179	2,145
31 December 2014	**18,522**	**9,250**	**7,983**	**7,530**	**1,530**	**44,815**

In the tables below is specified the assumptions for the discounted cash flow models used in the annual impairment tests in the fourth quarter 2014 and 2013, the discount rate considering the risks and rewards of the activities used in the impairment test and the growth rate for determining the terminal value.

	31 December 2014 Cash-generating units				
	OAI/Evotec International Execute	**OAI/Evotec International Innovate**	**Evotec (München) Execute**	**Evotec (US) Execute**	**Evotec (US) Innovate**
Denominated in	GBP/EUR	GBP/EUR	EUR	USD	USD
Basis for cash flow model	LRP	LRP/PP 14-20 years	LRP/PP 8-14 years	MRP	PP 18 years
Discount rate	7.60%	10.29%	7.08%/7.64%	8.72%	11.43%
Growth Rate for Terminal Value	0.0%	0.0%	0.0%	0.0%	0.0%

LRP = Long-Range Plan 2015-2024, MRP = Mid Range Plan 2015-2019, PP = Project planning

	31 December 2013 Cash-generating units			
	OAI	Evotec International	Evotec (München)	Evotec (US)
Denominated in	GBP	EUR	EUR	USD
Basis for cash flow model	MRP	PP 11-20 years	PP 9-15 years	MRP/PP 19 years
Discount rate	9.11%	10.60%	8.11%	9.58%/10.60%
Growth Rate for Terminal Value	0.0%	0.0%	0.0%	0.0%

MRP = Mid-Range Plan 2014-2018, PP = Project planning

In 2014 and 2013, the Company recorded no impairment as a result of these annual impairment tests.

Following the decision taken on 08 July 2013 to close the chemistry operations in Thane, India, the goodwill of this cash-generating unit was fully impaired in 2013. This goodwill impairment amounted to T€ 1,948.

The estimated cash flows for the impairment test of the goodwill in OAI/ Evotec International GmbH Innovate, in Evotec (US) Innovate as well as in 2013 the goodwill Evotec International GmbH are based on the key assumptions of the underlying developed technologies.

The estimated cash flows for the goodwill of Evotec (München) Execute (2013: Evotec (München) GmbH) are based on the key assumptions of the underlying developed technologies as well as on management expectations for the future.

The impairment tests of the goodwill in Evotec (US) Execute, OAI/Evotec International Execute and for 2013 the goodwill OAI and the relating estimated cash flows are based on past experience and expectations for the future. In addition, the following key assumptions were used in the models:

- The estimates of revenues were based on knowledge of overall market conditions combined with specific expectations of customer growth and product performance.
- Cost estimates were developed using the 2015 budgeted cost base projected forward for volume increases, mix changes, specific investments and inflationary expectations.
- The exchange rates and interest rates used were based on current market expectations and predictions.

Management has identified the discount rate as one key assumption that has the potential to vary and thereby cause the recoverable amount to decrease and to be lower than the carrying amount. The following tables show the amount by which this assumption has to change individually in order for the estimated recoverable amount to be equal to the carrying amount in 2014 and 2013.

in %-points	**Discount rate 2014**
OAI/Evotec International Execute	17.7
OAI/Evotec International Innovate	14.0
Evotec (München) Execute	3.0
Evotec (US) Execute	0.4
Evotec (US) Innovate	0.2

in %-points	Discount rate 2013
Goodwill Evotec (US)	0.3
Goodwill Evotec (München)	2.7
Goodwill Evotec International	12.5
Goodwill Oxford Asymmetry	13.2

Regarding the impairment test of the goodwill in Evotec (München) Execute (2013: Evotec (München)), Management has identified the gross profit as additional key assumption.

(14) *Other non-current assets*

In the previous year, other non-current assets consisted of prepaid expenses regarding the collaboration with Harvard University in the amount of T€ 566.

(15) *Loan liabilities*

Throughout the year 2014 and 2013, Evotec met all covenants under the various loan agreements shown below. All loans are unsecured. In 2014 and 2013, Evotec has to maintain a minimum liquidity of T€ 35,000.

				31 December		31 December	
				2014	**2014**	2013	2013
Country of lendor	Currency	Nominal interest rate	Maturity until	**F air Value T€**	**carrying amount T€**	Fair Value T€	carrying amount T€
Germany	**EUR**	**Euribor+1.25%**	**2014**	**6,500**	**6,500**	**6,500**	**6,500**
Germany	**EUR**	**Euribor+1.25%**	**2014**	**6,500**	**6,500**	**6,500**	**6,500**
Germany	**EUR**	**Euribor+1.2%**	**2018**	**4,000**	**4,000**	**4,000**	**4,000**
UK	**GBP**	**Libor+1.5%**	**2019**	**2,556**	**2,556**	**-**	**-**
Germany	**EUR**	**1.25%**	**2021**	**1,935**	**1,948**	**-**	**-**
Germany	**EUR**	**1.85%**	**2015**	**45**	**45**	**222**	**222**
				21,536	**21,549**	**17,222**	**17,222**

Current loan liabilities consist of unsecured bank loans in the amount of T€ 13,363 as of 31 December 2014 (2013: T€ 17,222).

The Company maintains lines of credit totalling T€ 6,298 and T€ 5,576 to finance its short-term capital requirements, of which the entire line is available as of 31 December 2014 and 31 December 2013, respectively.

(16) *Provisions*

The current provisions consist of the following:

	31 December	
T€	**2014**	2013
Bonus accruals	**1,055**	1,574
Accrued vacation	**956**	778
Earn-out	**457**	2,088
Accrued lease expenses	**281**	236
Restructuring costs	**-**	91
Other provisions	**945**	1,021
Total current provisions	**3,694**	**5,788**

The non-current provisions consist of the following:

	31 December	
T€	**2014**	2013
Earn-out	**15,407**	16,431
Accrued lease expenses	**2,321**	1,692
Other provisions	**229**	463
Total non-current provisions	**17,957**	**18,586**

The following table summarises the development of total provisions recorded during 2014:

T€	1 January 2014	Business combination	Consumption	Release	Foreign exchange	Additions	31 December 2014
Earn-out	18,519	792	1,813	2,840	24	1,182	15,864
Accrued lease expenses	1,928	-	92	-	39	727	2,602
Personnel expenses	2,352	-	1,724	152	67	1,468	2,011
Restructuring costs	91	-	100	-	9	-	-
Other provisions	1,484	5	761	334	23	757	1,174
Total	**24,374**	**797**	**4,490**	**3,326**	**164**	**4,134**	**21,651**

The earn-out provision as of 31 December 2014 consists of three earn-outs relating to the three following acquisitions:

- DeveloGen in the amount of T€ 15,041 (2013: T€ 16,716), including an unwind of discount in the amount of T€ 1,165 (2013: T€ 1,455) a fair value adjustment in the amount of T€ (2,840) (2013: T€ (2,650)) and a consumption in the amount of T€ 0 (2013: T€ 279),
- Bionamics in 2014 in the amount of T€ 116 including an unwind of discount in the amount of T€ 1, and
- Euprotec in 2014 in the amount of T€ 707 including an unwind of discount in the amount of T€ 6.

For the subsequent two earn-outs, the development of their respective provision in the financial year 2014 is as follows:

- CCS in the amount of T€ 0 (2013: T€ 1,120) including a fair value adjustment in the amount of T€ 10 (2013: T€ 183) and a consumption in the amount of T€ 1,313 (2013: T€ 0), and
- Kinaxo in the amount of T€ 0 (2013: T€ 500) including a consumption of T€ 500 (2013: T€ 0).

The unwind of the discount and the increase in the fair value of the earn-outs is shown as addition in the provision table. A decrease in the fair value of the earn-outs is shown as a release in the provision table.
The provision for personnel expenses consist mainly of bonus accruals and accrued vacation. The provision for personnel costs may differ from the actual amounts due to the fact that the actual percentage of the variable portion of the remuneration may differ from the estimates. The actual amounts of the earn-out may vary from the provision if the underlying future revenues differ from the estimate or the underlying estimated milestones do not occur. The actual consumption of the accrued lease expenses may vary from the estimated if the lease period changes.

Other current and non-current provisions consist of the following:

	31 December	
T€	**2014**	2013
Licence fees	**307**	250
Supervisory Board fees	**300**	279
Accrual for pensions	**216**	164
Contractual liability	**-**	160
Interest SWAP	**67**	137
Other provisions	**284**	494
Total other provisions	**1,174**	**1,484**

(17) *Deferred revenues*

As of 31 December 2014 and 2013, deferred revenues mainly relate to the collaboration and licence contract with Bayer Pharma AG amounting to T€ 5,880 (2013: T€ 8,390), with AstraZeneca AB in the amount of T€ 896 (2013: T€ 1,396) as well as to the licence and collaboration agreement with Janssen amounting to T€ 0 (2013: T€ 3,230).

