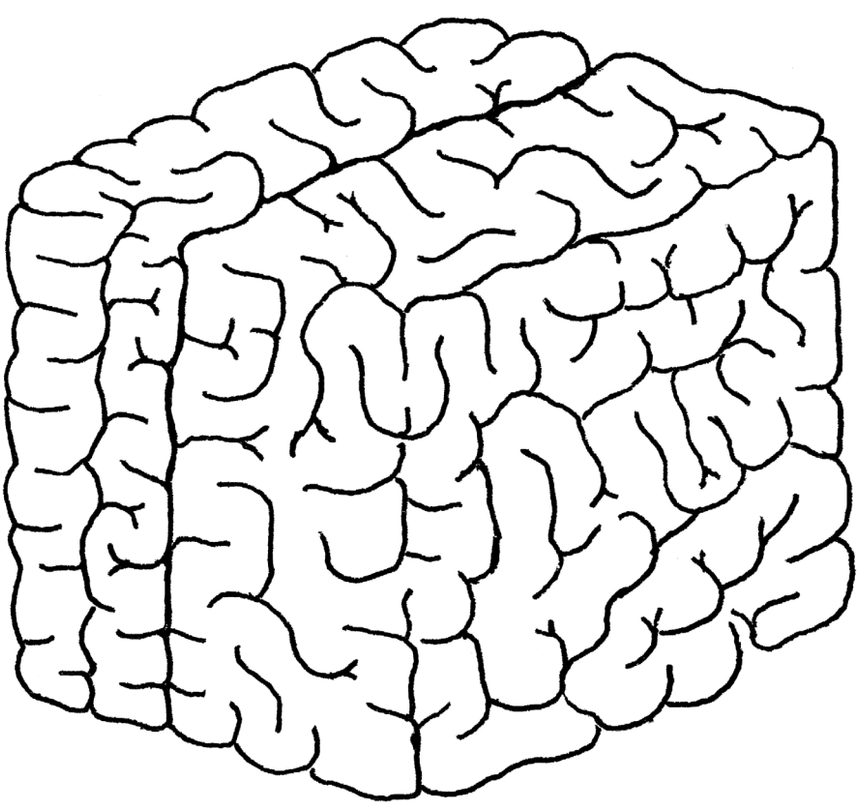
evotec

#RESEARCHNEVERSTOPS

ANNUAL REPORT 2018



Excellence SQUARED

When operational excellence meets scientific excellence ...

IMPRINT
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Evotec's Annual Report 2018 published on 28 March 2019 containing the Consolidated financial statements according to German Commercial Code (Handelsgesetzbuch) is available in English and German.

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

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

Dr Werner Lanthaler
Chief Executive Officer

Dear Shareholders *and* Friends of Evotec,

One thing to learn from Chemistry is the power of combinations. For example, most times when you put together carbon, hydrogen, oxygen, nitrogen, sulphur, and phosphate you create a toxic mess. When you arrange them in a certain order and structure, however, to create the double helix we know as DNA, you can also create the very foundation of life itself.

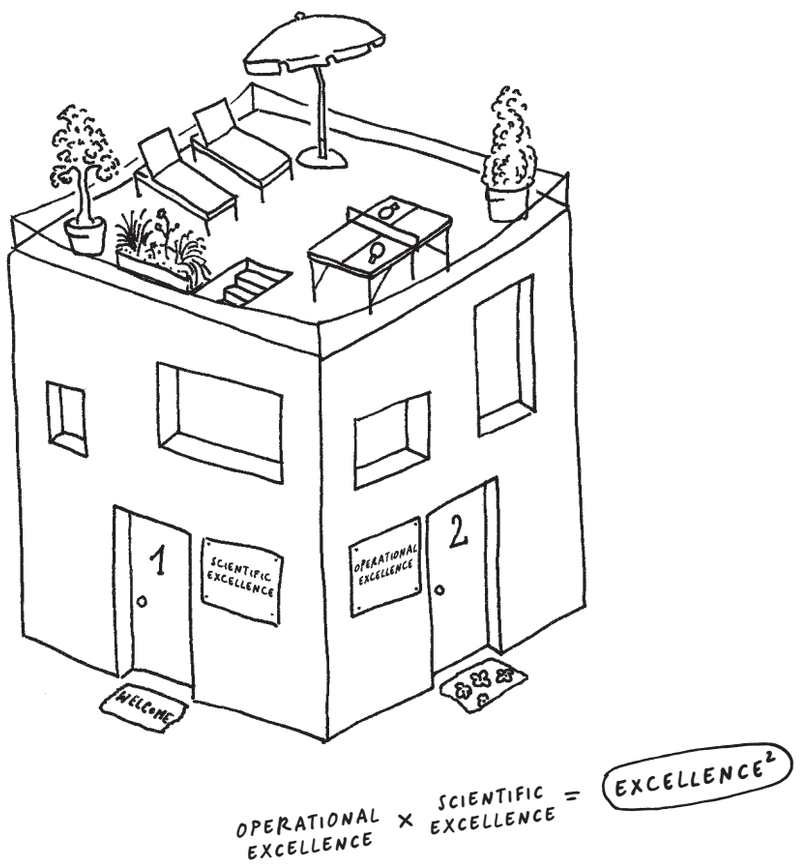
When we bring together ideas, technologies, or even companies, we do not do it to save room. We do it to innovate in the fight for cures against the more than 3,000 diseases that are currently without efficient treatment. Our aspiration is to lead and shape the technologies and markets in which we are active. To stay ahead of the game, it is vital for us to be a true innovator for ourselves, for our partners, and ultimately for patients.

Innovation²

2018 has been a very good year for us. We entered into exciting new partnerships, such as a strategic research alliance with Ferring Pharmaceuticals in reproductive medicine and women's health, new alliances with long-term partner Celgene in targeted protein degradation and oncology, as well as new alliances in dermatology with both Almirall and LEO Pharma, and with Novo Nordisk in diabetes and obesity. We founded new BRIDGEs to translate academic research into pharmaceutical development assets, such as LAB591 with Arix Bioscience and the Fred Hutchinson Cancer Research Center. In our partnership with Sanofi, we not only founded the BRIDGE LAB031, we also created an Evotec-led open innovation R&D platform targeting infectious diseases, an area with a high and ever-increasing unmet medical need.

We continued to expand our proprietary drug discovery and development platforms, for example our iPSC platform, which has the potential to be a game changer. The iPSC technology enables us to test potential therapeutic compounds directly in disease-affected human cells, the so-called "disease in a dish", which compared with testing in animal models significantly enhances the predictability for further clinical testing.

Together we are going to make 2019 our most innovative year, yet. We will continue expanding our industry-leading platforms and combining them in a way that creates the most innovative and comprehensive drug discovery and development services package on the market. With Dr Craig Johnstone, our new Chief Operating Officer, we also gained a new member for our management team. Especially his



expertise in artificial intelligence and machine learning as well as his deep insight into our Company as former Head of Integrated Drug Discovery make him a great asset for the years to come.

Performance²

After the successful acquisition of Aptuit in 2017, 2018 has been a year where Evotec came together even closer as ONE Company. In March 2018, we launched INDiGO, a comprehensive service package that allows Pharma companies to get their candidates approved as investigational new drugs much faster than before – a requirement to initiate clinical testing. This service fills a crucial gap in the market, and we expect very good further market growth here.

In our endometriosis alliance with Bayer, we also made excellent progress. As of year-end, four of the compounds developed within the alliance have entered into the clinic; one of them has already proceeded to Phase II testing for efficacy against chronic cough, several more are in pre-clinical development.

At the 2018 Annual General Meeting, the shareholders approved the conversion of our Company's legal form to a European Company ("SE") to reflect the continuing international focus of the Evotec Group. The preparations for this conversion, which has no bearing on the Company's operational or management structure, are already underway and we expect to be able to finalise the conversion in the first half of 2019.

Growth²

Over the past six years, Evotec's growth story has been strong. In 2012, Evotec recorded revenues of around € 85 m with approximately 650 employees. It took us only four years to double both, for 2016 we reported around 1,300 staff and revenues of almost € 165 m. Now, only two years later, we have once again doubled in size, with our revenues more than doubled at € 375.4 m and a workforce of 2,617.

Looking ahead, we have once again set ourselves ambitious targets. Our growth story is a healthy combination of solid organic growth at above-market rates and complementary strategic acquisitions. We do not buy market share, we invest into technologies and the brains behind them and integrate them in a way that allows our Company to become more than the sum of its parts. For us, growth is the result of both scientific and operational excellence.

Together with you, we look forward to an excellent² year 2019. Let me say a *thank you* × *thank you* to you for joining and supporting us on this journey.

Yours sincerely,

OUR PEOPLE CREATE OUR SUCCESS

69
nationalities

2,617
employees worldwide

›2,200
scientists

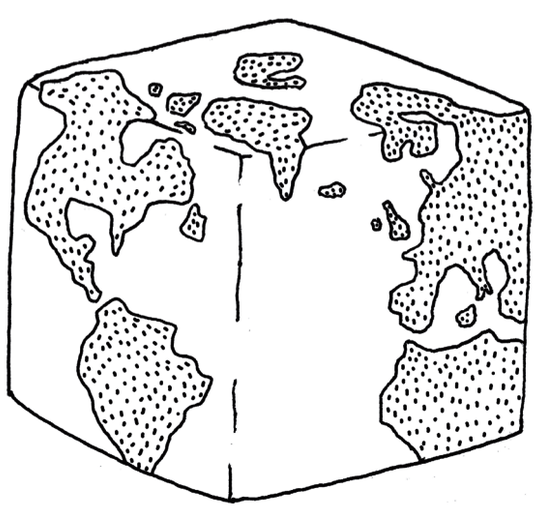
73%
of all employees having an academic qualification

54%
of employees are women

On average

7.9
years of experience in drug discovery per individual

OUR OFFERING CLOSE TO PHARMA, BIOTECH AND ACADEMIA (AS OF 31 DECEMBER 2018)



USA

▶ **Branford, Watertown, Princeton, *USA***

~ 125 employees

- Compound ID, selection and acquisition
- Compound QC, storage and distribution
- Cell & protein production
- ADME-Tox, DMPK

EUROPE

▶ **Hamburg (HQ), Göttingen and Munich, *Germany***

~ 610 employees

- Hit identification
- *In vitro* & *in vivo* biology
- Chemical proteomics & Biomarker discovery and validation
- Cell & protein production
- Antibody discovery

▶ **Abingdon, Alderley Park, *UK***

~ 680 employees

- Medicinal chemistry
- ADME-Tox, DMPK
- Structural biology
- *In vitro* & *in vivo* anti-infective platform/ screening
- Process development
- CMC and Commercial manufacture
- Pre-formulation

▶ **Lyon, Toulouse, *France***

~ 540 employees

- Compound management
- Hit identification
- *In vitro* & *in vivo* oncology
- Medicinal chemistry
- ADME & PK
- Cell, protein & antibody production

▶ **Verona, *Italy*, Basel, *CH***

~ 660 employees

- Hit identification
- *In vitro* & *in vivo* biology
- Medicinal chemistry
- ADME-Tox, DMPK
- Biomarker discovery and validation
- INDiGO
- CMC

JAPAN

▶ Sales representative office

capex investments over the last 5 years

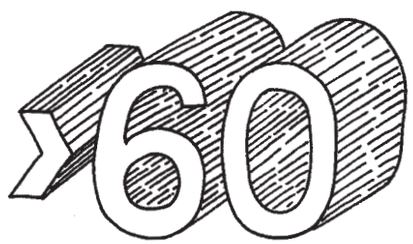
OUR SPIRIT OF INNOVATION

263

new customers vs. previous year

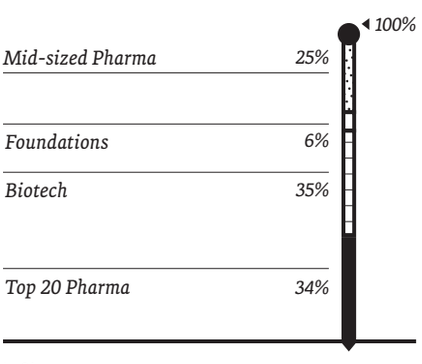
100%

are first-in-class/ best-in-class approaches



projects with Academia and biotech partners since 2010

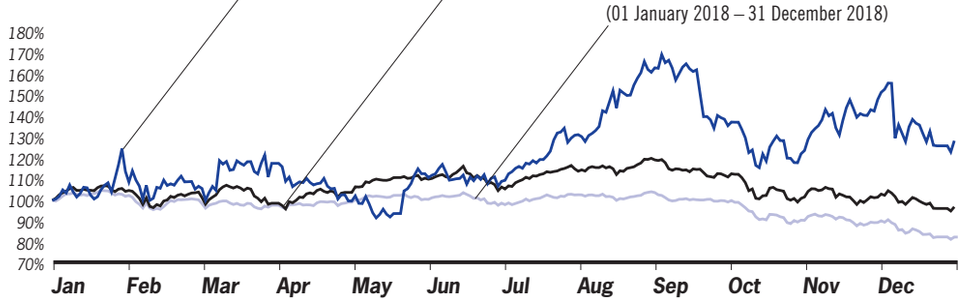
THIRD-PARTY REVENUES BY CUSTOMER TYPE 2018



DEVELOPMENT OF THE EVOTEC AG SHARE (INDEXED)
(01 January 2018 – 31 December 2018)

DEVELOPMENT OF THE TECDAX (INDEXED)
(01 January 2018 – 31 December 2018)

DEVELOPMENT OF THE MDAX (INDEXED)
(01 January 2018 – 31 December 2018)



Success rate of

95%

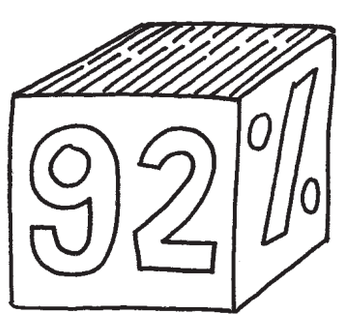
in e.g. assay development or protein production

approx.

100

co-owned products

OUR PARTNERSHIPS



repeat business in 2018

8

equity participations in breakthrough company formations

Involved in approx.

700

alliances in 2018

Artificial intelligence in drug discovery – *Complexity²*

5 minutes with Dr Craig Johnstone

Dr Craig Johnstone
Chief Operating Officer, Head of business segment EVT Execute

Dr Johnstone, you have been Evotec's Chief Operating Officer since 01 January 2019 – how do you feel in this new role?

As head of operations, science and processes are both very important, which is why I am especially grateful to Mario for a smooth handover process. Mario did an amazing job and I am taking over operations that are in excellent shape. A huge advantage is that I have been with the Company for almost seven years now, so I know the business extremely well. Evotec is a one-of-a-kind company with many unique proprietary technology platforms. To have all of these technologies and great people behind them united under one roof is an ideal setup for game-changing innovation. Part of my job is to create benefits by integrating these technologies and strengthening links between them.

With its diverse technology platforms and services, Evotec is far from a standard biotech company. What challenges does that bring for a COO?

While being a very mature biotech company of 25 years and with twelve sites across six countries, Evotec has preserved a start-up-like flexibility and culture in many regards. This gives us many operational advantages, for example, in integrating acquisitions, or creating a supportive environment in which new technologies can flourish. I believe it helps that through my background as a medicinal chemist and drug discovery scientist, I have a good understanding of both the needs of our scientific operations and the needs of our partners.

From your experience, how has the amount of data generated influenced the drug discovery and development process? Is it increasingly a challenge to organise it all?

True, the amount of data has grown enormously over the past decade, and continues to do so, but that is a very good development for us. To illustrate the point with an analogy to a digital photograph: the higher the resolution, the larger the file – but the higher resolution also gives you the opportunity to zoom in closer, recognise things that you would not be able to see otherwise and even enhance the image later. That said, with data it is not just the amount that counts, it is also the quality and what you do with it. To obtain the best possible knowledge and information from data, a combination of operational and scientific excellence is essential. In a world of ever-growing data, artificial intelligence

and machine learning can help us see things and establish connections between different data sets, which may otherwise escape even the most experienced scientist. Furthermore, AI in combination with the knowledge and experience of our excellent scientists will allow us to conduct drug discovery and development better than ever before. Therefore, there are multiple ways that both artificial intelligence and machine learning can lead us into a new age of how we discover and develop therapeutics.

Do artificial intelligence and machine learning add an extra layer of complexity, or is it a necessary part of modern drug discovery, as you try to draw meaning from all the data?

Complexity is an integral part of what we do and we are not afraid of it. In addition, machine learning and artificial intelligence are not entirely new to us either, but they are really coming of age now as a result of more data and more computational power. Therefore, we see advanced computational tools as an enabler, an interface that establishes connections and helps us cope with large data sets – so it is quite the opposite, really. Extracting and collecting as much data as you can is one thing, but you also have to harvest them in a way that allows you to extract information and knowledge, draw conclusions and make decisions about how to best proceed with a project. Combined with human expertise and knowhow, artificial intelligence and machine learning have the potential to help us do all of that more quickly and with a higher degree of confidence in the future.

In your opinion, what applications in the drug discovery and development process could be improved by artificial intelligence?

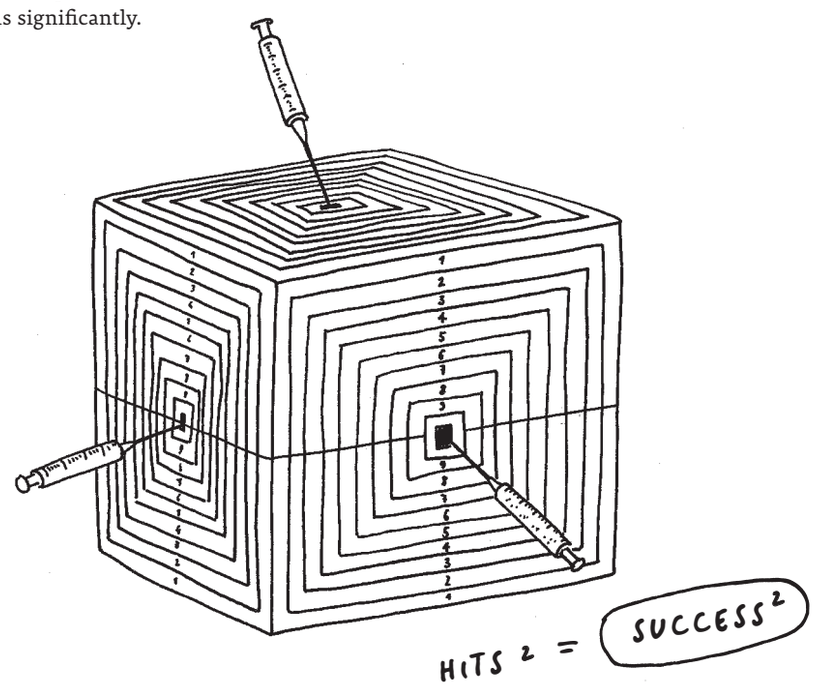
There are some established areas where AI and machine learning can lead to improved prediction and better decision-making such as in molecular design and synthesis of compounds in discovery and development. But artificial intelligence and machine learning are both extremely versatile tools, and their applications are not limited to these areas. In fact, we are only just beginning to understand how these approaches can bring fundamental changes to the way we currently discover and develop new medicines.

What sort of feedback have you received from Evotec's partners in regards to AI/ML? Are they eager to get involved, or are they cautious about AI/ML being used in their drug discovery programmes?

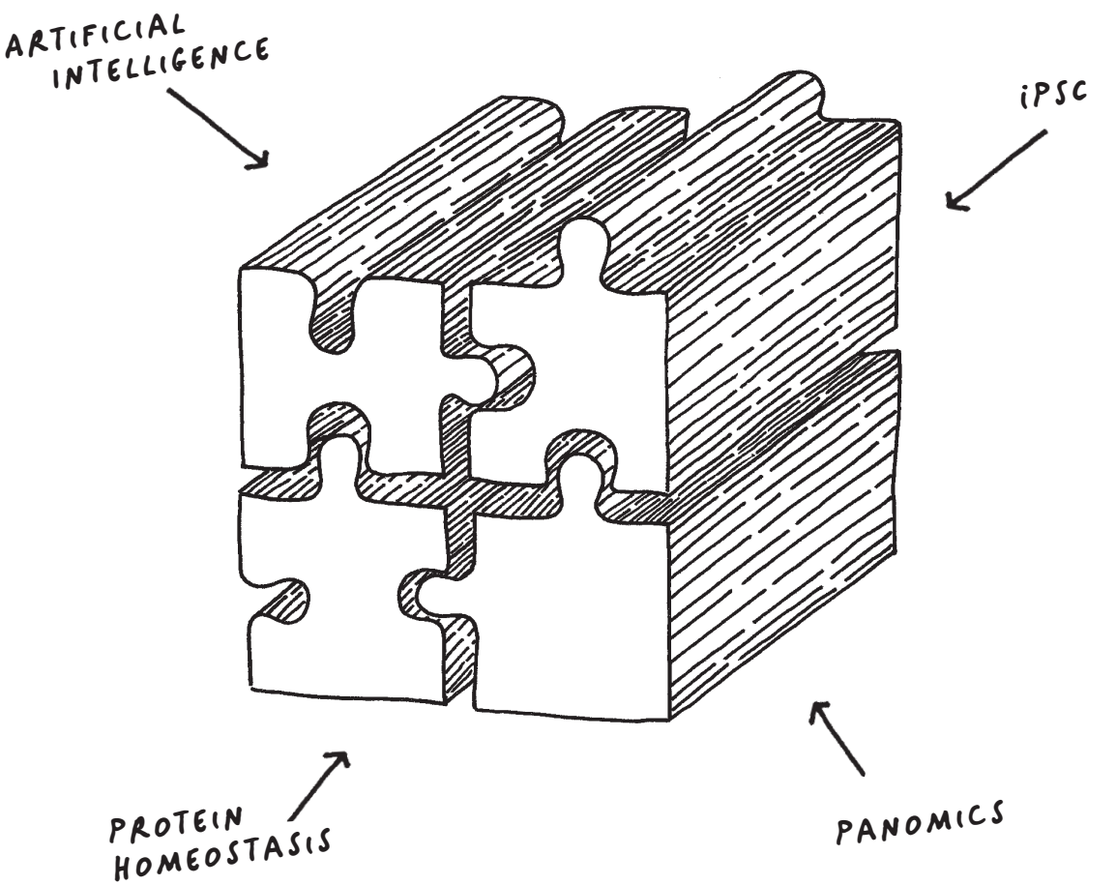
Generally speaking, our partners are very interested and curious about our work and experience in this highly topical area, because of what it means to the discovery process. Not only does it help to enhance human knowledge further, it also offers plenty of opportunity to improve the prediction of the outcome of pre-clinical and clinical experiments before you enter into these capital-intensive development phases. This enhanced power of prediction is something our customers are very eager to access because it directly translates to innovation efficiency and could potentially bring down discovery and development costs of new pharmaceuticals significantly.

What other technologies are you excited to implement or expand at Evotec?

As COO, I will be looking at all initiatives, which can improve the execution and the delivery of drug discovery and development. This means creating and maintaining a high-performance infrastructure, which enables our top-class scientists to do the best work they can. Evotec will continue to invest in technologies, which make drug discovery and development more efficient. I bring my own personal blend of drug discovery and development knowhow, methods for improvements of performance, and focus on delivery into the role of COO. I really appreciate the fact that I will continue to be able to work in a highly innovative, dynamic, scientific organisation where I have the chance to offer strategic scientific insight and create the very best performance for our partners. I am confident that our unique blend of knowledge, experience, technologies and science will maintain Evotec as the leading discovery and development platform.



Scientific excellence × Operational excellence = *Excellence²*



The ultimate goal in drug discovery and development is to find and combine a drug with the right safety and efficacy profile with the appropriate patient population. Ideally, such a drug has disease-modifying properties to slow disease progression or even cure the disease rather than just improve symptoms. The key to successful drug discovery and development is connecting potentially transformative concepts and projects based on leading scientific expertise with highest quality drug discovery tools and platforms. This way they have the best possible chance for a successful clinical development and ultimately reach the market to benefit patients.

Although this may sound simple, the process of discovery and development is highly complex and this complexity is steadily increasing due to massively increasing available scientific information, the constant development of new tools but also increasing regulatory requirements. Nevertheless, essentially all drug discovery projects need to address three fundamental questions early on in the process:

- Which target is the most appropriate?
- Which compound has the best overall profile?
- Which is the most appropriate development path?

These three questions need to be addressed in the pre-clinical phase and in many ways are decisive for the direction and success of subsequent development work. To decide which target to pursue for which indication and patient population is really the very first and arguably the most important step in the whole process. Even if we chose a therapeutically valuable target and were able to derive drug-like compounds for this target, the process will fail if we have not selected the appropriate disease or patient population. Once a target has been selected, the appropriate drug modality has to be identified and subsequently the drug candidate has to be designed and selected from an iterative process of trial and error innovation process before it enters subsequent formal pre-clinical and clinical development. Finally, we need to decide on the most promising development path, which is likely to lead to clinical proof-of-concept and ultimately to registration studies.

Thus, in order to increase the probability of success to create a highly differentiated drug product with clear and measurable benefits for patients, we need to make sure that each of these complex decisions is taken with utmost care and professionalism. Ideally, these decisions should be based on systematic, unbiased, and highly comprehensive data sets that are reliable and interpreted by highly experienced cross-functional teams of experts.

At Evotec, we have focused our attention on these fundamental questions in order to optimally execute every drug discovery project with the highest probability for successful pre-clinical and clinical development and ultimately successful market entry. Furthermore, we constantly strive to select the most promising next generation of projects, often together with world-leading academic institutions, seasoned drug discovery and medical experts and highly experienced drug discovery scientists. We believe that conducting these projects on the best possible technical platforms operated by industry-recognised cross-functional experts and ensuring the work is carried out with operational excellence is the foundation for the creation of the next generation of life-changing drugs of the future.

Evotec's unique approach to drug discovery and development is based on the one hand on proven and effective technologies at highest industrial standards and on the other hand, it is based on integrating cutting-edge emerging technologies as soon as possible into the drug discovery process. In order to illustrate some of the unique features of Evotec's platform, we have picked four highly innovative technologies that are expected to not only improve success rates dramatically but also significantly improve efficiencies to accelerate the drug discovery process overall. Individually these technologies are expected to significantly and positively impact the drug discovery process. In combination, however, they will fundamentally change the game of drug discovery and development.

iPSCs: Translation²

Shinya Yamanaka received the Nobel prize for the discovery of induced pluripotent stem cells ("iPSCs") only six years after the generating the first iPS cell lines, underlining the fundamental importance of this scientific advance. IPSCs are stem cells that can be generated directly from individual patients and can subsequently be propagated indefinitely and thus become an inexhaustible source of cells that reflects a patient's unique genome and ultimately predisposition to diseases. IPSCs can be differentiated into essentially any type of human cell. This is highly valuable to model disease and/or enable screening of entire compound libraries for new approaches specifically targeting particular diseases. Evotec has built one of the largest and most sophisticated iPSC platforms in the industry and has already made excellent progress in several alliances.

PanOmics: Data²

For quite some time in the life science industry, "Omics platforms" have been used to tackle all sorts of questions involving possible targets and compound profiles. However, considerable cost, technical limitations, and difficult interpretation have prevented their systematic use or adoption at a larger scale. Today, PanOmics (*across "-omics"*) aims to integrate highly comprehensive omics data sets to define health and disease, cellular activities and biological profiles of compounds in a more thorough and complete fashion.

In order to turn this systematic use of omics platforms into reality, it is crucial to ensure sufficient throughput, robustness, and cost effectiveness through technological advances and implementation of industrial work flows

and processes. By way of example, enormous advances are being made in deep sequencing technologies.
The costs of deep sequencing of RNA (RNA-Seq) are decreasing and new variants like single cell RNA-Sequencing allow for more detailed biological insights. At Evotec, we not only embrace these new opportunities but turn them into industrial-scale processes with the goal to implement them for routine use.

Evotec is working on adopting, developing and applying industrial-scale omics platforms routinely in drug discovery processes in a highly coordinated fashion. This means, as a first step, we are accessing omics data from clinical samples in order to define patient populations according to molecular phenotypes rather than historical functional deficiencies. This may include genomic, transcriptomic, proteomic or metabolomic data. Such molecular phenotypes can then be used in the drug discovery process to identify compounds that can specifically revert these disease-associated molecular phenotypes. Ultimately, they can also be used during clinical development to identify suitable patient population and as biomarkers to assess efficacy.

Evotec has been building, and continues to build, this PanOmics platform integrating genomics, transcriptomics, proteomics and metabolomics data sets. Furthermore, we are connecting these disease-relevant pre-clinical and clinical data sets through PanHunter, a fully integrated data management analysis platform which facilitates interpretation and hypothesis building for data scientists working with these highly complex data sets.

Artificial Intelligence: Discovery²

In recent years, artificial intelligence ("AI") and in particular its subfield machine learning ("ML") have evolved from novelty to necessity in drug discovery and development. Through advanced screening platforms, disease modelling, and automation, the industry is generating more data than ever before. Since a traditional analysis is often prohibitive due to the size and complexity of such data sets, AI and ML approaches became indispensable tools for scientists. These tools are able to uncover scientifically meaningful patterns even in noisy data and are especially useful if the data sets are particularly large. In many cases, identified patterns directly point to underlying biological processes and thus allow a rapid interpretation. Furthermore, it is possible to use these patterns to predict the outcome of a virtual experiment.

Evotec is investing in the incorporation of AI and ML tools in many drug discovery-related processes but in particular the design of chemical compounds, prediction of chemical synthesis routes, analysis of omics data sets, morphometric analysis of cellular screening results and prediction of specific toxicological risks. Being able to mine vast data sets at unprecedented speed and definition as well as generating more accurate predictions about the outcome of future experiments will be game changing for the drug discovery industry.

Protein Homeostasis: Targets²

Protein homeostasis refers to the ability of cells in the body to properly manufacture, fold, and deactivate protein molecules, so that the body can respond to external challenges and changes in internal conditions. Interfering especially with protein degradation allows the specific removal of potentially harmful or even pathogenic proteins. This can be achieved using small molecules designed to trigger specific interactions between a target protein and the endogenous protein degradation machinery. Applied broadly, targeted protein degradation opens up new target space of what used to be essentially undruggable targets by conventional small molecule drugs.

Evotec is actively exploiting the just emerging field of targeted protein degradation, leveraging its expertise in screening, chemical design, and proteomics. We investigate new pharmacological profiles for known targets but also explore completely novel target space either through collaborations or in our own research programmes.

Platforms²

Our vision of creating, expanding, and connecting technology platforms is clear:
With our iPSC platform, we want to build translational models that allow us to run "clinical trials in a dish". PanOmics will help us develop comprehensive molecular profiles of diseases opening up innovative pathways and targets to treat diseases in a more specific and personalised manner. Targeted proteomics will make new target space available to small molecule intervention and thus create a new wave small molecule drug discovery projects. Artificial intelligence and machine learning will allow us to make project decisions from a position of superior knowledge and predictive power.

Through the power of combination and the integration of artificial intelligence and machine learning, we will create synergies between our platforms and hopefully gain a new, profound level of insight into health and disease.

At Evotec, scientific excellence and operational excellence go hand in hand. In fact, we are convinced that one cannot work effectively without the other. In order to grow and thrive, scientific excellence needs operational excellence and vice versa.

The Evotec *share*

The Evotec share –

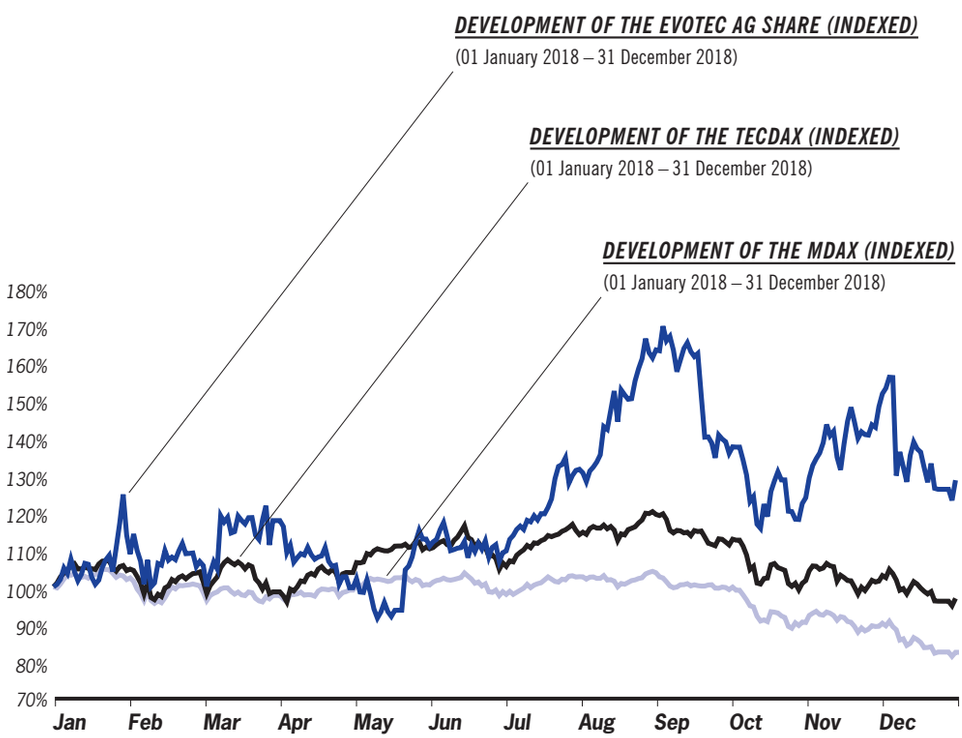
Financial Performance[2]

One of the pillars of Evotec's corporate strategy is to maintain a professional dialogue with the global capital markets. During the financial year 2018, the Company provided focused communications on the progress of its business. In 2018, Evotec increased its capital markets presence in major markets like the United States and Evotec's management represented the Company at twenty-nine national and international investor conferences as well as at twenty-two road shows in key financial centres, primarily in France, Germany, UK and the USA. The Evotec share was also added to the financial indices MDAX and STOXX Europe 600, which further increased the exposure and awareness of the Company. Furthermore, the Management Board provided information on the Company's operational business during quarterly telephone conferences. At the end of 2018, a total of eight analysts monitored and assessed the development of the Evotec share on a regular basis.

Stock market development in 2018

Trade wars, uncertainty surrounding China and Italy risk, compounded with BREXIT, created significant volatility and downward pressure for global markets and the biotechnology sector was no exception. In 2018, Eurozone economic growth showed a decelerated growth of 1.9% in 2018 (2017: 2.4%), while the growth of the US economy amounted to 2.9% in 2018 after 2.2% in 2017. Interest rates rose slowly in the USA with the Federal Reserve methodically raising rates, while the European Central Bank kept rates approximately the same as in 2017 in the Eurozone.

The World Bank states that 2018 was characterised by withdrawal of monetary policy in advanced economies and a resulting tightening of the global financing conditions. Stock markets around the world faced significant headwinds in 2018 with a more significant negative trend at the end of 2018. The leading German stock market index DAX lost 18% in 2018 and closed at 10,558.96 points at year-end 2018.



Performance of the Evotec share in 2018

Amidst the weakening global economy and bear markets, during the course of 2018, Evotec's share showed a solid upward trend for the second consecutive year. It closed the year at € 17.37, gaining approximately 28% compared to its 2018 opening price of € 13.55, outperforming the annual performance of the DOW, the S&P500, and the Nasdaq Biotechnology Index (NBI). Evotec's average daily trading volume on all German stock exchanges amounted to 1,440,924 shares in 2018, compared to 1,662,539 shares in 2017. The stock demonstrated volatility in the first half of 2018 due to a higher number of short positions and potential profit taking, although the stock climbed to record highs during the third quarter of 2018. The main German benchmark index for the Evotec share, the TecDAX, was down about 3%, and the MDAX was down approx. 18% in 2018.

Overall, Evotec's strong operational performance in new and extended alliances, the acceleration of innovation in drug discovery together with its partners, various important proof-of-concept milestone achievements (e.g. in its strategic iPSC-based collaborations with Celgene and Sanofi or in its long-term alliances with Bayer) as well as the pursuit of selected equity investments and the significant upswing in financial performance (42% increase in revenues from contracts with customers, 67% increase in adjusted Group EBITDA), contributed to Evotec's strong share performance in 2018.

Evotec's share capital

In 2018, no new acquisition was conducted in which Evotec used shares as currency. Due to the exercise of 1,530,113 stock options and Share Performance Awards, Evotec's registered share capital increased to € 149,062,794.00 at year-end 2018 (year-end 2017: € 147,532,681.00). In 2018, no stock options were serviced out of treasury shares. As of 31 December 2018, a total of 249,915 treasury shares remained from the trust agreement terminated in 2012.

Shareholder structure

In case specified voting right thresholds are reached or crossed, the respective shareholders are required to inform the issuer of the shares and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). According to notifications the Company received up to 31 December 2018, the following persons and institutions were known to have exceeded the 3% threshold. Novo Holdings A/S held just above 10%. Roland Oetker with ROI Verwaltungsgesellschaft mbH held just below 10%. Allianz Global Investors GmbH, DWS Investment GmbH, The Goldman Sachs Group, Inc. and BlackRock, Inc. each held more than 3% of the Evotec shares. Free float according to Deutsche Börse AG, which is used to determine the weighting of the Evotec stock in stock indices, was approximately 62% of the capital stock as of 31 December 2018.

2018 Annual General Meeting in Hamburg

On 20 June 2018, Evotec's Annual General Meeting 2018 took place in Hamburg. It attracted approx. 400 shareholders and guests, representing 50.85% of Evotec's share capital (2017: 64.21%). At the Company's Annual General Meeting 2018, the Company's shareholders approved all proposals put to vote by the Company's Management with the required majorities.

Investor Relations @ Evotec

For further information on Evotec and its Investor Relations activities, please visit the Invest section of Evotec's website.
As a continuous dialogue with the capital market participants is an essential part of the Company's philosophy, please contact the Investor Relations team in case you have any questions or suggestions.

You can contact us as follows:

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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
Index	TecDAX, MDAX, STOXX Europe 600
Designated Sponsor	ODDO SEYDLER BANK AG

KEY FIGURES PER SHARE

	2018	2017
High (date)	€ 23.36 (04 September)	€ 22.50 (04 October)
Low (date)	€ 12.07 (10 May)	€ 6.91 (09 February)
Opening price	€ 13.55	€ 7.46
Closing price	€ 17.37	€ 13.50
Weighted average number of shares outstanding	147,482,051	145,009,742
Total number of shares outstanding as at 31 December	149,062,794	147,532,681
Average daily trading volume (all exchanges)	1,440,924 shares	1,662,539 shares
Market capitalisation as at 31 December	€ 2,586.8 m	€ 1,991.7 m
Earnings per share (diluted/basic)	€ 0.56/€ 0.57	€ 0.16/€ 0.16

FINANCIAL CALENDAR 2019

28 March 2019	Annual Report 2018
14 May 2019	Quarterly Statement Q1 2019
19 June 2019	Annual General Meeting 2019
14 August 2019	Half-year 2019 Interim Report
12 November 2019	Quarterly Statement 9M 2019

evotec

Corporate Governance Report

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Corporate Governance –

The definition of good corporate management and supervision

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 07 February 2017 (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 2018, 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 2018 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:

- *Pursuant to Section 4.2.3 of the Code, the monetary remuneration of the Management Board members comprises fixed and variable components. Variable remuneration components consist of a one-year variable remuneration determined by a bonus scheme and a long-term so-called Share Performance Plan scheme approved by the Annual General Meetings 2012, 2015 and 2017. The Share Performance Plans have a multiple-year assessment basis that has essentially forward-looking characteristics, whereas the bonus scheme is based on the achievement of certain strategic targets set by the Supervisory Board for a certain financial year.*

- *The Share Performance Plans comply with the recommendations set forth in Section 4.2.3 of the Code. In particular, they refer to specific key performance indicators and define a "Maximum Target". However, as the issuance of awards under the Share Performance Plans 2012 and 2015 after the four-year vesting period is effected in shares, there is a cap for the number of awards upon allocation, but no other cap for the value of the allocated shares. That value will only be determined by the share price at that time. The Share Performance Plan 2017 has introduced a cap with a maximum level of 350% of the contractual issue value and therefore complies in all respects with the Code.*

- *Stock options issued in existing stock option programmes before their replacement by the Share Performance Plans remain valid. While the exercise of options under these stock option 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 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 Invest section.

General information on Evotec's management structure

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

As part of its conversion process from a German Stock Corporation ("AG") to a European Company (Societas Europaea, "SE"), Evotec has decided to maintain its two-tier system with clear separation of management through the Management Board ("Vorstand"), and control through the 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 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 ("AGM"; "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 and for its new contract with the Chief Scientific 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 131.

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, Human Resources, Investor Relations and Corporate Communications, the CFO for Finance, Controlling, Information Technology & Business Applications, Legal, Procurement & Logistics and Facility Management, the COO for Evotec's EVT Execute segment, Alliance management and global operations and the CSO for Evotec's EVT Innovate segment, Evotec BRIDGEs and Intellectual Property.

With regards to diversity within the Management Board, it has to be taken into account that Evotec works in a globalized industry and has a broad and international customer base. Therefore, the Supervisory Board selects Management Board members regardless of gender, nationality or age; instead, the focus lies on their qualifications and work experience only. However, for the first time in 2015, the Supervisory Board of Evotec AG set a target quota of 0% female members on the Management Board in accordance with § 111 section 5 AktG. This target quota was confirmed in 2017 for a further five-year period due to the current term of the contracts of the Management Board members. Currently, two 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 members of the Evotec Supervisory Board have been elected at the AGMs 2014, 2015 and 2017 with their tenure ending at the end of the AGM 2019. As of 31 December 2018, Evotec's Supervisory Board consisted of six members. Evotec's Supervisory Board members were, in accordance with the Code's recommendations regardless of gender, nationality or age, appointed on the basis of their qualifications, work experience, independence and diversity.

However, the Supervisory Board has specified concrete objectives and a corresponding competence profile 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 target quota of 30% female members of the Supervisory Board. Finally, the Supervisory Board has agreed on two full terms as the regular limit of length of membership to the Supervisory Board. Overall, the Supervisory Board shall be composed in such a way that the majority of its members are independent and that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

Currently, the composition of Evotec's Supervisory Board fulfils all those objectives: all six members are considered as independent in accordance with Section 5.4.2 of the Code,

four nationalities are represented and there are two female members.

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.

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. 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 and other current topics such as strategy, planning, risk management and compliance management systems during numerous conference calls, held whenever appropriate.

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:

- Issues, which by corporate law require the Supervisory Board to decide;
- 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 € 5 m;
- Establishing and acquiring companies or material changes to the Group structure (either by +/- 5% of ownership or to the effect that control in such entity is assumed or lost);
- Business contracts outside the Company's ordinary course of business that have significantly different risk profiles;
- Out-licensing contracts valued over € 300 m in total deal volume;
- 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.

Furthermore and upon request, the Supervisory Board Chair is available to discuss Supervisory Board-related issues with investors.

The Supervisory Board has its own internal rules of procedure (see www.evotec.com; Invest section) and complies with the Code's suggestion to hold occasional separate discussions.

In 2018, a conflict of interest in the Supervisory Board existed in an undisclosed matter and the respective Supervisory Board member did not participate in the respective discussion. No decision was taken.

Information on the professional affiliations of board members and on related party transactions can be found on pages 130 and 126.

TENURES AND COMPOSITION OF SUPERVISORY BOARD COMMITTEES*

	END OF TENURE [1]	AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
Prof. Dr Wolfgang Plischke (Chairman)	2019		× (Chair)
Bernd Hirsch (Vice Chairman)	2019	× (Chair)	×
Dr Claus Braestrup	2019	×	
Prof. Dr Iris Löw-Friedrich	2019	×	
Michael Shalmi	2019		×
Dr Elaine Sullivan	2019		×

[1] *Following the AGM in June 2019*

* *Information on the professional affiliations of Supervisory Board members can be found on page 130.*

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 Chief Financial Officer, the Audit Committee's Chairman Bernd Hirsch is not only 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 the Invest section.

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 76 of the "Remuneration Report".

More details on the activities of the Supervisory Board can be found in the "Supervisory Board Report" on page 22.

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 AGM. Each share entitles the shareholder to one vote. This year's AGM, at which approximately 51% of the share capital was represented, took place in Hamburg on 20 June 2018.

Evotec offers shareholders who are unable to attend the AGM 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 at the meeting.

The remuneration system for the Management Board has not changed since the AGM 2012. It was presented to the AGM in 2017 the last time.

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 2018 was as follows: see table below.

DIRECTORS' SHAREHOLDINGS AS OF 31 DECEMBER 2018

	SHARES	STOCK OPTIONS	SHARE PERFORMANCE AWARDS
Management Board			
Dr Werner Lanthaler	838,053	–	832,915
Enno Spillner	–	–	92,285
Dr Cord Dohrmann	46,218	82,594	318,152
Dr Mario Polywka	60,000	–	180,909
Dr Craig Johnstone[1)]	–	–	43,498
Supervisory Board			
Prof. Dr Wolfgang Plischke	–	–	–
Bernd Hirsch	–	–	–
Dr Claus Braestrup	–	–	–
Prof. Dr Iris Löw-Friedrich	–	–	–
Michael Shalmi	–	–	–
Dr Elaine Sullivan	–	–	–

1) *COO effective 01 January 2019*

DIRECTORS' DEALINGS

Under the European Market Abuse Regulation, 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 € 5,000.00 (the de minimus threshold) per calendar year. In addition, Evotec has established an Insider Trading Policy (see www.evotec.com; Invest section) that sets standards for board members' and employees' trading in Evotec shares and thus ensures transparency.

During 2018, the following Directors' Dealings were reported:

Date	Name	Position	Type	No of items	Price	Total
29 November 2018	Cord Dohrmann	Member of Management	Exercise against Cash Settlement (Stock option programme)	29,220	€ 17.6169	€ 514,765.82
16 November 2018	Mario Polywka	Member of Management	Exercise against Cash Settlement (Share Performance Plan)	216,666	€ 18.8146	€ 4,076,484.12
02 October 2018	Mario Polywka	Member of Management	Exercise against Cash Settlement (Share Performance Plan)	75,000	€ 17.6166	€ 1,321,245.00

Corporate Governance practices

COMPLIANCE AND CODE OF CONDUCT

Evotec's corporate culture is committed to the highest standards of openness, integrity and accountability. A key element of integrity is compliance, which means adherence to both, the applicable laws and Company's internal policies. Evotec's commitment to a compliance-oriented culture is reflected in 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;
- Compliance with insider trading laws and prevention of conflicts of interest;
- Compliance with antitrust legislation;
- Compliance with anti-corruption laws and associated internal guidelines;
- A work environment free of any form 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).

Evotec does not tolerate any violation of applicable laws or internal policies.

The Code of Conduct is published on the Evotec website (www.evotec.com) in the Invest section.

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, the Head of Investor Relations and the assistant to the Board. This committee examines the ad hoc relevance of insider information and ensures that Evotec complies with the law.

The 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 and is regularly trained via a group-wide electronic Compliance Training or face-to-face trainings for the Aptuit entities tailored to the specific compliance issues and associated risks at the Company. The aim is to maintain permanent compliance awareness within all areas of Evotec's business to ensure that any decision is in line with Evotec's compliance best practices and to mitigate compliance risks. Said training is mandatory for all board members and other employees. The Company's Compliance Officer monitors the participation in the training at regular intervals.

