evotec

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ANNUAL REPORT 2022

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CONTENT

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Evotec's Annual Report 2022 published on 12 May 2023 containing the Consolidated financial statements is available in English and German.

Forward-looking statements

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

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

Dr Werner Lanthaler
Chief Executive Officer

Dear Shareholders *and* Friends of Evotec,

Across all scientific disciplines, we have never had as broad and as deep an understanding of the world as we do today. In fact, while you are reading this, somewhere someone is running an experiment that will tell us a little – or perhaps a lot more. But running experiments to generate new data points means nothing if the data is not used to improve our understanding for a life without diseases. Understanding is key, because it guides the way to the next experiment, it leads to action.

At Evotec, our goal is to achieve an understanding of health and disease at a molecular level and to turn these insights into new, highly effective therapeutic and diagnostic options for a large number of patients. This combination of systematic access to a better understanding and an integrated platform to deliver multimodality therapeutics is what makes us truly ahead of the curve.

In fact, being ahead of the curve is something of a recurring theme in the history of Evotec, which turns 30 this year. Our very first translational innovation was the **EVO***screen* ultra high-throughput screening system. Based on the findings of co-founder Manfred Eigen, Evotec spearheaded this technology and developed it together with its partners to market maturity. Today, you will find the offspring of high-throughput systems wherever small molecule drug discovery is done. We established a business model founded on collaborative scientific partnerships – the sharing economy in R&D. Today, we see record numbers of R&D partnerships in the pharma and biotech industries every year.

Lots of times a ground-breaking scientific discovery is when the real work starts. Validation and standardisation are essential for achieving reliability in the outcomes, which make a new technology suitable for industrial use. Evotec really excels in this translation of ground-breaking innovation into scientific progress that benefits broader patient populations. Over the past years we have built up several platforms based on the most exciting research and new technologies out there. These platforms are now fully operational at an industrial scale – all under one roof.

So how do you get from data to understanding? Analysing PanOmics data gives us a holistic, but also significantly more complex picture of health and disease – so complex in fact that until only a few years ago we could rarely make sense of it. However, these days Artificial Intelligence ("A.I.") algorithms are here to help. We are gradually coming to see Machine Learning ("M.L.") as a novel way to understand the language of molecules – and generative A.I. as our way to speak it. Being able to make conversation in the language of molecules will make asking for the way to effective cures a whole lot easier.

At Evotec, we already have the right tools and technologies to step into this new paradigm of data-driven precision medicine. 2022 was a decisive year in this respect, with the launch of E.MPD, our molecular patient database. E.MPD is our central data repository where we gather PanOmics data for precision drug understanding. Starting out from metabolic diseases, we are continuously growing the database through proprietary screens and data partnerships to build up critical mass into other disease areas as well. 2022 also saw the launch of a first commercial version of PanHunter, our A.I./M.L.-enabled software to navigate in the multi-dimensional space of PanOmics data.

Evotec's big strength as a platform company is that we can directly leverage our enhanced understanding to create access to novel, highly effective precision therapeutics – regardless of therapeutic modality. One example of a new and highly promising new modality is our alliance with Bristol Myers Squibb in the field of molecular glues. This collaboration, which was expanded in 2022, significantly increases the target space of harmful proteins through a novel mode of action. Other new modalities, biologics and cell therapies, are already well established, but still face significant challenges when it comes to making them available to patients.

Just – Evotec Biologics responds to this challenge with a revolutionary way to produce biologics in a continuous manufacturing process, within our so-called J.PODs. These biomanufacturing facilities provide simple and flexible access to biologics by moving the complexity away from the facility into the process design. 2022 marked several major steps forward for the global rollout of this technology. After a rigorous vetting process, Just – Evotec Biologics was selected for two antibody design and manufacturing programmes by the U.S. Department of Defense, which will take place at our first-ever J.POD facility in Redmond, WA, USA. On Campus Curie, Evotec's Toulouse site, France, we broke ground for a second J.POD facility, which is expected to come online in 2024.

Compared to biologics, cell-based therapies are less well established in the market. Today, cell therapy is mainly based on the patients' own cells. For such "autologous" cell therapies, a patient's cells are processed outside their body and then re-administered, which is associated with prohibitive costs for any sustainable healthcare system. Through our experience with induced Pluripotent Stem Cells ("iPSCs"), Evotec aims to develop a variety of cell therapies as off-the-shelf products. These would not only be readily available but are also significantly lowering the cost compared to the autologous treatment. In 2022, Evotec entered a partnership with Sernova to develop an iPSC-derived off-the-shelf cell therapy against Diabetes, which is expected to enter human clinical trials in 2024. Through our newly acquired site, the Evotec Cell Accelerator in Medolla, Italy, we now also have a cGMP cell therapy manufacturing platform in house to drive such cell therapy approaches through clinical studies and onto the market.

At Evotec, we think about drug discovery, development, and manufacturing as a continuum rather than separate or sequential process steps. This integrated approach makes us an ideal partner for a broad spectrum of different healthcare stakeholders with whom our interests always perfectly align. This is why we have come up with a simple mission statement:

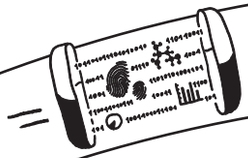
Together for medicines that matter.

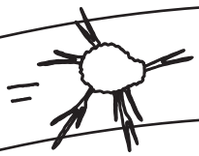
This sentence contains everything you need to know about Evotec – our what, our how, and our why.

Evotec is the place where everything comes together, a comprehensive disease understanding at the molecular level, cutting-edge technologies and platforms to translate this understanding into effective precision medicines – and partners with perfectly aligned interests. Our technological leadership in all of our focus areas is why we consider ourselves well "ahead of the curve" of a true paradigm shift for healthcare. And this makes me more excited than ever for the future.

Let me thank you for your continued support. We are "just at the beginning…"

All the best,





OUR PEOPLE CREATE OUR SUCCESS

4,952 Employees worldwide

30.6 % Share of women in management positions

91 Nationalities

53.9 % Share of women

4,042 Scientists

> 80 % Employees with academic qualification

OUR OFFERING CLOSE TO PHARMA, BIOTECH AND ACADEMIA (AS OF 31 DECEMBER 2022)

USA

▶ **Branford, Princeton, Redmond, Seattle, Watertown, *USA***
~ 555 employees
- Hit identification
- Cell & protein production
- ADME-Tox, DMPK (Cyprotex)
- Sample management
- Biologics design, development, and production (Just – Evotec Biologics)
- J.POD
- J.HAL

EUROPE

▶ **Hamburg (HQ), Goettingen, Cologne, Munich, Halle/Westphalia, *Germany***
~ 1,292 employees
- Hit identification and Biophysics
- *In vitro* & *in vivo* biology
- PanOmics & PanHunter: Genomics, Transcriptomics & Proteomics
- E.MPD
- Biomarker discovery and validation
- Cell production
- iPSC
- Antibody discovery
- Cell Therapy
- (Clinical and commercial) drug substance manufacturing

▶ **Lyon, Toulouse, *France***
~ 1,035 employees
- Sample management
- Hit identification
- *In vitro* & *in vivo* oncology
- Medicinal chemistry
- ADME & PK
- Cell, protein & antibody production
- Proteomics & Metabolomics
- Anti-infective research and platforms
- J.POD (start of contruction 2022)

▶ **Verona, Medolla, *Italy***
~ 940 employees
- *In vitro* & *in vivo* biology
- Medicinal chemistry
- ADME-Tox, DMPK
- Biomarker discovery and validation
- INDiGO and INDiGO-Select
- Integrated CMC
- cGMP cell therapy manufacturing

▶ **Orth/Donau, *Austria***
~ 43 employees
- Rare diseases
- Research within gene therapy to different gene therapy-related technologies

UK

▶ **Abingdon, Alderley Park, *UK***
~ 1,087 employees
- Medicinal chemistry
- ADME-Tox, DMPK (Cyprotex)
- Protein sciences and production
- Structural biology and SBDD
- *In-silico*-design
- *In vitro* & *in vivo* anti-infective platform/screening
- Process development
- CMC and Commercial manufacture
- Pre-formulation

JAPAN

▶ Sales representative office

OUR SPIRIT OF INNOVATION

>110 Projects with Academia and biotech partners (BRIDGE) since 2010

325 New customers during 2022

€ 458.9 m Capex investments over the last 5 years

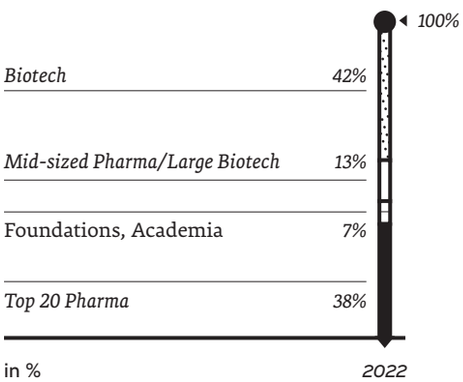
>10 Precision platforms capable of generating multiple projects

OUR PARTNERSHIPS

92 % Repeat business

33 Equity participations in breakthrough company formations

THIRD PARTY REVENUES BY CUSTOMER TYPE 2022



PERFORMANCE OF THE EVOTEC SE SHARE (INDEXED)

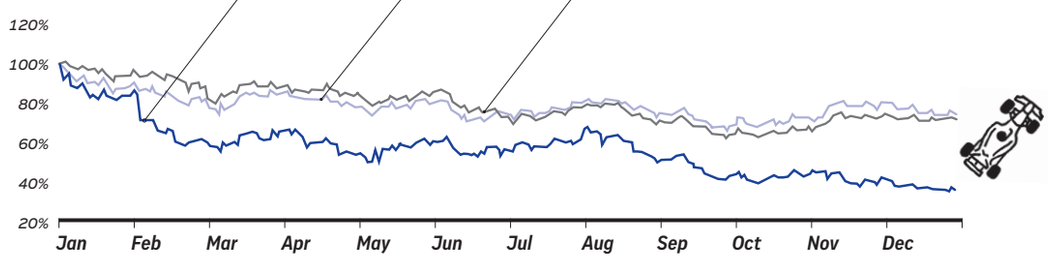
(1 January 2022–31 December 2022)

PERFORMANCE OF THE TecDAX (INDEXED)

(1 January 2022–31 December 2022)

PERFORMANCE OF THE MDAX (INDEXED)

(1 January 2022–31 December 2022)



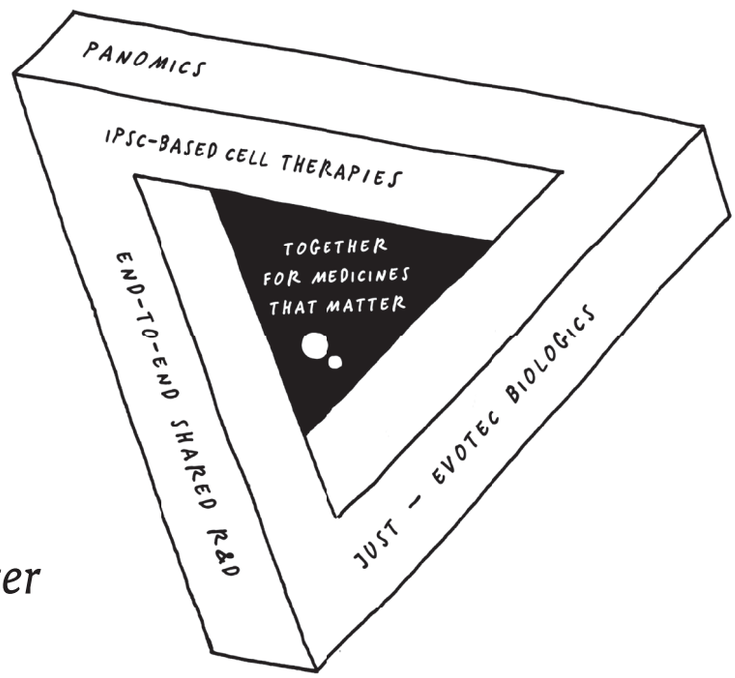
>130 Co-owned projects

819 Alliances 2022

€ 76.6 m R&D Expenses

Ahead of the curve

Together for medicines that matter



Our role in the industry is to discover, develop and manufacture medicines that matter. In highly efficient collaborations together with our partners, we focus on data-driven precision medicine and early disease relevance to bring probabilities of success up ("PoS up"). We select the right modality-driven solutions, propelled forward by the passion of our people striving for the fastest ways to impact patients' lives, enabled by convergent technologies.

Our focus areas address patients' and industry's needs

Together for medicines that matter means that we align the patients' needs for healthcare innovation with the industry's need to deliver this innovation in an efficient way.

There is still a huge burden of unmet medical need. Many patients don't respond to the treatments they are prescribed. In addition, the costs of treatments are prohibitive for the majority of people across the world, preventing them from having access to important medicines. And of course, attrition, especially in efficacy and safety, is still very high, contributing to high costs and waste.

We believe the way to address these system-wide challenges is to improve the targeting of medicines to patients, and to execute the discovery, development and manufacture in a paradigm shifting, cost-effective and efficient manner.

PanOmics and iPSC technologies will drive human-relevant efficacy and safety, while our Just – Evotec Biologics and End-to-End Shared R&D will bring medicines that matter to patients at the highest efficiency and costs effectiveness in the industry.

Evotec's team aspires to impact patients' lives by:

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

Evotec has the right technologies & disease understanding to meet the industry's evolving needs.

PanOmics

Data-driven drug discovery for better disease understanding

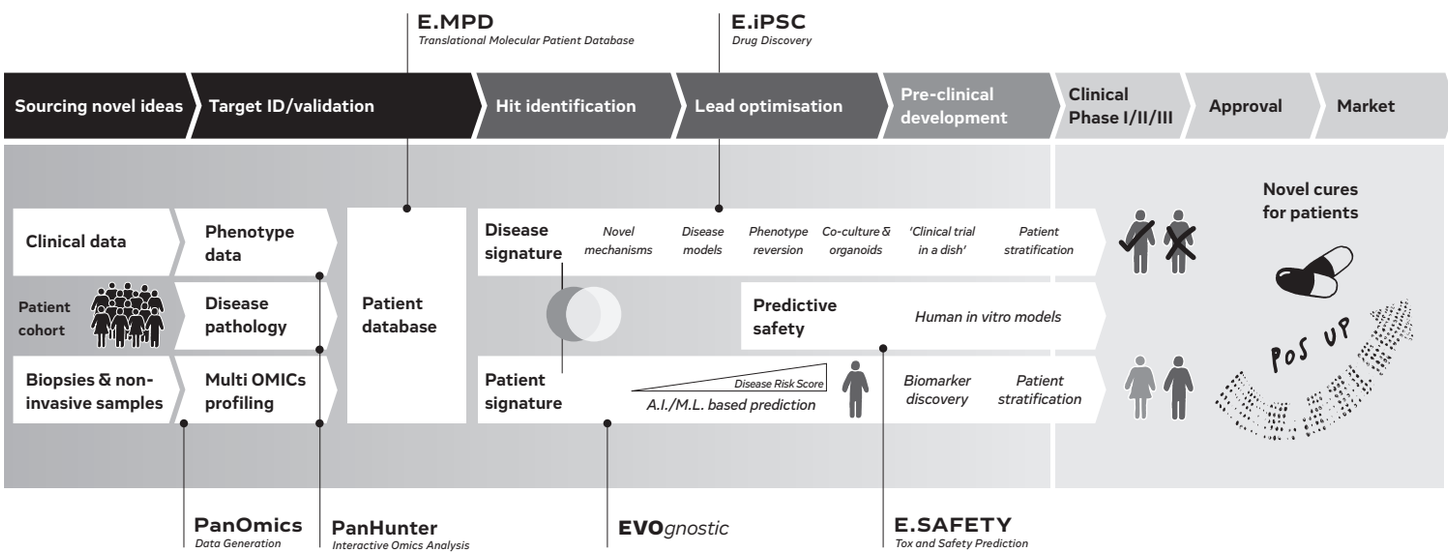
The term Pan (Greek pan means all) Omics (various disciplines in biology end in the suffix -omics) encompasses the totality of all biological data sets obtained from the genome, transcriptome, proteome, metabolome and all other "omes" and their combination with additional patient-specific information.

The industry continues to move from symptomatic treatments to more precise disease-modifying interventions, and ultimately, it is already increasingly pursuing preventative care approaches. As a result of these megatrends, it is of utmost importance to better understand diseases on a molecular level.

At Evotec, we have been building a precision medicine platform called **PanOmics**, which allows us to do this on a fully integrated platform, on an industry-leading level. This platform has a number of essential components which only unfold their true potential when they are brought together on ONE platform, including:

- **E.MPD.** Access to proprietary high-quality molecular patient databases which is required to understand the molecular mechanisms of diseases and thus lay the foundation for precision medicine approaches.
- **E.iPSC.** The industry-leading human iPSC-based drug screening platform which can model diseases in more than 20 cell types. Patient-derived cell-based assays and an enhanced molecular understanding of disease phenotypes are crucial to improving the accuracy of this disease modelling.
- **PanHunter.** Artificial intelligence and machine learning have supported PanOmics data analysis using our novel platform. PanHunter can deal with extensive PanOmics data sets and is used to establish relationships with pre-clinical and clinical metadata.

Moreover, the analysis of disease signatures and individual patient signatures improves patient stratification, driven by biomarker identification (**EVO***gnostic*) as well as human *in vitro* model based safety prediction (**E.SAFETY**).



PanOmics including its components are a key platform that already drives innovation within many internal R&D and partnered programmes. Evotec expects that all significant Evotec programmes (internal and partnered) will use it, in order to identify and validate relevant pathways/targets as well as to generate the greatest value out of drug discovery & development programmes. The technologies will ultimately lead to significantly higher success rates in drug discovery and development and will be the basis for high-value partnerships for the company.

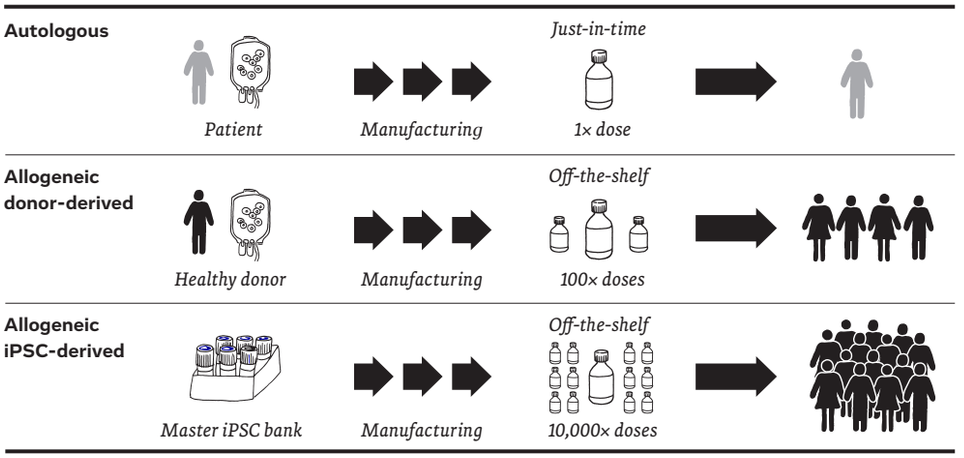
iPSCs

Discovery and Cell Therapies based on iPSCs for broader availability of cures

Cell therapy uses cells as living drugs. They are injected or implanted and induce therapeutic effects. They may be used for immune modulation to treat cancer or autoimmune diseases, for regeneration or the replacement of cells. Modifications of the cells like gene-editing can improve efficacy or increase safety. The cells may be derived from patients (autologous) or from healthy donors (allogeneic).

Autologous, patient-derived therapies are on a per-patient basis, one batch per patient; this is not scalable. Allogeneic cells like iPSC can be used for many patients and are scalable.

Huge progress has been achieved in the cell therapy space in the last five to ten years with about 20 products on the market and hundreds of clinical trials going on. Most approved products and late-stage clinical trials are based on autologous cell therapeutics in the immune-oncology space. In this modality, blood cells are isolated from cancer patients,



they are genetically manipulated in a GMP facility and are then infused back to the patient. Thus, the manufacturing of the final product is done patient-by-patient, dose-by-dose which makes it expensive and limits the production/ manufacturability to tens of doses per month. Making such treatments available to large patient populations at affordable prices would be a game changer in the treatment of many life-threatening diseases. We believe that iPSC-based cell therapies have the potential to fulfil this promise through allogenic iPSC-derived manufacturing of cells.

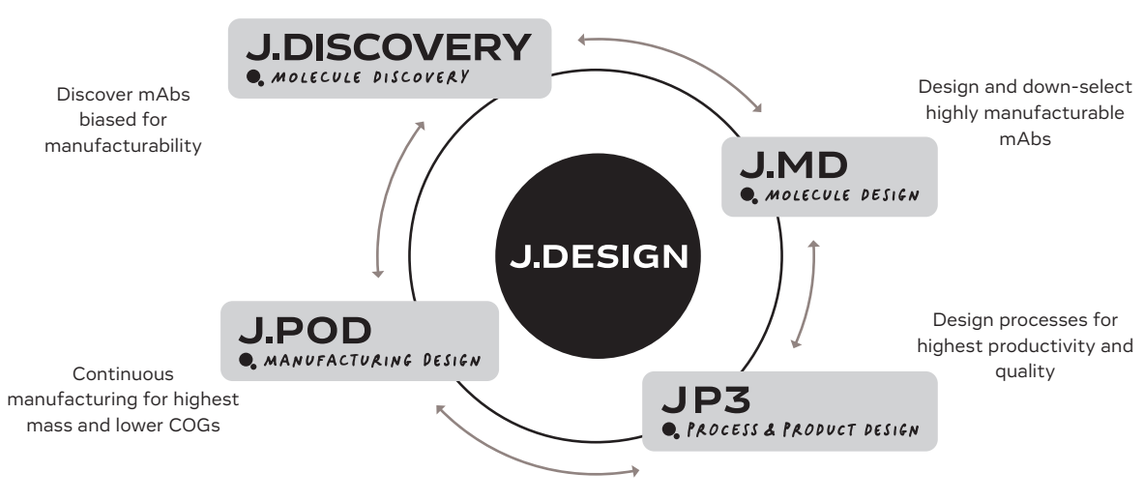
Over the last ten years, Evotec has built an industrialised iPSC infrastructure that represents one of the largest and most sophisticated platforms in the industry. The platform is used to develop the next generation of cell-based, off-the-shelf therapies. Already today, we have a strong project portfolio covering immuno-oncology, heart repair and metabolic diseases and Evotec is well-positioned to accelerate the translation of these projects into the clinic and onto the market. With the end-to-end platform we have put in place we are in a unique position to form high-value partnerships to deliver significant value and upside potential for all.

Just – Evotec Biologics

Continuous manufacturing for better access
One of the fastest growing areas of the pharmaceutical market over the next few years is anticipated to be the general category of "biologics", and within this category, novel monoclonal antibodies ("mAbs") and biosimilars are growing rapidly. This fact, and the goal to broaden Evotec's capabilities and capacities significantly, led to the strategic decision to acquire Just Biotherapeutics in 2019.

Building differentiation and value through powerful technological solutions.

The future state of biologics discovery, development and manufacture is already settled with Just – Evotec Biologics. In the future, Biologics manufacture will be done in the way that is already in place at Just – Evotec Biologics, which is leading and unique. The combination of flexibility and lower, variable costs on a fully integrated, connected, end-to-end continuous biomanufacturing process means that we can provide a pre-clinical batch, a clinical batch and a commercial scale material from the same facility with full flexibility and agility between products – a true paradigm shift in biologics.



The current technological focus of the J.DESIGN platform will address >70% of all biologic products in the coming years. The scope of Just – Evotec Biologics' J.DESIGN platform is from discovery through manufacturing and facility design, creating a powerful and unique A to Z integrated biologics platform. Artificial intelligence and machine learning are being applied across a common data set to create high-quality molecules in discovery that, in turn, drive more productive manufacturing processes for implementation in low-cost, highly flexible manufacturing facilities.

When you add, as part of the same platform, the ability to flexibly manufacture at low cost and to quickly put in place geographically dispersed capacity for commercial supply, then you have created a real "Autobahn" for delivering global access to biologics. This great science and technology coupled to a growing J.POD network will radically differentiate Evotec as a major player in biologics in the coming years.

End-to-End Shared R&D

An integrated business-to-business platform for increased probability of success
A new drug will take an average of ten to 15 years and more than US$ 2 bn before it can reach the patient. (Future Med Chem, 2020 May;12(10):939-947)

The drug discovery & development process needs to be designed to ensure that innovative new medicines are effective, safe and available for patients in the shortest possible time.

In the last decade, biomedical research and improved technologies have led to an in-depth understanding of the molecular mechanisms of health and disease and their relationship to observed clinical parameters. The drug discovery and development of the future will bring together different disciplines, targets and approaches to generate disease-modifying treatments – potentially leading to a cure for many currently untreatable diseases. To increase the chance of success, the discovery and development process is also becoming increasingly tailored to each individual project.

We deliver high quality drug candidates by integrating disease area knowledge, world-class technology platforms, drug discovery and development expertise, and top-shelf informatics using a lean, multiple modality technical approach.

Evotec's expertise in deep learning and computational approaches to integrate knowledge across the full value chain of research, drug discovery and development is unique in the industry: computational capabilities in all essential domains including, for example, molecular design, product optimisation, extensive human pharmacokinetic parameter and dose predictions, toxicity prediction and design tools.

Summary

Staying ahead of the curve with cutting-edge technologies, brilliant minds, know-how, data science, analytics and integrated platforms
The best combination of knowledge, experience, computational power and process excellence gives us the best chance to solve problems and create success in the inventive step. Precision medicine and better access to more affordable drugs will define the road into the future of this industry to medicines that matter. By establishing a seamless infrastructure for all relevant technologies and modalities, Evotec has become a pioneer in the industry.

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

- **Comprehensive "under ONE roof" integration of technologies, experience and expertise**
- **Operational excellence and A.I./M.L.-driven predictive science**

[1)] *Investigational New Drug Application*

Making a tangible difference for patients

Five minutes with Evotec's Chief Business Officer Matthias Evers

MATTHIAS EVERS
Evotec's Chief Business Officer

You joined Evotec in May 2022 as Chief Business Officer. What was the decisive factor for you to take on this new position?

I have been following Evotec for a long time. In fact, I always jokingly describe it as a multi-year onboarding process. What initially intrigued me about Evotec was its idea of a "shared R&D economy" and its flexibility within the business model and the partnering strategy. Now, with a more complete view from the inside, I am more convinced of the Company's potential than ever. The depth of Evotec's scientific capabilities and the opportunities that lie therein to make a tangible difference for patients are just phenomenal. As CBO, my responsibility covers partnering, technology and strategy. I want to highlight the partnering aspect because at the core of Evotec is a business-to-business model where we generate high-quality science together with our partners. There is simply a lot of value in that; not only for Evotec and our partners, but especially for patients.

You took on this role at a very exciting time for the Company. How does that affect how you see the Company?

I see Evotec as a very well-established company with strong brand recognition. After all, we are celebrating the Company's 30th anniversary in 2023. I also see a company that reinvented itself about a decade ago as a scientific, business-to-business platform focused on partnering. In doing so, Evotec entered a virtuous cycle of combining state-of-the-art technologies within a single, common platform. I am tempted to call this a flywheel, which is fuelled by massive amounts of data, A.I./M.L., and the ingenuity of our scientists. Today, Evotec is not only a very healthy company that is growing sustainably at double-digit rates, it is also a company with more potential than ever before. Our proprietary technologies are bearing fruit on their own, as well as converging to create a continuum that spans drug discovery, development, and manufacturing.

In 2021, Evotec introduced "Action Plan 2025" with eight building blocks. By now, Evotec is highlighting four focus areas – why the strategic refocusing?

Action Plan 2025 stands for our commitment to mid-term financial targets for 2025. It is our North Star and strategic framework to guide the Company. With this being said, we believe that Evotec needs to simplify and focus, also to be more accessible to our partners, investors, and other stakeholders. In this respect, clarifying the value proposition of Evotec in our four focus areas is an important step. The four focus areas define where we want to differentiate ourselves as a company to assume global leadership and leverage our platform to deliver medicines that matter.

I like to say that profitability follows from outstanding science – not the other way around. We are a science company at heart and focus on a few areas where we can make a real difference will help us to achieve our stated goals in terms of sustainable, profitable results. Evotec keeps pushing the boundaries of what is possible in drug discovery, development, and manufacturing. With our focus areas we do not only have one, but multiple massive opportunities.

Can you tell us about the greater idea behind Evotec's focus on PanOmics?

I believe very strongly that PanOmics-driven drug discovery will be the single most important driver of both innovation and efficiency in healthcare over the next decades. Today, the use of PanOmics, i.e., multi-omics and ideally human data is essential to understand, diagnose and cure diseases in a faster and more precise manner. Why? Because for the first time we are approaching medicine systematically from a human molecular level.

The conventional approach to drug discovery is often reductionist: you are looking for one target, one assay, then one molecule and then you believe that it will still deliver a desired effect in many different individuals. Biology does not work like that. Biology is multifactorial. With our human-based approach we have the components to understand the whole molecular picture from the genes to transcription and translation. At Evotec, we do not only have a proprietary molecular patient database, E.MPD, inhouse – but critically, also an A.I./M.L.-guided tool for the integrated analysis of such data, PanHunter.

Next to our partnerships in discovery and development of new medicines, Evotec's perhaps biggest impact in PanOmics in 2022 was the public release of PanHunter as an enterprise solution. PanHunter is our contribution to democratise the digestion, handling, and A.I./M.L.-enabled analysis of multi-omics data. We strongly believe that not only analytics experts, but also biologists, clinicians and other professional groups can utilise this type of analysis for better and more efficient results. Using PanHunter, we suddenly have a very high level of maturity in PanOmics from data structuring, data consolidation, data cleaning, to data analysis and interpretation. With the launch of PanHunter as Software-as-a-Service solution, Evotec became visible for the first time as a software company – and perhaps for some as a "bio+tech" company.

Another focus area is iPSC-based discovery and cell therapy – what is the value driver behind this technology?

Evotec's long-term commitment to leverage the power of induced Pluripotent Stem Cells in an industrial context is one of the main reasons that attracted me to Evotec. These cell lines are a great source to build human disease models, following the same non-reductionist logic as PanOmics. Importantly, these iPSC cell lines are also a promising therapeutic modality with the potential to achieve a functional cure for many indications, in which certain cell functions or cell types are lost to a disease.

Evotec systematically built up industry-leading iPSC capabilities at a scale suitable for off-the-shelf solutions. Deriving cell therapy products from iPSCs has opened an almost unlimited source of consistent-quality material for a large number of patients. However, the scalability of the approach from bench to bedside is central for moving cell therapy approaches into clinical phases and thus, essential for the approval of any such therapy.

With the therapeutic modality still in its infancy, the ability to manufacture GMP-grade off-the-shelf cell therapy products in house is a key element to be successful in this field. This is why the strategic acquisition of Rigenerand, now Evotec Modena Srl., was an important achievement in 2022. Integrating innovative off-the-shelf iPSC cell therapy discovery with development and manufacturing put Evotec in a unique position to form end-to-end partnerships.

Biologics are a significantly more mature therapeutic modality. Why does this field deserve attention as one of Evotec's focus areas?

The emergence of biologics as a therapeutic modality has taken the world by storm. Yet, 40 years after insulin was approved as the first biologic drug, the modality still faces significant challenges. If we look at global market access, pricing, and the Inflation Reduction Act, producing high-quality medicines at affordable cost levels is one of the most pressing goals of our time. Just – Evotec Biologics drives the paradigm shift that responds to the signs of the times. There simply is no better way to improve global access in biologics.

Biologics is a well-established industry supported by strong investments and infrastructure. However, if we translate just 2 to 5% from this global market to our continuous manufacturing capabilities, it will be bigger than anything Evotec represents today. Certainly, it is a challenge, but in terms of opportunity, what we need to achieve to make it a significant growth story is only marginal. Our well-supported claims on speed, flexibility, cost, and quality from our data/A.I./M.L.-driven J.DESIGN approach, including continuous manufacturing, are highly relevant because we are in the best possible position with this disruptive technology to offer the lowest cost and highest quality biologics.

Let me compare it to the introduction of the electric car into the fossil fuel car market. Of course, it costs energy and needs vision and perhaps even courage, but once you have reached a tipping point in terms of adoption, there is no turning back. Ultimately, the question is when to switch from the petrol engine to the electric motor, because you already have sunk costs. At some point, the attractiveness and/or the pressure of suffering is high enough to switch, the question is perhaps when, but never if.

As an important achievement, I would like to highlight the significance of the partnership with the U.S. Department of Defense. In 2022, Just – Evotec Biologics' facility J.POD Redmond, Washington (US) joined the U.S. Department of Defense's Advanced Development and Manufacturing network. A thorough vetting process led to the signing of a contract for the rapid development of monoclonal antibody-based drug product prototypes targeting plague. With a second J.POD expected to be operational in the second half of 2024, the vision of a production network is also taking shape.

Last but not least, let's talk about "End-to-End Shared R&D" – how does such a comprehensive claim fit into a focus area?

Highlighting our End-to-End Shared R&D platform as a focus area is the obvious articulation of what Evotec has been doing for a very long time and yet it is perhaps one of the most important areas to highlight. Today, we are able to leverage this integrated platform and capability better than ever before. Together with our partners, we are eager to go as fast as possible for the patient, whether it is towards Investigational New Drug status ("IND") or even into the early clinical space. Every day academics, seed companies, biotechs and large pharma companies leverage our industry-leading disease understanding and latest technologies for successful drug discovery from target to IND and beyond. We have created a culture which drives our scientists to be problem solvers. Through both organic growth and acquisitions over the years, we have accumulated comprehensive know-how and have made distinctive technology investments from structure analysis to formulation, Active Pharmaceutical Ingredients ("API"), and much more.

What really sets us apart is that we combine all of this into an integrated continuum. We bring together all required capabilities in project teams and generate outstanding timelines both in terms of cost and quality. The way I see it, our shared End-to-End R&D continuum is also the answer to an unmet need as we are closing a gap between academia and the very early biotechs generating new targets or early leads and large pharma looking for INDs and clinical candidates.

This focus area is differentiating us in two ways: our ability to enable innovation at scale and our unique economic model. An integrated business-to-business platform for increased probability of success in combination with our economic model of representing R&D through variable costs is the only way to operate in a high-risk R&D environment. The avoidance of siloed knowledge and information through integration, fuelled and accelerated by algorithms that become smarter as the platform (and its data) grow every year, is very important for generating efficiency and performance. I believe that we have the responsibility to provide such a platform to enable our partners of all sizes to innovate through variable costs and/or the balance sheet.

Data is an underlying theme for all four focus areas. What is Evotec's position regarding M.L. and generative A.I. tools?

Towards the end of 2022, generative A.I. became more relevant to a broader audience, especially with ChatGPT receiving widespread cross-industry attention. In drug discovery, generative A.I. has been used for quite some time. It is an extremely important tool that will accelerate how we currently perform complex scientific tasks. At Evotec we use generative A.I. both for the design of small molecules and for our *in silico* approaches to generate antibodies from our humanoid antibody library, J.HAL that mimics the human repertoire. ChatGPT and comparable tools also pose an interesting challenge where human creativity is mixed with machines' new capabilities. The ambition must be that we strive to improve, exploit the human aspects of intuition, combinatorial skills and knowledge management when we use these tools.

What are your priorities going into 2023 and what will you measure the success of Evotec against to stay ahead of the curve for the years to come?

Our four strategic focus areas within the Action Plan 2025 framework give us a very clear roadmap and steer. I am very much driven by Evotec's opportunities but, of course, I am not blind to challenges in the day-to-day business. In the given market situation and global economy, it is more important than ever to show stability and stand by promises. Our challenges are primarily about maintaining the organisational health of a fast-growing company. Evotec is an international company with a strong focus on Europe and the US in a changing global market where big investments are often essential. We are slowly reaching the size to play at scale in this market, so to speak. Balancing between challenge and opportunity, I am much more driven by opportunity. As so many colleagues here at Evotec, I am here to solve problems.

Evotec has everything it takes to continue on its growth track and yet we must keep the balance between continued growth and consolidation through focus. The goal will be, to put it bluntly, not to grow by hook or by crook, but to generate sustainable high-quality growth. As I've said before: outstanding science leads to outstanding results. Going forward, the focus areas provide a clear picture in terms of strategy for data, technology, and innovation to deliver on the goals laid out in Action Plan 2025. That is why 2023 is a very important year to successfully position Evotec for the next growth horizons beyond 2025.

evotec

The Evotec *share*

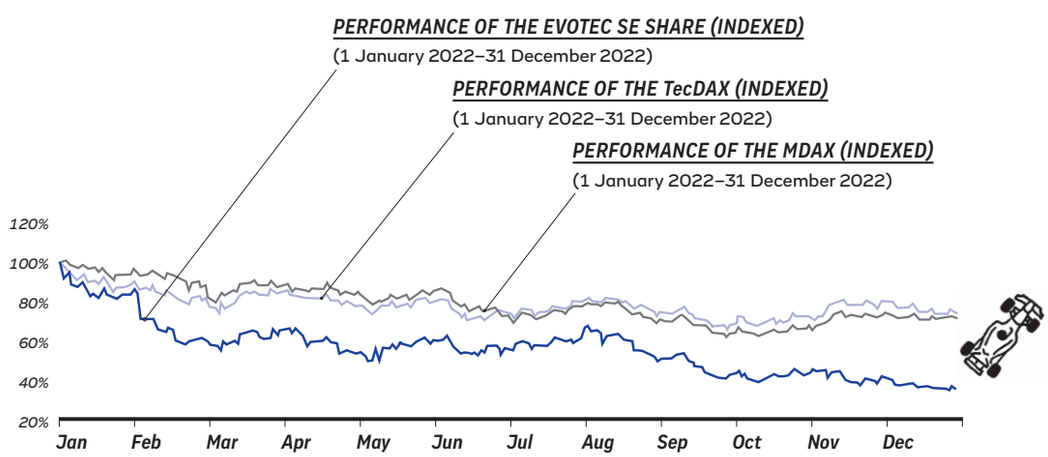
The Evotec share

The continuous dialogue with the global capital markets is one of the pillars of Evotec's corporate strategy. During the financial year 2022, the Company regularly provided focused communications on the progress of its business to the global financial markets. These communications were made through several channels, including participation and presentation at key national and international investor conferences, non-deal road shows in key financial centres in Europe and the United States as well as investor and analyst calls on the quarterly, six-month and annual results. In 2022, the total number of analysts regularly monitoring and evaluating the performance of Evotec shares has further improved to 14 at the end of 2022. While Berenberg covered our share only temporarily in 2022 and Baader Bank terminated coverage, we saw initiations of coverage from H.C. Wainwright and Bryan Garnier in 2022. After the reporting period, in January 2023, ODDO BHF also initiated the coverage of Evotec. Most analyst recommendations were positive, with an average price target of € 28.00.

Performance of the Evotec share in 2022

2022 was a challenging year in capital markets. Russia's invasion of Ukraine and macro-economic uncertainty led to a pronounced inflation followed by significantly raised interest rates. Growth sectors like biotechnology were affected disproportionately, impacting the performance of Evotec shares as well. In addition, the decision of our collaboration partner Bayer to terminate all clinical trials with the P2X3 inhibitor Eliapixant in February resulted in a visible impact on the shares, which was not compensated for over the course of the year and led to an underperformance versus key benchmark indices, such as TecDAX and MDAX.

With a share price decline by 64.5% from € 43.01 to € 15.26 over the course of 2022, Evotec underperformed the TecDAX, which closed at the end of the year 25.5% lower. The underperformance versus the second German reference index MDAX (-28.5%) was not much different. Evotec's average daily trading volume for all German stock exchanges amounted to 425,033 shares in 2022, compared with 507,881 shares in 2021.

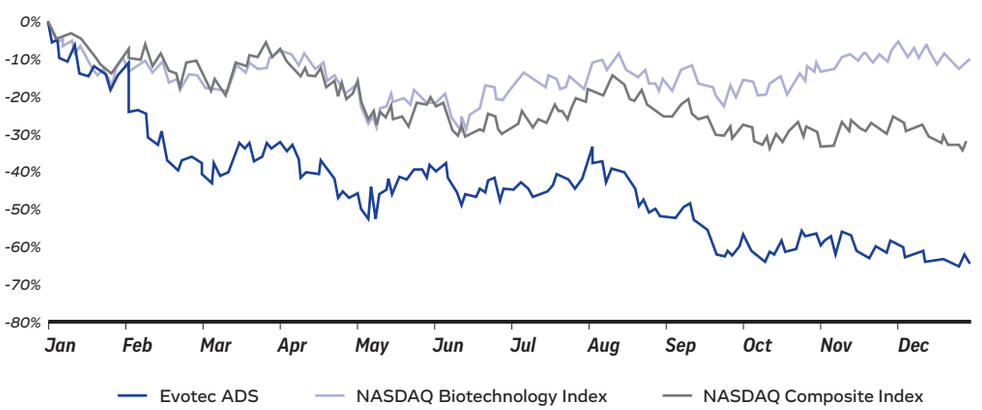


First full year of trading at NASDAQ

After the listing of 22,995,000 of American Depositary Shares ("ADS") on 3 November 2021, Evotec's ADS, each representing one-half of one ordinary share, traded for the first time for a full calender year.

Over the course of 2022 Evotec ADS declined by 65.5%. The difference to the performance in Germany is related to exchange rate changes. Shares underperformed the NASDAQ Biotechnology index (-11.5%) by about 54 percentage points in the same period. Although the broader NASDAQ Composite Index saw more pronounced losses of 33.9%, it still outperformed the Evotec share by around 32 percentage points.

SHARE PRICE PERFORMANCE 2022



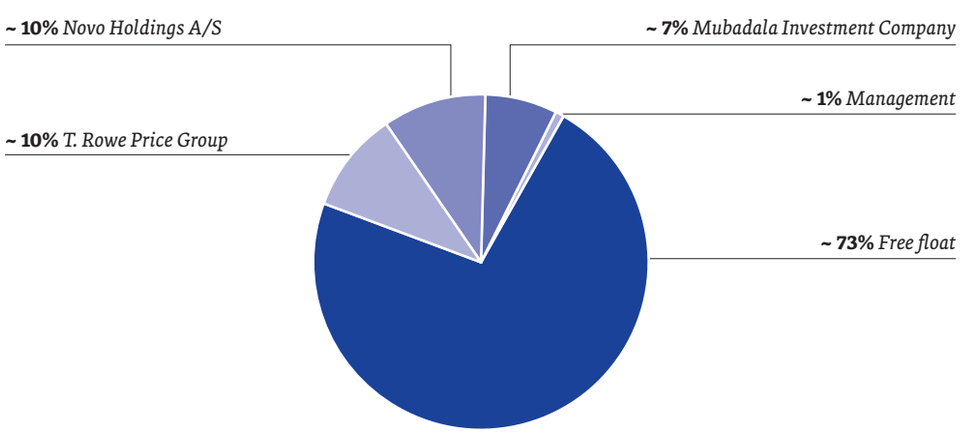
Evotec's share capital

Evotec did not issue new shares that were unrelated to stock options in 2022. The exercise of 1,195,954 stock options and share performance awards resulted in an increase in the amount of Evotec's registered share capital by € 176,952,653 at year-end 2022 (year-end 2021: € 176,608,195). The increase corresponds to a negligible dilution of 0.1%. In 2022, no stock options were serviced out of treasury shares.

Shareholder structure

When certain thresholds related to voting rights are reached or crossed, the respective shareholders are required to inform the issuer of the shares and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) and since November 2021 the SEC as well. According to the voting rights notifications received by 31 December 2022, the following persons and institutions, excluding shares held via instruments, had exceeded the 5% threshold: Novo Holdings A/S held an interest of 9.8%, T. Rowe Price Group held 10.1%, and the government of Abu Dhabi (Mubadala Investment Company) held 6.6%. Free float as of 31 December 2022 was therefore approximately 72.5%.

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2022 [1)]



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

SHARE DATA	Frankfurt Stock Exchange	NASDAQ New York
Ticker symbol	EVT	EVO
Securities identification number	566480	
ISIN	DE0005664809	US30050E1055
Reuters XETRA symbol	EVTG.DE	
Bloomberg symbol	EVT GY Equity	
Market segment	Prime Standard	Global Select Market
Index	TecDAX, MDAX[1)], STOXX Europe 600	
Designated Sponsor	ODDO SEYDLER BANK AG	

[1)] *As a result of the cyber-attack, a delay in external reporting occurred, which has led to a likely temporary exclusion from the indices of the Frankfurt Stock Exchange. Evotec expects to rejoin the relevant indices after the next regular review of admission requirements by Deutsche Börse.*

KEY FIGURES PER SHARE	Frankfurt Stock Exchange (EVT)		NASDAQ New York (EVO)
	2022	2021	2022
High (date)	€ 41.66 (3 January)	€ 45.35 (15 September)	$ 23.63
Low (date)	€ 14.98 (28 December)	28.50 € (10 March)	$ 7.80
Opening price	€ 43.01	30.26 €	$ 23.63
Closing price	€ 15.26	42.50 €	$ 8.09
Weighted average number of shares outstanding	176,674,341	166,405,926	9,550,310
Total number of shares outstanding as at 31 December	176,952,653	176,608,195	353,905,306
Average daily trading volume (all exchanges)	425,033	500.615	57,420
Market capitalisation as at 31 December	€ 2,690 m	€ 7,506 m	$ 3,846 m
Earnings per share (diluted/basic)	€ (0.99) €/(0.99)	€ 1.29 €/1.29	$ (0.47)/$ (0.47)

FINANCIAL CALENDAR 2023	
28 March 2023	Publication Preliminary Figures 2022
12 May 2023	Annual Report/20-F/Sustainability Report 2022/Quarterly Statement Q1 2023
20 June 2023	Virtual Annual General Meeting 2023
9 August 2023	Half-year 2023 Interim Report
8 November 2023	Quarterly Statement 9M 2023

Virtual Annual General Meeting 2022

Evotec held its Ordinary Annual General Meeting on 22 June 2022. Due to the COVID-19 pandemic, the AGM again was held as a virtual event. 65.68% of Evotec's share capital was represented at the AGM (2021: 65.17%) and Evotec's shareholders approved with the required majority all proposals put to the vote by the Company's management.