(18) *Income taxes*

a) AMOUNTS RECOGNISED IN CONSOLIDATED INCOME STATEMENT

Income tax benefit and expense for the years 2014 and 2013 comprise the following:

T€	**2014**	2013
Current taxes:		
Current tax expense	**(1,632)**	(299)
Adjustment for prior years	**(226)**	-
Total current taxes	**(1,858)**	(299)
Deferred taxes:		
Tax loss carry forwards	**(3,851)**	(7,512)
Temporary differences	**3,890**	6,026
Total deferred taxes	**39**	(1,486)
Total income tax expense	**(1,819)**	**(1,785)**

b) AMOUNTS RECOGNISED DIRECTLY IN EQUITY

No amounts were recognised directly in equity in the financial years 2014 and 2013 respectively.

c) RECONCILIATION OF EFFECTIVE TAX RATE

The difference between the actual income tax expense and the product of the net income and the applicable group tax rate in the reporting year and the previous year is made up as follows:

T€	**2014**	2013
Profit before tax	**(5,159)**	(23,648)
Expected German income tax rate	**32.28%**	32.28%
Expected income tax benefit	**1,665**	7,634
R&D tax credits	**-**	877
Non-deductible expenses and trade tax additions	**(685)**	(105)
Foreign tax differential	**355**	628
Change in tax rates	**(23)**	(11)
Change in recognition of deferred tax assets	**(3,265)**	(10,726)
Non-periodic taxes	**(257)**	-
Other	**394**	(82)
Effective income tax expense	**(1,816)**	(1,785)
Effective income tax rate	**(35.19)%**	**(7.55)%**

Deferred income tax assets and liabilities calculated with the anticipated tax rates of each entity as of 31 December 2014 and 2013 relate to the following:

	1 Jan 14					31 Dec 14	
T€	**Net balance**	**Recognised in profit or loss**	**Foreign currency translation**	**Business combination**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	(856)	(242)	(27)	-	(1,125)	586	(1,711)
Intangible assets	(8,825)	2,680	(160)	(190)	(6,495)	5,889	(12,384)
Financial assets	1,411	92	-	-	1,503	2,677	(1,174)
Provisions and deferred revenues	(360)	1,547	-	-	1,187	2,813	(1,626)
Other	1,012	(187)	-	-	825	825	-
Tax credits	877	117	-	-	994	994	-
Interest carry forward	2,372	243	-	-	2,615	2,615	-
Loss carry forward	94,193	1,963	-	-	96,156	96,156	-
Total	**89,824**	**6,213**	**(187)**	**(190)**	**95,660**	**112,555**	**(16,895)**
Non-recognition of deferred tax assets	(91,069)	(6,174)	-	-	(97,243)	(97,243)	-
Set off of tax						(3,816)	3,816
Net	**(1,245)**	**39**	**(187)**	**(190)**	**(1,583)**	**11,496**	**(13,079)**

	1 Jan 13					31 Dec 13	
T€	Net balance	Recognised in profit or loss	Foreign currency translation	Business combination	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(1,275)	400	19	-	(856)	823	(1,679)
Intangible assets	(13,904)	5,718	-	(639)	(8,825)	2,500	(11,325)
Financial assets	52	1,359	-	-	1,411	2,026	(615)
Provisions and deferred revenues	1,057	(1,417)	-	-	(360)	1,064	(1,424)
Other	834	178	-	-	1,012	1,012	-
Tax credits	914	(37)	-	-	877	877	-
Interest carry forward	2,454	(82)	-	-	2,372	2,372	-
Loss carry forward	92,938	1,110	-	145	94,193	94,193	-
Total	**83,070**	**7,229**	**19**	**(494)**	**89,824**	**104,867**	**(15,043)**
Non-recognition of deferred tax assets	(82,354)	(8,715)	-	-	(91,069)	(91,069)	-
Set off of tax						(13,798)	13,798
Net	**716**	**(1,486)**	**19**	**(494)**	**(1,245)**	**-**	**(1,245)**

d) UNRECOGNISED DEFERRED TAX LIABILITIES

For outside basis differences for undistributed foreign subsidiaries earnings, temporary differences in the amount of T€ 1,447 were not recorded according to IAS 12.39 (2013: T€ 1,305).

e) UNRECOGNISED DEFERRED TAX ASSETS

The Company's deferred tax assets are recorded to the extent it is probable that such tax benefits would be realised in future years.

T€	2014	2013
Tax loss carryforwards (not expiring)	**444,521**	402,877
Time-limited tax losses		
expiring until 2020	**6,463**	7,868
expiring from 2020 to 2025	**11,703**	17,703
expiring from 2026 to 2030	**34,647**	47,733
expiring from 2030	**21,732**	15,340
Interest carry forward	**9,716**	8,643
Tax credits	**994**	877
Unrecognised deferred tax assets	**529,776**	501,041

Due to a change in estimates as of 31 December 2013, it was no longer assumed that one of the German entities will generate sufficient profits in the foreseeable future. Therefore no deferred tax asset was recognised. Due to the continuing loss history of the other German entities as well as the US entity, no additional deferred tax asset on tax loss carry forwards, exceeding the recognised deferred tax liabilities, was recognised.

A net asset position for temporary differences amounting to T€ 991 was not set up as of 31 December 2014 (31 December 2013: T€ 2,394).

(19) *Stock-based compensation*

a) SHARE PERFORMANCE AWARDS

To further incentivise executives via variable long-term incentive compensation, the Annual General Meeting in June 2012 approved the contingent capital necessary to support the share performance plan 2012 ("SPP 2012"). Under this plan, Share Performance Awards ("SPA") may be granted to a level that may result in up to 4,000,000 bearer shares of the Company being issued at maturity to members of the Management Board and other key employees. Each SPA grants up to two subscription rights to company shares, each of which in turn, entitle the holder to the subscription of one company share. SPAs can be exercised after a vesting period of four years after the date of their grant but no later than five years after the respective grant. The holder has to contribute € 1.00 per share at the date of issue. SPAs can only be exercised, if, when and to the extent that key performance indicators are achieved within a performance measurement period of three years. The Supervisory Board determines key performance indicators for each individual tranche of awards. If a member of the Management Board leaves the company during the performance measurement period, he is entitled to receive proportionate Share Performance Awards. The selected key employees generally do not have this entitlement. The SPP 2012 is subject to certain restrictions regarding issuing periods and the allocation of the grants to members of the Management Board and other key employees.
A summary of the status of the share performance plan as of 31 December 2014 and 2013 and the changes during the year then ended is presented as follows:

			31 December	
	2014 Share Performance Awards (SPAs)	**2014 Weighted average exercise price € per share**	2013 Share Performance Awards (SPAs)	2013 Weighted average exercise price € per share
Outstanding at beginning of the year	**1,683,450**	**1.00**	909,693	1.00
SPAs granted	**1,504,030**	**1.00**	773,757	1.00
SPAs exercised	**-**	**-**	-	-
SPAs expired	**-**	**-**	-	-
SPAs forfeited	**(97,132)**	**1.00**	-	-
Outstanding at end of the year	**3,090,348**	**1.00**	**1,683,450**	**1.00**
Thereof exercisable	**-**	**-**	**-**	**-**

In 2014, 734,457 SPAs from the total granted SPAs were given to the members of the Management Board (2013: 393,526).
The fair value of the grant of share performance awards was estimated on the date of grant using a Monte-Carlo-Simulation model with the following assumptions:

	1 October 2014	4 September 2013
Risk-free interest rate in %	**0.05**	0.67
Volatility in %	**47.0**	35.0
Fluctuation in %	**0.0–5.0**	0.0–5.0
Exercise price in Euro	**1.00**	1.00
Share price at grant date in Euro	**3.10**	2.90
Fair value according to IFRS 2 at grant date per SPA in Euro	**1.80**	1.55

The performance measurement period for this vesting in 2014 started on 01 January 2014 (previous year: 01 January 2013). The expected dividend yield is zero, the expected life is 4 years.

In the financial year 2014, the assumption relating to the SPAs granted in 2013 (2013: SPAs granted in 2012) changed with regard to the estimated achievement of the key performance indicators within the performance measurement period of three years. This lead to an adjustment of T€ 475 (2013: T€ 546) of the total amount to be recognised as compensation expense. Correspondingly, a T€ 352 (2013: T€ 397) lower than originally expected compensation expense was recorded in 2014.

b) SHARE OPTION PLANS

The Annual General Meeting on 07 June 1999 established a stock option plan ("Option Plan 1999") and authorised the granting of stock options for up to 1,466,600 shares. The plan is subject to certain restrictions regarding the number of stock awards that may be granted in a single year and the allocation of the grants to members of the Management Board, other key management personnel and all other employees. The Annual General Meeting in 2000 and 2001 provided for the authorisation of additional 949,000 and 1,129,600 stock options, respectively.
Under the terms of the plan, each option entitles the holder to purchase one share of the Company's stock within ten years of the grant date at a set strike price. For all options granted in 1999, the strike price was the price of the initial public offering of € 13.00 (€ 6.50 after stock split). Options granted in 2000 and 2001 can be exercised at a strike price equal to the closing price of the shares or at a strike price equal to the closing price of the shares plus 5% on the trading day before the option was granted. Options have a graded vesting: a maximum of one-third of which can be exercised at the earliest after two years, a maximum of further two-thirds after three years and all remaining awarded options after four years. Options can only be exercised within certain specified two weeks periods starting on the third day after one of the following events: (i) release of the quarterly results, (ii) annual press conference on the financial statements, or (iii) Annual General Meeting of the Company. The options can only be exercised if the stock price exceeds the strike price by at least 5%.