Another important aspect of accountability and transparency is a mechanism to enable all Evotec employees to voice concerns in a responsible and effective manner. Suspected compliance violations can be reported to an employee's responsible line manager, the Company's Compliance Officer or may also be reported to a worldwide compliance (whistleblowing) hotline which is available 24 hours a day, 7 days a week. In case that a suspected compliance violation would affect a member of the Management Board, such report would be addressed to the Supervisory Board. In 2018, no reports via the central compliance hotline were registered. For the Aptuit entities, it is planned to be integrated in such compliance hotline in 2019.

Further information can be found in the Non-financial Group Report in accordance with section 289c and section 315c of the German Commercial Code. This report can be found on Evotec's website in the Invest section under Financial Publications.

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

DIVERSITY

Evotec has achieved its gender targets set in 2015 on all levels (Supervisory Board, Management Board and the next two management levels). The Company has confirmed these objectives going forward.

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 61.

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 and share performance plans can be found in the Consolidated Financial Statements on pages 127 and 117.

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 in the Invest section.

The Invest 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 2018, management presented the Company at 29 national and international investor conferences.

Prof. Dr Wolfgang Plischke
Chairman of the Supervisory Board

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, Evotec AG has a two-tier board system consisting of Evotec's Management Board and Evotec's Supervisory Board. The Management Board is responsible for managing Evotec and representing the Company in its dealings with third parties, while the Supervisory Board appoints and dismisses the members of Evotec's Management Board and oversees the management of the Company. German law prohibits the Supervisory Board from making management decisions.

Evotec's 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 Evotec's Supervisory Board will expire at the end of the AGM 2019.

The Supervisory Board has determined concrete objectives regarding its composition and competencies, and prepared a profiles of skills and expertise reflecting the company-specific situation. These objectives and skills profiles stipulate that the activities of the Company shall be represented by having a majority of independent Supervisory Board members with national and international experience in the respective fields of

(i) Research and Development,
(ii) Finance, Capital markets, Legal, Corporate Governance,
(iii) Marketing and Sales and Operations and
(iv) Healthcare Economy/Public Health.

A significant proportion of the Supervisory Board's work is conducted in committees. Pursuant to the German Stock Corporation Act and the recommendations of the German Corporate Governance Code, Evotec's Supervisory Board has established an Audit Committee as well as a Remuneration and Nomination Committee from among its members. 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 go to the "Corporate Governance Report" on page 18 of Evotec's Annual Report 2018.

In the course of 2018, the Supervisory Board held five formal meetings and one extraordinary meeting to discuss the operational and strategic developments of Evotec AG. The Audit Committee convened separately for four meetings and the Remuneration and Nomination Committee convened for three meetings.

The individual participation of the Supervisory Board members as of 31 December 2018 in meetings of the Supervisory Board of Evotec AG and its committees in fiscal year 2018 was as follows:

SUPERVISORY BOARD MEMBER	*NUMBER OF SUPERVISORY BOARD AND COMMITTEE MEETINGS*	*PARTICIPATION*	*PRESENCE**
Prof. Dr Wolfgang Plischke (Chairman)	9	9	100%
Bernd Hirsch (Vice Chairman)	13	13	100%
Dr Claus Braestrup	10	10	100%
Prof. Dr Iris Löw-Friedrich	10	10	100%
Michael Shalmi	9	9	100%
Dr Elaine Sullivan	9	9	100%

* *Commercially rounded*

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

Furthermore and upon request, the Supervisory Board Chair is available to discuss Supervisory Board-related issues with investors.

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 an extraordinary meeting in January 2018, the Supervisory Board approved to provide a binding offer to Sanofi to acquire all shares in Sanofi's Infectious Diseases unit based in Lyon to accelerate infectious disease research and development through a new open innovation platform led by Evotec.

- In March 2018, the Supervisory Board discussed and approved the 2017 annual financial statements in the presence of the auditors and approved the bonus payments for the Management Board members for their performance in 2017. The Supervisory Board also reviewed discussed the Company's compliance and risk management system and approved the preliminary agenda for the AGM 2018. By circular resolution following its March 2018 meeting, the Supervisory Board approved to begin preparations for legal conversion of the Company into a European Company (Societas Europaea, SE).
- Ahead of the meeting in June 2018, the Supervisory Board was updated about Evotec's R&D portfolio and discussed this in-depth with the Chief Scientific Officer and key R&D leaders within Evotec. This was followed by the regular meeting in June 2018, where the Supervisory Board focused on the upcoming AGM, the operational business of the Company and on strategic development opportunities. The Supervisory Board further discussed certain financing opportunities. In addition, in a second meeting following immediately after the AGM at which the conversion into a SE has been approved, the Supervisory Board confirmed

its own and the Management Board mandates following completion of the conversion.

▸ In its September 2018 meeting, the Supervisory Board discussed the operational business of the Company, including the integration of the Aptuit entities and Evotec ID (Lyon). It further discussed strategic development opportunities, including M&A and corporate formation opportunities. Furthermore, the Supervisory Board discussed certain organisational updates such as the succession of the Chief Operating Officer.

▸ In December 2018, the Supervisory Board reviewed and approved the budget and guidance for the year 2019 as well as regular Corporate Governance matters. It discussed the performance of the Company in 2018 and the objectives for 2019. The Supervisory Board further discussed certain strategic opportunities.

The financial statements and the Management Report for Evotec AG for the fiscal year 2018 as well as the Consolidated Financial Statements together with the consolidated Management Report of the Evotec Group were audited by Ernst & Young GmbH Wirtschaftsprüfungs-gesellschaft, Hamburg. The managing auditor of Ernst & Young for the Evotec Group is Dirk Machner. He took over from Eckehard Schepers in July 2018. The auditors issued an unqualified audit opinion.

In preparation for the Supervisory Board meeting on 19 March 2019, the auditors presented the status of the 2018 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 meeting of the full Supervisory Board in March 2019 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 2018. In compliance with the CSR Directive Implementation Act, Evotec issued a separate Non-financial Group Declaration in accordance with section 315b and section 315c in conjunction with sections 289b to 289e German Commercial Code (HGB) for fiscal year 2018. The principal components of the report relate to the areas of employee concerns, human rights, and anti-corruption. The Supervisory Board examined this report on the basis of a preliminary review by the Audit Committee and has no objections to the report.

In 2018, a conflict of interest in the Supervisory Board existed in an undisclosed matter and the respective Supervisory Board member did not participate in the respective discussion. No decision was taken.

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 2019.

Hamburg, 19 March 2019

The Supervisory Board
Prof. Dr Wolfgang Plischke

Group Management Report

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Content

The Evotec Group

ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

— BUSINESS MODEL —

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

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

Evotec's services (EVT Execute) comprise stand-alone or integrated drug discovery and development solutions tailored to the customers' needs. Through continuous investments in its cutting-edge technology platforms, Evotec is able to offer its customers a unique portfolio of first-class scientific services for the discovery and development of innovative therapeutics protected by the partners' intellectual property. Evotec provides these services through a range of commercial structures, most of them FTE-based.

In its EVT Innovate segment, Evotec leverages its proprietary technology platforms to develop new drug discovery projects, assets and platforms, both internally or through academic collaborations to create starting points for strategic partnerships with Pharma and leading biotech companies in return for upfront payments, ongoing research payments, and significant financial upside potential through milestones and royalties.

Further information on Evotec's dual business model can be found in the section "Corporate objectives and strategy" on page 29 of this Management Report.

— GROUP STRUCTURE —

Evotec AG, founded in 1993, 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). At Evotec's Annual General Meeting ("AGM") 2018, it was decided to convert Evotec AG into Evotec SE. Preparations for this switch are currently ongoing and the conversion is expected to be completed in the first half of 2019.

Evotec's Group structure reflects the strategic international operations of the Company. Developing and acquiring businesses with assets that leverage the Company's strategy is a vital part of Evotec's growth story. With affiliates in France, Germany, Italy, Switzerland, UK, and the USA, the Group has been successful in integrating acquisitions and achieving both operational and technological synergies between geographies. All consolidated subsidiaries and other equity investments are listed in Note (34d) to the Consolidated Financial Statements.

MAJOR OPERATING ENTITIES[1)]
as of 31 December 2018

EVOTEC AG, HAMBURG, D

Evotec (UK) Ltd. Abingdon, UK 100%	Aptuit (Oxford) Ltd. Abingdon, UK 100%	Aptuit (Potters Bar) Ltd. Abingdon, UK 100%	Cyprotex Discovery Limited Macclesfield, UK 100%	Evotec International GmbH Hamburg, D 100%	Evotec (München) GmbH Munich, D 100%	Aptuit (Verona) SRL Verona, I 100%	Evotec (France) SAS Toulouse, F 100%	Evotec ID (Lyon) SAS Marcy l'Étoile, F 100%	Aptuit (Switzerland) AG Basel, CH 100%	Evotec (US), Inc. Princeton, NJ, USA 100%
			Cyprotex US, LLC Watertown, MA, USA 100%							

[1)] *Indirect and direct holdings*

Effective 01 July 2018, Evotec took over Sanofi's infectious disease unit including a team based in Marcy l'Étoile (France) along with a licenced portfolio of R&D assets. The scientists in Marcy l'Étoile work closely with Evotec's well-established anti-infectives specialists in Alderley Park (UK) and Verona (Italy).

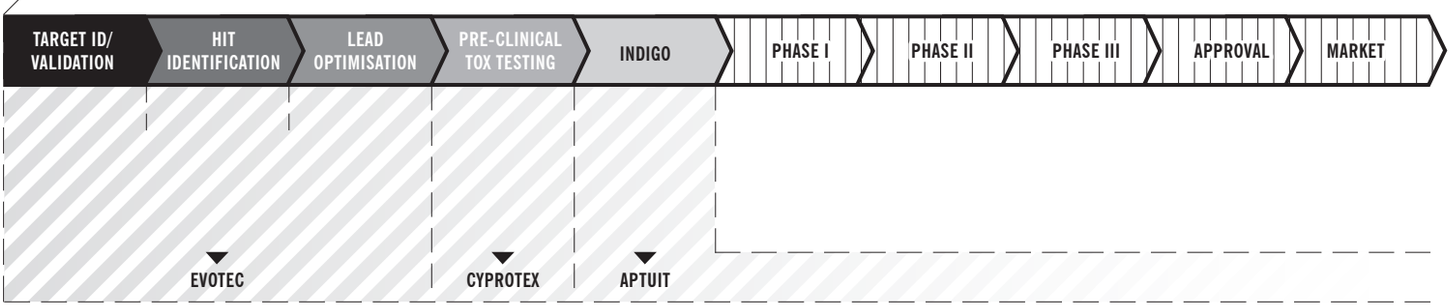
Including the newly acquired site, operating sites are located in Lyon and Toulouse (France), Hamburg, Göttingen and Munich (Germany), Verona (Italy), Basel (Switzerland), Abingdon and Alderley Park (UK), and Branford, Princeton and Watertown (USA). Employees in France, Germany, Italy, Japan, UK, and the USA drive Evotec's international business development activities.

— EVOTEC'S PRODUCTS AND SERVICES —

Evotec provides complete drug discovery and development solutions on a stand-alone basis or through holistic, fully integrated solutions from target identification through to investigational new drug ("IND") submission and beyond through integrated drug substance and drug product manufacture.

Evotec's drug discovery and development platform and business provide an industrialised, cutting-edge, comprehensive and unbiased infrastructure that meets the industry's need for innovation in drug discovery and development.

EVOTEC'S POSITIONING IN THE DRUG DISCOVERY AND DEVELOPMENT PROCESS



(Source: Company information; Paul et al. Nature Reviews Drug Discovery, 9 (2010))

Integrated drug discovery services

Evotec's capabilities span the key stages of drug discovery and development up to and including IND submission and beyond to integrated drug substance, drug product manufacture and even commercial product supply.

An overview of all the integrated disciplines is provided in the diagram below. More detailed information on Evotec's offering can be found in the EVT Execute ▸ Drug Discovery Services section on Evotec's website (www.evotec.com).

OVERVIEW OF EVOTEC'S DRUG DISCOVERY AND DEVELOPMENT OFFERING

TARGET ID & VALIDATION
- Molecular biology and cloning
- Bioinformatics
- *In vitro* target validation
- *In vivo* target validation
- Target deconvolution

SCREENING
- Assay development and screening
- (u)HTS[1)]
- HCS
- Microbiological phenotypic screening (class 2)
- Electrophysiology
- *In silico* screening technologies
- FBDD
- Sample management
- Chemo-proteomic
- Phosphoproteomics

HIT-TO-LEAD
- 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 & characterisation (MICs[3)], MBCs[4)], MoA[5)] determination)

LEAD OPTIMISATION
- Medicinal chemistry
- *In vitro* & *in vivo* biology
- Disease biology and target class expertise
- Cellular selectivity analysis & MoA[5)] analysis
- Translational assays
- Computational chemistry & SBDD
- *In silico* & *in vitro* ADME[2)]
- Biomarker discovery
- PKPD[6)] Profiling and mathematical modelling

LATE LEAD OPTIMISATION

De-risking solutions
- API[7)] route scouting and optimisation
- Synthesis scale-up
- Early drug formulation and solid form screening
- Discovery Toxicology
- ADME[2)] drug developability testing

IND

INDiGO and integrated CMC[8)]
- API[7)] manufacture
- Material sciences & formulation development
- Toxicology & pathology
- Safety pharmacology
- ADME[2)]
- Bioanalysis
- Immuno assays and biomarkers
- Drug abuse liability
- Drug product
- Analytical development and QC
- Stability
- Controlled and highly potent substances
- SEND and Regulatory support

[1)] *Ultra-high throughput screening*
[2)] *Absorption, distribution, metabolism, excretion, toxicity*
[3)] *Minimum inhibitory concentration*
[4)] *Minimum bactericidal concentration*
[5)] *Mode of action*
[6)] *Pharmacokinetic/pharmacodynamic relationship*
[7)] *Active Pharmaceutical Ingredient*
[8)] *Chemistry, Manufacturing and Controls*

Pipeline R&D portfolio

Strategically, Evotec is active in several therapeutic areas, such as neuronal diseases, diabetes and complications of diabetes, pain and inflammation, oncology, immuno-oncology, infectious diseases, respiratory diseases and fibrosis. The Company has a large portfolio of revenue-generating programmes as well as a number of product opportunities being progressed internally for future partnering. The strategy for the asset portfolio is to partner programmes either during the discovery process or, in some cases, to develop individual projects up to pre-clinical development candidate ("PDC") and/or IND submission. In both cases, subsequent clinical development and marketing is managed and financed by the partner. Evotec identifies the appropriate business models for each project while aiming to capture maximum value through research funding, milestones and royalties on potential products. Further information on this approach can be found in the "Corporate objectives and strategy" chapter on page 29. An overview of Evotec's portfolio is provided on page 35 of this Management Report.

Alliances and partnerships

Evotec's partners include 13 of the Top 20 pharmaceutical companies, as well as biotechnology and mid-sized pharmaceutical companies, academic institutions, foundations and not-for-profit organisations. In 2018, Evotec continued to deliver on established, long-term partnerships and also entered into a number of significant new collaborations. An overview of Evotec's Top customers in 2018 is given in the table "Development of Top 10 customers" on page 32 of this Management Report. Further information on Evotec's alliances and partnerships is provided in the "Performance measurement" chapter under "Quality of drug discovery solutions and performance in discovery alliances" on page 31 of this Management Report.

— MARKET AND COMPETITIVE POSITION —

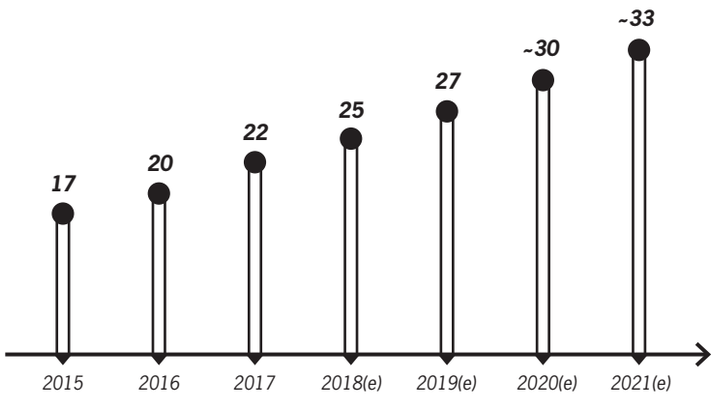
The drug discovery outsourcing market and Evotec's competitive position (EVT Execute business)

For more than a decade, the global pharmaceutical industry has suffered from decreasing efficiency in new product launches. Research and development costs have escalated over the years, yet product pipelines are not producing the returns experienced in earlier decades. This trend has led to restructuring of research and development with significant downsizing of the relevant internal departments in many large Pharma companies and to an increased need and willingness to outsource activities traditionally performed in-house. In 2018, this macro trend continued. Through access to flexible external innovation, significant fixed costs can be converted into variable external costs. This outsourcing model also provides expertise in selected areas without the clients having to maintain or build internal capabilities, expertise and infrastructure, thereby reducing their timeline to entry as well as development risk.

Based on research by Visiongain, the drug discovery outsourcing market generated $ 14.5 bn in global revenues in 2014. The market is expected to increase to $ 27.1 bn by 2019 and to $ 41.2 bn by 2025, representing an annual average growth rate of 13.3% between 2014 and 2019. This forecast indicates that the market for Evotec's drug discovery services will continue to grow, while at the same time continuing to consolidate mainly through M&A activity. Based on research by Grand View Research, the global pre-clinical CRO market generated $ 3.25 bn in 2016 in revenues. It is estimated that this number is going to reach $ 6.6 bn in 2025.

MACRO TREND DRUG DISCOVERY OUTSOURCING – MARKET OVERVIEW

(Revenues, in $ bn)



(Source: "Drug Discovery Outsourcing Market Forecast 2015-2025" report, Visiongain)

Over the years, contract service providers have expanded their service offerings to better meet the need for full-service outsourcing across the drug discovery value chain. Contracts vary in their agreement types, ranging from strategic, integrated partnerships to stand-alone service agreements for specific activities and tactical demand. Amongst its peers in the West, Evotec is one of the largest and financially most stable drug discovery and development providers with a unique hybrid model, critical mass and a long-standing record of accomplishment in successful innovation and delivery. The Company's unique discovery and development platforms as well as the opportunity to manage discovery and development projects in an integrated way under one roof gives Evotec a competitive edge over traditional contract research organisations ("CROs") which can only offer selective services. Through the acquisition of the Sanofi site in Lyon, Evotec has in addition assumed a global leadership position in anti-infectives R&D, a market with both significant medical need and potential for further expansion. Evotec's growth continues to track the growth in outsourcing in both discovery and development.

The markets of Evotec's strategic research focus areas and Evotec's competitive position

Evotec has ongoing alliances and partnerships in many disease areas including, but not limited to neuronal diseases, diabetes, oncology, pain, inflammation, infectious diseases, fibrosis as well as respiratory diseases. These disease areas represent markets with huge unmet medical needs and significant revenue and value opportunities. Background information on the therapeutic markets of these disease areas is given below.

Neuronal diseases

According to the World Health Organization ("WHO"), about 14.1% of the global population will suffer from some form of central nervous system ("CNS") disorder by 2020. A rapidly increasing geriatric population results in elevated incidence of CNS diseases. CNS disease treatments, though exclusively palliative, already represent one of the three main therapeutic areas worldwide and are expected to reach sales of approximately $ 145 bn in 2024 according to Global Industry Analysts (2017), putting them close to cardiovascular diseases and oncology.

Evotec has been actively involved in drug discovery and development in neuronal diseases – and in particular in neurodegenerative diseases – for many years and has built a best-in-class platform to address the challenges in discovering drugs in this area. An example of this is high-throughput screening in induced pluripotent stem cells ("iPSC")-derived neurons with the intent of identifying novel therapeutic compounds, which have the potential to lead to a paradigm shift in drug discovery. Evotec has built an industrialised iPSC infrastructure that represents one of the largest and most sophisticated platforms in the industry. This effort was enabled in part by a research collaboration and licence agreement with Harvard University, involving world-leading scientists at the Harvard Stem Cell Institute, and through Evotec's long-standing collaboration with the CHDI Foundation in the field of Huntington's disease. In a research collaboration with Celgene, Evotec leverages its iPSC platform to identify disease-modifying therapeutics for a broad range of neurodegenerative diseases, such as Amyotrophic lateral sclerosis ("ALS"), Alzheimer's disease or Parkinson's disease. In the course of 2018, Celgene opted to add further cell lines to this collaboration, which resulted in significant payments to Evotec (for details, see chapter "Research and development" on page 34 of this Management Report).

Diabetes and diabetic complications

Diabetes mellitus ("Diabetes") is a chronic incapacitating disease associated with severe lifelong conditions that require extensive 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. According to the International Diabetes Federation, approximately 425 million people worldwide had diabetes in 2017 (2015: 415 million). Of these, about 50% have not yet been diagnosed and are at risk of costly and debilitating diabetic complications. In 2017, approx. $ 727 bn was spent on the treatment of diabetes (2015: $ 673 bn).

Evotec has more than ten years of experience in metabolic disease drug discovery. Evotec's primary focus is on the identification of novel mechanisms and targets that have the potential to modify, prevent or even revert disease progression. Evotec has accumulated significant capabilities in beta cell biology in pursuit of disease-modifying mechanisms such as beta cell regeneration and protection. In doing so, has built a unique portfolio of partnerships and approaches pursuing potentially first-in-class products. In 2018, Evotec also made good progress in beta cell therapy research in the context of various collaborations and consortia and entered into a new strategic research alliance with Novo Nordisk targeting diabetes and obesity (for details, see chapter "Research and development" on page 34 of this Management Report).

Oncology

According to the International Agency for Research on Cancer, there were 18.1 million new cancer cases and 9.6 million cancer deaths worldwide in 2018. The Global Burden of Disease Cancer Collaboration reported that cancer deaths are expected to increase to more than 21.7 million by 2030. According to EvaluatePharma, oncology-related drug sales are expected to rise to approximately $ 233 bn in 2024.

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 may 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 offers a wealth of drug discovery and biomarker discovery experience. In 2018, Evotec continued to focus its research on oncology through existing and new partnerships, such as a new collaboration with Celgene, in which Evotec leverages its industry-leading phenotypic screening platform to identify new therapeutics targeting solid tumours (for details, see "Research and development" chapter on page 34 of this Management Report).

Pain, inflammation, infectious diseases, respiratory and fibrosis

Evotec has substantial experience and expertise in key therapeutic areas including pain, inflammation, infectious diseases, respiratory and fibrosis. According to Transparency Market Research, the pain management therapeutic market is expected to increase from $ 62.2 bn in 2016 to $ 88.3 bn in 2025. Over the last decade, Evotec has collaborated with a variety of biotech and Pharma companies in these therapeutic areas, such as the multi-target collaboration in endometriosis with Bayer. Please refer to the "Research and development" chapter for further information on the progress and current status of this collaboration.

In 2018, Evotec significantly expanded its capabilities in infectious diseases by taking over an R&D site from Sanofi in Lyon (France). The takeover included 100 top scientists as well as the majority of Sanofi's infectious disease research portfolio and initiatives consisting of more than 10 R&D assets. With a combined workforce of 180 out of approximately 600 translational scientists in this field, Evotec can now claim global leadership in translational R&D in infectious diseases, an area with a pressing and serious medical need. According to Grand View Research, the antibiotics market was valued at $ 39.8 bn in 2015 and is expected to grow at a compound annual growth rate ("CAGR") of 4.0% until 2024.

According to Research and Markets, global revenue from the respiratory market is forecasted to increase from $ 30.9 bn in 2016 to $ 41.3 bn in 2023, at a CAGR of 4.23% (drugs only). The overall fibrosis market, which encompasses various forms of fibrosis (e.g. Cystic fibrosis, Idiopathic Pulmonary Fibrosis, Cirrhosis, Atrial fibrosis) was valued at approx. $ 10 bn in 2017. In 2018, Evotec received a milestone payment within its multi-target alliance with Bayer, following Bayer's decision to advance a promising molecule into Phase II clinical development for treatment of chronic cough (see "Research and development" chapter).

Information regarding Evotec's internal discovery stage assets can be found in the "Research and development" chapter on page 36 of this Management Report.

CORPORATE OBJECTIVES AND STRATEGY

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

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

In order to support patient-centric approaches, Evotec is accessing large patient data sets to re-define patient populations according to molecular phenotypes. The Company has built an industrialised iPSC infrastructure that represents one of the largest and most sophisticated iPSC platforms in the industry. Evotec is integrating "omics" technologies as an essential tool in the drug discovery process to define and profile biological effects in a comprehensive and unbiased fashion. Finally, the Company is blending artificial intelligence ("AI") and machine-learning tools into many of its biology- and chemistry-driven platforms to further accelerate and increase effectiveness in the drug discovery process.

Today, Evotec has established a leadership position in the drug discovery and development outsourcing and external innovation space. The Company has an industrialised, cutting-edge drug discovery platform, covering the full value chain from target identification to IND-enabling studies (INDiGO) and high-end CMC. On top of its state-of-the art platform capabilities, Evotec has built a deep internal knowledge base in a large number of therapeutic areas such as neuronal diseases, diabetes and complications of diabetes, pain and inflammation, oncology, infectious and respiratory diseases, and fibrosis. In 2018, Evotec continued to operate through its two business segments: EVT Execute and EVT Innovate. These segments effectively comprise various project types operating from a shared drug discovery and development platform. A description of both business segments can be found in the "Organisational structure and business activities chapter" on page 26 of this Management Report.

In 2018, Evotec consistently delivered on its strategy by accelerating the further expansion of its co-owned product pipeline, growing the Company's industrial drug discovery platform and driving efficiencies across the drug discovery and development value chain as indicated in the table below. In-depth information on Evotec's activities in R&D as well as on corporate events in the course of 2018 is available in the chapters "Research and Development" and "Significant corporate development events 2018" on pages 34 and 43, respectively, of this Management Report.

The Company's 2018 specific objectives for its two business segments as well as for corporate and major achievements in 2018 are summarised in the following table.

	SPECIFIC OBJECTIVES 2018	***MAJOR ACHIEVEMENTS 2018***
EVT EXECUTE	▶ New long-term alliances integrating offering of Aptuit	▶ New alliances with Ferring in Women's Health and Novo Nordisk in diabetes
	▶ New performance-based integrated technology/disease alliances	▶ New alliances with Novo Nordisk in diabetes and obesity and LEO Pharma in dermatology
	▶ Expansion of foundations and biotech network in USA/Europe	▶ Extended and new alliances with CHDI, Forge, Dermira, C4X, Blackthorn, and Katexco
	▶ Milestones from existing alliances	▶ Milestones in Bayer endometriosis/chronic cough alliance
EVT INNOVATE	▶ New clinical initiations and good progress of clinical pipeline within existing partnerships	▶ Acquisition of Evotec ID (Lyon) and new strategic efforts in infectious diseases; milestone achievements in iPSC-based alliances with Sanofi and Celgene
	▶ Expansion of academic BRIDGE network	▶ Initiation of LAB591 with Fred Hutch/Arix Bioscience; initiation of LAB031 with Sanofi; selection of projects in LAB282/LAB150
	▶ Strong R&D progress within Cure *X*/Target *X* platforms	▶ New alliances with Celgene in oncology and targeted protein degradation; focus on initiatives in the nephrology field
	▶ Strong focus on iPSC (induced pluripotent stem cells) platform	▶ New collaborations with Centogene, ID Pharma, and Immuneering
CORPORATE	▶ Continued integration of Cyprotex and Aptuit	▶ Strong performance of high-throughput ADME-tox testing at Cyprotex; integration of Cyprotex completed; Aptuit integration on track
		▶ Launch of INDiGO services (part of 2017 Aptuit acquisition) and signing of several INDiGO agreements; integration according to plan
	▶ Corporate investing initiatives	▶ Investments* in Carrick, Eternygen, Exscientia, Forge, FSHD Unlimited, Topas Therapeutics

** Investments accounted for using the equity method and other long-term investments*

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

- Understanding the needs of the industry for innovative new medicines;
- Serving the macro trend of externalisation of biotech and Pharma R&D;
- Expanding critical mass through highly experienced drug discovery and development expertise across various indications as well as the full value chain from target ID to IND (INDiGO) and CMC;
- Accelerating innovative projects along the drug discovery and development value chain to better serve industry needs and ultimately patients;
- Continuing its efforts to ensure to be industry leader in the iPSC-based drug discovery platform; and
- Investing strategically in game-changing platforms, company formations and new approaches to expand its co-owned pipeline

The Company's objectives defined for 2019 can be found in the "Business direction and strategy" section of the "Outlook" chapter on page 71 of this Management Report.

PERFORMANCE MEASUREMENT

— FINANCIAL PERFORMANCE INDICATORS —

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

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

— DEVELOPMENT OF FINANCIAL KEY PERFORMANCE INDICATORS —

A multiple-year overview of the performance of Evotec's current financial key performance indicators for the years 2014-2018 is shown in the table below.

in T€	*2014*	*2015*	*2016*	*2017**	***2018***
Revenues from contracts with customers	89,496	127,677	164,507	263,765	**375,405**
Research and development expenses	12,404	18,343	18,108	17,614	**35,619**
Adjusted Group EBITDA**	7,711	8,690	36,225	57,222	**95,457**

** 2017 restated for IFRS 15*

*** Adjusted for changes in contingent considerations and income from bargain purchase*

A reconciliation of Adjusted Group EBITDA with operating result can be found in the "Results of operations" chapter on page 48 of the Management Report. The Company's 2018 performance compared to planned figures can be found in the "Comparison of 2018 financial results with forecast" chapter on page 45 of this Management Report.

— NON-FINANCIAL PERFORMANCE INDICATORS —

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

Quality of drug discovery solutions and performance in discovery alliances
The vast majority of Evotec's revenues is generated through alliances with Pharma and biotech companies, not-for-profit organisations and foundations. Thus, the most important non-financial performance indicators for Evotec are the quality of its performance within its alliances and overall customer satisfaction.

These indicators can be measured by the total number, growth and size of customer alliances, the percentage of repeat business, average contract duration, new customer acquisition and the status of the Company's sales and order book. Since its inception in 1993, Evotec has continually delivered excellent results in existing programmes and has expanded its customer base and its global network of partnerships. The Company now works with approximately 700 partners across the industry. This growth and progression is summarised in the tables below.

DEVELOPMENT OF EVOTEC'S CUSTOMER ALLIANCES*

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

	2014	2015	2016	2017	**2018**
Number of customers	150	177	270	760	**707**
Number of customers > € 1 m revenues	19	21	22	38	**61**
Repeat business*	85%	63%	94%	80%	**92%**
New business during the year**	82	67	158	611	**263**

** percentage of revenues with customers that the Company already had the year before numbers diluted in 2015 due to Sanofi collobaration and 2017 due to Aptuit acquisition*

*** 2014: thereof 19 added with Euprotec acquistition, 2016: thereof 69 related to Cyprotex acquistition, 2017: thereof more than 500 related to Cyprotex and Aptuit acquisition*

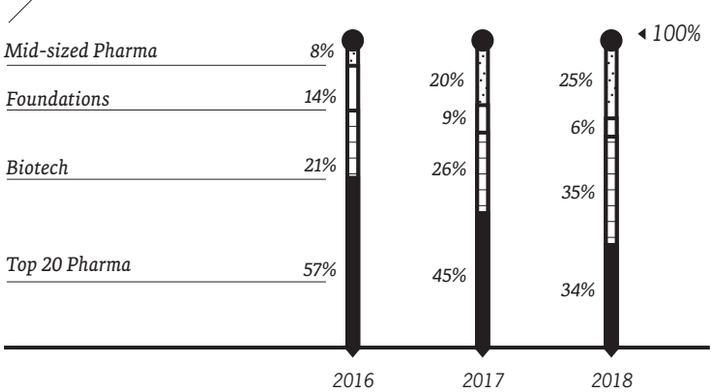
DEVELOPMENT OF TOP 10 CUSTOMERS (SORTED BY REPORTING YEAR)

in T€	2014	2015	2016	2017*	**2018**
Top 3 (in 2018: Sanofi, Celgene, Bayer)	30,388	61,647	83,298	94,016	**112,686**
Remaining Top 10	27,066	30,072	38,423	53,257	**64,953**
Total Top 10 revenues	**57,454**	**91,719**	**121,721**	**147,273**	**177,639**
Growth in %		*60%*	*33%*	*21%*	*21%*

** 2017 restated for IFRS*

THIRD-PARTY REVENUES BY CUSTOMER TYPE 2016-2018

(in %)

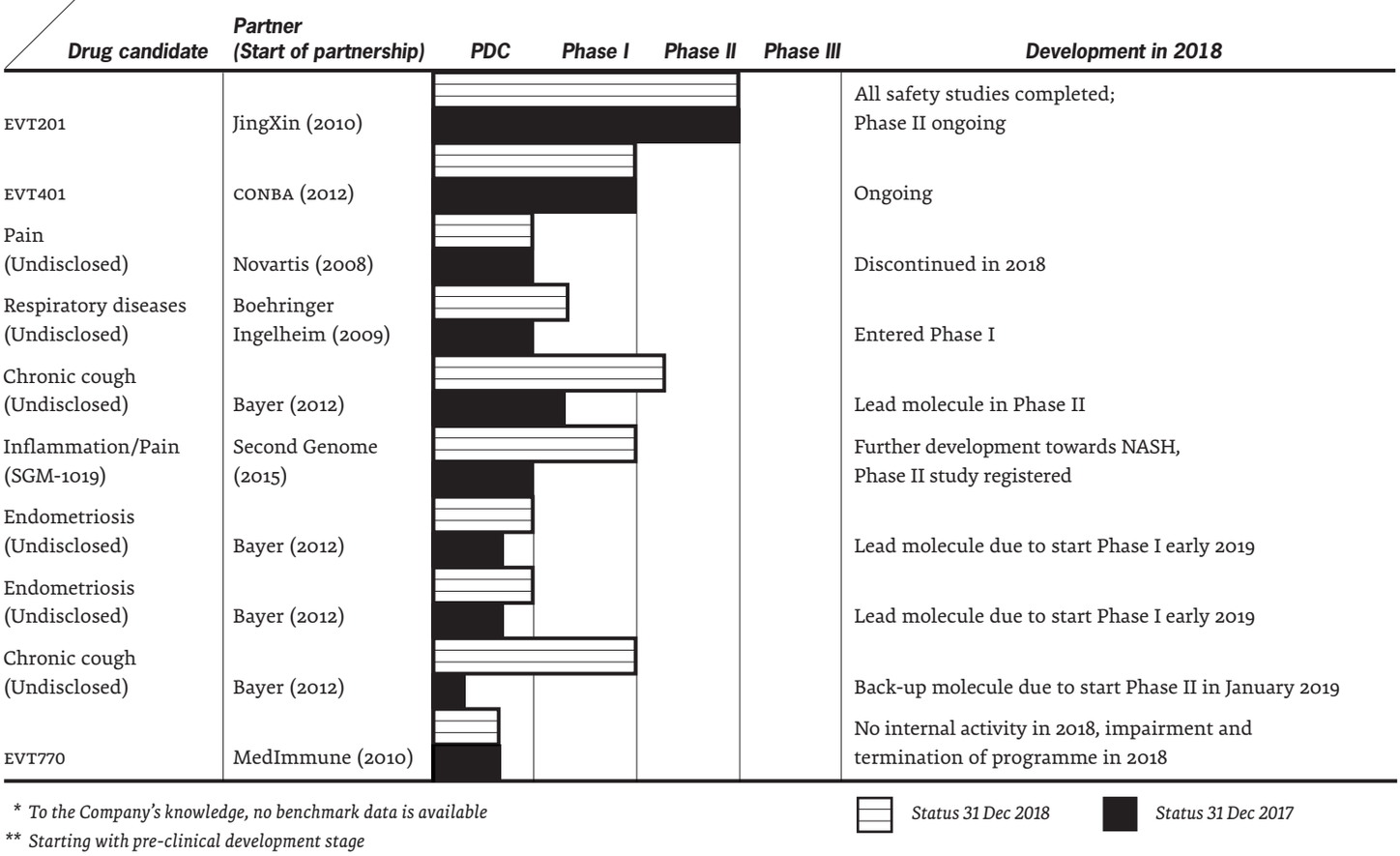


Notably, a number of collaborations have significantly increased in size in recent years, clearly indicating success and customer satisfaction. In addition, the number of alliances from which Evotec generates more than € 1 m of revenues per year increased further. Except for Sanofi, no single customer contributed more than 10% of total Group revenues in 2018. Evotec's largest customer by revenue, Sanofi, contributed 14% in 2018. Evotec's repeat business, as defined by the percentage of 2018 revenues coming from customers that the Company already had in 2017, amounted to 92%. Evotec's position as a leading high-quality drug discovery and development company is underscored by the continued upward trend of the total number of alliances shown in the first table. Since the Aptuit acquisition in August 2017, there has been a slight shift in customer type towards more smaller sized biotech and Pharma and short-term oriented business, reflecting the profile of drug development processes.

Research and development performance in development partnerships

Evotec is a company, which discovers and develops novel, innovative pharmaceutical drug compounds. Therefore, the progression of drug programmes and candidates within Evotec's partnerships is another relevant non-financial performance indicator. The success of research, pre-clinical and clinical programmes progressed by its partners represents additional upside for the Company without financial risk. Evotec participates in the progress and success of those programmes through potential milestone payments and royalties.

STATUS OF ADVANCED DRUG CANDIDATES, ***



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

*** Starting with pre-clinical development stage*

For a more detailed description of Evotec's advanced drug candidates and its research programmes please see the "Research and development" chapter on page 34 of this Management Report.

— EARLY INDICATORS —

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

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

▸ *The development of Evotec's intellectual property ("IP") position:* In order to protect intellectual property, Evotec reviews its patent portfolio on a regular basis (see more details in the "Research and development" chapter on page 40 of this Management Report).

▸ *New business pipeline:* The monthly review of potential new business opportunities and status of negotiations is an early indicator for the sales forecast of both EVT Execute and EVT Innovate.

▸ *Sales and order book:* The sales and order book includes all signed contracts as well as potential new business with high probability. It provides a high degree of visibility of revenues for the coming months and is updated on a monthly basis.

▸ *Monthly/quarterly results:* Financial monthly and quarterly results as well as quarterly forecasts are 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 key revenue and cash flow drivers 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 research and development ("R&D") in partnership with Pharma and biotech companies, venture capital groups, academic institutions, foundations and not-for-profit organisations. The Company offers project-driven solutions and services from a comprehensive pre-clinical discovery and development platform and through customised business arrangements. Based on this highly comprehensive platform, Evotec offers standalone services, fully integrated drug discovery and development solutions as well as first-in-class projects. The business structure of such collaborations is highly diverse, ranging from fee-for-service arrangements, through risk- and reward-sharing models, to fully funded R&D partnerships based on Evotec projects and platforms.

— DEVELOPMENT OF R&D EXPENSES —

in T€	*2014*	*2015*	*2016*	*2017*	***2018***
Proprietary Innovate projects	9,143	14,516	13,518	13,610	**30,811**
Platform R&D	742	47	69	601	**596**
Overhead R&D	2,519	3,780	4,521	3,403	**4,212**
Total R&D	**12,404**	**18,343**	**18,108**	**17,614**	**35,619**
Public grants for R&D	703	456	526	590	299

In 2018, Evotec's R&D expenses amounted to € 35.6 m, compared to € 17.6 m in 2017. The significant increase in 2018 results from the acquisition of Evotec (ID) Lyon effective 01 July 2018, which led to increased R&D investments in the infectious disease portfolio. It is important to be noted that the added R&D expenses in context of the Evotec (ID) Lyon acquisition will be without negative impact on the adjusted EBITDA since for the first five years, these additional R&D expenses will be reimbursed by Sanofi under the Other Operating Income line. In addition, Evotec diversified its R&D expenses in 2018 across a number of therapeutic areas as well platforms, which cut across therapeutic areas. Platform investments focused in particular on the continued expansion of Evotec's industry-leading iPSC platform as well as industrialisation and integration of "omics", AI and machine learning, and data analytics platforms.

Evotec continues to invest in EVT Innovate Cure *X*/Target *X* projects to expand its pharmaceutical pipeline of proprietary product candidates that have the potential to deliver significant short- and long-term value through strategic Pharma partnerships including upfront, research and milestone as well as royalty payments. The associated costs for contract research conducted under service agreements and R&D alliances are not accounted for as R&D expenses in the Company's income statement, but shown under "Costs of revenue".

— GROUP RESEARCH AND DEVELOPMENT ACTIVITIES —

Strong expansion of Evotec's project pipeline in 2018

Over the last years, Evotec has built a broad and diverse pipeline of approximately 100 partnered projects bearing significant financial upside in the form of potential development milestone and royalty payments dependent on pre-clinical and clinical progress. Generally, expenses for formal pre-clinical and clinical development as well as marketing of product candidates generated in these partnerships are covered by Evotec's Pharma and biotech partners. This pipeline of potential product opportunities spans from discovery to pre-clinical to clinical development stages, in particular for indications with high unmet medical need.

EVT Execute contributes projects to Evotec's pipeline by entering into partnerships based on the clients' intellectual property. In contrast, EVT Innovate develops projects based on internally derived intellectual property initially funded by Evotec, namely its Cure *X* and Target *X* initiatives. These projects form the basis for future partnerships with the potential for upfront payments, high-margin research payments and significant upside potential in the form of milestones and royalties. Furthermore, the Company has established academic BRIDGE initiatives. These are Evotec partnerships, which integrate investors and academic groups with Evotec drug discovery expertise and platforms with the aim to bring research out of Academia and into commercial development and potentially company formation.

Evotec's current pipeline of product opportunities (depicted below) has grown significantly over the years to approximately 100 partnered projects in 2018.

LARGE PORTFOLIO OF PRODUCT OPPORTUNITIES WITH SIGNIFICANT UPSIDE

Molecule	Therapeutic Area/Indication	Partner	Discovery	Pre-clinical	Phase I	Phase II
Clinical						
EVT201	CNS – Insomnia	JingXin				
BAY-1817080	Chronic cough	Bayer				
EVT401	Immunology & Inflammation	CONBA GROUP				
VARIOUS	Women's health – Endometriosis	Bayer				
VARIOUS	Women's health – Endometriosis	Bayer				
VARIOUS	Women's health – Endometriosis	Bayer				
SGM-1019	Immunology & Inflammation	Second Genome				
CT7001	Oncology	Carrick Therapeutics				
VARIOUS	Respiratory	Boehringer Ingelheim				
Pre-clinical						
ND[1)]	CNS – Pain	Novartis				
ND[1)]	Immunology & Inflammation	Topas Therapeutics				
ND[1)]	Pain	Boehringer Ingelheim				
VARIOUS	Women's health – Endometriosis	Bayer				
EVT801	Oncology	Sanofi				
TARGET*ImmuniT*	Oncology – Immunotherapy	Sanofi/Apeiron				
VARIOUS	Anti-infectives	Evotec >5 programmes				
VARIOUS	CNS, Metabolic, Pain & Inflammation	>10 further programmes				
Discovery						
VARIOUS ND[1)]	Nephrology	Bayer				
VARIOUS ND[1)]	Immunology & Inflammation	UCB				
VARIOUS ND[1)]	Nephrology	AstraZeneca				
VARIOUS ND[1)]	Metabolic – Diabetes	Sanofi				
VARIOUS	Oncology	Celgene				
VARIOUS	Immunology & Inflammation – Tissue fibrosis	Pfizer				
VARIOUS	Neurodegeneration	Celgene				
ND[1)]	Anti-bacterial	Forge Therapeutics				
VARIOUS	All indications	LAB282, LAB150, LAB591, LAB031				
ND[1)]	Dermatological diseases	Almirall				
ND[1)]	Facioscapulohumeral Dystrophy	Facio Therapies				
INDY Inhibitor	Metabolic	Eternygen				
VARIOUS	Fibrotic disease	Fibrocor Therap./Galapagos				
TARGET*PicV*	Antiviral	Haplogen/Bayer				
VARIOUS	Anti-infectives	Evotec >5 programmes				
VARIOUS	Internal: Oncology, CNS, Metabolic, Pain & Inflammation	>40 further programmes				

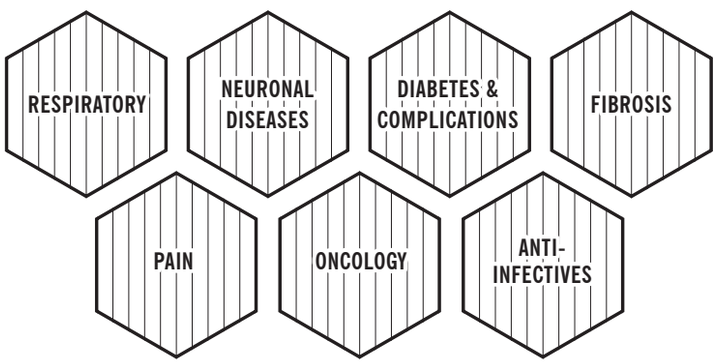
Note: Individual projects have been returned to Evotec. Evotec does not intend to run further clinical trials unpartnered, e.g. EVT302, EVT101.

[1)] Not disclosed

Internal research activities at Evotec

Evotec's EVT Innovate R&D projects are called Cure *X* and Target *X* initiatives. These 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 reflect the principle of risk- and reward-sharing, i.e. both partners contribute to the project and share potential financial rewards according to their respective contributions. The focus is on developing product opportunities with first-in-class potential in indications with high unmet medical need. Preferably, these initiatives pursue drug product opportunities with disease-modifying potential, i.e. mechanisms that may slow or even reverse progression of disease. The aim is to first advance these projects internally and then to partner these projects at tangible value inflection points, thereby expanding Evotec's proprietary pre-clinical and clinical pipeline. Evotec mainly focuses its research on seven areas of core expertise as depicted below.

CORE DISEASE AREAS



The EVT Innovate strategy was initiated with the start of the first Cure *X* and Target *X* projects in 2010. Since 2010, Evotec has initiated more than 200 Cure *X*/Target *X* projects, many of them together with academic laboratories, foundations as well as biotech and venture capital companies. Currently, Evotec's partnered product portfolio comprises a pipeline of approximately 100 projects reaching from early discovery all the way to Phase II of clinical development. Evotec continuously enters into new Cure *X*/Target *X* initiatives with the aim of creating further high-value partnerships with significant financial upside potential through participation in the product development and eventual market success of these product opportunities.

In September 2017, the European Investment Bank ("EIB") granted Evotec an unsecured loan facility of up to € 75 m to support Evotec's EVT Innovate R&D strategy. The EIB will essentially co-fund all of Evotec's EVT Innovate R&D projects and equity investments over a period of four years. This co-financing substantially reduces Evotec's cost of capital for innovation. In 2018, € 16.4 m of additional funding was drawn down from this EIB loan facility, totalling to a funding of € 33 m until the end of 2018, to support ongoing and new EVT Innovate projects.

Update on EVT Innovate activities in 2018

Evotec has built a broad and deep pipeline of partnered product opportunities at clinical, pre-clinical and discovery stages over the last few years. The following paragraphs provide an outline of new partnerships and alliances based on EVT Innovate projects and overall pipeline progress in 2018.

Pre-clinical and discovery-stage pipeline

New strategic long-term alliance with Celgene in oncology

In May 2018, Evotec and Celgene entered into a long-term strategic drug discovery and development partnership to identify and develop new therapeutics in oncology. This partnership leverages Evotec's industry-leading phenotypic screening platform with unique compound libraries and associated target deconvolution capabilities and places the initial focus on solid tumours. Evotec received an upfront payment of $ 65 m and is eligible to receive significant milestone payments as well as tiered royalties on each licensed programme, while Celgene receives exclusive opt-in rights to license worldwide rights to all programmes developed within this collaboration.