Investor Relations and ESG @ Evotec

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

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Prof. Dr Iris Löw-Friedrich
Chair of the Supervisory Board

Supervisory *Board Report*

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

Evotec's Supervisory Board consists of six members – as provided in the current Articles of Association – all of whom are elected by the shareholders with a simple majority of the votes cast at an Annual General Meeting ("AGM"). The proposal to the AGM is carried out in accordance with the German Corporate Governance Code's recommendations regardless of gender, nationality or age; members are appointed based on their qualifications, work experience, independence and diversity. Four of the current members of Evotec's Supervisory Board were elected at the AGM 2019. Following the resignation of Kasim Kutay with effect as of the AGM 2022, the AGM 2022 has elected Camilla Macapili Languille as his successor to the Supervisory Board. The Company provides a relevant set of on-boarding materials regarding statutory documents, policies, rules of procedures etc. for each new Supervisory Board member which is also accessible to each member in a virtual Board room.

The Supervisory Board appoints a Chair and one Vice Chair from among its members. Prof. Dr Iris Löw-Friedrich is elected Chair of the Supervisory Board, and Roland Sackers is elected as Vice Chair.

The members of the Supervisory Board are elected for a term of five years and may be re-elected. A shortening of the five-year term as well as staggering of terms is envisaged from the next election. The term of the new Supervisory Board ends with the close of the AGM 2024 that is charged with approving the actions of the members of the Supervisory Board in the 2023 fiscal year.

The Supervisory Board has determined concrete objectives regarding its composition and competencies and prepared a profile of skills and expertise reflecting the company-specific situation. These objectives and skills profiles stipulate that the activities of the Company shall be represented by having a majority of independent Supervisory Board members with national and international experience in the respective fields of (i) Research and Development, (ii) Finance, Capital markets, Legal, Corporate Governance, (iii) Marketing and Sales and Operations, (iv) Healthcare Economy/Public Health and (v) expertise on the sustainability issues that are significant for the Company. 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. The Supervisory Board has set a gender quota for itself with a share of women of 30%. Finally, the Supervisory Board has currently agreed on two full terms as the regular limit of length of membership to the Supervisory Board, which may be adjusted together with the planned shortening of terms following the AGM 2023. Overall, the Supervisory Board shall be composed in such a way that the majority of its members are independent and that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

Currently, the composition of Evotec's Supervisory Board fulfils all those objectives. All members have an extensive international professional background from working in numerous internationally operating companies. All members are considered as independent following the two-dimensional evaluation criteria of the German Corporate Governance Code, three nationalities are represented and there are four female members. Evotec's aspiration of a "diversity of thought" is ensured by composing internationally experienced Management and Supervisory Boards with broad based skill sets.

Prof. Dr Löw-Friedrich is also to be regarded as independent within the meaning of recommendation C.7 of the German Corporate Governance Code in its current version as of 28 April 2022. Although Prof. Dr Löw-Friedrich is on the Management Board of UCB S.A., which is an Evotec customer, the Evotec Group's turnover with the UCB Group is only about 0.5% of the total turnover of the Evotec Group, so that no material business relationship between Evotec and UCB within the meaning of recommendation C.7 is to be assumed. Moreover, Prof. Dr Iris Löw-Friedrich is responsible at UCB's Management Board for world-wide clinical development and life-cycle of marketed products but not for discovery research and pre-clinical development and manufacturing, which are the only subjects of the services provided by Evotec to UCB. Since these services are not of significant business value, they are neither discussed within the UCB Management Board nor Evotec's Supervisory Board.

Despite her position as Head of Life Sciences at Mubadala Investment Company, Camilla Macapili Languille is to be considered an independent Supervisory Board member. Mubadala Investment Company holds approx. 7% of Evotec SE's voting shares and thus has a material interest in Evotec SE within the meaning of section C.13 of the German Corporate Governance Code. Nevertheless, Mubadala Investment Company is not a controlling shareholder within the meaning of section C.9 of the German Corporate Governance Code. A shareholder's (and thus also Ms Macapili Languille's) dependency would exist if a controlling agreement existed with the shareholder, the shareholder held an absolute majority of the voting rights or at least a sustainable majority at the Annual General Meeting. A voting share of 7% does not constitute a sustainable majority at the Annual General Meeting in favour of Mubadala Investment Company and, therefore, neither a conflict of interest that is not merely temporary, nor a dependency due to de facto majorities of voting rights, especially since the number of validly cast votes at past general meetings regularly amounted to significantly more than 40% of the share capital.
Dr Mario Polywka's cooling off period pursuant to section C.7 of the German Corporate Governance Code expired at the end of 2020.

Notwithstanding Section C.5 of the German Corporate Governance Code, Prof. Dr Iris Löw-Friedrich also has a seat in the Supervisory Board of Fresenius SE & Co. KGaA. However, Prof. Dr Iris Löw-Friedrich has always devoted sufficient time to perform her function, including attendance at all board and committee meetings and availability to connect with internal and external stakeholders, and has plausibly demonstrated that this will also be the case in the future. Information on the professional affiliations of Supervisory Board members can be found on page 142.

A significant proportion of the Supervisory Board's work is conducted in committees. Pursuant to the German Stock Corporation Act and the recommendations of the German Corporate Governance Code, Evotec's Supervisory Board has established an Audit & Compliance Committee as well as a Remuneration and Nomination Committee and – newly established in 2022 – an ESG Committee from among its members.

Evotec's Audit & Compliance Committee, comprising three members, supports the Supervisory Board in independently monitoring the Company's financial reporting activities and in auditing reports. In particular, the Audit & Compliance Committee reviews the Company's accounting processes, the effectiveness of the internal control system and the audit of the financial statements. In addition, it discusses the quarterly and half-year reports with the Management Board as well as its risk management and compliance management systems. Within the scope of the audit of the financial statements commissioned by the Supervisory Board, the

SKILLS/EXPERTISE	*Prof. Dr Iris Löw-Friedrich (Chair)*	*Roland Sackers (Vice-Chair)*	*Camilla Macapili Languille*	*Dr Mario Polywka*	*Dr Constanze Ulmer-Eilfort*	*Dr Elaine Sullivan*
Independent Supervisory Board members	X[1)]	X	X[2)]	X[3)]	X	X
Experience in the fields of Research & Development	X	–	–	X	–	X
Experience in the fields of Finance & Capital markets	–	X[4)]	X	X[5)]	X	–
Experience in the fields of Legal & Compliance	–	X	–	–	X	–
Experience in the fields of ESG	X	X	X	–	X	–
Experience in the fields of Marketing and Sales and Operations	X	–	–	X	–	X
Experience in the fields of Healthcare Economy and Public Health	X	–	X	–	–	X
Age of a candidate shall not exceed 72 years at the time of the proposal	X (1960)	X (1968)	X (1983)	X (1963)	X (1962)	X (1961)
Regional experience	EU, USA, Asia	EU, USA	EU, USA, MENA	EU, USA	EU	EU, USA, Asia
Female members	X	–	X	–	X	X
Two full terms as the regular limit of length of membership to the Supervisory Board	X (2014)	X (2019)	X (2022)	X (2019)	X (2021)	X (2015)

[1)] Management Board Member of UCB: The business relationship with UCB as a customer of Evotec is considered immaterial (~0.5% of 2022 group revenue)

[2)] Head of Life Sciences of Mubadala Investment Company: Mubadala Investment Company holds ~7% of Evotec's shares but does not have control as defined in C.9 of GCGC

[3)] Cooling-Off Period as per C.7 of GCGC has expired by end of 2020

[4)] Experience in audit and accounting

[5)] Experience in accounting

Audit & Compliance Committee also reviews possible transactions with related parties. Moreover, the Audit & Compliance Committee also discusses certain steps and procedures of the audit with the appointed auditing firm, including the auditors' independence, quality, the additional services rendered by the auditor, the issuing of the audit mandate to the auditing firm, the determination of auditing focal points, the fee agreement and compliance issues. The Audit & Compliance Committee exchanges information regularly with the auditor as part of the preparation and implementation of the audit without the Management Board.

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

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

Considering the increased importance of Environmental, Social and Governance ("ESG") aspects in a corporate and global environment, Evotec's Supervisory Board formed an ESG Committee in 2022. The ESG Committee consists of three members from the Supervisory Board and is supported by the Company's CEO, the Global Head of HR and the Head of Global Investor Relations & ESG. Together with the Management Board, the ESG Committee defines the priorities of Evotec with respect to environment, people and governance on a rolling basis, and is advising on and monitoring the implementation of these priorities. Evotec's ESG Committee Charter can be found on the Company's website under *https://www.evotec.com/en/investor-relations/governance.*

Each of the committees regularly report at the Supervisory Board meetings about recent meetings and discussions.

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

UNTIL AGM 2022	*INITIALLY ELECTED TO THE COMPANY'S SUPERVISORY BOARD*	*AUDIT AND COMPLIANCE COMMITTEE*	*REMUNERATION AND NOMINATION COMMITTEE*
Prof. Dr Iris Löw-Friedrich (Chair)	2014		X (Chair)
Roland Sackers (Vice Chair)	2019	X (Chair)	X
Kasim Kutay	2020		X
Dr Mario Polywka	2019	X	
Dr Constanze Ulmer-Eilfort	2021	X	
Dr Elaine Sullivan	2015		X

FROM AGM 2022	*INITIALLY ELECTED TO THE COMPANY'S SUPERVISORY BOARD*	*AUDIT AND COMPLIANCE COMMITTEE*	*REMUNERATION AND NOMINATION COMMITTEE*	*ESG COMMITTEE*
Prof. Dr Iris Löw-Friedrich (Chair)	2014		X (Chair)	
Roland Sackers (Vice Chair)	2019	X (Chair)	X	
Camilla Macapili Languille	2022			X
Dr Mario Polywka	2019	X		
Dr Constanze Ulmer-Eilfort	2021	X		X (Chair)
Dr Elaine Sullivan	2015		X	X

In the course of 2022, the Supervisory Board held four formal meetings and one extraordinary meeting to discuss the operational and strategic developments of the Evotec Group. The Audit Committee convened separately for four formal and four extraordinary meetings, the Remuneration and Nomination Committee convened for three ordinary meetings and one extraordinary meeting, and the ESG Committee convened for three meetings (including one constituent meeting). The ordinary meetings of the full Supervisory Board, the Remuneration and Nomination Committee and the ESG Committee in 2022 were principally held in person. Three of the four ordinary Audit and Compliance Committee meetings and all extraordinary meetings of the Supervisory Board and the Committees were held per videoconference. Regularly, the Supervisory Board met in closed session without the Management Board.

The individual attendance of the Supervisory Board members in 2022 at meetings of the Supervisory Board of Evotec SE and its committees was as follows:

SUPERVISORY BOARD MEMBER	NUMBER OF SUPERVISORY BOARD AND COMMITTEE MEETINGS	ATTENDANCE	PRESENCE*
Prof. Dr Iris Löw-Friedrich (Chair)	5+4**	5+4	100%
Roland Sackers (Vice Chair)[1)]	5+6+4	5+6+4	100%
Kasim Kutay[1)]	3+1	1+0	25%
Camilla Macapili Languille[2)]	2+3	2+3	100%
Dr Mario Polywka	5+6	5+6	100%
Dr Constanze Ulmer-Eilfort	5+6+3	5+6+3	100%
Dr Elaine Sullivan	5+4+3	3+4+2	75%

[1)] Since AGM in June 2022
[2)] Until AGM in June 2022
**Commercially rounded*
***SB meetings + Committee meetings*

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

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

- In April 2022, the Supervisory Board discussed and approved the 2021 annual financial statements and the guidance for the fiscal year 2022 in one formal and one extraordinary meeting in the presence of the auditors and approved the achievement of Corporate Objectives for 2021 and the bonus payments for the Management Board members for their performance in 2021. As part thereof the Remuneration Report for 2021 was prepared and approved by the Supervisory Board. The Supervisory Board also discussed the Company's compliance and risk management system in the March meeting and approved the Corporate Objectives 2022 and the preliminary agenda for the Annual General Meeting 2022. The sustainability report for Evotec SE and the Group was also discussed and approved. The Supervisory Board also recommended BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main as the auditor to be selected and to be suggested to the Annual General Meeting following a respective tendering process. Furthermore, an update from the Governance Roadshow was provided and the Supervisory Board reviewed potential acquisition and equity projects. The LTI grants to the Management Board members were approved in a circular resolution in January 2022, as well as the Restricted Share Awards granted to the Chief Operating Officer and the Chief Business Officer in May 2022. Ahead of the start of the new Chief Business Officer in May 2022, the rules of procedure for the Management Board were discussed and the allocation of responsibilities adjusted.

- At the meeting in June 2022, the Supervisory Board focused on the upcoming Annual General Meeting, the operational business of the Company and on strategic development opportunities, including potential M&A projects, the approval of new equity investments and academic BRIDGEs. The new Chief Business Officer shared his first impressions since his start in May 2022 and the best structure for Business Development was discussed. The Management Board also provided an update on SOX (Sarbanes-Oxley Act) compliance.

- At its meeting in September 2022, the Supervisory Board discussed the operational business of the Company, including the significant cost increase, e.g. for energy. It also discussed strategic development opportunities and approved certain further equity investments. Furthermore, certain business areas were presented to the Supervisory Board. Finally, the newly established ESG Committee reported from its constituent meeting and the Supervisory Board discussed the ESG strategy and priorities for 2023 and beyond.

- In December 2022, the Supervisory Board discussed and approved the budget for the fiscal year 2023 as well as regular Corporate Governance matters. Governance and compliance are regular topics of the Supervisory Board meeting and lead to the annual announcement of the Corporate Governance declaration in December. The Supervisory Board discussed the performance of the Company in 2022 and the objectives for 2023 and reviewed the current risk report as well as the compliance management system that was systematically established in 2022. It further discussed the Company's contribution to the Science-based Target Initiative, balancing its growth and responsibility for the planet.

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

The Management Board also provided continuous updates to the Supervisory Board through regular verbal and written reports that included in-depth analyses on the status of operations.

The information provided included written monthly management reports with extensive coverage of the Company's financial figures for the previous month, accompanied by detailed comments and explanatory text. In addition, the Chair 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, in February 2022 the Supervisory Board Chair together with the Head of Global IR & ESG, the Global Head of HR and the Global Head of Legal of the Company conducted a Governance Roadshow where several investors and proxy advisors were met in individual virtual meetings. In these meetings, the Chair provided a strategic outlook and an overview on topics relevant for the Supervisory Board and ESG related focus areas. In addition, the design of the revised Management Board remuneration system was introduced to collect the investors' and proxy advisors' feedback prior to seeking approval at the Annual General Meeting. The next Governance Roadshow was conducted in February 2023.

The Supervisory Board Chair is also available outside such roadshows to discuss Supervisory Board-related issues with investors.

The financial statements and the Management Report for Evotec SE for the fiscal year 2022 as well as the Consolidated Financial Statements together with the Consolidated Management Report of the Evotec Group were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The managing auditor of BDO for the Evotec Group is Dr Jens Freiberg. The auditor issued an unqualified audit opinion.

In preparation for the Supervisory Board meeting on 13 April 2023, the auditors presented the status of the 2022 audit, a summary of key audit findings and other relevant topics to the Audit and Compliance Committee. The Audit and Compliance Committee used this information as guidance for its own evaluation of the statements and reports. The auditors participated in the meeting of the full Supervisory Board in April 2023 and presented a comprehensive report on the audit and their observations, including the Company's compliance and risk management system. The Supervisory Board examined both the financial statements and the Consolidated Financial Statements prepared by the Management Board based on its own judgment, taking into account the Audit Committee's input as well as information on key topics provided by the auditors. Following this, the Supervisory Board approved the financial statements of Evotec SE and the Consolidated Financial Statements for the year 2022. Evotec issued a separate Sustainability Report and a Declaration on Corporate Management in accordance with section 315b and section 315d in conjunction with sections 289b to 289f German Commercial Code ("HGB") for fiscal year 2022. The Supervisory Board examined these reports on the basis of a preliminary review by the Audit Committee and has no objections to the reports.

The Supervisory Board regularly performs a self-evaluation of its efficiency and working practices. In 2022, the evaluation was for the first time facilitated by external advisors who collected detailed input by interviewing each Supervisory Board member, each Management Board member and some key stakeholders. The external advisors analysed the collected feedback and provided a summary to the Chair and the full Supervisory Board which was then discussed by the full Supervisory Board in a full-day workshop facilitated by the external advisors. The results of the assessment confirm a professional and constructive cooperation within the Supervisory Board and with the Management Board based on trust and openness. The composition and the structure of the Supervisory Board, including the committee structure and meeting organization were confirmed as generally appropriate. Notwithstanding the foregoing, the Supervisory Board developed and discussed recommendations for improvement. Approved changes will be implemented with the support (if needed) of the Management Board and the General Counsel, such as e.g. a dedicated strategy day once a year, shortened term of mandate and staggering of succession planning for the Supervisory Board, and revision of the onboarding materials for new Supervisory Board and Management Board members.

The Supervisory Board Chair has pro-actively engaged with stakeholders throughout the year, including major institutional investors, to discuss the voting results of the previous general meeting, ESG strategy, the implementation of the revised remuneration policy as well as the composition of the board. Feedback from these meetings was analysed and presented during Supervisory Board as well as relevant committee meetings to inform decision making.

The Supervisory Board was not informed of any potential conflict of interest among one of its members in the course of 2022.

The year 2022 was a particularly difficult and demanding year with substantial headwinds from the pandemic but also from the broader socio-economic challenges. We all recognize the impact of the war in Ukraine, of inflation, the energy crisis, the threat of a recession and many more simultaneous adverse events on our personal and professional lives. These circumstances make the performance and resilience of the 5,000 people who are Evotec even more impressive. The Supervisory Board is deeply grateful to the Company's employees and to the Management Board for their strong commitment and dedication and for the excellent work done in the year under review. Thank you very much! We wish you further success in 2023 and the joy of continuing to build a unique company.

Hamburg, 12 May 2023

The Supervisory Board
Prof. Dr Iris Löw-Friedrich

Combined Management Report

'22

The Combined Management Report relates to the Evotec Group (Group management report) as well as to Evotec SE. The reporting period covers the period from 1 January 2022 to 31 December 2022. The presentation of the business development, the position and the forecast of key performance indicators relate to the Evotec Group, unless otherwise stated. Information which solely relates to Evotec SE is disclosed as such.

The Evotec Group

ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

— GROUP STRUCTURE —

Evotec SE, headquartered in Hamburg, is the parent company of the Evotec Group, whose group structure reflects its strategic international positioning and activities. Operating sites (hereafter in alphabetical order) are in Austria, France, Germany, Italy, the United Kingdom and the US. By leveraging core competencies developed at its respective sites, the Group creates both operational and technological synergies by way of organic growth and strategic acquisitions.

MAJOR OPERATING ENTITIES [1)]
as of 31 December 2022
[1)] indirect and direct holdings

EVOTEC SE, HAMBURG, GERMANY

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

— BUSINESS OVERVIEW —

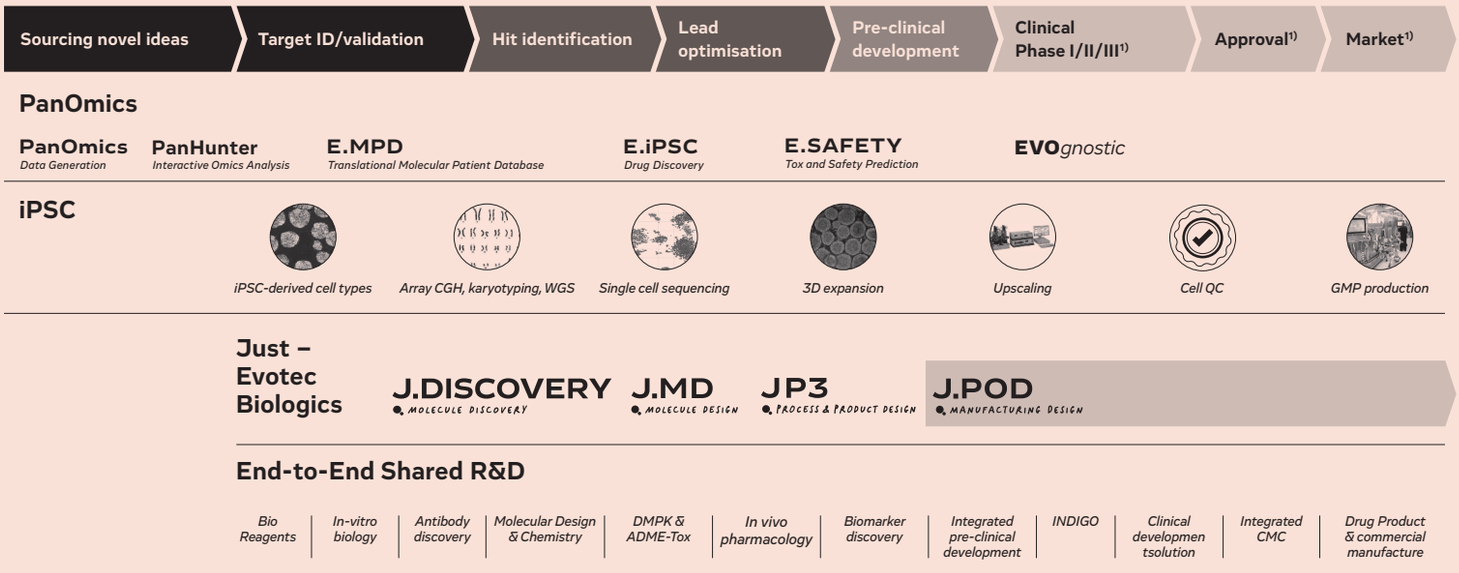
Evotec is, measured by the turnover of the five largest service providers, an industry-leading drug discovery and development partner for the pharmaceutical and biotechnology industry. Our long-term aspiration is to develop disease-modifying therapies and potential cures; for as long as even a single disease remains untreated, the claim #researchneverstops will hold. Evotec's mission is to discover and develop medicines that matter in efficient collaborations together with its partners, where it focuses on data-driven disease understanding, precision medicine and early disease relevance to bring probabilities of success up ("PoS up"). Evotec's team aspires to impact patient's lives in four main areas in particular:

PanOmics-driven drug discovery for deep disease understanding and effective therapies

IPSC-based discovery & "off-the-shelf" cell therapies based on induced-pluripotent stem cells

Just – Evotec Biologics: Artificial Intelligence ("A.I.") and continuous manufacturing for a more cost-efficient access to antibodies

End-to-End Shared R&D: integrated business-to-business platform for increased probabilities of success from target to the patient



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

To this end, Evotec has developed a comprehensive range of fully integrated technology platforms, from target identification/validation to approval, as shown in the graphic above. By sharing access to these platforms, Evotec provides solutions to its partners, which it believes will fundamentally transform drug discovery and improve quality, as well as significantly reduce the manufacturing costs of new drugs. The aim is to provide better access to medicines in many underserved areas such as still developing countries or in the field of rare diseases. At the same time, research processes are to be accelerated and the still low approval probabilities in the industry are to be increased.

The Company collaborates with its partners in all early research phases from the sourcing of novel ideas and discovery to development and manufacturing of small volumes up to commercial quantities in most modalities. In particular, platforms specifically designed for precision drug development as well as biomarker selection lead to differentiated results by integration into established research and development ("R&D") capabilities that are leveraged by its experienced scientists. Evotec's drug discovery therapeutic area expertise and capabilities cover diabetes and its complications, fibrosis, infectious diseases, CNS diseases, oncology, pain and inflammation, immunology, rare diseases, respiratory diseases, and women's health.

In 2022, the Company has expanded its network of manufacturing facilities to a total of five. Capacity for continuous manufacturing of biologics is located in the United States, in Redmond (WA). In Europe, the Company has production capacity for active pharmaceutical ingredients ("API") at its sites in Abingdon (UK) and Verona (Italy). Since the completion of the acquisition of Central Glass Germany GmbH, now Evotec DS (Drug Substance) GmbH, in November 2022, the site in Halle (Westphalia) is also one of the API producing sites. In May 2022, Evotec announced the acquisition of the company Rigenerand, which was completed on 1 July. The company now operates under the name Evotec (Modena) Srl, which means that it now also has so-called GMP production capacities ("Good Manufacturing Practice") for cell and gene therapies. Evotec is now able to manufacture drug products across all relevant modalities (small molecules, biologics and cell and gene therapy) to support the clinical development and commercialisation of both its own drug candidates and those of its partners on an industrial scale.

With close to 5,000 employees, the Company leverages its technologies and platforms to develop precision medicines across multiple modalities, with the aim of ultimately making the right drug available to the right patient. Evotec's drug candidates can be created at a more affordable cost (up to half the cost of current benchmarks) for discovery through IND application than those currently generated by industry players, and at a faster speed (up to 30% less time than existing benchmarks) for discovery through IND application. Certain of the Company's operations are carried out under Good Manufacturing Practice ("GMP") and Good Laboratory Practice ("GLP") regulations that are certified and periodically audited by regulatory agencies such as the US Food and Drug Administration ("FDA") and the UK Medicines and Healthcare products Regulatory Agency ("MHRA") as well as Evotec's customers.

As of 31 December 2022, Evotec's work has resulted in 17 disclosed co-owned pipeline assets in clinical development, and over 130 partnered pipeline assets in the discovery and preclinical phase.

Focus areas: PanOmics, iPSCs, Just – Evotec Biologics and End-to-End Shared R&D

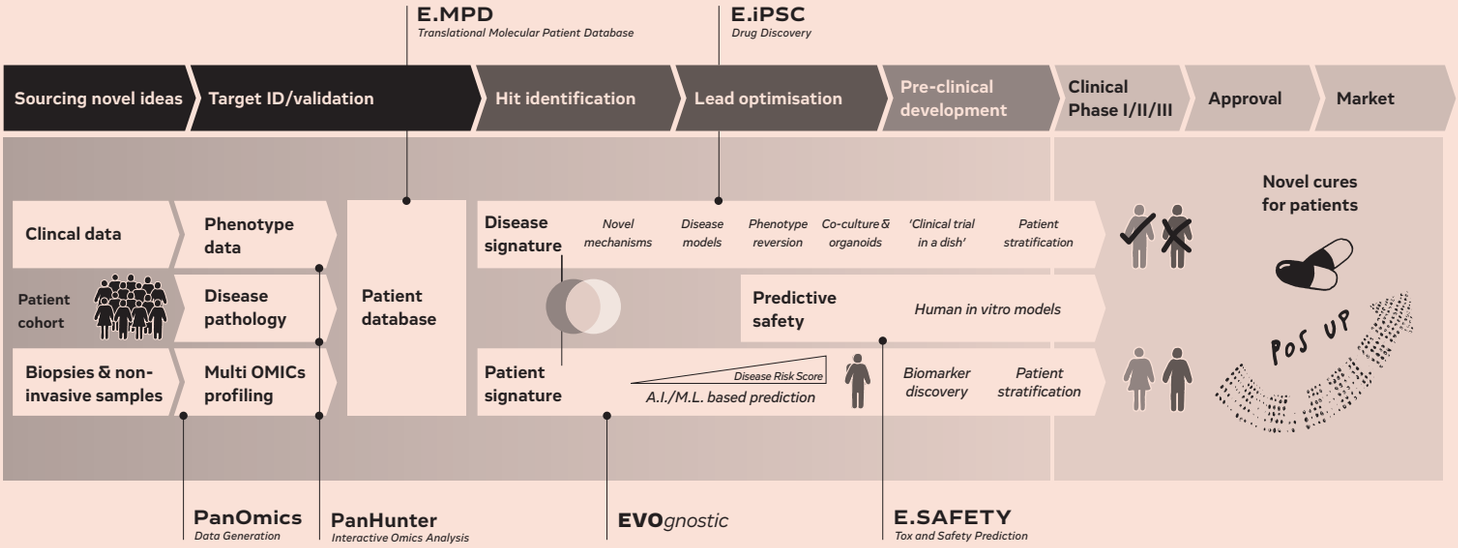
PanOmics-driven drug discovery for a better disease understanding

By investigating the entire complement of a specific type of biomolecule or the totality of a molecular process or signalling cascades within an

organism, the understanding of diseases at the molecular level has improved considerably in recent years. Towards the vision of deep human disease understanding and designing highly effective therapies, Evotec subsumes several -omics fields and the cross-omics insight generation as **PanOmics**.

Examples of well-established fields include genomics, transcriptomics, proteomics, and metabolomics. Evotec's PanOmics platform generates genomics, transcriptomics, proteomics and metabolomics data of high quality on an industrial scale to profile and select promising new drug candidates derived from comprehensive cell biological profiles from molecular patient databases – Evotec's Molecular Patient Databases (**"E.MPD"**).

The results often lead to stratification of sub-populations within a broader group of patients and eventually the development of personalised therapies. This change in paradigm, away from looking for the next "blockbuster", has increased the need for new artificial intelligence/ machine learning ("AI/ML") based platforms, tools, and methods to better understand, interpret, and translate the vast amounts of information and data that is being generated to better understand the molecular biology, cell regulation and the pathogenesis of individual diseases. **PanHunter**, Evotec's integrated data analytics platform, makes the Company's -omics data available in a user-friendly manner at enterprise level. Users can freely interact with and combine data in a modular, app-based system where results are available immediately and can be interpreted or used as input for subsequent steps. This rapid feedback is a crucial feature making PanHunter very user-friendly even for non-bioinformaticians.



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

In our experience, the analysis of disease signatures and individual patient signatures improves patient stratification, driven by biomarker identification (**EVO**gnostic) as well as human in vitro model based safety prediction **(E.SAFETY)**.

iPSCs

Induced pluripotent stem cells are not only used to model diseases in culture. They are also the basis for next generation allogeneic cell based regenerative medicine. Evotec's cell therapy platform also leverages its proprietary iPSC technology for this purpose. Evotec's iPSC platform focuses on developing off-the-shelf cell therapies with long-lasting efficacy like immune cells in oncology (e.g., NK, T cells and others), beta cells for diabetes, cardiomyocytes in heart repair, and retina cells in ophthalmology as well as iPSC-derived exosomes. Evotec's lead cell therapy candidate is a cell replacement therapy for type 1 diabetes that is currently in preclinical development. In addition, shortly after the end of the reporting period in January, Evotec signed a first collaboration in immuno-oncology with an undisclosed Big Pharma partner. Already at the beginning of 2022, the foundation was laid together with the university hospital in Hamburg (UKE) for the development of a next-generation regenerative therapy for patients recovering from a heart attack.

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

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

Patient stratification and biomarkers
Precision diagnostics and tracking of diseases

PanOmics
Data Generation

- Genomics, transcriptomics, proteomics, metabolomics data at industrial scale
- Multiple patient-derived data bases, e.g. CKD database (>10,000 patients; >600 billion data points)

PanHunter
Interactive Omics Analysis

- User friendly A.I./M.L. driven multi-omics analysis platform
- Exceeding industry standards in e.g. predicting drug safety (e.g.: liver injury 86% vs. 70%)

E.iPSC
Drug Discovery

- One of the largest and most sophisticated iPSC platforms for drug discovery and cell therapy in industry
- First iPSC-derived drug candidate in clinic, large pipeline evolving in drug discovery and cell therapy

Field	*Programme/ Project*		*Disease area*	*Protocol development*	*Pre-clinical research*	*Pre-clinical development*	*IND/Phase I*
Anti-tumour therapy	iNK		Oncology		[1]		
	iM		Oncology				
	γδ iT	*Pharma partner*	Oncology	Undisclosed			
	αβ iT		Oncology				
Diabetes	E.iBeta (Device)	Sernova Corp	Diabetes				
	E.iBeta (Engineered)		Diabetes				
Other	iCM		Heart failure				
	iRPE, iPR		Ophthalmology				
	…						

iPSC-derived cell types

- **iNK** Natural killer cells
- **iT** αβ und γδ T cells
- **iM** Macrophages
- **iBeta** Pancreatic islets
- **iCM** Cardiomyocytes
- **iRPE** Retinal pigment epithelium cells
- **iPR** Photoreceptors

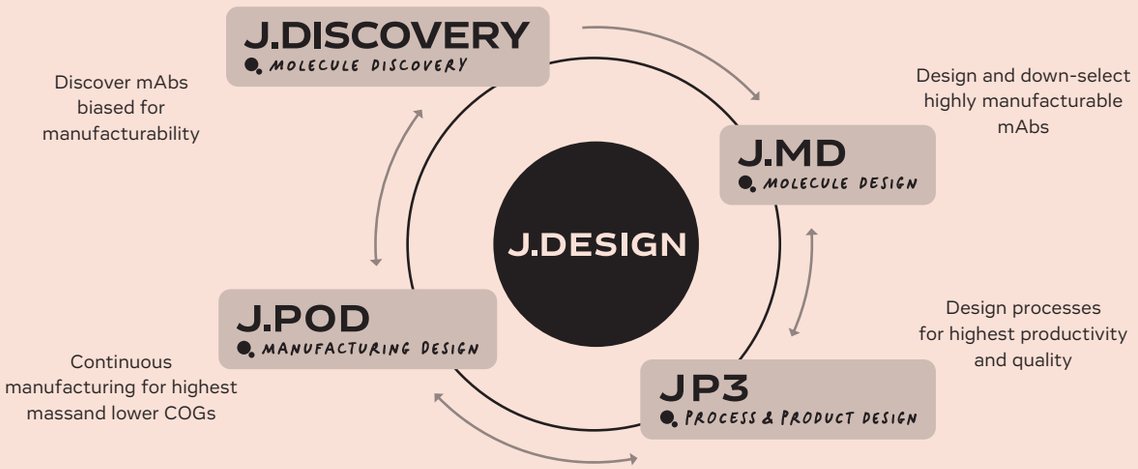
[1] *Each immune cell type can deliver multiple differentiated products*

Just – Evotec Biologics

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

It will also accelerate growth of biosimilars given cost advantages and it makes orphan diseases more amenable to biologics despite small addressable populations. For the same reasons, smaller patient populations resulting from precision medicine-based patient stratification will benefit, too.

To enhance the Company's manufacturing capabilities further, in August 2021, Evotec opened its first J.POD, a late-stage clinical and commercial manufacturing facility that can manufacture larger quantities of products



for late-stage clinical development and commercialisation. As there are no process differences in the production facility between clinical and commercial quantities, the facility can be operated at the same scale for both requirements, ensuring a seamless transfer from small to large quantities and reducing scale-up risk. The facility is approximately 130,000 square feet in size and houses more than 200 employees at full capacity. The site, which will be able to produce on a large enough scale to meet most of Evotec's current commercial needs in a single facility and will mainly supply markets in North America.

As global demand for flexible biologics capacity and for more affordable access to medicines increases, Evotec has started construction of a second J.POD facility in Toulouse, France in September 2022. Europe is the second largest biologics market. Nevertheless, one of the lessons of the COVID-19 pandemic was that there were bottlenecks and national preferences in supply. This has increased the need for local capacity and the need for security of supply in all regions and also in Europe to improve pandemic preparedness in case needed. The decision to set up this infrastructure at the Company's own site in Toulouse, France was a strategic one, as, according to Evotec's belief, the Toulouse footprint creates operational efficiency and co-location with oncology and immunology expertise, adding further synergy with Evotec's strategic needs. The second J.POD is expected to be completed in the second half of 2024.

End-to-End Shared R&D

According to the Company, Evotec differentiates itself from its competitors by combining multimodal expertise and interdisciplinary integration over the entire added value of preclinical research and the production of active substances of different molecule classes. The portfolio includes inter alia target validation, molecular design, chemistry, biology, pharmacology, adsorption, distribution, metabolism, excretion ("ADME"), toxicology, formulation development, active pharmaceutical ingredient ("API") manufacturing, across the various stages of research and development. Evotec's highly qualified and experienced scientists make a significant contribution in the technical coordination of these processes. In addition, the application of A.I./M.L. and modelling capability in predictive science aims to improve research projects in terms of probability of success, speed, cost and quality.

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

- **Comprehensive "under ONE roof" integration of technologies, experience and expertise**
- **Operational excellence and A.I./M.L.-driven predictive science**

[1)] *Investigational New Drug Application*

Generation of revenues

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

In collaborations where ownership of IP resides with the partner, Evotec provides stand-alone or fully integrated drug discovery and development solutions to its partners. The Company's solutions range across most modalities and from early target identification to manufacturing of compounds and commercial products. Well-defined work packages are typically provided and compensated on a "fee-for-service", basis and they are distinct in scope and nature. Typical examples of such services include, among others, high-throughput screening campaigns, adsorption, distribution, metabolism, excretion and toxicity tests ("ADME-tox tests") and active pharmaceutical ingredients ("API") manufacturing. In addition, fully integrated drug discovery projects, in which partners work with Evotec to conduct interdisciplinary research in pursuit of novel therapeutics, usually under multi-year contracts, are typically compensated on an FTE-basis. These models apply as long as no intellectual property of Evotec is involved or no essential proprietary technology platforms are used. The partners' intellectual property rights therefore protect the resulting therapeutics.

Evotec leverages its proprietary technology platforms and related IP to develop new drug discovery projects, assets and platforms, both internally and through collaborations with leading pharmaceutical and biotechnology companies and academic institutions. These collaborations are typically based on agreements with partners, which involve a combination of upfront payments, ongoing research payments (based on FTE-rates), as well as significant additional turnover potential through milestones and royalties. These collaborations enable the sharing of cost and risk as Evotec's partners typically absorb the costs of clinical development and commercialization.

Evotec conducts equity investments in products, technology platforms and companies through which it obtains early access to innovation. Evotec facilitates the acceleration of innovation by providing capital as well as access to its technology platforms, expertise and network. The Company sees significant potential for value creation from these new partnerships, future clinical successes and positive commercial developments of portfolio companies (e.g., via disposals by way of mergers and acquisitions (transactions)). Evotec expects to realize returns on investments both from successful exits from its portfolio companies (e.g., via disposals by way of mergers and acquisitions or initial public offerings) and fee-for-service and FTE-rate based revenues with its portfolio companies. As of 31 December 2022, Evotec had 33 equity investments with over 120 active projects in their pipelines.

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

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

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

Reporting segments

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

EVT Execute

EVT Execute is the segment in which revenues are recognised from partners owning the IP. It primarily includes fee-for-service and FTE-rate based arrangements. EVT Execute accounted for 73% of the Company's revenues as of 31 December 2022 (31 December 2021: 76%).

EVT Innovate

EVT Innovate includes Evotec's internal R&D activities as well as services and partnerships that originate from these R&D activities. In addition to FTE-based revenues, Evotec generates revenues from milestones and royalties on its pipeline assets. EVT Innovate accounted for 27% of the Company's revenues as of 31 December 2022 (31 December 2021: 24%).

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

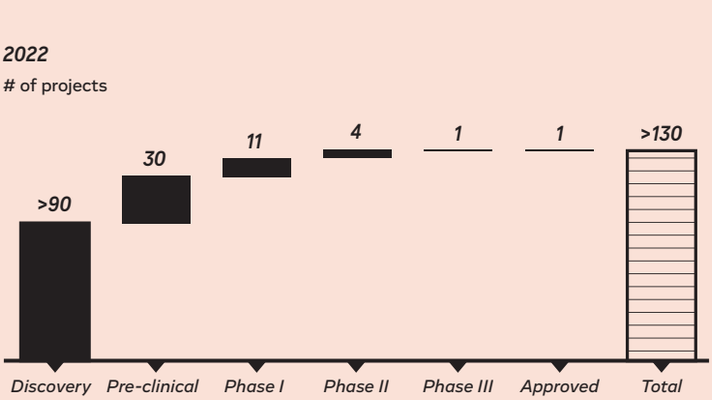
Broad pipeline of development

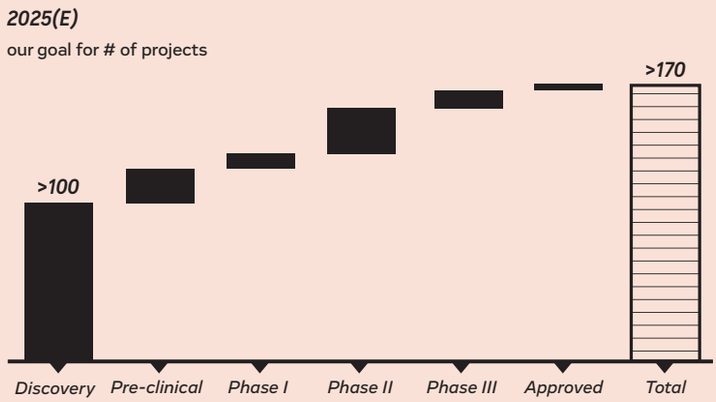
Evotec's pre-clinical pipeline includes candidates that are wholly owned and those for which Evotec has the right to receive royalty or milestone payments. The number of Evotec's pipeline assets has more than doubled in 2015 from 49 to over 130 of which 17 assets in clinical development as of 31 December 2022. Of the pipeline assets, one obtained approval in South Korea in 2022, one is in Phase III, four are in Phase II and eleven are in Phase I.

The partnered pipeline consists mostly of drug candidates originally developed by Evotec and then out-licensed or transferred to partners for further preclinical and clinical development. But they also include candidates that have been initially developed by Evotec's partners and that have become the subject of a joint research project pursuant to which Evotec is eligible for royalty or milestone payments. For the sake of transparency, Evotec also discloses candidates that are being developed by partners in which Evotec has solely an equity stake and no right to milestone or royalty payments with respect to their candidates in development, but where it could benefit from value accretion related to progress of these assets.

Beyond therapeutic areas, Evotec has also successfully expanded its pipeline across multiple modalities. In 2015, the Company's therapeutic assets were exclusively small molecules. In contrast, in 2022, more than 10 assets were derived from cell and gene therapy, more than 20 from biologics, more than 90 from small molecules and more than 10 early-stage projects where several modalities are being investigated. Evotec expects the relative share of pipeline-related revenues as a percentage of total revenue to increase as the Company's amount of projects increases, the pipeline matures and the revenue mix increasingly includes also success-based components, such as milestone payments or, after approval, royalties..

TOTAL NUMBER OF PROJECTS





CORPORATE OBJECTIVES AND STRATEGY

— EVOTEC'S GROWTH STRATEGY —

Evotec's growth strategy aims to cover the entirety of the early R&D value chain by addressing a broad range of disease areas utilizing a modality-agnostic approach. By leveraging the value of its platforms and sharing intellectual property, Evotec seeks to de-risk its portfolio through the breadth and diversity of pipeline assets. The Company aims to have over 170 pipeline assets by the end of 2025, with its first royalties to be received in 2025.

Evotec's strategic goals include:

- *Establishing Evotec's offer as a best-in-class, integrated disease understanding and precision medicine platform:* Evotec is an industry-leading partner by revenue in drug discovery and development for the pharmaceutical and biotechnology industry. The Company's proprietary platforms aim to integrate traditional R&D capabilities with cutting-edge data analytics to deliver potentially best-in-class and first-in-class therapeutics that are designed to be patient-relevant, disease-modifying and have curative potential. Evotec's Innovation Hub targets molecular and therefore patient-specific relevance, and thus the potential to achieve higher probability of success in clinical trials due to better patient stratification. On this basis, Evotec strives to be at the forefront of the ongoing paradigm shift towards precision medicine. .
- *Strengthening Evotec's position as the premier partner to the life sciences sector:* Evotec has excelled in delivering drug discovery and development solutions. Evotec's current offering and capabilities stretch significantly beyond traditional contract research and development and potentially holds the key to disruptive innovation in the life sciences sector through offering integrated capabilities and innovative partnering. The Company's growth as a partner to innovators in the lifescience ecosystem is underpinned by the high quality delivered in the past and by the current breadth of Evotec's capabilities across modalities, technologies and data integrated R&D efforts. Evotec's two-pronged growth strategy includes adding new customers and increasing the scope of work for existing customers.
- *Expanding the breadth of co-owned assets:* To date Evotec has built a pipeline of more than 130 assets, of which a significant share is partnered. The Company expects its pipeline assets to provide a significant stream of milestones and royalties without direct exposure to trial costs. Evotec

expects its focus areas (PanOmics, iPSC-based drug discovery and cell therapy platform, Just – Evotec Biologics and End-to-End Shared R&D) to generate additional novel drug development candidates at a rapid pace. In order to find the right partner for each of these emerging assets and platforms Evotec leverages its unique relationships with over 800 partners globally to ensure optimal development of its pipeline.

- *Further innovation in biologics by Just - Evotec Biologics:* Since the acquisition of Just Biotherapeutics in 2019, Evotec has witnessed increasing demand for its new, flexible and cost-effective method of biologics discovery and development. Evotec believes itself to be well positioned to meaningfully affect the over $ 100 bn market for therapeutic antibodies and drive this market in a new direction. Evotec's first J.POD manufacturing facility located in Redmond (WA), USA, became operational in August 2021. In the first full year after opening the site in Redmond, the order book of Just – Evotec Biologics has more than tripled as of 31 December 2022 ($ 100 m) compared to 31 December 2021 ($ 30 m). Evotec believes that Just – Evotec Biologics will make a positive contribution to the Company's goal to establish significant integrated long-term partnerships with the potential to generate milestones and royalties. Evotec intends to further expand its position in the field of biologics manufacturing, including the construction of a second J.POD facility in Toulouse, France.

- *Identifying risk-balanced, high-reward opportunities through equity investments:* Evotec's ambition is to benefit from scientifically and commercially exciting R&D endeavours that are complementary to the Company's R&D capabilities. As of 31 December 2022, Evotec held 33 investments and has seen significant scientific, strategic, financial and corporate progress on many of these projects. Evotec continues to evaluate closely potential opportunities with a favourable risk-reward profile on an ongoing basis to expand the Company's market opportunities.

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

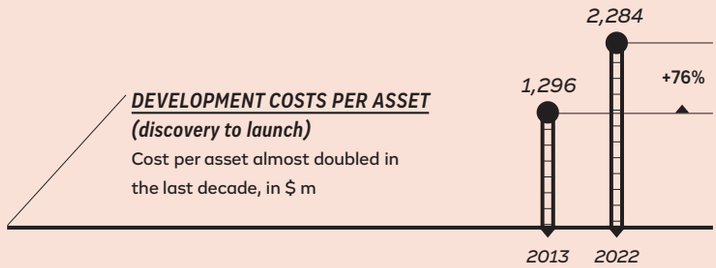
Increasing efficiency in research

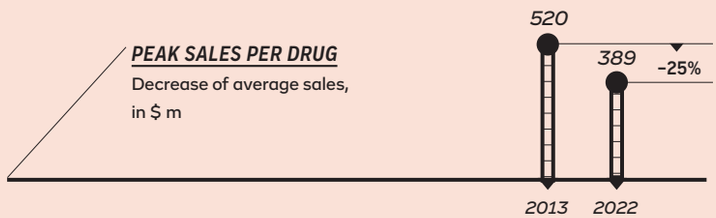
In contrast to the cost of developing an asset from discovery to launch, which increased from $ 1.3 bn in 2013 to more than $ 2.2 bn in 2022 for the benchmark of top-20 pharma companies, the average global peak sales per drug in the last decade declined by more than 25% from $ 520 m per drug in 2013 to $ 389 m in 2022. In line with this trend, commercial returns as measured by internal rate of return (IRR) have decreased by 42% – from 6.5% in 2013 to 3.8% in 2022. Global R&D spend grew by 63%, from $ 86 bn in 2013 to $ 139 bn in 2022[1)].