The terms of the stock option plan further provide that a grant of options is allowed if the average closing price of the Company's stock has increased by at least 30% when comparing the last quarter of the last business year before the grant with the last quarter of the preceding year. The Supervisory Board, however, has the authority to override this restriction and to authorise the granting of options to employees if such a decision is considered necessary for the interests of the Company.
The Annual General Meetings on 07 June 2005, 30 May 2007 and 28 August 2008 established new stock option plans ("Option Plan 2005, 2007 and 2008") and authorised the granting of stock options for up to 1,741,481, 2,140,000 and 3,400,000 shares in 2005, 2007 and 2008, respectively. The plans are subject to certain restrictions regarding the number of stock awards that may be granted in a year and the allocation of the grants to members of the Management Board, other key management personnel and all other employees. Within one calendar year, no more than 40% of options from the Option Plan 2005 and 2007 and not more than 50% of options from the Option Plan 2008 shall be granted.
Each option entitles the holder to purchase one share of the Company's stock at a strike price equal to the price of one share at the time of the grant of the option. Options can be exercised after a vesting period of three years after the date of their grant but no later than six years after the respective grant. The Option Plan 2005, 2007 and 2008 stipulates an exercise hurdle of a 33% price increase against the share price at the time of granting. The option holder may exercise his options only if this hurdle is achieved on the day three years after the respective date of granting. In case the hurdle is not achieved, the same increase after four or five years, respectively, would make the options exercisable.
The Annual General Meeting on 04 June 2009 decided to change the exercise periods of the options under the Option Plan 2005, 2007 and 2008 to be generally exercisable throughout the year. Options cannot be exercised during certain specified three weeks periods ending on the day of the following events: (i) Annual General Meeting of the Company, (ii) annual press conference on the financial statements, or (iii) release of the quarterly results. The options under the Option Plan 2005, 2007 and 2008 used to be exercisable within the specific two weeks period relevant also to the other option programmes.
The Annual General Meeting on 16 June 2011 established a new stock option plan ("Option Plan 2011") and authorised the granting of stock options for up to 1,200,000 shares in 2011. The plan is subject to certain recommendations regarding the number of stock awards that may be granted in a year. All options under the Option Plan 2011 are destined for grant to members of the Executive Board. Each option entitles the holder to purchase one share of the Company's stock at a strike price equal to the price of one share at the time of the grant of the option. Options can be exercised after a vesting period of four years after the date of their grant but no later than eight years after the respective grant. The Option Plan 2011 stipulates an exercise hurdle of a 20% price increase against the share price at the time of granting. The option holder may exercise his options only if this hurdle is achieved on one relevant day during the waiting period. The "relevant day" is respectively the day prior to the annual financial report, the quarterly report, an interim report or the half-year financial report is made available to the public.

A summary of the status of the stock option plans as of 31 December 2014 and 2013 and the changes during the years then ended is presented as follows:

			31 December	
	2014	**2014**	2013	2013
	Options	**Weighted average exercise price € per share**	Options	Weighted average exercise price € per share
Outstanding at beginning of the year	**3,542,128**	**2.47**	5,609,975	2.36
Options granted	**-**	**-**	-	-
Options exercised	**(317,183)**	**2.07**	(1,554,197)	1.52
Options expired	**(34,699)**	**5.14**	(506,150)	4.21
Options forfeited	**(148,800)**	**2.78**	(7,500)	1.77
Outstanding at end of the year	**3,041,446**	**2.47**	**3,542,128**	**2.47**
Thereof exercisable	**803,928**	**2.34**	**1,075,497**	**2.32**

A summary of the stock options outstanding as of 31 December 2014 is as follows:

Range of exercise prices € per share	Outstanding	Exercisable	Weighted average remaining contractual life	Weighted average exercise price € per share
0.61 – 0.97	40,004	4,004	0.39 years	0.71
1.66 – 3.68	3,001,442	763,924	6.17 years	2.49

The fair value of each option grant was estimated on the date of grant using a binomial model with the following assumptions:

	9 June 2010	2 December 2010	16 March 2011	14 September 2011
Risk-free interest rate in %	1.81	2.22	2.66	1.23
Volatility in %	50.0	35.0	33.0	44.0
Fluctuation in %	0.0 - 10.0	0.0 - 10.0	0.0 - 10.0	0.0
Price range in Euro	1.93	2.69 - 2.73	2.65 - 2.79	2.23
Fair value per option	0.87- 0.90	0.90 - 1.02	0.75 - 0.94	0.96

The expected dividend yield is zero, the expected life is 6 years in all models. The Company recognised compensation expense in 2014 and 2013 for all stock options and share performance awards totalling T€ 1,495 and T€ 1,255, respectively, which was reflected as operating expenses in the consolidated income statement. The compensation expenses relating to accelerated vesting as well as the adjustment of compensation expenses due to changes in estimates are included in the amount above.

(20) *Stockholders' equity*

The share capital is made up of:

Shares in thousands	**31 Dec 2014**	31 Dec 2013
Issued as of 1 January	**131,460**	118,547
Capital increase	**-**	11,818
Exercise of share purchase rights	**251**	1,095
Issued as of 31 December	**131,711**	**131,460**

On 31 December 2014, there are 131,710,876 shares issued and outstanding with a nominal amount of € 1.00 per share. Management is not aware of any restriction of the voting rights or the right to transfer. No binding lock-up agreements have been made with any shareholder, and neither stock loans, nor pre-emptive stock purchase rights are known to the Company.
Share purchase rights exercised in 2014 show an average exercise price amounting to € 2.07 (2013: € 1.52) per share.
The conditional capital (bedingtes Kapital) as of 31 December 2014 consists of 10,205,497 shares available with respect to the share performance plan and the stock option plans and 23,663,172 shares available to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments). Consequently, the remaining conditional capital (bedingtes Kapital) as of 31 December 2014 amounts to 33,868,669 shares.
In the third quarter 2013, share capital was increased against cash contribution by issuing 11,818,163 newly issued shares from the authorised capital (genehmigtes Kapital). The price per share amounted to € 2.55. As of 31 December 2013, the remaining authorised capital (genehmigtes Kapital) comprised 11,844,559 shares.
At the Annual General Meeting on 17 June 2014, the statutes in respect of authorised capital were amended. The Management Board of the Company is now authorised to issue up to 26,292,038 new shares for cash or contributions in kind. Under German law, the shareholders of a stock corporation may empower the Management Board to issue shares in a specified aggregate nominal value not exceeding 50% of the issued share capital at the time of the shareholder vote, in the form of authorised capital (genehmigtes Kapital). The authorisation expires on 16 June 2019.
Evotec owns 272,315 of Evotec's shares as of 31 December 2014 (2013: 338,815), representing 0.2% (2013: 0.3%) of Evotec's share capital as of 31 December 2014. In the course of the acquisition of Renovis, Inc. by Evotec AG, certain options and deferred stock units ("DSU") held by Renovis employees were transformed into Evotec American Depository receipts ("ADR") delivered into an irrevocable Company Trust for the benefit of the Renovis employees.
In accordance with the Trust Agreement between Renovis, Inc. and the Trustee, on 12 March 2012 all remaining ADRs held by the Company Trust were delivered to Evotec AG, as all obligations of the Trust to deliver ADRs under the option agreements or the DSU agreements were satisfied or otherwise expired (e.g. due to an expiry of exercise periods or non-occurrence/discontinuance of exercise conditions). In 2014 and 2013, Evotec AG used some of the transferred ADRs to serve exercised options under its stock option programmes rather than using contingent capital.

(21) *Revenues*

Revenues include in 2014 milestone payments amounting to T€ 10,400 (2013: T€ 12,723) and royalty income in the amount of T€ 1,633 in 2014 (2013: T€ 1,590). Also included are licence revenues from discovery collaborations in the amount of T€ 3,934 (2013: T€ 2,258) as well as revenue from software contracts in the amount of T€ 0 (2013: T€ 501).

Regarding revenues by region, 56% of Evotecs revenues are generated with customers in the US, 20% with customers in Germany and 12% with customers in UK (2013: 47% US, 31% Germany and 16% UK).

(22) *Research and Development*

In 2014, research and development expense mainly relate to early discovery projects amounting to T€ 9,027 (2013: T€ 5,246), platform R&D in the amount of T€ 742 (2013: T€ 1,754), clinical projects amounting to T€ 116 (2013: T€ 106) as well as overhead expenses in the amount of T€ 2,519 (2013: T€ 2,258). The overhead expenses consist mainly of patent costs and overhead personnel expenses.

(23) *Selling, general and administrative expenses*

Included in selling, general and administrative expenses are expenses for sales and marketing in the amount of T€ 3,138 (2013: T€ 2,240). Other administrative expenses amount to T€ 14,852 in 2014 (2013: T€ 14,157).

(24) *Other operating income and expense*

In 2014, other operating income mainly relate with T€ 9,144 to the fair value adjustment of the earn-out provisions. Furthermore, during the year the group elected to claim the Research and Development expenditure credit (RDEC) in the UK. This credit is akin to a government grant and as a result, other operating income includes an amount of T€ 1,500 which represents the Research and Development credit claimed. Previously the group in the UK claimed additional tax expenses (not shown under other operating income) under the super deduction scheme. In 2013, other operating income included the fair value adjustment of the provision for the earn-out relating to the acquisition of DeveloGen in the amount of T€ 2,917.
In 2014, other operating expense include T€ 6,314 related to the fair value adjustment of the earn-out provisions. In 2013, other operating expense mainly related to the fair value adjustment of the provision for the earn-out relating to the acquisition of DeveloGen in the amount of T€ 267 and CCS in the amount of T€ 183.

(25) *Interest expense*

Interest expense in 2014 includes the unwind of discounts of earn-out provisions in the amount of T€ 1,172 (2013: T€ 1,455).

(26) *Foreign currency exchange gain (loss), net*

In 2013, the closure of the operating activities in India in the affiliate Evotec (India) resulted in a realisation of foreign currency exchange loss previously recorded in equity as unrealised in the amount of T€ 286.