Milestone achievements in strategic alliance with Bayer in chronic kidney diseases

In the second and fourth quarter of 2018, Evotec reached important milestones in its kidney disease alliance with Bayer. The goal of this five-year, multi-target research partnership (signed in 2016) is to develop multiple clinical candidates for the treatment of kidney diseases with a particular focus on chronic kidney diseases including diabetic nephropathy. Both companies contribute novel drug targets and a comprehensive set of high-quality technology platforms to jointly develop innovative treatment options for these severe conditions. Under the terms of the agreement, Bayer has exclusive access to selected candidates as well as to Evotec's Cure*Nephron* target pipeline. The partners share responsibilities during pre-clinical development of potential clinical candidates, and Bayer is responsible for any subsequent clinical development and commercialisation. Evotec received an undisclosed license fee and is eligible for a minimum of € 14 m in research payments over the contract period. In addition, Evotec is eligible for pre-clinical, clinical and sales milestones of potentially over € 300 m as well as tiered royalties of up to low double-digit percentage of net sales.

Second milestone achievement in iPSC-based partnership with Sanofi in diabetes

In June 2018, Evotec announced that its strategic alliance (Target*BCD*) with Sanofi in the field of diabetes achieved its second beta cell therapy milestone, triggering a milestone payment of € 3.0 m. This milestone was fulfilled after Evotec met pre-agreed critical success criteria for a potential manufacturing process for generation of human iPSC-derived beta cells, including the demonstration of upscaling potential and suitability of the cell product for encapsulated beta cell function in diabetes models. The goal of the collaboration is to develop a beta cell replacement therapy based on beta cells derived from human iPS cells. In addition, Sanofi and Evotec aim to use human beta cells for high-throughput drug screening to identify small molecules or biologics beneficial for beta cell function.

New strategic efforts in infectious diseases via acquisition of Evotec ID (Lyon)

Effective 01 July 2018, Evotec acquired Sanofi's R&D infectious disease unit in Lyon, triggering an upfront of € 61 m. This acquisition provides Evotec with the largest global footprint in infectious disease capabilities in the industry and a broad pipeline of drug candidates and discovery

projects. Evotec intends to accelerate the infectious disease research pipeline development and initiate new open innovation R&D initiatives in anti-infectives. Going forward, Evotec will also engage in collaborations with other pharmaceutical and biotechnology companies, foundations, Academia and government agencies to accelerate further research and development into new products in infectious diseases. The initial focus areas will be on antimicrobial resistance ("AMR") and superbug infections, TB and Malaria, as well as on the creation of novel antiviral therapies with new mechanisms of action.

Important milestone achievements in iPSC-based partnership with Celgene in neurodegeneration

In May and September 2018, further milestones were reached in Evotec's strategic iPSC-based alliance with Celgene in neurodegeneration, triggering milestone payments of $ 12.0 m to Evotec. The milestones were reached following Celgene's decision to expand the collaboration to include additional cell lines. In addition, this alliance recorded another important scientific achievement, resulting in Celgene designating a programme and triggering a payment of $ 14.0 m to Evotec, which was received by year-end 2018. The goal of this collaboration is to identify disease-modifying therapeutics for a broad range of neurodegenerative diseases by leveraging Evotec's unique iPSC platform. Upon signing of the agreement in December 2016, Evotec received an upfront payment of $ 45 m. Celgene holds exclusive options to in-license worldwide rights to Evotec programmes developed from the company's compound library. Evotec could receive more than $ 250 m in milestones as well as low double-digit royalties per in-licensed programme.

Evotec's partner Haplogen enters into Bayer collaboration in pulmonary diseases

Since the beginning of their partnership in 2012, Evotec and Haplogen have been building a robust portfolio of pulmonary therapeutic programmes based on the industry-leading drug discovery platforms and knowhow of both companies. In August 2018, Haplogen entered into a multi-year drug discovery and development collaboration with Bayer AG to identify new therapeutics with applications in pulmonary diseases such as chronic obstructive pulmonary disease ("COPD"). As part of the new Haplogen collaboration, Bayer receives an exclusive licence to worldwide rights to programmes developed within the collaboration between Haplogen and Evotec. Evotec participated in an undisclosed upfront as well as potential milestone and royalty-based payments from Haplogen.

New strategic long-term partnership with Celgene in targeted protein degradation

In September 2018, Evotec and Celgene initiated a third long-term strategic drug discovery and development partnership in the field of targeted protein degradation. This partnership leverages Evotec's Panomics platform in order to identify drug targets via a novel mechanism of action, which previously have been "undruggable" targets. Evotec's Panomics platform applies in particular high-end proteomics and transcriptomics at industrial scale to profile and selects promising drug candidates on the basis of comprehensive cell biological profiles. Evotec's Panomics platform also includes an integrated data analytics platform named "PanHunter", which facilitates the analysis and interpretation of large "omics" data sets. Evotec received an undisclosed upfront payment and is eligible for significant milestone-based payments and tiered potentially double-digit royalties on each licensed programme. Celgene holds exclusive rights for all programmes arising from this collaboration.

New research collaboration with Almirall in dermatological diseases

In September 2018, Evotec and Almirall entered into a research collaboration to discover and develop first-in-class therapeutics through a novel approach to disrupt cell signalling, which is expected to deliver highly potent and durable treatments for debilitating dermatology diseases such as psoriasis and atopic dermatitis. The collaboration combines Evotec's cutting-edge drug discovery and pre-clinical development platforms with Almirall's leading expertise in dermatology diseases. Under the terms of the agreement, Evotec receives research funding and may be eligible to receive discovery, pre-clinical, clinical and sales milestone payments as well as tiered royalties.

Strong focus on iPSC platform in 2018

Over the course of 2018, Evotec maintained a strong focus on further developing its iPSC-based drug discovery platform with the goal to industrialise iPSC-based drug screening in terms of throughput, reproducibility and robustness. As part of this initiative, Evotec entered into new strategic collaborations with Centogene (Germany) and ID Pharma (Japan), among others, to further strengthen its broad iPSC network.

Creating the next-generation patient-focused kidney platform – Establishing NephTec

In 2017, Evotec joined two consortia in the kidney disease field (NURTuRE and NEPLEX) with the aim of significantly expanding its kidney disease platforms. NURTuRE is uniquely positioned to collect clinical data at the UK Renal Registry and to analyse samples from 14 kidney disease centres in the UK, constituting one of the largest kidney patient registries worldwide. NEPLEX combines key technologies from Evotec and from academic institutions to develop a novel drug discovery device ("Nephron-on-a-Chip"). It merges state-of-the-art microfluidics technology established at Cambridge University with world-class expertise in iPSC technology and kidney disease from the University of Bristol, the Mario Negri Institute in Bergamo and from Evotec. Within NURTuRE and NEPLEX, Evotec is building highly productive collaborations between Academia and Pharma. In the course of 2018, Evotec continued to work closely with these two consortia and further invested in this field, e.g. by establishing NephTec, a virtual company within Evotec. NephTec is focused on developing highly innovative patient-centric medication for the treatment of kidney diseases. An additional partnership in the field of AI-driven drug discovery was initiated with Immuneering, a US-based biotech company.

Participating in investments accounted for using the equity method and long-term investments

As part of Evotec's EVT Innovate strategy, Evotec continued to participate in strategic investments in 2018 with the aim of developing assets to key value inflection points.

In January 2018, Evotec contributed € 2.0 m to a financing round of Topas Therapeutics GmbH ("Topas Therapeutics"), resulting in an overall Evotec investment of € 4.0 m and an equity stake of 30% in the company. Topas Therapeutics aims to build a unique pipeline of clinical-stage development nanoparticle-based therapeutics to treat autoimmune diseases.

In March 2018, Evotec contributed $ 0.85 m to a financing round of Forge Therapeutics ("Forge"), resulting in an overall investment by Evotec of € 3.5 m and an equity stake of 15.83% in the company. With its proprietary chemistry approach, Forge develops small molecule inhibitors targeting metalloenzymes.

In August and December 2018, Evotec contributed in total € 1.5 m to two financing rounds of FSHD Unlimited Coorp. ("FSHD Unlimited"), resulting in an overall Evotec investment of € 3.1 m and an equity stake of 19.91% in the company. FSHD Unlimited solely focuses on finding a safe, effective, and affordable cure for FSHD, a progressive muscle-wasting disease, for which there is currently no treatment option available. In October 2018, FSHD Unlimited achieved an important pre-clinical proof-of-concept milestone in an animal model of FSHD.

In October 2018, Evotec contributed $ 1.4 m to a financing round of Carrick Therapeutics ("Carrick"), resulting in an overall Evotec investment of € 3.1 m equity stake of 4.29% in the company. Carrick is building a portfolio that targets multiple mechanisms that drive cancer.

In October 2018, Evotec contributed € 0.27 m to a financing round of Eternygen GmbH ("Eternygen"), resulting in an overall Evotec investment of € 1.8 m and an equity stake of 22.86% in the company. Eternygen is targeting metabolic diseases.

In December 2018, Evotec contributed approximately $ 6 m to a financing round of Exscientia Ltd ("Exscientia"), resulting in an overall Evotec investment of € 20.0 m and an equity stake of 23.70% in the company. Exscientia, the world-leading AI-driven drug discovery company, has raised $ 26 m in this Series B financing round. Celgene Corporation and GT Healthcare Capital Partners joined as new investors and Evotec, previously the only large external investor, fully participated in this round. The company will use the proceeds of this financing round to grow its "full stack" AI drug discovery capability and to expand its pipeline, with a target of establishing an expansive portfolio of projects, both in-house and with partners.

Expanding the BRIDGE from Academia to Pharma

Evotec has established and continues to expand its close links to academic institutions in order to have an inside track on emerging innovations and close relations to world-leading experts as potential partners. Since 2010, Evotec has entered into agreements with more than 60 leading academic and biotech partners in the USA, Canada and Europe. Through these academic BRIDGEs, Evotec continued to broaden and deepen its network to source highly innovative projects in 2018.

In May 2018, Evotec initiated the LAB591 academic BRIDGE with Arix Bioscience plc ("Arix Bioscience") and the Fred Hutchinson Cancer Research Center ("Fred Hutch"). LAB591 aims to accelerate research discoveries at Fred Hutch and leverage these discoveries to form new companies focused on cancer and infectious disease drug development. Evotec, Arix Bioscience and Fred Hutch plan to jointly select promising LAB591 research projects from the Fred Hutch labs. After developing a research validation plan, Evotec will conduct research in collaboration with the Fred Hutch faculty, which will be seed funded by Arix Bioscience. Once completed, and subject to the results, Evotec and Arix Bioscience have a pre-agreed option to form a new company.

In October 2018, Evotec and Sanofi launched LAB031, a French academic BRIDGE designed to accelerate drug discovery across multiple therapeutic areas. LAB031 enables Evotec to access resources to enter research collaborations with academic institutions worldwide to collaborate on early-stage translational projects addressing indications in disease areas with a high unmet medical need. Over a term of three years, the companies focus on the generation and advancement of multiple small molecule programmes through lead optimisation. Evotec applies its industry-leading discovery technologies to these projects to facilitate rapid and efficient drug discovery and development. For each project, Sanofi has the option to assume development responsibility upon the achievement of pre-agreed milestone criteria.

In addition to building new academic BRIDGEs, Evotec's existing BRIDGEs continued to make progress in 2018. In LAB282, additional projects have been selected for funding in 2018, bringing the total number of active projects to 26. In its Hamburg anti-infectives BRIDGE, two projects have been selected for funding in 2018. In LAB150, there are currently four active programmes.

Clinical-stage pipeline

Evotec's clinical-stage development partnerships are fully funded and progressed by Evotec's partners with no further financial requirements from Evotec, but with significant potential financial upside in the form of milestones and royalty payments.

An update on selected projects and their progress is listed below.

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 in patients with insomnia, providing excellent safety and efficacy results, but nevertheless was not successful in partnering the compound in the Western market. In October 2010, Evotec entered into a licence and collaboration agreement with JingXin Pharmaceutical Co., Ltd. ("JingXin") for EVT201. The agreement grants JingXin exclusive rights to develop and market the drug candidate in China.

▸ **Status**

During 2015, JingXin successfully completed a single ascending and multiple ascending dose Phase I study. The results were in line with those generated by Evotec and met the required standards to progress the compound into further clinical trials. A multi-centre Phase IIb study of EVT201 is ongoing in China.

Bayer – BAY-1817080 (Chronic cough)

▸ **Background**

Bayer and Evotec entered into a multi-target strategic alliance in October 2012 with the goal of identifying three small molecule clinical candidates for the treatment of endometriosis. The project portfolio has been built based on projects from both Bayer and Evotec, or that were started jointly. Both partners have joint responsibility for early research and pre-clinical characterisation of potential clinical candidates. Bayer is responsible for any subsequent clinical development and commercialisation. Evotec received € 12 m as an upfront payment. Potential payments from pre-clinical, clinical and sales milestones could total up to approximately € 580 m, plus potential royalties of up to low double-digit percent of net sales.

▸ **Status**

In 2017, an existing asset from the endometriosis collaboration was progressed into pre-clinical development in an additional indication (chronic cough). Following positive results from a clinical Phase I study in healthy volunteers, this asset has been advanced into Phase II clinical development for the treatment of chronic cough in the course of 2018.

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 discovered and developed in-house. Phase I results obtained in 2009 showed a very good safety profile and confirmed on-target activity. In May 2012, Evotec initiated an alliance with CONBA Pharmaceutical Co., Ltd. ("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, COPD and endometriosis.

▸ **Status**

In 2016, CONBA revised the synthetic route for EVT401. Accordingly, additional pre-clinical pharmacokinetics and safety studies are being conducted in order to meet the requirements of the China Food and Drug Administration prior to seeking approval for further clinical studies.

Bayer – Endometriosis (various)

▸ **Background**

Bayer and Evotec entered into a multi-target strategic alliance in October 2012 with the goal of identifying three small molecule clinical candidates for the treatment of endometriosis. The project portfolio has been built based on projects from both Bayer and Evotec, or that were started jointly. Both partners have joint responsibility for early research and pre-clinical characterisation of potential clinical candidates. Bayer is responsible for any subsequent clinical development and commercialisation. Evotec received € 12 m as an upfront payment. Potential payments from pre-clinical, clinical and sales milestones could total up to approximately € 580 m, plus potential royalties of up to low double-digit percent of net sales.

▸ **Status**

During the course of 2018, the alliance with Bayer continued its strong performance of the previous years and further promising small molecules for the treatment of endometriosis advanced into Phase I clinical studies. Since the beginning of the collaboration in 2012, six first-in-class/best-in-class pre-clinical candidates have been generated, from which three programmes have progressed into Phase I. Additionally, an existing asset from this alliance progressed into Phase II clinical studies in chronic cough (see above). After meeting all of its initial goals, this FTE collaboration ended as planned at the end of 2018. Bayer continues the programmes into clinical development and Evotec participates in future upside potential.

Second Genome – SGM-1019

▸ **Background**

In 2015, Evotec and Second Genome entered into a collaboration in small molecule-based discovery and development activities for the treatment of microbiome-mediated diseases, leading to clinical development of SGM-1019, a first-in-class oral therapeutic candidate for treatment of non-alcoholic steatohepatitis ("NASH"). In 2016, Second Genome completed a Phase I double blind, placebo controlled, single ascending oral dose trial in healthy subjects. At the end of 2017, Second Genome announced that it successfully completed a Phase I study, which evaluated the safety, tolerability, pharmacokinetics and target inhibition of SGM-1019 in healthy volunteers. In the study, SGM-1019 achieved targeted exposure levels and was safe and well tolerated. In addition, in an external study SGM-1019 demonstrated efficacy in a non-human primate model of liver fibrosis.

▸ **Status**

In the course of 2018, Second Genome continued to develop SGM-1019 primarily towards NASH. In April 2018, Second Genome presented pre-clinical and clinical data, demonstrating that the inflammasome is a key driver in the pathogenesis of liver fibrosis and NASH and that inhibition of inflammasome activation with SGM-1019 is a novel and potentially safe and effective way of treating chronic kidney disease patients. A Phase II study has been registered for SGM-1019 in NASH in the course of 2018 and was initiated after period-end in January 2019.

Carrick – CT7001

▸ **Background**

In 2016, Evotec deepened its existing relationship with Carrick by participating in Carrick's financing round. CT7001 originated from Cancer Research UK funded scientists at Imperial College London and was licensed to Carrick by the charity's Commercial Partnerships Team. CDK7 inhibition has emerged as a promising strategy in a range of cancer indications. CT7001 was found to be effective in pre-clinical models of breast cancer, both hormone receptor positive and triple-negative, and transcriptionally driven cancers such as acute myeloid leukaemia and small-cell lung cancer ("SCLC"). Due to its differentiated mechanism, CT7001 is also predicted to be efficacious where resistance has developed to current therapies.

▸ **Status**

At the end of 2017, Carrick announced that the first patient has been dosed in a Phase I clinical programme of CT7001. In 2018, this study was ongoing. In October 2018, Evotec contributed $ 1.4 m to a financing round of Carrick.

Boehringer Ingelheim – Respiratory (undisclosed)

▸ **Background**

In 2004, Evotec entered into a multi-year, multi-target drug discovery alliance with Boehringer Ingelheim to jointly identify and develop PDCs for the treatment of various disease areas including CNS, inflammation, cardiometabolic, respiratory diseases and oncology. Under the terms of the agreement, Boehringer Ingelheim has full ownership and global responsibility for clinical development, manufacturing and

commercialisation of the compounds identified. In return, Evotec received research payments and pre-clinical milestones. Even though the contract ended in 2013, it provides substantial long-term upside for Evotec through potential payments for successful milestone achievements of alliance projects in clinical development and royalties when new drugs reach the market.

▸ **Status**
At the end of 2017, Evotec reported on a clinical milestone under this drug discovery alliance with Boehringer Ingelheim. The milestone was for the transition of a respiratory candidate compound into Phase I clinical trials, which are ongoing.

Update on EVT Execute activities in 2018

New alliances
In August 2018, Evotec announced the start of a new strategic alliance with Novo Nordisk to discover and develop novel small molecule therapies to treat patients suffering from diabetes and obesity as well as co-morbidities such as NASH, cardiovascular diseases, and diabetic kidney disease. Under the terms of the agreement, Evotec applies its drug discovery platform, especially in ligand-based design, to seek to design novel, safe and efficacious products to address diabetes and associated morbidities. Once suitable pre-clinical candidates are selected, Novo Nordisk will use Evotec's INDiGO platform to move through pre-clinical studies to enter IND registration. Financial details were not disclosed.

In October 2018, Evotec and Ferring Pharmaceuticals ("Ferring") announced a strategic research alliance to discover and develop new small molecule therapies to treat patients living with fertility and gynaecological conditions. Evotec applies its drug discovery platform to design novel, safe and efficacious treatments in partnership with Ferring. The multi-target, multi-year collaboration aims to deliver small molecule PDCs and IND ready candidates. As part of the alliance, Evotec is eligible for undisclosed research funding and milestones.

In December 2018, Evotec announced a new integrated drug discovery alliance with LEO Pharma, a global leader in medical dermatology. The collaboration goal is to generate new leads against innovative targets for a range of dermatological conditions and initially runs for two years. The collaboration leverages Evotec's industry-leading hit identification platform including the extensive screening, structural biology and fragment-based drug design capabilities and expertise together with LEO Pharma's long track record of drug development and advancing science in dermatology. Evotec's integrated discovery scientists will work in a joint team with scientists from LEO Pharma. The alliance will receive further support with high-value drug development and discovery ADME-Tox services.

In addition, Evotec signed various new INDiGO agreements with Ankar, Astex, Carna Biosciences, Inflazome, and Yumanity, among others. The INDiGO offering, an integrated and highly efficient process to IND submission, was part of the strategic rationale behind the Aptuit acquisition and was launched by Evotec in March 2018.

Contract extensions and milestone achievements
Various collaborations were extended in 2018. For example, Evotec's long-term agreement with CHDI Foundation in Huntington's disease was extended through to 2023.

In 2018, EVT Execute's strong operational performance was underlined by important milestone achievements in its collaborations with Bayer and Boehringer Ingelheim (see above).

— INTELLECTUAL PROPERTY —

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

Evotec reviews its patent portfolio regularly and decides whether to maintain or to withdraw its patent applications and patents. These decisions are based on the importance of such intellectual property for maintaining Evotec's competitive position and for delivering on its strategy. As of 31 December 2018, besides two patent families jointly filed with third parties, Evotec has more than 50 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 platform, Evotec owns a patent estate for molecular detection and other platform technologies. Furthermore, Evotec has developed a number of patent-protected biological assays, e.g. methods to measure the chemical or biological activity of any combination of targets and compounds.

The Company monitors its EVT Innovate research activities in order to identify patentable drug candidate series with the potential for partnering. Numerous patent applications have been generated and filed as a result of such activities. In addition, pursuant to an agreement with Roche, intellectual property concerning the drug candidate EVT201 has been exclusively licensed to Evotec.

Furthermore, 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.

By virtue of the integration of Sanofi's infectious disease unit into Evotec's organisation, Evotec was furthermore able to expand its expertise in anti-infectives.

Report on economic position

GENERAL MARKET AND HEALTHCARE ENVIRONMENT

— GLOBAL ECONOMIC DEVELOPMENT —

In 2018, the global economy grew at prior year levels. According to a World Bank publication in January 2019, the global economy is expected to grow at a rate of 3.0% in 2018 (2017: 3.1%). Global economic growth is expected to edge down to 2.9% in 2019. The World Bank states that 2018 was characterised by withdrawal of monetary policy in advanced economies and a resulting tightening of the global financing conditions. In emerging market economies, however, overall growth was estimated to have reached 4.2% in 2018 and is expected to remain on that level in 2019 (4.2%). The Eurozone is expected to show a decelerated growth of 1.9% in 2018 (2017: 2.4%), mainly due to uncertainties regarding the BREXIT and the European Union's ("EU") budget dispute with Italy. The growth of the US economy is projected to reach 2.9% in 2018 after 2.2% in 2017. This increase is mainly driven by the Bipartisan Budget Act signed on 09 February 2018, which increases US government spending over three years. According to the Federal Statistical Office, the German economy grew at a rate of 1.5% of its price-adjusted gross domestic product in 2018 (2017: 2.2%), reflecting a reduced momentum in exports as well as uncertainties regarding international trade barriers.

— RECENT TRENDS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY SECTOR —

Evotec's business model is aligned with mid- and long-term economic trends, rather than short-term economic developments. Therefore, the following outline does not only focus on the year under review, but also takes future trends within the pharmaceutical and biotechnology sector into consideration. In 2018, the Company observed many trends in the pharmaceutical and biotechnology sectors that affect elements of its business model and that it must be aware of to execute on its goals.

Today, the pharmaceutical and biotechnology sectors are entering a new era called the consumer era. Since Evotec's inception in 1993, the drug discovery and development industry has moved through two phases, one where the doctors were the target market and the second where the insurance companies or payers were the target. Nowadays, the consumer becomes the target for all companies seeking to commercialise a drug. The driving force behind the shift to the consumer era is the rise of individual or personalised medicines, with the ultimate goal to deliver the right drug to the right patient through the understanding of disease biomarkers and the use of targeted therapies. Cutting-edge examples of these types of medicines are cell therapies, gene therapies, immunotherapies, and predictive diagnostic tests with known disease biomarkers. Personalised immuno-oncology drugs are also advancing. This approach mobilises the patient's own immune system to fight and destroy the cancer from within. Examples include CAR-T cell therapies and PD1/PD-L1 checkpoint inhibitors, which remove the cloak that tumour cells use to prevent immune detection. By 2024, EvaluatePharma predicts the two top checkpoint inhibitors, Merck's Keytruda and Bristol-Myers Squibb's Opdivo, will generate more than $ 11 bn in annual sales.

2018 was a record year for U.S. Food & Drug Administration ("FDA") approvals: Of the 59 new molecular entities approved in 2018, 14 had breakthrough designation. Combined, the FDA has now approved more personalised medicines than ever before, bringing the total to ~150 FDA-approved drugs with biomarker information on their drug label. A steadily growing portion of these new personalised medicine drugs originate from biotech companies, confirming the trend that the biotechnology industry is focused on individual patients. While more of these medicines are being approved by the FDA, a number of significant challenges have emerged. These include the cost of research and development, ongoing patent expirations, regulatory hurdles, and drug pricing and reimbursement issues.

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

There are several key aspects of innovation influencing the development of more personalised medicines through partnerships and collaborations. All these approaches could pave the way for more effective drug development:

- AI, machine learning, deep learning techniques
- Patient-derived disease models (e.g. iPSC)
- Technology platforms such as CRISPR and ribonucleic acid ("RNA") therapeutics and mRNA technologies
- Broader human genetic testing to match patients and treatments

At the other end of the spectrum, 2018 witnessed the continued migration of Big Pharma out of infectious disease research and development, with e.g. Novartis, AstraZeneca, and Allergan abandoning their antibacterial programmes. This R&D trend runs counter to the urgent global need for

new classes of antimicrobials to fight multi-drug resistant infections. As a result, more and more incentives are being offered to companies working in this field. In the USA, the government offers extended patent exclusivity, along with subsidies that could be worth hundreds of millions of dollars. CARB-X, a non-profit public-private partnership, is investing $ 500 m in antibacterial research. With its longstanding expertise in infectious diseases, Evotec is now uniquely placed to support the progress of novel antimicrobial programmes through partnerships and to advance its own pipeline of drugs. These capabilities received a major boost in 2018 with Evotec's acquisition of Sanofi's infectious disease unit and most of its research portfolio and initiatives. With now more than 180 scientists, the deal more than doubled Evotec's employee presence in infectious diseases.

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

— DEVELOPMENT OF LEGAL FACTORS —

Companies involved in drug discovery and development operate in highly regulated environments. 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 could have a direct impact on the funds available to pharmaceutical and biotech companies and hence their ability to engage 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 conducted by Evotec or its partners and customers could also impact Evotec's funding and business.

New drugs for human use are subject to approval by the European Medicines Agency ("EMA") in the EU, the FDA in the USA and other national regulatory and supervisory authorities. Evotec focuses on drug discovery and development and, in some specific cases, also supports commercial products although commercialisation is predominantly conducted and funded by the Company's Pharma partners. Consequently, any changes in the regulatory environment could 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 changes to the Animal Welfare Act relating to pre-clinical animal studies or any changes in the regulation of pre-clinical research in general. In particular, any easing of policy relating to stem cell research in Europe could have a positive impact on Evotec's business as stem cell-based research is one of the promising technologies in drug discovery.

In 2018, legal factors affecting Evotec were largely unchanged, and the Group's operating business was not materially affected. However, on 25 May 2018 the General Data Protection Regulation ("GDPR"), the new European data protection law, came into effect. It superseded the Data Protection Directive as well as national implementations of the Data Protection Directive (95/46/EC) in all European member states. As a general rule, the GDPR applies to companies based in the EU as well as non-EU based companies that offer goods and services to individuals in the EU. Evotec is fully committed to developing and maintaining its own as well as supporting its customers' compliance with the GDPR in relation to services provided by Evotec. In preparation for BREXIT, Evotec is closely monitoring developments and is committed to preparing and implementing measures needed in order to comply with applicable laws.

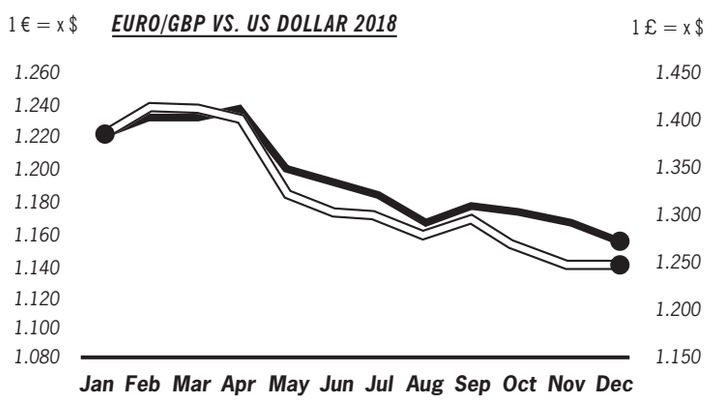
— EXCHANGE RATE DEVELOPMENT, INTEREST RATES AND FINANCING —

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 may affect aspects of its integrated CMC business while increase in laboratory material prices may increase R&D costs and FTE rates.

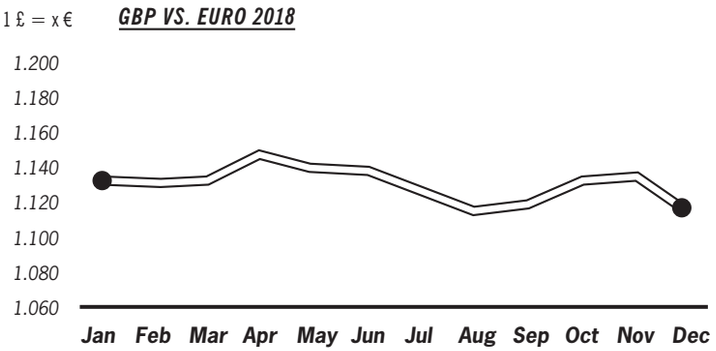
The biggest impact from currency movements on Evotec's financial position in 2018 resulted from the Euro (€) to US Dollar ($) exchange rate. The Euro (€) to US Dollar ($) exchange rate fluctuated between $ 1.12 and $ 1.25 to the Euro. On average, the US Dollar weakened against the Euro from $ 1.13 per Euro in 2017 to $ 1.18 per Euro in 2018, to the disadvantage to Evotec, as US Dollar-denominated revenues and assets result in lower values after conversion into Evotec's reporting currency Euro. Trading in the range of $ 1.20 to $ 1.25 from January through April 2018, the Euro then weakened significantly to $ 1.15 in May and continued with a downward tendency for the rest of the year, fluctuating between $ 1.13 and $ 1.18, and closing at $ 1.15 at the end of 2018 (end of 2017: $ 1.20).

In 2018, the Pound Sterling (£) to Euro (€) exchange rate fluctuated between € 1.10 and € 1.16. The average exchange rate in 2018 was € 1.13 per Pound Sterling compared to € 1.14 in 2017. From April to August 2018, the Pound Sterling depreciated from € 1.16 to € 1.10 due to the uncertainty of the outcome of the UK's BREXIT negotiations with the EU. The Pound Sterling exchange rate recovered towards the end of the year and ended the year with € 1.12 per Pound Sterling.

— AVERAGE MONTHLY EXCHANGE RATES FOR THE COMPANY'S THREE MAJOR CURRENCIES —



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



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

In Europe, the European Central Bank's ("ECB") inter-bank interest rate (3-month Euribor) remained negative in 2018 but increased slightly from (0.33)% to (0.31)% during the year. The ECB continued its bond-buying programme and extended Quantitative Easing ("QE") with a reduced volume of € 30 bn per month into 2018. In June 2018, the ECB announced that the bond-buying activities would likely phase out by the end of 2018 with a reduced volume of € 15 bn per month for the last three months of 2018.

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 as well as a reduction in interest expense paid on the bank loans with variable interest.

SIGNIFICANT CORPORATE DEVELOPMENT EVENTS 2018

2018 saw a number of important corporate developments. Information on significant events regarding progress in research and development within the business segments EVT Execute and EVT Innovate are found in the "Research and development" chapter on page 34 of this Management Report.

NEW STRATEGIC ONCOLOGY PARTNERSHIP WITH CELGENE

At the end of May 2018, Evotec announced a new long-term strategic drug discovery and development partnership with Celgene to identify new therapeutics in oncology. Under this agreement, Evotec received an upfront payment of $ 65 m and is eligible to receive significant milestone payments as well as tiered royalties on each licensed programme. Further information on this new partnership can be found in the "Research and development" chapter of this Management Report.

ACQUISITION OF EVOTEC ID (LYON): EVOTEC WITH LARGEST R&D PLATFORM IN INFECTIOUS DISEASES IN THE INDUSTRY

Effective 01 July 2018, Evotec acquired 100% of the shares of Evotec ID (Lyon), the former Sanofi infectious disease unit in Lyon. The collaboration resulted in an upfront payment of € 61 m (€ 43 m in cash plus € 18 m cash of the acquired company) to Evotec. Furthermore, Evotec is eligible for significant further long-term funding from Sanofi in order to ensure support and progression of the portfolio and to cover certain employee-related expenses. Sanofi retained certain option rights on the development, manufacturing, and commercialisation of anti-infective products.

This acquisition provides Evotec with the largest global footprint in infectious disease capabilities in the industry and a broad pipeline of drug candidates and discovery projects. Evotec aims to accelerate infectious disease research and development through a new open innovation platform together with academic partners, biotech and pharmaceutical companies, foundations, and government agencies. At the time of the acquisition, this unit had more than 100 employees to be integrated into Evotec's global drug discovery and development operations. In the months following the acquisition, various projects within the infectious disease portfolio were evaluated regarding future development.

REPAYMENT OF MAJOR PART OF THE APTUIT ACQUISITION LOAN

During the course of 2018, Evotec was able to repay a major part (€ 110 m) of the debt bridge facility being granted in the context of the Aptuit acquisition in 2017 (total of € 140 m). This repayment was enabled mainly through the strong cash inflow from its operational activities and because parts of the loan could be re-financed at highly attractive terms.

CONVERSION INTO EUROPEAN COMPANY (SE) INITIATED

At the Annual General Meeting 2018 in Hamburg, Evotec's shareholders voted in favour of the conversion of the Company into a European Company with a majority of 99.96%. Following this resolution, Evotec entered into mandatory negotiation processes with a Special Negotiation Board ("SNB"), which are ongoing regarding the future arrangements for employee involvement. After conclusion of these negotiations, Evotec AG will be transferred into Evotec SE with the registered seat and headquarters remaining in Hamburg (Germany). This conversion reflects the continuing international focus of the Evotec Group, which has grown considerably in recent years with subsidiaries in France, Germany, Italy, Switzerland, the United Kingdom and the USA.

— EVOTEC AG SHARE LISTED IN MDAX —

Following the rule changes of Deutsche Börse regarding the inclusion of companies in the MDAX, SDAX and TecDAX, the Evotec shares were included in the MDAX effective 24 September 2018, triggering a dual listing of the Evotec shares in both TecDAX and MDAX, and, subsequently resulting in a higher visibility of the share to the financial community. Evotec was able to meet the relevant criteria of the MDAX index regarding market capitalisation of the free float as well as trading volume.

— PROFITABILITY GUIDANCE INCREASED —

On 19 December 2018, Evotec increased its profitability guidance for 2018. In its updated guidance, the Company expected its adjusted Group EBITDA to increase by more than 45% (previously: approx. 30%) in 2018 compared to 2017 following a strong business performance leading to increased margin contribution, important scientific milestone achievements in the fourth quarter of 2018 as well as increased other operating income due to e.g. R&D tax credits in the second half of 2018.

— DR MARIO POLYWKA RETIRING AS CHIEF OPERATING OFFICER AS OF 31 DECEMBER 2018 —

Effective 31 December 2018, Dr Mario Polywka retired as Chief Operating Officer of Evotec after having served on the Evotec Management Board for 13 years and having headed the EVT Execute segment since its inception in January 2014. Dr Craig Johnstone succeeded Dr Polywka as Chief Operating Officer as of 01 January 2019. Dr Johnstone is a successful drug discovery leader with over 20 years' experience. He joined Evotec in 2012.

IMPACT OF GENERAL MARKET AND HEALTHCARE ENVIRONMENT ON EVOTEC'S BUSINESS

Evotec's business environment is still in a period of significant transition and adjustment. In the face of continued financial pressure, resulting primarily from patent expiries leading to the loss of blockbuster products and their strong cash flows, pharmaceutical companies of all sizes continue to re-evaluate and adjust their business strategies, including investments in new emerging trends in healthcare (e.g. personalised medicines). In recent years, this has resulted in significant restructuring and consolidation in the industry including diversification, large-scale mergers, increasing research and development efforts, cost reduction programmes and the pursuit of biotech acquisitions. At the same time, ageing populations in developed countries continue to demand better drugs, improved patient outcomes and diagnostics, innovative approaches and advanced technologies that are clearly different from existing treatments. As a consequence, the pharmaceutical industry requires innovation in drug discovery in a capital-efficient manner at a good pace and increasingly relies on new partnership and collaboration deal structures to access innovation and accelerate the discovery and development of new drugs.

Evotec believes that these market dynamics will continue to lead towards greater outsourcing opportunities. In 2018, the number of projects and demand from newly founded US and European companies grew further, thus continuing the trend from previous years. This trend will increase the likelihood of strategic, integrated, long-term collaborations in order to foster innovation and accelerate the development of novel drug candidates with first- or best-in-class potential. These newly founded companies have become an important customer group for Evotec. As these companies often tend to operate virtually rather than with their own operational infrastructure, Evotec can provide the entire drug discovery and development platform required to deliver on their projects and help them accelerate their products to further milestones of value generation. To meet these market requirements and trends, Evotec continued to invest heavily in upgrading its platforms and recorded capital expenditures of € 27.9 m in 2018, again increasing its spend on its platforms compared to previous years. Furthermore, Evotec selectively invests in asset-centric start-up companies at a pre-seed and seed stage.

The fact that many promising drug candidates fail during clinical development underlines the current technical limits of pre-clinical models for efficacy and safety, which are currently used in the drug discovery process, and emphasises the need to develop technologies that more predictably translate discovery opportunities into clinical realities. This is especially true for neurodegenerative diseases, such as Alzheimer's disease and Parkinson's disease. To address this issue, Evotec continued to focus its activities on the iPSC field and reached important milestones in its iPSC-based alliances with Celgene in neurodegeneration (initiated in December 2016) and with Sanofi in diabetes (initiated in August 2015). Evotec also continued to invest in the further development and expansion of its iPSC platform in 2018 and entered into new strategic collaborations with several partners globally to strengthen its comprehensive iPSC network. In addition, Evotec further invested in proprietary platforms to gain further insights into transcriptomic, proteomic, metabolic, and genomic data to create holistic compound profiles, which can be used to deliver better and more targeted drugs to the patient. In this regard, Evotec and Celgene entered into a long-term partnership in September 2018 in the field of targeted protein degradation, which triggered an undisclosed upfront payment and makes Evotec eligible for significant milestone-based payments and tiered potentially double-digit royalties.

COMPARISON OF 2018 FINANCIAL RESULTS WITH FORECAST

—

STEEP GROWTH PATH REFLECTED IN FINANCIALS – ALL ELEMENTS OF GUIDANCE 2018 ACHIEVED

—

PERFORMANCE AGAINST FORECASTS

	Guidance Annual Report 2017	*Guidance August 2018*	*Guidance December 2018*	*Actual 2017**	*Actual 2018*
Group revenues	More than 30% growth	More than 30% growth	More than 30% growth	€ 263.8 m	**€ 375.4 m (+42%)**
R&D expenses	Approx. € 20-30 m	Approx. € 35-45 m	Approx. € 35-45 m	€ 17.6 m	**€ 35.6 m**
Adjusted Group EBITDA**	Approx. 30% growth over 2017	Approx. 30% growth over 2017	More than 45% growth	€ 57.2 m	**€ 95.5 m (+67%)**

* *2017 restated for IFRS 15*

** *Before contingent considerations, income from bargain purchase and excluding impairments on goodwill, other intangible and tangible assets as well as the total non-operating result (See section "Result of operations" for a reconciliation with operating result)*

Evotec's financial guidance for 2018 was updated twice, in August and December 2018, as shown in the table above, following the acquisition of Evotec ID (Lyon) and a strong operational performance during the course of 2018.

In 2018, Evotec achieved all its financial goals. The increase in Group revenues from € 263.8 m in 2017 to € 375.4 m in the reporting period was driven primarily by three factors: the strong performance in the growing base business, a positive first full-year contribution from the acquired business of Aptuit (€ 117.7 m), and increased milestone revenues stemming from key alliances. R&D expenses for the year increased substantially to € 35.6 m (2017: € 17.6 m), mainly due to new strategic efforts in infectious diseases at the newly acquired Lyon site. However, this infectious disease-related part of the increase in R&D expenses is reimbursed and fully covered by Sanofi under other operating income and thus does not negatively affect the operating result or adjusted EBITDA. The Company recorded a significant increase in adjusted Group EBITDA from € 57.2 m in 2017 to € 95.5 m in 2018 mainly due to the substantial organic growth in revenues and milestone payments and the contribution from the acquired businesses Aptuit and Evotec ID (Lyon). In addition, some one-off effects from tax credits relating to other periods and an above average revenue recognition with high margins in December contributed positively to the adjusted EBITDA.

EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles as reported in the consolidated financial statements of the Group. EBITDA also excludes impairments on goodwill, other intangible and tangible assets as well as the total non-operating result. EBITDA was adjusted for changes in contingent consideration from past acquisitions (earn-out payments to former owners) and for income from bargain purchases.

RESULTS OF OPERATIONS

The 2017 and 2018 results are not fully comparable. The difference stems from the acquisitions of Aptuit (effective 11 August 2017) and Evotec ID (Lyon) SAS (effective 01 July 2018). The results from Aptuit are only included from 11 August 2017 onwards while the results from Evotec ID (Lyon) SAS are only included from 01 July 2018 onwards.

From 01 January 2018 onwards, Evotec applies IFRS 15 and IFRS 9. The comparison period 2017 is adjusted for the first time application of IFRS 15, however, not for IFRS 9.

For further details on the acquisitions of Aptuit and Evotec ID (Lyon) SAS and selected financial information, see Note 6 to the Consolidated Financial Statements.

CONDENSED INCOME STATEMENT

		*2017**	***2018***
Revenues from contracts with customers	T€	263,765	**375,405**
Gross margin	*%*	*31.0%*	***29.8%***
— R&D expenses	T€	(17,614)	**(35,619)**
— SG&A expenses	T€	(42,383)	**(57,012)**
— Impairment result (net)	T€	(1,180)	**(4,364)**
— Other operating income (expenses), net	T€	16,104	**47,042**
Operating income (loss)	T€	36,727	**77,463**
Net income	**T€**	**23,218**	**84,056**
Adjusted Group EBITDA**	***T€***	***57,222***	***95,457***

** 2017 restated for IFRS 15*

*** Adjusted for changes in contingent considerations and income from bargain purchase*

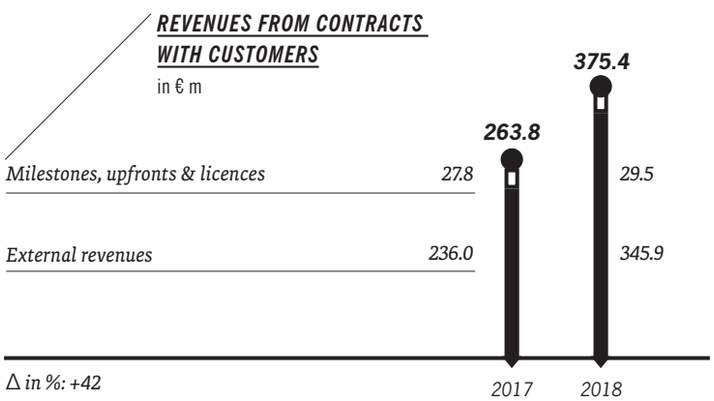
— REVENUES FROM CONTRACTS WITH CUSTOMERS —

Significant upswing in base business, milestone achievements and positive contributions from acquisition

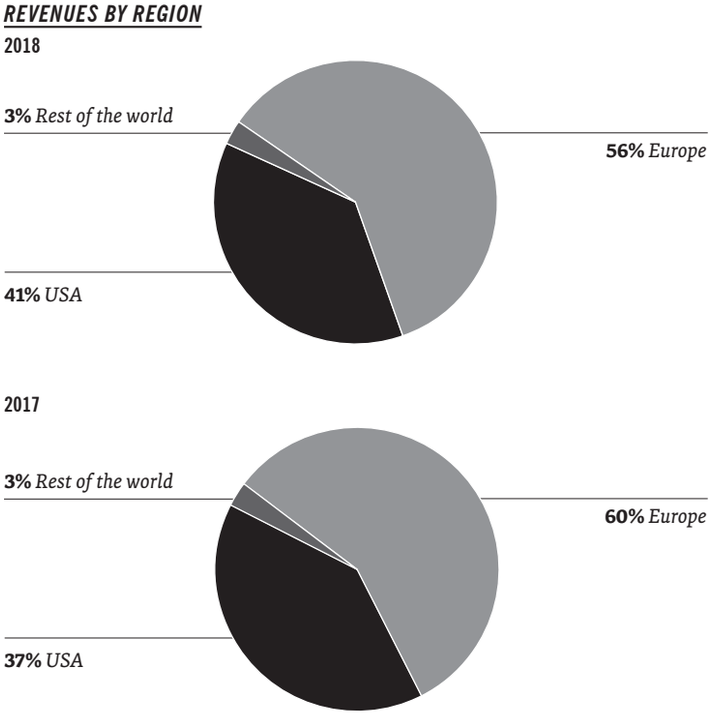
Total Evotec Group revenues from contracts with customers amounted to € 375.4 m in 2018, an increase of 42% compared to the previous year (2017:

€ 263.8 m). This increase resulted primarily from the strong performance in the base business, increased milestone payments and a positive contribution from the acquired business of Aptuit (€ 117.7 m). At constant 2017 foreign exchange rates, 2018 revenues would have amounted to € 380.0 m.

Revenues from milestones, upfronts and licences amounted to € 29.5 m, an increase of 6% in comparison to the previous year (€ 27.8 m) which resulted mainly from higher milestone achievements. Milestones in 2018 resulted mainly from the collaboration with Bayer in endometriosis/chronic cough and kidney diseases, and from Evotec's iPSC-based collaborations with Celgene in neurodegeneration as well as Sanofi in diabetes.



Geographically, 56% of Evotec's revenues were generated with customers in Europe, 41% in the USA and 3% in Japan and the rest of the world compared to 60%, 37% and 3%, respectively, in the previous year.



— COSTS OF REVENUE/GROSS MARGIN —

New business mix and higher amortisation of intangible assets

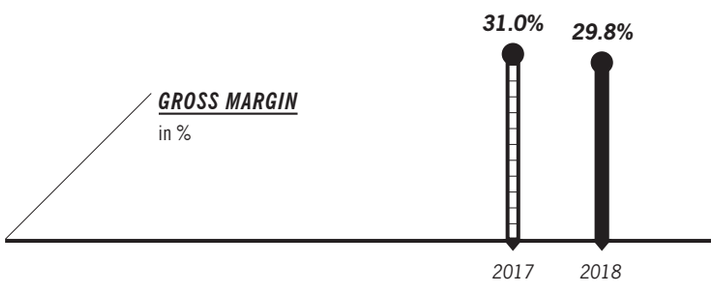
Costs associated with Group revenues include the cost of personnel directly associated with revenue-generating projects, facilities and overhead used to support those projects as well as materials consumed in the provision of the product or service.