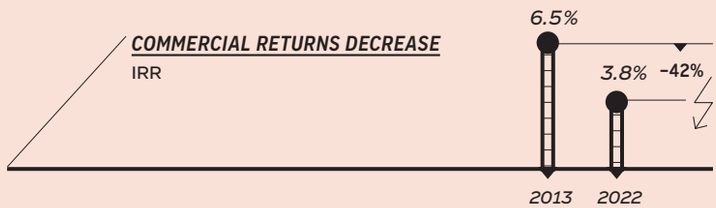
Evotec believes the existing capital-inefficient R&D model with its fully integrated, pharma-like value chains is no longer sustainable and, most importantly, in many aspects no longer competitive, especially when it comes to the development of precision medicines. Evotec delivers solutions that allow for enhanced speed to the clinic, better prediction of clinical efficacy and reduced manufacturing costs. Evotec is able to deliver these critical solutions through a combination of:

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

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







[1)] *Source: Deloitte Seize the digital momentum, Measuring the return from pharmaceutical innovation 2022 (January 2023)*

Evotec's corporate objectives and achievements 2022

The table below shows the Company's non-financial targets for 2022 as well as milestone achievements made:

The company's objectives for 2023 can be found in the "Business direction and strategy" section of the "Outlook" chapter of this Combined Management Report.

	SPECIFIC TARGETS FOR 2022	*MAJOR ACHIEVEMENTS IN 2022 (SELECTION)*
EVT Execute	▶ Expansion of capacity	▶ Acquisitions of new site in Halle (Westfalen) – Evotec DS Germany GmbH; expansion of Footprints in Munich, Manchester and Abingdon
	▶ Expansion of existing and conclusion of new integrated service alliances	▶ Approval of SKY Covione (COVID-19) with SK bioscience in South Korea, first royalties; new multi-target alliance with Almirall in medical dermatology; extension of partnership between Just – Evotec Biologics and Alpine Immune Sciences; new contract from U.S. Department of Defense
	▶ Introduction and acceleration of AI/ML offerings across all modalities	▶ Commercial use of J.HAL
	▶ Start manufacturing in J.POD Redmond (WA), USA	▶ Production of first pilot batches in Q4 2021 and clinical batches in Q1 2022
	▶ Start construction of J.POD Toulouse, France	▶ Ground-breaking in September 2022
EVT Innovate	▶ Build co-owned new alliances and spin-offs along the Building Blocks of Action Plan 2025	▶ Expansion of neuroscience collaboration with BMS; new drug discovery collaboration in metabolic diseases with Eli Lilly; expansion of strategic partnership with BMS in targeted protein degradation; new drug discovery collaboration with Janssen Pharmaceutica (Johnson & Johnson); strategic equity investments in IMIDomics, Inc., Centauri Therapeutics, Tubulis; acquisition of Rignerand Srl; partnerships with Aurobac, Boehringer Ingelheim and bioMérieux to fight Antimicrobial Resistance; launch of CARMA FUND I
	▶ Initiation of new clinical trials and progress in the co-owned pipeline	▶ Commercial launch of PanHunter as SaaS; Phase II trial (Multiple indications) with Bayer; two new Phase I trials (both in Neuroscience and Pain); two Phase I trials with Carrick Therapeutics (Oncology)
	▶ Acceleration of cell therapy initiatives	▶ New strategic partnerships, e.g., iPSC-based drug discovery partnership with Boehringer Ingelheim in ophthalmology and exclusive strategic partnership with Sernova for iPSC-based beta cell replacement therapy; progression of partnered cell therapy assets, e.g., Sernova; expansion of internal portfolio of cell therapy assets
	▶ Invest >10% of R&D commitments & footprint in women's health, tuberculosis (Global Health) & antimicrobial resistance ("AMR")	▶ Progression of projects with Bill & Melinda Gates Foundation ("BMGF")
Corporate	▶ Hire, entrepreneurially build and integrate new employees >700 new hires in 2021	▶ 674 new employees in 2022
	▶ Build long term leadership, learning and succession plans while keeping the Company's employee turnover rate below 2021	▶ Launch of training platform **EVO***academy* including **EVO***lead* – Leading Self & Others, **EVO***talk* training, SBI feedback training, Individual 1-to-1 coachings, policy training, EHS training and language tuition (English, German, Italian, French); labour turnover rate remained stable at 12%
	▶ Align all environment goals with 1.5 °C SBTi commitment with best possible impact latest by 2025	▶ Science-based targets aligned with 1.5 °C goal in place and filed with the Science-based Targets initiative

PERFORMANCE MANAGEMENT

— FINANCIAL PERFORMANCE INDICATORS —

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

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

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

— KEY FINANCIAL PERFORMANCE INDICATORS —

Evotec reviews a number of key performance metrics and non-IFRS measures to assess the progress of its business, make decisions about where to allocate time and investments and assess the near-term and longer-term performance of its business. The measures set forth below should be considered in addition to, not as a substitute for or in isolation from, Evotec's financial results prepared in accordance with IFRS. The following table sets forth these metrics as of and for the period 2018–2022.

KEY FINANCIAL PERFORMANCE INDICATORS

in k€

	2018[1)]	*2019*[1)]	*2020*[1)]	*2021*	***2022***
Revenues	375,405	446,437	500,924	618,034	**751,448**
Unpartnered R&D expenses[2)]	(22,824)	(37,477)	(46,441)	(58,117)	**(70,204)**
Adjusted Group EBITDA[3)]	95,649	123,256	106,654	107,270	**101,654**

[1)] *2018 - 2020 restated for IAS 19*

[2)] *R&D expenses funded by Evotec*

[3)] *Adjusted for changes in contingent considerations*

Revenues

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

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

Unpartnered R&D Expenses

Evotec's unpartnered R&D expenses comprise expenses incurred in connection with its in-house discovery platforms and developing new unpartnered pipeline assets as well as overhead expenses.

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

Evotec plans R&D expenses to increase mid-term as its overall profitability increases and the current pipeline further grows and progresses.

Adjusted Group EBITDA

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

Adjusted Group EBITDA is reported as an additional performance indicator and does not correspond to the EBITDA resulting from IFRS. Adjusted Group EBITDA should not be considered as an alternative to net income as a measure of financial performance. Adjusted Group EBITDA is presented because it is a key metric used by the Evotec Management Board to assess

the Company's financial performance. Management believes Adjusted Group EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate directly to the operational performance of the underlying business.

A reconciliation of Adjusted Group EBITDA with the operating result can be found in the "Results of operations" chapter of this Combined Management Report. The Company's 2022 performance compared with planned figures can be found in the "Comparison of 2022 financial results with forecast" chapter.

NON-FINANCIAL PERFORMANCE INDICATORS

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

Number of Customers

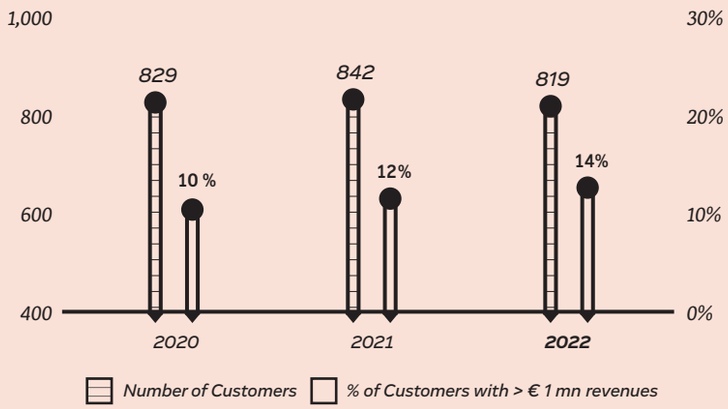
The number of customer alliances has exceeded 800 in the past three years, confirming the range of offered services. During 2022, 325 new customers were added compared with 337 in 2021 and 315 in 2020, a slight decrease of 4% versus 2021 and an increase of 7% versus 2020. An entity with multiple subsidiaries, segments, or divisions is defined and counted as one single customer, even if the Company has separate agreements with multiple subsidiaries, segments, or divisions that are part of the same entity.

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

The number of customer alliances that generate revenues of more than € 1.0 m per year has continued to rise and reached 118 in 2022 (2021: 97), or 14% and 12% of total customers in the last two years, pointing to increasing entrenchment with each customer.

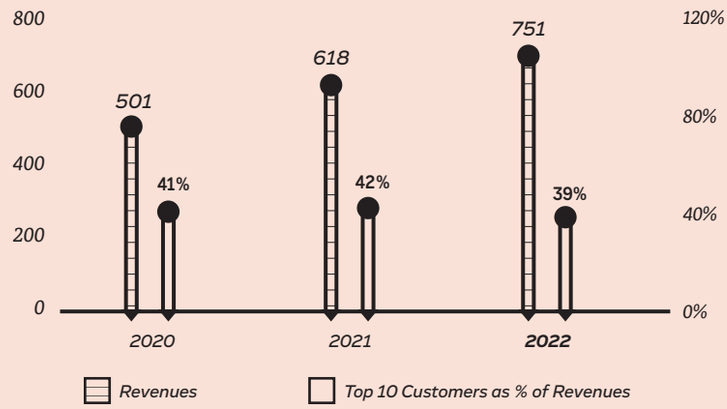
Evotec's largest customers by revenues, Bristol Meyer Squibb ("BMS"), Merck and Exscientia, collectively accounted for 25% of revenues in 2022. In 2021, BMS, Merck and Sanofi were Evotec's largest customers by revenue, together also contributing 25% to revenues. Other than BMS, no single customer contributed more than 10% of group revenues.

CUSTOMER EVOLUTION AND CONTRIBUTION



In addition, Evotec's customer and revenue base have become more diversified over the last three years as revenues have grown significantly. The top 10 customers' contribution to total revenues has slightly decreased from 42% in 2021 to 39% in 2022.

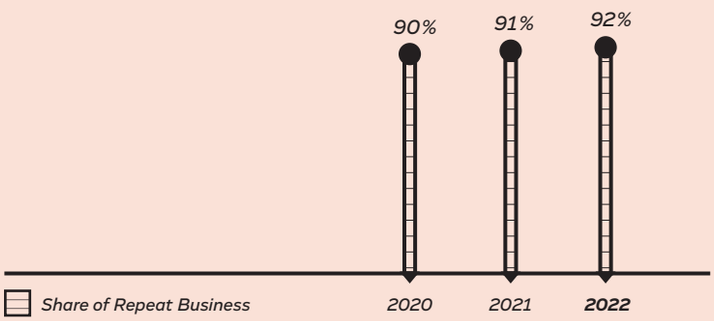
EVOLUTION OF CUSTOMER CONCENTRATION



Repeat Business

Evotec has demonstrated solid customer retention rates, as defined by the percentage of revenues from customers that Evotec had a relationship within the prior year, with 90% or above in each of the last three years. The Company reviews its repeat business on a yearly basis. Repeat business was 92% in 2022 and 91% in 2021, respectively. Evotec believes that its significant amount of repeat business is primarily due to the ability to achieve success and high satisfaction of its partners and customers. The extent to which Evotec generates repeat business from its customers will be an important factor in the Company's continued revenue growth.

SHARE OF ANNUAL REPEAT BUSINESS



Pipeline development: progression of drug programmes and drug candidates in development partnerships – setback with eliapixant not affecting business-to-business model

For a company that discovers and develops novel, innovative pharmaceutical drugs, the progression of proprietary drug programmes and candidates within drug discovery and development partnerships is another highly relevant non-financial performance indicator. The success of partnered ("co-owned") research, pre-clinical and clinical programmes progressed by Evotec's partners represents additional value creation potential for Evotec without any financial risk (apart from the risks inherent in the companies themselves in which Evotec holds an interest). Evotec participates in the progress and success of those programmes through potential milestone and royalty payments, without having to make their own investments or expenditures after handover to the partner. In case of failure, Evotec may lose an option to benefit from future milestone payments or royalties linked to the respective product. However, such an event does not affect the overall set-up of Evotec at all.

Compared with 2021, some pipeline assets progressed further, and a few could be added to the list of drug candidates in clinical trials:

A lowlight in 2022 had to be reported in February when Bayer decided to stop the clinical investigation programme of its drug candidate eliapixant (BAY1817080). While it showed positive phase IIb results in refractory chronic cough in 2021, Evotec was informed by Bayer's decision to discontinue the development of the investigational P2X3 receptor antagonist eliapixant (BAY1817080). Following a review of the available data, Bayer concluded that the overall benefit no longer outweighs the risk in the actively pursued indications. While the development represented a disappointment, it is unrelated to other pipeline assets and at the same time not affecting Evotec's business-to-business ("B2B") model in drug discovery and development or any other collaborations with Bayer.

PIPELINE OF DRUG CANDIDATES IN ADVANCED STAGES OF DEVELOPMENT AS OF 31 DECEMBER 2022

Molecule	*Treatment area/indication*	*Partner*	*End of December 2022*
SKY Covione	COVID-19	SK bioscience	Market approval
EVT201	Insomnia (GABA-A)	JingXin	Phase III
BAY2395840	Multiple Indications (B 1)	Bayer	Phase II
CT7001	Oncology (CDK7)	Carrick Therapeutics	Phase II
TPM501/502	Celiac Disease	Topas Therapeutics	Phase II
EXS21546	Oncology (various prorgrammes)	Exscientia	Phase II
BAY2328065	Gynaecology	Bayer	Phase II
EVT401	Immunology & Inflammation (P2X7)	CONBA Group	Phase I
CNTX-6016	Pain (CB2)	Centrexion	Phase I
EVT894	Chikungunya (Antibody)	Sanofi/NIH	Phase I
Not Disclosed	Neuroscience & Pain	n.a.	Phase I
Not Disclosed	Neuroscience & Pain	n.a	Phase I
EVT801	Oncology (VEGFR3)	Kazia Therapeutics	Phase I
EVT8683	Neurodegeneration (elF2b activator)	Bristol Myers Squibb	Phase I
TPM203	Pemphigus Vulgaris (not disclosed)	Topas Therapeutics	Phase I
CT7001	Oncology (CDK7)	Carrick Therapeutics	Phase I
CT7001	Oncology (CDK7)	Carrick Therapeutics	Phase I

— EARLY INDICATORS —

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

- *Current and expected developments in the market for drug discovery alliances and general trends in R&D:* Developments and trends are monitored on an ongoing basis in order to identify potential major changes and triggering events that can have a significant impact on the Company's product portfolio or financial position.
- *The development of Evotec's intellectual property position:* In order to protect its intellectual property, Evotec reviews its patent portfolio on a regular basis (see more details in the "Intellectual Property" chapter of this Combined Management Report).
- *Business opportunities:* The monthly review of potential new business opportunities and the status of negotiations are early indicators for the revenue forecast of both EVT Execute, including Just – Evotec Biologics and EVT Innovate.
- *Order book:* The order book includes all signed contracts as well as potential new business with high probability of success. It provides a high degree of visibility of future revenues and is updated on a monthly basis.
- *Monthly/quarterly results:* Monthly and quarterly financial results as well as quarterly forecasts with comparison to budget and prior year are reported to and discussed within management to measure and monitor the Company's current performance but also to extrapolate the development of the business in future periods.
- *Expected achievement of milestones in drug discovery alliances and development partnerships based on project progress:* Milestone achievements are major earnings and cash flow drivers for Evotec. Accordingly, the trend in milestone payments in discovery alliances and development partnerships is an indicator of success for Evotec's programmes and for the performance in its risk-shared alliances. All collaborations that may yield milestone payments are reviewed by management on a regular basis.

RESEARCH AND DEVELOPMENT

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

— UNPARTNERED R&D —

By investing in the discovery and development of proprietary assets and platforms, Evotec builds a long-term pipeline of first-in-class and/or best-in-class assets or unique proprietary platforms. Unpartnered R&D projects are carefully selected to either deliver high potential, first-in-class drug candidates in indications of high unmet medical need or highly differentiated platforms that enable upside-bearing strategic deals. The goal is to use these assets and platforms to build strategic partnerships with pharma, biotech or spin-out companies that deliver significant financial upside.

The Company's proprietary pre-clinical and clinical co-owned pipeline has thereby more than doubled from 49 projects in various stages in 2015 to more than 130 in 2022. Overall, Evotec initiated more than 200 R&D projects in this period and kept its innovation rate at a level that more than compensated for the attrition rates common in scientific research. Evotec continuously develops new technologies, platforms and projects, such as its industrial-scale iPSC technology, its enterprise-level data analysis platform PanHunter as well as its machine-learning humanoid antibody library (J.HAL) platform. Thanks to these developments, Evotec continues to set up valuable partnerships, which offer significant financial value creation potential, participating in both the product development and subsequent commercial success of product candidates.

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

— PARTNERED R&D —

Partnered ("co-owned") R&D projects or R&D programmes are defined as proprietary Evotec projects funded by a partner. Essentially, Evotec is investing in this area in its infectious disease activities, which were acquired in 2018 as part of the acquisition of Sanofi's anti-infective unit in Lyon, the costs of which will be assumed by Sanofi up to a certain amount. The contract will end after five years by mid-2023, which implies that R&D reported costs as of second half of 2023 will be equivalent to "unpartnered R&D". Significant capacities of the relevant units will be switched to fee-for-service business, being available for Evotec's partners.

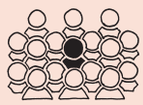
MAIN INDICATION AREAS PARTNERED AND UNPARTNERED R&D

Womens' Health

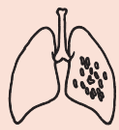
Lung & Multiple cancers

Kidney diseases

CNS

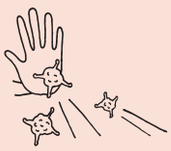


Multiple rare diseases



Tuberculosis

Liver diseases



Infectious diseases

Autoimmune diseases

Fibrosis

Inflammation

...

— INTELLECTUAL PROPERTY —

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

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

As of 31 December 2022, Evotec's owned patent portfolio included more than 60 patent families, each of which includes at least one filing in the United States or Europe, and several of which are pending or granted in multiple jurisdictions.

Report on the economic position of the Evotec Group

2022 FINANCIAL RESULTS COMPARED WITH FORECAST

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ALMOST 5,000 EVOTEC EMPLOYEES ARE GENERATING DOUBLE-DIGIT REVENUE GROWTH IN 2022 ONCE AGAIN

—

In 2022, Evotec was once again able to report double-digit revenue growth for the eighth consecutive year. Despite various political, economic and inflation challenges, Evotec was able to confirm its forecasts throughout the entire year. The top line goal was raised with the publication of the half year report. Inflationary tendencies – in particular in the energy markets – were largely offset by a strong business performance.

Due to a very strong performance in the fourth quarter, Evotec exceeded its revenue target range of € 715 m to € 735 m. Revenues rose by 22% year-on-year to € 751.4 m (2021: € 618.0 m). The positive development was mainly due to multiple new and extended alliances in all business areas. Favourable fx-effects of € 40.6 m added six percentage points to the overall growth. At constant exchange rates, revenues grew at a rate of 15%. A strong base business compensated for lower milestone revenues (2022: € 18.1 m vs. 2021: € 49.5 m) compared with a stronger milestone contribution in 2021.

PERFORMANCE AGAINST FORECASTS

in €m

	Forecast Annual Report 2021	*Forecast May 2022 (Q1)*	*Forecast Aug 2022 (Q2)*	*Forecast Nov 2022 (Q3)*	*2021*	*Result 2022*	*Acquisitions and M&A related costs*	*Result 2022 adjusted for acquisitions*
Group revenues	€ 700–720 m	Confirmed	€ 715–735 m	Confirmed	€ 618.0 m	**€ 751.4 m (+22%)**	€ 3.1 m	**€ 748.4 m**
(at constant exchange rates)[1)]	*€ 690–710 m*		*€ 690–710 m*		*€ 618.0 m*	***€ 710.8 m (+15%)***	*€ 3.1 m*	***€ 707.7 m***
Unpartnered R&D expenses	€ 70–80 m	Confirmed	€ 70–80 m	Confirmed	€ 58.1 m	**€ 70.2 m (+21%)**	€ 0.1 m	**€ 70.1 m**
(at constant exchange rates)[1)]	*€ 70–80 m*		*€ 70–80 m*		*€ 58.1 m*	***€ 70.0 m (+20%)***	*€ 0.1 m*	***€ 69.9 m***
Adjusted Group EBITDA[2)]	€ 105–120 m	Confirmed	€ 105–120 m	Confirmed	€ 107.3 m	**€ 101.7 m (-5%)**	€ (2.5) m	**€ 104.1 m**
(at constant exchange rates)[1)]	*€ 95–110 m*		*€ 85–00 m*		*€ 107.3 m*	***€ 78.6 m (-27%)***	*€ (2.5) m*	***€ 81.1 m***

[1)] At constant exchange rates from Actual 2021 (EUR/USD 1,183; GBP/EUR 1,163)

[2)] Adjusted EBITDA before contingent considerations and excluding impairments on goodwill, other intangible and tangible assets as well as the total non-operating result (for the derivation of Adjusted EBITDA from operating result please see the section "Results of operations")

Total R&D expenses rose to € 76.6 m in the reporting period (2021: € 72.2 m). Unpartnered R&D expenses accounted for € 70.2 m (2021: € 58.1 m). The increase by 21% came in at the lower end of the guidance range of € 70 m to € 80 m. These expenses were related to higher research spend for platform R&D, particularly PanHunter, Cell Therapy and PanOmics. The decrease of partnered R&D expenses to € 6.4 m (2021: € 14.1 m) was primarily related to the scheduled scale back of activities, particularly in the Anti-Infectives and Global Health areas.

Adjusted Group EBITDA came in at € 101.7 m. Effects related to M&A transactions had a negative impact of € (2.5) m. Excluding this effect, which was not an element of the initial guidance at the beginning of the year, Adjusted EBITDA would have reached € 104.2 m, just very slightly below the lower end of the of guidance for 2022. Lower milestone revenues and the slow start to the year in Just – Evotec Biologics were partially offset by high utilisation in the base business, royalty payments of € 1.8 m (for the first time in the Company's history) and higher R&D tax credits in Italy and France.

Evotec is still in a continued investment and expansion phase, e.g., reflected in significant capacity expansions, significant R&D costs and higher SG&A expenses – the latter also due to the first full-year recognition of costs related to the NASDAQ listing and significantly higher than anticipated energy costs. Positive fx-effects of € 23.0 m compensated for some of the headwinds. For the definitions of EBITDA and Adjusted Group EBITDA, please refer to the chapter "Results of operations" of this Combined Management Report.

With the liquidity decrease following capex spendings, the net debt ratio per 31 December 2022 remained at a net cash position of (negative) 4.6x Adjusted Group EBITDA (2021: (negative) 5.5x Adjusted Group EBITDA). By definition, this figure relates net liquidity/debt to Adjusted Group EBITDA based on a significant net cash position of € 388.6 m (excl. finance leases obligations according to IFRS 16). The equity ratio decreased from 61.6% in the previous year to still strong 52.6% in 2022.

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

Evotec successfully completed the financial year 2022 in a very challenging macro-economic environment and a competitive market. The exceeded revenue targets are evidence of the Company strategy to extend and expand existing collaborations as well as to expand its network of alliances.

The EVT Execute segment again had a strong year with an increase in total revenues of 21% to € 735.6 m (Third party revenues increased by 16% to € 546.7 m). Just – Evotec Biologics generated revenues of € 51.3 m in 2022, compared with € 52.9 m in the previous year, which benefited from the recognition of deferred revenues in excess of € 10 m that were no longer recognised in 2022. Revenues of EVT Execute with third parties, excluding Just – Evotec Biologics, reached € 495.4 m. Growth versus the comparable number of € 417.5 m in 2021 reached 19%. The EVT Innovate revenues of € 204.7 m exceeded previous year's revenues of € 147.0 m by 39%. Both segments were driven by higher base revenues, benefitting from a high-capacity utilisation and higher FTE-rates.

Adjusted Group EBITDA slightly decreased by 5% to € 101.7 m compared with 2021; correspondingly the Adjusted Group EBITDA margin reached 13.5%. At the segment level, the Adjusted EBITDA for EVT Execute shows a decrease of 13% to € 108.3 m in 2022 with an EBITDA margin of 14.7%. Adjusted for the impact of Just – Evotec Biologics for both years, Adjusted EBITDA of EVT Execute increased from € 132.7 m to € 145.0 m with an EBITDA margin of 21.2%. The Adjusted EBITDA for the EVT Innovate segment improved to € (6.6) m in 2022 (2021: € (17.5) m), as the result of scale effects related to significantly higher and more profitable base revenues compared to the previous year.

Evotec's year-end liquidity completed with a year-on-year decrease of 16% to € 718.5 m in 2022, mainly due to increased investing activities in capex for the new J.POD manufacturing site in Redmond (WA), US and for the second J.POD in Toulouse (F) in particular. In addition, we further expanded equity investments. The cash outflow from investing and financing activities was offset by a positive operating cash inflow of € 203.1 m. Evotec's liquidity position continues to allow the Company to pursue its ambitious growth strategy constantly, not only by organic growth but potentially also by acquisitions. This includes capex spent for special projects in novel cell therapies, and the ongoing expansion of various sites in the US and Europe. In this context, Evotec in 2022 started to build a second J.POD site in Toulouse, France. Furthermore, Evotec aspires to invest in its proprietary research projects, maintain and upgrade its drug discovery and development platform or if new opportunities arise in terms of M&A or in-licensing.

MACROECONOMIC CONDITIONS AND BUSINESS ENVIRONMENT

GLOBAL ECONOMIC DEVELOPMENT – UNCERTAIN OUTLOOK

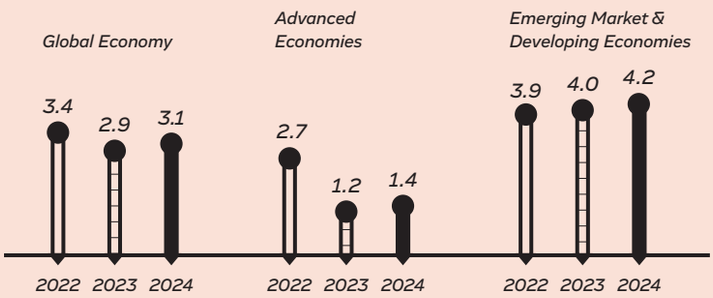
According to the economic outlook of the Organization for Economic Co-operation and Development ("OECD") from November 2022, the global economy in 2022 was – and currently still is – confronted with significant challenges and shocks. Growth has lost momentum, high inflation has spread across all countries and products and continues to persist, leading to tighter financial conditions. The Russian war against Ukraine has led to a disruption of commodity supplies and thus triggered a massive energy price shock not seen since the 1970s. The rise in energy prices is taking a heavy toll on the global economy. Also, mainly due to the war in Ukraine, general inflationary pressures have intensified. The higher energy prices have contributed to an increase in prices for many goods and services, accompanied by a decline in consumer sentiment. In order to curb the persistent inflationary pressure, the central banks have tightened their monetary policy significantly in recent months and increased key interest rates. It can be assumed that high and possibly even higher key interest rates will continue to shape the economic environment at least until 2024.

According to the World Bank's latest forecast, released in January 2023, global growth is projected to slow in 2023 from 2.9% in 2022 to 1.7% – the third weakest pace in nearly three decades, exceeded only by the global recessions of 2009 (global financial crisis) and 2020 (COVID-19 pandemic). Main reason is the simultaneous tightening of policies to curb high inflation, worsening financial conditions, and continued disruptions from the Russian Federation's invasion of Ukraine. Inflation is expected to fall from 7.6% in 2022 to 5.2% in 2023 and 3.2% in 2024, still above the 2015–19 average of 2.3%.

The January 2023 World Economic Outlook Update of the International Monetary Fund ("IMF") paints a slightly different picture, projecting global growth to reach 2.9% in 2023 and to rise slightly to 3.1% in 2024. Global inflation is expected to fall to 6.6% in 2023 and 4.3% in 2024.

GROWTH PROJECTIONS

World Economic outlook update January 2023 (in %)



Source: International Monetary Fund

Evotec's revenue split is geared towards a larger contribution from partners based in the US (61%; 2021: 55%), while Europe accounts for about one third of revenues (35%; 2021: 41%) and a very small share is generated in the rest of the world (predominantly Japan). Hence, the Company limits the macro-economic analysis by region to the two main areas, the US and Europe.

US – Inflation pushed to multi-decade highs

According to the World Bank's Global Economic Prospects report, in the United States, rising food and energy prices, together with a tight labour market, pushed inflation to multi-decade highs in 2022, before price pressures began easing toward the end of the year. This has prompted the most rapid monetary policy tightening in more than 40 years, which is expected to slow growth significantly. Activity contracted in the first half of 2022, and domestic demand remained weak in the second half.

The continued tightening of macroeconomic policy to contain inflationary pressures this year is expected to amplify the lagged effects of significant interest rate increases in 2022 and further weigh on the US economy. Growth is expected to slow to 0.5% in 2023 – 1.9 percentage points lower than previously forecast - the weakest pace of official recessions since 1970. Inflation is expected to weaken in 2023 as labour markets soften and wage pressures ease.

The IMF projects growth for the United States to fall from 2.0% in 2022 to 1.4% in 2023 and 1.0% in 2024. With growth rebounding in the second half of 2024, growth in 2024 will be faster than in 2023 on a Q4-over-Q4 basis, as in most advanced economies.

Europe – Shortages of goods and inflation shape economic development

In the euro area, activity in the first half of 2022 exceeded expectations, resulting in annual growth being revised up to 3.3%. In the second half of the year, however, activity weakened substantially because of soaring energy prices and supply uncertainty, compounded by rising borrowing costs. Inflation rose to record highs as Russia's invasion of Ukraine led to natural gas supply cuts and surging energy prices which, despite some recent moderation, remain well above pre-invasion levels.

Russia's attack on Ukraine also led to a noticeable shortage of important goods, above all, energy and agricultural products. As in 2022, 2023 will be characterised by tightened supply of energy and agricultural products. A combination of energy-saving measures and the development of new energy imports has, so far, prevented energy shortages in Europe. In particular, a feared shortage of natural gas has been avoided.

The IMF projects growth in the Euro area to bottom out at 0.7% in 2023 before rising to 1.6% in 2024. The 0.2 percentage point upward revision to the forecast for 2023 reflects the effects of faster rate hikes by the European Central Bank and eroding real incomes, offset by the carryover from the 2022 downturn lower wholesale energy prices, and additional announcements of fiscal purchasing power support in the form of energy price controls and cash transfers.

Germany: Growing economy despite energy crisis, but high inflation

In its December report, Deutsche Bundesbank stated that the German economy grew significantly over the summer half-year 2022 (April to September). Despite the crisis in the energy markets caused by Russia's war against Ukraine, GDP growth was only slightly lower than expected in the June 2022 projection of Deutsche Bundesbank. Private consumption expenditure rose as anticipated, despite higher inflation rates and increasing consumer uncertainty. In this context, unexpectedly strong catch-up effects after the expiry of most pandemic control measures as well as additional government aid measures may have played a role. Investment, on the other hand, was insufficient.

Deutsche Bundesbank expects a gradual recovery of the German economy from the second half of 2023. Somewhat earlier, exporters will receive the first growth impulses from the assumed increase in foreign demand. This will also boost business investment, especially when uncertainty subsides. As a result of progress in energy supply diversification, price pressures on energy commodities will gradually ease. According to Deutsche Bundesbank, overall, the German economy will shrink by 0.5% in 2023, adjusted for calendar effects, after growing by 1.8% in 2022. It will then grow by 1.7% in 2024 and by 1.4% in 2025.

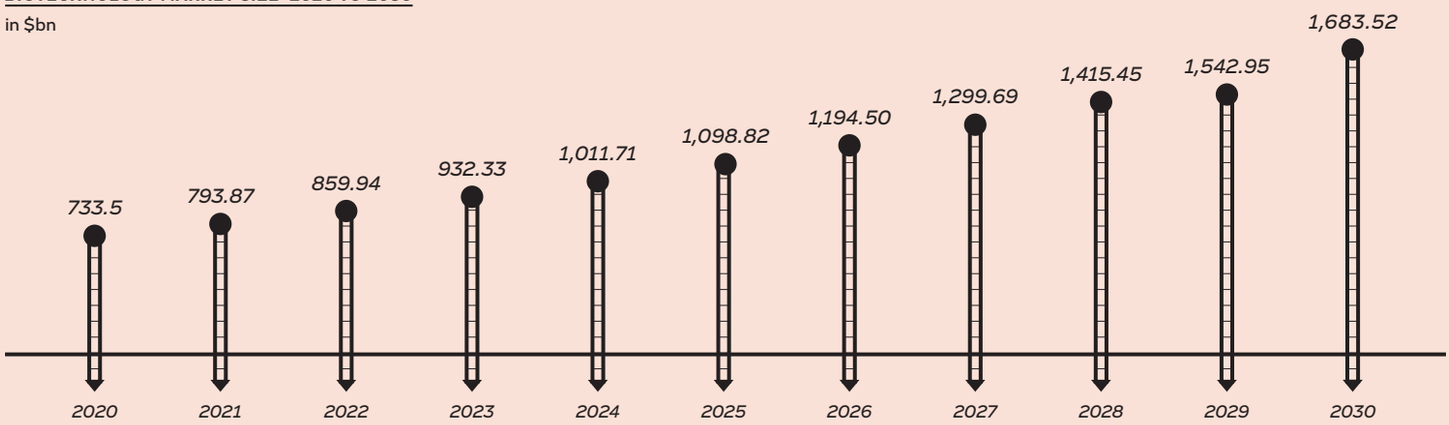
DEVELOPMENTS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY MARKETS

The COVID-19 pandemic has had a positive impact on the global market by increasing opportunities and advances in drug development and vaccine production against this disease and increasing awareness related to the need of pandemic preparedness in general.

The global biotechnology market is driven by strong government support in the form of initiatives to modernise the regulatory framework, improve approval processes and reimbursement policies, and standardise clinical studies. Moreover, the increasing prevalence of personalised medicine and a growing number of orphan drugs are opening new opportunities for biotech applications and are driving the influx of emerging and innovative biotechnology companies, further boosting the market turnover.

Precedence Research estimates the global biotechnology market to grow at a Compounded Annual Growth Rate ("CAGR") of 8.9% from $ 859.9 bn in 2022 to $ 1,683.5 bn by 2030.

BIOTECHNOLOGY MARKET SIZE 2020 TO 2030



Source: www.precedenceresearch.com

The Business Research Company estimates that the biologics market had a volume of $ 382.0 bn in 2022, and it is expected to grow faster than the overall market at a CAGR of 9.5% to $ 599.6 bn by 2027. The global small molecule discovery market size is expected to increase at a CAGR of 8.0% from $ 76.0 bn in 2022 to $ 140.4 bn by 2030, while cell and gene therapies continue to become more and more important: The global cell and gene therapy market is expected to grow from $ 18.6 bn in 2022 to $ 93.8 bn in 2030 according to Precedence Research. Rising demand for clinical solutions for the treatment of chronic diseases, such as cancer, diabetes, age-related macular degeneration, and almost all forms of arthritis are also anticipated to boost the market. Also for Evotec, investigating and developing products together with partners for diabetes and neurological disorders, such as Parkinson's & Alzheimer's diseases, various types of cancers, and cardiovascular diseases are core areas of expertise.

Fitch Ratings forecasts in its sector outlook a favourable operating environment in 2023 for the global pharma and biotech industry, despite inflationary pressures and higher interest rates. Fitch expects demand in the industry to normalise after some dislocation, with fundamentals returning to innovative growth underpinning the industry's long-term growth assumptions, which continue to be supported by favourable secular trends such as a growing and ageing population, increasing prevalence of chronic diseases and better access to healthcare globally. However, innovation will depend on an increasing focus on access to care, including a focus on drug pricing, as healthcare systems aim to increase patient value and outcomes in the face of structurally growing volumes and limited healthcare resources. Additional stimulus related to COVID-19 therapies and vaccinations no longer plays a material role.

Outsourced manufacturing continues to grow

The global drug discovery outsourcing market size was valued at $ 3.5 bn in 2022 and is expected to grow at a CAGR of 7.4% to $ 6.3 bn until 2030. Pharmaceutical companies are gradually outsourcing R&D activities to academic and private contract research organizations ("CROs") to reduce drug development timelines and costs. The pharmaceutical industry has seen radical changes in the past two decades, with a shift toward biologics, patent expiration, and unprecedented downsizing of the in-house research of big pharmaceutical companies. All this has accelerated the adoption of outsourcing activities. While Evotec estimates the share of outsourced early-stage drug discovery to be in a range of 10% to 15% of R&D spending, an estimated 75% to 80% of R&D spending in the biopharmaceutical industry could be outsourced providing the chance to foster a dynamic and sustainable market growth.

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

The bottom line is that the industry collectively needs to improve research and development productivity. Improving research and development productivity imposes the need to increase the probability of success of each individual project at lower unit cost through the use of highest-quality platforms and industry-leading expertise.

Evotec provides the entire spectrum of drug discovery, development and manufacturing platforms needed to realise projects and thereby helps companies to advance their product development efficiently and successfully.

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

— OPERATIONAL AND BUSINESS ENVIRONMENT —

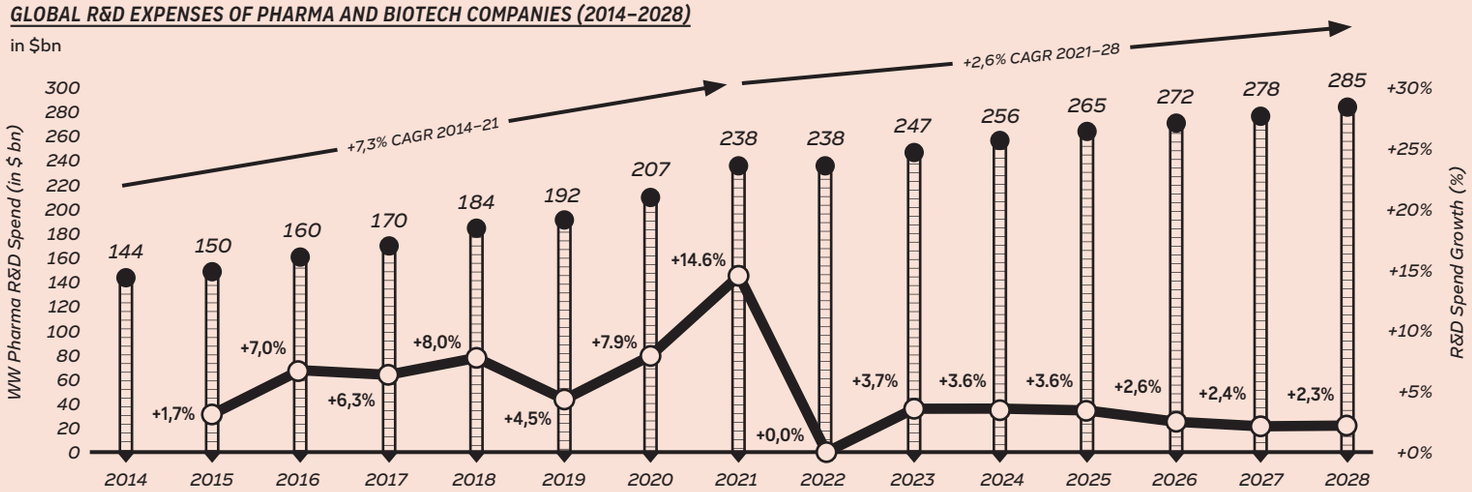
Pharmaceutical industry: R&D expenses trending higher, revenues stagnating

For more than ten years, the global pharmaceutical industry has been struggling with declining efficiency in introducing new products. While expenses for research and development have risen significantly over the years, products already on the market are generating lower revenues than in earlier decades: Between 2014 and 2022, expenses for R&D in the

biotechnology and pharmaceutical industries rose by 65% from $ 144 bn to $ 238 bn. Evaluate Pharma projects a CAGR in R&D expenses of 2.6% from 2022 onward, which corresponds to roughly $ 285 bn by 2028.

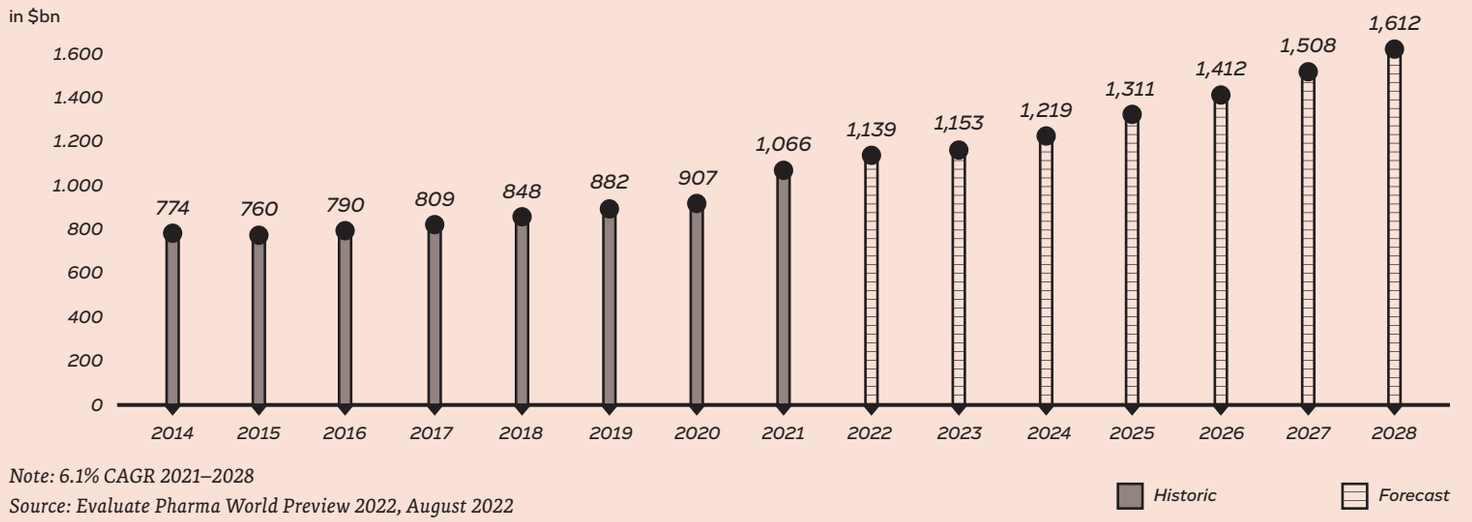
Revenues with prescription drugs are set to grow more than twice as fast as R&D costs and large molecules, such as biologics, cell & gene therapy are anticipated to grow faster than small molecules. In 2022 sales of prescription drugs amounted to $ 1,139 bn. According to Evaluate Pharma, the number will reach $ 1,612 bn by 2028.

GLOBAL R&D EXPENSES OF PHARMA AND BIOTECH COMPANIES (2014–2028)



Source: Evaluate Pharma World Preview 2022, August 2022

TOTAL GLOBAL REVENUES FROM PRESCRIPTION DRUGS (2014–2028)



Note: 6.1% CAGR 2021–2028
Source: Evaluate Pharma World Preview 2022, August 2022

The importance of biotechnology-based products for the industry continues to grow. The big jump in biotech products from 33% to 38% of the total market in 2021 is due to Covid-19 vaccines, which fall under the biotech classification.

The ten best-selling drugs, most of them biologics, are expected to sell around $ 150 bn until 2028. Oncology will continue to dominate.

In 2022, the US Food & Drug Administration ("FDA") approved 37 new drugs (2021: 50 drugs). Of these, 12 were given accelerated approval. The Center for Drug Evaluation and Research ("CDER") identified 20 of the 37 novel drugs approved in 2022 (54%) as first-in-class. These drugs have mechanisms of action different from those of existing therapies. 20 of novel drug approvals (54%) were approved to treat rare or "orphan" diseases (diseases that affect less than 200,000 people in the US).

Evotec's competitive position:

High market demand for external innovation

Evotec's financial results are driven by its partners and customers' needs for external innovation through partnering or outsourcing their R&D initiatives and/or highly innovative manufacturing activities and Evotec's ability to meet those needs. Evotec believes that market demand for external innovation will continue to drive demand for its assets and services, facilitate additional collaboration opportunities and potentially improve the volume and terms of partnerships that Evotec is able to secure. Evotec is convinced that this trend will increase the likelihood of strategic, integrated, long-term collaborations and drive the Company's continued growth.

For the past decade, the global pharmaceutical industry has been struggling with declining efficiency in introducing new products to the market. As a result, pharmaceutical companies of all sizes need to improve innovation. They have been and continue to be under pressure to re-evaluate and adjust their business strategies, in particular by evaluating the potential of new modalities and personalized medicine and by adopting innovative technologies such as A.I. and M.L. New companies have been formed to specifically develop these technologies and modalities. Moreover, there is an increased focus on early prediction parameters to determine the success or failure of new drugs. To access innovation in a capital efficient manner, industry players increasingly rely on external sources, such as Evotec, for innovative R&D and manufacturing expertise and capacity.

Evotec does not only rely on the market's need for external innovation. The Company's own ability to provide innovative solutions is a solid foundation to generate new business. For this reason, expenses in technologies and platforms are a core part of Evotec's strategy. In 2021 and 2022, Evotec invested € 72.2 m and € 76.4 m in R&D, respectively, and the Company intends to continue to dedicate significant financial resources to ensuring that its offering continues to meet the industry's needs.