(27) *Financial instruments*

FINANCIAL RISK MANAGEMENT

Evotec is exposed to the following risks arising from financial instruments:

- currency risks
- interest rate risks
- liquidity risks (see note (28))
- capital management (see note (28))
- credit risks (see note (28))
- market risks (see note (28))

The Management Board has overall responsibility for the establishment and oversight of the Company's management framework. The Management Board has installed a Group Risk Manager, who is responsible for developing and monitoring the risk management policies. The Group Risk Manager reports regularly to the Management Board on its activities. The Audit committee oversees how management monitors compliance with the Company's risk management policies and procedures.

Currency risks

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in currency other than the functional currency of all Evotec companies. The functional currencies of all Evotec companies consist mainly of Euro, US Dollar and UK Sterling. The currencies in which these transactions are primarily denominated are US Dollar, UK Sterling and the Euro. A strengthening (weakening) of the Euro, US Dollar or UK Sterling as indicated below against the other currencies at 31 December would have increased (decreased) equity and net profit/(loss) by the amounts shown below. This analysis relates to financial instruments classified as held for sale and assumes that all other variables remain constant and ignores any impact of sales and purchases.

	Variance 2014		Variance 2013	
T€	**Equity**	**Profit and loss**	Equity	Profit and loss
USD (10% movement)	**(92)**	**(92)**	1,447	1,447
GBP (10% movement)	**(46)**	**(46)**	201	201
EUR (10% movement)	**1,481**	**1,481**	926	926

	Average rate		31 December	
€	**2014**	2013	**2014**	2013
USD	**0.75370**	0.75332	**0.82270**	0.72640
GBP	**1.24088**	1.17820	**1.27800**	1.19790
INR	**0.01238**	0.01293	**0.01290**	0.01176

The Company manages the foreign exchange exposure via natural hedges and selective hedging instruments such as forward currency contracts. The hedging instruments used do not expose the Company to any material additional risk. The objective of these transactions is to reduce the risk of exchange rate fluctuations of the Company's foreign currency denominated cash flows. Evotec does not enter into derivative transactions for trading or speculative purposes. As of 31 December 2014 and 2013, the Company held US Dollar/GBP forward contracts with Euro equivalent notional amounts of T€ 19,745 and a fair value of T€ (76) (2013: T€ 4,358 and T€ 473, respectively). Foreign currency contracts are carried at fair value. The maturity for all foreign currency contracts held by the Company is short-term. The fair value of the foreign currency contracts is included in other current financial liabilities on 31 December 2014 (31 December 2013: other current financial assets). Gains and losses from the fair value accounting related to foreign currency derivatives are included in non-operating income and expense and amounted to a net loss of T€ 9 and a net gain of T€ 311 for the years ended 31 December 2014 and 2013, respectively.

Derived from the summary quantitative date about the Company's currency risks based on the report to the Management Board, the expected future USD cash flows are hedge with USD/GBP forward contracts with a nominal value of TUSD 24,000 (2013: TUSD 6,000).

The fair value of cash and cash equivalents, investments, trade accounts receivable and trade accounts payable approximate their carrying values in the consolidated financial statements due to their short-term nature. Financial assets are accounted for at the settlement date.

Interest rate risks

The Company is exposed to interest rate risks in Germany, UK and US due to current investments as well as loans. Financial instruments with fixed interest rates or those covered by an interest rate swap are not subject to cash flow risks and therefore are not included in the sensitivity analysis. Financial instruments with variable interest rates as of 31 December 2014 and 2013 are included in the sensitivity analysis for the period of their existence. If the interest rate had been 100 basis points higher (lower) at 31 December 2014 the effect on net loss would have been T€ 357 higher (lower) (31 December 2013: net loss T€ 243 higher (lower)). Shareholders' equity would be impacted in the same amount.

The fair value of debt varies from the carrying amount, if there is a difference between the underlying interest rate to the market interest rate. The fair value is then determined using an appropriate market interest rate. The fair values of the long-term loans and finance leases with variable interest rates as of 31 December 2014 and 2013 would vary by the following amounts:

	31 December	
T€	**2014**	2013
Variable interest rate +1%-point	**68**	39
Variable interest rate -1%-point	**(68)**	(39)

Evotec regularly uses interest rate swaps to hedge the interest rate risks from its borrowings. Two three-year interest rate swaps signed in 2011 with a notional of T€ 6,500 each resulted in a combined fixed interest rate of 3.0% and 2.875% respectively. The terms of those swaps ended in the financial year 2014. In September 2014, two new four-year interest rate swaps with a notional of T€ 5,000 each were agreed with two German banks to swap Euribor against a fixed rate of 0.335% and 0.320% respectively. This resulted in a combined fixed interest rate of 1.585% and 1.570% respectively for an amount of T€ 10,000 of Evotec's credit lines. The Company does not use fair value through profit or loss accounting for its financial assets and liabilities with fixed interest rates. The Company is exposed to interest rate risk through predominantly variable interest-bearing loans. These interest rate risks are deemed not to be significant.

Other price risks

The Company is not exposed to any price risks associated to their financial instruments.

(28) *Risks*

Liquidity risks

Expenditures on internal discovery and early development programmes and other costs as well as reduced revenues might negatively impact Evotec's short- to mid-term profitability and cash reserves. To actively address any related risk, Evotec's management has defined minimum liquidity levels and prepared a scenario planning to safeguard its cash position. Evotec believes that existing liquidity reserves are sufficient to cope with the cumulative impact of all identified risks. Evotec is currently well-financed and has no plans or necessity to raise capital in the near- to mid-term. However, the option of increasing capital is always considered. This additional financing might be required if new opportunities arise in terms of M&A or in-licensing. The Company does not intend to engage in projects unless adequate funding is allocated or secured. Evotec assesses the associated liquidity risks to be low/medium, remaining unchanged in comparison to the previous year.

The general risk of losing a significant amount of cash in cash investments is continuously mitigated by spreading the investments across several different banks in high-credit quality instruments in full compliance with the Company's approved investment policy. Evotec monitors its banks and investments on an ongoing basis. Therefore, Evotec assesses the current default risks to be low, remaining unchanged in comparison to the previous year.

The Company has important collaborations with pharmaceutical and biotechnology companies. Any termination of such collaborations or failure to achieve contracted milestones would likely have an adverse impact on the Company's financial position, results of operations and cash flows.

Currency exchange movements also impact Evotec's reported liquidity primarily through the translation of liquid assets held in US Dollars or UK Sterling into Euros. A portion of the funds is held in currencies other than Euro in order to meet local operating needs.

Other guarantees outstanding at 31 December 2014 amounted to T€ 0 (31 December 2013: T€ 446).

The contractual maturities of financial liabilities, including estimated interest payments as of 31 December 2014 and 2013 are included in the following table:

		31 December 2014			
T€	**Carrying amount**	**Contractual cash flow**	**Due in 1 year**	**Due in 2-5 years**	**More than 5 years**
Non-derivative financial liabilities					
Loans	(21,549)	(22,167)	(13,665)	(8,014)	(488)
Contingent consideration	(15,864)	(43,574)	(562)	(1,605)	(41,407)
Trade accounts payable	(9,450)	(9,450)	(9,450)	-	-
Current income tax payables	(1,046)	(1,046)	(1,046)	-	-
Other current financial liabilities	(1,308)	(1,308)	(1,308)	-	-
Total non-derivative financial liabilities	**(49,217)**	**(77,545)**	**(26,031)**	**(9,619)**	**(41,895)**
Derivative financial liabilities					
FX forward contracts	(76)	(76)	(76)	-	-
Interest rate swap	(67)	(67)	(67)	-	-
Total derivative financial liabilities	**(143)**	**(143)**	**(143)**	**-**	**-**

		31 December 2013			
T€	Carrying amount	Contractual cash flow	Due in 1 year	Due in 2-5 years	More than 5 years
Non-derivative financial liabilities					
Loans	(17,222)	(17,476)	(17,476)	-	-
Finance lease obligations	(19)	(19)	(5)	(14)	-
Trade accounts payable	(6,653)	(6,653)	(6,653)	-	-
Contingent consideration	(18,519)	(36,767)	(2,111)	(7,307)	(27,349)
Current income tax payables	(741)	(741)	(741)	-	-
Other current financial liabilities	(342)	(342)	(342)	-	-
Total non-derivative financial liabilities	**(43,496)**	**(61,998)**	**(27,328)**	**(7,321)**	**(27,349)**
Derivative financial liabilities					
Interest rate swap	(137)	(137)	(137)	-	-
Total derivative financial liabilities	**(137)**	**(137)**	**(137)**	**-**	**-**

Capital management

Evotec actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximise returns. Evotec's cash and short-term investments are located at several different banks and financial investments are made in liquid, highly diversified investment instruments in low risk categories (products or financial institutions rated A- or better (Standard & Poor's ratings or equivalent).

The following table shows the total assets, equity as well as equity ratio and net cash:

	Years ended 31 December	
T€	**2014**	2013
Total assets	**224,600**	227,380
Equity	**158,383**	158,967
Equity ratio (in %)	**70.5%**	69.9%
Net cash	**27,161**	28,403

To manage short-term and medium-term liquidity, the Company makes regularly use of bank loans. As of 31 December 2014 and 2013, the debts are unsecured. However, Evotec has to hold a minimum level of cash in the amount of T€ 35,000 in 2014 and 2013, respectively. As at 31 December 2014, liquidity amounts to T€ 88,822 (31 December 2013: T€ 96,143). The sum of these debt instruments – including both long-term and current portions – at the end of 2014 is T€ 21,549 (2013: T€ 17,222).