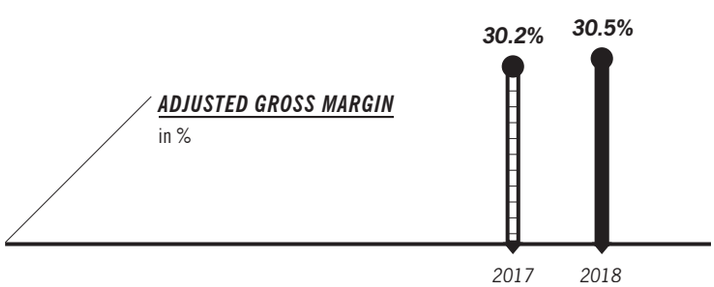
Costs of revenue increased by 45% to € 263.4 m (2017: € 182.0 m). Hence the overall gross margin decreased to 29.8% (2017: 31.0%). This margin change compared to 2017 reflects a new business mix following the acquisition of Aptuit and also includes significant amortisation of intangible assets from the purchase price allocations of recent strategic acquisitions Aptuit and Cyprotex (€ 10.8 m). In addition, costs of revenue also increased due to a higher volume in the EVT Execute service business and related costs. Furthermore, adverse FX effects impacted the gross margin in 2018. At constant 2017 exchange rates, the gross margin in 2018 would have been 30.3%. Adjusted for Aptuit and amortisation, the gross margin improved by 0.3% points to 30.5%. Gross margins in the future may continue to be volatile especially due to the dependency on the receipt of potential milestone or out-licensing payments, each having a strong impact on the gross margin and adjusted EBITDA.

	*2017**	***2018***
Total Gross Profit	**81,800**	**112,016**
add back Amortisation	7,041	**12,005**
deduct Gross Profit Aptuit	9,146	**23,565**
Adjusted Gross Profit	**79,695**	**100,456**

	*2017**	***2018***
Total Gross Margin %	**31.0%**	**29.8%**
GM % excl Amortisation	33.7%	**33.0%**
GM % excl Aptuit	33.4%	**34.3%**
Adj GM % excl Amort. & Aptuit	**30.2%**	**30.5%**

** 2017 restated for IFRS 15*





— RESEARCH AND DEVELOPMENT EXPENSES —

New strategic efforts in infectious diseases, iPSC research and new platforms
Evotec invests in building, maintaining and upgrading its in-house discovery platforms and developing assets in key therapeutic areas through EVT Innovate and 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 34 of this Management Report).

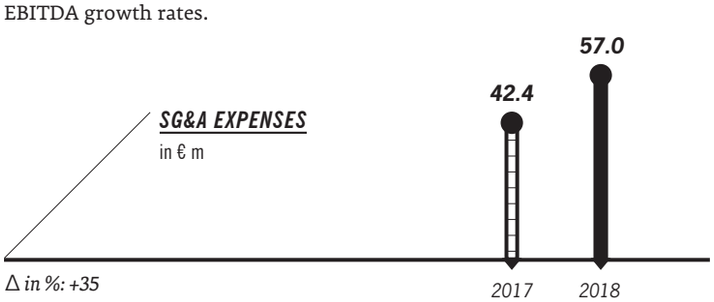
In 2018, overall R&D expenses increased to € 35.6 m (2017: € 17.6 m) the composition of which falls into three major categories: (i) Proprietary Innovate projects, (ii) Platform R&D and (iii) Overhead expenses. Proprietary Innovate projects accounted for approximately 87% (2017: 77%) of total R&D expenses. In 2018, Evotec increased its R&D expenses in particular and very significantly in the infectious disease area following new strategic efforts in infectious diseases at the newly established Evotec ID (Lyon) site, acquired from Sanofi. These additional ID-related R&D expenses are fully reimbursed by Sanofi in the context of the new infectious diseases agreement and appear in other operating income. Therefore they are not detrimental to the operating result and the adjusted EBITDA. Furthermore, R&D expenses in 2018 focused on initiatives in the field of iPSC research, projects in the metabolic space, and R&D platforms (especially the Panomics platform). Overhead expenses accounted for 12% (2017: 19%) of total R&D expenses. Overhead expenses increased by € 0.8 m and consisted in particular of management expenses including activities for academic BRIDGEs and patent and licence costs (see table below).

R&D EXPENSES BY CATEGORIES

		2017	***2018***
Proprietary Innovate projects	T€	13,610	**30,811**
Platform R&D	T€	601	**596**
Overhead expenses	T€	3,403	**4,212**
Total	**T€**	**17,614**	**35,619**

— SELLING, GENERAL AND ADMINISTRATIVE EXPENSES —

Impact of acquisition and overall Company growth
In 2018, the Group's selling, general and administrative ("SG&A") expenses increased as expected by 35% to € 57.0 m (2017: € 42.4 m). This increase resulted primarily from additional SG&A expenses of Aptuit and Evotec ID (Lyon), an increased headcount in Business development and administrative functions in response to the significant overall Company growth as well as M&A-related expenses and further consultancy expenses. However, this increase remained sub-proportional to revenue and adjusted EBITDA growth rates.



— IMPAIRMENTS —

Intangible assets impaired in 2018
In 2018, Evotec recorded impairments of intangible assets of € 4.4 m in total (2017: € 1.2 m), following the full impairments of the EVT770 programme (€ 4.0 m), of the developed assets within the Panion joint venture (€ 0.2 m), and from the Bionamics acquisition (€ 0.2 m). At the same time, correlated earn-out accruals of € 2.3 m were relieved under other operating income, which is a positive counter-effect to the impairment of the EVT770 programme.

In 2017, an impairment of intangible assets in the amount of € 1.2 m was recorded, since developed assets resulting from the acquisition of Panion Ltd., London (UK) did not show promising data in a pre-clinical study in pain leading to an impairment for this asset in the first quarter of 2017. Further information can be found in the "Goodwill and intangible assets" section in the "Assets, liabilities and stockholders' equity" chapter on page 55 of this report.

— INCOME FROM BARGAIN PURCHASE —

In 2018, an income from bargain purchase of € 15.4 m (2017: € 0 m) was recorded for the acquisition of Evotec ID (Lyon) as the purchase price was below the net assets acquired.

— OTHER OPERATING INCOME AND EXPENSES —

Other operating income and expenses, net amounted to € 47.0 m in 2018 (2017: income of € 16.1 m). Other operating income in 2018 mainly resulted from Evotec ID (Lyon) as reimbursement of ID-related R&D expenses from Sanofi, considerably higher R&D tax credits received in France, Italy and the UK as well as the release of earn-out accruals following impairment of EVT770. The tax credits contained one-off effects in the amount of € 2.8 m relating to other periods and contributing positively to the EBITDA. In 2017, operating income was mainly affected by R&D tax credits (2017: € 10.9 m).

— OPERATING RESULT —

Evotec's operating result amounted to € 77.5 m in 2018 (2017: operating result of € 36.7 m) being positively impacted by the income from bargain purchase as well as higher R&D tax credits.

— ADJUSTED EBITDA —

Substantial increase in adjusted Group EBITDA and EBITDA margin
Adjusted Group EBITDA for 2018 increased significantly to € 95.5 m (2017: € 57.2 m), yielding an adjusted EBITDA margin of 25.4% (2017: 21.7%). This adjusted EBITDA contains positive one-off effects from receivables and tax credits relating to other periods in the amount of € 3.5 m. Without this effect, the adjusted EBITDA would amount to € 92.0 m. A definition of EBITDA can be found on page 45 of this Management Report.

CALCULATION OF ADJUSTED EBITDA

		2017*	2018
Operating income (loss)	T€	36,727	**77,463**
+ Depreciation	T€	13,725	**19,288**
+ Amortisation	T€	7,041	**12,005**
+ Impairment result (net)	T€	1,180	**4,364**
- Income from bargain purchase	T€	-	**(15,400)**
+ Change in contingent considerations**	T€	(1,451)	**(2,263)**
Adjusted Group EBITDA	**T€**	**57,222**	**95,457**
EBITDA margin		*21.7%*	*25.4%*

** 2017 restated for IFRS 15*

*** Included in P&L line Other operating income (expenses)*

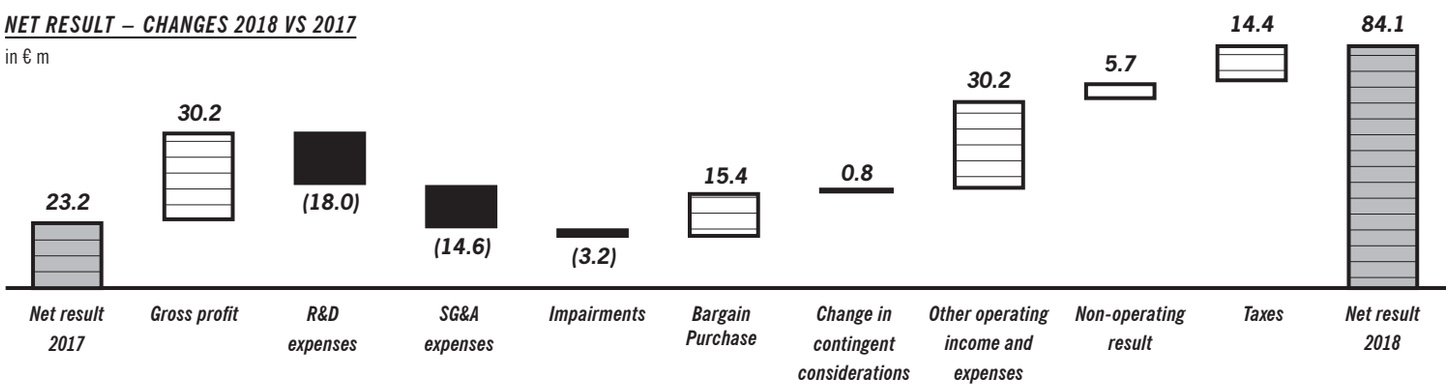
— NET RESULT —

Strong performance and newly added business

The Company's net result in 2018 amounted to € 84.1 m (2017: net result of € 23.2 m), being impacted by most recent acquisitions and the strong performance of the base business.

In 2018, the total non-operating result amounted to € (5.5) m (2017: € (11.2) m), mainly affected by interest expenses, and the share of the loss of associates accounted for using the equity method (€ (4.1) m). The total non-operating result in 2017 was impacted by adverse foreign currency effects due to the significant weakening of the US Dollar against the Euro and the share of the loss of associates accounted for using the equity method.

Total tax income amounted to € 12.0 m, net in 2018 (2017: expenses of € 2.3 m). Deferred tax income of € 26.1 m was partly offset by current tax expenses of € 14.1 m. Current tax expenses resulted mainly from the increased profitability and occurred primarily in France, Germany and the UK. The deferred tax income is mainly impacted by the recognition of deferred tax assets in one German entity. The expectations regarding this entity in terms of recording a sustainable profit have increased.



The total net result per share (basic) for Evotec of € 0.57 (2017: € 0.16) is based on a weighted average number of shares of 147,482,051 (2017: 145,009,742).

MULTIPLE-YEAR OVERVIEW OF RESULTS OF OPERATIONS

in T€

	2014	*2015*	*2016*	*2017**	***2018***
Revenues from contracts with customers	**89,496**	**127,677**	**164,507**	**263,765**	**375,405**
Costs of revenue	(62,246)	(92,550)	(105,953)	(181,965)	**(263,389)**
Gross profit	**27,250**	**35,127**	**58,554**	**81,800**	**112,016**
Research and development expenses	(12,738)	(18,343)	(18,108)	(17,614)	**(35,619)**
Selling, general and administrative expenses	(17,990)	(25,166)	(27,013)	(42,383)	**(57,012)**
Impairment of goodwill (net)	-	-	(3,989)	-	**-**
Impairment of intangible assets (net)	(8,523)	(7,242)	(1,417)	(1,180)	**(4,364)**
Income from bargain purchase	137	21,414	-	-	**15,400**
Other operating income and (expenses), net	5,483	5,850	23,315	16,104	**47,042**
Operating result	**(6,381)**	**11,640**	**31,342**	**36,727**	**77,463**
Non-operating income and (expense), net	1,222	851	1,608	(11,162)	**(5,464)**
Profit (loss) before taxes	**(5,159)**	**12,491**	**32,950**	**25,565**	**71,999**
Tax income (expense)	(1,819)	4,025	(6,111)	(2,347)	**12,057**
Net result	**(6,978)**	**16,516**	**26,839**	**23,218**	**84,056**
Gross margin (= Gross profit/Revenues)	30.4%	27.5%	35.6%	31.0%	**29.8%**
Operating margin (= Operating result/Revenues)	(7.1)%	9.1%	19.1%	13.9%	**20.6%**
EBITDA adjusted margin (= EBITDA adjusted/Revenues)	8.6%	6.8%	22.0%	21.7%	**25.4%**
R&D cost ratio (= R&D expenses/Revenues)	13.9%	14.4%	11.0%	6.7%	**9.5%**
SG&A cost ratio (= SG&A expenses/Revenues)	20.1%	19.7%	16.4%	16.1%	**15.2%**
Personnel costs to total costs**	44.5%	50.4%	55.2%	47.2%	**44.7%**

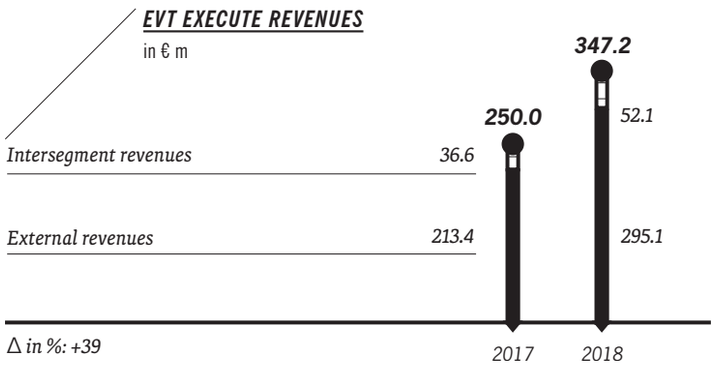
* *2017 restated for IFRS 15*

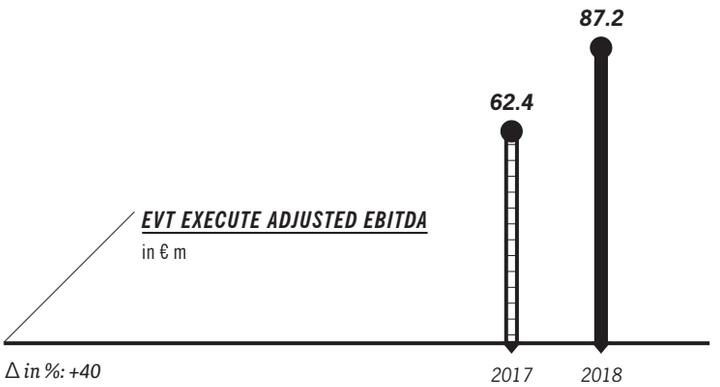
** *Total costs = Costs of revenue, Research and development expenses, Selling, general and admininstrative expenses, Other operating income and expenses excluding changes in contingent considerations and R&D tax credits*

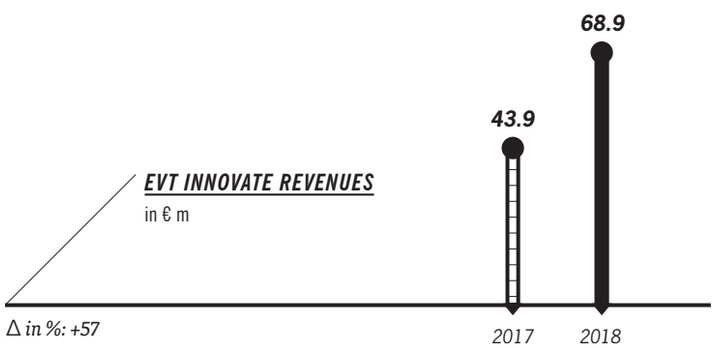
— SEGMENT REPORTING —

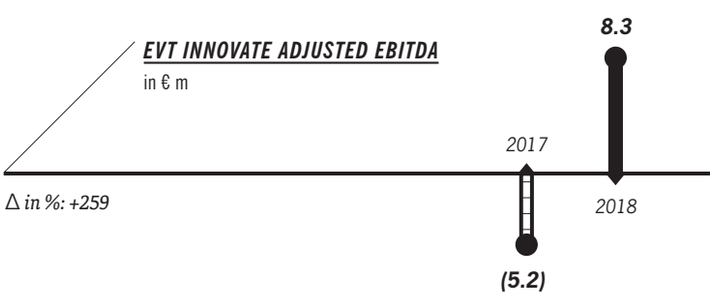
Revenues from the EVT Execute segment amounted to € 347.2 m in 2018 (2017: € 250.0 m) and included € 52.1 m of intersegment revenues (2017: € 36.6 m). The increase in third-party revenues is primarily attributable to a significant performance of the base business and the strong contribution from the Aptuit business. For the EVT Execute segment, costs of revenue amounted to € 260.3 m in 2018 (2017: € 183.1 m), yielding a gross margin of 25.0% (2017: 26.8%). The drivers behind this change in gross margin are the same drivers affecting the Group gross margin. SG&A expenses in 2018 amounted to € 47.6 m for the EVT Execute segment (2017: € 35.5 m). The increase in SG&A expenses in EVT Execute resulted primarily from additional expenses of Aptuit and overall Company growth. In fiscal year 2018, the adjusted EBITDA of the EVT Execute segment was strongly positive at € 87.2 m (2017: € 62.4 m).

The EVT Innovate segment generated revenues of € 68.9 m (2017: € 43.9 m) consisting entirely of third-party revenues. The increase in revenues mainly resulted from signing of new partnerships and milestone achievements in key alliances. The EVT Innovate segment reported costs of revenue of € 38.4 m (2017: € 24.4 m), yielding a gross margin of 44.3% (2017: 44.3%). The EVT Innovate segment reported R&D expenses in the amount of € 40.1 m (2017: € 21.4 m), containing € 5.4 m of intersegment margin as services were provided by the EVT Execute segment. The drivers behind this strong increase in R&D expenses are the same drivers affecting the Group R&D expenses described above. SG&A expenses in 2018 amounted to € 9.4 m for the EVT Innovate segment (2017: € 6.9 m), also in response to overall Company growth and Evotec ID (Lyon) being added. In 2018, impairment charges in intangible assets (€ 4.4 m) were attributed to EVT Innovate (2017: € 1.2 m) as previously described. The EVT Innovate segment reported a positive adjusted EBITDA of € 8.3 m (2017: € (5.2) m).









SEGMENT INFORMATION 2018

		EVT Execute	EVT Innovate	Intersegment eliminations	Not allocated	Transition	Evotec Group
External revenues*	T€	295,087	68,893	-	-	11,425	375,405
Intersegment revenues	T€	52,090	-	(52,090)	-	-	-
- Costs of revenue	T€	(260,290)	(38,373)	46,699	-	(11,425)	(263,389)
Gross margin	*%*	*25.0%*	*44.3%*	-	-	-	*29.8%*
- R&D expenses	T€	(862)	(40,148)	5,391	-	-	(35,619)
- SG&A expenses	T€	(47,578)	(9,434)	-	-	-	(57,012)
- Impairment result (net)	T€	-	(4,364)	-	-	-	(4,364)
- Other operating income (expenses), net	T€	18,772	28,270	-	-	-	47,042
Operating income (loss)	**T€**	**57,219**	**4,844**	**-**	**15,400**	**-**	**77,463**
*Adjusted EBITDA***	*T€*	*87,186*	*8,271*	-	-	-	*95,457*

* *Revenues in the segments consist of revenues from contracts with customers without revenues from recharges as those are not of importance for the management to assess the economic situation of the segments.*

** *Adjusted for changes in contingent considerations and income from bargain purchase*

FINANCING AND FINANCIAL POSITION

— FINANCIAL MANAGEMENT PRINCIPLES —

Evotec actively manages its financial resources to support its business strategy. Evotec is a biotechnology company, which generates positive operating cash flows and has sufficient financial resources to support its ongoing business and operations. Apart from commercial bank debt, the Company has no major long-term financial obligations or liabilities.

The Company may selectively utilise debt financing, equity-linked tools or raise capital through the issuance of new shares when appropriate. As of 31 December 2018, the liquidity of the Evotec Group, which consists of cash and cash equivalents and investments, amounted to € 149.4 m

(2017: € 91.2 m). This strong liquidity position supports the Company in further investing in EVT Innovate R&D projects, in maintaining and augmenting its drug discovery and development platform and in considering potential M&A opportunities. In order to accelerate its strategy, Evotec selectively considers equity participations in financing rounds of seed- and early-stage biotech companies. This leveraging of Evotec's strategy may lead to additional cash requirements in the future.

Capital expenditure proposals are carefully evaluated by the management to ensure that they are consistent with the business strategy of either maintaining, expanding or enhancing the Company's technology platforms and its proprietary research. Additionally, capital investments are carefully assessed in terms of the expected financial return.

— CASH FLOW —

Celgene collaboration and Evotec ID (Lyon) affecting cash flow

Group *cash flow provided by operating activities* amounted to € 156.2 m in 2018 (2017: € 10.8 m). The prepayments from Celgene for the oncology and iPSC collaborations received during 2018 and the Sanofi upfront for Evotec ID (Lyon) received in July were the main reasons for the significantly positive operating cash flow. The Sanofi upfront payment was overall € 61 m but partly received as cash acquired in the new entity Evotec ID (Lyon) (see investing cash flow). Furthermore, the positive operating income contributed favourably but was partly off-set by an increase in working capital due to R&D tax receivables and bonus payments.

Group *cash flow used in investing activities* was € 39.1 m (2017: € 269.0 m). Purchases of current investments (€ 24.8 m) exceeded proceeds from the sale of current investments (€ 8.4 m) as a consequence that the received prepayments were partly invested long-term. Capital expenditure in property plant and equipment increased to € 27.9 m (2017: € 17.6 m) mainly due to the full-year recognition of Aptuit and the acquisition of Evotec ID (Lyon). An earn-out payment of € 1.5 m was paid to the former shareholders of Aptuit Potter's Bar and an earn-out payment of € 0.6 m was made to the former shareholders of Aptuit Basel. Purchase of investments in associated companies and other long-term investments amounted to € 10.8 m and related to the second round financing of Exscientia, Topas Therapeutics, FSHD Unlimited, Carrick, Forge and Eternygen. Cash acquired with the Lyon site amounted to € 18.1 m, as part of the € 61 m stated above.

Group *cash flow used in financing activities* amounted to € 77.8 m (2017: Cash flow provided by financing activities of € 240.7 m) and related mainly to the repayment in bank loans and finance leases (net € 79.3 m), in particular through the repayment of the bridge loan by € 110 m reducing the remaining bridge loan debt to € 30 m. The repayments were partly refinanced through new bilateral bank loans and credit lines at improved terms. Furthermore, the Company made use of € 16.4 m additional financing from the EIB loan facility signed in 2017. Proceeds from employee option exercise amounted to € 1.6 m.

The impact of exchange rate movements on the net increase in cash and cash equivalents in 2018 was € 2.7 m (2017: € 0.6 m).

CONDENSED STATEMENT OF CASH FLOWS

in T€

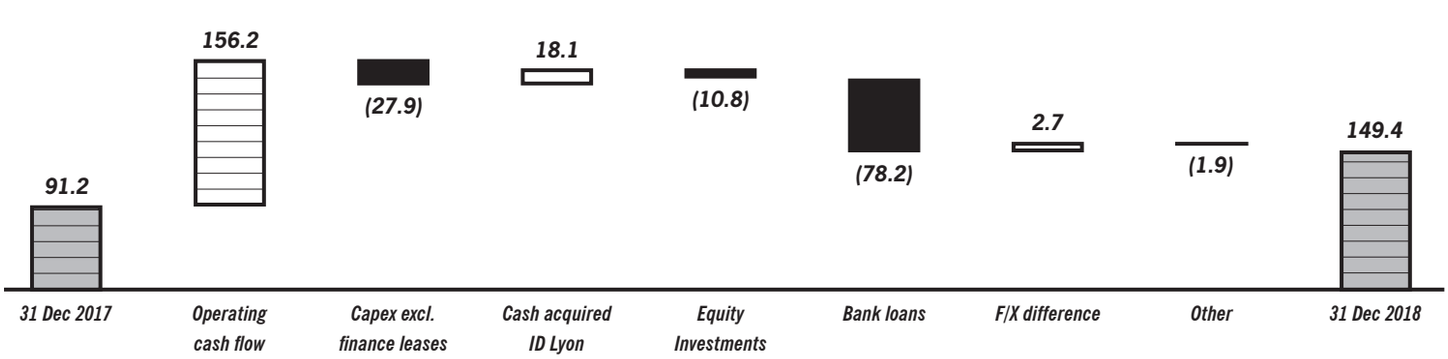
	*2017**	***2018***
Net cash provided by (used in)		
— Operating activities	10,828	**156,240**
— Investing activities	(269,033)	**(39,130)**
— Financing activities	240,724	**(77,764)**
Net increase/decrease in cash and cash equivalents	**(17,481)**	**39,346**
Exchange rate difference	558	**2,692**
Cash and cash equivalents		
— At beginning of year	83,940	**67,017**
— **At end of year**	**67,017**	**109,055**
— Investments	24,139	**40,394**
Liquidity at end of year	**91,156**	**149,449**

** 2017 restated for IFRS 15*

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

LIQUIDITY DEVELOPMENT

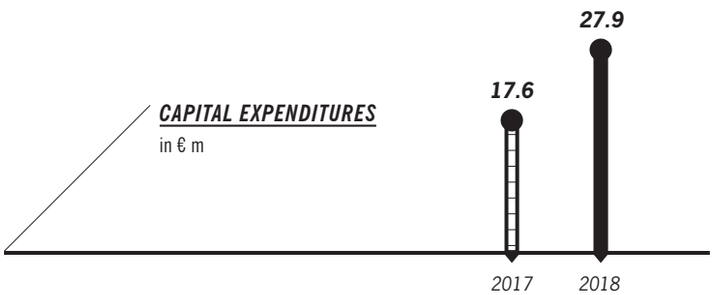
in € m



— CAPITAL EXPENDITURE —

Increased investments in upgrading and expanding Evotec's platforms

Capital expenditure amounted to € 27.9 m in 2018 (2017: € 17.6 m). The majority of capital expenditure was for upgrades and investments in instrumentation and equipment at Evotec's sites to support and extend the Company's state-of-the-art platform offering. Of particular note, there were a number of investments in high-end mass spectrometry equipment in a number of scientific disciplines, software upgrades and improvements and infrastructure was built to serve the Celgene iPSC and oncology collaborations. In addition, investments were made to expand capacity for the Company's unique integrated pre-clinical drug development (INDiGO) offering. Facility investments focused on the expansion of laboratory and office areas mainly in Hamburg and Göttingen (Germany) as well as the compound management facility in Branford (USA) and the laboratory area in Princeton (USA).



— COST OF CAPITAL —

Only slight changes in weighted average cost of capital

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. 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 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 2018, these ranged between 9.2% and 11.4% for the Company's drug discovery and development programmes (2017: 9.5% to 11.2%) and between 5.8% and 9.5% (2017: 5.3% to 8.5%) for the Company's service entities.

Interest rates that Evotec was able to achieve on the commercial markets were significantly lower than the calculated WACC.

— LIQUIDITY AND HEDGING —

Liquidity increased due to prepayments and upfronts received

Evotec ended 2018 with a liquidity of € 149.4 m (2017: € 91.2 m), which was composed of cash and cash equivalents (€ 109.0 m) and investments (€ 40.4 m). Cash and cash equivalents as well as current investments can be accessed within a period of less than three months. The increase in liquidity in 2018 resulted mainly from the prepayments received by Celgene and the upfront received from Sanofi for Evotec ID (Lyon) (€ 61 m), off-set by the net loan repayments (€ 78.2 m).

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

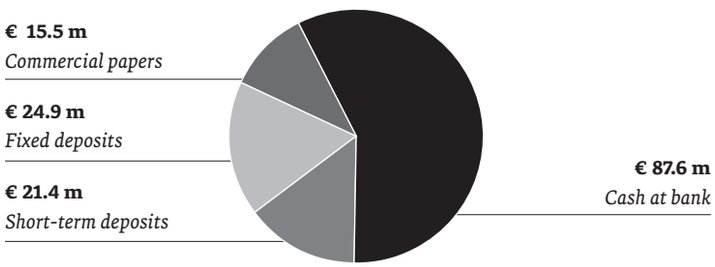
LIQUIDITY AS OF 31 DECEMBER
in T€

	2014	*2015*	*2016*	*2017*	***2018***
Cash and cash equivalents	48,710	44,497	83,940	67,017	**109,055**
Current investments	40,112	89,443	42,330	24,139	**40,394**
Total liquidity	**88,822**	**133,940**	**126,270**	**91,156**	**149,449**

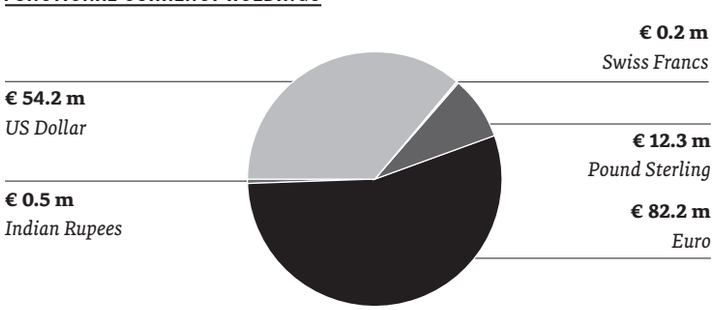
Deposits are primarily held in the three major currencies in which the Group trades: Euro, Pound Sterling and US dollar (see pie chart below). In 2018, approximately 40% of the Company's revenues were in US dollars and approximately 25% of its costs of revenue were in Pound Sterling. Therefore, one of Evotec's primary risk exposures relates to these two currencies. Evotec uses forward contracts and spot transactions to convert US dollars to Pound Sterling to address this exposure. The currency holdings in US dollars increased from € 15.0 m at the end of 2017 to € 54.2 m at the end of 2018 due to the Celgene upfront payments. The currency holding in Pound Sterling at 31 December 2018 was € 12.3 m (31 December 2017: € 9.5 m) and is kept at a relatively low level with the objective of having sufficient cash available to meet the short-term local operating needs of the UK sites. The Company also held small amounts in Indian Rupees, Swiss Francs and Japanese Yen.

Evotec actively manages its funds to maximise returns while seeking to maintain principal preservation and preserve liquidity. Evotec's cash and investments are held with several banks. Financial investments are only made in liquid instruments and low-risk products with financial institutions rated at investment grade (BBB- or better, Standard & Poor's ratings or equivalent). All investments need to be in line with Evotec's internal investment policy. As per 31 December 2018, the majority of the liquidity was invested short-term (€ 109.0 m) to finance the ongoing research activities and platforms, the continuous growth and to remain flexible for strategic growth opportunities. Commercial papers and fixed deposits were invested with a maturity up to three years.

LIQUIDITY BY INVESTMENT TYPE



FUNCTIONAL CURRENCY HOLDINGS



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A CONTINUED CHALLENGING CASH MANAGEMENT ENVIRONMENT

—

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

During 2018, on average the US dollar noted weaker to the Euro and to Pound Sterling in comparison with the 2017 exchange rates. Hence, the US dollar exchange rate had a negative impact of € 4.3 m on 2018 revenues and of € 3.4 m on 2018 gross profit compared to prior year. The slight further weakening of Pound Sterling against the Euro, mainly due to BREXIT uncertainty, had an impact on revenues and costs of Evotec's UK sites after conversion into Euro. Revenue were impacted negatively by € 0.4 m and the costs positively by € 0.5 m. Overall Group gross profit was negatively impacted by currency movements by € 3.3 m which translated into a gross margin reduction of 0.5 percentage points compared to prior year. The liquidity position increased by € 2.5 m at the end of 2018 (€/$ 1.15) compared to prior year-end's closing rates (€/$ 1.20) due to the appreciation of the US dollar versus the Euro. In order to protect itself against adverse currency movements, the Company entered into forward contracts, selling US dollars against Pound Sterling. This resulted in a realised loss of € 1.3 m in 2018 (2017: foreign exchange gain of € 0.8 m).

As of 31 December 2018, the Company held derivative financial instruments in the amount of $ 27.8 m (31 December 2017: $ 0.0 m), thereof $ 23.3 m forward contracts selling US dollars for Pound Sterling and $ 4.5 m US dollars for Euro. These forward contracts all have a maturity of less than 12 months.

The Company makes use of bank loans as a tool to manage short-term and medium-term liquidity. Compared to 31 December 2017, the level of debt financing decreased significantly by € 75.4 m to € 114.5 m at 31 December 2018 (2017: € 189.9 m); thereof € 109.7 m related to bank loans (2017: € 188.0 m) and € 4.7 m to finance leases (2017: € 1.9 m). € 108.9 m of the bank loans were denominated in Euro, € 0.8 m in Pound Sterling and none in US dollar. The € 140 m bridge loan taken on to support the financing of the Aptuit acquisition in August 2017 was reduced to € 30 m by the end of 2018 by using the positive operating cash flow and by extending existing and taking on new bank loan facilities. To support the financing of Evotec's EVT Innovate strategy, the Company made further use of the EIB loan and increased the utilisation of this long-term facility from € 16.4 m to € 32.8 m.

MULTIPLE-YEAR OVERVIEW FINANCIAL POSITION

in T€

	31 Dec 2014	*31 Dec 2015*	*31 Dec 2016*	*31 Dec 2017**	***31 Dec 2018***
Liquidity**	88,822	133,940	126,270	91,156	**149,449**
Debt	21,549	22,943	28,827	189,928	**114,465**
Net liquidity	**67,273**	**110,997**	**97,443**	**(98,772)**	**34,984**
Current liabilities	33,068	56,400	73,390	242,945	**196,275**
Non-current liabilities	33,149	45,044	66,781	91,615	**150,728**
Total stockholders' equity	158,383	187,094	213,936	331,915	**424,880**
Total liabilities and stockholders' equity	**224,600**	**288,538**	**354,107**	**666,475**	**771,883**
Cash flow from operating activities	(3,797)	15,651	67,360	10,828	**156,240**
Cash flow from investing activities	2,975	(23,422)	(5,973)	(269,033)	**(39,130)**
Cash flow from financing activities	3,096	2,486	(19,671)	240,724	**(77,764)**
Movements in investments and fx differences	(9,595)	50,403	(49,386)	(17,633)	**18,947**
Net increase/decrease in liquidity	**(7,321)**	**45,118**	**(7,670)**	**(35,114)**	**58,293**
Capital expenditures	5,282	11,164	10,003	17,565	**27,867**
Investment rate***	22.0%	29.1%	23.0%	23.1%	**30.8%**
Capex to write-downs	87.0%	122.9%	100.2%	128.0%	**144.5%**

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

*** Cash and cash equivalents and investments*

**** Ratio Capex/Property, plant and equipment*

ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

— ACQUISITIONS —

With effect from 01 July 2018, Evotec acquired 100% of the shares in Evotec ID (Lyon) SAS, the former Sanofi infectious disease research unit in Lyon. With this strategic transaction, Evotec integrated Sanofi's infectious disease unit, including in-licensing of the majority of Sanofi's infectious disease research portfolio. The transaction resulted in a € 61 m upfront payment (€ 43 m in cash plus € 18 m cash of the acquired company). Furthermore, Evotec is eligible for significant further long-term funding from Sanofi in order to ensure support and progression of the ID portfolio and to cover certain employee-and site-related expenses. Sanofi retains certain option rights on the development, manufacturing, and commercialisation of the licensed anti-infective products. The purchase price amounted to € 1 and was paid in cash. The purchase price allocation resulted in an income from bargain purchase of € 15.4 m.

— CAPITAL STRUCTURE —

Improved financing structure; Equity ratio increased to 55%
In 2018, Evotec's share capital increased by 1.0% to € 149.1 m (31 December 2017: € 147.5 m) and additional paid-in capital by 0.6% to € 783.2 m (31 December 2017: € 778.9 m).

Total stockholders' equity increased by € 93.0 m to € 424.9 m as of the end of 2018 (31 December 2017 restated: € 331.9 m) mainly due to the net income of the year (€ 84.1 m).

Furthermore, in 2018, a total of 29,220 stock options (2017: 597,594 options) were exercised. As of 31 December 2018, the total number of options available for future exercise amounted to 82,594 (approximately 0.1% of issued shares). Options have been accounted for under IFRS 2 as an equity-settled plan using the fair value at the grant date.

At the Annual General Meetings in 2012, 2015 and 2017, contingent capital amounting to € 4 m, € 6 m and € 6 m, respectively, was approved for use in Share Performance Plans. In 2018, a total of 808,809 Share Performance Awards ("SPA") were exercised. During the first quarter of 2018, a total of 230,390 SPAs (2017: 390,804 awards) were granted to the Management Board and key employees. These awards could result in a maximum of 460,780 bearer shares (2017: 781,608) being issued at maturity. As of 31 December 2018, the total number of awards granted for future exercise amounted to 2,869,248 (2017: 3,464,688) (approximately 1.9% and 2.4% of issued shares in 2018 and 2017, respectively).

Evotec's equity ratio remained strong, amounting to 54.9% at the end of 2018 (2017 restated: 49.7%).

— ASSETS AND LIABILITIES —

Refinancing of bridge loan, Celgene upfront payments and acquisition of Evotec ID (Lyon) influenced Evotec's balance sheet in 2018
The Company's total assets increased by € 105.4 m to € 771.9 m as of 31 December 2018 (31 December 2017 restated: € 666.5 m) mainly due to the acquisition of Evotec ID (Lyon), the Celgene upfront payments and the overall growth of the Company.

Current assets as of 31 December 2018 grew by € 72.0 m to € 249.8 m (31 December 2017 restated: € 177.8 m).
Liquidity, which consists of cash and cash equivalents and investments, increased by € 58.2 m to € 149.4 m (31 December 2017: € 91.2 m). The increase in liquidity resulted mainly from the Celgene and ID-related upfront payments (see chapter "Financing and financial position" on page 50 of this Management Report).
Trade accounts receivables and accounts receivables from related parties increased from € 46.1 m as of 31 December 2017 to € 48.0 m at the end of December 2018 due to general business growth. Inventories increased to € 5.7 m at the balance sheet date (31 December 2017 restated: € 5.6 m) for the same reason. Current tax receivables increased by € 6.9 m to € 13.8 m (31 December 2017: € 6.9 m) and related mainly to R&D tax credits from Evotec's entities in France, Italy and UK. Current contract assets amounted to € 12.9 m and increased by € 2.3 m mainly due to accrued revenues at Aptuit. Prepaid and other current assets increased by € 2.8 m to € 19.4 m (31 December 2017: € 16.6 m) mainly due to licences and IT-related prepayments.

Investments accounted for using the equity method and other long-term investments increased due to several second financing rounds from € 22.1 m to € 29.3 m at 31 December 2018. This includes Evotec's investments in Carrick, Eternygen, Exscientia, Forge, FSHD Unlimited, and Topas Therapeutics.
Property, plant and equipment increased by € 14.4 m to € 90.5 m in 2018 (31 December 2017 restated: € 76.1 m), mainly due to fixed assets acquired with Evotec ID (Lyon) as well as new equipment for the Celgene oncology collaboration.

Goodwill and intangible assets decreased by € 11.7 m to € 343.8 m (31 December 2017 restated: € 355.5 m). Intangible assets decreased by € 12.0 m to € 123.0 m mainly due to regular amortisation. Goodwill increased slightly by € 0.3 m to € 220.8 m mainly due to foreign exchange movements. The purchase price allocation of Aptuit was still preliminary in 2017 and was finalised and amended during 2018, resulting in modified 2017 balance sheet positions.

Deferred tax assets increased to € 43.3 m (31 December 2017: € 19.2 m) mainly due to higher predicted future taxable income in Germany that resulted in a higher tax loss carry forward utilisation. Furthermore, the acquisition of Evotec ID (Lyon) and the crystallisation of additional tax losses in UK that can be utilised in the future following the exercise of a significant number of share options during the year increased the deferred tax assets. Non-current tax receivables amounted to € 14.6 m and related mainly to R&D tax credits in France.

In 2018, total current liabilities decreased by € 46.7 m to € 196.3 m (31 December 2017 restated: € 242.9 m) mainly due to the repayment of short-term loans partly off-set by an increase in deferred revenues.

Trade accounts payable mainly increased by € 5.0 m to € 31.1 m (31 December 2017: € 26.1 m) due to the acquisition of Evotec ID (Lyon). Current provisions increased from € 22.1 m at year-end 2017 to € 28.0 m at year-end 2018, mainly due to employee-related provisions associated with Evotec ID (Lyon). Current contract liabilities increased by € 33.5 m to € 49.7 m (31 December

2017 restated: € 16.2 m) mainly due to prepayments associated with the Celgene collaborations. Current deferred income increased to € 11.5 m (31 December 2017 restated: € 0 m) due to prepayments associated with the ID transaction. Other current liabilities increased to € 14.8 m (31 December 2017: € 6.4 m) due to the exercise of share performance awards in December 2018. The current portion of loans decreased significantly from € 167.8 m as of 31 December 2017 to € 55.1 m as the major part of the bridge loan facility for the Aptuit acquisition was repaid through the operational cash flow.

Total non-current liabilities increased by € 59.1 m to € 150.7 m as of 31 December 2018 (31 December 2017 restated: € 91.6 m). The long-term portion of the Celgene upfront payments is shown as non-current contract liabilities. Non-current contract liabilities hence increased to € 44.0 m (31 December 2017: € 28.7 m). Deferred tax liabilities decreased to € 21.5 m (31 December 2017 restated: € 23.7 m). Long-term provisions increased to € 20.0 m (31 December 2017: € 17.0 m) due to the acquisition of Evotec ID (Lyon). The long-term portion of loans increased by € 34.4 m to € 54.7 m as of 31 December 2018 (31 December 2017: € 20.3 m) mainly due to the unsecured loan facility provided by the EIB to support Evotec's EVT Innovate strategy as well as new term loans used to refinance the short-term bridge loan.

CONDENSED BALANCE SHEET

in T€

	*2017**	***2018***
Cash, cash equivalents and investments	91,156	**149,449**
Trade accounts receivables incl. related parties	46,113	**48,030**
Inventories	5,568	**5,660**
Other current assets	34,946	**46,630**
Deferred tax assets	19,233	**43,329**
Property, plant and equipment	76,069	**90,519**
Intangible assets, excluding goodwill	135,033	**122,989**
Goodwill	220,447	**220,791**
Other non-current assets	37,910	**44,486**
Total assets	**666,475**	**771,883**
Current maturities of loans and finance leases	168,468	**56,919**
Trade accounts payable	26,078	**31,137**
Current provisions	22,090	**27,979**
Current contract liabilities	16,164	**49,676**
Other current liabilities	10,145	**30,564**
Long-term loans and finance leases	21,460	**57,546**
Non-current provisions	17,042	**19,986**
Non-current contract liabilities	28,680	**44,041**
Other non-current liabilities	24,433	**29,155**
Total stockholders' equity	331,915	**424,880**
Total liabilities and stockholders' equity	**666,475**	**771,883**

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

WORKING CAPITAL CALCULATION

in T€

= Current assets excl. cash, cash equivalents and investments - current liabilities excl. bank loans	*2017**	***2018***
Trade accounts receivables incl. related parties	46,113	**48,030**
Inventories	5,568	**5,660**
Other current assets	34,946	**46,630**
Current Assets	**86,627**	**100,320**
Trade accounts payable	26,078	**31,137**
Current provisions	22,090	**27,979**
Current contract liabilities	16,164	**49,676**
Other current liabilities	10,145	**30,564**
Current Liabilities	**74,477**	**139,356**
Working Capital	**12,150**	**(39,036)**
Δ Working Capital		**(51,186)**

** 2017 restated for IFRS 15*

— GOODWILL AND INTANGIBLE ASSETS —

Goodwill impairment

In the fourth quarter of 2018, Evotec performed its annual goodwill review. No impairment was necessary for any of the goodwill models.

Intangibles impairment

In 2018, intangible assets were impaired in the amount of € 4.4 m. These intangible assets related to EVT770 (€ 4.0 m) and Panion (€ 0.2 m) and were fully impaired as the projects were put on hold. An intangible asset acquired with the Bionamics acquisition was impaired by € 0.2 m due to technical risks and a significant delay in development.

The Company also performed its annual regular review of intangible assets for potential impairment in accordance with IFRS during the final quarter of 2018. No impairment was 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 57 of this Management Report).

Excellent customer relationships are also critical to Evotec's success and therefore a fundamental asset of the Company. Respectability, reliability and continuity are key determinants of the quality of customer relationships, maintaining long-term customer relationships as well as continuously increasing Evotec's customer base by acquiring new clients.

In addition, the quality and continuity of Evotec's supplier relationships are key assets that are highly significant to the Company's success. Evotec collaborates with approximately 2,500 vendors throughout the world.

With its broad market acceptance and high market penetration, the Evotec brand represents an intangible asset to the Company. The positive image of the brand among customers, vendors and employees, 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 transactions in the sense of the sale of receivables, asset-backed securities, sale-and-lease-back agreements or contingent liabilities in relation to special-purpose entities not consolidated.

As of 31 December 2018, the Company had operating lease obligations in the amount of € 93.6 m (31 December 2017: € 101.4 m). The majority of the operating lease obligations relate to rent expenses for facilities and only to a smaller extent to laboratory and office equipment.

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 € 27.5 m (31 December 2017: € 16.9 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 2014	*31 Dec 2015*	*31 Dec 2016*	*31 Dec 2017**	***31 Dec 2018***
Cash, cash equivalents and investments	88,822	133,940	126,270	91,156	**149,449**
Trade accounts receivables incl. related parties	25,259	21,069	28,300	46,113	**48,030**
Inventories	3,111	3,133	4,305	5,568	**5,660**
Deferred tax assets	-	8,812	10,462	19,233	**43,329**
Property, plant and equipment	24,045	38,334	43,018	76,069	**90,519**
Intangible assets, excluding goodwill	30,210	25,154	33,267	135,033	**122,989**
Goodwill	44,815	45,648	85,688	220,447	**220,791**
Other assets	8,338	12,448	22,797	72,856	**91,116**
Total assets	**224,600**	**288,538**	**354,107**	**666,475**	**771,883**
Loans and finance leases	21,549	22,943	28,827	189,928	**114,465**
Trade accounts payable	9,450	12,171	11,997	26,078	**31,137**
Provisions	21,651	44,036	30,340	39,132	**47,965**
Contract liabilities	7,150	15,272	56,484	44,844	**93,717**
Other liabilities**	6,417	7,022	12,523	34,578	**59,719**
Total stockholders' equity	158,383	187,094	213,936	331,915	**424,880**
Total liabilities and stockholders' equity	**224,600**	**288,538**	**354,107**	**666,475**	**771,883**
Working capital***	16,773	(9,187)	(8,822)	12,150	**(39,036)**
Current ratio****	3.79	2.96	2.31	0.73	**1.27**
Receivables turnover*****	3.54	6.06	5.81	5.72	**7.82**
Intangibles and goodwill to total assets	33.4%	24.5%	33.6%	53.3%	**44.5%**
Provisions to total liabilities and stockholders' equity	9.6%	15.3%	8.6%	5.9%	**6.2%**
Equity ratio	70.5%	64.8%	60.4%	49.7%	**54.9%**

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

*** Consist of current and deferred tax, deferred income and other financial and non-financial liabilities*

**** Working Capital = Current assets excl. cash, cash equivalents and investments minus current liabilities excl. bank loans*

***** Current ratio = Total current assets/Total current liabilities*

****** Receivables turnover =Revenues/Trade account receivables*

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

In 2018, Evotec recorded a very strong top-line performance with 41% Group revenue growth driven by a strong performance in the base business, increased milestone payments and contributions from the acquired business of Aptuit. Revenues from milestones, upfronts and licences increased by 6% in 2018 compared to the previous year, mainly due to milestone revenues earned in Evotec's collaborations with Bayer in endometriosis/chronic cough and kidney diseases, and from Evotec's iPSC-based collaborations with Celgene in neurodegeneration as well as Sanofi in diabetes.