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

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

Market orientation of strategic research focus areas

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

*MARKET POTENTIAL FOR INDIVIDUAL INDICATIONS**

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

Indication	*Current market size*	*Market potential*
Autoimmune diseases	**2022: $ 68.4 bn**	2032: $ 118.0 bn
Diabetes	**2022: $ 88.5 bn**	2027: $ 113.1 bn
Gynaecological diseases (endometriosis)	**2022: $ 1.2 bn**	2030: $ 3.2 bn
Infectious diseases	**2022: $ 113.5 bn**	2027: $ 166.5 bn
Inflammatory diseases	**2022: $ 95.2 bn**	2030: $ 165.0 bn
Kidney diseases	**2021: $ 96.8 bn**	2027: $ 148.4 bn
Liver diseases	**2022: $ 12.9 bn**	2027: $ 22.5 bn
Metabolic diseases	**2022: $ 90.8 bn**	2026: $ 129.4 bn
Neuronal diseases	**2022: $ 41.7 bn**	2032: $ 92.0 bn
Oncology	**2022: $ 308.8 bn**	2030: $ 581.3 bn
Pain	**2022: $ 78.1 bn**	2032: $ 115.0 bn
Rare diseases	**2022: $ 128.4 bn**	2030: $ 335.8 bn
Respiratory diseases	**2022: $ 154.8 bn**	2026: $ 203.7 bn

Further information on Evotec's activities in individual indication areas can be found on the company's website.

CURRENT TRENDS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY SECTORS

The pharma and biotech industry is also feeling the macroeconomic challenges that the global economy is currently facing, mainly related to inflationary trends. However, these short-term challenges will not stop the strong growth that is predicted for the biotech industry in the long term.

The long-term outlook for biotech is promising, characterised by an increasing attention to health and wellness, breakthrough therapies and advances in modalities. As companies move towards this future in 2023, there are several key trends that will shape market events and drive progress in the biotech industry.

Currently, the following trends can be observed:

Increasing importance of A.I.

A.I. is already widely used in biotechnology to solve a variety of problems including drug discovery, drug safety prediction, functional and structural genomics, proteomics, metabolomics, pharmacology, pharmacogenetics, and pharmacogenomics, among many others. Furthermore, A.I. solutions make it possible to successfully identify illness patterns within large datasets and to assist in determining which drug formulations are better placed for treating various diseases. Machine learning is generally used in diagnosing disease as it uses real-world results to develop diagnostic procedures.

Personalised medicine
This trend has increased in recent years and this growth is expected to continue in 2023. The personalised medicine market was estimated to be worth $ 539 bn in 2022 and will grow to $ 923 bn until 2030 with an expected annual growth rate of 7.0%.

Much of the industry's growth is due to the growing interest in identifying biomarkers for chronic disease therapy and diagnosis. Cell and gene therapies are also attracting great interest.

Drugs for rare diseases
Another biotech trend for 2023 is the growth of drugs for rare diseases. According to a new report by market research firm Evaluate, the market for orphan drugs is growing more than twice as fast as the market for non-orphan drugs with 2021–2026 CAGR at 12%. By 2026, sales of drugs for rare diseases will account for 20% of all prescription drug sales.

Higher investment in manufacturing innovation
New technologies are driving scientific progress and creating new opportunities for innovation. Demand for using robotics, automation technology and low-volume manufacturing has increased as the industry evolves, and life sciences companies are seeking facilities and real estate equipped to meet these demands.

In 2023, life sciences organisations will make important investments in upgrading and improving real estate to create technology- and future-ready spaces that enable the use of new tools.

Drug discovery by using innovative platform technology
Biotech companies use drug platforms to discover and develop new drugs with similar technology. Because they are building on a platform that is already in use, drug companies already have an idea of the safety profile of any new drugs they develop on the same platform. They also know what to expect when building on the same platform, e.g., what diseases can potentially be treated with that particular platform. In this way, the drug discovery process is accelerated because the biotech company does not have to start from scratch every time.

Development of mRNA-based drugs and vaccines
Biopharma companies will step up their efforts to develop more mRNA-based drugs and vaccines and expand those efforts beyond COVID-19. Last spring, GEN reported on companies using new technologies such as Cas13-encoding mRNA, circular mRNA, programmable mRNA and self-amplifying mRNA.

Environmental goals is becoming a top priority
The industry's focus on ESG and sustainability efforts will remain a top priority in the coming year. This year, companies will continue to refine their targets and measurements to set appropriate and achievable goals that meet sustainability standards.

According to the Science Based Targets initiative ("SBTi"), more than 70 leading international companies in the pharmaceutical, biotechnology and life sciences industries have already set climate targets. Evotec has postulated targets and is waiting for recognition by the SBTi in 2023.

MAJOR BUSINESS EVENTS IN 2022

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LAND & EXPAND: SIGNIFICANT NEW AND EXPANDED PARTNERSHIPS

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Great progress within collaborations with Bristol Myers Squibb (BMS)

a) Significant step-up of targeted protein degradation alliance
In May 2022, Evotec significantly extended and expanded its partnership with BMS in targeted protein degradation for an additional eight years with the goal to further broaden and deepen the strategic alliance originally signed in 2018. Both parties will leverage Evotec's proprietary PanOmics and PanHunter platforms as well as A.I./M.L.-based drug discovery and development platforms in generating a pipeline of molecular glue degraders. Evotec received an upfront payment of $ 200 m (€ 186.6 m) and expects to obtain further performance-based, near-term and mid-term as well as programme-based milestone payments, resulting in a deal revenue potential of up to $ 5 bn with additional tiered royalties on product sales. This deal was the largest deal with the industry-leader in one of the most competitive fields in the industry.

b) Further progress within iPSC-based neurodegeneration collaboration
Over the course of 2022, notable achievements were obtained within Evotec's strategic neuroscience partnership with BMS. Through an expansion of the collaboration in early 2022, BMS increased its access to a novel targeted protein degradation approach with a focus on selected targets that are relevant to a range of neurodegenerative conditions, leading to payments totalling $ 15 m from BMS. Later in the year, another programme designation and the expansion of the portfolio by two additional drug discovery projects and a target-based programme for further development triggered payments of in total $ 42 m to Evotec.

New drug discovery collaboration with Eli Lilly in metabolic diseases
In January 2022, Evotec entered into a drug discovery collaboration with Eli Lilly and Company in the field of metabolic diseases with a focus on kidney diseases and diabetes. The collaboration initially runs for a term of three years. In addition to an undisclosed upfront payment, Evotec will be eligible to receive success-based discovery development, regulatory and commercial milestone payments of up to $ 180 m per programme, as well as tiered royalties on net sales of any products resulting from the collaboration, for a potential overall value up to $ 1 bn.

Strategic partnership with Sernova for an iPSC-derived diabetes therapy
In May 2022, Evotec and Sernova Corp., a clinical-stage company and leader in regenerative medicine cell therapeutics, announced a partnership in the field of diabetes. Both Companies will leverage their respective strengths to develop an implantable iPSC-based beta cell replacement therapy for the treatment of insulin-dependent diabetes, including type 1 and 2. In conjunction with the agreement, Evotec made a strategic € 20 m equity investment in Sernova. Evotec will manufacture the cells through commercialisation and has an option for joint funding of clinical development with a profit-sharing participation upon commercialisation.

Multi-target alliance in medical dermatology with Almirall
In May 2022, Evotec and Almirall announced a multi-target alliance in Medical Dermatology to discover and develop novel therapeutics for severe skin diseases, including immune-mediated inflammatory conditions such as atopic dermatitis and non-melanoma skin cancer such as basal cell carcinoma. Under the agreement, Evotec receives an undisclosed upfront payment, research payments, as well as success-based milestones of potentially up to € 230 m per programme and royalties on net sales in the high single-digit percentage range.

Drug discovery collaboration with Janssen
In June 2022, Evotec entered a drug discovery collaboration with Janssen Pharmaceutica to discover first-in-class novel mode of action therapeutic candidates, based on its proprietary TargetAlloMod platform. Besides research funding, Evotec is entitled to success-based research and commercial milestones up to approximately € 210 m per project as well as tiered royalties on products resulting from this collaboration.

Accelerated antibody development for the US Department of Defence
Just – Evotec Biologics supports DOD's Accelerated Antibodies Programme: In September 2022, the US Department of Defense ("DOD") awarded Evotec's Seattle-based subsidiary, Just – Evotec Biologics, Inc. a contract valued up to $ 49.9 m for the rapid development of monoclonal antibody ("mAb")-based drug product prototypes targeting plague, one of the designated targets of interest under the DOD's Accelerated Antibodies Programme.

— CLINICAL PIPELINE UPDATES —

In February of 2022, Bayer informed Evotec about its decision to discontinue the development of the investigational P2X3 receptor antagonist eliapixant (BAY1817080). While one optionality was removed from our pipeline, Evotec had not recognised any adverse impact on revenues or profits related to this decision. Over the course of the year, notable further progress was achieved by several of Evotec's co-owned clinical assets clearing further hurdles on their path to the market, e.g. application for approval of EVT201 by JingXin Pharma, approval & first royalties of SKY Covione, the approval of Clinical Trial Authorisation ("CTA") for Phase I/II of EXS21546.

— PROGRESS IN DATA-DRIVEN PRECISION MEDICINE PLATFORMS —

Launch of translational molecular patient database E.MPD
In February 2022, Evotec officially launched its molecular patient database. E.MPD draws from the access to biospecimens and data points the Company has already systematically built up over the past years, starting with renal and metabolic diseases including chronic kidney disease ("CKD"). In October 2022, Evotec entered a partnership with Hannover Medical School, one of the leading German universities, to expand E.MPD into the autoimmune diseases Sjögren's syndrome and systemic lupus erythematosus.

Commercial launch of PanOmics data analysis platform PanHunter
In October 2022, Evotec launched the first commercial version of its PanOmics data analysis platform PanHunter at Bio-IT World. PanHunter is Evotec's PanOmics data access and analytics platform and was developed and used successfully internally and in industry-shaping drug discovery partnerships over many years. After presenting the first commercial version, Evotec makes PanHunter available to collaborators and partners as a software-as-a-service product at enterprise level.

— FURTHER VALUE CREATION THROUGH EQUITY INVESTMENTS & ACADEMIC PARTNERSHIPS (BRIDGES) —

Over the course of 2022, Evotec made significant steps forward in generating further upside potential through equity investments. For example, Evotec made new investments, in IMIDomics, Inc., and Sernova Corp., participated in financing rounds of Tubulis GmbH, Centauri Therapeutics Limited, and Cajal Neuroscience and co-founded the joint venture Aurobac Therapeutics SAS together with Boehringer Ingelheim and bioMérieux.

In October 2022, Evotec announced the launch of "Extend", a translational BRIDGE partnership in cooperation with CDP Venture Capital SGR and Angelini Ventures, featuring renowned universities and research centres from across Italy. In the same month, Amgen joined the Canada-based BRIDGE LAB150 between Evotec and Toronto Innovation Acceleration Partners ("TIAP").

— GROUND-BREAKING FOR THE NEW J.POD IN TOULOUSE, FRANCE (EU) —

In September 2022, Evotec launched the construction of its J.POD biologics manufacturing facility at Evotec's Campus Curie in Toulouse, France. J.POD Toulouse, France (EU) is the second facility of its kind and the first one on European ground. It will employ Just – Evotec Biologics' flexible J.POD technology for continuous biologics manufacturing to deliver clinical and commercial capacity. The facility is expected to be operational in H2 2024. The construction of J.POD Toulouse, France (EU) benefits from French government funding as part of the Investments for the future Programme and is also supported economically by the Occitanie Region and Toulouse Métropole. The second R&D loan successfully concluded with the EIB at the end of 2022 will also be used to provide up to € 75 m in debt financing for the project.

— STRATEGIC ACQUISITIONS COMPLETE THE END-TO-END MULTIMODALITY PLATFORM —

Evotec adds cell therapy manufacturing facility with acquisition of Rigenerand
Evotec added a cGMP manufacturing site to the Company's cell therapy platform by acquiring Rigenerand Srl for a purchase price of € 23 m. With a leading team of cell therapy experts, the facility now operates as Evotec (Modena) Srl and contributes capacity, expertise, and capabilities to the critical scale-up of complex cell-based therapies. In total, the site in Medolla close to Modena comprises 1,200 square meters of high-tech manufacturing space, with potential for significant further expansion. The transaction was closed at the at the end of May.

Evotec expands clinical and commercial drug substance manufacturing with acquisition of Central Glass Germany

Evotec expanded its clinical and commercial manufacturing platform for small molecule therapeutics by acquiring Central Glass Germany GmbH from the Japanese chemical manufacturing company Central Glass Co. Ltd. The Company, now operating as Evotec Drug Substance (Germany) GmbH, is located on a pharmaceutical manufacturing campus in Halle/Westphalia, Germany and has a team of ~60 chemical manufacturing experts. The facility is EU cGMP certified and provides highly flexible drug substance manufacturing space with over 5,000 square meters of floor space. The acquisition was closed effective 24 August 2022.

— CORPORATE —

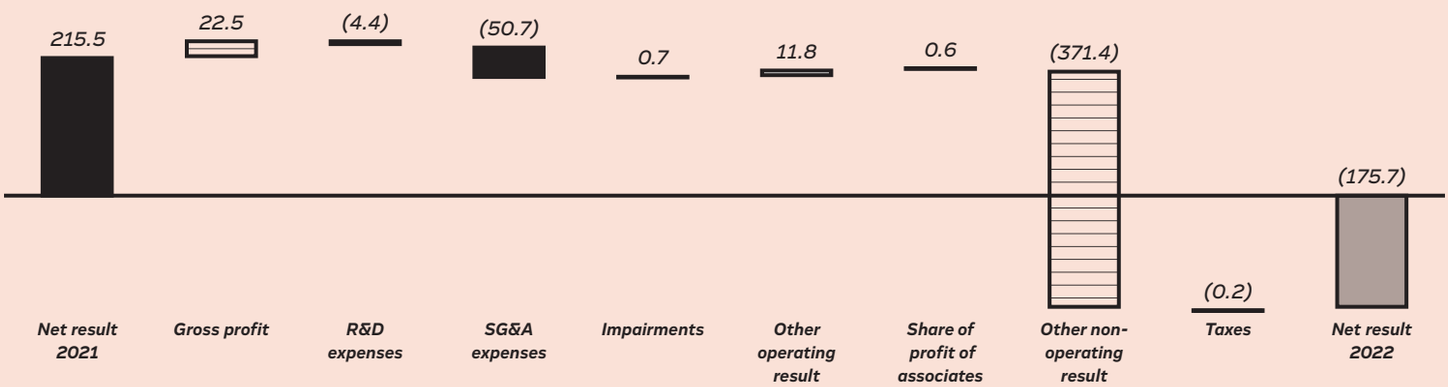
Dr Matthias Evers joins Management Board as CBO

In May 2022, Evotec expanded its Management Board with a new Chief Business Officer. Starting as of 2 May 2022, Dr Matthias Evers is responsible for business development, digital technology, and strategy across the entire company.

RESULTS OF OPERATIONS

BRIDGE OF NET RESULT 2021–2022

in €m



CONDENSED INCOME STATEMENT

in €k

		2021	***2022***	*Variance*
Revenues		618,034	**751,448**	133,414
Cost of revenue		(466,491)	**(577,383)**	(110,892)
Gross profit		151,543	**174,065**	22,522
Gross margin	*%*	*24.5%*	***23.2%***	*(1.4)%-p*
- R&D expenses		(72,200)	**(76,642)**	(4,442)
- SG&A expenses		(105,445)	**(156,190)**	(50,745)
- Impairment result (net)		(683)	**-**	683
- Other operating income (expenses), net		67,781	**79,617**	11,836
Operating income (loss)		40,996	**20,850**	(20,146)
Net income		**215,510**	**(175,655)**	**(391,165)**
Adjusted Group EBITDA[1)]		***107,270***	***101,654***	***(5,616)***

[1)] *Adjusted for changes in contingent considerations*

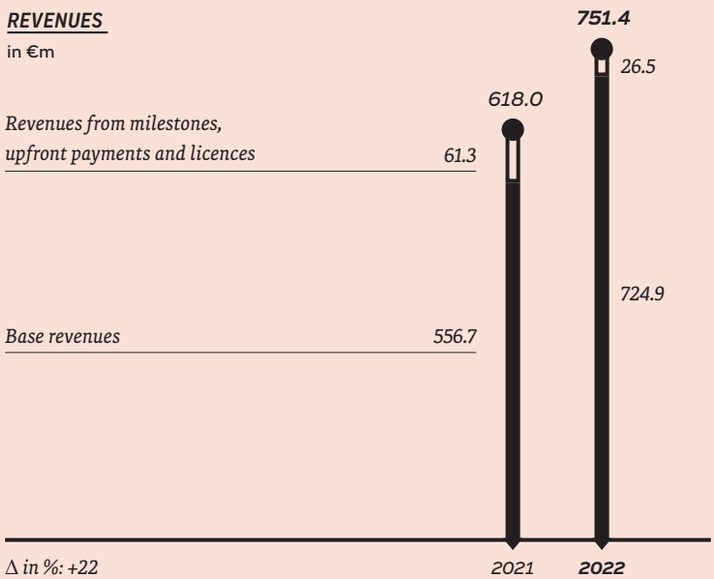
— REVENUES —

Another year with double-digit top line growth

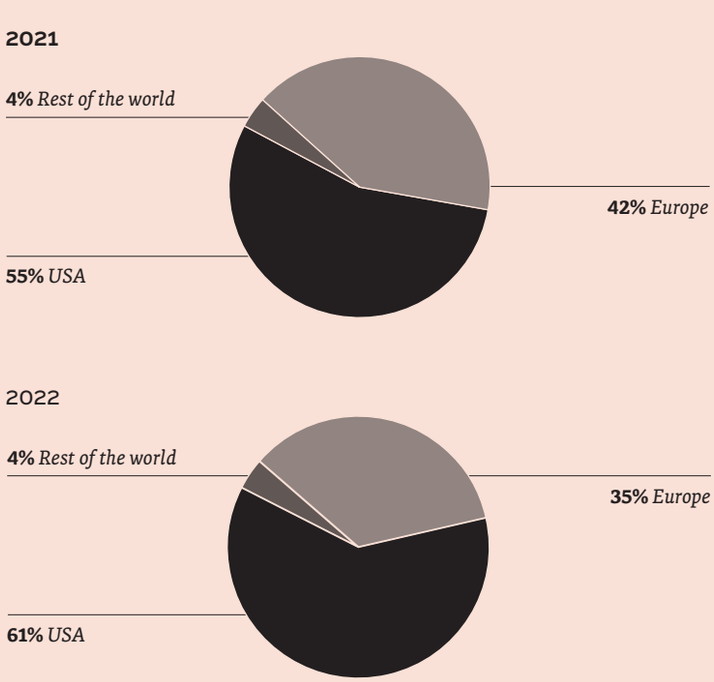
In the financial year 2022, Evotec once more increased its Group revenues at a double-digit rate. During the twelve months ended 31 December 2022 Group revenues increased significantly by € 133.4 m to € 751.4 m compared with the same period of the previous year (2021: € 618.0 m). The substantial rise against the prior-year period is based on a strong performance by the base business (please see chapter "Business overview" in this Combined Management Report), compensating for two effects: Just – Evotec Biologics is still in its ramp-up phase and revenue developed slower than anticipated until Q3 2022. In addition, revenues from milestones, upfronts and licenses were exceptionally strong in 2021. Excluding the recognition of positive fx-effects, Group revenues grew by 15% to € 710.8 m. Growth of the base business was 30% from € 556.7 m in 2021 to € 724.9 m in 2022 and driven strongly by increased project-related revenues from Evotec's collaborations with BMS.

Milestones amounted to € 18.1 m (2021: € 49.5 m). In general, milestone revenue differs at the various development stages, which may not be within the Group's control. It also is determined by the entire set of terms of the respective contract.

Just – Evotec Biologics contributed € 51.3 m to consolidated revenue growth compared with € 52.9 m in 2021, which included € 10.6 m in upfront revenue. Recognition of upfront payments ended as of Q4 2021. Excluding this effect, underlying 2022 revenues increased by 21%.



Evotec's revenues were generated primarily with US (61%) and Europe customers (35%), and only to a very small extent in the rest of the world (predominantly Japan). However, the shift towards the US was mainly triggered by the latest BMS additions.



COSTS OF REVENUE/ GROSS MARGIN

Start-up costs in Biologics affect gross margin

The costs of revenue of the Group consists of direct personnel costs, associated with revenue-generating projects, depreciation, and maintenance costs of fixed nature as well as overhead costs to support client projects. Cost of materials primarily consists of the purchase cost of materials consumed in the provision of the Group's products or services. In addition, costs of revenue include amortisation of intangible assets of € 9.0 m (2021: € 12.0 m) resulting from purchase price allocations (PPA). In the case of depreciation of property, plant and equipment, an increasing proportion related to the J.POD production facility in Redmond (US).

The costs of revenue during the twelve months ended 31 December 2022 amounted to € 577.4 m (2021: € 466.5 m) yielding a gross margin of 23.2% (2021: 24.5%). The increase in cost of revenue was attributable to the recognition of expenses related to expanding Evotec's precision medicine platforms as well as the next-generation biologics manufacturing facility in Redmond (US), significantly higher energy costs, unfavourable fx-rates and costs related to the strong growth of the overall business. Excluding effects related to the capacity build-up at Just – Evotec Biologics, total gross margin amounted to 31.1% vs. 28.4% during the same period last year. This progress is driven by a significantly improved profitability in the base business. The development is even more encouraging when considering that the contribution from milestones, upfronts and licenses was € 34.8 m lower than in the previous year.

RESEARCH AND DEVELOPMENT EXPENSES

Ongoing R&D activities in various fields

In 2022, Evotec has continue to progress the projects the Company is working on, e.g. in central nervous system disorders, diabetes, immunological diseases, infectious diseases, inflammation, kidney diseases, metabolic diseases, oncological diseases, rare diseases and women's health (please see chapter "Partnered R&D" in this Combined Management Report). Thus, Evotec is building a long-term pipeline of first-in-class or best-in-class assets and/or unique proprietary platforms; the ultimate goal of the EVT Innovate segment is to build a proprietary platforms and early-stage assets to enable upside-bearing strategic deals.

R&D expenses were € 76.6 m, compared with € 72.2 m in the twelve months ended 31 December 2021 (+6%). The increase in unpartnered R&D expenses of 21% (€ 70.2 m vs. 2021: € 58.1 m) reflects continued strong investments in Evotec's capabilities to improve our efficiency and precision medicine platforms. Partnered R&D expenses decreased at a scheduled rate to € 6.4 m (2021: € 14.1 m). "Partnered" R&D projects are funded by our partners; for 2021 and 2022, this mainly concerned the ID Lyon site, which was acquired by Sanofi in 2018 and will be funded by Sanofi until mid-2023. Indirect expenses represented 16% (2021: 11%) of the total.

R&D EXPENSES BY CATEGORIES

in €k

	2021	***2022***	*Variance*
Neuroscience & Pain	(9,352)	**(10,009)**	(657)
Oncology	(9,352)	**(10,242)**	(890)
Metabolic Diseases	(9,309)	**(9,341)**	(33)
Inflammation & Immunology	-	**-**	-
Virology	(3,597)	**(3,685)**	(88)
Anti-Bacterial	(7,417)	**(2,336)**	5,081
Global Health	(849)	**(421)**	428
Innovate Platform R&D	(21,660)	**(26,065)**	(4,404)
Total Innovate excl. Indirect Costs	**(61,536)**	**(62,100)**	**(564)**
Biologics	(572)	**(182)**	390
Gene Therapy	(941)	**(542)**	399
Other	(1,015)	**(1,620)**	(606)
Total Execute excl. Indirect Costs	**(2,528)**	**(2,345)**	**183**
Total Indirect Costs	(8,136)	**(12,198)**	(4,061)
Total	**(72,200)**	**(76,642)**	**(4,442)**
thereof:			
Partnered (funded) R&D	*(14,083)*	***(6,438)***	*7,645*
Unpartnered R&D	*(58,117)*	***(70,204)***	*(12,087)*

— SELLING, GENERAL AND ADMINISTRATIVE EXPENSES —

Building resilient structure for next growth phase

The Group's administrative expenses for the twelve months ended 31 December 2022 amounted to € 156.2 m and were thus 48% higher compared to last year (2021: € 105.4 m). Expanding and supporting Evotec's number of people groupwide from 4,198 to 4,952 employees year-over-year to facilitate further growth as well as fees for consulting services were the main drivers. Higher consulting costs were incurred e.g., due to implementation of new regulations required with being a publicly listed company in the US (SOX compliance) since November 2021, the start of SAP implementation as of the year 2022 and M&A activities. SG&A expenses also went up due to facility-related expenses which included significantly higher energy costs and direct depreciation costs as well as allocated expenses for maintenance of facilities, predominantly the new J.POD Redmond (US) manufacturing site as well as the Biopark in Toulouse (France).

— OTHER OPERATING INCOME AND EXPENSES —

Other operating income and expenses, which included mainly Sanofi recharges for Evotec ID Lyon, R&D tax credits and changes in fair value of earn-out liabilities, was € 81.6 m in 2022 compared to income of € 67.8 m for 2021. Other operating income, net, related to Sanofi recharges was € 34.2 m of income in 2022 (2021: € 35.8 m) and R&D tax credits mainly received in France for the Toulouse and Lyon sites and an increased contribution from Italy for Aptuit Verona of € 42.9 m (2021: € 32.0 m).

— OPERATING RESULT —

The operating result of the Group came in at € 20.9 m for the twelve months ended 31 December 2022 (2021: € 41.0 m). The business excluding Just – Evotec Biologics generated an operating result of € 79.0 m (2021: € 61.0 m), which proved Evotec's efforts and measures particularly in administrative expenses as well as the planned higher R&D expenses to advance the company's growth strategy. The result was partly offset by strong top-line growth and higher gross profits as well as a favourable other operating income.

Overall, the unpartnered R&D cost ratio (unpartnered R&D spend in relation to revenues) of 9% for the twelve months ended 31 December 2022 remained stable. As expected, the SG&A cost ratio increased from 17% in 2021 to 21% in the current reporting period to set-up a resilient organisation, prepared for further growth. Due to one-off effects e.g., from impairments or income from a bargain purchase, the operating margin can be volatile. The Adjusted Group EBITDA margin reached 13.5% in 2022 (2021: 17.4%).

MULTIPLE-YEAR OVERVIEW OF RESULTS OF OPERATIONS

in €k	*2018* [1)]	*2019* [1)]	*2020* [1)]	*2021*	***2022***
Revenues	**375,405**	**446,437**	**500,924**	**618,034**	**751,448**
Costs of revenue	(263,389)	(313,546)	(375,181)	(466,491)	**(577,383)**
Gross profit	**112,016**	**132,891**	**125,743**	**151,543**	**174,065**
Research and development expenses	(35,619)	(58,432)	(63,945)	(72,200)	**(76,642)**
Selling, general and administrative expenses	(56,820)	(66,433)	(77,205)	(105,445)	**(156,190)**
Impairment of goodwill (net)	-	(1,647)	-	-	-
Impairment of intangible assets (net)	(4,364)	(10,272)	(3,244)	(683)	**-**
Income from bargain purchase	15,400	-	-	-	-
Other operating income and (expenses), net	47,042	66,600	67,207	67,781	**79,617**
Operating result	**77,655**	**62,707**	**48,556**	**40,996**	**20,850**
Non-operating income and (expense), net	(5,464)	(6,032)	(22,716)	195,984	**(174,807)**
Profit (loss) before taxes	**72,191**	**56,675**	**25,840**	**236,980**	**(153,957)**
Tax income (expense)	12,007	(19,363)	(19,562)	(21,470)	**(21,698)**
Net result	**84,198**	**37,312**	**6,278**	**215,510**	**(175,655)**
P&L Ratios					
Gross margin (= Gross Profit/Revenues)	29.8%	29.8%	25.1%	24.5%	**23.2%**
Operating margin (= Operating result/Revenues)	20.7%	14.0%	9.7%	6.6%	**2.8%**
EBITDA adjusted margin (= EBITDA adjusted/Revenues)	25.5%	27.6%	21.3%	17.4%	**13.5%**
Return on sales (= Net result/Revenues)	22.4%	8.4%	1.3%	34.9%	**(23.4)%**
R&D cost ratio (= R&D expenses/Revenues)	9.5%	13.1%	12.8%	11.7%	**10.2%**
SG&A cost ratio (= SG&A expenses/Revenues)	15.1%	14.9%	15.4%	17.1%	**20.8%**
Personnel costs to total costs[2)]	44.7%	50.6%	54.8%	52.4%	**50.1%**

[1)] *2018 – 2020 restated for IAS 19*

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

— OTHER NON-OPERATING RESULT —

The FY 2022 result from other non-operating contribution amounts to € (174.8) m versus € 196.0 m in 2021 and includes a substantial extra-ordinary negative effect of € 171.3 m, as adjustment of measurement result of investments mainly through Evotec's Exscientia participation which is linked to the development of the Company's share price. Last year, the other non-operating result included a significant measurement gain of € 223.8 m, again, mainly from the investment in Exscientia.

Exscientia's share price dropped significantly since 31 December 2021 from $ 19.76 to $ 5.33 as per 31 December 2022 and led to the other expense from financial assets of € 174.7 m for Evotec's 14 million shares, whereas an assessment gain for Blacksmith resulted in income of € 2.6 m. The share of current losses from equity investments amounted to € 16.0 m in 2022 (2021: € 16.6 m).

A bargain purchase of € 4.9 m resulted from the acquisition of Evotec DS Germany GmbH (Halle).

Interest expense increased by € 3.9 m from € 9.3 m in 2021 to € 13.2 m in 2022. This increase was due to the revaluation of interest rate swaps because of the steep increase in interest yield curve in the first half of 2022 (€ 4.8 m).

The effect was more than offset by higher interest income (€ 8.3 m in 2022 versus € 2.3 m in 2021) due to increased interest rates for investments of Evotec's liquidity in particular in EUR and USD and interest income from convertible loans provided to minority shareholdings.

Foreign exchange gains amounted to € 13.1 m (2021: € 7.8 m), mostly due to the weakened euro vs US dollar from 1.133 as per 31 December 2021 to 1.067 as per 31 December 2022 which resulted in a significant favourable revaluation in particular of the US dollar denominated cash and receivables after conversion in euro.

Total tax expense amounted to € 21.7 m for full year 2022, versus an amount of € 21.5 m in 2021. Thereof, Evotec recorded total income taxes of € 14.0 m (2021: € 16.4 m). The reduction in the current tax expense results from various effects such as the reduction in tax rates, the increase in tax exempt income and the reduction in the GILTI (Global Intangible Low Taxed Income) tax charge. This relates in particular to Evotec France, Cyprotex Discovery Ltd. and Aptuit Global Inc. Deferred tax expense amounted to € 7.7 m (2021: € 5.1 m) due to the release of deferred tax assets in Evotec International due to a decrease in tax loss carry-forwards, partly offset by deferred tax income which resulted from intangible assets and Aptuit UK.

— NET INCOME & ADJUSTED GROUP EBITDA —

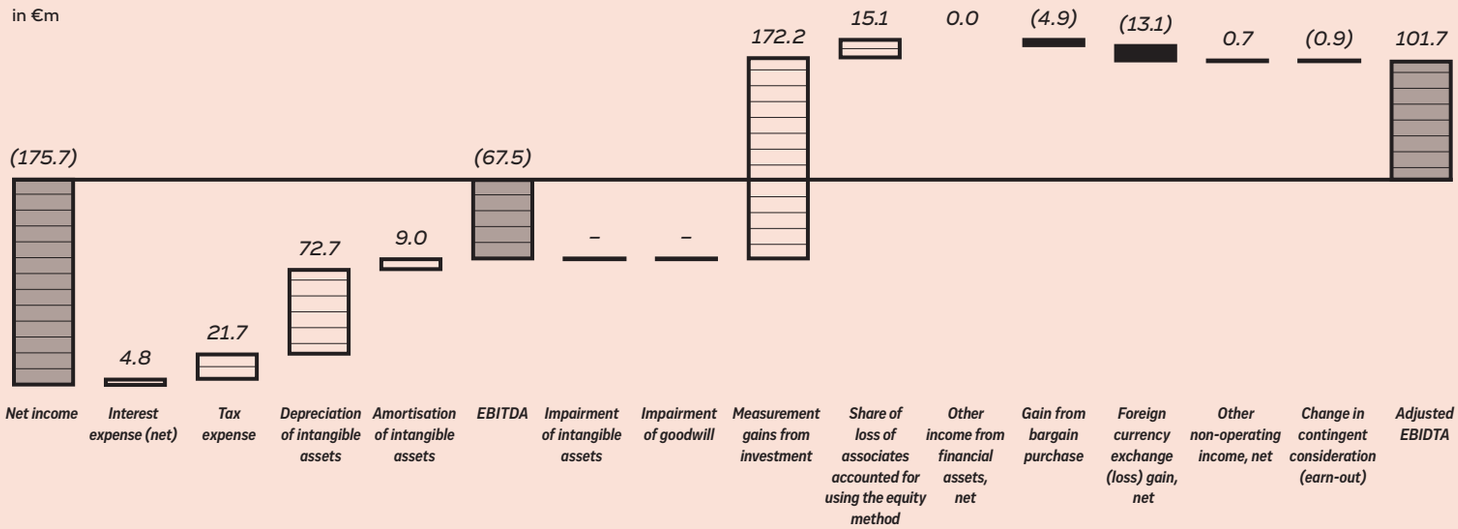
Adjusted Group EBITDA within Guideline

The net income as of 31 December 2022 amounted to € (175.7) m versus € 215.5 m in 2021, almost exclusively due to the loss from equity investments of Evotec's shareholding in Exscientia plc as outlined above.

Adjusted Group EBITDA for the twelve months ended 31 December 2022 amounted to € 101.7 m and € 104.2 m excluding acquisitions and M&A-related costs (2021: € 107.3 m) which is the result of a well-balanced development between the very favourable growth and profitability of Evotec's base business, preparations for future growth of the J.PODs which will deliver a valuable contribution in future, and a lower contribution from milestones, upfronts and licenses. Moreover, higher energy and electricity costs and overall inflation affect the year-over-year comparison. 2022 Adjusted EBITDA, excluding Just – Evotec Biologics, would have reached € 138.3 m (2021: € 115.2 m).

BRIDGE FROM NET INCOME TO ADJUSTED GROUP EBITDA

in €m



— SEGMENT REPORTING —

Overall Group revenues increased by 22% to € 751.4 m, compared with the four quarters in 2021, reflecting strength in both business segments – EVT Execute and EVT Innovate.

SEGMENT INFORMATION 2022

in €k

		EVT Execute	EVT Innovate	Intersegment eliminations	Evotec Group
External revenues[1)]		546,718	204,730	-	751,448
Intersegment revenues		188,917	-	(188,917)	-
- Costs of revenue		(605,751)	(145,566)	173,934	(577,383)
Gross margin	*%*	*17.7%*	*28.9%*		*23.2%*
- R&D expenses		(5,305)	(86,320)	14,983	(76,642)
- SG&A expenses		(125,293)	(30,897)	-	(156,190)
- Impairment result (net)		-	-	-	-
- Other operating result (net)		33,237	46,380	-	79,617
Operating income (loss)		**32,523**	**(11,673)**	**-**	**20,850**
Adjusted EBITDA[2)]		*108,286*	*(6,632)*	-	*101,654*

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

[2)] Adjusted for changes in contingent considerations

EVT Execute

Despite the investments in Just – Evotec Biologics, the ramp-up of the Biologics business and the low revenue contribution from Just – Evotec Biologics, total revenues in the EVT Execute segment improved to € 735.6 m in the financial year 2022 (2021: € 610.2 m). Growth of 21% was driven by a very strong base business; Evotec defines its base business as the ongoing business from FTE based research (services) excluding milestone, upfront and royalty payments. Growth excluding Just – Evotec Biologics was 23%.

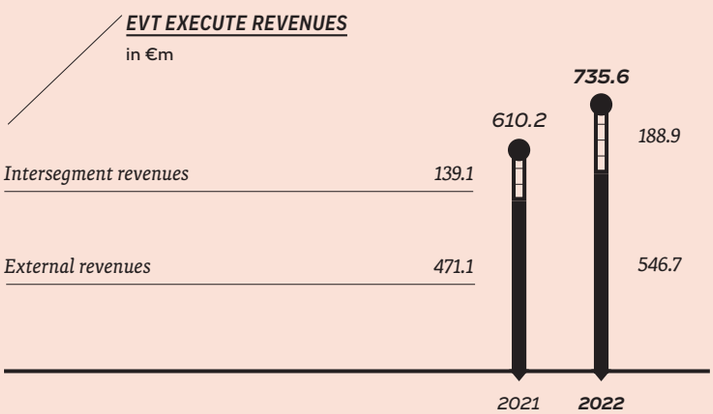
Intersegment revenues amounted to € 188.9 m (2021: € 139.1 m), which is an indicator for the convergence of Evotec's offering based on its fully integrated platform. Intersegment sales are reflective of the progress of projects recognised within EVT Innovate where Evotec maintains rights to participate in the success of partnered projects in the future.

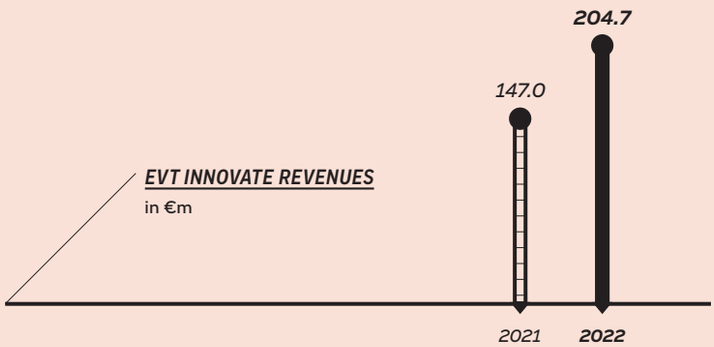
Costs of revenue of EVT Execute came in at € 605.8 m in the twelve months ended 31 December 2022 (2021: € 482.6 m), corresponding to a gross margin of 17.7% (2021: 20.9%). The increase in cost of revenue was mainly caused by the strong growth of the Execute business and by ramp-up costs at Evotec's J.POD facility in Redmond (US). Higher energy costs and inflation on materials and supplied services also contributed to the increase. EVT Execute gross margin excluding Just – Evotec Biologics reached 25.3% in 2022, a 2.1 percentage point improvement compared with 23.2% in 2021. R&D expenses were € 5.3 m (2021: € 2.9 m), SG&A expenses increased to € 125.3 m (2021: € 83.9 m) in accordance with the overall group trend. The operating result of the EVT Execute segment reached € 32.5 m (2021: € 63.1 m), leading to an Adjusted EBITDA for the segment of € 108.3 m (2021: € 124.8 m). The Adjusted EBITDA, excluding Just – Evotec Biologics reached € 145.0 m – a 9% increase versus € 132.7 m in 2021.

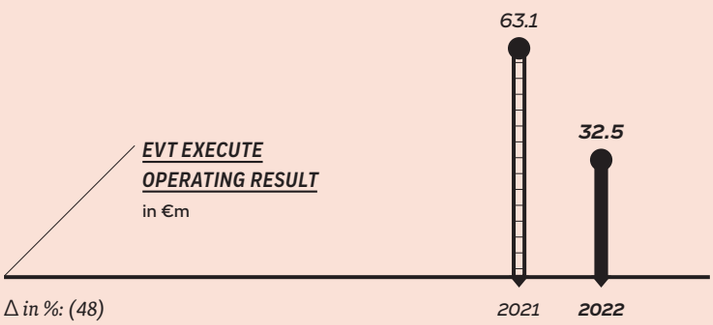
EVT Innovate

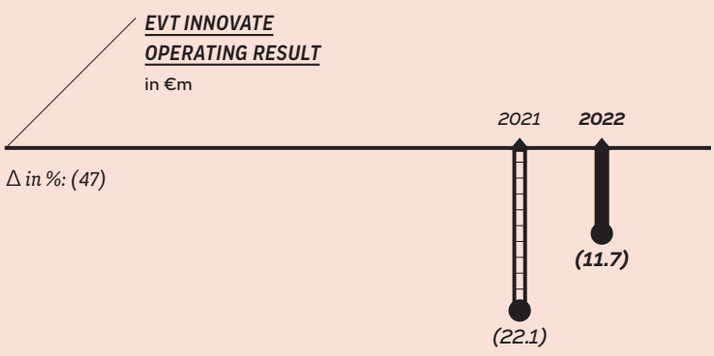
Revenues in the EVT Innovate segment totalled € 204.7 m in 2022 (2021: € 147.0 m) reflecting organic growth of 39%. This growth was driven by higher base revenues and project-related revenues from BMS and other strategic pharma deals. The costs of revenue increased by 32% from € 110.4 m in 2021 to € 145.6 m in 2022, resulting in a segment gross margin of 28.9% (2021: 24.9%), despite substantially lower revenues from milestones, upfronts and licenses in 2022 versus 2021. For the twelve months ended 31 December 2022, research and development expenses were € 86.3 m, compared with € 81.9 m for the comparative prior year period. The increase was in particular driven by higher expenses for proprietary projects and platform R&D ("unpartnered R&D costs"). The increase from € 21.5 m in 2021 to € 30.9 m in SG&A expenses was mainly caused by the growth in headcount and the related share of higher energy costs. Key drivers for the improvement in the operating result from € (22.1) m in 2021 to € (11.7) m in 2022 as well as adjusted segment EBITDA from € (17.5) m in 2021 to € (6.6) m in 2022 were higher gross profits.

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









FINANCING AND FINANCIAL POSITION

— FINANCIAL MANAGEMENT PRINCIPLES —

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

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

Financial resources are usually acquired at the corporate level and distributed internally. Evotec may draw on several bilateral credit lines as required. In December 2022, the European Investment Bank ("EIB") granted Evotec an unsecured loan facility of € 150 m, which has not been drawn as of 31 December 2022, to support the Company's R&D activities, equity investments and the building of the new J.POD biologics manufacturing facility on Evotec's Campus Curie in Toulouse, France. As of 31 December 2022, this loan was not drawn so that the Company held unused credit lines in the amount of € 245.5 m. In addition, the Company may selectively utilise further debt financing such as promissory notes or R&D project funding, or equity-linked instruments, or raise capital through the issuance of new shares when appropriate. The Group's liquidity, which consists of cash and cash equivalents and investments, decreased from € 858.2 m as of 31 December 2021 to € 718.5 m as of 31 December 2022 and the net cash position (incl. finance leases obligations according to IFRS 16) is still comfortable with € 211.8 m (compared to € 345.3 m as of 31 December 2021).

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

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

— CASH FLOW —

Continued investments in Just – Evotec Biologics and site expansions to enable future growth

Group *cash flow provided by operating activities* amounted to € 203.1 m in 2022 (2021: € 122.2 m). Prepayments for ongoing and future project work paid by BMS, including the $ 200 m (€ 186.6 m) upfront payment in the second quarter of 2022, accounted for a major part of these inflows. Furthermore, the operating income contributed favourably, while working capital increased due to higher Trade Accounts Receivables, Tax receivables and Other current assets.

Group *cash flow used in investing activities* was € 415.8 m (2021: € 243.9 m). Net investments in securities and other investments (corporate bonds and fixed deposits) with terms of more than three months were made, amounting to € 150.7 m. Investments in property, plant and equipment rose to € 181.4 m (2021: € 118.9 m) and included in particular € 73.7 m (2021: € 63.3 m) for the construction of a new J.POD production facility at Just – Evotec Biologics in Toulouse (France) as well as follow-up of the facility in the US. Furthermore, Evotec invested another € 86.0 m in the expansion of its sites in Toulouse, France, Alderley Park and Abingdon, UK, Verona, Italy and Munich, Germany. The acquisition of Rigenerand Srl, now operating as Evotec Modena Srl, was paid in cash and accounted for € 23.0 m. In addition, Evotec expanded its clinical and commercial drug substance manufacturing with the acquisition of Central Glass Germany for a purchase price of € 1. Cash acquired with this company, now renamed to Evotec Drug Substance (Germany) GmbH amounted to € 1.9 m, another € 0.2 m were acquired with Rigenerand Srl. The acquisition of financial assets and investments accounted for using the equity method amounted to € 58.8 m (2021: € 20.7 m), of which € 17.1 m for investments accounted for using the equity method and € 41.7 m for minority shareholdings. To name the largest investments above € 3 m, Evotec invested € 20.3 m for a 5.16% stake in Sernova Corp. and concluded a strategic partnership for iPSC-based beta cell replacement therapy to advance a 'functional cure' for diabetes with Sernova. Furthermore, new investments comprised € 4.4 m for IMIDomics, Inc. and € 3.4 m in Munich based Tubulis GmbH. Follow-up investments were made with € 7.0 m in Dark Blue Therapeutics and € 3.6 m in Autobahn Labs, an early-stage drug discovery incubator. Issues of convertible loans to Evotec's at equity and minority shareholdings amounted to € 4.1 m (2021: € 7.4 m).

Group *cash flow used in financing activities* amounted to € 52.4 m (2021: € 398.4 m). Repayment of bank loans (net) amounted to € 34.1 m. A repayment of the 3-year promissory note ("Schuldscheindarlehen") was made in June 2022 for € 35.0 m. In addition, scheduled repayments of R&D loans amounting to € 1.1 m were made. As part of the financing of Just – Evotec Biologics EU, Evotec drew a further tranche of the bank loan with bpi France for € 2.1 m. Repayments of lease obligations (mainly rent of buildings) amounted to € 19.0 m (2021: € 20.7 m). Cash flows from option exercises amounted to € 0.3 m. In the previous year, the high level of cash flow provided by financing mainly related to a capital increase in connection with the US listing at NASDAQ stock exchange in November 2021 (€ 403.1 m).

The impact of exchange rate movements on cash and cash equivalents in 2022 was € (19.0) m (2021: € (0.1) m).