Evotec remains well financed with an equity ratio of 70.5% as of 31 December 2014 (31 December 2013: 69.9%) and currently has no plans or necessity to raise capital in the near to mid-term. However, the option to increase capital may be considered if new opportunities arise in terms of M&A or in-licensing which should require additional financing.

No minimum capital requirements are stipulated in Evotec's statutes. The Company has obligations to issue shares out of the conditional capital relating to the exercise of stock options on the basis of miscellaneous stock option plans as well as share performance awards on the basis of a share performance plan. Please refer to Note 20.

Credit risks

Credit risk is the risk of financial loss to the Company if a customer fails to meet any of its contractual obligations and arises primarily from the receivables from customers and investment securities. The maximum exposure to credit risk for trade receivables including related parties at the reporting date by geographic region was:

	31 December	
T€	**2014**	2013
United States	**10,760**	7,127
Germany	**9,725**	1,729
Rest of Europe	**2,862**	5,747
United Kingdom	**1,351**	260
Rest of the world	**561**	2,914
	25,259	**17,777**

The Company has exposure to credit risk primarily with respect to its trade accounts receivables and its short-term and long-term investment which primarily invest in debt instruments. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an appropriate specific allowance for uncollectible accounts receivable based upon the expected collectibility of all accounts receivable. The Company's accounts receivables are generally unsecured and are not backed by collateral from its customers. As of 31 December 2014, one customer accounted for 35% of trade receivables (31 December 2013: 24%). Concentrations of credit risk with respect to trade accounts receivables are generally limited by a number of geographically diverse customers and the Company's monitoring procedures.

Evotec's customers are generally financially stable pharmaceutical companies, foundations and larger biotech companies. There has been no history of doubtful receivables except for one and this is not expected to change.

In 2014, the Company further expanded its customer base. However, the two (2013: two) largest customers of Evotec, each having a share of more than 10% of the group revenues in 2014 and 2013, represented in total more than 24% of the group revenues in 2014 and more than 33% in 2013. A termination of these business relations could have adverse impacts on the Company's financial results.

Market risks

The market environment and competitive landscape for licensing and licensed projects or individual drug candidates, in general or for individual treatments might change while engaging in individual project.

Structured vehicles

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

(29) *Fair values*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

In T€	31 December 2014 Carrying amount	31 December 2014 Fair value	31 December 2013 Carrying amount	31 December 2013 Fair value
Cash and cash equivalents	**48,710**	**48,710**	**45,644**	**45,644**
Available-for-sale financial assets				
—— Investments	**40,112**	**40,112**	50,499	50,499
—— Long-term investments	**-**	**-**	10	10
Total available-for-sale-financial assets	**40,112**	**40,112**	**50,509**	**50,509**
Financial assets measured at fair value				
—— Derivative financial instruments	**-**	**-**	473	473
—— Other non-current financial assets	**78**	**78**	77	77
Total financial assets measured at fair value	**78**	**78**	550	550
Loans and receivables				
—— Trade accounts receivables	**25,259**	**25,259**	17,777	17,777
—— Other current financial assets	**1,094**	**1,094**	1,522	1,522
Total loans and receivables	**26,353**	**26,353**	**19,299**	**19,299**
Financial liabilities measured at amortised cost				
—— Current loan liabilities	**(13,363)**	**(13,363)**	(17,222)	(17,222)
—— Non-current loan liabilities	**(8,186)**	**(8,173)**	-	-
—— Current portion of finance lease obligations	**-**	**-**	(5)	(5)
—— Long-term finance lease obligations	**-**	**-**	(14)	(14)
—— Trade accounts payable	**(9,450)**	**(9,450)**	(6,653)	(6,653)
—— Other current financial liabilities	**(1,308)**	**(1,308)**	(342)	(342)
Total financial liabilities measured at amortised cost	**(32,307)**	**(32,294)**	**(24,236)**	**(24,236)**
Financial liabilities measured at fair value				
—— Derivative financial instruments	**(143)**	**(143)**	(137)	(137)
—— Contingent consideration	**(15,864)**	**(15,864)**	(18,519)	(18,519)
Total financial liabilities measured at fair value	**(16,007)**	**(16,007)**	**(18,656)**	**(18,656)**
	66,939	**66,952**	**73,110**	**73,110**
Unrecognised (gain)/loss		**(13)**		**-**

In determining the fair values on level 2 and 3 the following valuation techniques are used:

Financial instruments measured at fair value

The asset value of the insurance cover for pension obligations is determined as the capital value of the premiums' saving components and is based on realised interest income so far.

The fair value of derivative financial instruments is determined by market-based methods. The valuation model is based upon quoted prices of similar instruments, whose characteristics are broadly similar to the instruments being measured.

The fair value of contingent considerations is determined by a discounted cash flow model. The cash flows used are based on the respective long-term project planning and/or the expected meeting of revenue targets. The discount rate is calculated using an interest rate on debt. Significant unobservable input used is to some extent the commercialisation success rate (2014: 30%; 2013: 50%).

Financial instruments not measured at fair value

For cash and cash equivalents, trade accounts receivables, loan liabilities, finance lease obligations and other current financial assets and liabilities, fair value is determined through a simplified discounted cash flow model without the use of significant unobservable inputs, respectively the net book values represent an appropriate approximation of the fair value.

Hierarchy levels

The following table allocates financial assets and financial liabilities to the three levels of the fair value hierarchy as defined in IFRS 13:

T€	31 December 2014 Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	**40,112**	**-**	**-**	**40,112**
Financial assets measured at fair value	**-**	**78**	**-**	**78**
Financial liabilities measured at fair value	**-**	**(143)**	**(15,864)**	**(16,007)**

T€	31 December 2013 Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	50,499	-	10	50,509
Financial assets measured at fair value	-	550	-	550
Financial liabilities measured at fair value	-	(137)	(18,519)	(18,656)

The levels of the fair value hierarchy and its application to Evotec's financial assets and financial liabilities are described below:

Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2:inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data.

The following tables show the movement of fair values at level 3 for the financial years 2014 and 2013, respectively:

T€	Note	Investments	Contingent consideration
As of 1 January 2014		10	18,519
Acquisition of businesses	(4)	-	792
Exchange rate difference		-	24
Consumption		-	(1,813)
Included in other operating expense			
Changes in fair value, unrealised		-	6,314
Included in other operating income			
Changes in fair value, unrealised		-	(9,144)
Included in expense from long-term investment			
Changes in fair value, unrealised		(10)	-
Included in interest expense			
Interest change in net present value, unrealised		-	1,172
As of 31 December 2014		**-**	**15,864**

T€	Note	Investments	Contingent consideration
As of 1 January 2013		10	18,689
Acquisition of businesses	(4)	-	1,120
Consumption		-	(278)
Included in other operating expense			
Changes in fair value, unrealised		-	450
Included in other operating income			
Changes in fair value, unrealised		-	(2,917)
Included in interest expense			
Interest change in net present value, unrealised		-	1,455
As of 31 December 2013		**10**	**18,519**

For the fair value of the contingent consideration, reasonably possible alternative assumptions of significant unobservable inputs would have ceteris paribus the following effects as at 31 December 2014 and 2013:

T€	2014 Profit and loss Increase	2014 Profit and loss Decrease	2013 Profit and loss Increase	2013 Profit and loss Decrease
Contingent consideration				
Discount rate (movement of 0.15 %-points)	**273**	**(278)**	200	(203)
Commercialisation success rate (movement of 10%-points)	**294**	**(294)**	685	(685)

In the financial years 2014 and 2013, no reclasses were made among the individual levels.

(30) *Pension plan*

The Company operates a defined contribution Group Personal Pension Plan (GPPP) and makes contributions to employees' own schemes. The pension charge for the year represents contributions payable by the Company to the fund (and to employees' own pension schemes) and amounted to T€ 1,150 (2013: T€ 978). Contributions amounting to T€ 112 (2013: T€ 80) were payable to the fund at the year end 2014 and are included in provisions. The Company's contribution rate is employee specific and is determined by the level of an employee's contribution. There were no changes in the basis for such contributions during the year. The statutory retirement insurances are defined as contribution plan under IAS 19, but are not included in the amounts stated above.
Further the Company has a 401K in the US the contribution to this plan amounted to T€ 65 during 2014 (2013: T€ 60).
The Company operates a defined benefit pension plan for one former member of the Management Board of Evotec AG. The provision for this pension is calculated using the projected unit credit method in accordance with IAS 19. An actuarial report was prepared in 2014 and 2013 for this purpose. The calculations are based on assumed pension increases of 2.0% and a discount rate of 1.6% in 2014 and 3.2% in 2013. The discount rate reflects market conditions. The provision amounted to T€ 216 and T€ 164 as of 31 December 2014 and 2013, respectively.

The pension obligation developed as follows:

T€	Year ended 31 December 2014	Year ended 31 December 2013
Pension liability at beginning of the year	**164**	122
Included in other comprehensive income:		
Previously not recognised actuarial gains and losses using the corridor method	**-**	43
Actuarial gains from:		
— Changes in financial assumptions	**47**	(5)
— Experience adjustments	**-**	(1)
Included in net income:		
Interest cost	**5**	5
Pension liability at year end	**216**	**164**

(31) *Commitments and contingencies*

(a) OPERATING LEASE OBLIGATIONS

The Company leases office and laboratory space and other equipment under operating leases in accordance with IAS 17. The longest of these obligations extends to 2024. Certain leases contain rent increases, rent holidays and renewal options. The total rents due under these leases are recognised on a straight-line basis over the lease term. The future minimum lease payments under non-cancellable operating leases are approximately as follows:

T€	31 Dec 2014	31 Dec 2013
less than one year	**4,905**	4,365
between one and five years	**17,814**	15,654
more than five years	**17,738**	17,097
Total	**40,457**	**37,116**

The majority of operating lease obligations are related to rent expenses for facilities. The rent expense for such leases amounted to T€ 4,359 and T€ 4,377 for the years ended 31 December 2014 and 2013, respectively.