2018 was a strong year for both segments. The EVT Execute segment continued its profitable growth with revenues increasing by 39% compared to the prior year due to a strong performance of the base business and a positive contribution from the Aptuit acquisition. Revenues in the EVT Innovate segment increased by 57%, primarily resulting from signing of new partnerships and milestone achievements in existing key alliances.

Adjusted Group EBITDA for 2018 recorded a significant step-up of 67% compared to the prior year. In fiscal year 2018, the adjusted EBITDA of the EVT Execute segment was positive, resulting in an adjusted EBITDA margin of 25.0%. Following increased milestone revenues, the adjusted EBITDA of the EVT Innovate segment was positive in 2018.

Evotec's year-end liquidity and equity ratio continued to be strong at € 149.4 m and 54.9%, respectively. In 2018, Evotec utilised its strong liquidity position to repay the majority of the bridge loan granted in the context of the Aptuit acquisition in 2017. Furthermore, the strong cash position allows the possibility for the Company's strategy to be accelerated not only through organic growth but also through potential acquisition of technologies or assets. It also enables the continued investment in proprietary EVT Innovate R&D projects via Cure *X* and Target *X* initiatives to generate significant additional long-term upside potential. In addition, it allows the Company to selectively participate in company formations and equity investments.

In 2019 and beyond, Evotec's management expects continued growth of the EVT Execute business and new EVT Innovate alliances to be initiated. Evotec's adjusted Group EBITDA is expected to improve compared to 2018.

EMPLOYEES

As a global company, Evotec's success depends upon the expertise of its 2,617 employees, who embody the ONE Evotec culture consisting of three values: Entrepreneurship, Innovation and Collaboration. Thus, attracting and retaining those highly skilled and motivated employees is of highest importance. It is vital for Evotec to provide an environment where employees feel valued so that they can reach their full potential. This applies even more in times of significant growth as experienced again in 2018.

Evotec has established a globally aligned recruitment process with professional recruitment teams in order to attract experienced candidates and promising talents. To further engage and retain its talents, an employee referral programme has been implemented: Employees that contribute to the recruitment process by recommending candidates are rewarded for their contribution.

— HEADCOUNT —

As of 31 December 2018, the Evotec Group employed a total of 2,617 employees worldwide. This is a total increase of 20% compared to prior year's end. Besides continued organic growth, it also reflects the expansion of the Company through the acquisition of the infectious disease unit from Sanofi in Lyon. Overall, Evotec has grown by 439 (absolute number) employees in 2018.

Across all sites and functions both in Europe and the USA, new employees were hired to further increase the Company's capacity on innovation and to provide best-in-class service to Evotec's partners and clients.

HEADCOUNT AS OF 31 DECEMBER

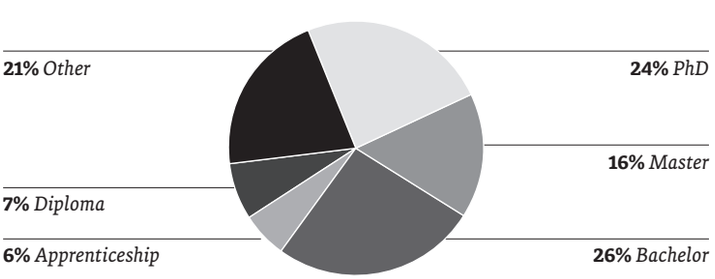
	2017	***2018***
Research*	1,344	**1,425**
Development*, **	521	**724**
Compound Management*	41	**84**
Sales and Administration*	272	**384**
Total Evotec Group	**2,178**	**2,617**
Total France	356	**538**
Total Germany	509	**613**
Total Italy	600	**644**
Total Switzerland	10	**16**
Total UK	604	**681**
Total USA	99	**125**
Total Evotec Group	**2,178**	**2,617**

** Across all Evotec sites*

*** Development operations includes all the services needed to transform a drug candidate typically originating from Research into a finished drug product ready to be administered in humans by the oral or the inhalation route.*

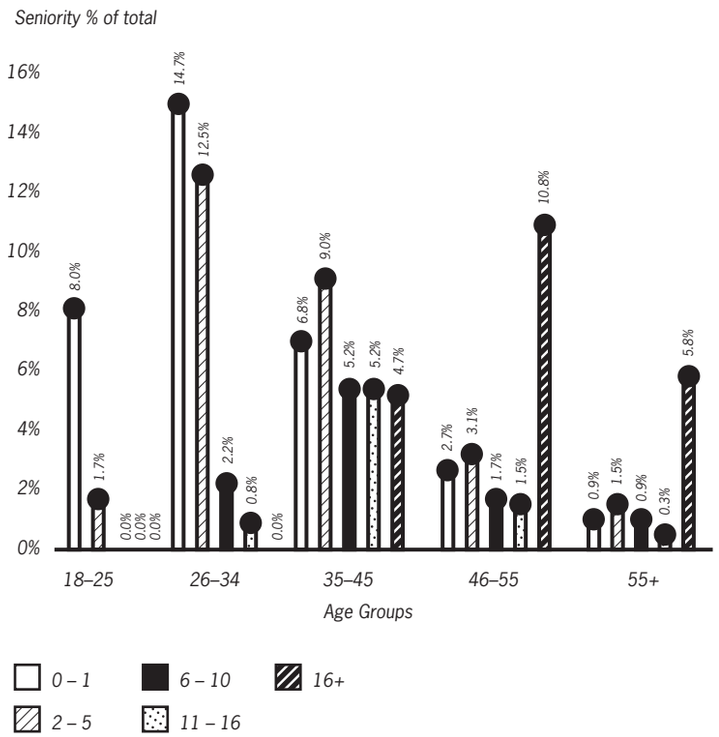
Evotec has a highly skilled workforce with 73% employees having at least one academic qualification. 24% of the Company's total workforce hold a PhD degree.

EMPLOYEES BY LEVEL OF EDUCATION AS OF 31 DECEMBER 2018



Approximately 39% 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 2018 was 41 years.

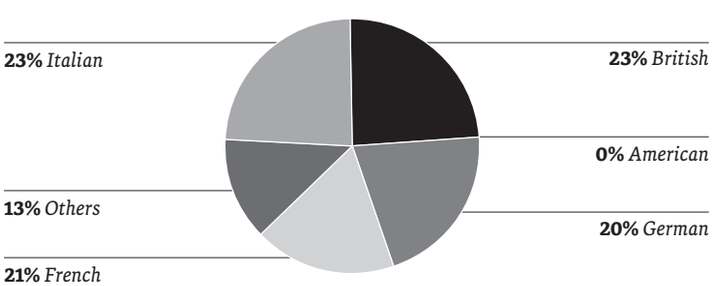
EMPLOYEES BY AGE GROUPS AND SENIORITY



— DIVERSITY —

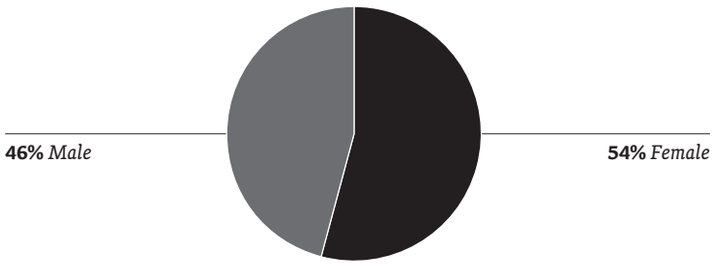
Evotec operates in a global industry with a broad international customer base. Therefore, the Company seeks the most suitable, qualified talent regardless of gender, nationality or age. By embracing diversity, Evotec can better adjust to changing markets, secure access to a broader pool of highly qualified, talented individuals and benefit from the subsequent high cultural diversity. At the end of 2018, Evotec employed 2,617 individuals from 69 nationalities.

*EMPLOYEES BY NATIONALITY AS OF 31 DECEMBER 2018**



**USA is not allowed to be reporting this data*

Men account for 46% and women account for 54% of all employees globally.



— INTEGRATION OF CYPROTEX AND APTUIT —

Full integration of Aptuit and Cyprotex into the Evotec Group has been the special focus in 2018. Compensation & Benefit schemes have been aligned and integrated, and a timeline for implementation has been defined. For the newly acquired business in Lyon, this work is still ongoing.

— EVOCONNECT – EVOTEC'S PERFORMANCE MANAGEMENT APPROACH —

2018 has been the first full year of Evotec's global performance management approach "EVOconnect". Evotec's employees have embraced the new way of communicating about their progress wholeheartedly. "EVOtalks" (the one-to-one dialogue between line managers and employees) and SBI (a tool to provide regular, timely feedback) have been integrated into the way of working. SBI stands for Situation, Behaviour, Impact and is considered an ideal way to present feedback in a constructive and motivating manner within Evotec.

The Company was able to create an individual employee experience that concentrates on engagement, growth, performance, skills and career progression throughout the year. After the first full performance management cycle and experience with the main components of the new approach, EVOtalk and "EVOrecognition", Evotec regards this as a successful roll-out. EVOrecognition is a global rewards system within the Evotec Group to acknowledge and value outstanding individual and/or team contributions.

— WORKDAY – EVOTEC'S NEW HRI SYSTEM —

Workday has been chosen as the global Human Resource Information System ("HRIS") for Evotec going forward. As a scalable solution, Workday is able to best support Evotec's growth. The global roll-out will take place in three phases starting in 2018 until 2020. With globally aligned underlying HR processes and due to the way that Workday is designed, Evotec will also be able to even better integrate new acquisitions in the future.

In November 2018, the first phase went live globally with a focus on different core modules. In an intensive design phase, all existing and new HR processes have been reviewed and globally aligned. This gives

employees and managers across the whole Company clarity and security on how processes are working and, in addition, ensures a consistent user experience. All relevant employees and line managers have been trained on how to utilise the system.

Further modules will be rolled out through 2019 and 2020 and will enable the Evotec Group to harmonise additional HR processes.

With Workday, the Evotec Group is now able to build an internal global talent pool within the system. It will improve the recruitment of new candidates as well as the development of its existing workforce.

— EMPLOYEE WELFARE —

As an employer, Evotec is fully aware that offering a good balance between work and personal life is not only important for achieving corporate success and employee engagement. It is also a significant aspect when recruiting new talent to the Company. Therefore, where appropriate, Evotec offers the possibility of part-time employment arrangements as well as flexible and work-at-home options.

Evotec is also benchmarking the Company against common market practices to be competitive with the local markets.

— EMPLOYEE DEVELOPMENT —

Evotec continues to offer training programmes in different skill areas and coaching support on an individual need basis.

Its active online lecture programme delivered by external academics from leading universities has been extended to include scientists in Toulouse and Verona. This keeps the Company's scientists familiar with novel early-stage research.

In addition, intense training modules on SBI feedback, EVOtalks, as well as language training have been delivered.

Another area has been the education of laboratory workforce within Aptuit UK where the Apprentice Scheme programme has been extended in 2018. In addition, the Company's German locations have extended their Apprenticeship Programme into 2019.

Furthermore, Evotec and Cyprotex offer short-term work experience for students to introduce them to a career in science.

Evotec puts particular emphasis on leadership development and has started with leadership training at Cyprotex in 2018. Further leadership development training sessions will take place in 2019.

PROCUREMENT AND FACILITY MANAGEMENT IN 2018

In 2018, the procurement and logistics function at Evotec extended the mid-term ONE Procurement strategy roadmap (established in 2013) to its new Verona, Basel, and Abingdon sites. The main pillars of this strategy are the further development of an efficient supply chain, the establishment of strategic partnerships and disciplined cost control while maintaining the highest level of product quality. Lean projects focussing on efficiency were implemented and rolled out on a global level. A further optimised use of the resources added value for the Company, enhancing service levels and, ultimately, project delivery and customer satisfaction.

The acquisition of Aptuit strengthens the global relationship with the joint suppliers of Evotec and Aptuit. Furthermore, the new acquisition of the Lyon site brings additional synergies to the procurement portfolio, supplier enhancement and efficiency.

Regarding logistics, an enhanced function focused on production materials management will provide additional value to the supply chain with special attention to the production sites of Verona and Abingdon.

To gain additional lab space in Hamburg, 2018 saw the further development and fit-out of Evotec's headquarters in Hamburg (Germany), the Manfred Eigen Campus. In addition, Evotec leased additional premises next door to its headquarters from February 2018 onwards to support the continued growth of the business in Hamburg. These premises are used to outplace the administration and management team.

In August 2018, Evotec signed a lease contract for a new building in Göttingen with approximately 4,500m² of laboratories and offices to support further expected growth. The facility is being constructed by a governmental development company and leased to Evotec for a fixed twelve-year term plus optionality of prolonging the lease. This new building is expected to be handed over to Evotec in summer 2020.

As part of the acquisition of Aptuit, Evotec took over three new sites in Verona (Italy), Basel (Switzerland), and Abingdon (UK) in 2017. The Aptuit Abingdon site is located directly next to Evotec's existing premises in Abingdon. Merging both premises into one Abingdon site has already created synergies, such as merged supply agreements, and will continue to provide synergies once the integration is fully completed.

With the closing of the major multi-component strategic alliance with Sanofi on 01 July 2018, Evotec has expanded its capacities in France by a sublet facility of approximately 4,200m² in Marcy l'Étoile, near Lyon. This facility is sublet from Sanofi Pasteur for a term of three years. Thereafter, Evotec is supposed to rent its own facility in the Greater Lyon area outside the Sanofi Pasteur site.

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

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

Post-balance sheet events

There are no material events to be reported.

Risk and opportunities management

RISK MANAGEMENT OVERVIEW

Understanding and ensuring transparency in risk-taking are key elements of the Evotec business strategy. The Company's ambition is to exceed high standards and strives to become a leader in the industry. Therefore, taking and managing certain risks is integral part of the business.

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

Like all global companies, Evotec faces increasing and ever-changing conditions of internal and external risk. The Company aims to continually strengthen its risk management framework, risk identification, stakeholder reporting and mitigation efforts for risk prevention.

The Company is currently in the process of optimising its internal rating system, expanding its risk register and educating employees on forward-looking risk awareness as well as risk identification, mitigation and reporting. The Management Board continues to invest in risk identification and mitigation capabilities, particularly regarding cyber and data security.

RISK AND OPPORTUNITIES MANAGEMENT PRINCIPLES

Evotec is subject to risks and opportunities that have the potential to negatively or positively impact the financial and operational position of the Group. Within the Group, risks are defined as potential developments that may lead to a negative deviation from the guidance or goals of the Company. Evotec defines opportunities as potential developments that may lead to an upside to the guidance or goals of the Company.

Evotec's risk management system comprises all the controls that ensure a structured management of opportunities and risks throughout the Evotec Group. Evotec considers risk and opportunities management as an 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, operating and financial functions allows Evotec to recognise risks and opportunities at an early stage. Where possible, Evotec's Management Board responds to risks and opportunities by implementing the necessary corrective or supportive measures.

RISK AND OPPORTUNITIES MANAGEMENT SYSTEM

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

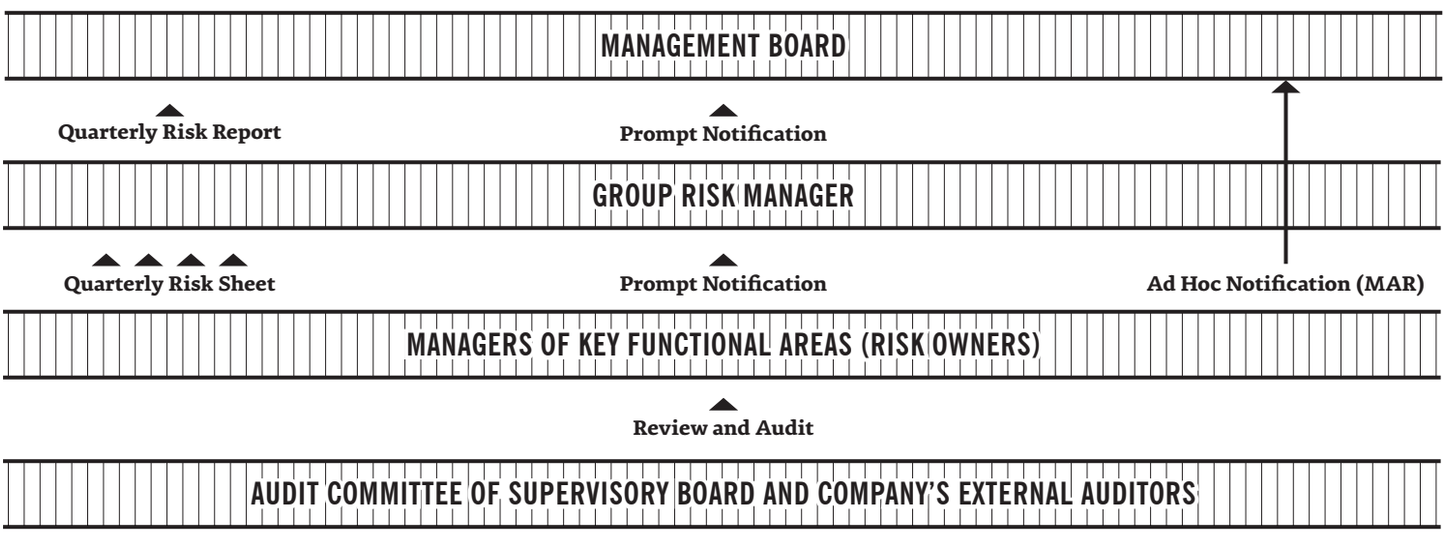
To cover other risks associated with the Company's business, including those that would not have a short-term financial impact, Evotec performs regular commercial project portfolio reviews. Strict application of project and investment approval processes, legal contract reviews and signing authorities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

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

The risk management system comprises the following elements:

(i) An **early detection system** to identify risks as early as possible, to precisely describe and quantify them, to estimate their probability of occurrence, and to report them immediately to the management so that it can deal with them in a timely manner. The Risk Owners have the primary responsibility for the identification of risks and opportunities. Through *prompt notifications and quarterly risk reports,* any risks that are either outside the normal course of business or that might have a material 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 potential 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 relevant risks should they fully materialise simultaneously. To date, Evotec has always passed these cash stress tests.

In addition, any triggering information for an ad hoc notification required pursuant to the European Market Abuse Regulation ("MAR") would be reported directly to the Management Board immediately after the detection of such an event. An ad hoc committee convenes once a week to ensure that all relevant circumstances are evaluated properly.



(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.

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Section 91 paragraph 2 of the German Stock Corporation Act (AktG) in conjunction with section 289 paragraph 4 of the German Commercial Code (HGB) requires the Management Board to take responsibility for adhering to – and reporting on – an internal control system for reliable financial reporting. The internal control system is part of the risk management system and primarily ensures the preparation of financial statements according to regulatory and legal requirements. It is an integral part of the accounting and financial reporting process in all relevant legal entities and central functions. The internal control system comprises all the principles, processes and measures (such as preventive and detective controls) that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. Evotec complies 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. These controls are checked on an ongoing basis and are subject to annual testing by an independent third party. As an exemption of this rule, the annual testing in 2018 was focused on the design effectiveness of internal controls over financial reporting to ensure the right and appropriate controls being applied and rolled out, in particular in the course of the integration of the acquisitions of Cyprotex and Aptuit in 2016 and 2017, respectively. No material weaknesses were identified. All detected deficiencies were addressed and remediation processes were initiated.

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 to avoid risks from fraud and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with applicable International Financial Reporting Standards ("IFRS"). The Company's control system is based upon:

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

Among other things, Evotec regularly checks whether:

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

The management has determined that Evotec's internal controls over financial reporting, based on the integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), are effective in both their design and operation.

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

Evotec is confident that the systems and processes can significantly reduce the risk of negative impacts on the Company's financial results and its financial reporting. They enable the Company to recognise specific Company-related issues in the Consolidated Financial Statements as appropriate. However, due to the very nature of business activity, discretionary decision-making, faulty checks, following criminal acts or other 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 wide range of risks entirely consistent with its business undertaking and the industry in which it operates. The business, financial condition and results of Evotec may be materially adversely affected by any of these risks.

Evotec has summarised the most important risks in the following categories: Business environment and industry, performance-related, commercial, strategic, financial, statutory/legal, compliance, intellectual property ("IP"), human resources ("HR"), IT/Technology and operational.

MANAGEMENT BOARD'S ASSESSMENT OF THE RISK SITUATION

The Management Board provides an overview of the probability of occurrence and the potential financial impact of key individual risks in the following tables. The risks are evaluated according to their probability of occurrence and potential impact on Evotec's cash position and net results. This assessment of overall risk is based on the risk management system used by Evotec as outlined above. The Management Board regularly monitors the effectiveness of Evotec's risk management in order to be able to swiftly identify and assess potential risks, to implement appropriate countermeasures, and to enhance its system and procedures.

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

However, the Company has not made changes in its risk exposure and risk classification rating (amounts) during 2018 with regard to financial impact to follow a conservative approach.

PROBABILITY OF OCCURRENCE

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

POTENTIAL FINANCIAL IMPACT ON LIQUIDITY

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

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

CORPORATE RISK OVERVIEW

	Probability of occurrence	Prior year Probability of occurrence	Potential financial impact	Prior year Potential financial impact	Comparison to prior year
Business environment and industry					
a. Risk inherent to drug discovery alliances					
Pricing pressure	Medium/High	Medium	Medium	Medium	**Changed**
b. Risk inherent to proprietary drug discovery and development					
Risk of failure	High	High	Medium/High	Medium/High	**Unchanged**
Risk of extensive regulation	Medium	Medium	Medium	Low	**Changed**
Product liability claims	Low/Medium	Low	High	High	**Changed**
Risks involving quality control in R&D	Low/Medium	N/A	Medium	N/A	**New**[1)]
Performance-related					
Fluctuating capacity and resource allocation	Medium/High	Medium	Medium	Medium	**Changed**
Dependence on individual large customers	Medium/High	Medium	High	High	**Changed**
Scientific or technical delivery risks	Medium	Medium	Medium	Medium	**Unchanged**
Maintenance of customer recognition and branding	Low	Low	Medium	Medium	**Unchanged**
Commercial					
Changing market environment	Low/Medium	Low/Medium	Medium	Medium	**Unchanged**
Dependence on individual out-licensing events	Medium	Medium	Medium	Medium	**Unchanged**
Outperformance by competitors	Low	Low	Medium	Medium	**Unchanged**
Strategic					
Implementation and achievement of strategic goals	Medium	Medium	High	High	**Unchanged**
Risk from M&A	Medium	Medium	High	High	**Unchanged**
Political	High	N/A	Medium	N/A	**New**[1)]
Risk from investment strategy	Medium	Low	Medium	Medium	**Changed**
Financial					
Liquidity	Low/Medium	Low	Medium	Medium/High	**Changed**
Default risks	Low	Low	Medium/High	Medium/High	**Unchanged**
Foreign exchange uncertainty	Medium	Low/Medium	High	High	**Changed**
Legal					
Litigation	Low/Medium	Low	Low/Medium	Low	**Changed**
Contractual	Low	N/A	Low/Medium	N/A	**New**[1)]
Compliance					
Regulatory	Medium	N/A	Low/Medium	N/A	**New**[1)]
General Legal Compliance	Low	N/A	Medium	N/A	**New**[1)]
IP					
Dependence on technology patents and proprietary technology	Medium	Low/Medium	Medium/High	Medium/High	**Changed**
Dependence on licences granted for partnered assets	Low	Low	Medium/High	Medium/High	**Unchanged**
HR					
Industrial action/labour dispute	Low	Low	Low	Low	**Unchanged**
Dependence on key personnel	Medium	Low	Medium	Medium	**Changed**
IT / Technology					
Loss of Data	Medium	Low	Medium/High	Medium/High	**Changed**
Data integrity and protection	Medium	Low	Medium	Medium	**Changed**
Cyber-attacks	High	High	High	Medium	**Changed**
Operational					
Enviromental, Health and Safety	Medium	N/A	Low	N/A	**New**[1)]
Risks involving production	Low	Low	Low	Low	**Unchanged**
Major disastors on sites	Low	N/A	High	N/A	**New**[1)]

[1)] *Newly reported in the corporate risk overview*

— BUSINESS ENVIRONMENT AND INDUSTRY RISKS —

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

However, there are significant and increasing challenges for the industry. These include pricing pressure, productivity, complexity and cost of research and development, innovative developments, changing relationships and partner focus due to further consolidation in the industry, continued patent expiration, and regulatory hurdles on a global scale. Pharmaceutical companies of all sizes are re-evaluating their business strategies and M&A activities to remain competitive in the business environment. Therefore, judicious cost management, continuous enhancement of capabilities and technologies, careful market positioning, revenue diversification and sales from high-value results-based contracts are critical for Evotec's success.
The probability of occurrence of risks due to pricing pressure changed to Medium/High, as the continued consolidation in the industry results in a potentially smaller customer base for Evotec while remaining in a competitive environment.

Risks inherent to proprietary drug discovery and development
Evotec has a clear strategic focus on drug discovery and development alliances and engages in limited proprietary discovery activities, generally in order to initiate such alliances. Later-stage clinical development projects are currently only undertaken if a partner funds the development costs.

Although Evotec's proprietary investments are limited, drug discovery and development always carries inherent risk. Today, the Company has no commercial drug products with market approval, and there is no assurance that Evotec or its strategic partners will successfully develop and commercialise potential drugs. Significant returns may only materialise when successful research leads to upfront and milestone payments and when potential royalties from future drug sales are received. However, if the development of an in-licensed or acquired project or drug candidate does not proceed as expected, an impairment of the intangible asset may be required that may impact Evotec's financial position.

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

The Company's risk profile has changed with respect to potential impact of the risk of extensive regulations as well the probability of occurrence regarding potential product liability claims. These changes are due to the additional number of clients, to the multi-jurisdictional complexity where it operates, and to the regulatory uncertainty/impact resulting from current political risks.

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

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

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

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

— 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 demand as well as resource allocation among multiple sites can significantly impact Evotec's profitability. Therefore these factors need to be continually managed and calibrated. The Company has increased the probability of occurrence risk to Medium/High due to the additional research sites acquired and increased complexity. In addition, dependence on individual large customers attracts special attention due to the possible short- and long-term impact of any change. The probability of occurrence risk has increased to Medium/High as the continued consolidation in the industry results in a potentially smaller customer base for Evotec while remaining in a competitive environment. In the current fiscal year, Evotec's Top 3 largest customers accounted for 30% of total revenues (see the "Development of Top 10 customers" table on page 32 of this Management Report), compared to 36% in 2017.

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

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

— COMMERCIAL RISKS —

Commercial risks include the following:

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

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

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

▸ 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 —

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

Implementation and achievement of strategic goals

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

Risks from M&A

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

Transactions inevitably present challenges to Evotec's management, 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 potential loss of key personnel and invalidation of technologies, IP, contracts and science.
Evotec has expanded its infectious disease capabilities with the acquisition of Sanofi's infectious disease unit in Lyon (France). Pursuant to the agreement, the Company has also licenced-in the majority of Sanofi's infectious disease research portfolio. There is a risk that some or all of the assets may lead to an undesired outcome in further research or a loss of funding, general IP risk, objections from business partners and general integration risks.

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

Political risk

The Company monitors political uncertainty and actively works with stakeholders to evaluate and mitigate a potential negative impact on the Company where possible. Scenario planning is used to make the necessary

decisions for potential events such as a "hard BREXIT", a "soft BREXIT" or the impact of a trade war.

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

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

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

▸ Personnel: The BREXIT may limit the free movement of persons between the UK and the EU member states and their return and their stay could be State regulated. This may lead to some positions not being staffed temporarily. Evotec employs UK citizens in the EU and vice versa. The majority of the affected activities could be executed virtually from other sites, however. Furthermore, the discontinuation of EU-wide social security provisions could negatively impact certain individuals, who work outside of the EU or the UK. Evotec currently evaluates any potential effects on those individuals in order to be able to provide consulting and list possible individual alternatives.

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

▸ Patent rights: Due to the European Patent Convention, patent rights will remain largely untouched following the exit of the UK from the EU, since the UK will continue to be a member of the European Patent Convention. Further information can be found at https://www.gov.uk/government/publications/ip-and-brexit-the-facts/ip-and-brexit.

▸ Payment transactions and exchange rates: Due to some provisions regarding the exchange of payment-transaction data between banks in the UK and the rest of Europe becoming invalid, there may be delays in payment transactions. To prevent liquidity shortfalls at its UK subsidiaries, Evotec intends to increase their cash balance temporarily.

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

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

Risks from investment strategy

The Company has a strict investment policy. The Company's Audit Committee of the Supervisory Board (the "Audit Committee") must approve changes. No changes have been made in the past fiscal year.

In 2018, Evotec continued to expand its EVT Innovate business strategy through equity participation and funding rounds in selected companies. These investments enable Evotec to accelerate its business model as they provide a beneficial risk-reward profile potentially through to clinical stage in selected fields of high strategic medical relevance. The probability of occurrence risk has been increased to Medium due to Evotec's increased investment volume. Typically, Evotec's equity stake after the financing round amounts to 4%-30%. Based on its minority shareholdings, Evotec has only limited control regarding the development of such investments and is exposed to the risks inherent in drug discovery and development (see "Business environment and industry risks" paragraph in this chapter).

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, expenditures, external events and changes in the business environment might negatively impact Evotec's short- to mid-term profitability and cash reserves. To actively address any related risk, Evotec's management has defined minimum liquidity levels and regularly undertakes scenario planning in order to safeguard its cash position. Evotec believes that existing liquidity reserves are sufficient to cope with the impact of all relevant risks. Evotec is currently well-financed; however, the Company regularly reviews options for capital increases and for the use of other refinancing tools. Such additional financing might also be required if new opportunities arise for M&A or in-licensing. The Company does not intend to engage in projects unless adequate funding is allocated or can be secured.
The Company has successfully enhanced its funding ability due to its market position, growth and commercial record of accomplishment. Evotec believes that in the current environment of economic and political uncertainty the likelihood of such risk has increased. However, the potential impact has decreased due to the Company's prudent management.

▸ 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. In 2018, Evotec has reserved € 0.5 m for doubtful receivables in few cases.

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

▸ Currency exchange movements also impact Evotec's reported liquidity primarily through the translation of liquid assets held in US dollars or Pound Sterling into Euros. Due to the high political uncertainty and potential strong market reaction in the coming months, the probability of occurrence has been increased.

— LEGAL RISKS —

Evotec operates in a competitive market, in which legal compliance, solid agreements and intellectual property rights are of significant importance.
Evotec does not expect any material warranty or future liability claims from its existing agreements. Due to the Company's growth, the probability of occurrence and the potential financial impact has been increased to Low/Medium.
Due to the increased complexity of some contracts and performance-related risks, the Company included contractual risks in the corporate risk overview.
In 2018, Evotec did not encounter any additional or significant legal risks, except for an ongoing legal argument about the scope of the licensed patent with one licensor from which Evotec has licensed certain technology.

— COMPLIANCE RISKS —

In the research and development space and the countries in which the Company operates, there is a trend towards stricter regulations. In the event that these regulations are further tightened, there is a possibility that the use of certain technologies can be limited and additional expenses could arise, which could have an adverse influence on the Company's financial position or results.
Regulatory compliance is of utmost importance within the Group. In 2018, the Company allocated additional resources to ensure full compliance with all relevant regulations. Internal compliance with company policies is paramount to the Company's success and ensures a safe work environment for its employees and early detection of potential risks. It is essential for Evotec to ensure that the Company in general and its employees individually conduct business in a legal, ethical and responsible manner.
Employees are obliged to immediately report any incidents they suspect of having breached the ethical guidelines laid out in the Companies Code of Conduct to their manager or to the Company's Compliance Officer.

— IP RISKS —

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

The risks associated with intellectual property include the following:

▸ Evotec is dependent on patents and proprietary technology, both its own and those licensed from others, and places great emphasis on patent protection and patent monitoring. The Company's success depends in part on its ability and the ability of its licensors to obtain patent protection for technologies, processes and product candidates, to preserve trade secrets, to defend patents against third parties seeking to invalidate such patents and to reinforce rights against infringing parties. Any disputes could result in sizeable additional expenses, project delays and absorption of management attention and in a dramatic reduction of project values or even in full project abandonment. The probability has increased in 2018 due to the Company's increased R&D focus and licensing activity as well as the 2018 acquisition of the former Sanofi site in Lyon.

▸ Evotec holds licences relating to some of its proprietary pre-clinical and clinical research projects. Any termination of these licences could result in the loss of significant rights and endanger existing partnering collaborations or freedom to operate. However, Evotec strives to maintain long-term and trusting relationships with its partners and is therefore confident that such licence agreements will remain unaffected, except for an ongoing legal argument about the scope of the licensed patent with one licensor from which Evotec has licensed certain technology.

— HR RISKS —

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

▸ 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 as a key risk mitigation and business strategy. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future is critical to Evotec's success and its top

scientific staff is in great demand. If Evotec is unable to attract and retain personnel on acceptable terms despite its strong corporate culture and industry leadership position, this may delay Evotec's development efforts or otherwise harm its business.
The current uncertainty and scenario of a hard BREXIT has the potential to hinder the hiring of qualified staff for its sites in the UK and makes transfer of employees to other Evotec sites more difficult. Furthermore, finding qualified employees is a challenge due to the overall economic growth in the countries in which Evotec has operating sites. In the recent past, Evotec has not encountered serious difficulties in attracting and retaining qualified employees despite its strong personnel growth.

— IT AND TECHNOLOGY RISKS —

▸ IT services are essential to the Company's success, and the Company recognises that a loss of data or service may result in a financial loss, loss of client trust as well as reputational damage.
Evotec invests in resilient systems, makes upgrades to security systems, backs up data to different geographical locations, enhances IT policies and consolidates user awareness. These measures mitigate the effect of hazards such as natural disasters, power failures, system upgrade failures, theft and data corruption as much as reasonably possible.

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

▸ In 2018, the exposure to cyber-attacks further increased in the industry as a whole. The related risks are: loss, destruction, unauthorised encryption or corruption of data arising from captured passwords, virus attacks, physical access to Evotec's servers by non-authorised people or other unauthorised modifications to the Company's systems. Evotec's own and/or client data required for the day-to-day operations might be inaccessible or destroyed and might prevent Evotec from day-to-day management and delivery of its business. To protect the Company from virus attacks and cybercrime activities, Evotec employs antivirus and antimalware software, as well as firewalls running at relevant points of entry. In addition, systems are updated as often as possible, enabling the installation of new versions or patches with better secured authorised access, improved protection against malware and viruses to all systems possible. Systems that cannot be updated for technical reasons (e.g. due to lack of technical support) are – where feasible – isolated from the main network or replaced. In addition, relevant employees (e.g. in the financial and IT departments) are educated and regularly reminded of the risks and kinds of potential attacks that may occur. Evotec has increased resources and investments in order to further secure its IT and data on all it sites.
Despite the Company's efforts and in light of rapid technology changes and the evolving sophistication of attack methods used to infiltrate systems globally, there is a possibility that a cyber-attack event could occur that would adversely affect the Company's business and reputation. As a consequence, the probability of occurrence as well as the potential financial impact have been increased to High.

— OPERATIONAL RISK MANAGEMENT —

Evotec continuously enhances its operational risk management and refines the risk management accountability and performance assessment mechanism of all departments and divisions. The Company actively gathers new statistics on operational risk to enable proactive mitigation efforts and opportunities. The long-term objective is to monitor the level of operational risk in all its divisions and departments on a monthly basis to have a preventive effect, to help minimise the Company's operational risk, and to contribute to long-term cost savings.
Compared to the prior year, the Company summarised operational risks in the corporate risk overview to adjust for the current risk profiles. Additionally, risks from major potential disasters on sites were added to the corporate risk overview due to the growth of the Company.

Environmental, Health and Safety

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

Risks involving production

Production risks are not considered to be significant and remained stable in relation to the previous year.
With the acquisition of Aptuit, parts of the operation are carried out under GMP, GLC and GLP regulations that are certified and periodically audited by the regulatory agencies such as FDA, MHRA, AISA and the Company's customers. Audit findings may lead to a loss of the GxP certification with the regulatory agencies or a loss of the approved supplier status at the Company's customers and a subsequent loss in revenues. To control this risk, Evotec has established a Quality Assurance System that monitors compliance with these regulations. There have been no audit findings leading to a loss of any of the Company's certifications during recent years.

Risks related to major disasters on sites

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

OPPORTUNITIES

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

BUSINESS ENVIRONMENT AND INDUSTRY OPPORTUNITIES

The pharmaceutical industry is in a state of restructuring and transition due to patent expiries, higher burden of approval, reimbursement and cost pressure that many Pharma companies are currently experiencing. This has led to a decreasing number of research-based pharmaceutical companies taking the full financial risk of drug R&D. New strategies are being developed leading to an increase in the appetite to outsource innovation in a capital-efficient manner. In addition, ageing populations in developed countries continue to demand better drugs that are clearly differentiated from existing treatments. As a result of these developments, Pharma companies are increasingly outsourcing their research and development activities. Such outsourcing enables Pharma companies to convert fixed costs into variable costs, gives them access to expertise in selected areas and spares them the need to build internal suboptimal utilised capabilities and infrastructure. Evotec's position enables it to leverage this trend and consequently pursues a business model to secure business and create commercial opportunities from this situation.

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

— STRATEGIC OPPORTUNITIES —

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

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

— PERFORMANCE-RELATED OPPORTUNITIES —

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

— COMMERCIAL OPPORTUNITIES —

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

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

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

— HR OPPORTUNITIES —

Human resources is the most critical asset for companies in the Pharma and biotech industry. The Company believes that its success in alliances and partnerships is attributable to its key personnel. As stated in the "Employees" chapter on page 58 of this Management Report, approximately 39% of Evotec's employees have worked for the Company for more than five years. Retention of employees who have outstanding expertise and skills in the long term will have a positive impact on the Company's business, results of operations and financial position.

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

Outlook

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

EXPECTED GENERAL MARKET AND HEALTHCARE DEVELOPMENT

— ECONOMIC DEVELOPMENT —

According to the World Bank, global growth is projected to amount to 2.9% in 2019 and on average 2.8% in 2020-21, showing a similar, yet slightly lower growth compared to the estimated global growth rate of 3.0% in 2018. Economic growth in the USA is expected to amount to 2.5% in 2019, down from an estimated 2.9% in 2018. Eurozone growth in 2019 is projected to amount to 1.6% (2018: 1.9%). Continued trade tensions and slowing industrial activities, tightening of global financing conditions, political uncertainties (e.g. BREXIT) and protectionist tendencies are expected to influence global economic development in 2019. 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 AND DEVELOPMENT ALLIANCES —

The global drug discovery and development market is expected to experience continued growth as described earlier. This demand for efficient external innovation will be met increasingly by companies such as Evotec. Detailed market data of the global drug discovery and development market can be found in the "Organisational structure and business activities" chapter on page 28 of this Management Report.

The pharmaceutical industry will increasingly favour larger strategic and integrated research contracts that are easier to manage. Integrated research contracts may carry commercial risk-sharing components, however, these commercial risks are perceived to be low. This shift presents a challenge for the highly fragmented drug discovery and development outsourcing industry. Nevertheless, Evotec is ideally positioned to take full advantage of these market developments.

— TRENDS IN RESEARCH AND DEVELOPMENT —

In 2018, the number of novel drug approvals by the FDA amounted to 59 and thus increased from its prior-year level of 46 new drugs in 2017. Of these, a steadily growing proportion originates from biotech companies, demonstrating their importance as a key innovation driver in this field. Pharma companies continue to need access to significant numbers of new innovative medicines and approaches in order to ensure sustainable growth. As a result, pharmaceutical companies are expected to continue to make significant investments into the development of innovative and promising drug candidates and are turning to external innovation sources and partners to replenish their pipelines. With its approach of partnered drug discovery and development and its record of accomplishment of partnerships with Pharma companies, Evotec's management regards the Company as well positioned to benefit from this trend going forward.

BUSINESS DIRECTION AND STRATEGY

Following its strategic framework Action Plan 2022 – "Leading External Innovation", Evotec's management focuses on growing the Company and increasing its value by expanding its leadership position in high-quality integrated drug discovery and development solutions. Evotec's strategy is to become the external innovation partner of choice in drug discovery and development for large Pharma and biotech companies as well as foundations. By means of its hybrid business model, consisting of its two operating business segments EVT Execute and EVT Innovate, Evotec is able to engage in service alliances and tailor-made risk-shared collaborations as well as entering into translational (BRIDGE) agreements with Academia.

Evotec continues to manage its drug discovery and development activities under the business segments EVT Execute and EVT Innovate. EVT Execute represents all collaborations in which the customer brings the underlying intellectual property to the collaboration. EVT Innovate comprises all collaborations derived from Evotec's developed assets and platforms (developed either internally or through academic collaborations) and Evotec's equity participation in certain companies. Further information on Evotec's two business segments can be found in the "Corporate objectives and strategy" chapter on page 29 of this Management Report.

Specific objectives for the segments EVT Execute and EVT Innovate as well as Corporate goals for 2019 were defined at the end of 2018.

EVT EXECUTE	EVT INNOVATE	CORPORATE
▸ Continued strong growth and new integrated service alliances	▸ New co-owned partnerships from own R&D ▸ New clinical initiations and important progress of co-owned pipeline ▸ Important milestones from existing alliances ▸ Initiation of new BRIDGEs	▸ Corporate investing initiatives

EXPECTED RESEARCH AND DEVELOPMENT, NEW PRODUCTS, SERVICES AND TECHNOLOGIES

All of Evotec's new products, services or technologies are based on internal R&D activities, technology agreements with other companies or the acquisition of assets and companies. Evotec upgrades its capabilities continually to maintain the best infrastructure and skills. This is essential for meeting the expectations of its partners in drug discovery and development. This trend is expected to continue in 2019 and for the foreseeable future.

Based on the continued growth and financial strength of Evotec, the Company will expand its R&D commitment in highly innovative approaches to address disease areas of significant unmet medical need. The cornerstones of this approach 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 and platforms for commercial partnering. In 2019, Evotec will continue its endeavour of re-defining the drug discovery paradigm by further developing platforms with game-changing potential to ensure improved translation of approaches. In this respect, it will focus on developing its PanOmics and iPSC platforms as well as intensify patient-centric approaches in drug discovery. Furthermore, Evotec sees a significant opportunity to accelerate selected projects in 2019, e.g. in oncology, neuronal disease, diabetes, endometriosis, kidney disease, and NASH. In addition to these "unfunded R&D" efforts, Evotec will continue to invest into its infectious disease efforts, taken over in context of the acquisition of Sanofi's infectious disease unit in Lyon in July 2018. These extra R&D expenses ("funded R&D") will be fully reimbursed by Sanofi under other operating income and consequently will not affect the adjusted EBITDA.

FINANCIAL OUTLOOK FOR 2019

Revenues, research and development expenses and adjusted EBITDA are financial key performance indicators of the management of the Evotec Group.

— EXPECTED OPERATING RESULTS —

The achievement of individual milestones are single events, which bear a certain level of uncertainty and risk which is not under Evotec's full control. However, due to an increasing number of milestone-bearing projects and factoring in a probability of success, total milestone-based revenues become more predictable and increasingly contribute to the Company's total profitability.

In 2019, total *Group revenues from contracts with customers without revenues from recharges* are expected to increase by approx. 10% compared to 2018. This revenue growth is based on visibility of the current order book, expected new contracts, contract extensions and milestone opportunities. Projections are based on constant 2018 exchange rates.

Evotec's *adjusted Group EBITDA* from 2018 includes one-off effects associated to the business years 2016 and 2017 in the amount of € 3.5 m. Without these one-off effects, the adjusted Group EBITDA in 2018 would amount to € 92.0 m. Against this number, Evotec's adjusted Group EBITDA is expected to improve by approx. 10% in 2019 compared to 2018. EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles. EBITDA excludes amortisation and impairments on goodwill, other intangible and tangible assets as well as the total non-operating result. EBITDA is adjusted for changes in contingent consideration as well as for the income from bargain purchase.

All activities from Evotec are related to Research and Development. Next to its "partnered" as well as fee-for-service-funded R&D, Evotec will continue to significantly invest in "unpartnered" own *research and development (R&D)* efforts to create a long-term pipeline of first-in-class assets and platforms. In 2019, Evotec intends to further grow its R&D expenses to approx. € 30-40 m ("unpartnered R&D") to optimally develop Cure *X*/Target *X* projects and position them for future partnerships. The Company maintains its focus on key programmes and targets to invest in, in particular selecting projects with first-in-class potential in fields such as diabetes and diabetic complications, diseases of the central nervous system, oncology, infectious diseases and fibrosis. Evotec will also continue its efforts of developing and expanding platforms with game-changing potential as described above.

In addition, the Company will also continue to invest in its infectious disease-related efforts, taken over in context of the acquisition of Sanofi's Lyon-based infectious disease unit in 2018, while respective expenses of approx. € 35 m will be completely cost-covered by its partner Sanofi ("partnered R&D").
For better comparison against previous years, Evotec will focus its guidance and reporting during the course of 2019 on the "unpartnered R&D" part, estimated at approx. € 30-40 m.

EXPECTED FINANCING AND STRATEGIC MEASURES

The Company's organic mid-term financial plan does not require any additional external financing to cover its operational business, the only exception being that the remainder of the € 140 m bridge loan (31 December 2018: € 30 m) established in context of the Aptuit transaction requires repayment in 2019. The major part of this loan has already been successfully repaid in 2018 from the Company's strong operational cash flow.
However, all potential strategical moves to further strengthen Evotec's growth, its competitive positioning or increase of critical mass such as potential company or product acquisitions, equity investments or extended R&D efforts will need to be considered separately, e.g. in the form of capital increases, equity-linked tools, or debt facilities.

DIVIDENDS

Evotec currently intends to retain any potential future profits and reinvest them in the Company's further growth strategy. Payment of dividends is in addition dependent upon Evotec AG's financial situation and liquidity requirements, the general market conditions and statutory, tax and regulatory requirements. Evotec AG is only allowed to pay dividends if the generated net income exceeds the loss carry forwards. Currently, no distributable profits exist in Evotec AG.

OPPORTUNITIES

The most important opportunities for the Company are summarised in the "Opportunities" section of the "Risk and opportunities management" chapter on page 69 of this Management Report.

GENERAL STATEMENT OF EXPECTED DEVELOPMENT BY THE MANAGEMENT BOARD

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

The Management Board is convinced that Evotec will benefit from the continued outsourcing trend in the pharmaceutical industry. On this basis, the Management Board expects Evotec to show strong Group revenue growth and an improved adjusted Group EBITDA in 2019, despite the most significant R&D expenses in the Company's history. The Company's strong cash position will provide a firm foundation to further strengthen the strategic role in the drug discovery and development market and increase shareholder value.

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

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

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

As of 31 December 2018, the share capital of Evotec AG amounted to € 149,062,794.00 and was divided into 149,062,794 non-par value shares. All shares are bearer shares and have equal voting rights. The Company's management is not aware of any restriction on the voting rights or the right to transfer. No binding lock-up agreements have been made by the Company with any shareholder, and neither stock loans nor pre-emptive stock purchase rights are known to the Company. The Company does not control voting rights of any shares owned by employees.

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

The shareholders have provided the Management Board with the following authorisation to issue new shares or conversion rights:

Authorised capital: Pursuant to section 5 paragraph 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 € 29,332,457.00 in one or more tranches until 13 June 2022 by issuing new shares against cash or non-cash consideration. Any shares to be issued on this basis will be subject to the statutory subscription rights of Evotec's shareholders. With the approval of the Supervisory Board, the Management Board may, however, exclude the pre-emptive rights of its shareholders on one or several occasions under certain well-defined conditions.