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

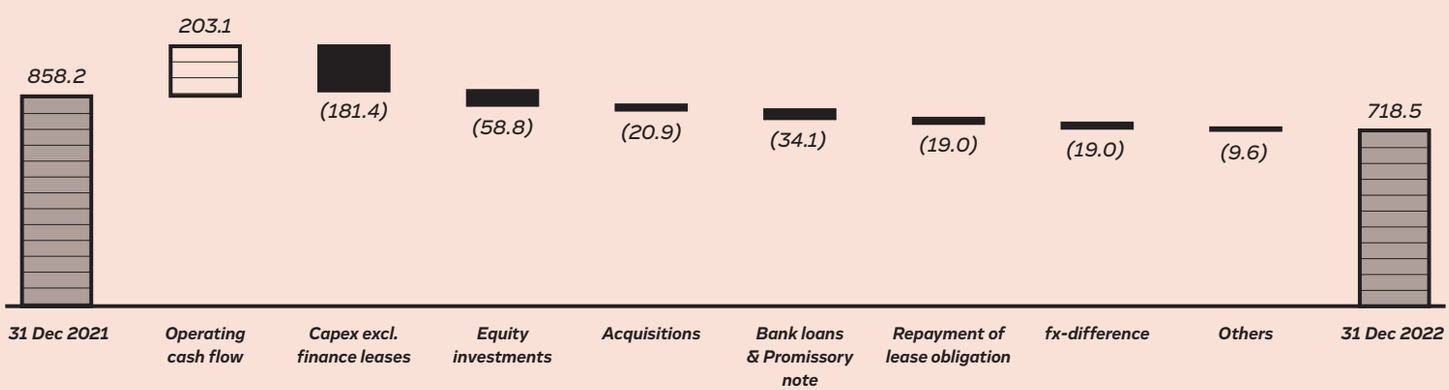
in €k

	2021	***2022***	***Variance***
Net cash provided by (used in)			
- Operating activities	122,237	**203,106**	80,869
- Investing activities	(243,855)	**(415,823)**	(171,968)
- Financing activities	398,430	**(52,414)**	(450,844)
Net increase/decrease in cash and cash equivalents	**276,812**	**(265,131)**	**(541,943)**
Exchange rate difference	(66)	**(19,040)**	(18,974)
Cash and cash equivalents			
- At beginning of year	422,580	**699,326**	276,746
- At end of year	**699,326**	**415,155**	**(284,171)**
- Investments	158,908	**303,334**	144,426
Liquidity at end of year	**858,234**	**718,489**	**(139,745)**

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

LIQUIDITY DEVELOPMENT

in €m



— MULTIPLE-YEAR OVERVIEW FINANCIAL POSITION —

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

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

MULTIPLE-YEAR OVERVIEW OF FINANCIAL POSITION

in €k

	31 Dec 2018[1)]	*31 Dec 2019*[1)]	*31 Dec 2020*[1)]	*31 Dec 2021*	***31 Dec 2022***
Liquidity[2)]	149,449	320,022	481,930	858,234	**718,489**
Debt[3)]	114,465	463,099	491,965	512,917	**506,674**
Net liquidity	**34,984**	**(143,077)**	**(10,035)**	**345,317**	**211,815**
Current liabilities	196,275	178,955	208,459	324,516	**337,706**
Non-current liabilities	148,706	522,793	529,422	532,960	**732,357**
Total stockholders' equity	426,380	478,613	724,456	1,377,685	**1,187,184**
Total liabilities and stockholders' equity	**771,361**	**1,180,361**	**1,462,337**	**2,235,161**	**2,257,247**
Cash flow from operating activities	156,240	42,216	44,721	122,237	**203,009**
Cash flow from investing activities	(39,130)	(86,634)	(155,089)	(243,855)	**(415,823)**
Cash flow from financing activities	(77,764)	211,263	246,409	398,430	**(52,414)**
Movements in investments and fx-differences	18,947	3,728	25,867	99,492	**125,483**
Net increase/decrease in liquidity	**58,293**	**170,573**	**161,908**	**376,304**	**(139,745)**
Capital expenditures	27,867	31,322	99,072	118,943	**181,354**
Investment rate[4)]	30.8%	27.9%	50.5%	35.0%	**37.6%**
Capex to write-downs[5)]	144.5%	139.3%	378.2%	312.2%	**344.0%**
Net Debt Leverage (= Net liquidity/Adj.EBITDA)[6)]	(0.37)	1.16	0.09	(3.22)	**(2.08)**

[1)] 2018 - 2020 restated for IAS 19
[2)] Cash and cash equivalents and investments
[3)] Loan liabilities and lease obligations
[4)] Ratio Capex/Property, plant and equipment excl. ROU (IFRS 16)
[5)] Write-down (Depreciation) excl. IFRS 16
[6)] Considering IFRS 16

— LIQUIDITY —

Evotec ended the year 2022 with liquidity of € 718.5 m (2021: € 858.2 m). Cash and cash equivalents accounted for € 415.2 m and investments (corporate bonds and time deposits) for € 303.3 m of liquidity. Cash and cash equivalents can be accessed within a period of less than three months. The decrease in liquidity in 2022 resulted mainly from the significant investing cash-outflow.

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

MULTIPLE-YEAR OVERVIEW OF LIQUIDITY AS OF 31 DECEMBER

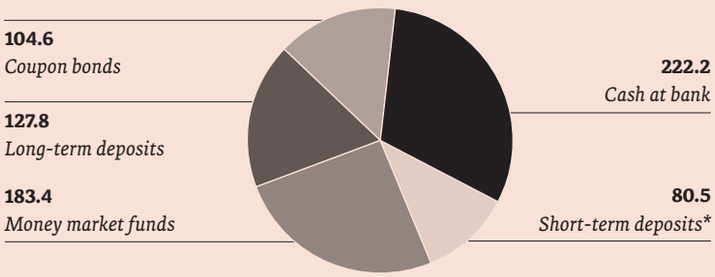
in €k

	2018	*2019*	*2020*	*2021*	***2022***
Cash and cash equivalents	109,055	277,034	422,580	699,326	**415,155**
Current investments	40,394	42,988	59,350	158,908	**303,334**
Total liquidity	**149,449**	**320,022**	**481,930**	**858,234**	**718,489**

Active liquidity management at Evotec is focused on funding the operational business and maintaining and preserving liquidity. At the same time, the Company seeks to maintain general flexibility and optimise returns. Evotec's cash and securities as well as other financial investments are held with several banks. The Company exclusively invests in liquid instruments with at least an investment grade rating (BBB- or better, Standard & Poor's ratings or equivalent). Only money market funds are allowed a maximum portion of 25% of sub-investment grade ratings, however these must be spread across several investors and are limited in size (max. € 5 m). All investments must be in line with Evotec's internal investment policy. As of 31 December 2022, the liquidity was diversified invested, short-term, in bank balances (€ 222.2 m), money-market funds (€ 183.4 m) and short-term deposits (€ 80.5 m) as well as in long-term deposits (€ 127.8 m) and in corporate bonds (€ 104.6 m) with a maturity of up to seven years. As a result, Evotec has sufficient flexibility to seize strategic growth opportunities and finance the construction of its second J.POD facility in France, continued growth in ongoing research activities and platforms, and future equity investments.

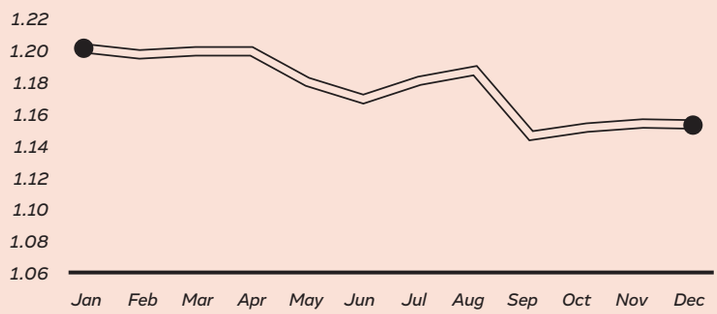
LIQUIDITY BY INVESTMENT TYPE

in €m



** short-term: maturity ≤ 3 months*

1 £ = x € ***GBP VS. EURO 2022***



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

Exchange rate development, interest rates and financing

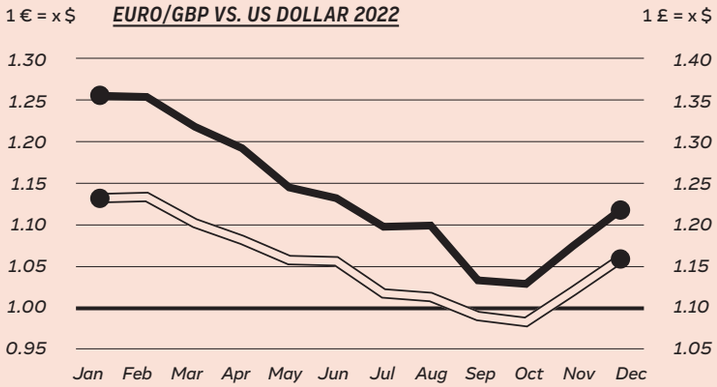
Evotec's financial performance is affected by currency movements and fluctuations in interest rates. Higher energy, raw material and logistic prices may affect, in particular, aspects of its integrated Chemistry Manufacturing and Controls ("CMC") business, and higher prices for laboratory materials may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

— FX-RATES/HEDGING —

The euro (€) to US dollar ($) exchange rate fluctuated in a broad range between $ 0.98 and $ 1.13 in 2022. After starting the year at $ 1.13, the euro constantly depreciated to $ 0.98 until end of October and then recovered until December, ending the year at $ 1.06. On average, euro to US dollar was 12% lower with $ 1.05 per euro in 2022 to $ 1.18 per euro in 2021.

The pound sterling (£) to Euro (€) exchange rate fluctuated between € 1.11 and € 1.19 in 2022. In the first half of 2022, the pound sterling depreciated from € 1.19 to € 1.16, then jumping shortly to € 1.20 to then drop to its low of € 1.14 by end of Q3, to increase during Q4 to € 1.16 and ending the year at € 1.15. The average exchange rate in 2022 was € 1.17 per pound sterling compared to € 1.16 in 2021.

1 € = x $ ***EURO/GBP VS. US DOLLAR 2022*** 1 £ = x $



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

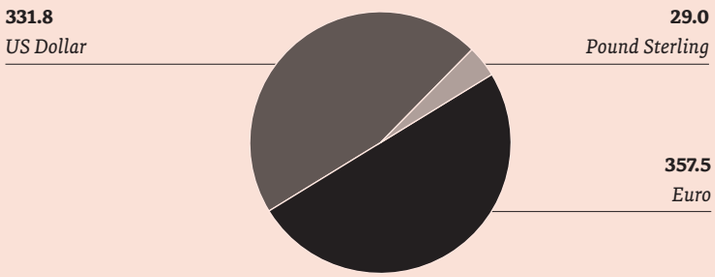
The Evotec Group is exposed to both translational and transactional foreign currency risks. The Company mainly uses foreign currency forward contracts to hedge its transaction exposures but does not apply hedge accounting.

Deposits are primarily held in the three major currencies in which the Group trades: euro, pound sterling and US dollar (see pie chart "Functional currency holdings" below). In 2022, 48% and 15% of Evotec's revenue and 24% and 18% of Evotec's operating cost was in US dollars and Pound Sterling, respectively. Therefore, the Group's foreign exchange risk mainly relates to these two currencies. Evotec uses foreign currency forward contracts and spot transactions to convert US dollars to Euros and Pound Sterling, mitigate this exposure and cover costs incurred in these currencies.

The currency holding in Euro increased to € 357.5 m at the end of 2021 (31 December 2021: € 369.7 m) and accounted for 50% of the Group Liquidity. The currency holding in US dollars decreased to € 331.8 m or 46% at the end of 2022 (31 December 2021: € 437.6 m). The currency holding in Pound Sterling was € 29.0 m or 4% as of 31 December 2022 (31 December 2021: € 50.9 m). Pound Sterling is kept to finance the growth of the UK sites.

FUNCTIONAL CURRENCY HOLDINGS

in €m



The significantly stronger US dollar exchange rate until September 2022 increased 2022 revenues significantly by € 39.6 m and Adjusted Group EBITDA by € 23.1 m compared with the prior year. The slight strengthening of Pound Sterling against the Euro during 2022 had an impact on revenues and costs of Evotec's UK sites after conversion into Euro. It had a positive

impact on revenues of € 1.0 m and a small negative impact on the operating income of € 0.1 m. Overall, currency fluctuations had a slightly negative impact of € 40.6 m on group revenues and of € 23.0 m on the Adjusted Group EBITDA.

The Company mostly uses its foreign currency holdings for operational purposes in the same currency. In order to protect itself against adverse currency movements, Evotec entered into forward contracts, selling US dollars against Pound Sterling and Euros. This resulted in realised foreign exchange losses of € 33.7 m and an unrealised gain of € 9.4 m in 2022 (2021: realised gain of € 1.4 m and an unrealised loss of € 8.6 m). The economic hedging relationships are not recognized as hedging relationships in the consolidated financial statements.

As of 31 December 2022, the Company held derivative financial instruments in the amount of € 374.4 m (31 December 2021: € 302.5 m), of which € 324.8 m in forward contracts selling US dollars for Euro, € 41.4 m selling US dollars for Pound Sterling, and € 8.2 m in forward contracts selling Euros for Pound Sterling. These forward contracts have a maturity of up to 16 months. The increase in forward contracts as per 31 December 2022 resulted mainly from hedging a portion of the $ 200 m prepayment received from BMS for the extension and expansion of the collaboration in the field of Protein Degradation.

Interest rates
Driven by high inflation rates, the European Central Bank ("ECB") was forced to end its long-lasting policy of low interest rates in the EU. The ECB's interbank interest rate (3-month Euribor) turned positive during 2022 and increased steeply from -0.57% to +2.13% during the year.

The main impact of increased interest rates on the financial performance of Evotec is an increase in interest income received on cash deposits and short-term investments. In addition, interest expenses paid on bank loans with variable interest also increased as well as potential future debt financing. As per 31 December 2022, 80% of Evotec's bank loans had a fixed interest rate.

— DEBT/NET DEBT —

Net cash position maintained
The Company also makes use of bank loans as a tool to manage its short-to-long-term liquidity. Compared with 31 December 2021, total bank loans decreased by € 32.6 m to € 329.9 m as of 31 December 2022 (2021: € 362.5 m). All bank debt was denominated in Euros. The 3-year tranche of the promissory note ("Schuldscheindarlehen") of € 35 m was repaid in June as scheduled.

As a result of the reduced net cash position the net debt ratio remained (negative) at (2.0) in relation to Adjusted Group EBITDA (2021: (3.2)x Adjusted Group EBITDA). The ratio amounts to (4.6)x Adjusted Group EBITDA (2021: (5.5)x Adjusted Group EBITDA) when taking effects of IFRS 16 into account, i.e. the effects of additional depreciation and amortization from rights of use and additional lease liabilities. All financial covenants in the loan agreements were therefore complied with.

—CAPITAL EXPENDITURE AND DEPRECIATION —

Increased investments in upgrading and expanding Evotec's platforms
Capital expenditure rose significantly as planned to € 181.4 m in 2022 (2021: € 118.9 m), mainly driven by the expansion of both process development and production capacity of the J.POD Redmond (WA), US, as well as the construction works and equipment purchases for J.POD Toulouse, France. In addition, major investments were made to support continued growth and maintain the highest technology and infrastructure standards for scientific operations. Other examples were the expansion of our PanOmics capacities in line with the increasing demand from partnerships in this highly strategic field, in Göttingen, Munich and Toulouse. In order to support ongoing high growth rates of the End-to-End R&D business, investments in facilities expansion to host core scientific operations such as in vitro biology, DMPK, chemistry and safety assessment have been delivered in 2022, thus enabling efficient expansion in Abingdon, Göttingen, Toulouse and Verona. From an energy-efficiency and sustainability perspective, we were pleased to invest in the conversion from a traditional gas boiler to the TED (Toulouse Energie Durable) network in Toulouse, saving both short term costs and as much as 2,000 tonnes of CO_2 emissions annually. Finally, as part of a multi-year programme of investments, we continued to deploy capex to expanding, upgrading and digitising supporting administrative tools and systems in order to efficiently support and optimise future growth and scalability.

Depreciation of property, plant and equipment amounted to € 72.7 m (2021: € 55.6 m), mainly due to higher investments. Of this amount, € 19.0 m can be attributed to IFRS 16 and the related rights of use (2021: € 17.5 m).

ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

— CAPITAL STRUCTURE —

Solid equity ratio of 53%
In 2022, Evotec's share capital increased by 0.2% to € 177.0 m (31 December 2021: € 176.6 m) and additional paid-in capital by 0.7% to € 1,440.0 m (31 December 2021: € 1,430.1 m) due to exercised stock options.

The net loss was the main reason for the decrease in stockholders' equity of € 190.5 m to € 1,187.2 m as of the end of 2022 (31 December 2021: € 1,377.7 m).

At the Annual General Meetings in 2017 and 2020, contingent capital amounting to € 6.0 m and € 1.2 m, respectively, was approved for use in the share performance plans and the restricted shares plan. In 2022, a total of 344,458 shares (2021: 1,195,954 shares) were issued from conditional capital for exercised Share Performance Awards ("SPA"). During the first quarter of 2022, a total of 282,519 SPAs (2021: 285,075) were granted to the Management Board and key employees. These awards could result in a maximum of 565,038 bearer shares (2021: 570,150) being issued at maturity after four years. In 2022, an additional 186,187 restricted share awards ("RSA") (2021: 323,635) were granted to key employees and management board, which could result at the most in the same number of bearer shares being issued at maturity.

As of 31 December 2022, the total number of awards granted for future exercise amounted to 1,504,638 (2021: 1,325,450), approximately 0.9% of issued shares in 2022 and 0.8% in 2021.

As a result, Evotec's equity ratio changed significantly to 52.6% at the end of 2022 (2021: 61.6%).

— ASSETS AND LIABILITIES —

CONDENSED BALANCE SHEET
in €k

	2021	***2022***	*Variance*
Cash, cash equivalents and investments	858,234	**718,489**	(139,745)
Trade accounts receivables incl. related parties	134,721	**171,799**	37,078
Inventories	25,793	**29,825**	4,032
Other current assets	82,192	**153,558**	71,366
Deferred tax assets	17,359	**10,327**	(7,032)
Property, plant and equipment	484,597	**650,201**	165,604
Intangible assets, excluding goodwill	30,851	**23,819**	(7,032)
Goodwill	257,569	**274,819**	17,250
Long-term investments	268,793	**131,042**	(137,751)
Equity investments and other long-term investments	13,068	**16,043**	2,975
Other non-current assets	61,984	**77,325**	15,341
Total assets	**2,235,161**	**2,257,247**	**22,086**
Current maturities of loans and finance leases	50,609	**16,381**	(34,228)
Trade accounts payable	72,598	**97,277**	24,679
Current provisions	39,260	**54,410**	15,150
Current contract liabilities	112,061	**122,922**	10,861
Other current liabilities	49,988	**46,716**	(3,272)
Long-term loans and finance leases	462,308	**490,293**	27,985
Non-current provisions	18,021	**16,427**	(1,594)
Non-current contract liabilities	33,476	**206,136**	172,660
Other non-current liabilities	19,155	**19,501**	346
Total stockholders' equity	1,377,685	**1,187,184**	(190,501)
Total liabilities and stockholders' equity	**2,235,161**	**2,257,247**	**22,086**

— CURRENT AND NON-CURRENT ASSETS —

The Company's total assets rose by € 22.1 m to € 2,257.2 m as of 31 December 2022 (2021: € 2,235.2 m). An increase in property, plant and equipment other current assets and trade accounts receivables was partly offset by a reduction in long-term investments as a result of measurement losses from the investment in Exscientia plc and a decrease in cash and cash equivalents.

Liquidity, which consists of cash and cash equivalents and investments, decreased by € 139.7 m to € 718.5 m (31 December 2021: € 858.2 m). The decrease in liquidity mainly resulted from the significant investments in property, plant and equipment, associated companies as well as the acquisition of Rigenerand.

Trade accounts receivable including accounts receivable from related parties and joint ventures included a high level of invoices, including milestones and prepayments that were invoiced very close to year end, and therefore could only be paid in early 2023. The significant increase in base revenues of 30% is also depicted in the trade accounts receivables which rose from € 134.7 m on 31 December 2021 to € 171.8 m as of 31 December 2022.

Inventories as per 31 December 2022 amounted to € 29.8 m, an increase of € 4.0 m compared to 31 December 2021 (€ 25.8 m). This increase related mainly to the Just – Evotec Biologics in US with its J.POD facility being fully operational in 2022 with € 18.2 m (31 December 2021: € 13.9 m).

Current tax receivables amounted to € 54.4 m as per end of 2022 and more than doubled compared to 31 December 2021 with € 23.4 m, mainly because of increased R&D tax credit receivables.

Prepaid expenses and other current assets increased from € 39.9 m as per 31 December 2021 to € 57.1 m as per 31 December 2022. This increase resulted mainly from prepaid expenses and VAT receivables.

Property, plant and equipment increased significantly by € 165.6 m to € 650.2 m in 2022 (31 December 2021: € 484.6 m). The increase was partially due to advance investments for site expansions (reported as construction in progress) which increased by € 75.4 m and related mainly to the J.POD facility in Toulouse. Fixed assets land and buildings increased by € 24.2 m and related primarily to the J.POD US facility and site expansion in Abingdon (UK) into building B95 and B114. The increase in plant and equipment of € 38.4 m resulted from the overall investments in laboratory equipment and infrastructure which clearly exceeded depreciation to support the continued growth of the Company and to maintain the highest technology and infrastructure standards. Right of use assets increased by € 23.3 m and were driven mainly by new rental agreements in Hamburg, Munich and Alderley Park.

Intangible assets decreased by € 7.0 m to € 23.8 m, mainly due to linear write-downs on the valuations of customer lists, technologies and trademarks from purchase price allocation. Goodwill increased by € 17.2 m to € 274.8 m, of which € 19.6 m was due to the acquisition of Rigenerand Srl (Evotec Modena) and the remaining difference resulted from foreign exchange movements.

Long-term investments and investments accounted for using the equity method decreased from € 281.9 m to € 147.1 m at 31 December 2022. This substantial decrease resulted primarily from a loss from fair value adjustments of Exscientia plc of € 174.7 m for Evotec's 14 million shares in this company. Exscientia plc's share price dropped significantly since 31 December 2021 from $ 19.76 to $ 5.33 as per 31 December 2022. Follow-up and new investments amounted € 62.6 m, and were partially offset by the share of losses from the investments of € 16.0 m.

Deferred tax assets decreased to € 10.3 m (31 December 2021: € 17.4 m) due to the usage of tax assets in Evotec International GmbH.

Other non-current assets amounted to € 77.3 m (31 December 2021: € 62.0 m), the bulk of which, or € 62.3 million, related to R&D tax credits in France.

— CURRENT AND NON-CURRENT LIABILITIES —

The current portion of loans decreased from € 36.1 m as of 31 December 2021 to € 1.6 m, as the three-year promissory note of € 35 m was repaid as scheduled. Current lease obligations came to € 14.8 m and remained stable versus 31 December 2021 (€ 14.5 m). Current trade accounts payable increased from € 72.6 m to € 97.3 m mainly due to invoices for capital expenditures at the J.POD facilities as well as general business growth. Current provisions increased from € 39.3 m to € 54.4 m, while current contract liabilities amounted to € 122.9 m (31 December 2021: € 112.1 m). Other current liabilities decreased to € 46.7 m (31 December 2021: € 50.0 m) mainly due a reduction in liabilities from forward contracts on foreign exchange.

The long-term portion of bank loans increased slightly by € 2.0 m to € 328.3 m as of 31 December 2022 (31 December 2021: € 326.3 m) mainly due to a € 2.1 m increase in the bpi loan facility related to J.POD Toulouse and € 1.3 m of new loans acquired with Rigenerand Srl (Evotec Modena). This was partially offset by regular repayments of long-term loans. Long-term lease obligations increased from € 136.0 m to € 162.0 m, driven by new rental contracts e.g. for the expansion in Munich, Hamburg and at Alderley Park (UK). Non-current contract liabilities amounted to € 206.1 m in 2022 (31 December 2021: € 33.5 m) and increased mainly due to the $ 200 m upfront payment received from BMS for the extension and expansion of the collaboration in protein degradation.

— WORKING CAPITAL —

The Company's working capital turned positive and changed from € (31.2) m as of 31 December 2021 to € 33.9 m as of 31 December 2022. The increase in trade accounts receivables and other current assets exceeded the increase in trade accounts payable and current provisions and contract liabilities.

WORKING CAPITAL CALCULATION
in €k

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

	2021	***2022***	*Variance*
Trade accounts receivables incl. related parties	134,721	**171,799**	37,078
Inventories	25,793	**29,825**	4,032
Other current assets	82,192	**153,558**	71,366
Current Assets	**242,706**	**355,182**	**112,476**
Trade accounts payable	72,598	**97,277**	24,679
Current provisions	39,260	**54,410**	15,150
Current contract liabilities	112,061	**122,922**	10,861
Other current liabilities	49,988	**46,716**	(3,272)
Current Liabilities	**273,907**	**321,325**	**47,418**
Working Capital	**(31,201)**	**33,857**	**65,058**

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

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

Other commitments and contingencies consist of consultancy agreements, purchase commitments and guarantees. The future payment obligations resulting from long-term commitments and contingencies total € 22.1 m (31 December 2021: € 9.5 m). Please see section 32b of the Notes to the Consolidated Financial Statements.

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

MULTIPLE-YEAR OVERVIEW OF BALANCE SHEET STRUCTURE

in €k

	31 Dec 2018 [1)]	*31 Dec 2019 [1)]*	*31 Dec 2020 [1)]*	*31 Dec 2021*	***31 Dec 2022***
Cash, cash equivalents and investments	149,449	320,022	481,930	858,234	**718,489**
Trade accounts receivables incl. related parties	48,030	83,616	87,896	134,721	**171,799**
Inventories	5,660	10,749	13,585	25,793	**29,825**
Deferred tax assets	42,807	33,779	24,392	17,359	**10,327**
Property, plant and equipment	90,519	239,229	337,297	484,597	**650,201**
Intangible assets, excluding goodwill	122,989	116,994	98,036	30,851	**23,819**
Goodwill	220,791	255,919	247,370	257,569	**274,819**
Other assets[2)]	91,116	120,053	171,831	426,037	**377,968**
Total assets	**771,361**	**1,180,361**	**1,462,337**	**2,235,161**	**2,257,247**
Loans and finance leases	114,465	463,099	491,965	512,917	**506,674**
Trade accounts payable	31,137	31,319	42,549	72,598	**97,277**
Provisions	45,943	53,553	62,579	57,281	**70,837**
Contract liabilities	112,228	104,852	88,914	145,537	**329,058**
Other liabilities[3)]	41,208	48,925	51,874	69,143	**66,217**
Total stockholders' equity	426,380	478,613	724,456	1,377,685	**1,187,184**
Total liabilities and stockholders' equity	**771,361**	**1,180,361**	**1,462,337**	**2,235,161**	**2,257,247**
Working capital[4)]	(37,014)	(6,581)	(1,537)	(31,201)	**33,857**
Current ratio[5)]	1.27	2.62	3.16	3.39	**3.18**
Receivables turnover[6)]	7.82	5.34	5.70	4.59	**4.37**
Intangibles and goodwill to total assets	44.6%	31.6%	23.6%	12.9%	**13.2%**
Provisions to total liabilities and stockholders' equity	6.0%	4.5%	4.3%	2.6%	**3.1%**
Equity ratio	55.3%	40.5%	49.5%	61.6%	**52.6%**

[1)] 2018 – 2020 restated for IAS 19

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

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

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

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

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

Evotec SE

The management report of Evotec SE and the Group management report for the financial year 2022 have been combined pursuant to section 315 paragraph 5 of the German Commercial Code in conjunction with section 298 paragraph 2 sentence 1 of the German Commercial Code. In addition to the Evotec Group reporting, Evotec SE's net assets, financial position and results of operations as well as its development are described below. The economic situation is presented in a condensed form. Evotec SE's complete statutory financial statements in accordance with the German Commercial Code and the consolidated financial statements are published in the German Federal Gazette.

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

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

FINANCIAL PERFORMANCE INDICATORS

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

2022 FINANCIAL PERFORMANCE INDICATORS COMPARED WITH FORECAST

	Forecast Annual Report 2021	***Actual result***
Revenues	Single-digit percentage decrease	**6.6%**
Adjusted EBITDA	Adjusted EBITDA for the SE in a range of between € (20) m and € (30) m	**€ (1.1) m**
Liquidity	Slightly above € 400 m at the end of the year	**€ 297.5 m**

As stated in the outlook section of the 2021 management report of Evotec SE, a single-digit percentage decrease in revenues was expected for the financial year 2022. Evotec SE ended the financial year 2022 with revenues of € 87.4 m (2021: € 82.0 m). This is above the expected level and represents an increase of 6.6% compared to 2021. The increase in revenues was mainly driven by a milestone payment of € 3.0 m (2021: € 0.5 m) and revenues with CHDI of € 15.2 m (2021: € 12.9 m).

Adjusted EBITDA amounted to € (1.1) m (2021: € (11.2) m) and therefore exceeded expectations. This is primarily due to realised and unrealised currency gains of € 57.2 m (2021: € 33.8 m) as well as a 6.6% revenue increase compared to the previous year.

At the end of the year, the liquidity was € 297.5 m. Compared with the previous year (€ 591.1 m) and the forecast (slightly above € 400 m), the difference is mainly due to the cash outflow from capital increases and investments, transaction costs, the repayment of loans, and funds provided to subsidiaries.

RESULTS OF OPERATIONS

— REVENUES —

In 2022, total revenues of Evotec SE amounted to € 87.4 m, an increase of € 5.4 m or 6.6% compared with the previous year (€ 82.0 m). Revenues mainly comprised drug discovery revenues and milestone revenues.

Third party revenues including milestones rose from € 14.6 m in 2021 to € 19.2 m in 2022, an increase of € 4.6 m. In 2022, the Company generated milestone revenues of € 3.0 m, which corresponds to an increase of 600% compared with the previous year (2021: € 0.5 m). Intercompany revenues slightly increased from € 67.5 m in 2021 to € 68.0 m in 2022.

In 2022, the three largest customers (Evotec International GmbH, CHDI Foundation Inc, Bayer AG) contributed 99.5% to total revenues (2021: 82.0%).

— NET RESULT —

Evotec SE ended the financial year 2022 with a net loss of € 17.0 m.

The Adjusted EBITDA for 2022 amounted to € (1.1) m (2021: € (11.2) m).

In 2022, other operating income rose by € 12.2 m to € 58.2 m (2021: € 46.0 m) and mainly reflect currency gains of € 57.2 m.

The cost of materials decreased by € 7.1 m from € 23.0 m in 2021 to € 15.9 m in 2022. This is mainly due to purchased services, which fell by € 7.0 m to € 2.7 m in 2022 (2021: € 9.7 m).

in €k	2021	2022
Net loss	(27,798)	**17,038**
– Taxes on income	(27)	**(6)**
– Interest income	(8,168)	**(13,487)**
– Interest expenses	6,290	**9,692**
– Depreciation of tangible assets	4,075	**4,824**
– Amortization of intangible assets	311	**717**
– Amortization of financial assets and securities classified as current assets	14,131	**14,180**
Adjusted EBITDA[1)]	**(11,186)**	**(1,118)**

[1)] Regarding the definition, please refer to the "PERFORMANCE MANAGEMENT - financial performance indicators" chapter of this Combined Management Report

Personnel expenses increased by € 8.8 m from € 45.4 m in 2021 to € 54.2 m in 2022. The increase is mainly due to the increased number of employees because of the company growth.

Other operating expenses rose by € 8.8 m from € 81.9 m to € 89.7 m. The increase was mainly driven by the costs of foreign currency translation (€ 34.1 m). The decrease in fees of € (25.9) m compared with 2021 is mainly due to expenses related to the listing in the US.

Income from investments increased by € 5.4 m from € 7.6 m in 2021 to € 13.0 m in 2022. The 2022 dividend payments from affiliated companies related to Evotec (France) SAS (€ 7.0 m) and Evotec ID (Lyon) SAS (€ 6.0 m).

In the financial year 2022, income from other securities increased by € 4.7 m to € 9.5 m (2021: € 4.8 m). This increase is mainly due to interest income on loans granted to subsidiaries of € 1.9 m as well as interest income on short-term investments of € 2.8 m.

Interest expenses increased from € 6.3 m to € 9.7 m year-on-year, mainly due to the sale of two swaps (€ 5.1 m).

NET ASSETS AND FINANCIAL POSITION FINANCING AND FINANCIAL STATUS

The total assets of Evotec SE amounted to € 1,285.7 m (2021: € 1,340.9 m) at the financial year end.

— LIQUIDITY AND FINANCING —

As of 31 December 2022, liquidity decreased by € 293.6 m to € 297.5 m (2021: € 591.1 m). The decrease is mainly due to a capital increase at Just – Biologics EU SAS of € 52.0 m, equity investments of € 43.7 m, costs related to acquisitions of € 37.2 m, repayments of promissory notes of € 35.0 m, and the financing of affiliated companies of € 35.0 m.

The net cash outflow from operating activities amounted to € 41.2 m (2021: net cash outflow of € (12.7) m). The main cash flow of € 133.1 m primarily resulted from intercompany payments, of which € 70.1 m came from Evotec International GmbH, as contracts are preferably concluded with Evotec International GmbH. The cash outflow of € 174.3 m was mainly driven by personnel expenses (€ 58.1 m) and general expenses (€ 98.6 m).

The net cash outflow from investing activities amounted to € 159.0 m (2021: € 19.6 m) and consisted mainly of capital expenditures of € 12.9 m (2021: € 4.1 m), new equity investments of € 43.7 m (2021: € 13.7 m), and costs related to acquisitions of € 37.2 m for acquired investments as well as the participation in the financing rounds of existing investments.

The net cash outflow from financing activities amounted to € 118.7 m (2021: € 335.1 m) and mainly comprised the repayment of promissory notes of € 35.0 m (2021: € 6.3 m) and of intercompany loans of € 35.0 m.

The effects of exchange rate changes on liquidity amounted to € 25.8 m (2021: € 9.1 m). These resulted mainly from the significant depreciation of the euro versus the US dollar in 2022, which had an impact of € 26.5 m, and an offsetting GBP effect of € 0.7 m.

NET ASSETS

— CAPITAL STRUCTURE —

The total share capital increased by € 0.3 m to € 176.9 m. In 2022, 344,458 shares from share performance awards ("SPAs") from Evotec Group employees and members of the Management Board, as well as former Evotec Group employees and former members of the Management Board (2021: 1,195,954 SPAs) were converted into Evotec shares by using conditional capital. As of 31 December 2022, Evotec SE held 249,915 treasury shares (unchanged versus 2021).

In 2022, total equity decreased by € 16.7 m to € 935.6 m (2021: € 952.3 m), mainly due to the net result. As of 31 December 2022, Evotec SE reported an increased equity ratio of 72.8% (2021: 71.0%).

— NET ASSETS AND LIABILITIES —

The financial assets include shares in affiliated companies, loans to affiliated companies, investments and loans to investments. In 2022, the financial assets increased by € 178.6 m and amounted to € 758.3 m as of 31 December 2022 (2021: € 579.7 m). New loans to affiliated companies of € 42.2 m relate to Just – Evotec Biologics, Inc. The purchase of investments amounted to € 131.9 m (2021: € 13.7 m). Thereof, € 60.0 m related to new investments, primarily in Sernova Corp. Ontario (€ 20.3 m), and the expansion of existing investments in affiliated companies (€ 71.9 m), mainly in the subsidiary Just – Evotec Biologics EU SAS.

Compared with 31 December 2021, receivables and other assets increased by € 49.7 m to € 196.0 m. This increase is mainly due to the increase in receivables from affiliated companies by € 22.4 m as well as the increase in short-term investments (time deposits) in foreign currency by € 29.7 m to € 65.6 m.

As a result of new investments, securities increased by € 15.8 m to € 272.3 m compared with the previous year.

Cash and bank balances decreased by € 310.3 m to € 25.3 m compared with the previous year (€ 335.6 m). This cash was used for investments, securities and loan repayments.

In 2022, other provisions rose by € 2.7 m from € 19.7 m to € 22.4 m. This increase resulted mainly from higher provisions for outstanding invoices, primarily in conjunction with advisory services.

In 2022, Evotec SE's liabilities to banks decreased by € 36.1 m to € 318.2 m (2021: € 354.3 m). This difference is primarily due to the repayment of the three-year tranche of the promissory note of € 35.0 m.

Trade accounts payable decreased by € 6.5 m to € 4.4 m (2021: € 10.9 m).

GENERAL STATEMENT ON EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

In 2022, Evotec SE achieved a solid performance with an increase in revenues of 6.6%, which is above the forecast. External revenues exceeded those achieved in 2021 of € 14.6 m, mainly due to a milestone payment from Bayer AG of € 3.0 m. Intercompany revenues slightly increased from € 67.5 m in 2021 to € 68.0 m in 2022.

The Adjusted EBITDA for 2022 amounted to € (1.1) m (2021: € (11.2) m). The increase is due to realised and unrealised currency gains as well as a revaluation of securities.

OUTLOOK FOR EVOTEC SE

— EXPECTED OPERATING RESULTS —

For the financial year 2023, Evotec SE expects a single-digit percentage decline in revenues. This assumption is based on the effects of the temporary interruption of research and production activities as a result of the cyber-attack, current orders on hand, foreseeable new orders, the extension of contracts as well as prospective milestone payments. Despite the positive development of the Evotec Group, the Adjusted EBITDA of Evotec SE is expected to be in a range of between € (40) m and € (50) m, as the Evotec SE mainly bears the costs for strategy developments, technology expansions and other general costs of a parent company. Currently, the direct financial impact of the cyber-attack on 6 April 2023 cannot yet be finally estimated. The temporary interruption of research and production activities causes a reduction in expected revenue, and a full recovery in the current financial year is uncertain. According to current expectations, there will be no impact on net income due to the existing insurance.

— EXPECTED LIQUIDITY —

The strong liquidity position provides a solid foundation that will allow the Company to further strengthen its strategic position in the market for drug discovery and development, support the building of the "facility of the future", and increase shareholder value. In 2023, the liquidity of Evotec SE is expected to decrease to just below € 230 m, as Evotec SE will support its subsidiaries with cash funds, including for the building of the second J.POD in Toulouse and the scale-up of existing technology platforms. In addition, the Company has plans to invest in information technology and the fitting-out of buildings.

At the end of 2022, Evotec was able to secure an additional financing with the EIB of € 150 m. As of year-end, there have not been any draws on the facility.

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

Sustainable business development

The integration of sustainability and environmental, social and governance (ESG) criteria with the Company's business processes and strategy is of vital importance to the Evotec Group and is an essential component of the Company's way of doing business. For Evotec, sustainability means effectively combining economic success with ecologically, socially, and ethically responsible activities. This commitment comes with the constant effort to refine a long-lasting business model. It also includes reviewing the Company's activities in terms of relevant standards and frameworks, regulations, and stakeholders in the broadest sense (including partners, employees, and rating agencies). In this way, Evotec assumes responsibility for current and future generations and at the same time secures the basis for its long-term commercial success.

Our efforts, in cooperation with our partners, to discover, develop and manufacture medicines that matter, thereby positively impacting patients' lives with cures and access to new therapies, is our contribution to the stabilisation of societies, economies, and healthcare systems around the world. The claim *#researchneverstops* therefore expresses our ambition to act sustainably in every aspect of our activities to fulfil this purpose.

For a detailed overview of Evotec's sustainability strategy, its implementation and the Company's ESG performance, please see Evotec's "Sustainability Report 2022". The report provides a new level of ambition and transparency to a broad range of environmental, social and governance topics in business fields such as global health, employment, training, and education of Evotec's people, diversity, equity and inclusion, health and safety of employees, resource management, climate change, as well as compliance, ethical topics, supply chain and others. It is available on the Evotec website under the following link:
https://www.evotec.com/en/investor-relations/publications.

— EMPLOYEES —

Headquartered in Hamburg, Germany, the Evotec Group employs 4,952 people around the globe as of 31 December 2022 (2021: 4,198 employees), which corresponds to a total increase of 18% compared with the prior year's end. Overall, the number of employees grew by 754 (absolute number) in 2022 (2021: 626 employees). Evotec's double-digit growth is shaped decisively by the expertise, passion, and skill of all employees at all levels both in Europe and in the US. Focusing on human capital therefore increases the Company's capacity on innovation and continued best-in-class services for its partners and customers.

As of 31 December 2022, Evotec SE had a total of 696 employees (2021: 614[1)] employees), which corresponds to a total increase of 13.5% compared with the prior year's end. 94% or 654 were permanent employees (2021: 563 employees; 92%). This growth reflects the continued organic growth. In total, Evotec SE grew by 82 employees (absolute number) in 2022.

— DIVERSITY —

With its commitment to the German "Charta der Vielfalt" ("Diversity Charter") and its seven dimensions, Evotec continues to work on becoming an even more attractive and diverse employer. In 2022, we strengthened our commitment to foster diversity, equity and inclusion by joining the Proud Science Alliance.

By the end of 2022, employees of 91 different nationalities worked at Evotec. The average age of Evotec's employees at the end of 2022 was 38.2 years, and 1.70% of the Company's employees have a recognized disability.

Regarding gender diversity, 53.9% of Evotec's global workforce are women. In 2022, the proportion of women in senior executive management positions, two levels below the Board, reached 31.4%.

— TRAINING AND EDUCATION —

More than 80% of Evotec's employees having an academic background, out of a total of 2,937 employees who have shared their educational information. Evotec is convinced that growth is only possible through the continuous learning and development of its people. To offer them the best growing opportunities with comprehensive and coordinated support, Evotec has a dedicated Center of Expertise (CoE) for Global People Development, within the Global HR function which takes care of this. The Global People Development team provides global learning and development approaches aligned with the Company's strategy, global business needs and a long-term vision.

To succeed in this ambition, Evotec's learning culture encourages each employee to take ownership of their development on the job, through interactions with others and through training. The Company follows the 70/20/10 (on the job/from others/in training) learning approach. A training platform was launched in 2022 called **EVO***academy*. Through this platform, embedded in our working platform Workday, Evotec offers a catalogue of internal and external training courses encouraging knowledge. It promotes

1) This number has been corrected from a previous disclosed number of 563.
2) Number of nationalities is based on information from all operating countries except the United States.

the exchange of knowledge as well as the possibility of recording the acceptance of this offer by employees, which allows conclusions to be drawn with regard to the development of employees.

Training programmes provided inside or outside the **EVO***academy*, depending on the country of operations and type of training, include: **EVO***lead* – Leading Self & Others, **EVO***talk* training, SBI ("Situation, Behavior, Impact") feedback training, Individual 1-to-1 coaching, Policy training, EHS training and Language courses (English, German, Italian, French).

— HEALTH AND SAFETY —

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

— ENVIRONMENT —

Evotec has responded to the Science Based Target initiative's (SBTi) urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign in 2021. Evotec's has committed to set near- and long-term company-wide emission reductions in line with science-based net-zero with the SBTi.

In 2022, Evotec started the development of its GHG emissions inventory, target reductions and roadmap. By end of 2022, Evotec's targets were finalised and approved by both our Management and Supervisory Board.

The agreed targets are that Evotec commits to reduce absolute Scope 1 and 2 GHG emissions by 50% by 2032 from a 2021 base year. Evotec SE also commits to increase annual sourcing of renewable electricity from 25% in the base year to 100% by 2026. Furthermore, Evotec SE has committed to reduce its Scope 3 emission intensity - measured in emissions per euro of sales - arising from externally sourced goods, services and capital goods by 72% over the same period. Evotec also commits to getting 80% of its suppliers to commit to SBTi targets by 2027.

In accordance with SBTi procedure, Evotec's targets were submitted for review within the time frame of 24 months in January 2023. Approval of target submission is pending from SBTi technical experts.

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

Evotec publishes as part of its Sustainability Report a non-financial Group Report in accordance with section 289c and section 315c of the German Commercial Code. This report can be found on Evotec's website in the "IR & ESG" section under "Publications".

Post-balance sheet events

On 7 February, Evotec announced that the Supervisory Board has appointed Laetitia Rouxel as new Chief Financial Officer and member of the Management Board effective 1 April 2023. She will take over from Enno Spillner whose contract will expire after more than six years with Evotec at the end of March and who will pursue new opportunities.

On 6 April 2023, the Group suffered from a criminal cyber-attack that targeted many of Evotec's operations which caused disruptions to many of its IT systems in several countries and temporarily stopped or reduced the research and production activities. The Group has been working relentlessly and prompt actions were taken to contain the incident, mitigate its impact and to return the operations to normal as soon as possible. Operations recovered within days however it is possible that there may be a significant impact on the Group's 2023 financial performance. The Group is currently assessing the estimated impacts this criminal action may have on the Group's operations. The financial impacts are expected to be partially mitigated by the Group's business interruption insurance, however due to the early stage of discussions with insurers the expected amount of reimbursement cannot be determined at this time.

As a result of the cyber-attack, a delay in external reporting occurred, which has led to a likely temporary exclusion from the indices of the Frankfurt Stock Exchange. Evotec expects to rejoin the relevant indices after the next regular review of admission requirements by Deutsche Börse.

Risk and opportunity management

GROUP WIDE RISK MANAGEMENT

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

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

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

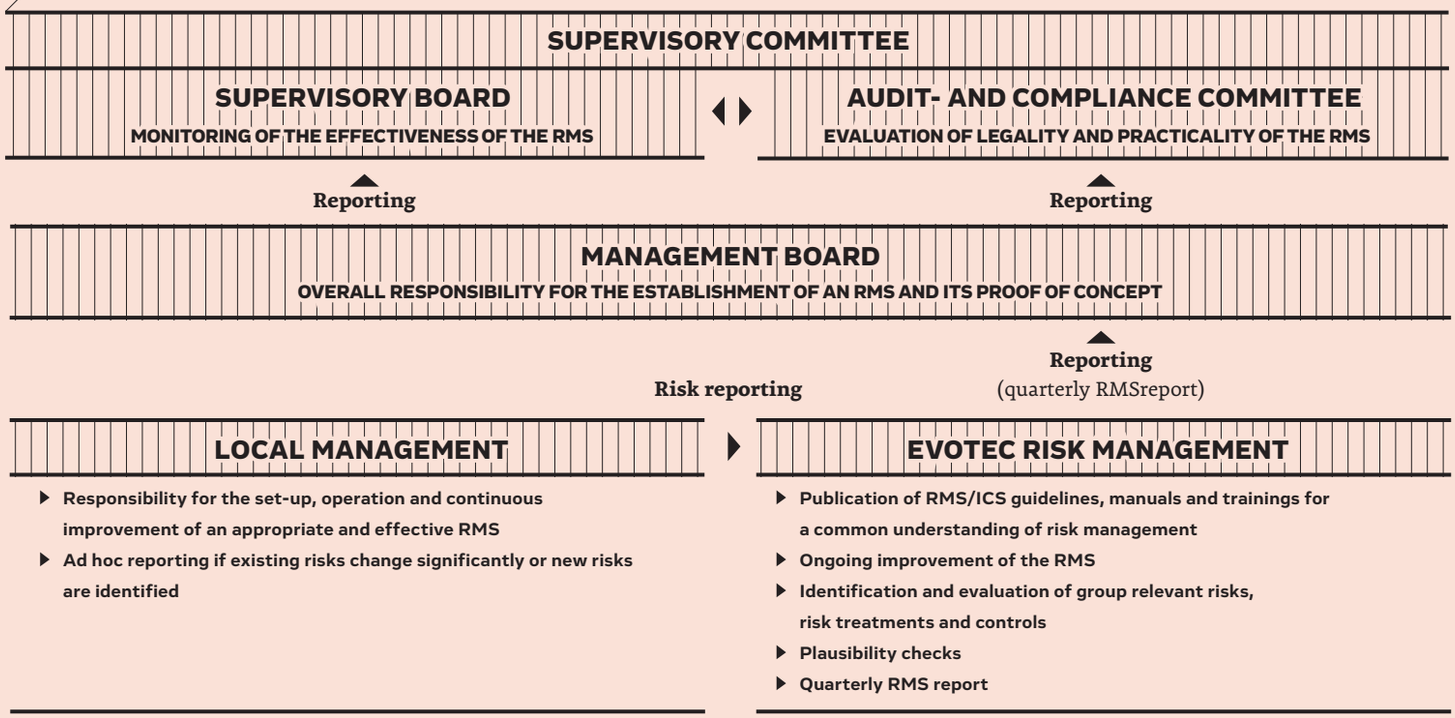
BASIC ELEMENTS OF THE RISK MANAGEMENT SYSTEM

The Company's risk management system in accordance with Section 91 paragraph 3 of the German Stock Corporation Act ("AktG") is attuned to the early detection, assessment, and management of major risks, in particular those that may threaten its existence. Thanks to extensive, continuous analysis and monitoring of individual risks, Evotec can weigh operational and economic parameters and initiate specific measures to mitigate or entirely prevent the potential negative impact of risks.