(b) OTHER COMMITMENTS AND CONTINGENCIES

The Company has entered into consultancy contracts. During 2014 and 2013, expenses under consultancy contracts totalled T€ 46 and T€ 214, respectively. The future minimum payments associated with long-term consultant and other miscellaneous long-term commitments total approximately T€ 5,404 and T€ 3,874 at 31 December 2014 and 2013, respectively. The significant portion thereof related to long-term commitments in connection with facility expenses.
As of 31 December 2014 and 2013, the Company has entered into purchase commitments in the amount of T€ 1,816 and T€ 657, respectively.
The Company has, in the sale and purchase agreement for all the shares in Evotec Technologies GmbH, provided certain guarantees customary for such agreements. No current liabilities from this guarantee exist as of 31 December 2014 and 2013, respectively.

The Company has licensed or acquired certain third party intellectual property for use in its business. Under these agreements, the Company is required to pay milestones, dependent on development progress and/or royalties and milestones dependent on present and future net income or on sublicensing fees received from third parties. The Company also agreed with several third parties on getting access to their technology and know-how for use in Evotecs business or within collaborations. Under those agreements, the Company is required to pay a revenue share to those third parties.
Having resolved the BaFin's summary proceedings in 2014, the Company is not aware of any material litigation as of 31 December 2014.

(32) *Related party transactions*

According to IAS 24 the Company discloses related party transactions where Supervisory Board members and Management Team members of the Company hold positions in other entities that result in them having significant influence over the financial or operating policies of these entities (the figures reflect the total group).
In a simultaneous transaction to the direct placement capital increase on 31 August 2013, Biotechnology Value Fund, L.P. and other affiliates of the US biotech specialist investment firm, BVF Partners L.P. also purchased an option from the Company's shareholder TVM V Life ScienceVentures GmbH & Co. KG granting BVF the right to acquire an additional 11,818,612 shares of Evotec at € 4.00 per share within the next 30 months. 50% of the options provided by TVM to BVF are subject to an option granted by ROI Verwaltungsgesellschaft mbH to TVM with similar conditions as in the option agreement between BVF and TVM. The then members of the supervisory board Roland Oetker and Hubert Birner abstained from the final consultation and vote of the Supervisory Board on the approval of the capital increase to avoid any potential conflict of interest or potential vulnerability of the decision taken, although Roland Oetker and Hubert Birner did not consider themselves as conflicted in regard to these transactions.
Evotec AG recorded revenues in the amount of T€ 0 and T€ 0 with related parties in 2014 and 2013, respectively. Subsidiaries of Evotec AG recorded revenues with related parties in the amount of T€ 2,108 and T€ 0 in 2014 and 2013, respectively. There has been no further material transactions with related parties.
Administrative services provided by the Company to Management Board or Supervisory Board members for their private purposes, if any are reimbursed to the Company at cost.

(33) *Personnel expenses and cost of material*

The personnel expenses of the Company in 2014 amounted to T€ 40,898 of which T€ 18,143 relate to personnel expenses outside Germany mainly in the UK and US (2013: T€ 35,744 and T€ 16,296, respectively). Thereof expenses for the statutory retirement insurance amounted to T€ 2,153 of which T€ 661 relate to expenses outside Germany mainly in the UK and US (2013: T€ 1,811 and T€ 597, respectively).
Cost of materials in 2014 amounted to T€ 16,536, thereof T€ 7,621 are cost of materials outside Germany mainly in the UK and US (2013: T€ 14,481 and T€ 7,070, respectively).

(34) *Other disclosures*

The following additional disclosures are required by German law in accordance with the European Directives on Accounting and the Corporate Governance Codex.

(a) NUMBER OF EMPLOYEES

The average number of persons employed by the Company in 2014 was 689 (2013: 635). Thereof 96 employees are allocated to sales and administration (2013: 113).

(b) REMUNERATION OF THE AUDITOR

In 2014, remunerations, shown as expenses, to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and other Ernst & Young companies (2013: KPMG AG Wirtschaftsprüfungsgesellschaft and other KPMG companies) totalled T€ 250 (2013: T€ 301) broken down into auditing of financial statements (T€ 234; 2013: T€ 270), other attestation services (T€ 16; 2013: T€ 30) as well as other services (T€ 0; 2013: T€ 1). The amount for auditing the financial statements includes T€ 0 in 2014 (2013: T€ 32) relating to the prior year financial statements.

(c) CORPORATE GOVERNANCE CODEX

A declaration according to § 161 AktG was made by the Management Board and the Supervisory Board of the Company. This declaration regarding the Company's compliance with the Corporate Governance Codex is accessible to the shareholders on Evotec's website (www.evotec.com) in the section 'Investors ▸ Corporate Governance'.

(d) CONSOLIDATED SUBSIDIARIES AND EQUITY INVESTEES

Information below shows Evotec AG's direct and indirect voting interests in their subsidiaries and other investments.

%	2014 Company's voting interest
Subsidiaries	
Evotec International GmbH, Hamburg	100.0
Evotec (UK) Ltd., Abingdon, UK	100.0
Evotec (US), Inc., South San Francisco, California, US	100.0
Evotec (München) GmbH, Munich	100.0
Evotec (India) Private Limited, Thane, India	100.0
Evotec (Hamburg) GmbH, Hamburg	100.0
Euprotec Ltd., Manchester, UK	100.0
Associates	
NANOdeLIVER GmbH, Hamburg	50.0
Other Investments	
European ScreeningPort GmbH, Hamburg	19.9

In 2014, being the year of its acquisition, Bionamics GmbH was merged with Evotec International GmbH.
The subsidiaries listed in this table are included in the consolidated financial statements. Associates are accounted for at-equity. In the financial year 2014, the investment in European ScreeningPort GmbH was fully impaired.
The Group investments in subsidiaries, associated companies and other investments are not hedged as those currency positions are considered to be long-term in nature.

(e) MANAGEMENT BOARD

Dr Werner Lanthaler, Business Executive, Hamburg, DE (CEO),
Colin Bond, Chartered Accountant, Hamburg, DE (CFO),
Dr Cord Dohrmann, Biologist, Göttingen, DE (CSO) and
Dr Mario Polywka, Chemist, Oxfordshire, UK (COO).

The remuneration paid to the members of the Management Board in the financial year 2014 totalled T€ 1,672 (2013: T€ 1,742) of which T€ 285 (2013: T€ 446) was variable remuneration. The Management Board received also share performance awards in 2014 and 2013 as components with a long-term incentive effect with a fair value in 2014 of T€ 1,322 (2013: T€ 610). Fixed remuneration includes base salaries, contributions to personal retirement insurance, premiums for accident and accidental death insurances as well as the benefit derived from the use of company cars. The variable remuneration of the Management Board is based on a bonus scheme. The respective objectives are specified every year by the Remuneration and Nomination Committee of the Supervisory Board, and subsequently approved by the Supervisory Board.
For 2014 and 2013, 80% of the bonus of the Company's Chief Executive Officer, Dr Werner Lanthaler, was based on the achievement of corporate targets, and the remaining 20% on the achievement of personal objectives. For Colin Bond, Dr Cord Dohrmann and Dr Mario Polywka, as the other members of the Management Board, 60% of their bonus was based on the same corporate targets, and the remaining 40% on the achievement of personal objectives.
For the financial year 2014, the variable pay in 2015 is based on the achievement of four sets of corporate milestones (strategic targets) and multiple personal objectives. As at 31 December 2014, the Company has accrued T€ 175 for this purpose, which is composed of T€ 68 for Dr Werner Lanthaler, T€ 33 for Colin Bond, T€ 36 for Dr Cord Dohrmann and T€ 38 for Dr Mario Polywka.

%	**Achievement of corporate targets**	**Achievement of corporate financial targets**	**Personal objectives**
Dr Werner Lanthaler	48	32	20
Colin Bond	36	24	40
Dr Cord Dohrmann	36	24	40
Dr Mario Polywka	36	24	40

For the financial year 2013, the variable pay in 2014 was based on the achievement of four sets of corporate milestones (strategic targets) and multiple personal objectives. The Company has accrued T€ 293 for this purpose, which is composed of T€ 119 for Dr Werner Lanthaler, T€ 48 for Colin Bond, T€ 68 for Dr Cord Dohrmann and T€ 58 for Dr Mario Polywka.

%	Achievement of corporate targets	Achievement of corporate financial targets	Personal objectives
Dr Werner Lanthaler	48	32	20
Colin Bond	36	24	40
Dr Cord Dohrmann	36	24	40
Dr Mario Polywka	36	24	40

In addition to their fixed and variable remuneration, the members of the Management Board received 734,457 (2013: 393,526) Share Performance Awards (SPA) in 2014 under the Company's share performance plan. These Share Performance Awards vest after four years according to achievement versus defined key performance indicators over a three-year performance measurement period. The fair values of all Share Performance Awards granted as of the grant date amounted to a total of T€ 1,322 (2013: T€ 610). Further information concerning SPAs is available in note (19).