Conditional capital: As of 31 December 2018, the remaining conditional capital of the Company amounted to € 38,304,863.00. Conditional capital in the amount of € 11,788,047.00 shall be used only to the extent that holders of stock options and Share Performance Awards ("SPA"), granted by Evotec on the basis of the shareholders' resolutions from 07 June 1999, 26 June 2000, 18 June 2001, 07 June 2005, 30 May 2007, 28 August 2008, 16 June 2011, 14 June 2012, 09 June 2015 and 14 June 2017, exercise their rights to subscribe for new shares in the Company. In 2018, conditional capital in the total amount of € 1,530,113.00 was used for holders of stock options and SPAs to exercise their rights to subscribe for new shares in the Company. Additional conditional capital in the amount of € 26,516,816.00 exists to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments) that may be issued by Evotec on the basis of the authorisation passed by the AGM on 14 June 2016. Any such contingent capital increase shall only be used to the extent that option or conversion rights are utilised, or the owners or creditors are obligated to carry out their duty of conversion, and to the extent that no treasury shares or new shares from an exploitation of authorised capital are utilised for servicing.

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

SHAREHOLDINGS EXCEEDING 10% OF VOTING RIGHTS

On 27 February 2017, Evotec was last notified that the direct shareholdings of Novo Holdings A/S, Hellerup (Denmark) amounted to 10.10%.

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

— BOARD STRUCTURE —

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

AUTHORISATION OF MANAGEMENT TO REPURCHASE STOCK

The Company is authorised by resolution of the AGM 2015 to acquire its own shares with a computed proportion of the share capital totalling up to € 13,171,087.00. Together with other own shares, which are in the possession of the Company or are attributable to the Company pursuant to section 71a and as per the German Stock Corporation Act (AktG), the own shares acquired on the basis of these authorisations may at no time exceed 10% of the Company's current share capital. Trading in own shares is not allowed under the AGM authorisation. The respective authorisation is effective until 08 June 2020. As of 31 December 2018, Evotec has not used its authorisation to acquire own shares.

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

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

CHANGE-OF-CONTROL PROVISIONS

The Management Board of the Company has only customary rights in the case of a change of control. The contracts of the members of the Management Board contain a change-of-control clause which would allow the management to terminate their current contracts in the event of a change of control. Further information regarding the respective severance payments is reported in Note 34e to the Consolidated Financial Statements and in the "Remuneration report" section on page 76 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 289f of the German Commercial Code (HGB) in the "Invest" section on Evotec's website at www.evotec.com.

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.

REMUNERATION OF THE MANAGEMENT BOARD

The total annual compensation of the individual members of the Management Board is fixed by the Supervisory Board and is composed of performance-unrelated and performance-related components.

As a principle, Management Board compensation is awarded based on an assessment of performance that is oriented towards the sustainable growth of Evotec. The criteria for determining the amount of compensation awarded include the tasks of the individual members of the Management Board, their personal performance, the economic situation of the Company, the performance and outlook of Evotec as well as the comparative level of compensation at peer companies and the compensation structure in place in other areas of the Company. Moreover, the Supervisory Board considers the Management Board compensation relative to that of senior management as well as the staff overall, particularly in terms of its development over time.

Following section 4.2.3 of the Code, there is a monetary cap for the total compensation, both for overall and for individual compensation components. Deviating from that, the Share Performance Plans 2012 and 2015 as approved by the AGMs in 2012 and 2015 include a maximum regarding the number of share-based awards (Share Performance Awards, "SPA") upon allocation. The monetary value of the allocated shares is determined by the share price after the expiration of the vesting period. The Share Performance Plan 2017 has a monetary cap with a maximum level of 350% of the contractual SPA issue value and therefore complies with the Code in all respects.

A benchmarking against other biotech companies and members of the TecDAX index is conducted on a periodic basis and prior to each renewal of the management contracts. A benchmarking includes monetary aspects and current corporate governance best practices. Based on this benchmarking, the Supervisory Board considers the current remuneration system and its fixed and variable compensation levels with regards to the duties and responsibilities of the Management Board members and decides on adjustments of the management contracts. As an example of the consequence of this practice, a clawback clause has been added to those Management contracts that have been recently renewed.

In accordance with good corporate practice, the Supervisory Board of Evotec AG proposed the system of remunerating members of the Management Board for approval to the AGMs in 2012 and in 2017 ("say on pay"). At both AGMs, the majority of the shareholders and shareholder representatives voted in favour of this agenda item.

Performance-unrelated remuneration

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

Performance-related remuneration

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

The target bonuses for the one-year variable compensation for 2017 and for 2018 for the Chief Executive Officer are capped at 100% of the fixed remuneration, for the Chief Operating Officer at 75% of the fixed remuneration, for the Chief Scientific Officer at 70% and for the Chief Financial Officer at 55% of the fixed remuneration.

Based on the decision of the Supervisory Board, the bonus paid to Dr Werner Lanthaler, Dr Cord Dohrmann, Dr Mario Polywka and Enno Spillner in March 2018 was based on the achievement of clearly measurable corporate objectives for 2017 equally set for each Management member rather than individual objectives. The 2017 corporate objectives related to growth in

total revenues, adjusted EBITDA and R&D expenses set in accordance with the guidance set for 2017. This was, among other things, to be achieved by strengthening EVT Execute via integration and expansion of the Cyprotex business that was acquired in December 2016 and via increased leveraging of the capacities of Evotec (France) in Toulouse. For EVT Innovate, the first milestone in the collaboration with Celgene that was signed in December 2016 was to be achieved in 2017 and to build one new academic BRIDGE. In its March 2018 meeting, the Supervisory Board reviewed the achievement of these corporate objectives 2017 and considered them as 100% achieved. This led to a 100% bonus pay-out in March 2018.

The bonus for the achievement of the targets set for the financial year 2018 will be paid out to the Management Board members in March 2019. Corporate objectives for 2018 have been set by the Supervisory Board in its December 2017 meeting and finally confirmed in March 2018. As in the previous years, the objectives for 2018 primarily were the growth in total revenues and adjusted EBITDA, the execution of at least one significant integrated collaboration with more than € 25 m in transaction value as well as the achievement of at least two significant milestones (total >€ 10 m) in the Company's iPSC collaborations. Further targets included building at least two new academic BRIDGEs and preparing the Company for sustainable growth.

As per 31 December 2018, the Company had accrued a total of T€ 829 for the variable portion of the remuneration to be paid to the members of the Management Board, thereof T€ 420 for Dr Werner Lanthaler, T€ 238 for Dr Cord Dohrmann, and T€ 171 for Enno Spillner. An amount of T€ 235 as bonus for 2018 has been paid to Dr Mario Polywka in December 2018, as Dr Mario Polywka retired from the Management Board of Evotec AG with effect as of 31 December 2018.

In addition to their one-year variable compensation, the members of the Management Board received 103,861 SPAs in 2018 (2017: 186,984) under the Company's Share Performance Plan. The reduced amount of SPAs in 2018 compared to 2017 is due to the increased share price in 2018 and the resulting increase in fair market value recognised per SPA. To obtain the fair market value, the target value based on the share price is converted into share rights granted. The target value may deviate from the share price. The fair market value then determines how many SPAs will be granted per year to each member of the Management Board. These 2018 SPAs vest after four years, depending on the achievement of the key performance indicators "Share Price" and "Total Shareholder Return". Detailed information on the grant and exercise of SPAs can be found in the agenda of the AGM 2017, which is the basis for this AGM resolution. This document can be found on the Company's website.

The multi-year variable target compensation in 2018 for the Chief Executive Officer reflects 50% of the total target direct compensation (sum of fixed compensation, one-year variable target compensation and multi-year variable compensation), and for the other Management Board members 30% of total target direct compensation.

Remuneration tables

In 2018, the performance-unrelated and granted one-year variable compensation of the active members of the Management Board totalled T€ 2,646, of which the variable part amounted to T€ 1,066. The fair value of all SPAs granted as multi-year variable compensation amounted to T€ 1,529 on the day of calculation on 01 January 2018.

The following tables present for each Management Board member:

- The benefits granted for the year under review including fringe benefits (such as car allowance, contributions made towards health insurance, a pension, accident/life insurance and accommodation costs) and including the maximum and minimum achievable compensation for variable compensation components

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

		I	II	III	IV												
a	Benefits granted (in T€)	Dr Werner Lanthaler				Enno Spillner				Dr Cord Dohrmann				Dr Mario Polywka			
b		CEO				CFO				CSO				COO			
c																	
d		**2017**	**2018**	**2018 (min)**	**2018 (max)**	**2017**	**2018**	**2018 (min)**	**2018 (max)**	**2017**	**2018**	**2018 (min)**	**2018 (max)**	**2017**	**2018**	**2018 (min)**	**2018 (max)**
1	Fixed compensation	420	420	420	420	310	310	310	310	340	340	340	340	320	316	316	316
2	Fringe benefits	100	99	75	125	22	25	17	34	15	15	15	15	55	55	55	55
3	**Total**	**520**	**519**	**495**	**545**	**332**	**335**	**327**	**344**	**355**	**355**	**355**	**355**	**375**	**371**	**371**	**371**
4	One-year variable compensation	407	420	-	420	78	171	-	171	211	235	-	238	200	240	-	240
5	Multi-year variable compensation	840	840	-	2,940	206	206	-	721	248	248	-	867	241	235	-	823
5a	Long-Term Incentive ("SPA", as described in the text above) (Plan term until 5 years after grant) (Number of SPA x fair market value)	840	840	-	2,940	206	206	-	721	248	248	-	867	241	235	-	823
6	**Total**	**1,767**	**1,779**	**495**	**3,905**	**616**	**712**	**327**	**1,235**	**814**	**838**	**355**	**1,460**	**816**	**846**	**371**	**1,434**
7	Service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	**Total**	**1,767**	**1,779**	**495**	**3,905**	**616**	**712**	**327**	**1,235**	**814**	**838**	**355**	**1,460**	**816**	**846**	**371**	**1,434**

Notes:

a Name of the Management Board member

b Function of the Management Board member, e.g. CEO, CFO

c Date on which the member joined/left the Management Board, if in the financial year under consideration n (year under review) or n-1

d Financial year under consideration n (year under review) or n-1

I Benefits granted in financial year n-1

II Benefits granted in financial year n (year under review)

III Minimum value of granted compensation components that can be achieved in financial year n (year under review), e.g. Zero

IV Maximum value of granted compensation components that can be achieved in financial year n (year under review)

1 Non-performance-related components, e.g. fixed salary, fixed annual pay-off payments (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical

2 Non-performance-related components, e.g. benefits in kind and fringe benefits (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical

3 Total of non-performance-related components (1+2) (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical

4 One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components

5 Multi-year variable compensation (total of rows 5a - ...), e.g. multi-year bonus, deferred components from one-year variable compensation, long-term incentive (LTI), subscription rights, other share-based compensation

5a Multi-year variable compensation, broken down into plans and stating the period of time

6 Total of non-performance-related components and variable components (1+2+4+5)

7 Service cost in accordance with IAS 19 from pension schemes and other benefits (amounts correspond to amounts in "Allocation" table); values in columns II, III and IV are identical

8 Total of non-performance-related components and variable components and service cost (1+2+4+5+7)

	Allocation (in T€)	Dr Werner Lanthaler		Enno Spillner		Dr Cord Dohrmann		Dr Mario Polywka*	
b		CEO		CFO		CSO		COO	
c									
d		2017	2018	2017	2018	2017	2018	2017	2018
1	Fixed compensation	420	420	310	310	340	340	320	316
2	Fringe benefits	100	99	22	25	15	15	55	55
3	**Total**	**520**	**519**	**332**	**335**	**355**	**355**	**375**	**371**
4	One-year variable compensation	407	420	78	171	211	235	200	475
5	Multi-year variable compensation	9,409	-	-	-	1,604	515	996	5,398
5a	Share Performance Programme 2012 (term until 2019)	3,951	-	-	-	1,351	-	996	5,398
5b	Stock Option Programme 1999 (term until 2021)	-	-	-	-	-	515	-	-
5c	Stock Option Programme 2000 (term until 2016)	-	-	-	-	-	-	-	-
5d	Stock Option Programme 2001 (term until 2021)	3,782	-	-	-	-	-	-	-
5e	Stock Option Programme 2005 (term until 2017)	-	-	-	-	-	-	-	-
5f	Stock Option Programme 2007 (term until 2016)	-	-	-	-	-	-	-	-
5g	Stock Option Programme 2008 (term until 2016)	-	-	-	-	-	-	-	-
5h	Stock Option Programme 2011 (term until 2019)	1,676	-	-	-	253	-	-	-
6	Other	-	-	-	-	-	-	-	-
7	**Total**	**10,336**	**939**	**410**	**506**	**2,170**	**1,105**	**1,571**	**6,244**
8	Service cost	-	-	-	-	-	-	-	-
9	**Total**	**10,336**	**939**	**410**	**506**	**2,170**	**1,105**	**1,571**	**6,244**

Notes:

* *T€ 235 as bonus for 2018 has been paid to Dr Mario Polywka in December 2018 as Dr Mario Polywka retired from the Management Board of Evotec AG with effect as of 31 December 2018.*

a Name of the Management Board member

b Function of the Management Board member, e.g. CEO, CFO

c Date on which the member joined/left the Management Board, if in the financial year under consideration n (year under review) or n-1

d Financial year under consideration n (year under review) or n-1

1 Non-performance-related components, e.g. fixed salary, fixed annual pay-off payments (amounts correspond to amounts in "Benefits granted" table)

2 Non-performance-related components, e.g. benefits in kind and fringe benefits (amounts correspond to amounts in "Benefits granted" table)

3 Total of non-performance-related components (1+2) (amounts correspond to amounts in "Benefits granted" table)

4 One-year variable compensation, e.g. bonus, short-term incentive (STI), share in profits, without deferred components

5 Multi-year variable compensation (total of rows 5a - ...), e.g. multi-year bonus, deferral, long-term incentive (LTI)

5a-h Multi-year variable compensation, broken down into plans and stating the period of time

6 Other, e.g. clawbacks, which are entered as a negative amount with reference to previous disbursements

7 Total of non-performance-related components and variable components (1+2+4+5+6)

8 Service cost in accordance with IAS 19 from pension schemes and other benefits (amounts correspond to amounts from row 4 of the "Benefits granted" table and row 7 of the "Allocation table"); this is not an allocation in the financial year

9 Total of non-performance-related components and variable components and service cost (1+2+4+5+6+8)

Term of contract and early termination clauses

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

Their contracts contain a change-of-control clause, which allows them to terminate their current contracts in the event of a change of control. Should members of the Management Board make use of their right to terminate their contracts in the event of a change of control, they are entitled to severance payments determined as follows: for Dr Werner Lanthaler, the severance payment shall be equal to 24 months of his base salary; and for Dr Cord Dohrmann, Dr Craig Johnstone and Enno Spillner, the payment shall be equal to 18 months of their base salary plus target bonuses for this time period. In no case shall the respective severance payment be higher than the total compensation due for the remaining term of the respective Management Board member's contract.

In accordance with 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.

PENSION PROVISIONS FOR FORMER MANAGEMENT BOARD MEMBERS

The Company has made a provision for a pension for one former Management Board member amounting to T€ 190 (2017: T€ 202). No such further provisions are due for other former Management Board members or their surviving dependants.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is prescribed in the Company's Articles of Association.

According to section 113 AktG, Supervisory Board remuneration is to be appropriate to the task of the Supervisory Board members and the situation of the Company. The members of Evotec's Supervisory Board are entitled to fixed payments as well as out-of-pocket expenses. In accordance with the recommendations of the Code, the Chairman and the Vice Chairman positions on the Supervisory Board as well as the Chair positions and memberships in committees are considered when determining the remuneration of individual members. Consequently, as last amended following the approval of the AGM 2014, the fixed compensation is T€ 30 per Supervisory Board member. The Chairman of the Supervisory Board is paid T€ 75, and the Vice Chairman is 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 2018, the individual members of the Evotec Supervisory Board received the following compensation in 2018:

REMUNERATION OF THE SUPERVISORY BOARD 2018

	Total remuneration in T€[1)]
Prof. Dr Wolfgang Plischke	95
Bernd Hirsch	70
Dr Claus Braestrup	35
Prof. Dr Iris Löw-Friedrich	35
Michael Shalmi	35
Dr Elaine Sullivan	35
Total	**305**

[1)] *Cash remuneration*

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)

In 2018, 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€ 82 (2017: T€ 74). An appropriately sized deductible was agreed upon for the members of the Supervisory Board. The deductible agreed upon for the members of the Management Board is in line with the stipulations of the legal provisions of the VorstAG.

Hamburg, 19 March 2019

Dr Werner Lanthaler *Dr Cord Dohrmann*

Dr Craig Johnstone *Enno Spillner*

Consolidated Financial Statements (IFRS)

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EVOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018[1)]

in T€ except share data	*footnote reference*	*as of 31 December 2018*	*as of 31 December 2017*
ASSETS			
Current assets:			
Cash and cash equivalents	7	109,055	67,017
Investments	7	40,394	24,139
Trade accounts receivables	8	45,938	45,590
Accounts receivables from related parties		2,092	523
Inventories	9	5,660	5,568
Current tax receivables		13,829	6,903
Contract assets	10	12.913	10,608
Other current financial assets		430	791
Prepaid expenses and other current assets	11	19,458	16,644
Total current assets		**249,769**	**177,783**
Non-current assets:			
Investments accounted for using the equity method and other long-term investments	12	28,963	22,113
Property, plant and equipment	13	90,519	76,069
Intangible assets, excluding goodwill	14	122,989	135,033
Goodwill	15	220,791	220,447
Deferred tax asset	21	43,329	19,233
Non-current tax receivables	16	14,601	11,168
Other non-current financial assets		27	28
Other non-current assets	17	895	4,601
Total non-current assets		**522,114**	**488,692**
Total assets		**771,883**	**666,475**

[1)] 2017 data adjusted for the first time application of IFRS 15 Revenue from Contracts with Customers as well as the finalisation of the purchase price allocation of the Aptuit Group. See accompanying Note 3.

See accompanying notes to consolidated financial statements.

in T€ except share data	*footnote reference*	*as of 31 December 2018*	*as of 31 December 2017*
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities	18	55,069	167,763
Current portion of finance lease obligations		1,850	705
Trade accounts payable		31,137	26,078
Provisions	19	27,979	22,090
Contract liabilities	20	49,676	16,164
Deferred income		11,511	-
Current income tax payables	21	4,232	2,033
Other current financial liabilities		42	1,666
Other current liabilities		14,779	6,446
Total current liabilities		**196,275**	**242,945**
Non-current liabilities:			
Non-current loan liabilities	18	54,680	20,295
Long-term finance lease obligations		2,866	1,165
Deferred tax liabilities	21	21,517	23,692
Provisions	19	19,986	17,042
Contract liabilities	20	44,041	28,680
Deferred income		7,000	-
Other non-current financial liabilities		638	741
Total non-current liabilities		**150,728**	**91,615**
Stockholders' equity:			
Share capital[2)]	23	149,063	147,533
Additional paid-in capital		783,154	778,858
Accumulated other comprehensive income		(27,200)	(28,903)
Accumulated deficit		(481,013)	(566,565)
Equity attributable to shareholders of Evotec AG		**424,004**	**330,923**
Non-controlling interest		876	992
Total stockholders' equity		**424,880**	**331,915**
Total liabilities and stockholders' equity		**771,883**	**666,475**

[1)] 2017 data adjusted for the first time application of IFRS 15 Revenue from Contracts with Customers as well as the finalisation of the purchase price allocation of the Aptuit Group. See accompanying Note 3.

[2)] 149,062,794 and 147,532,681 shares issued and outstanding in 2018 and 2017, respectively

See accompanying notes to consolidated financial statements.

EVOTEC AG AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01 JANUARY TO 31 DECEMBER 2018[1)]

in T€ except share and per share data	footnote reference	Year ended 31 December 2018	Year ended 31 December 2017
Revenues from contracts with customers	5	375,405	263,765
Costs of revenue		(263,389)	(181,965)
Gross profit		**112,016**	**81,800**
Operating income and (expenses)			
Research and development expenses	24	(35,619)	(17,614)
Selling, general and administrative expenses	25	(57,012)	(42,383)
Impairment of intangible assets	14	(4,364)	(1,180)
Income from bargain purchase	6	15,400	-
Other operating income	26	55,889	25,996
Other operating expenses	26	(8,847)	(9,892)
Total operating income and (expenses)		**(34,553)**	**(45,073)**
Operating income (loss)		**77,463**	**36,727**
Non-operating income (expense)			
Interest income		898	903
Interest expense		(2,591)	(1,261)
Other income from long-term investments		190	48
Share of the loss of associates accounted for using the equity method	12	(4,099)	(1,783)
Other income from financial assets		7	292
Other expense from financial assets		(119)	(583)
Foreign currency exchange gain (loss), net		(7)	(8,569)
Other non-operating income		257	128
Other non-operating expense		-	(337)
Total non-operating income (expense)		**(5,464)**	**(11,162)**
Income before taxes		**71,999**	**25,565**
Current tax expense	21	(14,060)	(8,478)
Deferred tax income	21	26,117	6,131
Total taxes		**12,057**	**(2,347)**
Net income		**84,056**	**23,218**
thereof attributable to:			
Shareholders of Evotec AG		84,172	23,476
Non-controlling interest		(116)	(258)
Weighted average shares outstanding		**147,482,051**	**145,009,742**
Net income per share (basic)		**0.57**	**0.16**
Net income per share (diluted)		**0.56**	**0.16**

[1)] 2017 data adjusted for the first time application of IFRS 15 Revenue from Contracts with Customers

See accompanying notes to consolidated financial statements.

EVOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01 JANUARY TO 31 DECEMBER 2018[1)]

in T€	*footnote reference*	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Net income		**84,056**	**23,218**
Accumulated other comprehensive income			
Items which are not re-classified to the income statement			
Remeasurement of defined benefit obligation		(589)	(408)
Taxes		154	120
Items which have to be re-classified to the income statement at a later date			
Foreign currency translation		2,085	(3,725)
Revaluation and disposal of available-for-sale securities		53	262
Other comprehensive income		**1,703**	**(3,751)**
Total comprehensive income		**85,759**	**19,467**
Total comprehensive income attributable to:			
Shareholders of Evotec AG		85,875	19,725
Non-controlling interest		(116)	(258)

1) 2017 data adjusted for the first time application of IFRS 15 Revenue from Contracts with Customers

See accompanying notes to consolidated financial statements.

EVOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01 JANUARY TO 31 DECEMBER 2018[1)]

in T€	footnote reference	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities:			
Net income		84,056	23,218
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property, plant and equipment	13	19,288	13,725
Amortisation of intangible assets	14	12,005	7,041
Depreciation of current assets		152	1,246
Impairment of intangible assets	14	4,364	1,180
Stock compensation expense	22	4,247	2,915
Non-cash foreign exchange loss		1,098	-
Interest income/expense		1,811	358
Loss on sale of financial assets		119	583
Gain on sale of financial assets		(7)	(292)
Share of the loss of associates accounted for using the equity method	12	4,099	1,783
Fair value adjustments on long-term investments		(190)	-
Income from bargain purchase	6	(15,400)	-
Loss on sale of property, plant and equipment		113	193
Gain on sale of property, plant and equipment		(42)	(62)
Deferred tax expense (benefit)	21	(26,117)	(6,131)
Decrease (increase) in:			
Accounts receivables		(1,851)	(7,875)
Inventories		(283)	1,228
Other assets		(12,229)	(5,874)
Other tax assets		(3,458)	(5,200)
Increase (decrease) in:			
Accounts payable		5,014	1,899
Contract liabilities and deferred income	20	67,402	(20,322)
Provisions		4,281	(227)
Current income taxes payable		6,444	2,777
Other liabilities		6,607	(1,320)
Cash received during the year for:			
Interest		592	909
Taxes		640	1,419
Cash paid during the year for:			
Interest		(2,279)	(822)
Taxes		(4,236)	(1,522)
Net cash provided by operating activities		**156,240**	**10,828**

[1)] 2017 data adjusted for the first time application of IFRS 15 Revenue from Contracts with Customers

See accompanying notes to consolidated financial statements.

in T€	*footnote reference*	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Cash flows from investing activities:			
Purchase of current investments		(24,790)	(78,527)
Purchase of investments in affiliated companies net of cash acquired	6	18,065	(248,083)
Purchase of investments in associated companies and other long-term investments	12	(10,760)	(22,240)
Purchase of property, plant and equipment	13	(27,867)	(17,565)
Purchase of intangible assets	14	-	(22)
Payment of subsequent contingent considerations	19	(2,140)	-
Proceeds from sale of property, plant and equipment		-	691
Proceeds from sale of current investments		8,362	96,713
Net cash used in investing activities		**(39,130)**	**(269,033)**
Cash flows from financing activities:			
Proceeds from capital increase	23	-	90,248
Proceeds from option exercise	22	1,578	2,108
Proceeds from issuance of loans	18	59,462	179,102
Repayment of finance lease obligation		(1,142)	(519)
Repayment of loan notes		-	(203)
Repayment of loans	18	(137,662)	(30,012)
Net cash provided by (used in) financing activities		**(77,764)**	**240,724**
Net increase (decrease) in cash and cash equivalents		**39,346**	**(17,481)**
Exchange rate difference		2,692	558
Cash and cash equivalents at beginning of year		67,017	83,940
Cash and cash equivalents at end of the period		**109,055**	**67,017**
Supplemental schedule of non-cash activities:			
Additions to finance leases		4,000	-

[1)] *2017 data adjusted for the first time application of IFRS 15 Revenue from Contracts with Customers*

See accompanying notes to consolidated financial statements.

EVOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIOD FROM 01 JANUARY TO 31 DECEMBER 2018[1)]

		Share capital	
in T€ except share data	*footnote reference*	*Shares*	*Amount*
Balance at 01 January 2017		**133,051,739**	**133,052**
IFRS 15 adjustment recorded in accumulated deficit		-	-
Capital increase	23	13,146,019	13,146
Exercised stock options	23	1,334,923	1,335
Stock option plan	22	-	-
Capital increase of subsidiary with non-controlling interest		-	-
Deferred tax on future deductible expenses		-	-
Other comprehensive income			
Net income for the period			
Total comprehensive income			
Balance at 31 December 2017		**147,532,681**	**147,533**
IFRS 9 adjustment recorded in accumulated deficit		-	-
Exercised stock options	23	1,530,113	1,530
Stock option plan	22	-	-
Deferred tax on future deductible expenses		-	-
Other comprehensive income			
Net income for the period			
Total comprehensive income			
Balance at 31 December 2018		**149,062,794**	**149,063**

[1)] 2017 data adjusted for the first time application of IFRS 15 Revenue from Contracts with Customers

See accompanying notes to consolidated financial statements.

	Income and expense recognised in other comprehensive income					
Additional paid-in capital	***Foreign currency translation***	***Revaluation reserve***	***Accumulated deficit***	***Stockholders' equity attributable to shareholders of Evotec AG***	***Non-controlling interest***	***Total stockholders' equity***
698,069	**(31,562)**	**6,410**	**(592,934)**	**213,035**	**901**	**213,936**
-	-	-	949	949	-	949
77,102				90,248		90,248
773	-	-	-	2,108	-	2,108
2,914	-	-	-	2,914	-	2,914
-	-	-	-	-	349	349
-	-	-	1,944	1,944	-	1,944
	(3,725)	(26)	-	(3,751)	-	(3,751)
	-	-	23,476	23,476	(258)	23,218
	(3,725)	**(26)**	**23,476**	**19,725**	**(258)**	**19,467**
778,858	**(35,287)**	**6,384**	**(566,565)**	**330,923**	**992**	**331,915**
-	-	-	(10)	(10)	-	(10)
48	-	-	-	1,578	-	1,578
4,248	-	-	-	4,248	-	4,248
-	-	-	1,390	1,390	-	1,390
	2,085	(382)	-	1,703	-	1,703
	-	-	84,172	84,172	(116)	84,056
	2,085	**(382)**	**84,172**	**85,875**	**(116)**	**85,759**
783,154	**(33,202)**	**6,002**	**(481,013)**	**424,004**	**876**	**424,880**

Notes to consolidated financial statements for the financial year 2018

(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 discovery alliances and development partnerships with leading pharma and biotechnology companies as well as academic institutions, patient advocacy groups and venture capital partners. Evotec is a worldwide operation, offering high-quality, independent and integrated solutions in drug discovery and development to its customers. Thereby, Evotec covers all activities from target to clinical development. Evotec is positioned in key therapeutic areas such as neuronal diseases, diabetes and complications of diabetes, pain, inflammation, oncology, infectious diseases, respiratory and fibrosis. Evotec was founded on 08 December 1993 as EVOTEC BioSystems GmbH and is listed on Frankfurt Stock Exchange, Segment Prime Standard, under the trading symbol "EVT" since 10 November 1999.

The Company is registered under the commercial firm name Evotec AG with place of business in Hamburg in the Commercial Registry of Hamburg with HRB 68223.

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 19 March 2019, the Management Board authorised the consolidated financial statements for the financial year 2018 for issue.

(2) SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Evotec's financial position and performance was particularly affected by the following events:

- the strategic drug discovery and development partnership between Evotec and Celgene Corporation ("Celgene") to identify new therapeutics in oncology
- Evotec's acquisition of a Sanofi business on 01 July 2018, now named Evotec ID (Lyon)

(3) 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 Sec 315e 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 6),
- Revenues from contracts with customers (Note 5),
- Impairment testing (Note 14 and 15),
- Provisions (Note 19 and 30),
- Measurement of the share option plans and the Share Performance Awards (Note 22) and
- Valuation of deferred tax assets (Note 21).

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

— CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS —

In 2018, Evotec has initially adopted a range of new accounting standards.

Evotec applies IFRS 15 retrospectively from 01 January 2017, i.e. the comparative period is presented according to IFRS 15. The effect of initial application of IFRS 15 on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients, with the exception of not restating any completed contract and not disclosing for the comparative period the transaction price allocated to the remaining performance obligations.

Presented in the table below, the effects of IFRS 15 result from a different accounting for deliverable kind of contract services. Previously, for this type of contracts revenue was recognised upon full completion of the contract. Under IFRS 15, these contracts are accounted for similar to service contracts and FTE-based research contracts and have been combined into one category of contracts. Revenue is recognised over time, depending on hours incurred so far as a percentage of expected total hours. Consequently, some of the revenue from services provided had to be recognised in earlier periods. Furthermore, revenues from recharges whereas the underlying costs are in the same amount, are recognised in revenues from contracts with customers in case they fall under the regulations of IFRS 15. Previously, revenues from recharges were recognised in other operating income. In addition to the adjustments of the prior year 2017 relating to IFRS 15 the table below shows the adjustments relating to the finalisation of the PPA of Aptuit. Following the finalisation of the purchase price allocation of Aptuit under IFRS 3, goodwill has been restated by T€ 269, with no impact on net income (Note 6).

	31 December 2017 reported	*IFRS 15 adjustment*	*Adjustments finalisation PPA Aptuit*	*31 December 2017 adjusted*
Revenues from contracts with customers	**257,630**	**6,135**	**-**	**263,765**
Costs of revenue	(175,062)	(6,903)	-	(181,965)
Other operating income	32,485	(6,489)	-	25,996
Other operating expenses	(16,381)	6,489	-	(9,892)
Deferred tax income	6,144	(13)	-	6,131
Net income	**23,999**	**(781)**	**-**	**23,218**
Thereof attributable to:				
Shareholders of Evotec AG	24,257	(781)	-	23,476
Non-controlling interest	(258)	-	-	(258)
Net income per share (basic)	0.17	0.01	0.00	0.16
Assets				
Inventories	9,017	(3,449)	-	5,568
Contract assets	-	10,608	-	10,608
Other current financial assets	10,419	(9,628)	-	791
Total non-current assets	**180,252**	**(2,469)**	**-**	**177,783**
Property, plant and equipment	74,662	-	1,407	76,069
Goodwill	220,178	-	269	220,447
Total assets	**667,268**	**(2.469)**	**1,676**	**666,475**
Liabilities and Stockholders' Equity				
Advanced payments received	342	(342)	-	-
Deferred revenues	18,652	(18,652)	-	-
Contract liabilities	-	16,164	-	16,164
Total current liabilities	**245,775**	**(2,830)**	**-**	**242,945**
Deferred tax liabilities	23,499	193	-	23,692
Provisions	15,366	-	1,676	17,042
Total non-current liabilities	**89,746**	**193**	**1,676**	**91,615**
Stockholders' equity				
Accumulated deficit	(566,733)	168	-	(566,565)
Total stockholders' equity	**331,747**	**168**	**-**	**331,915**
Total liabilities and stockholders' equity	**667,268**	**(2,469)**	**1,676**	**666,475**

Included in the adjustments above are the following adjustments for IFRS 15 relating to the 01 January 2017:

Adjustments	*01 January 2017*
Assets	
Inventories	(970
Total assets	**(970)**
Liabilities and stockholders' equity	
Deferred revenues	(1,362)
Deferred taxes	180
Stockholders' equity	
Accumulated deficit	212
Total stockholders' equity	**212**
Total liabilities and stockholders' equity	**(970)**

IFRS 9 replaces IAS 39 for annual periods beginning on or after 01 January 2018, determining the following three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. Evotec made use of option not to restate the comparative period and recognised any changes cumulatively in equity at 01 January 2018.

The effect from the initial application of IFRS 9 on Evotec's financial position, its assets and liabilities and its profit is minimal. As this effect is immaterial, Evotec abstained form a separate disclosure of these changes.

The subsequent measurement of accounts receivable as well as contract assets using the "expected credit loss model" led to an impairment of T€ 10, which was recognised directly in equity at 01 January 2018.

Classification and measurement, impairment and hedge accounting is described in detail within this note in the section "financial instruments". The reclassifications from the previous IAS 39 categories into the new categories of IFRS 9 is presented in the table below:

	Classification according to IFRS 9	*Classification according to IAS 39*
Cash and cash equivalents	Amortised cost	Loans and receivables
Investments	Fair value through other comprehensive income	Available-for-sale financial assets
Long-term investments	Fair value through profit and loss	N.A.
Trade accounts receivable	Amortised cost	Loans and receivables
Contract assets	Amortised cost	N.A.
Other current financial assets	Amortised cost	Loans and receivables
Current loan liabilities	Amortised cost	Financial liabilities measured at amortised costs
Non-current loan liabilities	Amortised cost	Financial liabilities measured at amortised costs
Trade accounts payable	Amortised cost	Financial liabilities measured at amortised costs
Contract liabilities	Amortised cost	N.A.
Other current financial liabilities	Amortised cost	Financial liabilities measured at amortised costs
Derivative financial instruments	Fair value through profit and loss	Financial liabilities measured at fair value

Further IFRS 9 gives the option to apply new standards relating to hedging relationships. Evotec has decided not to apply this option and is still using the previous procedure under IAS 39.

In terms of valuation logic, there has been no change from the introduction of IFRS 9, except for the long-term investments (below 20%), which are now recorded at fair value through profit and loss and have so far been accounted for at amortised cost.

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 respective exchange rates at the end of the reporting period, while the income statements of such subsidiaries are translated using monthly average exchange rates during the period. Gains or losses resulting from translating foreign functional currency financial statements are recognised directly in other comprehensive income and realised on termination of the respective position.

Transactions in foreign currencies are translated into the respective functional currency using the monthly foreign exchange rate. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective functional currency using the exchange rates at the end of the period. Gains or losses resulting from translating foreign currency denominated transactions into the respective functional currency are included in other non-operating income and expense or other comprehensive income.

The transaction in foreign currency included in the consolidated statement of cash flows are translated at average exchange rates during the respective period.

— FINANCIAL INSTRUMENTS —

A financial instrument is a contract that gives rise to a financial asset of one contract partner and a financial liability or equity instrument to the other contract partner.

Recognition of financial instruments
Initial recognition of financial instruments takes place upon conclusion of contract, with receivables, payables, cash and loans being initially recognised when originated.

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

Measurement of financial instruments
At initial recognition, non-derivative financial instruments are measured at fair value. The subsequent measurement depends on the classification of the categories as defined in IFRS 9. Classification is based on two criteria: the Group's business model for managing assets and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Non-derivative financial assets
For subsequent measurement, financial assets are categorised into either measured at amortised cost, measured at fair value through OCI or measured at fair value through P&L.

Debt instruments (see Note (7) for more details) are held by Evotec with the intention to collect contractual cash flows (interest and principal) and to sell these debt instruments. Consequently, they are measured at fair value through OCI.

Equity instruments are measured at fair value through profit and loss. At Evotec this primarily relates to the not consolidated long-term investments. For equity instruments exist a right to choose per financial instrument to classify them as at fair value through other comprehensive income. A subsequent reclassification of the cumulative amounts of the other comprehensive income to profit and loss is not possible. Evotec has decided not to exercise this right at this time.

All other non-derivative financial assets are measured at amortised cost.

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

Impairment of financial assets
Impairment is recognised for all financial assets not held at fair value through profit or loss and contract assets using the forward-looking expected credit loss model. See Notes (7), (8) and (10) for details.

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

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

Basis for determining fair values of financial instruments

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments.

The fair value is determined by reference to the quoted bid price at the reporting date. The fair value of unquoted equity instruments or of financial assets without an active market is 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 cash flows and related probabilities.

The prior year amounts were accounted for under IAS 39 as follows:

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 cash flows and related probabilities.

Unless otherwise reported, the fair values of financial instruments equaled the carrying amounts.

— CASH AND CASH EQUIVALENTS —

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

— CONTRACT ASSETS —

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

— 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, whereas the useful lives of buildings and leasehold improvements and plant, machinery and equipment changed due to disposals in comparison to the previous year:

Buildings and leasehold improvements	6-22 years
Plant, machinery and equipment	3-12 years
Furniture and fixtures	3-10 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.

— ASSOCIATES —

Associates are entities in which Evotec has significant influence over the financial and operating policies. This influence is usually exercised through a direct or indirect share of voting power of 20% to 50%. Associates are accounted for in the consolidated financial statements using the at-equity method and initially measured at cost. Subsequent to acquisition, Evotec's share in the associate's profit or loss is included in the consolidated income statement and the share in changes in equity without impacting the income statement is included directly in consolidated equity. The cumulative changes after the date of acquisition increase or decrease the carrying amount of the interest in the associate. If the associate's losses attributable to Evotec equal or exceed the value of the interest in this associate, no further losses are recognised.

— 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. Depreciation of favourable contracts is calculated using the straight-line method over the term of the respective contracts. The useful lives are as follows:

Trademarks	2-10 years
Developed technologies	7-18 years
Customer list	2-8 years
Patents and licences	15 years or shorter life
Favourable contracts	41.4 years

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 fair value 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 acquiree; less
- the net recognised amount of the identifiably assets acquired and liabilities assumed at fair value.

If the net assets exceed the fair value of the consideration transferred, the income from bargain purchase is recognised in profit or loss.

— 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. Non-current 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.

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.

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.

— CONTRACT LIABILITIES —

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

— SHARE CAPITAL —

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognised net of tax as a deduction from equity.
The Company applies the regulations of IAS 32 in accounting for treasury shares. When ordinary shares recognised as equity 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 net of tax as an increase in equity.

— STOCK OPTIONS AND SHARE PERFORMANCE AWARDS —

The Company applies the regulations of IFRS 2 with regard to the accounting for options granted under its stock option plans and under its Share Performance Plan. All plans are settled in shares. 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 service 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 and from 2017 onwards also for the Management Board. The Share Performance Awards from the Share Performance Plan granted before 2017 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 service period in which the members of the Management Board renders services. In case the estimates regarding the achievement of the key performance indicators change, the fair value of Share Performance Awards is adjusted as long as it is not a share price-based indicator.

— REVENUE RECOGNITION —

Revenue is recognised when the control over separable services or research services is transferred to the customer and the customer therefore has the ability to direct the use and obtain substantially all of the remaining benefits from these services, provided that a contract with enforceable rights and obligations exists and that collectability of consideration is probable. The Company assesses collectability based on a number of factors, including past transaction history with the customer and the customer's 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. When allocating the transaction price to individual performance components, Evotec uses in particular FTE-rates as indicator of the fair value of these components. Payment terms typically stipulate payments in 30 to 45 days after invoice receipt.

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

Recharges
Revenues from recharges of costs are recognised over the period in which the costs occur. Payments are received thereafter.

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

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

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

Royalties
Revenue from royalties, which are dependent on other company's respective product sales, is recognised in the period in which the royalty report or the payment is received. Payments are received either on the same day as the royalty report or thereafter. Royalties are typically contract components with a variable consideration which will as mentioned above only be realised as revenues when it is highly probable that the consideration will be 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. Due to the high uncertainty associated with development activities in the pharmaceutical sector the precondition for the capitalisation of development expenses is generally not fulfilled. Evotec did not capitalise any development costs in 2018 and 2017, respectively.

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

The Company has received grants and fundings in the amount of T€ 293 (2017: T€ 673) from government authorities as well as private foundations for the support of specific research and development projects. These grants are linked to projects. The grants are recognised as a reduction mainly of research and development expense when they are received. No grants were received for capitalised development expenditures.

Under the terms of the grants, governmental agencies and private foundations 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 2018 and 2017 (see Note 14 and 15).

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, which is used by Evotec for the impairment testing of non-financial non-current assets and goodwill, is calculated by estimating the net present value of future cash flows arising from that asset or cash-generating unit. The discount rate used to calculate the value in use is determined to reflect the risks inherent for each asset or cash-generating unit. The evaluation of the 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 again reversed if there has been a change in the estimates used to determine the recoverable amount leading to an increase in value for a previously impaired

asset or group of assets as one cash-generating unit. It is reversed only to the extent that the assets or the group of assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised. Impairments of goodwill are not reversed.

— OTHER OPERATING INCOME —

Evotec receives tax refunds from tax development programmes in the context of qualifying research and development expenses in different jurisdictions. Such tax refunds regularly result in amounts which can be offset against taxable income, so as to provide a partial or full relief from tax or other payments to fiscal authorities. Evotec determined that under its significant tax development programmes, the feature of the credit is provided in a way which allows either offsetting against taxable income or instead, when insufficient taxable profits are available, direct reimbursement and payment in cash. In addition, the tax development programmes are provided for specific activities, often limited to specific research and development expenses. As such, Evotec accounts for such tax development programmes as other operating income and does not account for such income as tax income or offsets tax refunds from income tax expense. In 2018, the amount of R&D tax credits accounted for as other operating income was T€ 24,282.

In certain cases Evotec recharges costs to third parties. The income from those recharges are recognised in other operating income when it is a direct reimbursement of costs. This is the case for the reimbursements of Sanofi in the context of the take-over of current expenses of the sites in Toulouse and Lyon. There is no underlying direct exchange of services for this income and therefore a recognition as revenues is not suitable. The relating expenses are recognised in other operating expenses as well as research and development expenses.

— INTEREST INCOME AND EXPENSE —

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

Evotec 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 or other comprehensive income.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group generates taxable income. The tax rates for domestic companies are 27-32% and for foreign companies 19-34%.

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 may become available that forces the Company to change

its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expenses in the period in which such determination is made.

— NET INCOME PER SHARE —

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	***2018***	*2017*
Issued ordinary shares 01 January	**147,533**	133,052
Treasury shares 01 January	**(250)**	(250)
Effect of weighted average share capital increase	**-**	11,597
Effect of weighted average share options exercised	**199**	611
Weighted average number of ordinary shares 31 December	**147,482**	145,010

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. In 2018, the number of potentially dilutive shares to be issued from stock options and Share Performance Awards amounted to 2,416,958 (2017: 2,929,547). For calculating the diluted net result per share the resulting dilutive shares are included from the beginning of the period.

— RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED —

All of the following IFRS pronouncements that were issued by the IASB and the IFRIC and endorsed by the EU were not effective and have not been applied by Evotec until the end of 2018.

New or changed standards	***Summary of the standard***	***Possible impact on Evotec***
IFRS 16	According to IFRS 16 lessees have to recognise all leases and the respective contractual rights and liabilities in the balance sheet. In addition, the standard offers guidance on the presentation in the financial statements, notes disclosures as well as to sale-and-lease-back transactions. Effective date is the annual period beginning on or after 01 January 2019.	Evotec expects impacts on the consolidated financial statements as listed below.
IFRIC 23	This interpretation clarifies the recognition and measurement requirements of uncertain tax positions. When assessing uncertainty, an entity determines, whether it is probable that tax authorities will accept an uncertain tax treatment. The effective date of IFRIC 23 is the annual period beginning on or after 01 January 2019; early adoption is permitted.	Evotec does not expect any material effects on the consolidated financial statements.

The IASB issued various other pronouncements, amongst them "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)", "Annual Improvements to IFRS Standards 2015–2017 Cycle" and "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". These pronouncements, not yet endorsed by the EU, do not have a material impact on Evotec´s consolidated financial statements.

The effective date of IFRS 16 is the annual period beginning on or after 01 January 2019. The new standard aims to ensure that generally all leases and related contractual rights, in particular right-of-use, and obligations are recognised in the lessee's statement of financial position. The previously mandatory distinction between finance lease and operating lease is no longer required from the lessee. Simplified reporting methods are in place for short-term leases and leased assets with low value. In 2018, Evotec conducted a detailed analysis of the impacts of IFRS 16. The actual impact will depend on, amongst others, Evotec's borrowing rate in 2019, the portfolio of lease contracts at that date and the then latest assessment of exercising renewal options. Currently, the largest impact stems from building lease contracts. This will be accompanied by increased financing liabilities, a reduced equity ratio as well as an improved adjusted EBITDA. Evotec expects that the adjusted EBITDA for 2019 will improve in the amount of the operating lease obligations (T€ 12,984) (note 31a). After the adoption of IFRS 16, Evotec will continue to meet all covenants.

Evotec plans to apply this standard initially on 01 January 2019, using the modified retrospective approach and hence with no restatement of comparative information. It is intended to make extensive use of the practical expedients provided under IFRS 16. The expected lease liability from the initial adoption of IFRS 16 is summarized as follows:

RECONCILIATION OF THE OPERATING LEASE OBLIGATIONS IN THE GROUP TO THE EXPECTED LEASE LIABILITY

T€	*01 January 2019*
Operating lease obligation as of 31 December 2018 (see note 31 (a))	93,634
— Discounted with the borrowing rate on 01 January 2019	(13,745)
Liabilities from finance leases as at 31 December 2018	4,716
Expected lease liability as of 01 January 2019	**84,605**

(4) SEGMENT INFORMATION

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. Please refer to the group management report for further information. 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 evaluation of each operating segment by the management is performed on the basis of revenues and adjusted EBITDA. Revenues in the segments consist of revenues from contracts with customers without revenues from recharges as those are not of importance for the management to assess the economic situation of the segments. The adjusted EBITDA is calculated without non-operating income (expense) as well as the adjustments listed in the reconciliation below. 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 result. Please refer to the group management report for further information.