Evotec's Management Board assumes the responsibility for the risk management system and the underlying cornerstones of risk policy and strategy. The group-wide coordination, implementation and development of the risk management system is handled by the Group's risk management department, which routinely reports directly to the Chief Financial Officer (CFO). The risk reports are also presented on a quarterly basis to the Audit and Compliance Committee.

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

RISK MANAGEMENT STRUCTURE AND DUTIES



Risk detection

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

Risk assessment

Risks are assessed based on two criteria: probability of occurrence and potential damage. As a basic standard, all risks are evaluated on a gross (i.e., before the consideration of response measures) and a net (i.e., remaining risks after existing and risk response measures) risk basis in order to display the effectiveness of risk response activities. The evaluation is based on the potential cash impact and will be adjusted continuously considering Evotec's risk bearing ability. This also includes compliance and reputational risks which could adversely affect Evotec´s financial performance but also risks that could jeopardize our sustainability-related goals. Evotec`s risk management therefore also takes non-financial risks into account. These are risks that initially have no direct impact on liquidity, but nevertheless have a negative impact on the achievement of the Company`s objectives.

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

PROBABILITY OF OCCURRENCE

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

POTENTIAL FINANCIAL IMPACT ON LIQUIDITY

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

In due consideration of corporate strategy and development, the Company reviews the levels of probability of occurrence and financial impact once a year to see if any changes need to be made. In 2022, neither risk classes nor risk categories needed to be adjusted.

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

Risk management

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

Risk reporting

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

Risk monitoring

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

CONTROL AND MONITORING SYSTEMS

Evotec has implemented an early risk detection system and a risk bearing capacity model in accordance with section 91 paragraph 2 of the German Stock Corporation Act ("AktG") to ensure the legally required monitoring of essential business risks by the management board and supervisory board. This also includes an internal control system in accordance to Section 91 paragraph 3 of the German Stock Corporation Act ("AktG") in conjunction with Section 289 paragraph 4 and Section 315 paragraph 4 of the German Commercial Code ("HGB"). In addition, internal controls over accounting and financial reporting were introduced or expanded at the beginning of 2022 to ensure compliance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 (section 404).

Early risk detection system and risk bearing capacity model

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

Internal control system

Following our listing on the US stock exchange "Nasdaq" in 2021, at the beginning of 2022 we expanded our documentation of existing accounting-related internal controls to include the provisions of the Sarbanes-Oxley Act of 2002, Section 404 (SOX 404). Section 404 of the Sarbanes-Oxley Act (SOX) requires all publicly traded companies to establish internal controls and procedures over accounting and financial reporting and to document, test, and maintain those controls and procedures to ensure their effectiveness. The introduction of an internal control system in accordance with SOX 404 was essentially carried out in three phases: a SOX risk assessment and scoping, the identification and documentation of processes and controls as part of the scoping in order to be able to cover all risks with effective controls, and a testing of the controls in order to ensure the effectiveness of the implemented controls. Evotec's internal control system is based on the globally recognized "COSO 2013 Internal Control - Integrated Framework" defined by the COSO organization (Committee of Sponsoring Organizations of the Treadway Commission). The aim of the Company's internal control system is to minimize the occurrence of procedural risks to an acceptance level. This also includes ensuring proper and effective accounting and financial reporting in accordance with national and international accounting standards and laws. The accounting-based internal control system is designed in such a way that a timely, uniform and correct accounting entry of all business transactions based on applicable accounting standards is guaranteed. The results for the evaluation of the internal control system in accordance with the regulations of SOX 404 are published annually in the 20-F document that must be submitted to the United States Securities and Exchange Commission ("SEC").

All internal controls are defined and rolled out for all companies in scope with support of the Global Risk Management and Controls function in close coordination with the departments involved. The internal control system, including the accounting based internal control system, of Evotec comprises both process-integrated and process-independent protective measures. The process-integrated measures are organisational, automatic systems and controls that are built into structures and processes and ensure a certain level of protection. These measures include, amongst others:

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

Furthermore, internal guidelines and procedural instructions exist that regulate the implementation of process activities and controls and must always be complied with by the employees involved. The control mechanisms described apply both to the accounting processes on local and group level, which includes consolidation as well. In addition to

process-integrated measures, process-independent protective measures are conducted by the independent Global Internal audit function. This ensures the legally obligatory monitoring of the effectiveness of the internal control system by the Executive Board in accordance with § 107 paragraph 3 of the German Stock Corporation Act ("AktG"). Due to the additional obligations of SOX 404 the Internal Audit is responsible for performing an annual independent audit of the internal control system of financial reporting. The results for the evaluation of the internal control system in accordance with the regulations of SOX 404 are published annually in the 20-F document that must be submitted to the United States Securities and Exchange Commission ("SEC"). The Internal Audit function reports on a regular basis to the Chief Financial Officer and at least on a quarterly basis to the Audit and Compliance Committee on the results of the audits of the accounting-related internal control system. Despite this, internal controls can only provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with applicable legal requirements for external purposes.

OVERVIEW OF CURRENT RISK SITUATION

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

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

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

Evotec points out that an inevitable uncertainty in the risk assessment is implicit as risk assessments are subject to considerable estimations and require assumptions that cannot always be verified by past experience or external sources.

The table below is an overview of these risks.

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

[1)] *The risk of a cyber-attack has materialised post the cut-off date on 6 April 2023.*

Due to the net risk assessment, there may be an increase or decrease in the overall risk assessment solely due to the change in financial key figures that serve as the basis for assessing the risk. The statement on the development of the risk changes compared with the previous year is therefore not equivalent to an increase or decrease in the risk relevance for Evotec.

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

1. Strategic risks

The risk of **failure to achieve strategic targets** depends on internal and external factors. At the end of 2022, Evotec had 4,952 employees and, in connection with the growth and advancement of its pipeline, Evotec expects to increase the number of employees and the scope of Evotec's operations. To manage its anticipated development and expansion, Evotec must continue to implement and improve its managerial, operational, legal, compliance and financial systems, expand its facilities, and continue to recruit and train additional qualified personnel. Also, Evotec's management may need to divert a disproportionate amount of its attention away from its day-to-day activities and devote a substantial amount of time to managing these development activities. Evotec is actively developing pipeline assets in many therapeutic areas and across a wide range of diseases. The Company also routinely pursues new service offerings, such as its expansion into CRO services including, but not limited to, protocol preparation and review and regulatory preparation and submission. Successfully developing candidates for, and fully understanding the regulatory and manufacturing pathways to, all of these therapeutic areas and diseases requires a significant depth of talent and experience, resources and corporate processes in order to allow simultaneous execution across multiple areas. In case of limited resources, Evotec may not be able to effectively manage this simultaneous execution and the expansion of its operations or recruit and train additional qualified personnel. This may result in weaknesses in Evotec's infrastructure, give rise to operational mistakes, legal or regulatory compliance failures, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Evotec's continued growth in existing businesses and expansion into new businesses may involve significant costs and may result in funding being diverted from other projects. If Evotec's management is unable to manage effectively the Company's expected development and expansion, the expenses may increase more than expected, the ability to generate or increase revenue could be reduced and Evotec may not be able to implement its business strategy. Evotec's future financial performance and its ability to compete effectively will depend in part on the ability to manage effectively future development and expansion of the Company. In order to achieve its strategic targets, the Company above all must continue and expand its top-quality, innovative capabilities to its partners.

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

The continued development of capacities and technologies, diversification of revenues, revenues from valuable, result-driven alliances as well as a reasonable cost management are critical factors for Evotec in maintaining a significant role in the world of drug discovery in the pharma and biotechnology sector.

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

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

Evotec intends to undertake additional strategic acquisitions; however, it may not realize the intended advantages of such acquisitions and investments, in particular if Evotec is unsuccessful in ascertaining or evaluating target businesses. For instance, Evotec's assumptions may prove to be incorrect, which could cause the Company to fail to realize the anticipated benefits of these transactions. If Evotec fails to realize the expected benefits from acquisitions or investments, whether as a result of e.g. unidentified risks or liabilities or integration difficulties, the Company's business, results of operations and financial condition could be adversely affected

(e.g., impairments on goodwill or intangible assets). Moreover, Evotec may not be able to locate suitable acquisition or partnership opportunities. Following an acquisition, Evotec may not be able to successfully integrate the acquired business or operate the acquired business profitably. In addition, integration efforts often take a significant amount of time, place a significant strain on managerial, operational and financial resources, might result in loss of key personnel and can prove to be more difficult or expensive than predicted. The diversion of the management's attention and any delay or difficulties encountered in connection with any future acquisitions could result in the disruption of Evotec's on-going business or inconsistencies in standards and controls that could negatively affect its operations, including the ability to maintain third party relationships. If Evotec encounters difficulties integrating newly acquired assets or operations with its platform, its business and results of operations as a group may be adversely impacted. Moreover, if Evotec invests in new modalities and technologies, it may not be successful in integrating them into its platform offerings or generating customer or partner demand for them, which could result in failure to generate a return on Evotec's investment.

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

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

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

Political risks, which Evotec considers to be strategic risks, mainly include geopolitical decisions that lead to global trade conflicts or an uncertain economic situation. In February 2022, Russia launched an invasion of Ukraine. The armed conflict, which continues to this day, is having a significant impact on the economy and global financial markets and increases the risk that the current economic challenges will not only persist but intensify in the future. The direct impact of the Russia-Ukraine war is and has been minor due to Evotec`s limited business relationships in Russia, Ukraine and Belarus and is not expected to pose a major risk to Evotec in the near-term future. However, there are currently already noticeable indirect effects whose impact and developments are difficult to assess. The Russia-Ukraine war has led to a further deterioration of the macroeconomic environment which, due to a persistent inflationary market situation, significantly increased energy prices and transport costs as well as supply bottlenecks and delays, results in additional cost burdens and considerable planning uncertainties for Evotec. As the capital market is in a state of sustained upheaval, also due to the Ukraine war, which is characterized by rising interest rates and credit spreads as well as higher volatilities, there are further potential customer risks for Evotec. The challenging capital market situation could complicate required refinancing initiatives by early-stage biotech companies who are a relevant customer class for Evotec. The potential risk of losing revenues for this reason requires a continuous monitoring of our customers. In addition to a growing risk of cyber-attacks, there may be significant risks of production interruptions at our sites, particularly as a result of restricted natural gas supplies. In this context, a loss of capacity can only be compensated to a limited extent by other sites through production relocations. In addition, a further increase in the strain on relations between the United States and China could lead to further trade sanctions, which could have a negative impact on our supply chains. Where possible, these risks are countered by further diversification of the supply chains in order to permanently safeguard the supply and procurement process against unexpected disruptions.

2 . Market risks

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

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

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

The **commercial risk from out-licensing and in-licensed products** is a risk in Evotec's view, as Evotec depends in part on out-licensing arrangements for late-stage development, marketing and commercialization of its pipeline assets. Dependence on out-licensing arrangements subjects Evotec to a number of risks, including the risk that it has limited control over the

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

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

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

The **COVID-19 pandemic** was an extraordinary event for the economies of the EU and across the world and had severe economic and social consequences. The COVID-19 pandemic led to the implementation of various containment measures, including government-imposed shelter-in-place orders, quarantines, national or regional lockdowns, travel restrictions and other public health safety measures, as well as reported adverse impacts on healthcare resources, facilities and providers across the world. Although we are now seeing signs of an endemic phase in Western countries and the most dangerous waves of infection are presumably over in Europe and North America, China has started a new wave of infection with the end of the strict lockdown at the end of 2022. This shows that the coronavirus pandemic may remain an ongoing global problem and risk. This not only results in an additional economic risk as an economic crisis in China caused by the coronavirus may further exacerbate the inflationary environment in Europe as well as supply bottlenecks; it also increases the risk of virus variants and increased coronavirus infections due to worldwide open borders.

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

- interruption of or delays in receiving products and supplies, such as pipettes and pipette tips, from the third parties Evotec relies on to, among other things, provide the Company's service offerings to its customers or manufacture for its customers, which may impair Evotec's ability to operate its business;
- limitations on Evotec's business operations by local, state or federal governments that affect the Company's ability to operate its business;
- delays in customers' orders and negotiations with customers and potential customers;
- delays in clinical trials conducted by Evotec's partners, leading to a decrease in revenue in the Company's EVT Innovate segment due to a corresponding delay in milestone achievements;
- business disruptions caused by workplace, laboratory and office closures and an increased reliance on employees working from home, travel limitations, cyber security and data accessibility limits, or communication or mass transit disruptions; and
- limitations on employee resources that would otherwise be focused on the conduct of the Company's activities, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

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

Evotec faces a material risk of the **termination of projects and contractual relationships** - especially for Evotec´s key projects with larger customers. Evotec depends on certain individual large customers. The loss of any of these customers would have a material adverse impact on its results of operations. Furthermore, certain of the Company's service contracts involve scientific or technical delivery risks. In the current fiscal year, the revenue contribution of Evotec's three largest customers was 25% compared with also 25% in 2021. Although Evotec generally has long-term contracts with its major customers, there is a risk that customers may terminate projects and contractual relationships earlier than planned for strategic reasons or reasons for which Evotec is responsible. High quality services, innovative solutions and close interaction with customers are key measures to reduce the likelihood of early contract termination or to identify its risk at an early stage. Nevertheless, the risk cannot be fully controlled due to strategic decisions of Evotec's customers that cannot be influenced. If a customer exits a drug discovery and development project, future revenues including milestone and royalty payments would be lost in a high volume. Where contractually permitted, Evotec will always seek to continue the advanced research projects with new partners.

3. Financial risks

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

As of 31 December, 2022, Evotec had € 718.5 million in cash, cash equivalents and investments. However, Evotec's operating plan may change as a result of many factors currently unknown to the Company, and Evotec may need to seek additional funds sooner than planned, through public or private equity or debt financings, government or other third-party funding, sales of assets,

other partnerships and licensing arrangements, or a combination of these approaches. Even if Evotec believes to have sufficient funds for its current or future operating plans, the Company may seek additional capital if market conditions are favourable or if Evotec has specific strategic considerations. Evotec's spending will vary based on new and ongoing development and corporate activities. To actively address any related risk and safeguard its cash position, Evotec has defined minimum liquidity levels and regularly undertakes scenario planning. In full compliance with the Company's investment policy, the general risk of losing a significant amount of cash in cash investments is mitigated by spreading investments in high-quality credit instruments across several banks and by monitoring these banks and investments on an ongoing basis. The selected instruments are used exclusively to secure the underlying transactions, but not for trading or speculation.

All options of refinancing are reviewed on a regular basis, including potential capital increases and the use of debt instruments. At the end of 2022 Evotec was able to secure additional financing with the EIB of € 150 m. Overall, Evotec sees little liquidity risk at this point.

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

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

Interest rate risks may arise from inevitable negative interest on investments of available cash after capital increases, financing, etc. Due to the increase in the interest rate by the ECB & FED in the course of 2022, the risk of negative interest charges on Evotec bank accounts has dropped. The interest rate increase also effects the interest charges on our floating rate loans and leads to additional interest expenses. On the other hand, Evotec's high liquidity levels in EUR, GBP & USD offer the opportunity to earn higher yields on Evotec's investments to compensate for interest costs.

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

4. Legal/compliance risks

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

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

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

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

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

It is possible that the Company will be responsible for potential **product liability** stemming from product research, development or manufacturing

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

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

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

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

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

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

Evotec's employees are obliged to adhere to the Company's Code of Conduct, which is applicable across the entire group. Compliance with internal company policies is paramount to the Company's success and ensures a safe work environment for its employees and early detection of potential risks. It is essential for Evotec to ensure that the Company in general and its employees individually conduct business in a legal, ethical and responsible manner. Employees are obliged to report any incidents they suspect of having breached the ethical guidelines laid out in the Company's Code of Conduct to their supervisor or to the Company's Compliance Officer. Evotec's corporate Legal & Compliance department is in charge of compliance monitoring. Its routine activities include reporting to the Management Board and the Supervisory Board, and the development and implementation of certain compliance guidelines and trainings.

5. Ownership and patent risks

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

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

Different risk scenarios could arise which Evotec subdivides in the following risk areas. The Company's success depends in part on Evotec's ability to develop, use and protect its proprietary methodologies, software, compositions, processes, procedures, systems, technologies and other intellectual property. To protect its intellectual property position, Evotec primarily relies upon trade secrets, confidentiality agreements and policies, invention assignments and other contractual arrangements, trademark registrations and copyrights. Although Evotec's patent portfolio is not material to certain aspects of its business as a whole, Evotec has filed patent applications in the United States, Europe and abroad related to the Company's pipeline assets, processes or other technologies (including methods of manufacture). Evotec's collaboration partners also file patent applications on their development assets on which Evotec may earn milestones and royalties. Evotec may not be able to apply for patents on certain aspects of its current or future pipeline assets, processes or other technologies and their uses in a timely fashion or at a reasonable cost. Even issued patents may later be found invalid or enforceable or may be modified or revoked in proceedings before various patent offices or in courts in the United States, Europe or other jurisdictions. The degree of future **protection for Evotec's intellectual property** and other proprietary rights is uncertain. Only limited protection may be available and may not

adequately protect Evotec's rights or permit Evotec to gain or keep any competitive advantage. Additionally, Evotec's intellectual property may not provide the Company with sufficient rights to exclude others from copying Evotec's processes and technologies or commercializing pipeline assets. If Evotec does not adequately obtain, maintain, protect, defend and/or enforce its intellectual property and proprietary technology, competitors may be able to use Evotec's proprietary technologies and erode or negate any competitive advantage Evotec may have, which could have a material adverse effect on Evotec's financial condition and results of operations. The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that Evotec or any of Evotec's current or future licensors or partners will be successful in prosecuting, obtaining, protecting, maintaining, enforcing and/or defending patents and patent applications necessary or useful to protect Evotec's proprietary technologies (including pipeline assets and methods of manufacture) and their uses. Furthermore, the **patent prosecution process** is also expensive and time-consuming, and Evotec may not be able to file, prosecute, maintain, protect, defend, enforce or license all necessary or desirable patents or patent applications, as applicable, at a reasonable cost or in a timely manner or in all potentially relevant jurisdictions.

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

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

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

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

Evotec may **not be aware of all third-party intellectual property rights** potentially relating to its assets. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until approximately 18 months after filing or, in some cases, not until such patent applications issue as patents. Evotec might not have been the first to make the inventions covered by each of Evotec's pending patent applications and Evotec might not have been the first to file patent applications for these inventions. To determine the priority of these inventions, Evotec may have to participate in interference proceedings, derivation proceedings or other post-grant proceedings declared by the United States Patent and Trademark Office ("USPTO"), or other similar proceedings in non-US jurisdictions (e.g., within the jurisdiction of the "Deutsches Patent und Markenamt" DPMA or European Patent Office EPO), that could result in substantial cost to Evotec and the loss of valuable patent protection. The outcome of such proceedings is uncertain. No assurance can be given that other patent applications will not have priority over Evotec's patent applications. In addition, changes to the patent laws of the United States allow for various post-grant opposition proceedings that have not been extensively tested, and their outcome is therefore uncertain. Furthermore, if third parties bring these proceedings against Evotec's patents, regardless of the merit of such proceedings and regardless of whether Evotec is successful, Evotec could experience significant costs and Evotec's management may be distracted. Any of the foregoing events could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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

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

6. HR risks

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

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

To reduce this risk, Evotec has established defined documentation processes, shared knowledge platforms, lab journals, clearly defined job functions and project meetings to secure some of the relevant knowledge, findings and data. At the same time, long-term incentive ("LTI") awards for senior employees serve as a long-term retention measure. For reasons of risk mitigation and business strategy, Evotec has set up its organisation such that key employees develop a common level of knowledge, with well-defined rules of substitution and succession. Evotec also strives to reduce its people attrition across the company by a combination of measures in Compensation & Benefits packages, career development and leadership development initiatives.

7. Information technology risks

Evotec collects and maintains information in digital form that is necessary to conduct Evotec's business, particularly for purposes of Evotec's PanOmics, PanHunter, J.DESIGN and induced Pluripotent Stem Cell ("iPSC")-based drug discovery platforms, and Evotec is highly dependent on its information technology systems. In the ordinary course of Evotec's business, the Company collects, stores, and transmits large amounts of confidential information, including intellectual property, proprietary business information, human samples and personal information. Evotec has also outsourced elements of its information technology infrastructure, and as a result several third- party vendors may or could have access to confidential information.

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

Our information technology systems, including our internal computer systems, and data have been and may continue to be vulnerable. As previously disclosed, on April 6, 2023, we were the victim of a ransomware incident that continues to impact our operations. We then, in accordance with our contingency plan, immediately engaged a team of external forensic, specialist and security experts to respond to the incident and engaged an external consultant to respond to and contain the incident and investigate and determine the full extent of the incident. At the same time, extensive measures are currently being taken in collaboration with external consultants to protect our IT systems from external attacks in the future. We have also notified law enforcement authorities and confirmed that we have some insurance coverage for such incidents. However, there is no guarantee that we will be fully compensated for all costs incurred in connection with the incident. The incident has caused, and may continue to cause, delays in our operations or loss of revenue and additional costs, which may adversely affect our results of operations, cash flows and financial condition and the price of our stock.

Evotec's internal computer systems and those of its current and any future partners, vendors, and other contractors or consultants are further on vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, cybersecurity threats, war, and telecommunication and electrical failures.

As a result of the ransomware incident and future cybersecurity incidents, information stored on our networks may be tampered with, made publicly available, and permanently lost. Such a breach or other loss of information

could result in legal claims or proceedings and liability under personal data privacy laws and regulatory penalties. We cannot guarantee that third parties will not be able to access or otherwise breach our systems without authorization in the future. Such unauthorized access or breach could adversely affect our business, results of operations and financial condition, and there can be no assurance that there will not be future cybersecurity incidents or vulnerabilities.

Furthermore, because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and often are not recognized until launched against a target, Evotec may be unable to anticipate these techniques completely or implement adequate preventative measures in the future as well. Evotec may also experience security breaches that remain undetected for an extended period. If any such material system failure, accident or security breach were to occur and cause interruptions in Evotec's operations also in the future, it could result in a material disruption of Evotec's development programmes and the Company's business operations, whether due to a loss of Evotec's trade secrets or other proprietary information or other similar disruptions. Any such breach, loss or compromise of clinical trial participant personal data, including in connection with PanHunter, may also subject Evotec to civil fines and penalties. To the extent that any disruption or security breach were to result in a loss of, or damage to, data or applications, or inappropriate disclosure of confidential or proprietary information, Evotec could incur internal costs or liability, Evotec's competitive position could be harmed and the further development and commercialization of Evotec's partners' product candidates could be delayed.

To minimize the risk of **losing data**, Evotec invests in the resilience and expansion of its systems, makes upgrades to security systems, backs up data to different geographical locations, enhances IT policies and consolidates user awareness. These measures mitigate the effect of hazards such as natural disasters, power failures, system upgrade failures, theft and data corruption as much as reasonably possible. As a result of the ransomware attack on 6 April 2023, all security measures and precautions are being extensively reviewed and enhanced with outside consultants and security experts as part of the recovery from the external attack.

Compliance with corporate guidelines relating to **data integrity and protection**, which also regulate the assignment of access rights, is mandatory. The Company performs regular IT risk assessments to identify and rectify weaknesses. In addition, an IT Security Committee meets weekly to analyse threats, investigate reported incidences and make recommendations to management. Where weaknesses are identified, remedies are initiated immediately. As a result of the ransomware attack on 6 April 2023, all security measures and precautions are being extensively reviewed and enhanced with outside consultants and security experts as part of the recovery from the external attack.

Due to the rising number of external attacks on IT systems, the measures established to prevent **cyber risks** have become much more significant in the last few years.

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

Considering the significantly expanded regulations under **General Data Protection Regulation ("GDPR") and other similar jurisdictions**, Evotec is permanently reviewing the handling of relevant internal and external data and its respective flow, storage and access. If Evotec fails to comply with the GDPR and the applicable national data protection laws of the European Union member states, or if regulators assert Evotec has failed to comply with these laws, it may lead to regulatory enforcement actions or other administrative penalties. This may be onerous and may interrupt or delay Evotec's development activities, and adversely affect the Company's business, financial condition and results of operations. Evotec has to comply with the GDPR and also the UK GDPR, which, together with the amended UK Data Protection Act 2018, retains GDPR in United Kingdom national law. The European Commission has adopted an adequacy decision which will automatically expire on 27 June 2025 unless the European Commission re-assesses and renews/extends that decision. The relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains therefore unclear, and it is unclear how United Kingdom data protection laws and regulations will develop in the medium to longer term, and how data transfers to and from the United Kingdom will be regulated in the long term. These changes may lead to additional costs and increase Evotec's overall risk exposure. Other jurisdictions outside the European Union are similarly introducing new or enhancing existing privacy and data security laws, rules and regulations, which could increase Evotec's compliance costs and the risks associated with non-compliance. Privacy and data security laws are rapidly evolving and the future interpretation of those laws is somewhat uncertain. Evotec cannot guarantee that it is, or will be, in compliance with all applicable international regulations as they are enforced now or as they evolve. There is significant uncertainty related to the manner in which data protection authorities will seek to enforce compliance with privacy and data security laws, including the GDPR. Enforcement uncertainty and the costs associated with ensuring compliance with privacy and data security laws, including the GDPR may be onerous and adversely affect Evotec's business, financial condition, results of operations and prospects. If any of these events were to occur, the Company's business and financial results could be significantly disrupted and adversely affected.

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

8. Operational risks

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

The nature of our operating activities exposes Evotec to a wide range of **health, safety and environmental risks**. Our EHS teams and management systems help identify these risks and drive performance improvements by setting and advising of industry standards, compliance

requirements and through minimising complexity. Looking forwards we are building governance and competence in the EHS function as we look to establish a deeper focus on proactive risk management along, aligned with the global trends, ongoing compliance developments and client expectations in this space.

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

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

In the event of a **direct or secondary disaster** that results in stoppages of the Group's activities on one or multiple sites, or in damages and/or interruptions to the operations of key suppliers, Evotec may be forced to suspend or incur significant delays in parts or all of its activities. In each case, there is a potential risk that the Company's financial position and operating results may be substantially affected. Evotec therefore rates this risk as high from a financial standpoint. In addition, the implementation of research and development plans may be impacted by damages to Evotec's research facilities as well as medical and other institutions at which testing is conducted. In case of unforeseeable disasters such as extreme weather events or earthquakes (especially in risk areas like Seattle, US), Evotec may suffer loss of business due to inability to execute contracts and fulfil client deliverables. Evotec has created business continuity plans as well as disaster recovery plans and has insurances for these rare events.

OPPORTUNITIES REPORT

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

Biotechnology is one of the key technologies of the 21st century. Due to the demographic aging and the generally growing health awareness, there are considerable opportunities for biotech companies due to the increasing demand for the development and production of innovative pharmaceuticals. The corona vaccine is one of the most prominent examples of the important role that biotechnologically researched and produced pharmaceuticals can play in the future. Even apart from the corona pandemic, the biopharmaceutical industry has an immense growth potential as a large number of diseases are considered untreatable today. Furthermore, in the course of demographic change and medical progress, chronic diseases and, in higher age, multiple diseases are increasingly occurring, so that a constantly growing demand for and new research into (biotechnological) drugs can be expected.

The consequences of demographic change create significant opportunities for Evotec in the areas of research and development, particularly in drug development as well as in the generation of completely new forms of therapy.

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

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

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

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

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

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

Evotec co-owns a strong pipeline of more than 130 partnered programmes and more than 60 unpartnered projects. Assuming industry standard attrition rates and with respect to the broad product portfolio, the probability increases that one or more product opportunities will reach the market and generate significant royalty streams which will contribute to the economic success of Evotec.

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

Outlook

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

BUSINESS DIRECTION AND STRATEGY

In accordance with the strategic Action Plan 2025, Evotec's management focuses on sustainable growth and value creation by expanding the Company's position as a leader in external innovation, offering high-quality drug discovery and development solutions typically in partnerships, to its pharma and biotech partners as well as to mission-driven foundations and academic institutions. By collaborating with partners and applying state-of-the-art platforms and the most suitable therapeutic modalities, Evotec aims to develop first- and best in class therapies that have disease modifying properties and ideally the potential to deliver functional cures. Evotec's team aspires to impact patient's lives by focusing on four areas in particular:

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

These four areas drive Evotec's business across both reporting segments, EVT Execute and EVT Innovate, respectively.

The strategy of sharing the success of Evotec's proprietary platforms is expected to result in the building of a very extensive co-owned pipeline, which will form the basis for future royalty payment streams. Evotec aims to build one of the largest pools of royalty payment streams in the industry by continuously expanding the co-owned pipeline.

In 2022, Evotec set the following non-financial targets for 2023 for the EVT Execute and EVT Innovate segments and for the entire group:

EVT EXECUTE	EVT INNOVATE	GROUP
▸ Undisrupted growth trend versus 2022 in line with AP 2025	▸ Strategic partnerships and expansions of co-owned alliances	▸ Science-based targets in place aligned with 1.5°C goal
▸ Integration of Evotec DS Germany	▸ Significant progress of later stage co-owned pipeline	▸ Highly impactful contribution to UN SDG 32
▸ Significant expansion of order book for J.POD Redmond, WA (US)	▸ Progression of partnered discovery projects to important milestones, including start of clinical studies	▸ Spin-Offs and investments along Building Blocks of AP 2025
▸ Progression of construction J.POD Toulouse, France (EU)[1)] and analysis of a global network of J.PODs	▸ Expansion of internal portfolio of cell therapy assets	
	▸ Expansion of Molecular Patient Database ("E.MPD")	

[1)] *This project benefits from French government funding as part of the Investments for the future Programme (programme d'investissements d'avenir in French) and is also supported economically by the Occitanie Region and Toulouse Métropole.*

FINANCIAL OUTLOOK FOR 2023

Revenues, unpartnered research and development expenses and adjusted Group EBITDA are the most important and thus the key financial performance indicators for the management of the Evotec Group. We are still evaluating the direct financial impact of the cyber-attack on 6 April 2023 (for details please refer to Note 36 "Subsequent Events").

— EXPECTED OPERATING RESULTS —

Average annual revenue growth was 22% between 2011 and 2022 and Evotec expects to achieve double-digit revenue growth again in 2023. Revenues should benefit from a robust demand for all four focus areas (PanOmics-driven drug discovery; iPSC-based "off-the-shelf" cell therapies; Just – Evotec Biologics; End-to-End Shared R&D). Scale effects, a significantly expanded order book of Just – Evotec Biologics as well as a broader pipeline offering the opportunity to benefit from success and milestone payments are the main drivers for revenue and EBITDA growth. Higher wages and materials costs as well as energy and logistics prices have offsetting effects. It also needs to be taken into a account that a milestone achievement is a single event that is subject to certain risks and uncertainties of which some are beyond Evotec's control. However, the number of projects with potential for milestone payments is rising. When taking account of the probability of success, the total amount of revenues from milestone payments is therefore becoming less erratic over time. In general, milestones should contribute significantly to the company's overall profitability. We are still evaluating the direct financial impact of the cyber-attack on 6 April 2023 (for details please refer to Note 36 "Subsequent Events"). The temporary interruption of research and production activities causes a reduction in expected revenue, and a full recovery in the current financial year is uncertain. According to current expectations, there will be no impact on net income due to the existing insurance. Management will continue to monitor the situation and provide updates in subsequent meetings.

In € m	*Actual figures for 2022*	*Forecasts for 2023*	*Main assumptions*
Group revenues	**751**	820–840 835–855 at constant currencies[1)]	Potential impact from cyber-attack, but growth driven by ▸ current orders on hand ▸ foreseeable new contracts ▸ expanded available capacity ▸ prospective milestone payments
Adjusted Group EBITDA	**102**[3)]	115–130 125–140 at constant currencies[1)2)]	▸ Growing base business ▸ Growth of J.POD Redmond gaining traction ▸ Prospective milestone payments ▸ Investing into resilient and sustainable structure as well as future growth ▸ Possible negative effects caused by the cyber-attack are covered by the insurance policy
Unpartnered R&D expenses	**70**	70–80	▸ Long-term expansion of the pipeline ▸ Focus on first-in-class platforms and projects

[1)] *Average exchange rate euro vs. US Dollar for 2022: 1.0530*
[2)] *Excluding costs related to potential M&A transactions*
[3)] *Excluding costs related the M&A (Rigenerand, Central Glass)*

In 2023, Evotec expects revenues of € 820-840 m based on current exchange rates of major currencies (esp. USD and GBP). Based on constant exchange rates compared with 2022, Group revenues are expected to increase to € 835-855 m. This assumption is based on the current orders on hand, foreseeable new contracts and the extension of contracts as well as prospective milestone payments. Furthermore, the forecast considers the effects of the temporary interruption of research and production activities and - to the extent possible - the current global uncertainties related to the war in the Ukraine.

Including currency effects, Adjusted EBITDA is expected to be in a range of € 115–130 m. This projection takes into account the strong order book, an improving revenue mix with a higher contribution of Just – Evotec Biologics and success payments as well as coverage of the expenses directly attributable to the cyber-attack by the existing insurance, but also increasing expenses for wages, materials, energy, promising R&D projects the adoption of organisation structures to ensure sustainable growth and the continued ramp-up of the Just – Evotec Biologics business via the remaining investments in the further expansion of the J.POD capacity in the US and the construction of a second J.POD in Europe (Toulouse, France). At constant currencies, Evotec expects Adjusted Group EBITDA to grow to € 125-140 m.

Evotec's activities are all related to R&D. Aside from the partnered and funded R&D, Evotec will continue to strongly invest in its own unpartnered R&D to further expand its long-term and sustainable pipeline of first-in-class projects and platforms. Evotec expects unpartnered R&D investments in this area of between € 70 and 80 m in 2023.

EXPECTED LIQUIDITY AND STRATEGIC MEASURES

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

DIVIDENDS

The payment of dividends depends on Evotec's financial situation and liquidity requirements, general market conditions, and statutory, tax and regulatory requirements. Evotec currently intends to retain any potential future profits and reinvest them in the Company's growth strategy to even better advance long-term growth and sustainability. In addition, Evotec SE will not be authorised to pay dividends before its annual profits exceed the losses carried forward. Evotec SE does not generate any distributable profits currently.

OPPORTUNITIES

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

GENERAL STATEMENT ON EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD

Evotec intends to further strengthen and expand its business as an innovative provider of drug discovery and development solutions across all therapeutic modalities. Evotec intends to further expand its integrated capabilities for small molecules, biologics and cell therapy discovery, development and manufacturing. The Company is very well-positioned to generate value for pharmaceutical and biotechnology companies and for foundations, addressing the industry's growing demand for innovation.

The Management Board is convinced that Evotec will benefit from the continuing trends and challenges in the pharmaceutical sector. Despite continued very high investment in R&D, the Management Board expects Evotec to achieve strong growth in revenue, and an improved adjusted Group EBITDA in 2023 versus 2022. With its strong cash position, Evotec will be able to further strengthen its strategic role in the drug discovery and development market and in expanding its production capabilities (including by building the second J.POD in Toulouse, France), while creating shareholder value.

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

Evotec management primarily aims to generate shareholder value. For that reason, any proposed change of control or takeover offer that could uncover unrealised gains and value for the benefit of Evotec shareholders will be carefully analysed with regard to the expected synergies and future value creation. Pursuant to German Securities Acquisition and Takeover Act (WpÜG) a change of control is generally considered to have occurred if, as a result of any takeover, exchange or other transfer, a single shareholder or a group of shareholders acting in concert acquires more than 30% of the outstanding voting rights, or if, as a result of a merger or reverse merger, the shareholders of Evotec from the effective date of such a transaction own less than 30% of the voting rights in the merged entity. Evotec has no specific takeover defence measures in place.

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

As of 31 December 2022, the share capital of Evotec SE amounted to € 176,952,653.00 and was divided into 176,952,653.00 non-par value shares. All shares are bearer shares and have equal voting rights. Evotec management is not aware of any restriction on the voting rights or the right to transfer. No binding lock-up agreements have been made by the Company with any shareholder, and neither stock loans nor pre-emptive stock purchase rights are known to the Company. Moreover, the Company does not control voting rights of any shares owned by employees.

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

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

Authorised capital: Pursuant to section 5 paragraph 5 of the Articles of Association of the Company, the Management Board, with the approval of the Supervisory Board, having partially used the authorised capital in a capital increase on 4 and 15 November 2021, is authorised to increase the Company's share capital by up to € 35,321,639.00 in one or more tranches until 21 June 2025 by issuing new shares against cash or non-cash consideration. Any shares to be issued on this basis will be subject to the statutory subscription rights of Evotec's shareholders. However, with the approval of the Supervisory Board, the Management Board may exclude the pre-emptive rights of its shareholders for some of the shares on one or several occasions under certain well-defined conditions.

Conditional capital: As of 31 December 2022, the remaining conditional capital of the Company amounted to € 42,732,865.00. Conditional capital in the amount of € 12,773,576.00 shall be used only to the extent that holders of stock options, share performance awards ("SPAs") or restricted share awards ("RSAs"), granted by Evotec on the basis of the shareholders' resolutions of 9 June 2015, 14 June 2017, 16 June 2020 and 22 June 2022, exercise their rights to subscribe for new Evotec shares. In 2022, conditional capital in the total amount of € 344,458.00 was used as holders of stock options and SPAs exercised their rights to subscribe for new shares in the Company. Additional conditional capital in the amount of € 29,959,289.00 exists to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments) that may be issued by Evotec on the basis of the authorisation passed at the Annual General Meeting on 19 June 2019. Any such contingent capital increase shall only be used to the extent that option or conversion rights are utilised, or the owners or creditors are obligated to carry out their duty of conversion, and to the extent that no treasury shares or new shares from an exploitation of authorised capital are utilised for servicing.

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

SHAREHOLDINGS OF AT LEAST 10% OF VOTING RIGHTS

As of 31 December 2022, the following investors held voting rights in Evotec SE equivalent to at least 10%: on 1 June 2022, Evotec was last notified that the direct shareholdings of Novo Holdings A/S, Hellerup (Denmark) amounted to 9.8% from previous 10.10%. On 15 November 2022, Evotec was notified by T. Rowe Price Group Inc., Baltimore, Maryland, US that its voting rights increased to the equivalent of 10.11% from previous 9.997%.

CORPORATE GOVERNANCE STRUCTURE

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

AUTHORISATION OF MANAGEMENT TO REPURCHASE STOCK

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

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

Any amendment to the Company's Articles of Association requires a shareholder resolution. According to sections 133 and 179 of the German Stock Corporation Act (AktG) and section 17 of the Articles of Association, the shareholder resolution amending the Company's Articles of Association requires an affirmative vote of at least three-quarters of the Company's share capital present at an Annual General Meeting. Appointment and dismissal of members of the Management Board are governed by sections 84 and 85 of the German Stock Corporation Act (AktG).

CHANGE-OF-CONTROL PROVISIONS

The Management Board merely has customary rights in the event of change of control where a shareholder of the Company or a third party acquires either alone or under the rules of § 30 WpÜG (German Securities Acquisition and Takeover Act (e.g. via 'acting in concert') a holding of more than 30% of the shares of the Company, and as a consequence thereof, the members of the Management Board's tasks and scope of responsibility are substantially altered. The contracts of the members of the Management Board contain a standard clause that allows the members of the Management Board to terminate their existing contracts with three months' notice within a period of twelve months following the occurrence of such an event. In the event of such an effective termination the member of the Management would be entitled to a settlement payment amounting to eighteen (18) month's salary calculated as the sum of the monthly base payments and 1/12 of the target bonus, but no more than the total compensation due for the remaining term of the service agreement.

Declaration of corporate management

Evotec SE is guided by recognised standards of good and responsible corporate governance: The German Corporate Governance Code ("Deutscher Corporate Governance Kodex"), as amended from time to time, is the guideline for the exercise of management and control. The corporate governance standards applied are summarised in the corporate governance declaration in accordance with § 289f and § 315d HGB. It contains the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act ("Deutsches Aktiengesetz"), which was adopted by the Management Board and the Supervisory Board in December 2022, as well as the Corporate Governance Report (Principle 22 of the Code 2022).

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

Remuneration Report

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

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EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

in €k except share data	*footnote reference*	***as of 31 December 2022***	*as of 31 December 2021*
ASSETS			
Current assets:			
Cash and cash equivalents	5	**415,155**	699,326
Investments	5	**303,334**	158,908
Trade accounts receivable	6	**168,653**	132,078
Accounts receivables from associated companies and other long-term investments		**3,146**	2,643
Inventories	7	**29,825**	25,793
Current tax receivables		**54,422**	23,419
Contract assets	8	**30,516**	18,614
Other current financial assets		**11,494**	264
Prepaid expenses and other current assets	9	**57,126**	39,895
Total current assets		**1,073,671**	**1,100,940**
Non-current assets:			
Long-term investments	11	**131,042**	268,793
Long-term investments accounted for using the equity method	10	**16,043**	13,068
Property, plant and equipment	12	**650,201**	484,597
Intangible assets, excluding goodwill	14	**23,819**	30,851
Goodwill	15	**274,819**	257,569
Deferred tax assets	20	**10,327**	17,359
Non-current tax receivables	16	**70,293**	55,966
Other non-current financial assets		**3,247**	5,148
Other non-current assets		**3,785**	870
Total non-current assets		**1,183,576**	**1,134,221**
Total assets		**2,257,247**	**2,235,161**

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in €k except share data	*footnote reference*	***as of 31 December 2022***	*as of 31 December 2021*
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current loan liabilities	17	**1,556**	36,136
Current portion of lease obligations	13	**14,825**	14,473
Trade accounts payable		**97,277**	72,598
Provisions	18	**54,410**	39,260
Contract liabilities	19	**122,922**	112,061
Deferred income		**13,748**	14,718
Current income tax payables		**8,987**	10,596
Other current financial liabilities	21	**7,087**	12,115
Other current liabilities		**16,894**	12,559
Total current liabilities		**337,706**	**324,516**
Non-current liabilities:			
Non-current loan liabilities	17	**328,295**	326,344
Long-term lease obligations	13	**161,998**	135,964
Deferred tax liabilities	20	**18,524**	17,688
Provisions	18	**16,427**	18,021
Contract liabilities	19	**206,136**	33,476
Deferred income		**-**	1,000
Other non-current financial liabilities		**977**	467
Total non-current liabilities		**732,357**	**532,960**
Stockholders' equity:			
Share capital[1)]	23	**176,953**	176,608
Additional paid-in capital		**1,440,010**	1,430,136
Accumulated other comprehensive income		**(37,402)**	(12,638)
Accumulated deficit		**(392,377)**	(216,421)
Equity attributable to shareholders of Evotec SE		**1,187,184**	**1,377,685**
Non-controlling interest		**-**	-
Total stockholders' equity		**1,187,184**	**1,377,685**
Total liabilities and stockholders' equity		**2,257,247**	**2,235,161**

[1)] 176,952,653 and 176,608,195 shares issued and outstanding in 2022 and 2021, respectively

See accompanying notes to Consolidated Financial Statements.

EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

in €k except share and per share data	*footnote reference*	***Year ended 31 December 2022***	*Year ended 31 December 2021*
Revenues	24	**751,448**	618,034
Costs of revenue		**(577,383)**	(466,491)
Gross profit		**174,065**	**151,543**
Operating income (expenses)			
Research and development expenses	25	**(76,642)**	(72,200)
Selling, general and administrative expenses	26	**(156,190)**	(105,445)
Impairment of intangible assets	14	**-**	(683)
Other operating income	27	**81,582**	73,472
Other operating expenses		**(1,965)**	(5,691)
Total operating income (expenses)		**(153,215)**	**(110,547)**
Net operating income (loss)		**20,850**	**40,996**
Non-operating income (expense)			
Interest income		**8,336**	2,272
Interest expense		**(13,150)**	(9,254)
Measurement result from investments	11	**(172,159)**	223,791
Share of the result of associates accounted for using the equity method	10	**(15,964)**	(16,570)
Reversal of impairment/(Impairment) of investments using the equity method		**866**	(11,863)
Gain from bargain purchase		**4,908**	-
Other income from financial assets		**-**	24
Other expense from financial assets		**-**	(198)
Foreign currency exchange gain (loss), net		**13,083**	7,843
Other non-operating income		**143**	84
Other non-operating expense		**(870)**	(145)
Total non-operating income (expense)		**(174,807)**	**195,984**
Income (loss) before taxes		**(153,957)**	**236,980**
Current tax income (expense)	20	**(13,976)**	(16,404)
Deferred tax income (expense)	20	**(7,722)**	(5,066)
Total taxes		**(21,698)**	**(21,470)**
Net income (loss)		**(175,655)**	**215,510**
thereof attributable to:			
Shareholders of Evotec SE		**(175,655)**	215,510
Non-controlling interest		**-**	-
Weighted average shares outstanding		**176,674,341**	**166,405,926**
Net income per share (basic)		**(0.99)**	**1.30**
Net income per share (diluted)		**(0.99)**	**1.30**

See accompanying notes to Consolidated Financial Statements.

EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

in €k	*footnote reference*	***Year ended 31 December 2022***	*Year ended 31 December 2021*
Net income (loss)		**(175,655)**	**215,510**
Accumulated other comprehensive income			
Items which are not re-classified to the income statement			
Remeasurement of defined benefit obligation	31	**1,420**	664
Revaluation of investments	11	**(11,729)**	-
Taxes	20	**(357)**	7
Items which have to be re-classified to the income statement at a later date			
Foreign currency translation		**(598)**	26,091
Revaluation and disposal of investments		**(13,500)**	(1,878)
Other comprehensive income (loss)		**(24,764)**	**24,884**
Total comprehensive income (loss)		**(200,419)**	**240,394**
Total comprehensive income (loss) attributable to:			
Shareholders of Evotec SE		**(200,419)**	240,394
Non-controlling interest		**-**	-

See accompanying notes to Consolidated Financial Statements.

EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

in €k	*footnote reference*	*2022*	*2021*
Cash flows from operating activities:			
Net income (loss)		**(175,655)**	**215,510**
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property, plant and equipment	12	**72,677**	55,596
Amortisation of intangible assets	14	**8,982**	12,012
Depreciation of current assets		**1,537**	2,791
Impairment of intangible assets	14	**-**	683
Stock compensation expense	22	**9,919**	7,805
Non-cash foreign exchange loss		**(9,423)**	8,565
Interest income/expense		**10,831**	9,827
Loss on sale of financial assets		**-**	198
Gain on sale of financial assets		**-**	(24)
Share of the result and (reversal of) impairment of investments of associates accounted for using the equity method	10	**15,098**	28,433
Purchase price adjustments of associates accounted for using the equity method	10	**-**	-
Fair value adjustments on long-term investments	11	**172,159**	(223,791)
Gain from bargain purchase		**(4,908)**	-
Loss on sale of property, plant and equipment	12	**178**	147
Gain on sale of property, plant and equipment	12	**-**	(5)
Deferred tax expense (benefit)	20	**7,722**	5,066
Decrease (increase) in:			
Accounts receivables	6	**(38,429)**	(48,032)
Inventories	7	**(4,410)**	(11,653)
Other assets		**(81,328)**	(28,999)
Other tax assets		**(15,251)**	(18,932)
Increase (decrease) in:			
Accounts payable		**24,549**	31,341
Contract liabilities and deferred income	19	**181,736**	63,083
Provisions	18	**13,708**	(8,060)
Current income taxes payable		**29,392**	18,850
Other liabilities		**9,294**	121
Cash received during the year for:			
Interest		**3,026**	1,106
Taxes		**12,351**	17,644
Cash paid during the year for:			
Interest		**(9,798)**	(5,429)
Taxes		**(30,851)**	(11,616)
Net cash provided by operating activities		**203,106**	**122,237**

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

in €k	*footnote reference*	***2022***	*2021*
Cash flows from investing activities:			
Purchase of current investments		**(355,817)**	(123,696)
Purchase of investments in affiliated companies net of cash acquired		**(20,859)**	-
Purchase of investments in associated companies and other long-term investments	10, 11	**(58,832)**	(20,680)
Purchase of property, plant and equipment	12	**(181,354)**	(118,943)
Issue of convertible loan	14	**(4,127)**	(7,376)
Payment of subsequent contingent considerations		**-**	(410)
Proceeds from sale of current investments		**205,166**	27,250
Net cash used in investing activities		**(415,823)**	**(243,855)**
Cash flows from financing activities:			
Proceeds from capital increase	23	**355**	403,126
Proceeds from option exercise		**344**	1,196
Proceeds from loans		**-**	30,791
Repayment of lease obligation	13	**(19,046)**	(20,665)
Repayment of loans		**(34,067)**	(16,018)
Net cash provided by (used in) financing activities		**(52,414)**	**398,430**
Net increase (decrease) in cash and cash equivalents		**(265,131)**	**276,812**
Exchange rate difference		**(19,040)**	(66)
Cash and cash equivalents at beginning of period		**699,326**	422,580
Cash and cash equivalents at end of the period		**415,155**	**699,326**
Supplemental schedule of non-cash activities:			
Additions to leases	13	**42,716**	14,292

See accompanying notes to Consolidated Financial Statements.

EVOTEC SE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

		Share capital		
in €k except share data	*footnote reference*	***Shares***	***Amount***	
Balance at 1 January 2021		**163,914,741**	**163,915**	
Capital increase	23	11,497,500	11,497	
Exercised stock options	23	1,195,954	1,196	
Stock option plan	22	-	-	
Deferred and current tax on future deductible expenses		-	-	
Other comprehensive income				
Net income (loss) for the period				
Total comprehensive income (loss)				
Balance at 31 December 2021		**176,608,195**	**176,608**	
Capital increase	23	-	-	
Exercised stock options	23	344,458	345	
Stock option plan	22	-	-	
Transaction costs		-	-	
Deferred and current tax on future deductible expenses		-	-	
Other comprehensive income			-	
Net income (loss) for the period			-	
Total comprehensive income				
Balance at 31 December 2022		**176,952,653**	**176,953**	

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Income and expense recognised in other comprehensive income					
Additional paid-in capital	*Foreign currency translation*	*Revaluation reserve*	*Accumulated deficit*	*Stockholders' equity attributable to shareholders of Evotec SE*	*Non-controlling interests*	*Total stockholders' equity*
1,030,702	**(41,782)**	**4,260**	**(432,639)**	**724,456**	**-**	**724,456**
391,629	-	-	-	403,126	-	403,126
	-	-	-	1,196	-	1,196
7,805	-	-	-	7,805	-	7,805
-	-	-	708	708	-	708
	26,091	(1,207)	-	24,884	-	24,884
	-	-	215,510	215,510	-	215,510
	26,091	**(1,207)**	**215,510**	**240,394**	**-**	**240,394**
1,430,136	**(15,691)**	**3,053**	**(216,421)**	**1,377,685**	**-**	**1,377,685**
-	-	-	-	-	-	-
	-	-	-	345	-	345
9,919	-	-	-	9,919	-	9,919
(45)	-	-	-	(45)	-	(45)
-	-	-	(301)	(301)	-	(301)
-	(598)	(24,166)	-	(24,764)	-	(24,764)
-	-	-	(175,655)	(175,655)	-	(175,655)
	(598)	**(24,166)**	**(175,655)**	**(200,419)**	**-**	**(200,419)**
1,440,010	**(16,289)**	**(21,113)**	**(392,377)**	**1,187,184**	**-**	**1,187,184**

See accompanying notes to Consolidated Financial Statements.

Notes to the consolidated financial statements for the fiscal year 2022

(1) BUSINESS DESCRIPTION AND BASIS OF PRESENTATION

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

Evotec SE, located in Hamburg (Essener Bogen 7, 22419 Hamburg, Germany) is registered in the Commercial Registery of Hamburg with HRB 156381. The Company was founded on 8 December 1993, and is listed on the Frankfurt Stock Exchange, Segment Prime Standard, under the ticker "EVT" as well as on NASDAQ, New York, USA under the trading symbol "EVO" since 8 November 2021.

Evotec SE, as the ultimate parent company, prepares its consolidated financial statements in its functional currency, the Euro. All amounts in the notes are stated in thousands of Euros (k€) unless otherwise noted. The Euro is the reporting currency of the Group. The consolidated financial statements of Evotec were prepared under the going concern premises.

The Management Board prepared the consolidated financial statements for the financial year 2022 on 10 May 2023, and subsequently submitted them to the Supervisory Board for review and approval at its meeting on 12 May 2023.

With reference to Section §264 (3) of the German Commerical Code, the subsidiary Evotec International GmbH does not prepare a management report (Section §289 of the German Commercial Code).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB), as adopted by the EU and additionally as issued by the IASB. The additional requirements of Section §315e (1) of the German Commercial Code (HGB) have been applied accordingly in accordance with the version applicable at the end of the reporting period.

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

— USE OF ESTIMATES —

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

Significant estimates and assumptions affect the following subjects:

▸ Acquisitions: Assets and liabilities acquired in a business combination are initially accounted for at fair value on the acquisition date. Fair values are determined using a discounted cash flow model which relies on input parameters derived from observable market data. These parameters involve management judgment whenever no comparable market data is available. Significant input parameters used in determining the fair values are the estimated useful life of the assets identified, the long-term business plan as the basis for determining the expected cash flow from these assets and the discount rate applied.

▸ Revenues: Where we have certain fixed-price arrangements with customers, the stage of completion of performance obligations is reviewed by reference to input-based methods, such as hours delivered or full cost incurred (e.g., labor, materials, and other costs) under a contract in relation to expected total hours or total costs needed to fulfil the performance obligation. Revisions made to the estimated stage of completion can result in an adjustment to revenues in the current or future financial periods (see Note 24) and

▸ Impairment testing and fair values: Management has identified the discount rate as well as the growth rate in the terminal value as key assumptions that have the potential to vary and thereby cause the recoverable amount to be lower than the carrying amount. Fair values for long-term investments at the time of acquisition correspond to the acquisition cost. Changes in fair value may occur due to adjusted scientific or financial plans or new financing rounds. (see Note 10, 11, 12, 13, 14 and 15).

Other estimates and assumptions were made in the following areas:

▸ Earn-out Provisions: Management estimates are made on discounted expected future cash flows. These cash flows are based on the contracts underlying the conditional consideration and the relevant project or business planning. The discount rate considers the risk underlying cash flows (usually weighted average cost of capital of the acquired entity). Additional non-observable input factors include, for example, marketing success probabilities (see Note 18 and 30),

▸ Measurement of the Share-based payment plans: Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including risk-free interest rates and volatility measures (see Note 22),

▸ Valuation of deferred tax assets: Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be charged. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the expected business performance of the tax subject and respective business plans (see Note 20),

▸ Exercising significant influence on an investee: To determine whether an investor with minority voting rights has significant influence over an investee requires judgement, regarding participation rights in significant financial and operating decisions of these entities (see Note 35d).

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

— PRINCIPLES OF CONSOLIDATION —

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

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

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

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

— TRANSACTIONS IN FOREIGN CURRENCY —

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

Subsidiaries

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

Associated companies and joint ventures

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

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

— FINANCIAL INSTRUMENTS —

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

Derecognition of financial instruments
Financial assets are derecognized 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 derecognized if the obligations have expired or have been discharged or cancelled.

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

For the financial assets the following applies:

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

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

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

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

Impairment of financial assets
Impairment is recognized for all financial assets not held at fair value through profit or loss and contract assets to be recognized in accordance with IFRS 15 using the expected credit loss (ECL) model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Evotec expects to receive. For trade receivables and contract assets, Evotec applies a simplified approach in calculating ECLs. Therefore, Evotec does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. See Notes (5) and (6) for details.

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

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

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

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

— CASH AND CASH EQUIVALENTS —

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

— 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 recognized for the earned consideration that is conditional.

— TRADE ACCOUNTS RECEIVABLE —

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

— INVENTORIES —

In accordance with IAS 2, inventories are valued at the lower of cost or net realizable value. Net realizable 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 labor 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.

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

Buildings and leasehold improvements	3 to 30 years
Technical equipment and machinery	4 to 15 years
Office furniture and equipment	3 to 15 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 expenses. Maintenance and repairs of property, plant and equipment are expensed as incurred.

— LEASES —

Evotec as lessee

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

i) Right-of-Use assets

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

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

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

ii) Lease Liabilities

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

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

In calculating the present value of lease payments, Evotec uses an incremental borrowing rate at the lease commencement date when the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification to the lease, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

— ASSOCIATES AND JOINT VENTURES —

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

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

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

Associates and joint ventures are accounted for in the consolidated financial statements using the at-equity method and initially measured at cost. After acquisition, Evotec's share in the associates and joint ventures profit, or loss is included in the consolidated statement of comprehensive income. Unrealized gains and losses from transactions between Evotec and its associates or joint ventures are recognized only to the extent of unrelated investors' interests in the associates and joint ventures.

— INTANGIBLE ASSETS, EXCLUDING GOODWILL —

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

Intangible assets with definite useful lives are recorded at cost and are amortized using the straight-line method over the estimated useful lives of the assets. The useful lives are as follows:

Trademarks	2 to 10 years
Developed technologies	6 to 18 years
Patents & licenses	15 years or less

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

Intangible assets excluding goodwill with finite useful lives are tested for impairment whenever there is an indication that the asset may be impaired. If the recoverable amount of the asset is less than the carrying amount, an impairment loss is recognized. If the reason for a previously recognized impairment loss no longer exists, the impairment loss is reversed and the carrying amount of the asset is increased to its amortized cost.

Impairment losses are recognized in the income statement as other operating expenses and reversals of impairment losses as other operating income.

The amortization period is reviewed at each balance sheet date.

— GOODWILL —

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

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

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

The Company reviews non-financial non-current assets (property, plant and equipment and intangible assets including goodwill) for impairment, in the respect to the recoverable amount in accordance with IAS 36. An impairment review is performed at least annually for intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill, or whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. In line with the Company's policy concerning the impairment of intangible assets with indefinite useful lives and goodwill, the Company carried out an impairment test in the fourth quarter of 2022 and 2021 based on 30 September balance sheet information, see Note (14) and (15).

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

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

— PROVISIONS —

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

A provision for onerous contracts is recognized 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 recognizes any impairment expense on the assets associated with that contract.

— PENSION AND SIMILAR OBLIGATIONS —

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

— CONTRACT LIABILITES —

A contract liability is the obligation of Evotec to transfer goods or services to a customer for which Evotec has received a consideration (or an amount of consideration is due). If a customer pays the consideration before Evotec transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when Evotec fulfils its contractual obligation. Evotec contracts do not include financing components as all up-front consideration received are prepayments on service obligations.

— SHARE CAPITAL —

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

The Company applies the regulations of IAS 32 in accounting for treasury shares. When ordinary shares recognized as equity would be reacquired, the amount of the consideration paid for those treasury shares is recognized as a deduction from equity. If treasury shares are subsequently sold or granted, the proceeds will be recognized 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 accounting for options granted under its stock option plans and under its Share Performance Plan. All plans are settled in shares and therefore are recorded through equity. Compensation cost from the issuance of employee and Management Board stock options are measured using the fair value method at the grant date and charged straight-line to expense over the service period. This is also the case for the grant of Share Performance Awards to employees and to members of the Management Board. In case the estimates regarding the achievement of the key performance indicators change, the fair value of Share Performance Awards is adjusted as long as if it is not a share price-based indicator.

— REVENUES —

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

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

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

Service fees, FTE based research payments, and service contracts that include some form of delivery

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

Technology access fees

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

Milestone fees

Revenue contingent upon the achievement of certain milestones is recognized in the period the milestone is successfully achieved or all the performance obligation fulfilled. 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.

Licenses

Revenue from the sale of licenses is recognized at the date of the sale. Revenue from out-licensing in combination with a collaboration is realized pro rata over the collaboration period. Payments from the sale of licenses 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 recognized in the period in which the royalty report or the payment is received. Payments are received either on the same day as the royalty report or thereafter. Royalties are typically contract components with a variable consideration which will as mentioned above only be realized as revenues when it is highly probable that the consideration will be received.

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

Evotec performs research and development (R&D) 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 based on relative stand-alone selling prices of the obligations.

Primarily, contracts for research and development (R&D) services often contain a large amountnumber of individual services, trigger upfront payments to cover the entire transaction price and are concluded for the overall purpose of identifying new research results partially or fully. 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 ofbased on relative stand-alone selling prices of the obligations.

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

- Determining the 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 compensations. Based on Evotec's historical experience and due to the inherent risk of research, success-based variable compensations are regularly not included in the transaction price upon contract inception but are only included when the contingent events occur or become highly probable.

— REVENUE RECOGNITION FROM CONTRIBUTIONS —

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

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

— GOVERNMENT GRANTS —

Government grants are recognized Governement grants are recognized when all the condition associated to those grants have been substantially complied with, and all attached conditions have be complied with. When the grant relates to an expense item, it is recognized as a reduction of the related expense. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. Under the terms of the grants, governmental agencies generally have the right to audit qualifying expenses submitted by the Company.

— RESEARCH AND DEVELOPMENT —

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

Due to the high uncertainty associated with development activities in the pharmaceutical sector the precondition for the capitalization of development expenses is generally not fulfilled. Evotec did not capitalize any pharmaceutical development costs in 2022 and 2021 respectively.

R&D projects that are acquired in a business combination are capitalized at fair value when those R&D projects are expected to generate probable future economic benefits to the Company. R&D costs acquired in a business combination are not regularly amortized until they are sustainably generating benefits.

The development expenses for internally generated software are capitalized when the recognition criteria are met.

The development expenses for internally generated software are capitalized when the following recognition criteria are met. The software will generate future economic benefits, and its cost can be determined reliably, and the following can be demonstrated:

- technical feasibility,
- intention to use,
- ability to use or sell,
- how it will generate probable future economic benefits,

- the availability of adequate technical – financial – and other resources,
- ability to measure the attributable expenditure reliable.

— OTHER OPERATING INCOME —

Evotec receives tax credits from tax development programs in the context of qualifying R&D expenses in different jurisdictions. Such tax refunds regularly result in amounts which can be offset against taxable income, 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 R&D expenses. As such, Evotec accounts for such tax development programmes as other operating income and does not account for such income as tax income or offsets tax credits from income tax expense.

In certain cases, Evotec recharges costs to third parties. The income from those recharges is recognized in other operating income when it is a direct reimbursement of costs. There is no underlying direct exchange of services for this income and therefore a recognition as revenues is not suitable. The relating expenses are recognized in other operating expenses as well as in R&D 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 recognized in the income statement using the effective interest rate method.

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

— INCOME TAXES —

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

Current income taxes
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 between 27% and 32% and for foreign companies between 19% and 31%.

Deferred tax
Deferred tax is recognized 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 recognized 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 recognized for all deductible temporary differences, unused tax loss carry forwards and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilized. 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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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 considered if, in the scope of a legislative procedure, substantial prerequisites for its future applicability are met.

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

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

— NET INCOME PER SHARE —

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

T-piece	*2022*	*2021*
Issued shares 1 Jan	**176,608**	163,915
Treasury shares 1 Jan	**(250)**	(250)
Effect of weighted average capital increase	**316**	1,953
Effect of weighted average stock options exercised	**-**	788
Weighted Average Number of Shares Outstanding 31 Dec	**176,674**	**166,406**

Diluted net income per share is computed by dividing the surplus attributable to shareholders of Evotec SE, by the weighted-average number of ordinary shares and share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, stock options and Share Performance Awards are common stock equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive. In 2022, the number of potentially dilutive shares to be issued from stock options and Share Performance Awards amounted to 463,415 (2021: 722,286). For calculating the diluted net result per share, the resulting dilutive shares are included from the beginning of the period.

FIRST TIME ADAPTION OF NEW ACCOUNTING STANDARDS IN THE FINANCIAL YEAR 2022

Standards/Interpretation		*Mandatory Application*	*Effect*
Yearly Improvement Cycle 2018–2020: - IFRS 1 - IFRS 9 - IAS 41	IFRS 1: First application at subsidiaries IFRS 9: Clarification Regarding the Charges of 10% Present value test before derecognition of financials IAS 41: Taxation at fair value measurement	1 Jan 2022	No effect
Changes of IFRS 3: Reference to the Conceptual Framework	Changed a reference to the Conceptual Framework with no material effect	1 Jan 2022	No effect
Changes of IAS 16: Revenue before an asset is operational	Change in accounting for revenue before an asset is operational	1 Jan 2022	No effect
Changes of IAS 37: Loss-making contracts - cost of contract performance	Clarifying what costs an entity must include to assess whether a contract is unprofitable	1 Jan 2022	No effect

Other changes for first time adoption in fiscal year 2023 did also not have a significant impact on the Evotec Group.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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

Standards/Interpretations		*Mandatory Application*	*Endorsement by the European Commission*	*Expected Effect*
Changes of IAS 1: Disclosures on accounting principles	An entity is required to disclose information on significant rather than significant accounting policies	1 Jan 2023	Yes	No material effect
Changes of IAS 1: classification of Debt as short or long term	Clarification that the classification of liabilities as current or non-current is based on the rights existing at the balance sheet date	1 Jan 2024	No	No effect
Changes of IAS 1: Long-term debt with ancillary conditions (Covenants}	Requirement to provide information on covenants of long-term debt related to prepayment	1 Jan 2024	No	Effect is still being analyzed
Changes of IAS 8: Definition of accounting estimates	Clarification of the distinction between accounting policies and accounting estimates	1 Jan 2023	Yes	No material effect
Changes of IAS 12: Recognition of deferred taxes from a single transaction	The initial recognition exemption in IAS 12.15 and IAS 12.24 no longer applies to transactions that, upon initial recognition, give rise to simultaneous deductible and taxable temporary differences of the same amount	1 Jan 2023	Yes	Effect is still being analyzed
Changes of IFRS 16: Lease liability in a sale and leaseback transaction	Clarification of the valuation of a sale and leaseback transaction Lessee that must be presented as a sale under IFRS 15	1 Jan 2024	No	Effect is still being analyzed
IFRS 17: Insurance contracts	New IFRS standard for recognition, measurement, presentation, and disclosure of insurance contracts	1 Jan 2023	Yes	No effect
Changes of IFRS 17: First-time application of IFRS 17 and IFRS 9 comparative information	A company opting for the application of the change (classification overlay) decides, turns apply them when applying IFRS 17 for the first time	1 Jan 2023	Yes	No effect

(3) SEGMENT INFORMATION

EVT Execute and EVT Innovate were identified by the Management Board as operating segments. EVT Execute includes mainly fee-for-service and FTE-rate arrangements where our customers own the intellectual property, whereas EVT Innovate comprises of internal R&D activities as well as services and partnerships that originate from these R&D activities where we typically own or co-own intellectual property with our strategic partners. The responsibility for EVT Execute was allocated to the COO, Dr Craig Johnstone, while the responsibility for EVT Innovate was allocated to the Chief Scientific Officer (CSO), Dr Cord Dohrmann. Management does not allocate assets and liabilities to segments. The assessment of the individual operating segments is based on revenues and Adjusted EBITDA. Intersegment revenues are valued on an arms-length principle. Adjusted EBITDA is calculated excluding non-operating income (expenses) and excluding the adjustments shown in the reconciliation below. Expenses and income below operating profit are not included in the segment result.

The segment information for the business year 2022 is stated below:

in k€	*EVT Execute*[1)]	*EVT Innovate*	*Elimination between the segments*	*Evotec Group*
Revenues	546,718	204,730	-	751,448
Intersegment revenues	188,917	-	(188,917)	-
Cost of revenue	(605,751)	(145,566)	173,934	(577,383)
Gross profit	**129,884**	**59,164**	**(14,983)**	**174,065**
Operating income and (expenses)				
Research and development cost	(5,305)	(86,320)	14,983	(76,642)
Selling, general and administrative cost	(125,293)	(30,897)	-	(156,190)
Impairment of intangible assets	-	-	-	-
Other operating income	35,197	46,385	-	81,582
Other operating expenses	(1,960)	(5)	-	(1,965)
Total operating income and (expenses)	**(97,361)**	**(70,837)**	**14,983**	**(153,215)**
Operating income (loss)	**32,523**	**(11,673)**	**-**	**20,850**
Interest result				(4,814)
Measurement gains from investments				(172,159)
Share of the loss of associates accounted for using the equity method				(15,964)
Impairment of financial assets				866
Profit from the acquisition below market value				4,909
Other income from financial assets, net				-
Foreign exchange gains (-losses), net				13,083
Other non-operating income (expenses), net				(727)
Profit / Loss before tax				**(153,957)**
Adjusted EBITDA	**108,256**	**(6,602)**		**101,654**

[1)] *The revenue of EVT Execute includes in the year 2022 income from grants in the amount of 10,551 k€.*

Adjusted EBITDA for fiscal year 2022 is derived from operating income as follows:

in k€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Operating Income	**32,523**	**(11,673)**	**20,850**
plus depreciation of tangible assets	67,698	4,979	72,677
plus amortization of intangible assets	8,874	108	8,982
EBITDA	**109,095**	**(6,586)**	**102,509**
less change in contingent consideration (earn-out)	(839)	(16)	(855)
Adjusted EBITDA	**108,256**	**(6,602)**	**101,654**

The segment information for the business year 2021 is stated below:

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

[1)] *The revenue of EVT Execute includes in the year 2021 income from grants in the amount of 8,565 k€.*

Adjusted EBITDA for fiscal year 2021 is derived from operating income as follows:

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

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

in k€	*2022*	*2021*
USA	**231,439**	209,508
UK	**211,115**	196,543
Italy	**227,113**	188,858
France	**205,749**	129,178
Germany	**160,970**	105,283
Swiss	**-**	14,089
Austria	**3,914**	2,697
Canada	**1,906**	1,913
	1,042,206	**848,069**

(4) ACQUISITIONS

Effective 1 July 2022, Evotec acquired 100% of the shares in Rigenerand Srl. in Medolla, Italy. The acquired company operates a certified facility integrating state-of-the-art cGMP manufacturing with R&D, QC and development laboratories. The entity will continue operation under the name Evotec (Modena) Srl. with this acquisition, Evotec is able to expand its cell therapy platform EVOcells with its own high-quality cGMP manufacturing facility.

The purchase price for the shares was k€ 23,000 in cash, increased by an unlimited earn-out as contingent consideration. The contingent consideration is based on a share of net revenues for a cell-based gene therapy product acquired as part of the acquisition (see below). At the time of acquisition, the earn-out was determined based on the discounted expected future cash flows, weighted by the probability that the respective payments will have to be made, in the amount of k€ 14. As of 31 December 2022, the earn-out provision amounts to k€ 14.

The underlying developed technology (cell-based gene therapy product) was recognized at a fair value of k€ 120 on the basis of a risk-adjusted discounted cash flow model, adjusting the previous capitalization at cost. Two further developed technologies were adjusted to a fair value of k€ 0, taking into account the expected future economic potential. The fair value of the other assets and liabilities was determined on the basis of the net carrying amounts at the acquisition date.

The preliminary purchase price allocation resulted in goodwill of k€ 19,622, which is allocated to the Execute segment and the cash-generating unit Aptuit Execute. The main drivers of the goodwill recognized is the ability to have highly qualified employees in combination with a cGMP-certified cell therapy production facility available in a short period of time to meet the needs of internal and external customers.

Evotec's income statement for the fiscal year 2022 includes a profit of k€ 159 and revenues of k€ 1,715 from the acquisition of Rigenerand. Had the acquisition occurred on 1 January 2022, Evotec would have recognized revenues of k€ 1,781 and a loss of k€ 889. The transaction costs incurred of k€ 773 were recognized as selling, general and administrative expenses in the income statement in 2022.

The preliminary purchase price allocation as of 1 July 2022 results in the fair values of Evotec (Modena) Srl. at the acquisition date as shown in the following table:

k€	*1 July 2022*
Cash and cash equivalents	**263**
Trade accounts receivable	**244**
Inventories	**29**
Property, plant and equipment	**3,809**
Intangible assets	**727**
Deferred tax assets	**344**
Other assets	**374**
Trade accounts payable	**(382)**
Current liabilities	**(564)**
Non-current liabilities	**(1,009)**
Other liabilities	**(370)**
Other accrued liabilities	**(73)**
Net assets acquired	**3,392**
Goodwill	**19,622**
Cost of acquisition	**23,014**
Contingent consideration	**(14)**
Cash and cash equivalents acquired	**(263)**
Cash outflow on acquisition	**22,737**

Evotec acquired 100% of the shares in Central Glass Germany GmbH, Halle (Westphalia), Germany, effective as of 1 November 2022. The acquired company has a team of highly skilled chemistry experts and a fully operational EU-cGMP certified manufacturing facility. Central Glass Germany GmbH was renamed to Evotec Drug Substance (Germany) GmbH ("Evotec DS") and continues to operate under this name. The strategic transaction strengthens Evotec's clinical and commercial manufacturing capacity and capabilities for small molecule therapeutics.

The purchase price for the shares in Central Glass Germany GmbH was € 1 in cash. A performance-based component was not included. In the course of the acquisition Evotec also acquired receivables from an inter-company loan between the seller and Central Glass Germany GmbH.

As part of the preliminary purchase price allocation, an order backlog with a negative fair value of k€ (2,200) was identified based on the Multi-Period Excess Earnings Method (MEEM). In addition, a negative fair value adjustment of inventories in the amount of k€ (981) was recognised. For the other assets and liabilities, the fair value was determined on the basis of the net book values at the time of acquisition.

The transaction generated a bargain purchase price that was recorded in other operating income. The bargain purchase price of k€ 4,909 was determined taking the intrinsic added value on the Group's operation compared to the seller's present obligations if it had to discontinue the current operations.

Evotec's net result for the financial year 2022 includes a loss after tax of k€ 559 and revenues from customer contracts of k€ 2,097 from the acquisition of Central Glass Germany. Had the acquisition taken place on 1 January 2022, Evotec would have recognised revenues from contracts with customers of k€ 5,396 and a loss of k€ (5,261). Transaction costs of k€ 943 were recognised in the income statement as selling, general and administrative expenses in 2022. The acquisition was allocated to the Aptuit Execute segment. The purchase price allocation results in the acquisition values of Evotec DS at the date of acquisition shown in the table below:

k€	*1 November 2022*
Cash and cash equivalents	**16,099**
Trade accounts receivable	**1,210**
Inventories	**2,903**
Prepaid expenses	**77**
Property, plant, and equipment	**6,213**
Intangible assets	**23**
Deferred tax assets	**725**
Trade accounts payable	**(43)**
Current provisions	**(609)**
Contract liabilities	**(705)**
Current tax payables	**(76)**
Other payables	**(7)**
Non-current provisions	**(553)**
Non-current lease liabilities	**(3,940)**
Order intake	**(2,200)**
Acquired net assets	**19,117**
Bargain Purchase	**(4,909)**
Consideration transferred	**14,208**
Cash and cash equivalents	**16,099**
Purchase price for shareholder loan	**(14,208)**
Cash inflow from the acquisition	**1,891**

Both acquisitions are still within the measurement period according to IFRS 3.

(5) CASH AND CASH EQUIVALENTS AND INVESTMENTS

Included in investments are corporate bonds, which are reported at fair value. The corporate bonds and similar instruments are classified as measured at fair value through OCI. As of 31 December 2022, unrealized gains in the amount of k€ 12,064 (31 December 2021: gains of k€ 1,448) were recognized in other comprehensive income relating to those assets. While managing liquidity, Evotec is investing in deposits with maturities beyond three months which are also included in investments. These deposits are measured at amortized costs.

Based on the expected credit loss, an allowance of k€ 225 has been recognized as of 31 December 2022 (31 December 2021: k€ 239).

As of 31 December 2022, k€ 14,458 of the cash balances with credit institutions were restricted (31 December 2021 k€ 7,736).

(6) TRADE ACCOUNTS RECEIVABLE

The Company has assessed the non-payment risk of all trade accounts receivables. The resulting valuation allowance as of 31 December 2022 amounts to k€ 3,223 (31 December 2021: k€ 2,100) and includes a risk provision for specific default risks of trade receivables in the amount of k€ 2,312 (31 December 2021: k€ 1,584) as well as for expected credit risks according to IFRS 9 in the amount of k€ 911 (31 December 2021: k€ 516).

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

in k€	*31 Dec 2022*	*31 Dec 2021*
Not past due	**136,372**	95,556
Past due 1-30 days	**24,425**	31,222
Risk provision 1-30 days	**(67)**	(30)
Past due 31-120 days	**6,301**	5,164
Risk provision 31-120 days	**(323)**	(89)
More than 120 days	**4,778**	2,236
Risk provision more than 120 days	**(2,833)**	(1,981)
Total trade accounts receivable	**168,653**	**132,078**

The allowance for expected credit losses in accordance with IFRS 9 amounting to k€ 911 (31 December 2021: k€ 516) was recognized on the basis of estimates. The expected default rates range between 0.078% and 16.758% (31 December 2021: 0.024% and 21.8%) and are taken into account in the allowance.

(7) INVENTORIES

Inventories consist of the following:

in k€	*31 Dec 2022*	*31 Dec 2021*
Raw materials	**27,917**	25,043
Work-in-progress	**1,908**	750
Total inventories	**29,825**	**25,793**

The increase in raw materials is mainly due to the acquisition of Evotec DS. Raw materials are mainly consumables, cell culture media and disposables.

Allowances on inventories exist at the balance sheet date in the amount of k€ 1,679 (31 December 2021: k€ 595).

(8) CONTRACT ASSETS

Contract assets consist of assets resulting from customer contracts. As of 31 December 2022, no material risk provision was recorded.

(9) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses as of 31 December 2022 mainly relate to prepayments for insurance premiums. The other current assets mainly comprise VAT-related receivables of k€ 19,035 (31 December 2021: k€ 14,943) and positive fair values of forward exchange contracts in the amount of k€ 8,215.

in k€	*31 Dec 2022*	*31 Dec 2021*
Prepaid expenses	**16,948**	19,210
Other current assets	**40,178**	20,685
Total prepaid expenses and other current assets	**57,126**	**39,895**

(10) LONG-TERM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following table summarizes the development of the long-term investments during year 2022:

in k€	*Autobahn Labs LLC*	*Breakpoint Therapeutics GmbH*	*Curexsys GmbH*	*Dark Blue Therapeutics Ltd.*	*Topas Therapeutics GmbH*	*Immaterial investments*	*Total*
Balance at 1 Jan 2022	**-**	**2,774**	**4,212**	**405**	**1,497**	**4,180**	**13,068**
Additions	**3,634**	**-**	**2,564**	**7,167**	**1,821**	**3,754**	**18,940**
Pro rata net result	**(2,263)**	**(2,774)**	**(2,809)**	**(3,550)**	**(2,913)**	**(1,656)**	**15,965**
Total	**1,371**	**-**	**3,967**	**4,022**	**405**	**6,278**	**16,043**

Individually immaterial shares in companies accounted for using the equity method are presented in aggregate, provided that at the balance sheet date the equity book value did not exceed k€ 10,000 or Evotec's share of earnings in the result were less than k€ 2,000 in the company's profit or loss. As at the balance sheet date, five investments were classified as significant and eight investments were classified as insignificant.

The additions to the significant investments in 2022 are entirely related to financing rounds (capital contributions). The additions to insignificant investments in 2022 amount to k€ 3,754 and include the acquisition of Tucana Biosciences Inc.for k€ 2,504.

The following table provides an overview of the development of the investments in 2021:

in k€	*Exscientia plc* [1]	*NephTera GmbH* [2]	*Breakpoint Therapeutics GmbH*	*Immaterial investments*	*Total*
Balance at 1 Jan 2021	21,040	486	1,918	16,266	**39,710**
Acquisition	-	-	3,667	7,244	**10,911**
Pro rata net result	(1,577)	(486)	(2,811)	(11,696)	**(16,570)**
Loss against other current assets	-	-	-	977	**977**
Impairment	-	-	-	(2,497)	**(2,497)**
Discontinued use of equity method	(19,463)[1]	-	-	-	**(19,463)**
Net book value 31 Dec 2021	**-**	**-**	**2,774**	**10,294**	**13,068**

[1] *In the first half of 2021, Evotec did not participate in two financing rounds of Exscientia, reducing Evotec's share from 20.32 % to 14.84 %. In the third quarter of 2021, Exscientia was listed on NASDAQ for the first time and the shareholding further decreased through dilution toll 11.70 % as of 31 December 2021. Consequently, Exscientia is no longer accounted for using the equity method, but is measured at fair value in accordance with IFRS 9.*

[2] *NephTera GmbH is a joint venture.*

Further financial information on the significant investments accounted for using the equity method is presented below:

2022

in k€	*Autobahn Labs LLC*	*Breakpoint Therapeutics GmbH*	*Curexsys GmbH*	*Dark Blue Therapeutics Ltd.*	*Topas Therapeutics GmbH*
Current assets	**4,029**	**7,204**	**3,409**	**14,244**	**6,795**
Non-current assets	**6**	**2**	**484**	**32**	**-**
Current liabilities	**672**	**1,068**	**302**	**1,065**	**843**
Non-current liabilities	**-**	**143**	**85**	**8,208**	**-**
Revenues from 1 Jan to 31 Dec	**-**	**-**	**15**	**-**	**-**
Net income 1 Jan to 31 Dec	**(6,144)**	**(11,789)**	**(6,940)**	**1,025**	**(9,340)**

2021

in k€	*NephTera GmbH*	*Breakpoint Therapeutics GmbH*
Current assets	8,013	18,501
Non-current assets	10	2
Current liabilities	525	719
Non-current liabilities	-	-
Revenues from 1 Jan to 31 Dec	-	-
Net income 1 Jan bis 31 Dec	**(5,769)**	**(8,283)**

(11) OTHER LONGTERM INVESTMENTS

The development of investments measured at fair value in accordance with IFRS 9 is shown below:

in k€	*2022*	*2021*
Balance at 1 Jan	**268,793**	19,289
Additions	**46,137**	6,647
Additions due to discontinued use of equity method	**-**	19,463
Fair value adjustments recognized in profit or loss	**(172,159)**	223,394
Adjustments to fair value, not affecting income	**(11,729)**	-
Net book value 31 Dec	**131,042**	268,793

Exscientia was previously accounted for using the equity method (please refer to Note 10 for information).

Investments are continuously tested for fair value adjustments. Fair value adjustments of k€ 174,729 mainly relate to two financing rounds of Exscientia in which Evotec did not participate as well was the first-time listing of Exscientia plc.

(12) PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in 2022 and 2021 is shown in the following tables. The table below also includes the right of use assets (see Note 13 Leases) with a net book value of k€ 168,327 as of 31 December 2022 (31 December 2021: k€ 145,038).

The increase in the net book value of property, plant and equipment of k€ 165,604 is mainly attributed to new buildings technical equipment, and construction in progress. This is due to the continued construction of the J.POD factory in Toulouse, France (increase of k€ 55,705).

2022

in k€	*Building and leasehold improvements*	*Plant, machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Total*
Acquisition and manufacturing costs					
Amount beginning of the year	378,467	227,611	39,658	40,350	686,086
Foreign currency translation	3,234	839	(62)	883	4,894
Additions	61,673	59,611	11,663	95,618	228,565
Business combination	6,534	3,309	107	94	10,044
Disposals	3,573	3,101	1,243	862	8,779
Reclass	16,727	1,667	1,308	(19,702)	-
Amount end of the year	**463,062**	**289,936**	**51,431**	**116,381**	**920,810**
Depreciation, amortisation and write-downs					
Amount beginning of the year	63,379	113,901	24,209	-	201,489
Foreign currency translation	(196)	(355)	(168)	-	(719)
Additions	33,126	30,490	9,061	-	72,677
Disposals	44	1,563	1,231	-	2,838
Reclass	2,194	(2,166)	(28)	-	-
Amount end of the year	**98,459**	**140,307**	**31,843**	**-**	**270,609**
Net book value					
Amount beginning of the year	315,088	113,710	15,449	40,350	484,597
Amount end of the year	**364,603**	**149,629**	**19,588**	**116,381**	**650,201**

2021

in k€	*Building and leasehold improvements*	*Plant, machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Total*
Acquisition and manufacturing costs					
Amount beginning of the year	215,055	168,224	27,445	71,155	481,879
Foreign currency translation	9,099	4,576	718	3,362	17,755
Additions	83,535	36,082	7,546	63,653	190,816
Business combination	-	-	-	-	-
Disposals	3,022	443	860	39	4,364
Reclass	73,800	19,172	4,809	(97,781)	-
Amount end of the year	**378,467**	**227,611**	**39,658**	**40,350**	**686,086**
Depreciation					
Amount beginning of the year	40,472	87,048	17,062	-	144,582
Foreign currency translation	1,919	2,628	620	-	5,167
Additions	23,463	24,826	7,307	-	55,596
Disposals	2,552	424	880	-	3,856
Reclass	77	(177)	100	-	-
Amount end of the year	**63,379**	**113,901**	**24,209**	**-**	**201,489**
Net book value					
Amount beginning of the year	174,583	81,176	10,383	71,155	337,297
Amount end of the year	**315,088**	**113,710**	**15,449**	**40,350**	**484,597**

(13) LEASES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	2022			
in k€	*Right of use Buildings and leasehold improvements*	*Right of use Plant, machinery and equipment*	*Right of use Furniture and fixtures*	*Total*
Acquisition and manufacturing costs				
Amount beginning of the year	177,602	8,077	997	186,676
Foreign currency translation	(919)	(17)	-	(936)
Additions	38,393	306	338	39,037
Business combination	3,940	-	22	3,962
Disposals	-	-	-	-
Reclass	3,718	(3,678)	(40)	-
Amount end of the year	**222,734**	**4,688**	**1,317**	**228,739**
Depreciation, amortisation and write downs				
Amount beginning of the year	35,722	5,384	532	41,638
Foreign currency translation	8	109	-	117
Additions	17,855	575	229	18,659
Disposals	-	-	-	-
Reclass	2,194	(2,166)	(28)	-
Amount end of the year	**55,779**	**3,902**	**733**	**60,414**
Net book value				
Amount beginning of the year	141,880	2,693	465	145,038
Amount end of the year	**166,955**	**786**	**584**	**168,325**

	2021			
in k€	*Right of use Buildings and leasehold improvements*	*Right of use Plant, machinery and equipment*	*Right of use Furniture and fixtures*	*Total*
Acquisition and manufacturing costs				
Amount beginning of the year	158,454	8,382	529	167,365
Foreign currency translation	7,442	30	-	7,472
Additions	14,077	-	215	14,292
Business combination	-	-	-	-
Disposals	2,453	-	-	2,453
Reclass	82	(335)	253	10
Amount end of the year	**177,602**	**8,077**	**997**	**186,676**
Depreciation, amortisation and write downs				
Amount at the beginning of the year	21,169	3,939	147	25,255
Foreign currency translation	2,573	120	24	2,717
Additions	14,160	1,462	207	15,829
Disposals	2,163	-	-	2,163
Reclass	(17)	(137)	154	-
Amount end of the year	**35,722**	**5,384**	**532**	**41,638**
Net book value				
Amount beginning of the year	137,285	4,443	382	142,110
Amount end of the year	**141,880**	**2,693**	**465**	**145,038**

Set out below are the carrying amounts of the lease liabilities and the movements during the period:

in k€	*2022*	*2021*
Amount beginning of the year	**150,437**	145,554
Foreign currency Translation	**(923)**	6,691
Additions	**38,784**	14,292
Business combination	**3,962**	-
Disposal	**(232)**	(58)
Accretion of interest	**3,841**	3,728
Payments	**(19,046)**	(19,770)
Amount end of the year	**176,823**	150,437

The lease liabilities are due as follows:

in k€	*2022*	*2021*
Current portion of lease obligations	**14,825**	14,473
Long-term lease obligations	**161,998**	135,964
	176,823	150,437

The following amounts are recognised in profit or loss:

in k€	*2022*	*2021*
Depreciation expense of right-of-use assets	**18,659**	15,829
Interest expense on lease liability	**3,841**	3,728
Expense relating to short-term leases	**476**	839
Expense for leases on an asset of low value	**50**	56
Total amount recognised in profit or loss	**23,026**	20,452

The Group's cash outflows for leases amounted to k€ 19,046 in 2022 (2021: k€ 20,665). Future cash outflows for leases that have not yet begun are set out in the explanation "(31) Commitments and contingencies".

(14) INTANGIBLE ASSETS EXCLUDING GOODWILL

The development of intangible assets in 2022 and 2021 is shown in the following tables.

2022

in k€	*Patents and licenses*	*Developed technologies*	*Customer related*	*Trademarks*	*Favorable contract*	*Total*
Acquisition and manufacturing cost						
Amount beginning of the year	11,211	99,784	69,089	6,539	-	186,623
Foreign currency translation	-	34	-	-	-	34
Additions	-	917	-	-	-	917
Business combination	1,672	-	-	-	-	1,672
Disposals	-	-	-	-	-	-
Amount end of the year	**12,883**	**100,735**	**69,089**	**6,539**	**-**	**189,246**
Depreciation, amortisation and write downs						
Amount beginning of the year	10,182	92,983	47,391	5,216	-	155,772
Foreign currency translation	-	(438)	45	-	-	(393)
Additions	1,223	1,559	6,969	297	-	10,048
Disposals	-	-	-	-	-	-
Reclass	(56)	56	-	-	-	-
Amount end of the year	**11,349**	**94,160**	**54,405**	**5,513**	**-**	**165,427**
Net book value						
Amount beginning of the year	1,029	6,801	21,698	1,323	-	30,851
Amount end of the year	**1,534**	**6,575**	**14,684**	**1,026**	**-**	**23,819**

2021

in k€	*Patents and licenses*	*Developed technologies*	*Customer related*	*Trademarks*	*Favorable contract*	*Total*
Acquisition and manufacturing cost						
Amount at the beginning of the year	10,772	98,845	67,647	6,539	62,033	245,836
Foreign currency Translation	-	939	1,442	-	-	2,381
Additions	439	-	-	-	-	439
Business Combinations	-	-	-	-	-	-
Disposals	-	-	-	-	62,033	62,033
Transfers	-	-	-	-	-	-
Amount end of the year	**11,211**	**99,784**	**69,089**	**6,539**	**-**	**186,623**
Depreciation, amortisation and write-downs						
Amount at the beginning of the year	10,095	90,272	37,786	4,574	5,073	147,800
Foreign currency translation	-	348	691	-	-	1,039
Additions	87	1,680	8,914	642	689	12,012
Disposals	-	-	-	-	5,762	5,762
Reclass	-	-	-	-	-	-
Impairment	-	683	-	-	-	683
Amount end of the year	**10,182**	**92,983**	**47,391**	**5,216**	**-**	**155,772**
Net Book value						
Amount beginning of the year	677	8,573	29,861	1,965	56,960	98,036
Amount end of the year	**1,029**	**6,801**	**21,698**	**1,323**	**-**	**30,851**

Intangible assets excluding goodwill decreased by k€ 7,032 from k€ 30,851 at 31 December 2021 to k€ 23,819 at 31 December 2022. This decrease is mainly due to amortization of the Evotec customer base of k€ 6,969, of which k€ 5,557 relates to the Aptuit customer base.