	2014 Fixed remuneration T€	2014 Variable remuneration T€	2014 Share Performance Awards in pcs	2014 SPAs granted T€	2014 Total remuneration T€
Dr Werner Lanthaler	416	119	314,815	567	1,102
Colin Bond	299	48	130,952	236	583
Dr Cord Dohrmann	314	61	142,857	257	632
Dr Mario Polywka	358	57	145,833	262	677
Total	**1,387**	**285**	**734,457**	**1,322**	**2,994**

	2013 Fixed remuneration T€	2013 Variable remuneration T€	2013 Share Performance Awards in pcs	2013 Fair values of SPAs granted T€	2013 Total remuneration T€
Dr Werner Lanthaler	414	187	179,538	278	879
Colin Bond	280	80	70,014	109	469
Dr Cord Dohrmann	285	87	76,379	118	490
Dr Mario Polywka	317	92	67,595	105	514
Total	**1,296**	**446**	**393,526**	**610**	**2,352**

The contracts of the Management Board members contain a change-of-control clause that would allow them to terminate their current contracts in the event of a change in control. Such a change-of-control occurs when a third party assumes more than 30% of the shares of the Company. Upon contract termination, the Management Board members Bond and Dr Dohrmann are entitled to severance equal to 18 month base salary plus bonus (following new contracts effective July and September 2013, respectively. This is calculated as the sum of payments (including the bonus) made to them over the last twelve months before receipt of the declaration of termination. Dr Polywka is entitled to severance payments of 18 months base salary, while Dr Lanthaler is entitled to 24 months base salary. In no case, the respective severance payment shall be higher than the total compensation due for the remaining term of the respective Management Board member's contract.

The Company has a Directors' and Officers' (D&O) insurance policy in place for the Management Board, the Supervisory Board, its senior management and the directors of subsidiary companies. The insurance expense amounted to T€ 115 in total in 2014 (2013: T€ 117) and was paid by the Company. For the members of the Management Board, a deductible in line with the stipulations of the legal provisions of the Act on Appropriateness of Management Board Compensation (VorstAG) was agreed.

In 2014 and 2013, no payments were made to any former Management Board member.

Since April 2014, Dr Werner Lanthaler is Non-Executive Member of the Board of Directors of arGEN-X, Breda/NL. Since November 2014, Dr Mario Polywka is Non-Executive Chairman of the Board of Directors of Nanotether Discovery Sciences Ltd, Cardiff University, UK. Colin Bond is Member of the Verwaltungsrat of Siegfried Holding AG, Zofingen, CH and was until December 2014 Non-Executive Chairman of the Board of Directors of the European ScreeningPort GmbH.

(f) SUPERVISORY BOARD

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

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

Dr Claus Braestrup, Copenhagen, DK, Advisor;

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

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

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

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

Prof. Dr Andreas Pinkwart, Alfter, DE, Principal and Managing director of HHL gGmbH (Member of the Supervisory Board until June 2014);

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

The remuneration accrued for the members of the Supervisory Board in the financial year 2014 was as follows:

T€	**2014 cash remuneration**
Prof. Dr Wolfgang Plischke[1)]	51.4
Dr Walter Wenninger	70.7
Dr Claus Braestrup	35.0
Bernd Hirsch	50.0
Prof. Dr Paul Linus Herrling[2)]	18.9
Prof. Dr Iris Löw-Friedrich[3)]	18.9
Roland Oetker[4)]	22.9
Prof. Dr Andreas Pinkwart[5)]	16.1
Mary Tanner[6)]	16.1
Total	**300.0**

[1)] relating to the period from 17 June 2014, when Prof. Dr Wolfgang Plischke was appointed to the Supervisory Board by the Annual General Meeting of Evotec AG.
[2)] relating to the period from 17 June 2014, when Prof. Dr Paul Linus Herrling was appointed to the Supervisory Board by the Annual General Meeting of Evotec AG.
[3)] relating to the period from 17 June 2014, when Prof. Dr Iris Löw-Friedrich was appointed to the Supervisory Board by the Annual General Meeting of Evotec AG.
[4)] relating to the period til 17 June 2014, when the terms of office of Roland Oetker as Supervisory Board member ended at the close of Evotec AG's Annual General Meeting.
[5)] relating to the period til 17 June 2014, when the terms of office of Prof. Dr Andreas Pinkwart as Supervisory Board member ended at the close of Evotec AG's Annual General Meeting.
[6)] relating to the period til 17 June 2014, when the terms of office of Mary Tanner as Supervisory Board member ended at the close of Evotec AG's Annual General Meeting.

The remuneration accrued for the members of the Supervisory Board in the financial year 2013 was as follows:

T€	2013 cash remuneration
Dr Walter Wenninger	83.8
Roland Oetker	42.6
Dr Claus Braestrup[1)]	16.0
Bernd Hirsch[2)]	1.8
Prof. Dr Andreas Pinkwart	28.8
Mary Tanner	28.8
Dr Hubert Birner[3)]	42.3
Dr Flemming Ørnskov[4)]	35.0
Total	**279.1**

[1)] relating to the period from 12 June 2013, when Dr Claus Braestrup was appointed to the Supervisory Board by the Annual General Meeting of Evotec AG.
[2)] relating to the period from 16 December 2013, when Bernd Hirsch was appointed to the Supervisory Board by the register court.
[3)] relating to the period til 9 December 2013, when Dr Hubert Birner's resignation as Member of the Supervisory Board became effective.
[4)] relating to the period til 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board during the Evotec AG's Annual General Meeting.

In 2014 and 2013, the remuneration of each Supervisory Board member amounted to T€ 25 per year with the Chairman receiving three times that amount and the Vice Chairman twice that amount. Members of Supervisory Board committees additionally receive T€ 3.75 per year, with the chairperson receiving T€ 20 (2013: T€ 20).
In 2014 and 2013, there was no share-based remuneration.
The total remuneration accrued for the Supervisory Board members in 2014 totalled T€ 300 (2013: T€ 279). The Company has a Directors' and Officers' (D&O) insurance policy in place for the Management Board, the Supervisory Board, its senior management and the directors of subsidiary companies. The insurance expense amounted to T€ 115 in total in 2014 (2013: T€ 117) and was paid by the Company. For the members of Supervisory Board, an appropriately sized deductible was agreed.

The Supervisory Board and their additional memberships in supervisory boards and memberships in comparable governing bodies of enterprises according to § 125 par. 1 fifth sentence of the AktG are listed at the end of this report.

(35) *Subsequent events*

No reportable subsequent events occurred after 31 December 2014.

SUPERVISORY BOARD AND MANAGEMENT BOARD

Supervisory Board

Prof. Dr Wolfgang Plischke Chairman of the Supervisory Board since June 2014 *Aschau im Chiemgau/DE, Former Member of the Management Board of Bayer AG*	
Dr Walter Wenninger Vice Chairman of the Supervisory Board since June 2014 Chairman of the Supervisory Board until June 2014 *Leverkusen/DE, Former Member of the Management Board of Bayer AG*	**Chairman of the Supervisory Board:** Noxxon Pharma AG, Berlin/DE **Non-Executive Chairman of the Board of Directors:** Santaris Pharma A/S, Hoersholm/DK (until September 2014) **Non-Executive Member of the Board of Directors:** Recordati S.p.A., Milano/IT (until April 2014) **Member of the Advisory Group:** Novo A/S, Hellerup/DK
Dr Claus Braestrup Member of the Supervisory Board *Copenhagen/DK, Advisor*	**Non-Executive Chairman of the Board of Directors:** Saniona AB, Malmö/Ballerup/SE **Non-Executive Member of the Board of Directors:** Bavarian Nordic A/S, Kvistgaard/DK Santaris Pharma A/S, Hoersholm/DK, (until August 2014), Evolva SA, Basel/CH Gyros AB, Uppsala/SE
Prof. Dr Paul Linus Herrling Member of the Supervisory Board, since June 2014 *Küsnacht/CH, Former Head of Global Research of Novartis Pharma AG*	**Chairman of the Board:** Novartis Institute for Tropical Disease Ltd, Singapore/SG **Member of the Board:** Novartis Institute for Functional Genomics, La Jolla/USA Novartis International Pharmaceuticals, Hamilton/USA **Vice president of the Rat:** Eidgenössische Technische Hochschule, Bern/CH **Member of the Board of Trustees:** Foundation for the National Institutes of Health, Bethesda/US **Member of the Universitätsrat:** University of Basel, Basel/CH
Bernd Hirsch Member of the Supervisory Board *Holzminden /DE, CFO of Symrise AG*	
Prof. Dr Iris Löw-Friedrich Member of the Supervisory Board since June 2014 *Ratingen/DE, Chief Medical Officer of UCB S.A.*	**Member of the Supervisory Board:** Wilex AG, Munich/DE
Roland Oetker Member of the Supervisory Board until June 2014 *Duesseldorf/DE, Managing Partner ROI Verwaltungsgesellschaft mbH*	**Member of the Supervisory Board:** Deutsche Post AG, Bonn/DE Rheinisch-Bergische Verlagsgesellschaft mbH, Duesseldorf/DE
Prof. Dr Andreas Pinkwarth Member of the Supervisory Board until June 2014 *Alfter/DE, Principal and Managing Director of HHL gGmbH*	**Member of the Board of Trustees:** RAG-Stiftung, Essen/DE (until June 2014)
Mary Tanner Member of the Supervisory Board until June 2014 *New York, NY/US, Senior Managing Director, Burrill & Company (until March 2014)*	**Non-Executive Member of the Board of Directors:** Lineagen, Inc., Salt Lake City, UT/US PanGenx, Inc., Newton, MA/US (until October 2014)