The segment information for the financial year 2018 is as follows:

in T€	*EVT Execute*	*EVT Innovate*	*Intersegnment eliminations*	*Not allocated*	*Transition*	*Evotec Group*
Revenues	295,087	68,893	-	-	11,425	375,405
Intersegment revenues	52,090	-	(52,090)	-	-	-
Costs of revenue	(260,290)	(38,373)	46,699	-	(11,425)	(263,389)
Gross profit	**86,887**	**30,520**	**(5,391)**	**-**	**-**	**112,016**
Operating income and (expenses)						
Research and development expenses	(862)	(40,148)	5,391	-	-	(35,619)
Selling, general and administrative expenses	(47,578)	(9,434)	-	-	-	(57,012)
Impairment of intangible assets	-	(4,364)	-	-	-	(4,364)
Income from bargain purchase	-	-	-	15,400	-	15,400
Other operating income	37,345	29,969	-	-	(11,425)	55,889
Other operating expenses	(18,573)	(1,699)	-	-	11,425	(8,847)
Total operating income and (expenses)	**(29,668)**	**(25,676)**	**5,391**	**15,400**	**-**	**(34,553)**
Operating income	**57,219**	**4,844**	**-**	**15,400**	**-**	**77,463**
Interest result						(1,693)
Other income from long-term investments						190
Share of the loss of associates accounted for using the equity method						(4,099)
Other income (expense) from financial assets, net						(112)
Foreign currency gain (loss), net						(7)
Other non-operating income						257
Income before taxes						**71,999**
EBITDA adjusted	**87,186**	**8,271**				**95,457**

The adjusted EBITDA for the financial year 2018 is derived from operating income (loss) as follows:

in T€	EVT Execute	EVT Innovate	Not allocated	Evotec Group
Operating income	**57,219**	**4,844**	**15,400**	**77,463**
plus depreciation of tangible assets	18,201	1,087	-	19,288
plus amortisation of intangible assets	11,766	239	-	12,005
plus impairment of intangible assets	-	4,364	-	4,364
minus Income from bargain purchase	-	-	(15,400)	(15,400)
plus change in contingent consideration (earn-out)	-	(2,263)	-	(2,263)
EBITDA adjusted	**87,186**	**8,271**	**-**	**95,457**

The segment information including the IFRS 15 amendments for the financial year 2017 is as follows:

in T€	EVT Execute	EVT Innovate	Intersegment eliminations	Transition	Evotec Group
Revenues	213,423	43,853	-	6,489	263,765
Intersegment revenues	36,557	-	(36,557)	-	-
Costs of revenue	(183,104)	(24,433)	32,061	(6,489)	(181,965)
Gross profit	**66,876**	**19,420**	**(4,496)**	**-**	**81,800**
Operating income and (expenses)					
Research and development expenses	(724)	(21,386)	4,496	-	(17,614)
Selling, general and administrative expenses	(35,497)	(6,886)	-	-	(42,383)
Impairment of intangible assets	-	(1,180)	-	-	(1,180)
Other operating income	25,338	7,147	-	(6,489)	25,996
Other operating expenses	(13,279)	(3,102)	-	6,489	(9,892)
Total operating expenses	**(24,162)**	**(25,407)**	**4,496**	**-**	**(45,073)**
Operating income	**42,714**	**(5,987)**	**-**	**-**	**36,727**
Interest result					(358)
Share of the loss of associates accounted for using the equity method					(1,783)
Other income (expense) from financial assets, net					(243)
Foreign currency exchange gain (loss), net					(8,569)
Other non-operating income (expense), net					(209)
Income before taxes					**25,565**
EBITDA adjusted	**62,413**	**(5,191)**		**-**	**57,222**

The adjusted EBITDA including the IFRS 15 amendments for the financial year 2017 is derived from operating income (loss) as follows:

in T€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Operating income (loss)	**42,714**	**(5,987)**	**36,727**
plus depreciation of tangible assets	13,035	691	13,726
plus amortisation of intangible assets	6,664	376	7,040
plus impairment of intangible assets	-	1,180	1,180
plus change in contingent consideration (earn-out)	-	(1,451)	(1,451)
EBITDA adjusted	**62,413**	**(5,191)**	**57,222**

Non-current assets as of 31 December can be analysed under IFRS 8 as follows:

	2018 T€	*2017* T€
Germany	**67,194**	45,949
Italy	**199,787**	117,559
United Kingdom	**134,554**	98,782
France	**33,628**	22,848
USA	**21,793**	20,891
Switzerland	**15,433**	4,002
not assigned	**-**	137,287
	472,389	447,318

(5) REVENUE FROM CONTRACTS WITH CUSTOMERS

The following schedule analyses the revenue Evotec recognised from contracts with customers in the financial year 2018:

in T€	***EVT Execute***	***EVT Innovate***	***Transition***	***Evotec Group***
Revenues from contracts with customers				
Service fees and FTE-based research payments	289,087	49,362	-	338,449
Recharges	-	-	11,425	11,425
Compound access fees	-	1,857	-	1,857
Milestone fees	6,000	17,630	-	23,630
Royalties	-	-	-	-
Licences	-	44	-	44
Total	**295,087**	**68,893**	**11,425**	**375,405**
Timing of revenue recognition				
At a certain time	6,000	17,674	-	23,674
Over a period of time	289,087	51,219	11,425	351,731
Total	**295,087**	**68,893**	**11,425**	**375,405**
Revenues by region				
USA	117,753	27,505	6,912	152,170
Germany	22,733	7,948	377	31,058
France	43,674	16,680	321	60,675
United Kingdom	50,549	2,805	1,849	55,203
Others	60,378	13,955	1,966	76,299
Total	**295,087**	**68,893**	**11,425**	**375,405**

The revenues are allocated to regions according to the head office of the external customers.

The transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as of 31 December 2018 are as follows:

REMAINING PERFORMANCE OBLIGATION

in T€	*31 December 2018*
In the course of one year	224,646
after one year	**85,519**

Revenue that was included in the contract liabilities as of 01 January 2018 in the amount of T€ 16,164 was recognised during the year 2018.

Sanofi is Evotec's largest customer and the only one having a share of more than 10% of the Group revenues in 2018, representing in total more than 14% or T€ 53,879 (2017: 22% or T€ 57,667) of the Group revenues, allocated to the segments EVT Execute and EVT Innovate.

Main estimates and assumptions

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

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

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

Evotec regularly measures the stage of completion of its performance obligations by reference to input-based methods, such as hours delivered under a contract in relation to expected total hours needed for a full completion of the performance obligation. Revisions made to the estimated stage of completion can result in an adjustment to revenues in the current or future financial period.

▸ Determining method to estimate variable compensation and assessing the constraint

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

(6) ACQUISITIONS

Effective 01 July 2018, Evotec acquired 100% of the shares in Evotec ID (Lyon) SAS, Marcy l'Étoile, France. The purchase price amounted to € 1 in cash. With this acquisition, Evotec started a further long-term cooperation with Sanofi. Evotec will integrate Sanofi's infectious disease unit and the relating research portfolio into its organisation.

The income from bargain purchase resulting from the acquisition amounts to T€ 15,400 and is recognised as other operating income. The income from bargain purchase was not allocated to segments. It is a result of the fact that Sanofi wanted to reduce its activities with the infectious disease unit in Marcy l'Étoile and additionally wanted to assure that those activities will be pursued by an appropriate buyer.

The net income recorded by Evotec for the financial year 2018 included a net income of T€ 6,799 as well as revenues of T€ 1,432 from the acquisition of Evotec ID (Lyon). If this business combination including the agreement relating to the research portfolio had taken place on 01 January 2018, Evotec would have realised revenues from contracts with customer in the amount of T€ 376,837 and a net income in the amount of T€ 90,855. Transaction costs in the amount of T€ 33 were recognised through profit or loss as selling, general and administrative expenses in 2018.

Below is a breakdown of the fair values of Evotec ID (Lyon) at the date of acquisition:

T€	*01 July 2018 Fair value*
Cash and cash equivalents	18,065
Prepaid expenses and other current assets	110
Property, plant and equipment	2,691
Deferred tax asset	986
Provisions	(6,452)
Net assets acquired	**15,400**
Income from bargain purchase	15,400
Cost of acquisition	**-**
Less cash and cash equivalents acquired	(18,065)
Cash outflow from acquisition	**18,065**

Effective 11 August 2017, Evotec acquired 100% of the shares in Aptuit Global LLC, Princeton, USA and hereby Aptuit Verona SRL, Verona, IT and Aptuit Oxford Ltd, Abingdon, UK; Aptuit (Switzerland) Basel, CH and Aptuit (Potters Bar) Ltd, Abingdon, UK. The purchase price amounted to T€ 253,239 in cash. The accounting for the acquisition was finalised in July 2018. The goodwill amounts to T€ 137,555 and is allocated to the EVT Execute segment.

Below is a breakdown of the fair value of Aptuit at the date of acquisition and after finalisation of the purchase price allocation under IFRS 3:

T€	*11 August 2017 Fair value*
Cash and cash equivalents	5,156
Trade accounts receivables	11,122
Inventories	5,870
Current tax assets	1,686
Prepaid expenses and other current assets	18,549
Property, plant and equipment	30,293
Trademarks	6,539
Customer list	43,402
Favourable contracts	62,033
Deferred tax asset	1,873
Other non-current assets	967
Loans	(10,219)
Lease liabilities	(2,120)
Trade accounts payable	(13,162)
Provisions	(9,589)
Deferred revenues	(11,289)
Other current liabilities	(3,662)
Deferred tax liabilities	(21,765)
Net assets acquired	**115,684**
Goodwill	137,555
Cost of acquisition	**253,239**
Less cash and cash equivalents acquired	(5,156)
Cash outflow from acquisition	**248,083**

The adjustment of the prior-year figures due to the finalisation of the purchase price allocation is presented below:

T€	*2017 as reported*	*IFRS 3 adjustment*	*2017 after IFRS 3 adjustments*
Balance sheet item			
Property, plant and equipment	28,916	1,407	30,323
Provisions	(7,943)	(1,676)	(9,619)
Goodwill	137,286	269	137,555

Main estimates and assumptions

▸ Methods and parameters used in determining fair value

Assets and liabilities acquired in a business combination are initially accounted for at fair value on the acquisition date. Fair values are determined using a discounted cash flow model. The model relies on input parameters which are derived from observable market data. However, such parameters do involve management judgment whenever no comparable market data is available.

The fair values are sensitive to the useful life of the acquired assets, the underlying long-term budget and the discount rate. In the financial year 2018, a post-tax discount rate of 7.90% was used in the acquisition of Aptuit.

▸ Allocating goodwill to cash-generating units

Goodwill from business combinations is allocated to cash-generating units based on how the units will benefit from the synergies of the combination. Determining if and to which extent the units will benefit from the combination is subject to estimates, such as the long-term budget. The allocated goodwill will be subject to impairment testing on the level of the cash-generating unit or group of cash-generating units to which it was allocated as further disclosed in note 15 Goodwill. Because input parameters for impairment testing may vary between different cash-generating units or group of cash-generating units, the allocation of goodwill also impacts subsequent measurements.

(7) CASH AND CASH EQUIVALENTS AND INVESTMENTS

In the course of managing liquidity, Evotec is investing in funds, which invest in debt instruments with a maturity beyond three months. These are reported as investments in current assets at fair value. Included in investments are also corporate bonds, which also are reported at fair value. The investments and corporate bonds are classified as measured at fair value through OCI. As of 31 December 2018, unrealised gains in the amount of T€ 53 (31 December 2017: losses of T€ 261) were recognised in other comprehensive income relating to those assets.

Based on the expected credit loss an allowance of T€ 41 has been recognised as of 31 December 2018. The allowance has been calculated as follows:

T€	*Book value*	*estimated, expected failure rate*	*valuation reserve*
Rating A or better	7,195	0.100%	7
Rating BBB or better	8,360	0.400%	33
Bonds in investments	**15,555**		**41**

(8) TRADE ACCOUNTS RECEIVABLES

The Company has assessed the non-payment risk of all trade accounts receivables. The resulting allowance as of 31 December 2018 and 2017 amounts to T€ 534 and T€ 1,082, respectively. This allowance represents a partly write-down of the respective receivables. There are no use restrictions on trade accounts receivable.

The ageing of trade receivables at the year-end was:

T€	31 December 2018	2017
Not past due	**33,867**	31,737
Bad debt not past due	**(4)**	-
Past due 0-30 days	**6,188**	7,985
Bad debt 0-30 days	**(26)**	(3)
Past due 31-120 days	**5,107**	5,107
Bad debt 31-120 days	**(244)**	(765)
More than 120 days	**1,310**	1,843
Bad debt more than 120 days	**(260)**	(314)
Total trade accounts receivables	**45,938**	**45,590**

As of 31 December 2018 an allowance of T€ 9 has been recognised due to expected bad debt losses. The allowance has been calculated as follows:

T€	Book value	estimated, expected failure rate	valuation reserve
Not past due	33,866	0.010%	3
Past due 0-30 days	6,164	0.030%	2
Past due 31-120 days	4,866	0.050%	3
More than 120 days	1,051	0.086%	1
Total trade accounts receivables	**45,947**		**9**

(9) INVENTORIES

Inventories consist of the following:

T€	31 December 2018	2017
Raw materials	**4,757**	5,060
Work-in-progress	**903**	508
Total inventories	**5,660**	**5,568**

Raw materials consist mainly of compound libraries. Additionally, biological materials and substances as well as chemicals are included.

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

T€	31 December 2018	2017
Raw materials	**2,012**	1,516
Work-in-progress	-	-
Total inventories	**2,012**	**1,516**

The allowances are included in the costs of revenue.

(10) CONTRACT ASSETS

As of 31 December 2018 an allowance of T€ 1 has been recognised due to expected losses. The allowance has been calculated as follows:

T€	Book value	estimated, expected failure rate	valuation reserve
Not past due	12,913	0.010%	1
Total contract assets	**12,913**		**1**

Contract assets completely consist of assets resulting from customer contracts.

(11) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses as of 31 December 2018 mainly relate to payments for licences and other IT-related prepayments in the amount of T€ 2,235 (31 December 2017: T€ 955), maintenance in the amount of T€ 1,240 (31 December 2017: T€ 1,027), rent in the amount of T€ 1,215 (31 December 2017: T€ 1,010) as well as prepayments for insurance premiums in the amount of T€ 778 (31 December 2017: T€ 1,132). The other current assets mainly comprise VAT-related receivables of T€ 6,639 (31 December 2017: T€ 6,356).

T€	31 December 2018	2017
Prepaid expenses	**8,451**	8,600
Other	**11,007**	8,044
Total prepaid expenses and other current assets	**19,458**	**16,644**

(12) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER LONG-TERM INVESTMENTS (STAKE UNDER 20%)

Investments accounted for using the equity method and other long-term investments consist of the following:

T€	31 December 2018	31 December 2017
Investments accounted for using the equity method		
Eternygen GmbH, Berlin, Germany	**944**	992
Exscientia Ltd., Dundee, UK	**18,399**	14,845
FSHD Unlimited Coop, Leiden, Netherlands	**2,125**	1,218
Topas Therapeutics GmbH, Hamburg, Germany	**1,099**	776
Other long-term investments (under 20%)		
Carrick Therapeutics Ltd,, Dublin, Ireland	**3,009**	1,780
Fibrocor LLP, Toronto, Canada	**190**	-
Forge Therapeutics, Inc., San Diego, CA, USA	**3,197**	2,502
	28,963	**22,113**

In the reporting year, Evotec participated in funding rounds of the following long-term investments: Topas Therapeutics GmbH, changing the share from 39.52% to 30%; Eternygen GmbH with no change in the share held; Exscientia, reducing the share from 24.54% to 23.70%. By participating in a funding round in December 2018, Evotec holds 19.91% shares of FSHD Unlimited Coop (FSHD) as of 31 December 2018 (31 December 2017: 21.51%). As Evotec still has significant influence Evotec continues to account for FSHD using the at-equity method under IAS 28.

The following table shows the net assets of investments accounted for using the equity method:

T€	Net assets 31 December 2018	Loss share not attributable to Evotec 2018
Eternygen GmbH, Berlin, Germany	**907**	1,077
Exscientia Ltd., Dundee, UK	**29,955**	4,419
FSHD Unlimited Coop, Leiden, Netherlands	**6,663**	2,502
Topas Therapeutics GmbH, Hamburg, Germany	**10,081**	3,853

T€	Net assets 31 December 2017	Loss share not attributable to Evotec 2017
Net Assets		
Eternygen GmbH, Berlin, Germany	1,286	1,799
Exscientia Ltd., Dundee, UK	14,897	424
FSHD Unlimited Coop, Leiden, Netherlands	3,087	1,173
Topas Therapeutics GmbH, Hamburg, Germany	6,373	1,221

The reconciliation of the significant investment in Exscientia is shown below:

EXSCIENTIA

T€	
Balance at 01 January 2018	14,845
Acquisition	4,983
Net income from 01 January to 31 December	(1,429)
Other changes recorded in equity	-
Net book value 31 December 2018	**18,399**

T€	
Balance at 01 January 2017	-
Acquisition	15,000
Net income from 01 October to 31 December	(156)
Other changes recorded in equity	1
Net book value 31 December 2017	**14,845**

The following table shows further financial information of the significant investment in Excscientia:

T€	31 December 2018	31 December 2017
Current assets	**28,981**	14.789
Non-current assets	**974**	108
Current liabilities	**77**	35
Non-current liabilities	**-**	2
Revenues from 01 January to 31 December	**344**	355
Net result from 01 January to 31 December	**(5,848)**	(641)
Other comprehensive income	**-**	4
Total comprehensive income	**(5,848)**	(637)

(13) PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in 2018 and 2017 is shown in the following tables.

T€	Buildings and leasehold improvements[1)]	Plant, machinery and equipment	Furniture and fixtures	Purchased software	Finance leases	Assets under construction	Total
			2018				
Acquisition and manufacturing costs							
Amount beginning of the year	23,927	88,692	8,565	3,008	3,081	4,409	131,682
Foreign currency translation	(139)	(238)	(107)	30	(125)	(121)	(700)
Additions	1,960	16,290	3,254	310	4,509	5,544	31,867
Business combination	-	2,627	64	-	-	-	2,691
Disposals	-	1,296	101	-	-	-	1,397
Reclass	1,397	1,609	169	416	-	(3,591)	-
Amount end of the year	**27,145**	**107,684**	**11,844**	**3,764**	**7,465**	**6,241**	**164,143**
Depreciation, amortisation and write-downs							
Amount beginning of the year	9,183	40,405	3,882	1,771	372	-	55,613
Foreign currency translation	(82)	78	(22)	33	(6)	-	1
Additions	1,895	12,911	2,737	751	994	-	19,288
Disposals	-	1,183	95	-	-	-	1,278
Amount end of the year	**10,996**	**52,211**	**6,502**	**2,555**	**1,360**	**-**	**73,624**
Net book value							
Amount beginning of the year	14,744	48,287	4,683	1,237	2,709	4,409	76,069
Amount end of the year	**16,149**	**55,473**	**5,342**	**1,209**	**6,105**	**6,241**	**90,519**

[1)] The carry forward was adjusted due to the finalisation of the purchase price allocation of the business combination with Aptuit

T€	Buildings and leasehold improvements[1)]	Plant, machinery and equipment	Furniture and fixtures	Purchased software	Finance leases	Assets under construction	Total
			2017				
Acquisition and manufacturing costs							
Amount beginning of the year	14,215	71,317	6,541	1,756	152	1,322	95,303
Foreign currency translation	(906)	(1,620)	(200)	-	(8)	(7)	(2,741)
Additions	3,020	10,290	2,433	337	735	750	17,565
Business combination	9,201	13,693	1,300	1,024	2,202	2,903	30,323
Disposals	1,692	5,412	1,554	110	-	-	8,768
Reclass	89	424	45	1	-	(559)	-
Amount end of the year	**23,927**	**88,692**	**8,565**	**3,008**	**3,081**	**4,409**	**131,682**
Depreciation, amortisation and write-downs							
Amount beginning of the year	9,297	37,835	3,581	1,558	14	-	52,285
Foreign currency translation	(608)	(1,261)	(160)	-	(26)	-	(2,055)
Additions	1,891	9,146	1,981	323	384	-	13,725
Disposals	1,397	5,315	1,520	110	-	-	8,342
Amount end of the year	**9,183**	**40,405**	**3,882**	**1,771**	**372**	**-**	**55,613**
Net book value							
Amount beginning of the year	4,918	33,482	2,960	198	138	1,322	43,018
Amount end of the year	**14,744**	**48,287**	**4,683**	**1,237**	**2,709**	**4,409**	**76,069**

[1)] Changed by the effect of finalising the purchase price allocation of Aptuit in 2018 under IFRS 3 (see Note 6)

The additions in 2018 mainly relate to upgrades as well as instruments and equipment to support the state-of-the-art platform offering. In particular, capital expenditure was made in high-quality mass spectrometry instruments in a number of disciplines, software upgrades and improvements of the infrastructure in order to even better serve the collaborations with Celgene regarding iPSC and oncology. In addition, capital expenditure relates to the expansion of the capacities of the Company's integrated pre-clinical development offering (INDiGO). The capital expenditure regarding facilities focused on laboratory and office expansions, in particular in Hamburg and Göttingen (Germany) as well as on substance management in Branford (USA) and the laboratories in Princeton (USA).

The additions in 2017 relate in particular to capital expenditure for software upgrades and software licences as well as instruments and equipment to support the state-of-the-art platform offering at Evotec's sites. The capital expenditure focused on laboratory and office expansions, in particular in Hamburg (Germany) and Abingdon (UK).
The disposals in 2017 primarily relate to plant and equipment of Compound Management in San Francisco, which was not moved to Branford.

Upon completion of the assets under construction, costs are transferred into their respective fixed assets classification.

Due to the finalisation of the purchase price allocation of the business combination with Aptuit, additions from business combinations in 2017 on buildings and leasehold improvements were changed subsequently in 2018 in the amount of T€ 1,407.

(14) INTANGIBLE ASSETS, EXCLUDING GOODWILL

The development of intangible assets in 2018 and 2017 is shown in the following tables.

2018

T€	*Patents and licences*	*Developed technology*	*Customer list*	*Trademarks*	*Favourable contracts*	*Total*
Acquisition and manufacturing costs						
Amount beginning of the year	6,281	88,419	61,891	6,539	62,033	225,163
Foreign currency translation	-	261	76	-	-	337
Additions	3,700	-	-	-	-	3,700
Business combination	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amount end of the year	**9,981**	**88,680**	**61,967**	**6,539**	**62,033**	**229,200**
Depreciation, amortisation and write-downs						
Amount beginning of the year	6,171	71,224	11,452	704	579	90,130
Foreign currency translation	-	(203)	(85)	-	-	(288)
Additions	138	736	7,949	1,684	1,498	12,005
Disposals	-	-	-	-	-	-
Impairment	-	4,364	-	-	-	4,364
Amount end of the year	**6,309**	**76,121**	**19,316**	**2,388**	**2,077**	**106,211**
Net book value						
Amount beginning of the year	110	17,195	50,439	5,835	61,454	135,033
Amount end of the year	**3,672**	**12,559**	**42,651**	**4,151**	**59,956**	**122,989**

2017

T€	*Patents and licences*	*Developed technology*	*Customer list*	*Trademarks*	*Favourable contracts*	*Total*
Acquisition and manufacturing costs						
Amount beginning of the year	6,261	90,628	19,859	-	-	116,748
Foreign currency translation	-	(2,209)	(1,370)	-	-	(3,579)
Additions	20	-	-	-	-	20
Business combination	-	-	43,402	6,539	62,033	111,974
Disposals	-	-	-	-	-	-
Amount end of the year	**6,281**	**88,419**	**61,891**	**6,539**	**62,033**	**225,163**
Depreciation, amortisation and write-downs						
Amount beginning of the year	6,022	69,921	7,538	-	-	83,481
Foreign currency translation	-	(798)	(774)	-	-	(1,572)
Additions	149	921	4,688	704	579	7,041
Disposals	-	-	-	-	-	-
Impairment	-	1,180	-	-	-	1,180
Amount end of the year	**6,171**	**71,224**	**11,452**	**704**	**579**	**90,130**
Net book value						
Amount beginning of the year	239	20,707	12,321	-	-	33,267
Amount end of the year	**110**	**17,195**	**50,439**	**5,835**	**61,454**	**135,033**

Intangible assets consist of developed technologies, customer list, trademarks, favourable contracts and acquired patent and licences.

The additions to intangible assets in 2018 relate to rights to potential future revenues of Haplogen GmbH, Vienna, which were presented previously in other non-current assets. In 2018, Evotec realised revenues from these rights, consequently reclassifying these rights into intangible assets. These rights are amortised over the term of the patent being 18 years and 3 months, showing historic costs of T€ 3,700 and a carrying value of T€ 3,649 as of 31 December 2018.

There have been no disposals of developed technologies in 2018.

The additions to customer list, trademarks and favourable contracts from business combinations in 2017 result from the Aptuit acquisition. The favourable contracts relate to free leases in Italy, which were primarily assessed on the basis of an external expert opinion and with a cash flow model.

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 as of 31 December 2018 amounted to T€ 0 (31 December 2017: T€ 4,124). 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, all of the related developed technologies are now amortised. The carrying amount as of 31 December 2018 amounted to T€ 1,252 (31 December 2017: T€ 1,590).

The developed technologies which were not yet amortised were tested for impairment on the annual designated test date in the fourth quarter 2018. The annual impairment test in 2018 is based on discounted cash flow models by using the assumptions in the table below.

31 December 2018
Developed technologies

	Evotec International GmbH	Evotec (US), Inc.
Denominated in	EUR	USD
Basis for cash flow model	PP 16-21 years	PP 14 years
Post-tax discount rate	9.18%	11.38%

PP = Project planning

The post-tax 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 2018 in a full impairment of T€ 197 on the developed technologies following the acquisition of NanoDeliver. These technologies are allocated to the EVT Innovate segment.

In the second quarter of 2018, developed technologies from the acquisition of Panion Ltd., London, UK, did not show promising data, leading to the decision to discontinue the programme. Consequently, Evotec recognised a full impairment of T€ 231 for the related developed technologies. This impairment was allocated to the EVT Innovate segment. In addition, the technologies resulting from the acquisition of DeveloGen (now called: Evotec International GmbH) were delayed. Evotec assessed the corresponding technologies for impairment and concluded a full impairment of T€ 3,936 had to be recognised. This impairment was also allocated to the EVT Innovate segment.

— IMPAIRMENT TEST 2017 —

The annual impairment test in 2017 was based on a discounted cash flow model by using the assumptions in the table below.

31 December 2017
Developed technologies

	Evotec International GmbH	Evotec (US), Inc.
Denominated in	EUR	USD
Basis for cash flow model	PP 16-21 years	PP 15 years
Post-tax discount rate	9.51%	11.16%

PP = Project planning

In the first half of 2017, developed technologies from the acquisition of Panion did not meet the expected results and consequently developed technologies were tested for impairment resulting in an impairment loss in the amount of T€ 1,180 that was allocated to the EVT Innovate segment. The net book value of these technologies was T€ 229 as of 31 December 2017.

No further impairments were recognised in 2017.

— FURTHER ASSUMPTIONS —

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 the 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 the 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 material intangible assets, which are part of the annual impairment testing and which might show a change in net book value of 2018 and 2017 if possible changes in one of the two key assumptions occur. Those changes in the material assumptions are shown which result in estimated recoverable amounts to be equal to the carrying amounts in 2018 and 2017. Only one assumption will be shown in the case that only for one assumption a change is expected to be possible.

2018

	Recoverable amount exceeding net book value	***Applied post-tax discount rate***	***Increase of post-tax discount rate***	***Applied commercialisation success rate***	***Decrease in commercialisation success rate***
	T€	in %-points	in %-points	in %-points	in %-points
Developed technologies Evotec International	164	9.18	1.79	30.0	3.8

2017

	Recoverable amount exceeding net book value	*Applied post-tax discount rate*	*Increase of post-tax discount rate*	*Applied commercialisation success rate*	*Decrease in commercialisation success rate*
	T€	in %-points	in %-points	in %-points	in %-points
Developed technologies Evotec International	59	9.51	0.64	30.0	1.1
Developed technologies Evotec International	265			30.0	1.6
Developed technologies Evotec International	176			30.0	5.7

The categories listed above consist of several developed technologies.

(15) GOODWILL

The Company has tested the cash-generating units for impairment on the annual designated test date in the fourth quarter 2018 based on the net book values as of 30 September 2018. The impairment tests are based on discounted cash flow models.

With respect to the development of goodwill please refer to the following detailed schedules.

	OAI/Evotec International Execute	***OAI/Evotec International Innovate***	***Not allocated***	***Aptuit Execute***	***Evotec (München) Execute***	***Evotec (US) Execute***	***Evotec (US) Innovate***	***Total***
	T€	T€	T€	T€	T€	T€	T€	T€
01 January 2018	60,230	9,164	137,555	-	7,983	3,964	1,551	220,447
Reclass	11,869	-	(137,555)	125,686	-	-	-	-
Foreign currency translation	(484)	(6)	-	573	-	188	73	344
31 December 2018	**71,615**	**9,158**	**-**	**126,259**	**7,983**	**4,152**	**1,624**	**220,791**

	OAI/Evotec International Execute	*OAI/Evotec International Innovate*	*Not allocated[1)]*	*Evotec (München) Execute*	*Evotec (US) Execute*	*Evotec (US) Innovate*	*Total*
	T€	T€	T€	T€	T€	T€	T€
01 January 2017	62,241	9,189	-	7,983	4,510	1,765	85,688
Additions	-	-	-	-	-	-	-
Business combination	-	-	137,555	-	-	-	137,555
Disposal	-	-	-	-	-	-	-
Foreign currency translation	(2,011)	(25)	-	-	(546)	(214)	(2,796)
31 December 2017	**60,230**	**9,164**	**137,555**	**7,983**	**3,964**	**1,551**	**220,447**

[1)] Changed by the effect of finalising the purchase price allocation of Aptuit in 2018 under IFRS 3 (see Note 6)

The adjustment of the addition from business combinations in 2017 in the amount of T€ 269 results from the purchase price allocation of the Aptuit business combination being finalised in 2018 (see also Note 6). The goodwill from this business combination changed due to a valuation of a dilapidation provision. The goodwill stemming from the acquisition of Aptuit was allocated with T€ 11,869 to the cash-generating unit of OAI/Evotec International Execute and with T€ 125,686 to a group of cash-generating units (Aptuit Execute), which comprises Aptuit (Verona), Aptuit (Oxford) and Aptuit (Potters Bar). The allocation was based on how the cash-generating unit and group of cash-generating units would benefit from the synergies of the business combination. The relative shares were determined on the basis of expected profits as derived from the budgets of the individual entities. In addition, the allocation corresponds with how management monitors and tests goodwill for impairment.

In the tables below, the assumptions for the discounted cash flow models used in the annual impairment tests in the fourth quarter 2018 and 2017, the post-tax discount rate considering the risks and rewards of the activities used in the impairment test and the growth rate for determining the terminal value are specified.

Cash-generating units and groups of cash-generating units 2018

	OAI/Evotec International Execute	***OAI/Evotec International Innovate***	***Evotec (München) Execute***	***Evotec (US) Execute***	***Evotec (US) Innovate***	***Aptuit Execute***
Denominated in	GBP/EUR	GBP/EUR	EUR	USD	USD	GBP/USD/EUR
Basis for cash flow model	LRP	LRP/PP 17-21 years	LRP	MRP	PP 14 years	MRP
Post-tax discount rate	7.06% - 8.97%	9.18% - 11.38%	7.01%	8.97%	11.38%	8.99%
Growth rate for terminal value	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

LRP = Long-range Plan 2019-2028
MRP = Mid-range Plan 2019-2023
PP = Project planning

Cash-generating units 2017

	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 17-21 years	LRP	MRP	PP 15 years
Post-tax discount rate	6.64% - 8.47%	9.51% - 11.16%	6.75%	8.47%	11.16%
Growth rate for terminal value	0.0%	0.0%	0.0%	0.0%	0.0%

LRP = Long-range Plan 2018-2027
MRP = Mid-range Plan 2018-2022
PP = Project planning

In 2018 and 2017, the Company recorded no impairment as a result of these annual impairment tests.

The estimated cash flows for the impairment test of the goodwill in OAI/Evotec International Innovate and in Evotec (US) Innovate are based on the key assumptions of the underlying developed technologies.

The estimated cash flows for the goodwill of Evotec (München) Execute are based on management expectations for the future.

The impairment tests of the goodwill in Evotec (US) Execute as well as OAI/Evotec International Execute, Aptuit Execute 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 2019, respectively 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 goodwill, which might show a decrease in net book value of 2018 and 2017 if possible changes in the key assumption occur. Those changes in the material assumption are shown which result in the estimated recoverable amount to be equal to the carrying amount in 2018 and 2017.

	2018		
	Recoverable amount exceeding net book value	***Applied post-tax discount rate***	***Increase of post-tax discount rate***
	T€	in %-points	in %-points
Aptuit Execute	6,701	8.99	0.21
Evotec (US) Execute	2,061	8.97	2.15

	2017		
	Recoverable amount exceeding net book value	*Applied post-tax discount rate*	*Increase of post-tax discount rate*
	T€	in %-points	in %-points
Evotec (US) Execute	1,026	8.47	2.53

Regarding the impairment test of the goodwill in Evotec (München) Execute, the management has identified the gross profit as additional key assumption.

(16) NON-CURRENT TAX RECEIVABLES

Non-current tax receivables as of 31 December 2018 and 2017 relate to tax refunds from tax development programmes in the context of qualifying research and development expenses within France (crédit d'impôt recherche).

(17) OTHER NON-CURRENT ASSETS

Other non-current assets as of 31 December 2018 include rent deposits of T€ 895. Other non-current assets as of 31 December 2017 related primarily to payments to Haplogen GmbH, Vienna, in the amount of T€ 3,700. In return, Evotec received rights to potential future revenues. In 2018, Evotec realised revenues from this asset and consequently reclassified it into intangible assets.

(18) LOAN LIABILITIES

Throughout the years 2018 and 2017, Evotec met all covenants under the various loan agreements shown below. All loans are unsecured. In 2018 and 2017, Evotec had always to maintain a minimum liquidity of T€ 35,000.

				31 December		31 December	
Country of lendor	*Currency*	*Nominal interest rate*	*Maturity until*	***2018 Fair Value***	***2018 Carrying amount***	*2017 Fair Value*	*2017 Carrying amount*
				T€	**T€**	T€	T€
Germany	EUR	Euribor+1.25%	2019	**6,500**	**6,500**	6,500	6,500
Germany	EUR	Euribor+1.25%	2019	**6,500**	**6,500**	6,500	6,500
Germany	EUR	1.23%	2020	**4,987**	**5,000**	-	-
Germany	EUR	1.28%	2021	**5,007**	**5,000**	-	-
Germany	EUR	Euribor+1.2%*	2018	**-**	**-**	4,000	4,000
Germany	EUR	Euribor+1.15%	2019	**10,000**	**10,000**	-	-
Germany	EUR	1.20%	2021	**10,032**	**10,000**	-	-
Germany	EUR	Euribor+1.8%	2019	**30,000**	**30,000**	140,000	140,000
Germany	EUR	1.60%	2024-2025	**34,050**	**32,809**	17,001	16,394
Germany	EUR	1.25%	2021	**1,607**	**1,605**	2,359	2,319
Italy	EUR	Euribor+1.7%	2021	**1,217**	**1,217**	1,707	1,707
Italy	EUR	1.50%	2019	**140**	**140**	482	474
Italy	EUR	Euribor+1.4%	2019	**-**	**-**	700	700
Italy	EUR	Euribor+1.25%	2018	**-**	**-**	972	972
Italy	EUR	Euribor+1.05%	2018	**-**	**-**	420	420
Italy	EUR	1.80%	2020	**701**	**699**	1,129	1,099
United Kingdom	USD	Libor+1.5%	-	**-**	**-**	6,128	6,128
United Kingdom	GBP	Libor+1.5%	2019	**279**	**279**	845	845
				111,020	**109,749**	**188,743**	**188,058**

** with Euribor > 0%*

Current loan liabilities consisted of unsecured bank loans in the amount of T€ 55,069 as of 31 December 2018 (31 December 2017: T€ 167,763).

As of 31 December 2018, the Company maintained unutilised lines of credit totalling T€ 53,143 (31 December 2017: T€ 58,733).

(19) PROVISIONS

The current provisions consist of the following:

	31 December	
T€	***2018***	*2017*
Bonus accruals	**17,302**	11,726
Accrued vacation	**8,368**	6,625
Other provisions for personnel	**301**	373
Accrued lease expenses	**225**	237
Contingent consideration	**149**	1,965
Other pension provisions	**88**	-
Other provisions	**1,546**	1,164
Total current provisions	**27,979**	**22,090**

The non-current provisions consist of the following:

T€	31 December 2018	2017
Pension	**12,218**	8,415
Bonus accruals	**3,022**	1,716
Accrued lease expenses	**1,777**	2,085
Other provisions for personnel	**504**	-
Contingent consideration	**497**	2,865
Other provisions	**1,968**	1,961
Total non-current provisions	**19,986**	**17,042**

The adjustment of the prior-year figures is due to the finalisation of the purchase price allocation regarding Aptuit.

The following table summarises the development of total provisions recorded during 2018:

	01 January 2018[1)]	*Business combination*	*Consumption*	*Release*	*Foreign exchange*	*Additions*	*31 December 2018*
	T€	T€	T€	T€	T€	T€	T€
Personnel expenses	20,440	2,693	15,291	146	(42)	21,843	29,497
Contingent consideration	4,830	-	2,166	2,263	121	124	646
Pensions	8,415	3,759	280	324	-	736	12,306
Accrued lease expenses	2,322	-	318	-	(7)	5	2,002
Other provisions	3,125	-	476	215	(59)	1,139	3,514
Total	**39,132**	**6,452**	**18,531**	**2,948**	**13**	**23,847**	**47,965**

[1)] *The carry forward was adjusted due to the finalisation of the purchase price allocation of the business combination with Aptuit*

The provision for personnel expenses mainly consists of bonus accruals and accrued vacation.

The contingent consideration (earn-out) provision as of 31 December 2018 consists of the following contingent considerations (earn-outs) relating to the two following acquisitions and to two acquired contingent considerations:

- DeveloGen in the amount of T€ 497 (31 December 2017: T€ 2,636), including an unwind of discount in the amount of T€ 124 (2017: T€ 381) as well as a change in expected future cash outflows in the amount of T€ (2,263) (31 December 2017: T€ (1,365)),

- Aptuit (Potters Bar) in the amount of T€ 0 (31 December 2017: T€ 1,360) with a provision consumption of T€ 1,441 due to foreign exchange adjustments as this contingent consideration is denominated in GBP and no change in expected future cash outflows and

- Aptuit (Switzerland) in the amount of T€ 149 (31 December 2017: T€ 834) with a provision consumption of T€ 725 and no change in expected future cash outflows. The provision was denominated in USD, which led to a foreign exchange difference of T€ (39) (31 December 2017: T€ (16)).

The contingent consideration (earn-out) relating to the business combination with DeveloGen was calculated based on estimated discounted future cash flows over a period of 20 years. The change in expected future cash outflows in 2018 primarily relates to the delay of two projects. The adjustment of the change in expected future cash outflows was allocated to the EVT Innovate segment.

The unwind of the discount and the increase in the change in expected future cash outflows of the contingent consideration (earn-outs) is shown as addition in the provision table. A decrease in the change in expected future cash outflows of the contingent considerations (earn-outs) is shown as a release in the provision table.

The provision for personnel expenses 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 contingent consideration (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:

T€	31 December 2018	2017
Dilapidation	**1,902**	1,879
Provision for favourable contracts	**355**	158
Supervisory Board fees	**305**	305
Interest SWAP	**26**	50
Other provisions	**926**	733
Total other provisions	**3,514**	**3,125**

(20) CONTRACT LIABILITIES

As of 31 December 2018 and 2017, contract liabilities mainly originate from the upfront payments relating to the drug discovery collaboration with Celgene Corporation and Celgene RIVOT LLC in the amount of T€ 78,398 (31 December 2017: T€ 32,398) of which T€ 36,892 (31 December 2017: T€ 8,647) is classified as current contract liabilities. Contract liabilities consist entirely of contract liabilities from customer contracts.

(21) INCOME TAXES

a) AMOUNTS RECOGNISED IN CONSOLIDATED INCOME STATEMENT

Income tax benefit and expense for the years 2018 and 2017 comprise the following:

T€	2018	2017
Current taxes:		
— Current tax expense	**(13,803)**	(8,676)
— Adjustment for prior years	**(257)**	198
Total current taxes	**(14,060)**	(8,478)
Deferred taxes:		
— Tax loss carry forwards	**20,475**	1,674
— Temporary differences	**5,642**	4,457
Total deferred taxes	**26,117**	6,131
Total income tax income (expense)	**12,057**	**(2,347)**

b) RECONCILIATION OF EFFECTIVE TAX RATE

The difference between the actual income tax expense and the product of the net income and the applicable Group tax rate in the reporting year and the previous year is made up as follows:

T€	2018	2017
Income (loss) before taxes	**71,999**	25,565
Expected German income tax rate	**32.28%**	32.28%
Expected income tax benefit (expense)	**(23,241)**	(8,252)
Non-deductible expenses and income	**5,638**	4,030
Tax free income	**1,327**	-
Deviation tax rates to expected tax rate	**56**	83
Change in tax rates	**1,961**	(10,168)
Change in recognition of deferred tax assets	**26,576**	11,757
Non-periodic taxes	**(257)**	198
Other	**(3)**	5
Effective income tax income (expense)	**12,057**	**(2,347)**
Effective income tax rate	(16.75)%	9.18%

Deferred income tax assets and liabilities calculated with the anticipated tax rates of each entity as of 31 December 2018 and 2017 relate to the following:

	01 Jan 18					31 Dec 18		
	Net balance	Recognised in profit or loss	Recognised in equity	Foreign currency translation	Business combination	Net	Deferred tax assets	Deferred tax liabilities
	T€	T€	T€	T€	T€	T€	T€	T€
Property, plant and equipment	(478)	1,489	-	-	-	1,011	1,866	(855)
Intangible assets	(35,040)	4,344	-	(886)	-	(31,582)	749	(32,331)
Financial assets	268	(258)	-	-	-	10	1,163	(1,153)
Provisions and deferred income	3,660	194	154	(99)	986	4,895	5,487	(592)
Other	(279)	537	-	(1)	-	257	373	(116)
Tax credits	2,888	(664)	-	-	-	2,224	2,224	-
Loss carryforward	24,522	20,475	-	-	-	44,997	44,997	-
Total	**(4,459)**	**26,117**	**154**	**(986)**	**986**	**21,812**	**56,859**	**(35,047)**
Set off of tax							(13,530)	13,530
Net	**(4,459)**	**26,117**	**154**	**(986)**	**986**	**21,812**	**43,329**	**(21,517)**

	01 Jan 17					31 Dec 17		
	Net balance	Recognised in profit or loss	Recognised in equity	Foreign currency translation	Business combination	Net	Deferred tax assets	Deferred tax liabilities
	T€	T€	T€	T€	T€	T€	T€	T€
Property, plant and equipment	(610)	132	-	-	-	(478)	551	(1,029)
Intangible assets	(8,516)	3,237	-	216	(29,977)	(35,040)	1,223	(36,263)
Financial assets	(417)	685	-	-	-	268	1,069	(801)
Provisions and deferred income	2,860	302	156	-	342	3,660	4,167	(507)
Other	(335)	56	-	-	-	(279)	31	(310)
Tax credits	1,440	45	1,403	-	-	2,888	2,888	-
Loss carryforward	13,053	1,674	-	(69)	9,864	24,522	24,522	-
Total	**7,475**	**6,131**	**1,559**	**147**	**(19,771)**	**(4,459)**	**34,451**	**(38,910)**
Set off of tax							(15,218)	15,218
Net	**7,475**	**6,131**	**1,559**	**147**	**(19,771)**	**(4,459)**	**19,233**	**(23,692)**

c) UNRECOGNISED DEFERRED TAX LIABILITIES

For outside basis differences for undistributed foreign subsidiaries earnings, temporary differences in the amount of T€ 7,296 were not recorded according to IAS 12.39 (2017: T€ 1,919).

d) UNRECOGNISED DEFERRED TAX ASSETS

The Company's deferred tax assets are recorded to the extent it is probable that such tax benefits would be realised in future years. As of 31 December 2018, it was still assumed that two of the German entities will generate sufficient profits in the foreseeable future. Therefore deferred tax assets were recognised on tax loss carryforwards. Additionally, another German entity proved in 2018 to generate sustainable profits. Therefore, additional deferred tax assets on tax loss carryforwards were recognised.

Due to the continuing loss history of the USA entities as well as the Swiss entity, no additional deferred tax asset on tax loss carryforwards, exceeding the recognised deferred tax liabilities, were recognised.

In the following schedule, tax loss carryforwards, interest carryforwards and tax credits are shown, whereas tax loss carryforwards from different income taxes were added up.

T€	2018	2017
Tax loss carryforwards (not expiring)	**211,900**	399,016
Time-limited tax losses		
- expiring until 2023	**17,619**	10,795
- expiring from 2024 to 2028	**5,498**	10,675
- expiring from 2029	**111,986**	103,596
Interest carryforward	**-**	9,187
Tax credits	**1,140**	1,088
Total	**348,143**	**534,357**

A net asset position for temporary differences amounting to T€ 1,056 was not recorded as of 31 December 2018 (31 December 2017: T€ 346).

(22) STOCK-BASED COMPENSATION

a) SHARE PERFORMANCE AWARDS

To further incentivise executives via variable long-term incentive compensation, the Annual General Meeting in June 2017, June 2015 and June 2012 approved the respective contingent capital necessary to support the Share Performance Plan 2017 ("SPP 2017"), 2015 ("SPP 2015") and 2012 ("SPP 2012"). Under these plans, Share Performance Awards ("SPA") may be granted to a level that may result in up to 6,000,000 bearer shares (SPP 2017), 6,000,000 bearer shares (SSP 2015) as well as 4,000,000 bearer shares (SPP 2012) 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 under SSP 2017 can be exercised at the earliest after a vesting period of four years within one month after the date of their grant, whereas SPAs under SSP 2015 and SSP 2012 can be exercised at the earliest after a vesting period of four years after the date of their grant but no later than five years after the respective grant. The exercise of SPAs under SSP 2017 happens automatically without own acting. The holder has to contribute € 1.00 per share at the date of issue.

SPAs under SSP 2017 can only be exercised, if, when and to the extent that two specified and equally weighted key performance indicators are achieved in a single of four consecutive calendar years. These performance indicators consist of Evotec's share price and total shareholder return. The Supervisory Board determines annually key performance indicators for each individual tranche of awards at grant date. The Share Performance Plan SPP 2017 is subject to certain restrictions regarding issuing periods and the allocation of the grants to members of the Management Board and other key employees.

SPAs under SSP 2015 and SSP 2012 can only be exercised, if, when and to the extent that key performance indicators are achieved within a performance measurement period of three years. These performance indicators consist of service conditions relating to certain key financial figures (e.g. revenue- and income-related indicators) of the Company as well as certain share-based measurements (e.g. Evotec's share price). The Supervisory Board determines annually key performance indicators for each individual tranche of awards at grant date. If a member of the Management Board leaves the company during the performance measurement period, he is entitled to receive proportionate Share Performance Awards dependent on the achievement of the key performance indicators. The selected key employees generally do not have this entitlement. The Share Performance Plans SPP 2015 and SPP 2012 are subject to certain restrictions regarding issuing periods and the allocation of the grants to members of the Management Board and other management members.

A summary of the status of the Share Performance Plans as of 31 December 2018 and 2017 and the changes during the year then ended is presented as follows:

			31 December	
	2018 Share Performance Awards (SPAs)	**2018 Weighted average exercise price**	2017 Share Performance Awards (SPAs)	2017 Weighted average exercise price
		€ per share		€ per share
Outstanding at beginning of the year	**3,464,688**	**1.00**	4,245,637	1.00
SPAs granted	**230,390**	**1.00**	390,804	1.00
SPAs exercised	**(808,809)**	**1.00**	(1,160,236)	1.00
SPAs forfeited	**(17,021)**	**1.00**	(11,517)	1.00
Outstanding at end of the year	**2,869,248**	**1.00**	**3,464,688**	**1.00**
Thereof exercisable	**727,513**	**1.00**	**53,775**	**1.00**

In the financial year 2018, 103,861 SPAs (2017: 186,984 SPAs) from the total granted 230,390 SPAs were given to the members of the Management Board. The SPAs exercised in 2018 correspond to 1,500,893 shares (2017: 737,329 shares).

The fair value of the grant of Share Performance Awards was estimated on the date of grant using a Monte-Carlo-Simulation model with the following assumptions:

	15 January 2018	25 August 2017	20 September 2016	28 September 2015
Risk-free interest rate in %	**(0.25)**	(0.50)	(0.61)	(0.09)
Volatility of Evotec share in %	**51.0**	34.0	33.0	37.0
Volatility of TecDAX index in %	**13.0**	12.0	n/a	n/a
Fluctuation in %	**0,0 - 5,0**	0.0 - 5.0	0.0 - 5.0	0.0 - 5.0
Exercise price in Euro	**1.00**	1.00	1.00	1.00
Share price at grant date in Euro	**14.35**	16.24	4.66	4.04
Market value of TecDAX index at grant date in Euro	**2,663.91**	2,266.43	n/a	n/a
Fair value according to IFRS 2 at grant date per SPA of the Management Board in Euro	**12.19**	14.57	3.87	2.69
Fair value according to IFRS 2 at grant date per SPA of employees in Euro	**15.94**	19.68	3.87	2.69

The performance measurement period for this vesting in 2018 and 2017 started on 01 January of the corresponding year. The expected dividend yield is zero, the expected life is 4 years.

In the financial year 2018, the assumption relating to the SPAs granted in 2016 (2017: SPAs granted in 2016 and 2015) changed with regard to the estimated achievement of the key performance indicators within the performance measurement period of three years. It relates to the achievement of performance indicators which are dependent on certain financial figures of the Company. Expected changes of share-based measurements are not affected. This led to an adjustment of T€ 352 (2017: T€ 262) of the total amount to be recognised as compensation expense. Correspondingly, a T€ 352 higher (2017: T€ 207 higher) than originally expected compensation expense was recorded in 2018.

b) SHARE OPTION PLANS

There remain a few stock options from the past. A summary of the status of the stock option plans as of 31 December 2018 and 2017 and the changes during the years then ended is presented as follows:

		31 December		
	2018 Options	**2018 Weighted average exercise price**	2017 Options	2017 Weighted average exercise price
		€ per share		€ per share
Outstanding at beginning of the year	**111,814**	**2.50**	1,728,252	2.60
Options granted	**-**	**-**	-	-
Options exercised	**(29,220)**	**2.65**	(597,594)	2.29
Options expired	**-**	**-**	(1,018,844)	2.79
Options forfeited	**-**	**-**	-	-
Outstanding at end of the year	**82,594**	**2.45**	**111,814**	**2.50**
Thereof exercisable	**82,594**	**2.45**	**111,814**	**2.50**

A summary of the stock options outstanding as of 31 December 2018 is as follows:

Range of exercise prices	**Weighted average remaining contractual life**
€ per share	
2.23 - 2.79	1.3 years

The Company recognised compensation expense in 2018 and 2017 for all Share Performance Awards totalling T€ 4,247 and T€ 2,915, respectively, which was reflected as operating expenses in the consolidated income statement. Thereof, T€ 1,548 are related to Share Performance Awards of the Management Board in 2018 (2017: T€ 927). In 2018 and 2017, no compensation expense related to stock options were recognised. 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.

(23) STOCKHOLDERS' EQUITY

The share capital is made up of:

Shares in thousands	**31 Dec 2018**	31 Dec 2017
Issued as of 01 January	**147,533**	133,052
Capital increase (cash contribution)	**-**	13,146
Exercise of share purchase rights	**1,530**	1,335
Issued as of 31 December	**149,063**	**147,533**

On 31 December 2018, there are 149,062,794 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 2018 show an average exercise price amounting to € 1.06 (2017: € 6.38) per share.

The conditional capital (bedingtes Kapital) as of 31 December 2018 consists of 11,788,047 shares available with respect to the Share Performance Plans and the stock option plans and 26,516,816 shares available to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments). Evotec can award those based on the resolution of the Annual General Meeting as of 14 June 2016. Consequently, the remaining conditional capital (bedingtes Kapital) as of 31 December 2018 amounted in total to 38,304,863 shares.

At the Annual General Meeting on 14 June 2017, the statutes in respect of authorised capital were amended. The Management Board of the Company is now authorised to issue up to 29,332,457 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 13 June 2022.

Evotec owns 249,915 of Evotec's shares as of 31 December 2018 (2017: 249,915), representing 0.2% (2017: 0.2%) of Evotec's share capital as of 31 December 2018.

(24) RESEARCH AND DEVELOPMENT

In 2018, research and development expenses mainly relate to early and clinical discovery programmes amounting to T€ 31,407 (2017: T€ 13,610) as well as overhead expenses in the amount of T€ 4,124 (2017: T€ 3,403). The overhead expenses consist mainly of patent costs and overhead personnel expenses.

(25) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Included in selling, general and administrative expenses in 2018 are expenses for sales and marketing in the amount of T€ 9,045 (2017: T€ 6,802). Other administrative expenses in 2018 amount to T€ 47,967 (2017: T€ 35,581). The increase in selling, general and administrative expenses is in particular due to the first full year inclusion of Aptuit, six months of Evotec ID (Lyon), increased expenses due to the significant company growth, acquisition-related charges as well as further consulting fees.

(26) OTHER OPERATING INCOME AND EXPENSE

In 2018 and 2017, other operating income mainly relates to T€ 27,972 (2017: T€ 9,457) refunds from Sanofi relating to the development of portfolios in Lyon and Toulouse. Further included are refunds from the "Research and Development Expenditure Credit" (RDEC) in the UK in the amount of T€ 5,431 (2017: T€ 2,323) as well as similar refunds from French CIR (crédit d'impôt recherche) in the amount of T€ 12,488 (2017: T€ 10,082) and Italy in the amount of T€ 6,363 (2017: T€ 1,090). These tax refunds from tax development programmes are akin to a government grant and as a result shown as other operating income.

(27) FINANCIAL INSTRUMENTS

— FINANCIAL RISK MANAGEMENT —

Evotec is exposed to the following risks arising from financial instruments:

- currency risks
- interest rate risks
- liquidity risks (see Note (28))
- capital management (see Note (28))
- credit risks (see Note (28))
- market risks (see Note (28))

The Management Board has overall responsibility for the establishment and oversight of the Company's management framework. The Management Board has installed a Group Risk Manager, who is responsible for developing and monitoring the risk management policies. The Group Risk Manager reports regularly to the Management Board on its activities. The Audit committee of the Supervisory Board oversees how management monitors compliance with the Company's risk management policies and procedures.

Currency risks

The Company is exposed to currency risks, if Evotec companies enter into sales, purchases and borrowings that are denominated in a currency other than the functional currency of the respective Evotec company. The functional currencies of all Evotec companies consist mainly of Euro, US Dollar and Pound Sterling. The Evotec companies are in the normal course of business particularly exposed to currency fluctuations between US Dollar, Pound Sterling and the Euro.

The following table shows the average currency rates as well as the currency rates at 31 December 2018 and 2017 each against the Euro:

	Average rate		31 December	
€	**2018 01 January - 31 December**	2017 01 January - 31 December	**2018**	2017
USD	**0.84677**	0.88521	**0.8734**	0.8338
GBP	**1.13032**	1.14068	**1.1179**	1.1271
CHF	**0.86583**	0.89954	**0.8874**	0.8546

A strengthening (weakening) of the Euro, US Dollar or Pound Sterling as indicated below among each other and against 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 2018		Variance 2017	
T€	**Equity**	**Profit and loss**	Equity	Profit and loss
USD (10% strengthening)	**7,000**	**7,000**	1,638	1,638
USD (10% weakening)	**(7,000)**	**(7,000)**	(1,638)	(1,638)
GBP (10% strengthening)	**659**	**659**	1,393	1,393
GBP (10% weakening)	**(659)**	**(659)**	(1,393)	(1,393)
EUR (10% strengthening)	**442**	**442**	154	154
EUR (10% weakening)	**(442)**	**(442)**	(154)	(154)
CHF (10% strengthening)	**33**	**33**	-	-
CHF (10% weakening)	**(33)**	**(33)**	-	-

The Company manages the foreign exchange exposure via natural hedges and selective hedging instruments such as forward currency contracts. The hedging instruments used do not expose the Company to any material additional risk. The objective of these transactions is to reduce the risk of exchange rate fluctuations of the Company's foreign currency denominated cash flows. Evotec does not enter into derivative transactions for trading or speculative purposes. Foreign currency contracts are carried at fair value. Foreign currency forward contracts amounting to T€ (274) were held by the Company as of 31 December 2018 (31 December 2017: T€ 0). 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€ 287 and to a net gain of T€ 790 for the years 2018 and 2017, respectively.

Derived regularly from the summarised quantitative data about the Company's currency risks, based on the report to the Management Board, the expected future USD cash flows which should be hedged with USD/GBP forward contracts are determined. As of 31 December 2018, cash flows of TUSD 27,759 (31 December 2017: TUSD 0) and of TGBP 21,755 (31 December 2017: TGBP 0) were hedged.

The fair value of cash and cash equivalents, investments, trade accounts receivable and trade accounts payable approximate their carrying values in the consolidated financial statements due to their short-term nature. Financial assets are accounted for at the settlement date.

Interest rate risks

The Company is exposed to interest rate risks in Germany, UK and USA due to current investments as well as loans. Financial instruments with fixed interest rates 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 2018 and 2017 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 2018, the effect on net income without considering any potential tax effects would have been T€ 265 higher (lower) (31 December 2017: net income T€ 270 higher (lower)). Shareholders' equity would be impacted in the same amount.

The fair value of debt varies from the carrying amount, if there is a difference between the underlying interest rate to the market interest rate. The fair value is then determined using an appropriate market interest rate.

The fair values of the loans and current investments with variable interest rates as of 31 December 2018 and 2017 would vary by the following amounts:

	31 December	
T€	**2018**	2017
Variable interest rate +1% point	**178**	270
Variable interest rate (1)% point	**(178)**	(270)

Evotec regularly uses interest rate swaps to hedge the interest rate risks from its borrowings. In November 2018, two new three-year interest rate swaps with a notional of T€ 4,000 each were agreed with two German banks to swap Euribor against a fixed rate of 0.2% and 0.22%, respectively. In addition, a 0% floor covering the variable side was entered into. Currently, this results in a fixed interest rate of 1.45% and 1.47% respectively for an amount of T€ 8,000 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

Revenue fluctuations, external events and changes in the business environment might negatively impact Evotec's short- to mid-term profitability and cash reserves. To actively address any related risk, Evotec's management has defined minimum liquidity levels and prepared a scenario

planning to safeguard its cash position. Evotec believes that existing liquidity reserves are sufficient to cope with the cumulative impact of all identified risks. Evotec is currently well-financed and has no necessity to raise capital to maintain its operations 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 has successfully increased liquidity through market positioning and growth. Given the current business environment with economic and political uncertainties, Evotec assesses the associated liquidity risks to be higher than in the previous year, but assumes a lower potential impact.

The general risk of losing a significant amount of cash in cash investments should continuously be mitigated by spreading the investments across several different banks in high-credit quality instruments in full compliance with the Company's approved investment policy. Evotec monitors its banks and investments on an ongoing basis. Therefore, Evotec assesses the current default risks to be low, remaining unchanged in comparison to the previous year.

As a service providing company, Evotec has to face bad debt risks. However, Evotec's customers are in general financially stable pharmaceutical enterprises, foundations as well as larger biotechnology companies.

Currency exchange movements also impact Evotec's reported liquidity primarily through the translation of liquid assets held in US Dollars or Pound Sterling into Euros. A portion of the funds is held in currencies other than Euro in order to meet local operating needs. This risk has increased due to extensive political uncertainty and a potentially strong market reaction in the forthcoming months.

The contractual maturities of financial liabilities, including estimated interest payments as of 31 December 2018 and 2017 are included in the following tables:

		31 December 2018			
T€	***Carrying amount***	***Contractual cash flow***	***Due in 1 year***	***Due in 2 - 5 years***	***More than 5 years***
Non-derivative financial liabilities					
Loans	(109,749)	(114,009)	(56,053)	(24,362)	(33,594)
Finance lease obligations	(4,716)	(4,882)	(1,977)	(2,905)	-
Contingent consideration	(646)	1,057	(240)	(71)	(746)
Trade accounts payable	(31,137)	(31,137)	(31,137)	-	-
Other current financial liabilities	(42)	(42)	(42)	-	-
Total non-derivative financial liabilities	**(146,290)**	**(151,127)**	**(89,449)**	**(27,338)**	**(34,340)**
Derivative financial liabilities					
FX forward contracts USD/GBP	(274)	(274)	(274)	-	-
Interest rate swap	(25)	(25)	-	(25)	-
Total derivative financial liabilities	**(299)**	**(299)**	**(274)**	**(25)**	**-**

		31 December 2017			
T€	*Carrying amount*	*Contractual cash flow*	*Due in 1 year*	*Due in 2 - 5 years*	*More than 5 years*
Non-derivative financial liabilities					
Loans	(188,058)	(190,698)	(168,584)	(22,114)	-
Finance lease obligations	(1,870)	(1,941)	(839)	(1,102)	-
Contingent consideration	(4,830)	(10,393)	(2,122)	(571)	(7,700)
Trade accounts payable	(26,078)	(26,078)	(26,078)	-	-
Other current financial liabilities	(1,666)	(1,666)	(1,666)	-	-
Total non-derivative financial liabilities	**(222,502)**	**(230,776)**	**(199,289)**	**(23,787)**	**(7,700)**
Derivative financial liabilities					
FX forward contracts USD/GBP	-	-	-	-	-
Interest rate swap	(49)	(49)	(49)	-	-
Total derivative financial liabilities	**(49)**	**(49)**	**(49)**	**-**	**-**

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. Financial investments are made in liquid, highly diversified investment instruments having at minimum a Standard & Poor's rating (or equivalent) of at least BBB-.

The following table shows the total assets, equity as well as equity ratio and net cash (cash and cash equivalents minus current and non-current loan liabilities and current and non-current finance lease obligations):

	31 December	
T€	**2018**	2017 [1)]
Total assets	**771,883**	666,475
Equity attributable to the shareholders of Evotec AG	**424,004**	330,923
Equity ratio (in %)	**54.9%**	49.7%
Net cash	**(5,410)**	**(122,911)**

[1)] Changed by the effect of finalising the purchase price allocation of Aptuit under IFRS 3 in 2018 as well as the adjusments according to IFRS 15 (see Note 3)

Evotec remains well financed with an equity ratio relating to equity attributable to Evotec's shareholders of 54.9% as of 31 December 2018 (31 December 2017: 49.7%) and currently has no necessity to raise capital to maintain its operations 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 Share Performance Plans (see Note 22).

Credit risks

Credit risk is the risk of financial loss to the Company if a customer fails or partly fails to meet any of its contractual obligations and arises primarily from the receivables from customers, contract assets and investment securities. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	31 December	
T€	**2018**	2017
United States	**17,941**	19,400
France	**5,866**	9,372
Rest of Europe	**9,466**	7,355
United Kingdom	**7,544**	5,339
Germany	**4,327**	3,065
Rest of the world	**794**	1,059
	45,938	**45,590**

The maximum exposure to credit risk for contract assets at 31 December 2018 equals the net book value in the amount of T€ 12,913 (31 December 2017: T€ 10,608).

The Company has exposure to credit risk primarily with respect to its trade accounts receivables. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an appropriate specific allowance for uncollectible accounts receivable based upon the expected collectability of all accounts receivable. The Company's accounts receivables are generally unsecured and are not backed by collateral from its customers. As of 31 December 2018, one customer accounted for 9% of trade receivables (31 December 2017: 20%). 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 predominantly financially stable pharmaceutical companies, foundations and larger biotech companies. There has been no history of material doubtful receivables except for few and this is not expected to change.

In 2018, the Company further expanded its customer base. However, the largest customers of Evotec (Sanofi), being the only customer having a share of more than 10% of the Group revenues in 2018, represented in total 14% of the revenues from contracts with customers. All other customers had a revenue share below 10%. In 2017, Sanofi as only customer with more than 10% of the Group revenues had in total 22% of the revenues from contracts with customers in 2017. 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 projects.

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.

Reconciliation of cash flows from financing activities to the changes in financial liabilities

T€	*Loan liabilities*	*Finance lease obligation*	*Loan notes*
As of 01 January 2018	**188,058**	**1,870**	**3**
Proceeds from issuance of loans	59,462	-	-
Repayment of finance lease obligation	-	(1,142)	-
Repayment of loans	(137,662)	-	-
Payment of subsequent contingent considerations	-	-	-
Cashflow from financing activities	**(78,200)**	**(1,142)**	-
Business combination	-	-	-
Foreign currency translation	(109)	(10)	-
Changes in fair value	-	-	-
Issue of finance lease obligation	-	3,998	-
Other changes			
unwind of discount	-	-	-
As of 31 December 2018	**109,749**	**4,716**	**3**

(29) FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		31 December 2018			*31 December 2017*	
in T€	*Classification according to IFRS 9*	***Carrying amount***	***Fair value***	*Classification according to IAS 39*	*Carrying amount*	*Fair value*
Cash and cash equivalents	Amortised cost	**109,055**	**109,055**	Loans and receivables	67,017	67,017
Investments	Fair value through other comprehensive income	**40,394**	**40,394**	Available-for-sale financial assets	24,139	24,139
Long-term investments	Fair value through profit and loss	**6,396**	**6,396**	N.A.	4,282	4,282
Trade accounts receivable	Amortised cost	**45,938**	**45,938**	Loans and receivables	45,590	45,590
Contract assets	Amortised cost	**12,913**	**12,913**	N.A.	10,608	10,608
Other non-current financial assets	Amortised cost	**430**	**430**	Loans and receivables	791	791
Current loan liabilities	Amortised cost	**(55,069)**	**(55,069)**	Financial liabilities measured at amortised costs	(167,763)	(167,763)
Non-current loan liabilities	Amortised cost	**(54,680)**	**(55,944)**	Financial liabilities measured at amortised costs	(20,295)	(20,980)
Current portion of finance lease obligations		**(1,850)**	**(1,850)**	Financial liabilities measured at amortised costs	(705)	(705)
Long-term finance lease obligations		**(2,866)**	**(2,963)**	Financial liabilities measured at amortised costs	(1,165)	(990)
Trade accounts payable	Amortised cost	**(31,137)**	**(31,137)**	Financial liabilities measured at amortised costs	(26,078)	(26,078)
Contract liabilities	Amortised cost	**(49,676)**	**(49,676)**	N.A.	(16,164)	(16,164)
Other current financial liabilities	Amortised cost	**(42)**	**(42)**	Financial liabilities measured at amortised costs	(1,666)	(1,666)
Derivative financial instruments	Fair value through profit and loss	**(299)**	**(299)**	Financial liabilities measured at fair value	-	-
Contingent consideration	Fair value through profit and loss	**(646)**	**(646)**	Financial liabilities measured at fair value	(4,830)	(4,830)
		18,861	**17,500**		**(86,239)**	**(86,749)**
Unrecognised (gain)/loss			**1,361**			**510**

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 (2018: 30%; 2017: 30%).

Financial instruments not measured at fair value
For cash and cash equivalents, trade accounts receivables, contract assets, 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:

	31 December 2018			
T€	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets at fair value through other comprehensive income	**40,394**	**-**	**-**	**40,394**
Assets at fair value through profit and loss	**-**	**-**	**6,396**	**6,396**
Liabilities at fair value through other comprehensive income	**-**	**(299)**	**-**	**(299)**
Liabilities at fair value through profit and loss	**-**	**-**	**(646)**	**(646)**

	31 December 2017			
T€	*Level 1*	*Level 2*	*Level 3*	***Total***
Available-for-sale financial assets	24,139	-	-	**24,139**
Financial assets measured at fair value	-	-	-	**-**
Financial liabilities measured at fair value	-	-	(4,830)	**(4,830)**

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 2018 and 2017, respectively:

T€	***Note***	***Other investments***	***Contingent consideration***
Balance at 01 January 2018 before IFRS 9 application		4,282	(4,830)
Effect of first time application of IFRS 9		-	-
Balance at 01 January 2018 after first time application of IFRS 9		4,282	(4,830)
Exchange rate differences		-	(95)
Addition		1,924	-
Consumption	(19)	-	2,140
Included in other operating expense			
Changes in fair value, unrealised		-	-
Included in other operating income			
Changes in fair value, unrealised	(19)	-	2,263
Included in income from long-term investments			
Changes in fair value, unrealised		190	-
Included in interest expense			
Interest change in net present value, unrealised		-	(124)
Balance at 31 December 2018		**6,396**	**(646)**

T€	Note	Contingent consideration
As of 01 January 2017		(3,705)
Business combinations	(19)	(2,213)
Exchange rate difference		(19)
Consumption		-
Included in other operating expense		
Changes in fair value, unrealised		-
Included in other operating income		
Changes in fair value, unrealised		1,451
Included in expense from long-term investment		
Changes in fair value, unrealised		-
Included in interest expense		
Interest change in net present value, unrealised		(382)
As of 31 December 2017		**(4,830)**

For the fair value of the level 3 hierarchy, possible alternative assumptions of significant unobservable inputs would have ceteris paribus the following effects as of 31 December 2018 and 2017:

	2018		*2017*	
	Profit and loss		*Profit and loss*	
T€	***Increase***	***Decrease***	*Increase*	*Decrease*
Contingent consideration				
Discount rate (movement of 0.15 %-points)	5	(10)	50	(101)
Commercialisation success rate (movement of 10 %-points)	132	(132)	875	(1,149)
Long-term investments				
Discount rate (movement of 1.15 %-points)	21	(17)		

In the financial years 2018 and 2017, no reclasses were made among the individual levels. However due to the application of IFRS 9 the long term investments are included for the first time.

(30) PENSION PLAN

In UK the Company operates a defined contribution Group Personal Pension Plan (GPPP) and makes contributions to employees' own schemes. With the acquisition of Aptuit in 2017, the Company took over other additional plans. The pension charge for the year represents contributions payable by the Company to the fund (and to employees' own pension schemes) and amounted in 2018 to T€ 2,393 (2017: T€ 1,953). Contributions amounting to T€ 250 (2017: T€ 280) were payable to the fund at the year-end 2018 and 2017 respectively and are included in provisions. The Company's contribution rate is employee-specific and is determined by the level of an employee's contribution. 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 operates 401K plans in the USA with the contribution to these plans amounting to T€ 465 during 2018 (2017: T€ 319).

The company operates a defined benefit pension plan for employees in France. The calculation of the provision for this pension obligation is based on the projected unit credit method according to IAS 19. In 2018 and 2017, a calculation for this obligation was done which includes the following assumptions.

	31 Dec 2018	*31 Dec 2017*
Actuarial interest rate	1.62%	1.75%
Salary increase	1.80%	1.50%
Employee turnover	0% - 2.85%	0% - 2.85%
Retirement age	62 years	62 years

For the measurement of the mortality rate the mortality tables of France according to l'INSEE 2011-2013 were used. The mortality rate is not subject of a material sensitivity as the payment is processed at the beginning of the retirement. The sensitivity of the actuarial interest rate and the resulting change of the relating pension provision is shown in the following table. This change would be recognised as actuarial gain or loss in other comprehensive income in equity. For the other assumptions, no material change is expected, as they are based on historical values, which will not change much in the course of a year.

T€	31 Dec 2018
Actuarial interest rate +0.50 %-points	(490)
Actuarial interest rate -0.50 %-points	522

T€	31 Dec 2017
Actuarial interest rate +0.50 %-points	(477)
Actuarial interest rate -0.50 %-points	494

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 2018 and 2017 for this obligation. The calculations are based on assumed pension increases of 1.5% and a discount rate of 1.91% in 2018 and 1.5% and 1.81% in 2017. The discount rate reflects market conditions. The provision amounted to T€ 189 and T€ 202 as of 31 December 2018 and 2017, respectively.

The pension provisions developed as follows:

	Year ended 31 December	
T€	2018	2017
Pension provision at beginning of the year	8,414	7,484
Addition at acquisition date	3,759	-
Benefit payments from the employer	(15)	-
Included in other comprehensive income:		
Actuarial gains from:		
Changes in financial assumptions	15	278
Experience adjustments	(609)	130
Impact of changes in demographic assumptions	3	-
Included in net income:		
Current service costs	593	415
Interest cost	146	107
Pension provision at year-end	**12,306**	**8,414**

The expenses for the statutory retirement obligations are explained in Note (33).

(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 2028. 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 2018	31 Dec 2017
Less than one year	12,984	17,426
Between one and five years	47,084	59,075
More than five years	33,566	24,897
Total	**93,634**	**101,398**

The majority of operating lease obligations relate to rent expenses for facilities. The rent expense for such leases amounted to T€ 20,771 and T€ 18,881 for the years ended 31 December 2018 and 2017, respectively. The increase in rent expenses is primarily due to the acquisition of Evotec ID (Lyon) SAS as of 01 July 2018.

— (b) OTHER COMMITMENTS AND CONTINGENCIES —

The future minimum payments associated with miscellaneous long-term commitments total approximately T€ 16,451 and T€ 14,507 at 31 December 2018 and 2017, respectively. The significant portion thereof related to long-term commitments in connection with facility expenses.

As of 31 December 2018 and 2017, the Company has entered into purchase commitments in the amount of T€ 11,017 and T€ 2,395, 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 Evotec's business or within collaborations. Under those agreements, the Company is required to pay a share of the revenue relating to those technologies and know-how to the respective third parties.

Besides an ongoing negotiation regarding the scope of a licensed patent with a licensor, who gave Evotec a license to use a specific technology, the Company is not aware of any material actual or threatened litigation as of 31 December 2018.

(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).

Evotec AG recorded revenues from contracts in the normal course of business in the amount of T€ 8,819 and T€ 14,738 with related parties in 2018 and 2017, respectively. Subsidiaries of Evotec AG recorded corresponding revenues with related parties in the amount of T€ 26,822 and T€ 13,217 in 2018 and 2017, respectively. There have been no further material transactions with related parties.

Evotec recorded revenues from contracts in the normal course of business with associated companies and investees during 2018 in the amount of T€ 9,215 (2017: T€ 6,758).

In 2018, a conflict of interest in the Supervisory Board existed. The related fact has not been disclosed. The Supervisory Board Member concerned did not attend the corresponding discussion. No decision was made.

(33) PERSONNEL EXPENSES AND COST OF MATERIAL

The personnel expenses of the Company in 2018 amounted to T€ 160,183 of which T€ 117,135 relate to personnel expenses outside Germany in the UK, Italy, Switzerland, France and USA (2017: T€ 113,644 and T€ 66,988, respectively). Thereof expenses for the statutory retirement insurance amounted to T€ 9,543 of which T€ 7,152 relate to expenses outside Germany in the UK, Italy, Switzerland, France and USA (2017: T€ 9,311 and T€ 4,302, respectively).

Cost of materials in 2018 amounted to T€ 54,445, thereof T€ 41,366 were cost of materials outside Germany in the UK, Italy, Switzerland, France and USA (2017: T€ 44,904 and T€ 31,822, respectively).

(34) OTHER DISCLOSURES

German law in accordance with the European Directives on Accounting and the Corporate Governance Codex requires the following additional disclosures.

— (a) NUMBER OF EMPLOYEES —

The average number of people employed by the Company in 2018 was 2,442 (2017: 1,652). 331 (2017: 202) employees thereof are allocated to sales and administration. The increase is mainly due to the business combination with Evotec ID (Lyon) as well as the first full year inclusion of Aptuit.

— (b) REMUNERATION OF THE AUDITOR —

In 2018, remunerations, shown as expenses, to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and other Ernst & Young companies totalled T€ 661 (2017: T€ 587), which is broken down into auditing of financial statements (T€ 585; 2017: T€ 453), other assurance services (T€ 39; 2017: T€ 15) as well as other services (T€ 37; 2017: T€ 119). The remunerations relating to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft alone amounted to T€ 352. Thereof T€ 313 relating to auditing of financial statements and T€ 39 relating to other assurance services. Included in the amount of auditing of financial statements was an amount of T€ 18 relating to the prior-year financial statements.

— (c) CORPORATE GOVERNANCE CODE —

According to Sec 161 AktG, the Management Board and the Supervisory Board issued a statement of compliance with regard to the German Corporate Governance Code. This statement has been made accessible to the Company's shareholders in the 'Invest' section on Evotec's website (www.evotec.com).

— (d) CONSOLIDATED SUBSIDIARIES AND EQUITY INVESTEES —

Information below shows Evotec AG's direct and indirect voting rights in their subsidiaries and other investments. Evotec's direct and indirect voting rights in dormant companies are not included.

%	*2018 Company's voting rights*
Subsidiaries	
Aptuit Global LLC, Princeton, NJ, USA	100.0
Aptuit (Verona) SRL, Verona, Italy	100.0
Aptuit (Oxford) Ltd., Abingdon, UK	100.0
Aptuit (Switzerland) AG, Basel, Switzerland	100.0
Aptuit (Potters Bar) Ltd., Abingdon, UK	100.0
Cyprotex Discovery Ltd., Manchester, UK	100.0
Cyprotex PLC, Manchester, UK	100.0
Cyprotex US, LLC., Watertown, MA, USA	100.0
Evotec (France) SAS, Toulouse, France	100.0
Evotec ID (Lyon) SAS, Marcy l'Étoile, France	100.0
Evotec (Hamburg) GmbH, Hamburg	100.0
Evotec (India) Private Limited, Thane, India*	100.0
Evotec International GmbH, Hamburg	100.0
Evotec (München) GmbH, Martinsried	100.0
Evotec (UK) Ltd., Abingdon, UK	100.0
Evotec (US), Inc., Princeton, NJ, USA	100.0
Panion Ltd., London, UK	51.0
Associates	
Eternygen GmbH, Berlin, Germany	22.86
FSHD Unlimited Coop, Leiden, Netherlands	19.91
Exscientia Ltd., Dundee, UK	23.70
Topas Therapeutics GmbH, Hamburg	30.00
Other Investments	
Carrick Therapeutics Ltd., Dublin, Ireland	4.29
Forge Therapeutics, Inc., San Diego, CA, USA	15.83
Fibrocor LLP, Toronto, Canada	16.26

** in voluntary liquidation*

The subsidiaries listed in this table are included in the consolidated financial statements. Associates are accounted for at-equity. European ScreeningPort GmbH was liquidated in March 2018.

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),*
Dr Cord Dohrmann, *Biologist, Göttingen, DE (CSO),*
Dr Mario Polywka, *Chemist, Oxfordshire, UK (COO) (until 31 December 2018),*
Dr Craig Johnstone, *Chemist, Castillon-Savès, F (COO) (since 01 January 2019) and*
Enno Spillner, *Business Executive, Hamburg, DE (CFO).*

The remuneration paid to the members of the Management Board in the financial year 2018 totalled T€ 2,881 (2017: T€ 2,478) of which T€ 1,301

(2017: T€ 896) was variable remuneration. The Management Board received also Share Performance Awards in 2018 as a component with long-term incentive effect with a fair value in 2018 of T€ 1,266 (2017: T€ 2,724). Compensation expense in the amount of T€ 1,548 (2017: T€ 927) were recorded in 2018 for Share Performance Awards of the Management Board.

Fixed remuneration includes base salaries, contributions to personal retirement insurance, premiums for accident, home costs and accidental death insurances as well as the benefit derived from the use of company cars. The variable remuneration of the Management Board is based on a bonus scheme. The respective objectives are specified every year by the Remuneration and Nomination Committee of the Supervisory Board, and subsequently approved by the Supervisory Board.

For the financial year 2018, the variable pay in 2019 is based on the achievement of seven sets of corporate milestones (strategic targets). As of 31 December 2018, the Company has accrued T€ 829 for this purpose, which is composed of T€ 420 for Dr Werner Lanthaler, T€ 238 for Dr Cord Dohrmann and T€ 171 for Enno Spillner. The bonus for Dr Mario Polywka was paid in 2018 as part of his retirement as of 31 December 2018.

%	***Achievement of defined corporate targets***	***Achievement of corporate financial targets***
Dr Werner Lanthaler	30	70
Dr Cord Dohrmann	30	70
Dr Mario Polywka	30	70
Enno Spillner	30	70

These corporate targets split as follows into the achievement of defined corporate milestones and financial corporate goals:

For the financial year 2017, the variable pay in 2018 was based on the achievement of four sets of corporate milestones (strategic targets). As of 31 December 2017, the Company had accrued T€ 1,066 for this purpose, which was composed of T€ 420 for Dr Werner Lanthaler, T€ 238 for Dr Cord Dohrmann, T€ 237 for Dr Mario Polywka, T€ 171 for Enno Spillner.

The achievement of targets for the year 2017 splits as follows:

%	*Achievement of defined corporate targets*	*Achievement of corporate financial targets*
Dr Werner Lanthaler	30	70
Dr Cord Dohrmann	30	70
Dr Mario Polywka	30	70
Enno Spillner	30	70

In addition to their fixed and variable remuneration, the members of the Management Board received 103,861 (2017: 186,984) Share Performance Awards (SPA) in 2018 under the Company's Share Performance Plans. These Share Performance Awards vest after four years according to achievement level of defined key performance indicators over a four-year (2017: four-year) performance measurement period. The fair values of all Share Performance Awards granted as of the grant date amounted to a total of T€ 1,266 (2017: T€ 2,724). Further information concerning SPAs is available in Note (22).

	2018 Fixed remuneration	***2018 Variable remuneration***	***2018 Share Performance Awards***	***2018 Fair values of SPAs granted***	***2018 Total remuneration***
	T€	T€	in pcs	T€	T€
Dr Werner Lanthaler	519	420	57,065	696	1,635
Dr Cord Dohrmann	355	235	16,828	205	795
Dr Mario Polywka	371	475	15,978	195	1,041
Enno Spillner	335	171	13,990	170	676
Total	**1,580**	**1,301**	**103,861**	**1,266**	**4,147**

	2017 Fixed remuneration	*2017 Variable remuneration*	*2017 Share Performance Awards*	*2017 Fair values of SPAs granted*	*2017 Total remuneration*
	T€	T€	in pcs	T€	T€
Dr Werner Lanthaler	520	407	102,314	1,491	2,418
Dr Cord Dohrmann	355	211	30,172	440	1,006
Dr Mario Polywka	375	200	29,415	428	1,003
Enno Spillner	332	78	25,083	365	775
Total	**1,582**	**896**	**186,984**	**2,724**	**5,202**

The individual contracts of the Management Board members contain a common change-of-control clause that would allow them to terminate their current contracts in the event of a change in control. Such a change-of-control occurs when a third party assumes more than 30% of the shares of the Company. If members of the Management Board should make use of their right of termination, they are entitled to the following severance payments: Dr Werner Lanthaler receives a severance payment of two years base salary, Dr Craig Johnstone, Enno Spillner as well as Dr Cord Dohrmann an 18 months base salary plus agreed bonus. In no case, the respective severance payment shall be higher than the total compensation due for the remaining term of the respective Management Board member's contract.

The Company has a Directors and Officers (D&O) insurance policy in place for the Management Board, the Supervisory Board, its senior management and the directors of subsidiary companies. The insurance expense amounted to T€ 82 in total in 2018 (2017: T€ 74) 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 2017, T€ 82 was paid to former Management Board members.

The Members of the Management Board and their additional memberships in supervisory boards and memberships in comparable governing bodies of enterprises are listed at the end of this report.

— (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);*
Bernd Hirsch, *Neuler, DE, CFO of Bertelsmann SE & Co. KGaA (Vice Chairman of the Supervisory Board);*
Dr Claus Braestrup, *Copenhagen, DK, former President and Chairman of the Management Board of Lundbeck A/S;*
Prof. Dr Iris Löw-Friedrich, *Ratingen, DE, Member of the Management Board (Chief Medical Officer & Head of Development & Medical Practices) of UCB S.A.;*
Michael Shalmi, *Hellerup, DK, Member of the Management Board (Head of Principal Investments) of Novo Holdings A/S;*
Dr Elaine Sullivan, *London, UK, CEO of Carrick Therapeutics Ltd.*

The remuneration accrued for the members of the Supervisory Board in the financial year 2018 was as follows:

T€	***2018 Remuneration***
Prof. Dr Wolfgang Plischke	95
Bernd Hirsch	70
Dr Claus Braestrup	35
Prof. Dr Iris Löw-Friedrich	35
Michael Shalmi	35
Dr Elaine Sullivan	35
Total	**305**

The remuneration accrued for the members of the Supervisory Board in the financial year 2017 was as follows:

T€	*2017 Remuneration*
Prof. Dr Wolfgang Plischke	95
Bernd Hirsch	70
Dr Claus Braestrup	35
Prof. Dr Iris Löw-Friedrich	35
Michael Shalmi (since 14 June 2017)	19
Dr Elaine Sullivan	35
Prof. Dr Paul Linus Herrling (until 14 June 2017)	16
Total	**305**

In 2018 and 2017, the remuneration of each Supervisory Board member amounted to T€ 30 per year. The Chairman receives T€ 75 and his Vice Chairman T€ 45. Members of Supervisory Board committees additionally receive T€ 5 per committee, with the chairperson receiving T€ 20.

In 2018 and 2017, there was no share-based remuneration.

The total remuneration accrued for the Supervisory Board members in 2018 totalled T€ 305 (2017: T€ 305). 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€ 82 in total in 2018 (2017: T€ 74) and was paid by the Company. For the members of the Supervisory Board, an appropriately sized deductible was agreed.

The Members of the Supervisory Board and their additional memberships in supervisory boards and memberships in comparable governing bodies of enterprises according to Sec 125 par. 1 fifth sentence of the AktG are listed at the end of this report.

(35) SUBSEQUENT EVENTS

No material subsequent events have to be reported.

Hamburg, 19 March 2019

Dr Werner Lanthaler *Dr Cord Dohrmann*

Dr Craig Johnstone *Enno Spillner*

Supervisory Board and Management Board

SUPERVISORY BOARD

Prof. Dr Wolfgang Plischke Chairman of the Supervisory Board *Aschau im Chiemgau/DE* *Former Member of the Management Board of Bayer AG*	***Member of the Supervisory Board:*** Bayer AG, Leverkusen/DE
Bernd Hirsch Vice Chairman of the Supervisory Board *Neuler/DE* *CFO of Bertelsmann SE & Co. KGaA*	***Director:*** Bertelsmann Inc., New York/USA RTL Group S.A., Luxembourg/LU Pengiun Random House LLC, New York/USA ***Member of the Supervisory Board:*** Symrise AG, Holzminden/DE (since May 2018)
Dr Claus Braestrup Member of the Supervisory Board *Copenhagen/DK* *Former President and Chairman of the Management Board of Lundbeck A/S*	***Non-Executive Member of the Board of Directors:*** Bavarian Nordic A/S, Kvistgaard/DK (until April 2018) Kastan ApS, Frederiksberg/DK Saniona AB, Malmö/Ballerup/SE (since January 2018, formerly Non-Executive Chairman of the Board of Directors)
Prof. Dr Iris Löw-Friedrich Member of the Supervisory Board *Ratingen/DE* *Member of the Management Board (Chief Medical Officer & Head of Development & Medical Practices) of UCB S.A.*	***Member of the Supervisory Board:*** Fresenius SE & Co. KGaA, Bad Homburg/DE TransCelerate BioPharma Inc., King of Prussia/USA
Michael Shalmi Member of the Supervisory Board *Hellerup/DK* *Member of the Management Board (Head of Principal Investments) of Novo Holdings A/S*	***Member of the Board of Directors:*** Orexo AB, Uppsala/SE (until March 2018) Synlab Ltd., Marylebone/UK Momentum Gruppen A/S, Roskilde/DK ERT Inc., Philadelphia/USA (until March 2018) ERT HoldCo A/S, Hellerup/DK Xellia HoldCo A/S, Copenhagen/DK Novo Invest 1 A/S, Hellerup/DK ENV HoldCo A/S, Hellerup/DK (since August 2018) Sonion HoldCo A/S, Roskilde/DK
Dr Elaine Sullivan Member of the Supervisory Board *London/UK* *CEO of Carrick Therapeutics Ltd.*	***Member of the Supervisory Board:*** IP Group plc, London/UK

MANAGEMENT BOARD

Dr Werner Lanthaler CEO *Hamburg/DE* *Business Executive*	***Non-Executive Member of the Board of Directors & Chairman of the Audit Committee:*** arGEN-X, Breda/NL ***Non-Executive Member of the Board of Directors:*** AC Immune SA, Lausanne/CH (since July 2018) ***Member of the Supervisory Board:*** Topas Therapeutics GmbH, Hamburg/DE
Dr Cord Dohrmann CSO *Göttingen/DE* *Biologist*	***Member of the Supervisory Board:*** Eternygen GmbH, Berlin/DE ***Non-Executive Member of the Board of Directors:*** FSHD Unlimited, Leiden/NL
Dr Mario Polywka COO (until 31 December 2018) *Oxfordshire/UK* *Chemist*	***Member of the Board of Directors:*** Forge Therapeutics, Inc., San Diego/USA Exscientia Ltd., Dundee/UK
Enno Spillner CFO *Hamburg/DE* *Business Executive*	***Non-Executive Member of the Board of Directors & Chairman of the Audit Committee:*** Nanobiotix SA, Paris/F
Dr Craig Johnstone COO (since 01 January 2019) *Castillon-Savès/F* *Chemist*	

Independent Auditor's Report

The translation of the audit opinion reads as follows:

To Evotec AG

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Evotec AG, Hamburg and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2018, and notes to the consolidated financial statements for the year 2018, including a summary of significant accounting policies. In addition, we have audited the group management report of Evotec AG for the fiscal year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the group non-financial statement in section "Reporting pursuant to section 289c and section 315c of the German Commercial Code" of the group management report, and the group statement on corporate governance contained in section "Declaration of corporate management" of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the fiscal year from 1 January to 31 December 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group statement on corporate governance or the group non-financial statement referred to above.

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Impairment of intangibles including goodwill

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

Evotec Group's management accounts for material intangible assets such as acquired developed technologies and goodwill from acquisitions. Recoverability of these assets is based on forecasting and discounting future cash flows, which are highly judgmental. Due to the allocation of the intangible assets to one of the cash-generating units, the estimated future cash flows vary because of different risk profiles and possible triggering events. For developed technologies the main risk is achieving successful trial results and obtaining the required regulatory approvals. The valuation of these technologies is tested in an annual impairment assessment performed by management where the recoverable amount is compared to the carrying amount. Regarding goodwill, an impairment assessment is also carried out annually by management by assessing the value in use of the Group's cash-generating units which requires significant assumptions about future developments. Due to the judgment and inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, we consider the impairment of intangible assets including goodwill to be a key audit matter.

Auditor's response

We discussed the determination of the cash generating units and the allocation of goodwill to cash-generating units or to a group of cash generating units with the management board and assessed whether these comply with the internal reporting structure. We involved our valuation specialists to assist in evaluating the discounted cash flow models and management's key assumptions used in the impairment calculations. We evaluated the main assumptions included in the forecast with regard to growth and business development by discussing these with the management board and executives of the company and by comparing the underlying outlook with developments in the current period. Additionally we compared previous forecasts to actual results to assess the accuracy of forecasts. For developed technologies, one of the key assumption is the probability of obtaining the necessary clinical and regulatory approvals. Our procedures for products in development included critically assessing the reasonableness of the management board's assumptions through consideration of trial readouts, regulatory announcements and the Group's internal governance and approval process. We also interviewed a range of key research, development and commercial personnel and compared assumptions with industry practice and corresponding statistics. We assessed the method used to determine the weighted average capital cost (WACC), evaluated the applied beta factor by reviewing the selected peer group and compared the debt and equity interest rates with market data. To assess the risk for impairment from a reasonably possible change in a key assumption, we also performed our own sensitivity analyses. We also verified that the disclosures made in the consolidated financial statements comply with applicable accounting standards according to IAS 36 and IAS 38, as adopted by the EU.

Our audit procedures did not lead to any reservations relating to the accounting for the impairment of intangible assets including goodwill.

Reference to related disclosures

With regard to the accounting and measurement policies applied in accounting for the impairment of intangibles including goodwill, refer to note "(14) Intangible assets, excluding goodwill" and "(15) Goodwill" within the notes to the consolidated financial statements.

Revenue Recognition from Milestone payments

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

In addition to income from services and from licenses and royalties, the Group generates revenues from the receipt of milestone payments. Those payments from contractual collaborations become due as soon as medical compounds achieve different scientific results ('milestones') as part of the overall development and regulatory approval process. Milestone payments are often individually material in amount and indicative of the likelihood to generate future revenues under existing collaboration agreements. This may also entail a significant participation of Evotec Group in future market share. The management board qualifies milestones as a significant financial upside potential, while failure to achieve milestones would likely have an adverse impact on the Group's financial position, results of operations and cash flows. Improper revenue recognition in relation to milestone payments (e.g. recording fictitious milestones) may not only be individually material to the Group but also be significantly misleading in assessing the Group's future financial position and result from operations, which is why we have determined revenue recognition from milestone payments to be a key audit matter.

Auditor's response

In order to form an opinion on the appropriateness of revenue recognition in conjunction with milestone payments we obtained confirmations for the achievement of milestones reached, which the Group receives from its respective contractual partners. For all revenues from milestone collaborations we further compared the confirmation with the underlying contracts and with subsequent payments received.

Our audit procedures did not lead to any reservations relating to the revenue recognition of milestone payments.

Reference to related disclosures

With regard to the accounting and measurement policies applied in accounting for revenue recognition of milestone payments, refer to "(3) Summary of significant accounting policies" within the notes to the consolidated financial statements.

Other information

The supervisory board is responsible for the supervisory board report. In all other respects, the management board is responsible for the other information. The other information in the Annual Report comprises "Letter to shareholders", "Evotec at a glance", "Artificial intelligence in drug discovery – Complexity²", "Scientific excellence x Operational excellence",

"The Evotec share", "Corporate Governance report 2018", "Supervisory Board report", "Supervisory Board and Management Board" and "Responsibility statement". In addition, the other information contained within the Group's management report comprises the group non-financial statement contained in section "Reporting pursuant to section 289c and section 315c of the German Commercial Code" and the group statement on corporate governance contained in section "Declaration of corporate management" of the group management report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the management board and the supervisory board for the consolidated financial statements and the group management report

The management board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the management board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

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

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

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

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the management board and the reasonableness of estimates made by the management board and related disclosures.

- Conclude on the appropriateness of the management board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Company's position it provides.

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

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

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

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

Other legal and regulatory requirements

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

We were elected as group auditor by the annual general meeting on 20 June 2018. We were engaged by the supervisory board on 3 December 2018. We have been the group auditor of Evotec AG without interruption since fiscal year 2014.

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

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

- Review of the interim group financial statements of Evotec AG as of 31 March 2018, 30 June 2018 and 30 September 2018

- Conversion audit in connection with conversion of the entity into a Societas Europaea

- People Advisory Services in connection with international employee assignments

- Tax advisory services with regard to the acquisition of Aptuit Global LLC, Princeton, New Jersey/USA

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dirk Machner.

Hamburg, 19 March 2019
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Machner	**Middelhoff**
Wirtschaftsprüfer	Wirtschaftsprüferin
German Public Auditor	*German Public Auditor*

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial results of the Group, and the Group Management Report 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, 19 March 2019

Dr Werner Lanthaler
Chief Executive Officer

Dr Cord Dohrmann
Chief Scientific Officer

Dr Craig Johnstone
Chief Operating Officer

Enno Spillner
Chief Financial Officer