Management Board

Dr Werner Lanthaler Chief Executive Officer *Hamburg/DE* *Business Executive*	**Non-Executive Member of the Board of Directors:** arGEN-X, Breda/NL (since April 2014)
Colin Bond Chief Financial Officer *Hamburg/DE* *Chartered Accountant*	**Member of the Verwaltungsrat:** Siegfried Holding AG, Zofingen/CH
Dr Cord Dohrmann Chief Scientific Officer *Göttingen/DE* *Biologist*	**Non-Executive Chairman of the Board of Directors:** European ScreeningPort GmbH, Hamburg/DE (until December 2014)
Dr Mario Polywka Chief Operating Officer *Oxfordshire/UK* *Chemist*	**Non-Executive Chairman of the Board of Directors:** Nanotether Discovery Sciences Ltd, Cardiff University/UK (since November 2014)

AUDIT OPINION

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

"We have audited the consolidated financial statements prepared by Evotec AG, Hamburg, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in stockholders' equity and the notes to the consolidated financial statements together with the group management report for the fiscal year from 1 January 2014 to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Berlin, 6 March 2015
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schepers
Wirtschaftsprüfer
[German Public Auditor]

Machner
Wirtschaftsprüfer
[German Public Auditor]

GLOSSARY

Map of terms

ADMET: Acronym for Absorption, Distribution, Metabolism, Excretion and Toxicity of a substance reflecting the physiological processes. ADMET studies are used to characterise how drugs are taken up by the body, where they go in the body, the chemical changes they undergo in the body and how they are eliminated from the body. See also ➜ DMPK, ➜ *in vivo*.

Agonist: Drug that binds a cellular receptor, which is ordinarily stimulated by naturally occurring substances, triggering a response.

Amyotrophic lateral sclerosis (ALS): Debilitating disease with varied etiology characterised by rapidly progressive weakness, muscle atrophy and fasciculations, muscle spasticity, difficulty speaking, difficulty swallowing and difficulty breathing.

Antagonist: Drug that binds a cellular receptor thereby blocking the action of the natural activator of the receptor.

Anti-infective: A compound that is capable of acting against infection, either by inhibiting the spread of an infectious agent or by killing the infectious agent outright.

Assay: Any combination of ➜ targets and ➜ compounds, which is exposed to a detection device to measure chemical and biological activity.

Beta cell: A type of cell in the pancreas which produces insulin. The loss of such cells is ultimately the cause for elevated blood glucose levels in type 1 and type 2 diabetes patients.

Biomarker: A characteristic that is objectively measured and evaluated as an indicator of normal biologic processes, pathogenic processes or pharmacologic responses to a therapeutic intervention. It can foretell the therapeutic outcome in a patient, which in turn allows a personalised therapy approach.

Evotec Cellular Target Profiling™: Uncovers the molecular ➜ targets of ➜ compounds with unknown ➜ mode of action and reveals possible off-target side effects early in the discovery and development process.

Central nervous system (CNS): Represents the largest part of the nervous system, including the brain and the spinal cord. Together with the peripheral nervous system, it has a fundamental role in the control of behaviour.

Clinical trials: Drug research studies that involve patients.

Computational chemistry: Discipline of using computational methods to calculate properties of chemical ➜ compounds and their interaction with biological ➜ targets (e.g. proteins).

Compound: A pure, macroscopically homogeneous substance that consists of atoms or ions of different elements in definite proportions that cannot be separated by physical means and that have properties unlike those of its constituent elements.

Compound library: Collection of a multitude of different molecules; used for ➜ screening.

DMPK: Acronym for Drug Metabolism and ➜ Pharmacokinetics; is part of a larger battery of studies often referred to as ➜ ADME (absorption, distribution, metabolism, and elimination). DMPK includes the study of the mechanisms of absorption and distribution of an administered drug, the rate at which a drug action begins and the duration of the effect, the chemical changes of the substance in the body by metabolic enzymes and the effects and routes of excretion of the metabolites of the drug.

EVOlution^{SM}: Evotec's fragment-based drug discovery platform, which combines biochemical and biophysical techniques including ➜ nuclear magnetic resonance (NMR), ➜ surface plasmon resonance (SPR) and ➜ X-ray crystallography for the screening of low molecular weight ➜ compounds and characterisation of the fragment ➜ hits.

EvostrAIn™: Evotec's unique and highly characterised strain collection used for ➜ anti-infective drug discovery and development services.

Drug response prediction: Enables earlier educated decisions on drug efficacy, safety and response in patients.

Fragment-based drug discovery: A drug discovery strategy that utilises small molecules – fragments of more complex molecules – to generate efficient starting points for drug discovery. This approach thus provides the opportunity to effectively manage the molecular weight and overall complexity of drug candidates, a recognised success factor in drug development.

Hit (compound): ➜Compound found by ➜screening to have a desired biological effect.

Inhibitor: A ➜compound that binds to an enzyme/receptor and decreases or blocks its activity.

In vivo/in vitro: *In vivo* means in the living organism as opposed to *in vitro*.

Ion channel: Transmembrane protein which, when activated, allows the passage of ions across cell membranes that influence the physiology of a cell.

Kinases: Any of several enzymes that catalyse the transfer of a phosphate group from one molecule to another.

Lead (compound): A representative of a compound series with sufficient potential (as measured by potency, selectivity, ➜pharmacokinetics, physicochemical properties, novelty and absence of toxicity) to progress to a full drug optimisation programme.

Lead optimisation: The synthetic modification of a biologically active ➜compound to fulfil all pharmacological, physicochemical, ➜pharmacokinetic and toxicological requirements for clinical usefulness.

Medicinal chemistry: A chemistry-based discipline, also involving knowledge and aspects of biological, medicinal and pharmaceutical sciences. It is concerned with the invention, discovery, design, identification and preparation of biologically active ➜compounds, the study of their ➜ADMET properties, the interpretation of their ➜mode of action at the molecular level and the construction of structure activity relationships. Medicinal chemistry optimisation is "fine tuning" required to turn a validated ➜lead into a ➜pre-clinical development candidate involving subtle structural changes to the lead using a "hand-crafted" approach.

Mode of Action (MoA): A mode of action describes a functional or anatomical change at the cellular level, resulting from the exposure of a living organism to a substance. A mode of action is important in classifying chemicals as it represents an intermediate level of complexity in between molecular mechanisms and physiological outcomes.

Multiple sclerosis (MS): An inflammatory and neurodegenerative disease in which the insulating covers of nerve cells (myelin sheath) in the brain and spinal cord are damaged. This damage disrupts the ability of parts of the nervous system to communicate, resulting in a wide range of signs and symptoms, including physical, mental, and sometimes psychiatric problems.

Muscular dystrophy: Muscular dystrophy refers to a group of diseases that produce muscle weakness. Muscular dystrophies all involve abnormalities of the muscle cells themselves, rather than the nerves that control the muscles. All muscular dystrophies are caused by genetic mutations.

Neuropathic pain: A type of pain which is caused by damage to or dysfunction of the nervous system. There is often no "injury" or tissue damage that triggers the pain. However, the function of the nerve is affected in a way that causes it to send pain messages to the brain.

Nuclear magnetic resonance (NMR): Technology that is used to study the interaction of ➜small molecules, such as drug candidates, with their ➜targets.

Pharmacokinetics: Time-dependent availability and compartmental distribution, as affected by absorption, distribution, metabolism, excretion (➜ADMET).

Phosphoproteomics: A branch of proteomics that identifies, catalogues, and characterises proteins containing a phosphate group as a post-translational modification.

Pre-clinical development candidate (PDC): The molecule identified by the process of ➜medicinal chemistry optimisation to be a suitable candidate for development as a potential pharmaceutical entity.

Pre-clinical phase: The phase of drug discovery research extending from ➜target identification, the search for chemical ➜compounds with desired properties, through to the end of efficacy studies in animal models.

Regenerative medicine: The process of creating living, functional tissues to repair or replace tissue or organ function lost due to age, disease, damage or congenital defects.

Screening: Mass testing of ➜compound libraries using an established ➜assay format.

Small molecule: A low molecular weight organics ➜compound. These are preferred for drugs as they usually are orally available (unlike proteins that must be administered by injection). The size of small molecules is less than 1,000 daltons and is usually in the range from 250 to 700 daltons.

Surface plasmon resonance (SPR): Technology that is used to study the interaction of ➜small molecules, such as drug candidates, with their ➜targets.

Target: Specific biological molecule, such as an enzyme, receptor, or ➜ion channel, assumed to be relevant to a certain disease. Most drugs work by binding to a target, thereby affecting its biological function.

Target identification: Identifying a molecule (often a protein) that is instrumental to a disease process (though not necessarily directly involved), with the intention of finding a way to regulate that molecule's activity for therapeutic purposes.

Target validation: Involves the verification of the relevance of a ➜target to the course of a specific illness.

Ultra-high-throughput screening: Technique of rapidly searching for molecules with desired biological effects from very large ➜screening libraries, often exceeding 100,000 tests a day.

X-ray crystallography: The determination of 3D structures of molecules from the diffraction pattern obtained upon irradiation of a crystalline form of the substance being studied by X-ray radiation.

Responsibility statement

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

Evotec AG
The Management Board

Hamburg, 06 March 2015

Dr Werner Lanthaler
Chief Executive Officer

Dr Mario Polywka
Chief Operating Officer

Colin Bond
Chief Financial Officer

Dr Cord Dohrmann
Chief Scientific Officer