In the financial year 2021 a developed technology in the amount of k€ 683 was impaired.

(15) GOODWILL

The Company has tested the cash-generating units for impairment on the annual designated test date in the fourth quarter 2022 based on the net book values as of 30 September 2022. The impairment tests are performed by determining the recoverable amount based on discounted cash flows. The recoverable amount is based either on value in use or fair value less costs to sell in 2022 and 2021.

With respect to the development of goodwill please refer to the following detailed schedules.

2022

in k€	*OAI/Evotec International Execute*	*OAI/Evotec International Innovate*	*Aptuit Execute*	*Evotec (US) Execute*	*Just Execute*	*Total*
1 Jan 2022	**84,480**	**9,204**	**128,845**	**4,197**	**30,843**	**257,569**
Business combination	**-**	**-**	**19,622**	**-**	**-**	**19,622**
Foreign currency translation	**(2,257)**	**(40)**	**(2,243)**	**260**	**1,908**	**(2,372)**
31 Dec 2022	**82,223**	**9,164**	**146,224**	**4,457**	**32,751**	**274,819**

The goodwill addition in financial year 2022 to the Aptuit Execute cash-generating unit was a result of the acquisition of Evotec (Modena) Srl, see Note (4). Foreign currency translation resulted in a decrease of k€ 2,372.

2021

in T€	*OAI/Evotec International Execute*	*OAI/Evotec International Innovate*	*Aptuit Execute*	*Evotec (US) Execute*	*Just Execute*	*Total*
1 Jan 2021	79,816	9,154	126,059	3,874	28,467	247,370
Foreign currency translation	4,664	50	2,786	323	2,376	10,199
31 Dec 2021	**84,480**	**9,204**	**128,845**	**4,197**	**30,843**	**257,569**

For the cash generating units OAI/Evotec International Execute, OAI/Evotec International Innovate and Evotec (US) Execute, the impairment tests are based on value in use calculations. For the cash generating units Aptuit Execute and Just Execute the fair value less costs to sell method was applied.

With the exception of the Just Execute cash-generating unit, the estimated future cash flows are based on a strategic plan of up to five years, extrapolated over a simplified transition period to a total forecast period of ten years and then extrapolated using a perpetual rate. As the J.POD is a new technology and the corresponding estimated cash flows are subject to a higher degree of uncertainty during the expected high growth in the start-up phase, the estimated future cash flows for the Just Execute cash-generating unit are based on an extended detailed planning period of ten years, after which the cash flows are extrapolated using a perpetual annuity.

Management has identified the cash flow schedule, the terminal value growth rate, and the discount rate as key assumptions to which the recoverable amount is most sensitive.

Management has determined the values for the key assumptions as follows:

- The cash flow plan is based on past experience and management's expectations for the future, taking into account specific expectations regarding customer growth and product performance, volume increases, changes in product mix and specific investments.

- The terminal value growth rate is based on the current estimates of long-term inflation in the regions relevant to Evotec's operations.

- The discount rates of the cash-generating units correspond to their weighted average cost of capital before tax, based on capital market data of a peer group.

The following tables show the relevant pre-tax discount rate as well as the growth rates used to determine the terminal value in the respective discounted cash flows.

	Cash-generating units 2022				
	OAI/Evotec International Execute	***OAI/Evotec International Innovate***	***Evotec (US) Execute***	***Aptuit Execute***	***Just Execute***
Denominated in	GBP/EUR	GBP/EUR	USD	GBP/EUR	USD
Pre-tax discount rate	10.15%	11.93%	9.32%	13.12%	11.71%
Growth rate for terminal value	2.0%	2.0%	2.0%	2.0%	2.0%

	Cash-generating units 2021				
	OAI/Evotec International Execute	*OAI/Evotec International Innovate*	*Evotec (US) Execute*	*Aptuit Execute*	*Just Execute*
Denominated in	GBP/EUR	GBP/EUR	USD	GBP/EUR	USD
Pre-tax discount rate	8.19%	11.51%	7.87%	9.83%	9.22%
Growth rate for terminal value	2.0%	2.0%	2.0%	2.0%	2.0%

A sensitivity analysis was performed for all cash-generating units with regard to reasonable changes in the key assumptions used for 2022. The analysis was based on a 10% decrease in future cash flows, a 10% increase in the discount rate or a decrease by one percentage point in the terminal sustainable growth rate.

Management concluded that in the event of these changes in key assumptions, no impairment would be recorded for any of the cash-generating units. For the cash-generating unit Just Execute, an additional scenario analysis was performed and no impairment of goodwill was identified.

In 2022 and 2021, the Company did not recognise any impairment losses as a result of the annual impairment tests.

(16) NON-CURRENT TAX ASSETS

Non-current tax receivables as of 31 December 2022 and 2021 mainly relate to tax refunds from tax development programs in the context of qualifying R&D expenses in France (crédit d'impôt recherche).

(17) LOAN LIABILITIES

Throughout the years 2022 and 2021, Evotec met all covenants under the various loan agreements shown below. All loans are unsecured.

Current loan liabilities as of 31 December 2022 consist of interest liabilities of k€ 1,092 (31 December 2021: k€ 1,136).

As of 31 December 2022, Evotec maintained unutilized lines of credit totaling k€ 245,509 (31 December 2021: k€ 99,601). On 29 December 2022, Evotec signed a facility agreement of k€ 150,000 with the European Investment Bank (EIB). As of 31 December 2022, Evotec has not drawn any amount from this facility agreement.

				31 Dec		*31 Dec*	
Country of lender	*Currency*	*Nominal interest rate*	*Maturity until*	***2022 Fair value***	***2022 Carrying amount***	*2021 Fair value*	*2021 Carrying amount*
				in k€	in k€	in k€	in k€
Germany	EUR	Fixed interest rate 0.9% to 3.8%	2024–2029	**198,281**	**214,671**	254,911	249,530
Germany	EUR	1.60%	2024–2027	**71,846**	**75,000**	78,596	75,000
Germany	EUR	1.20%	2029	**6,358**	**6,722**	8,014	7,797
Germany	EUR	1.40%	2031	**19,099**	**20,367**	21,332	20,367
Italy		Fixed interest rate 1.3% to 3.05%	2026–2027	**1,218**	**1,257**	-	-
France	EUR	0.55%	2025	**10,038**	**10,742**	8,559	8,650
				306,840	**328,759**	**371,412**	**361,344**

(18) PROVISIONS

The current provisions consist of the following:

in k€	*31 Dec 2022*	*31 Dec 2021*
Other provisions for personnel	**47,490**	33,983
Pensions	**1,730**	1,478
Other Provisions	**5,190**	3,799
Total current provisions	**54,410**	**39,260**

The non-current provisions consist of the following:

in k€	*31 Dec 2022*	*31 Dec 2021*
Pensions	**12,531**	12,950
Other personnel provision	**1,209**	2,029
Other Provisions	**2,687**	3,042
Total non-current provisions	**16,427**	**18,021**

The following table summarizes the development of total provisions recorded during 2022:

in k€	*1 Jan 2022*	*Business combination*	*Consumption*	*Release*	*Foreign currency exchange*	*Additions*	*31 Dec 2022*
Other personnel expenses	**36,012**	**419**	**23,105**	**3,374**	**(2,525)**	**41,272**	**48,699**
Pensions	**14,428**	**553**	**1,629**	**1,404**	**(12)**	**2,325**	**14,261**
Other provisions	**6,841**	**287**	**1,103**	**3,182**	**(63)**	**5,097**	**7,877**
Total	**57,281**	**1,259**	**25,837**	**7,960**	**(2,600)**	**48,694**	**70,837**

The following table summarizes the development of total provisions recorded during 2021:

in k€	*1 Jan 2021*	*Business combination*	*Consumption*	*Release*	*Foreign currency exchange*	*Additions*	*31 Dec 2021*
Other personnel expenses	37,005	-	33,018	3,644	636	35,033	36,012
Pensions	14,441	-	463	813	-	1,263	14,428
Other provisions	11,133	-	4,760	7,021	655	6,834	6,841
Total	**62,579**	**-**	**38,241**	**11,478**	**1,291**	**43,130**	**57,281**

The provision for personnel expenses mainly consists of bonus accruals (31 December 2022: k€ 26,704; 31 December 2021: k€ 22,396) and accrued vacation (31 December 2022: k€ 16,637; 31 December 2021: k€ 13,904). The provision for pensions mainly relates to pensions in France (see Note 31).

The other provisions mainly consist of provisions to address the risk of a potential divergent interpretation of selected contracts by the tax authorities (31 December 2022: k€ 2,139; 31 December 2021: k€ 2,139). Additionally, earn-out provisions (31 December 2022: k€ 306; 31 December 2021: k€ 1,103), audit fees (31 December 2022: k€ 2,111; 31 December 2021: k€ 878) and maintenance fees (31 December 2022: k€ 1,483; 31 December 2021: €k 1,598) were recorded.

(19) CONTRACT LIABILITIES

As of 31 December 2022 and 2021, contract liabilities mainly originate from the upfront payments relating to the customer contracts with BMS in the amount of k€ 235,652 (31 December 2021: k€ 94,988) of which k€ 42,506 (31 December 2021: k€ 62,568) is classified as current contract liabilities.

As of 31 December 2022 and 31 December 2021, contract liabilities mainly originate from the upfront payments relating to the customer contracts with BMS amounting to k€ 235,652 (31 December 2021: k€ 94,988), of which k€ 42,506 (31 December 2021: k€ 62,568) is recognized as current contract liability.

(20) INCOME TAXES

a) AMOUNTS RECOGNISED IN CONSOLIDATED INCOME STATEMENT

Income tax benefit and expense for the years 2022 and 2021 comprise the following:

in k€	***2022***	*2021*
Current taxes		
– Tax expense for the year	**(14,132)**	(12,309)
– Income relating to other periods	**156**	(4,095)
Total current income taxes	**(13,976)**	(16,404)
Deferred taxes		
– Tax loss carry forwards	**(10,862)**	(5,140)
– Temporary differences	**3,140**	74
Total deferred income taxes	**(7,722)**	(5,066)
Tax expense recognized in income	**(21,698)**	(21,470)

— b) RECONCILIATION OF EFFECTIVE TAX RATE —

The difference between the actual income tax expense and the result of the net income and the applicable Group tax rate in the reporting year and the previous year is made up as follows:

k€	*2022*	*2021*
Income before taxes	**(153,956)**	236,980
Expected German income tax rate	**32.28%**	32.28%
Expected income tax benefit (expense)	**49,697**	(76,497)
Non-deductible expenses	**(59,543)**	(511)
R&D tax credits	**13,454**	6,742
Tax free income	**3,184**	71,917
Permanent difference from GILTI	**(3,724)**	(444)
Tax effects from investments accounted for using the equity method	**(5,152)**	(9,300)
Deviation of tax rates from expected tax rate	**448**	1,815
Change in tax rates	**636**	521
Change in recognition of deferred tax assets	**(19,167)**	(10,247)
Non-periodic taxes		
– Current taxes	**156**	(4,095)
– Deferred taxes	**(1,348)**	(570)
Other	**(339)**	(801)
Effective income tax income (expense)	**(21,698)**	(21,470)
Effective income tax rate	**(14.09)%**	9.06%

The group tax rate includes corporate income tax plus solidarity surcharge of 15.825% and trade tax, which ranges from 10.850% - 16.625% depending on the municipality.

The initial public offering of Exscientia plc in the United States resulted in significant tax free income in 2021. The non-deductible expenses in 2022 result from the devaluation of the shares, which is also correspondingly non-deductible for tax purposes.

Deferred income tax assets and liabilities calculated with the anticipated tax rates of each entity as of 31 December 2022 and 2021 relate to the following:

	1 Jan 2022				*31 Dec 2022*			
in k€	*Net balance*	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*Foreign currency translation*	*Business combination*	*Net*	*Deferred tax asset*	*Deferred tax liabilities*
Property, plant and equipment	(4,855)	(5,140)	-	508	30	(9,457)	1,563	(11,020)
Intangible assets	(22,348)	2,536	-	(130)	296	(19,646)	965	(20,611)
Rights of use assets	(21,979)	(6,860)	-	-	-	(28,839)	-	(28,839)
Financial assets	(3,985)	2,539	-	-	-	(1,446)	453	(1,899)
Provisions and deferred income	3,965	5,640	(357)	2	-	9,250	12,759	(3,509)
Lease obligations	19,927	5,351	-	-	-	25,278	25,278	-
Other	4,949	(727)	-	22	-	4,244	5,778	(1,534)
Tax Credit	1,034	(199)	(633)[1)]	71	-	273	273	-
Loss carryforwards	22,963	(10,862)	-	45	-	12,146	12,146	-
Total	**(329)**	**(7,722)**	**(990)**	**518**	**326**	**(8,197)**	**59,215**	**(67,412)**
Set off of tax	-	-	-	-	-	-	**(48,888)**	**48,888**
Net	**(329)**	**(7,722)**	**(990)**	**518**	**326**	**(8,197)**	**10,327**	**(18,524)**

[1)] *Recognised directly in equity and not through other comprehensive income*

	1 Jan. 2021				*31 Dec 2021*		
in k€	*Net balance*	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*Foreign currency translation*	*Net*	*Deferred tax asset*	*Deferred tax liabilities*
Property, plant and equipment	(2,840)	(1,969)	-	(46)	(4,855)	1,528	(6,383)
Intangible Assets	(25,314)	3,296	-	(330)	(22,348)	468	(22,816)
Rights of use assets	(23,535)	1,556	-	-	(21,979)	-	(21,979)
Financial assets	(316)	(3,669)	-	-	(3,985)	401	(4,386)
Provisions and deferred income	4,801	(768)	7	(75)	3,965	6,516	(2,551)
Lease obligations	23,274	(3,347)	-	-	19,927	20,297	(370)
Total	(1,309)	6,245	-	13	4,949	5,254	(305)
Tax Credits	1,521	(1,270)	708[1)]	75	1,034	1,034	-
Loss Carryforwards	27,711	(5,140)		392	22,963	22,963	-
Total	**3,993**	**(5,066)**	**715**	**29**	**(329)**	**58,461**	**(58,790)**
Set off of tax	-	-	-	-	-	(41,102)	41,102
Net	**3,993**	**(5,066)**	**715**	**29**	**(329)**	**17,359**	**(17,688)**

[1)] *Was recognized directly in equity and not through other comprehensive income.*

— c) UNRECOGNISED DEFERRED TAX LIABILITIES —

Concerning undistributed foreign subsidiaries earnings, temporary differences in the amount of k€ 20,576 were not recognized according to IAS 12.39 (31 December 2021: k€ 12,009) as Evotec controls the timing of such reversal and it is not planned to distribute the foreign subsidiaries earnings.

— d) UNRECOGNISED DEFERRED TAX ASSETS —

The Company's deferred tax assets are recorded to the extent it is probable that such tax benefits would be realised in future years. As of 31 December 2021, no additional deferred tax assets on tax loss carryforwards exceeding the recognised deferred tax liabilities, were recognised for two German, one French, one United Kingdom entity, the United States entities as well as the Swiss, Austrian and Indian entity. In the following schedule, tax loss carryforwards, interest carryforwards and tax credits for which no deferred tax assets were recorded are shown. Tax loss carryforwards on different types of income taxes were aggregated into one total amount.

in k€	*2022*	*2021*
Tax loss carry forwards (not expiring)	**474,989**	307,682
Time-limited tax losses		
— expiring until 2027 (2021: 2026)	**13,297**	21,409
— expiring 2028 to 2032 (2021: 2027–2031)	**45,696**	38,207
— expiring after 2032 (2021: 2031)	**57,662**	73,811
Interest carry forwards	**-**	-
Tax credits	**1,313**	1,286
Total	**592,957**	**442,395**

In addition to the unrecognised deferred tax assets from tax loss carryforwards a net asset position for temporary differences amounting to k€ 11,354 (31 December 2021: k€ 6,346) was not recognised as of 31 December 2022, as there was no sufficient taxable income foreseen.

(21) OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities of k€ 7,087 relate to negative fair values of forward exchange contracts (31 December 2021: k€ 8,565 derivatives and k€ 3,550 other liabilities).

(22) STOCK OPTION PLAN

— SHARE PERFORMANCE AWARDS —

In order to continue to incentivise executives in the form of variable compensation components with long-term incentives, in June 2022, June 2020 and June 2017, the Annual General Meeting approved the respective conditional capital required for the so-called Restricted Share Plan 2020 ("RSP 2020") as well as the so-called Share Performance Plan 2022 ("SPP 2022") and Share Performance Plan 2017 ("SPP 2017"). Under these plans, Restricted Share Awards ("RSA") for up to 1,200,000 shares (RSP 2020) and Share Performance Awards ("SPA") for up to 6,000,000 shares (SPP 2022) and 6,000,000 shares (SPP 2017) of Evotec SE ordinary bearer shares without par value (no-par value shares) may be issued to members of the Management Board and other executives upon maturity. Each RSA grants one subscription right to Evotec SE shares, while each SPA grants up to two subscription rights to Evotec SE shares, each of which in turn entitles the holder to subscribe for one Evotec SE share.

SPAs from SPP 2022 and SPP 2017 will be automatically exercised within 10 trading days after the end of the four-year holding period, while RSAs from RSP 2020 can be exercised at the earliest after four years and up to five years after the respective issue date. The RSAs will also be automatically exercised at the end of the five-year period if no exercise has been made. The holder must contribute €1.00 per share at the time of exercise under all plans described above.

RSAs under RSP 2020 may only be exercised if and to the extent that the performance target is achieved within each of the four consecutive calendar years. This performance target relates to the Company's Adjusted EBITDA. The performance target for each individual tranche of RSAs is set by the Supervisory Board annually at the time of issue. The Restricted Share Plan 2020 is subject to some restrictions with regard to issuance periods and allocation of awards to members of the Executive Board or selected executives. The RSP 2020 is no longer part of the new 2022 compensation system for the Executive Board and no more restricted share awards have been issued for the Executive Board since its effective date on June 22, 2022. The grant value of the Restricted Share Plan 2020 for the Executive Board has been reallocated to the short-term and long-term ("Share Performance Plan 2022") compensation components.

SPAs from SPP 2022 and SPP 2017 can only be exercised if and to the extent that two defined equally weighted performance targets ("Key Performance Indicators") are achieved within each of the four consecutive calendar years. These performance indicators consist of Evotec's share price (relevant here is the XETRA price) and the relative total shareholder return, which is derived by comparison with the return of the TecDax index. The performance targets for each individual tranche of the SPAs are set by the Supervisory Board annually at the time of issue. The Share Performance Plan 2022 and the Share Performance Plan 2017 are subject to certain restrictions with regard to issuance periods and allocation of awards to members of the Executive Board or selected executives.

A summary of the status of the Share Performance Plans as of 31 December 2022 and 2021 and the changes during the year then ended is presented as follows:

	31 Dec			
	2022 Share Performance Awards (SPAs)	*2022 Weighted average exercise price*	*2021 Share Performance Awards (SPAs)*	*2021 Weighted average exercise price*
		€ per share		€ per share
Granted SPAs at the beginning of the year	**1,325,450**	**1.00**	1,570,113	1.00
SPAs granted	**468,706**	**1.00**	608,710	1.00
Exercised SPAs	**(209,043)**	**1.00**	(701,278)	1.00
Expired SPAs	**(80,475)**	**1.00**	(152,095)	1.00
SPAs granted at the end of the year	**1,504,638**	**1.00**	**1,325,450**	**1.00**
Thereof exercisable	**-**	**1.00**	**-**	**1.00**

Evotec's average weighted share price at the exercise day of SPAs in financial year 2022 was € 34.27 (31 December 2021: € 37.97). In the financial year 2022, 139,229 Awards (2021: 160,048 Awards) from the total granted 468,706 SPAs (2021: 608,710 SPAs) were given to the members of the Management Board. The SPAs exercised in 2022 correspond to 344,458 shares (2021: 1,195,954 shares).

The fair value of the share performance awards issued was determined on the date the options were granted on the basis of a Monte Carlo simulation using the following assumptions:

	27 Oct 2022	*27 May 2022*	*28 Jan 2022*
Risk-free interest rate in %	2.03	0.57	(0.46)
Volatility of the Evotec SE share in %	51.00	45.00	37.00
Volatility of the TecDAX index in %.	-	-	17.00
Fluctuation in %	5.0	0.0–5.0	0.0–5.0
Exercise price in €	1.00	1.00	1.00
Share price on the day of issue in €	19.47	25.26	34.90
TecDAX index price on the day of issue in points	-	-	3,411.87
Fair value in accordance with IFRS 2 on the date of issue per SPA of the Executive Board in €	-	22.87	31.30
Fair value in accordance with IFRS 2 on the date of issue per SPA of the executives in €	18.57	24.29	33.66

	22 Oct 2021	*28 May 2021*	*1 Feb 2021*
Risk-free interest rate in %	(0.43)	(0.57)	(0.78)
Volatility of the Evotec SE share in %	35.00	40.00	42.00
Volatility of the TecDAX index in %.	-	-	29.00
Fluctuation in %	5.00	0.0–5.0	0.0–5.0
Exercise price in €	1.00	1.00	1.00
Share price on the day of issue in €	44.98	35.49	32.25
TecDAX index price on the day of issue in points	-	-	3,375.67
Fair value in accordance with IFRS 2 on the date of issue per SPA of the Executive Board in €	-	33.50	31.34
Fair value in accordance with IFRS 2 on the date of issue per SPA of the executives in €	43.96	34.47	36.65

For all share performance awards and restricted share awards, a total of k€ 9,919 was recognised as current service cost in operating expenses in the consolidated statement of income in 2022 (2021: k€ 7,805). Of this amount, k€ 2,791 relate to share performance awards of the Management Board in 2022 (2021: k€ 2,002). The expenses related to the matters treated as accelerated vesting are included in the current service cost.

The performance measurement period for all issues started on 1 January of the respective year. An expected dividend yield of zero applies to all models. The expected duration is four years for the January issuances and five years for the May and October issuances. The expected volatilities are based on the historical volatilities of the year prior to the grant date.

(23) SHAREHOLDER' S EQUITY

The share capital is made up as follows:

Shares in thousands	*2022*	*2021*
Issued as of 1 Jan	**176,608**	163,915
Capital increase (cash contribution)	**-**	11,497
Exercise of share purchase rights	**345**	1,196
Issued as of 31 Dec	**176,953**	176,608

As of 31 December 2022, 176,952,653 shares of Evotec SE with a nominal value of € 1.00 per share are issued and outstanding.

The stock options exercised in 2022 have an average exercise price of € 1.00 (31 December 2021: € 1.00) per share.

The conditional capital of Evotec SE as of 31 December 2022 consists of 12,773,576 shares available for the Share Performance Plans and the Stock Option Plans and 29,959,289 shares available for the issuance of no-par value bearer shares to holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or income bonds (or a combination of these instruments). Evotec SE may grant these on the basis of the resolution of the Annual General Meeting on 22 June 2022. The remaining conditional capital of Evotec SE as of 31 December 2022, thus amounts to a total of 42,732,865 shares.

Pursuant to Section 5 (5) of the Company's Articles of Association, the Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by up to k€ 35,321,639 by issuing new shares against cash or non-cash contributions on one or more occasions until 21 June 2025.

As of 31 December 2022, Evotec holds 249,915 treasury shares (31 December 2021: 249,915), representing 0.1% (31 December 2021: 0.1%) of Evotec's total share capital as of 31 December 2022.

(24) REVENUE

The following schedule entails detailed information about Evotec's revenues in the financial year 2022:

in k€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Revenues from contracts with customers			
Service fees and FTE-based research payments	498,719	185,268	683,987
Recharges[1)]	38,668	5,768	44,436
Compound access fees	1,464	1,109	2,573
Milestone fees	6,054	12,012	18,066
Licenses	1,813	573	2,386
Total	**546,718**	**204,730**	**751,448**
Timing of revenue recognition			
At a point in time	44,722	17,780	62,502
Over a period of time	501,996	186,950	688,946
Total	**546,718**	**204,730**	**751,448**
Revenues by region			
USA	283,755	134,550	418,305
Germany	32,765	26,130	58,895
France	22,546	9,728	32,274
United Kingdom	105,557	9,699	115,256
Rest of the world	102,095	24,623	126,718
Total	**546,718**	**204,730**	**751,448**

[1)] *it concerns material re-charges to the customer*

The following schedule entails detailed information about Evotec's revenues in the financial year 2021:

in k€	*EVT Execute*	*EVT Innovate*	*Evotec Group*
Revenues from contracts with customers			
Service fees and FTE-based research payments	431,184	99,570	530,754
Recharges	34,104	1,887	35,991
Compound access fees	1,532	43	1,575
Milestone fees	4,232	45,237	49,469
Licenses	-	245	245
Total	**471,052**	**146,982**	**618,034**
Timing of revenue recognition			
At a certain time	38,336	47,124	85,460
Over a period of time	432,716	99,858	532,574
Total	**471,052**	**146,982**	**618,034**
Revenues by region			
USA	236,009	101,593	337,602
Germany	24,279	22,573	46,852
France	16,876	13,715	30,591
United Kingdom	98,735	5,905	104,640
Rest of the world	95,153	3,196	98,349
Total	**471,052**	**146,982**	**618,034**

Revenue is allocated to regions according to the location of the head office of the external customer.

The transaction prices allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) are as follows:

in k€	***31 Dec 2022***	*31 Dec 2021*
In the course of the year	**405,710**	225,061
After one year	**158,068**	67,619

In the year under review no material revenue was recognised from performance obligations that were already fully or partially fulfilled in prior reporting periods.

In financial years 2022 and 2021, BMS, Evotec's largest customer, contributed more than 10% of consolidated revenues in the EVT Execute and EVT Innovate segments with k€ 138,737 (2021: k€ 98,616).

Revenues in financial year 2022 include revenues from contributions in the amount of k€ 10,551 (2021: k€ 8,565).

(25) RESEARCH AND DEVELOPMENT COSTS

In 2022, research expenses mainly relate to internal Innovate R&D projects in the amount of k€ 62,100 (2021: k€ 64,064), research activities of Execute reporting segment in the amount of k€ 2,345 (2021: k€ 2,528) and overhead costs in the amount of k€ 12,198 (December 31, 2021: €k 8,136). Overhead costs mainly consist of patent costs and personnel overhead costs. The increase in research and development expenses compared to financial year 2021 is mainly due to platform R&D initiative. Research and development costs include amortisation of intangible assets and depreciation of property, plant, and equipment in the amount of k€ 471 (2021: k€ 1,042).

(26) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Included in selling, general and administrative expenses in 2022 are expenses for sales and marketing in the amount of k€ 13,491 (2021: k€ 9,422). Other administrative expenses amount to k€ 142,699 in 2022 (2021: k€ 96,023). The increase in administrative expenses is in particular due to increased expenses for the implementation of SOX regulations, increased personnel cost as a result of company growth, and the introduction of a new ERP which includes associated consulting services and licensing costs. Included in selling, general and administrative expenses are amortisation for intangible assets and depreciation for property, plant and equipment of k€ 38,025 (2021: k€ 24,957).

(27) OTHER OPERATING INCOME

In 2022 and 2021, other operating income mainly relates to refunds from Sanofi relating to the development of portfolios in Lyon in the amount of k€ 34,174 (2021: k€ 35,762). In addition, other operating income includes tax refunds in France (2022: k€ 25,068, 2021: k€ 22,691) and similar refunds in the UK from the "Research and Development Expenditure Credit" (RDEC) (2022: k€ 7,250, 2021: k€ 6,502), Italy (2022: k€ 7,342, 2021: k€ 2,784) and Germany (2022: k€ 3,280, 2021: k€ 0). These tax refunds from tax incentive programs are comparable to government grants and are consequently reported in other operating income.

(28) FINANCIAL INSTRUMENTS

— FINANCIAL RISK MANAGEMENT —

Evotec is exposed to the following risks from financial instruments:

- Currency risks
- Interest rate risks
- Liquidity risks (see Note (29))
- Capital management risks (see Note (29))
- Credit risks (see Note (29))
- Market risks (see Note (29))

The Management Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Management Board has installed a Group Risk Manager. The Group Risk Manager is responsible for developing and monitoring the overall risk exposure of the Group and to ensure compliance within the Group's 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 risk

Evotec is exposed to foreign exchange risk as the Group entities enter into revenues, purchases, and other transactions in a currency other than the functional currency of the respective Group entity. The functional currencies of the Group entities are mainly Euro, US Dollar and British Pound. In the course of their ordinary business activities, the Group companies are exposed in particular to exchange rate fluctuations between US Dollar, British Pound and Euro.

The table below shows the average exchange rates as well as the exchange rates as of 31 December 2022 and 31 December 2021, in each case against the Euro:

	Annual average exchange rate		*Closing rate 31 Dec*	
in €	***2022*** ***1 Jan – 31 Dec***	*2021* *1 Jan – 31 Dec*	***2022***	*2021*
USD	**0.9496**	0.8455	**0.9376**	0.8829
GBP	**1.1727**	1.1633	**1.1275**	1.1901

A strengthening (weakening) of the Euro, the US Dollar and the British Pound among themselves and against other currencies, as shown below as at 31 December, would lead to an increase (reduction) in equity and earnings with the amounts mentioned below. This analysis relates to financial instruments held for sale on condition that all other variables remain constant and ignore the impact of purchases and sales.

	Variance 2022		*Variance 2021*	
in k€	***Share***	***Result***	*Share*	*result*
USD (10% strengthening)	**31.007**	**31.007**	42.053	42.053
USD (10% weakening)	**(31.007)**	**(31.007)**	(42.053)	(42.053)
GBP (10% strengthening)	**3.967**	**3.967**	6.643	6.643
GBP (10% weakening)	**(3.967)**	**(3.967)**	(6.643)	(6.643)
EUR (10% strengthening)	**34.974**	**34.974**	48.699	48.699
EUR (10% weakening)	**(34.974)**	**(34.974)**	(48.699)	(48.699)

The Group manages foreign exchange exposure by incurring certain expenses in the currency of the local operating business and through selected hedging transactions such as foreign currency forward contracts. The hedging instruments used do not expose Evotec to any significant additional risk. The objective of these transactions is to reduce the exposure 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 accounted for at fair value. Foreign currency derivative accounting gains and losses are included in non-operating income and expense and amounted to a net gain of k€ 9,424 in financial year 2022 (2021: net loss of k€ 12,410). This net gain mainly results from a devaluation of the USD in autumn of 2022.

Derived regularly from the summarised quantitative data about the Company's currency risks, based on the report to the Management Board, the expected future USD cash flows which should be hedged with USD/GBP forward contracts and USD/EUR forward contracts are determined. As of 31 December 2022, cash flows of kUSD 394,039 (31 December 2021: kUSD 344,830), of which kUSD 349,639 was hedged against the Euro (31 December 2021: kUSD 300,430), and kUSD 44,400 was hedged against the GBP (31 December 2021: USD 44,400k), as well as cash outflows of k€ 8,400 against the GBP.

The fair value of cash and cash equivalents, trade receivables and trade payables approximate their carrying amount due to their short-term nature. Financial assets are accounted for at the settlement date.

Interest risks

Due to securities and other cash investments as well as loans, Evotec is exposed to interest rate risks in Germany, UK, and the USA. Financial instruments with fixed interest rates are not subject to interest rate risk and are accordingly not included in the sensitivity analysis. Financial instruments with variable market interest rates held as of 31 December 2022, and 2021 are included in the sensitivity analysis over the period they were held by Evotec. If the interest rate had been 100 basis points higher (lower) on 31 December 2022, the interest expense included in profit before tax would have been k€ 3.014 (+1% point) and k€ (1,714) (-1% point), respectively (31 December 2021: k€ 2,570 and k€ (827), respectively). Shareholder's Equity would be impacted by the same amount.

The fair value of debt differs from the carrying amount if there is a difference between the underlying interest rate and the market interest rate. The fair value is then determined by discounting using the market interest rate.

The fair values of loans and securities and other investments with variable market interest rates would vary by the following amounts as of 31 December 2022 and 2021:

in k€	***31 Dec 2022***	*31 Dec 2021*
Flexible inetrest rate +1%-Punkt	**3,014**	2,570
Flexible interest rate (1)%-Punkt	**(1,714)**	(827)

The Company is exposed to interest rate risk through variable interest-bearing loans. These interest rate risks are considered immaterial.

Evotec regularly uses interest rate swaps to economically hedge the interest rate risks arising from its debt financing. In June 2019, two interest rate swaps with a total notional amount of k€ 48,250 were agreed against a fixed interest rate of 0,17% and 0,24%, respectively. In addition, two further interest rate swaps with a nominal value of k€ 22,500 each were concluded in 2021 and redeemed in 2022; this resulted in a loss of k€ 4,683 in 2022.

Other price risks

The Company is not exposed to any other price risk in connection with the financial instruments.

(29) RISKS

Liquidty risk

Revenue fluctuations, external events and changes in the business environment might negatively impact Evotec's short- to mid-term profitability and cash reserves. To actively address any related risk, Evotec's management has defined minimum liquidity levels and prepared a scenario planning to safeguard its cash position. Evotec believes that existing liquidity reserves are sufficient to cope with the cumulative impact of all identified risks. Evotec currently has sufficient liquidity reserves, due to a public placement in the United States in 2021. However, the option of increasing capital is always considered. This additional financing might be required if new opportunities arise in terms of M&A or in-licensing. The Company does not intend to engage in projects unless adequate funding is allocated or secured. Evotec has successfully increased liquidity through market positioning and growth. Given the current business environment with economic and political uncertainties, Evotec assesses the associated liquidity risks still to be low (previous year: low).

The general risk of losing a significant amount of cash in cash investments should continuously be mitigated by spreading the investments across several different banks in high-credit quality instruments in full compliance with the Company's approved investment policy. Evotec monitors its banks and investments on an ongoing basis. Therefore, Evotec assesses the current default risks to be low, remaining unchanged in comparison to the previous year.

Currency exchange movements also impact Evotec's reported liquidity primarily through the translation of liquid assets held in U.S. Dollars or Pound Sterling into Euros. A portion of the funds is held in currencies other than Euro to meet local operating needs. This risk has increased due to extensive political uncertainty and a potentially strong market reaction in the forthcoming months, but was already subject to increasing volatility in previous years.

The contractual maturities of the financial liabilities, including the estimated interest payments as of 31 December 2022 and 2021 are shown in the following tables:

	31 Dec 2022				
in k€	*Carrying amount*	*Contractual Cashflow*	*Due in 1 year*	*Due in 2–5 years*	*Due in more of 5 years*
Non-derivative financial liabilities					
Loan liabilities	**(329,851)**	**(345,522)**	**(7,266)**	**(272,749)**	**(65,507)**
Lease liabilities	**(176,823)**	**(186,894)**	**(19,422)**	**(78,152)**	**(89,320)**
Contingent consideration	**(306)**	**(372)**	**(76)**	**(291)**	**(5)**
Trade accounts payable	**(97,277)**	**(97,277)**	**(97,277)**	**-**	**-**
Other financial liabilities	**(977)**	**(977)**	**(977)**	**-**	**-**
Total non-derivative financial liabilities	**(605,234)**	**(631,042)**	**(125,018)**	**(351,191)**	**(154,832)**
Derivative financial liabilities					
Interest rate swaps/foreign currency forwards	**(7,358)**	**(7,358)**	**(6,965)**	**(393)**	**-**
Total derivative financial liabilities	**(7,358)**	**(7,358)**	**(6,965)**	**(393)**	**-**

	31 Dec 2021				
in k€	*Carrying amount*	*Contractual Cashflow*	*Due in 1 year*	*Due in 2–5 years*	*Due in more of 5 years*
Non-derivative financial liabilities					
Loan liabilities	(362,480)	(382,867)	(40,467)	(253,391)	(89,009)
Lease liabilities	(150,437)	(175,040)	(17,343)	(69,396)	(88,301)
Contingent consideration	(1,103)	(1,156)	(1,156)	-	-
Trade accounts payable	(72,598)	(72,598)	(72,598)	-	-
Other financial liabilities	(4,017)	(4,017)	(4,017)	-	-
Total non-derivative financial liabilities	**(590,635)**	**(635,678)**	**(135,581)**	**(322,787)**	**(177,310)**
Derivative financial liabilities					
Interest rate swaps/foreign currency forwards	(9,344)	(9,344)	(7,423)	(1,660)	(261)
Total derivative financial liabilities	**(9,344)**	**(9,344)**	**(7,423)**	**(1,660)**	**(261)**

Capital management risk

Evotec actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximise returns. Evotec's cash and short-term investments are located at several different banks. Financial investments are made in liquid, highly diversified investment instruments having at minimum a Standard & Poor's rating (or equivalent) of at least BBB-.

The following table shows the total assets, equity as well as equity ratio and net cash (cash and cash equivalents minus current and non-current loan liabilities and current and non-current finance lease obligations):

in k€	*31 Dec 2022*	*31 Dec 2021*
Balance sheet total	**2,257,247**	2,235,161
Equity attributable to Shareholders of Evotec SE	**1,187,184**	1,377,685
Equity ratio in (%)	**52.6%**	61.6%
Net cash	**(91,518)**	186,409

Evotec remains well financed with an equity ratio relating to equity attributable to Evotec's shareholders of 52.6% as of 31 December 2022 (31 December 2021: 61.6%) and currently has no necessity to raise capital to maintain its operations in the near to mid-term. However, the option to increase capital must always be considered if new opportunities arise in terms of M&A or in-licensing which require additional financing. Furthermore, the acquisition of anchor investors can be of strategic importance for the company.

No minimum capital requirements are stipulated in Evotec's statutes. The Company has obligations to issue shares out of the conditional capital relating to the exercise of stock options based on 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 is as follows:

in k€	*31 Dec 2022*	*31 Dec 2021*
USA	**92,034**	78,543
France	**24,429**	17,098
UK	**20,451**	12,391
Germany	**7,767**	6,283
Rest of Europe	**13,622**	10,363
Rest of the world	**10,350**	7,400
	168,653	**132,078**

The maximum credit risk of the contract assets corresponds to the carrying amounts and amounted to k€ 30,516 at year-end (31 December 2021: k€ 18,614).

Evotec has exposure to credit risk primarily with respect to its third-party receivables. The Group continuously assesses the solvency of its customers and maintains an appropriate specific allowance for bad debts, which is derived from the expected collectability of all receivables from third parties. The Group's receivables from third parties are generally unsecured and not secured by any liens from customers. On 31 December 2022, 22% of trade account receivables were due from one customer (31 December 2021: 23%). Any default risks with regards to trade receivables are mainly limited by geographical diversification of customers and by the Group's monitoring procedures.

Market risks

The market environment and competitive landscape for licensing and licensed projects or individual drug candidates, in general or for individual treatments might change while engaging in individual projects. Revenues generated under the collaboration agreements are allocated to either the EVT Execute or the EVT Innovate segment depending on the type of contract with Evotec's customers, the intellectual property right and the project stage. This partnership model, which Evotec believes to be unique, allows the risks of drug discovery to be balanced and spread.

Reconciliation of cash flow from financing activities to changes in financial liabilities

in k€	*Loans*	*Lease obligations*	*Bonds*
Balance as of 1 Jan 2022	**362,480**	**150,437**	**3**
Proceeds from issuance of loans	**-**	**-**	**-**
Repayments	**(34,067)**	**(19,046)**	**-**
Cashflow from financing activities	**(34,067)**	**(19,046)**	**-**
Disposal of finance lease obligation	**-**	**(232)**	**-**
Foreign currency translation	**-**	**(1,120)**	**-**
Change in fair values	**-**	**-**	**-**
Interest increase	**1,438**	**4,068**	**-**
Issue of finance lease obligation	**-**	**42,716**	**-**
Balance as of 31 Dec 2022	**329,851**	**176,823**	**3**

in k€	*Loans*	*Lease obligations*	*Bonds*
Balance as of 1 Jan 2021	**346,411**	**145,554**	**3**
Proceeds from issuance of loans	30,792	-	-
Repayments	(16,018)	(19,770)	-
Cashflow from financing activities	**14,773**	**(19,770)**	**-**
Disposal of finance lease obligation	-	(58)	-
Foreign currency translation	-	6,691	-
Change in fair values	160	-	-
Interest increase	1,136	3,728	-
Issue of finance lease obligation	-	14,292	-
Balance as of 31 Dec 2021	**362,480**	**150,437**	**3**

(30) FAIR VALUES

The following table shows the fair value of the financial assets and liabilities together with the corresponding carrying amounts from the statement of financial position:

		31 Dec 2022		*31 Dec 2021*	
in k€	*Evaluation category based on IFRS 9*	***Net book value***	***Fair value***	*Net book value*	*Fai value*
Cash and cash equivalents	Amortized cost	**415,155**	**415,155**	699,326	699,326
Securities and other investments	Fair value through other comprehensive income	**303,334**	**303,334**	158,908	158,908
Investments	Fair value through profit or loss	**122,477**	**122,477**	268,793	268,793
Investments	Fair value through other comprehensive income	**8,565**	**8,565**	-	-
Trade accounts receivable	Amortized cost	**168,653**	**168,653**	132,078	132,078
Contract assets	Amortized cost	**30,516**	**30,516**	18,614	18,614
Assets from derivative financial instruments	Fair value through profit or loss	**8,215**	**8,215**	-	-
Other current financial assets	Amortized cost	**3,279**	**3,279**	264	264
Other non-current financial assets	Amortized cost	**3,247**	**3,247**	5,148	5,148
Current borrowings	Amortized cost	**(1,556)**	**(1,556)**	(36,136)	(36,136)
Non-current loan liabilities	Amortized cost	**(328,295)**	**(306,574)**	(326,344)	(336,412)
Current lease liabilities	Amortized cost	**(14,825)**	**(14,825)**	(14,473)	(14,473)
Non-current lease liabilities	Amortized cost	**(161,998)**	**(161,998)**	(135,964)	(135,964)
Trade accounts payable	Amortized cost	**(97,277)**	**(97,277)**	(72,598)	(72,598)
Current contract liabilities	Amortized cost	**(122,922)**	**(122,922)**	(112,061)	(112,061)
Non-current contract liabilities	Amortized cost	**(206,136)**	**(206,136)**	(33,476)	(33,476)
Other current financial liabilities	Amortized cost	**-**	**-**	(3,550)	(3,550)
Other non-current financial liabilities	Amortized cost	**(977)**	**(977)**	(467)	(467)
Liabilities from derivative financial instruments	Fair value through profit or loss	**(7,358)**	**(7,358)**	(9,344)	(9,344)
Contingent consideration	Fair value through profit or loss	**(306)**	**(306)**	(1,103)	(1,103)
		121,791	**143,512**	**537,615**	**527,547**
Unrecognised (gain)/loss		***(21,721)***			***10,068***

The following valuation techniques are used to determine fair values at Levels 2 and 3 in accordance with the IFRS 13 hierarchy.

Financial instruments measured at fair value
The fair value of derivative financial instruments is determined using market-related methods. The valuation model is based on quoted values of similar instruments, the characteristics of which are broadly in line with the instruments to be evaluated.

The fair values for contingent consideration are determined using discounted cash flow models. The capital flows used are basically based on the contracts underlying the conditional consideration and the relevant project or business planning. The discount rate considers the risk structure underlying capital flows (usually weighted average cost of capital of the acquired entity). Additional non-observable input factors include, for example, marketing success probabilities.

In the case of investments (see Note (11)), the fair value at the time of acquisition corresponds to the cost of acquisition. Changes in fair value may occur due to scientific or financial plan discrepancies or new financing rounds. These deviations are determined by means of discounted cash flow valuation models.

Financial instruments not measured at fair value
For cash and cash equivalents, trade accounts receivables, contract assets, trade accounts payable, contract liabilities, loan liabilities, lease obligations and other current financial assets and liabilities, fair value is determined without the use of significant unobservable inputs, respectively the net book values represent an appropriate approximation of the fair value.

Assets and liabilities that are not measured at fair value but whose fair value is expressed
The present value for long-term credit liabilities was calculated using a simplified model using unobservable input factors (discount rate 3.06%) and thus corresponds to the level 3 investigation hierarchy.

The following table allocates financial assets and financial liabilities to the three levels of the fair value hierarchy as defined in IFRS 13:

	31 Dec 2022			
in k€	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets at fair value through other comprehensive income	**311,899**	**-**	**-**	**311,899**
Assets at fair value through profit or loss	**70,133**	**8,215**	**52,344**	**130,692**
Liabilities at fair value through other comprehensive income	**-**	**-**	**-**	**-**
Liabilities at fair value through profit or loss	**-**	**(7,358)**	**(306)**	**(7,664)**

	31 Dec 2021			
in k€	*Level 1*	*Level 2*	*Level 3*	***Total***
Assets at fair value through other comprehensive income	158,908	-	-	**158,908**
Assets at fair value through profit or loss	244,866	-	23,927	**268,793**
Liabilities at fair value through other comprehensive income	-	-	-	**-**
Liabilities at fair value through profit or loss	-	(9,344)	(1,103)	**(10,447)**

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 development in financial years 2022 and 2021 of the fair values of Level 3:

in k€	Note	Investments	Contingent consideration
Balance as of 1 Jan 2022		**23,927**	**(1,103)**
Exchange rate differences		**-**	**-**
Additions	(11); (18)	**25,846**	**(14)**
Net income/expense effected	(11)	**2,571**	**811**
Balance on 31 Dec 2022		**52,344**	**(306)**

in k€	Note	Investments	Contingent consideration
Balance as of 1 Jan 2021		19,289	(6,381)
Exchange rate differences		-	(268)
Additions	(11); (18)	6,647	-
Utilization		-	445
Reclassification to liabilities		-	3,571
Net income/expense effected	(11)	(2,009)	1,530
Balance on 31 Dec 2021		**23,927**	**(1,103)**

The effects recognised in the income statement above from the adjustment of the fair values at level 3 were included in the consolidated income statement “Other operating income” and “interest expense”.

For the fair value of the level 3 hierarchy, possible alternative assumptions of significant unobservable inputs would have ceteris paribus the following effects as of 31 December 2022 and 2021:

	2022 Net result		2021 Net result	
in k€	Increase	Decrease	Increase	Decrease
Contingent consideration				
Discount rate (change of 1.5%-points)	**(7)**	**7**	(11)	11
Commercialization success rate (if applicable – movement by 10%-points)	**-**	**-**	109	(109)
Long-term investments				
Discount rate (movement of 1.5%-points)	**(8,478)**	**12,539**	(4,118)	6,279

There were no reclassifications between levels in financial years 2022 and 2021.

(31) PENSION PLAN

Defined contribution pension plans

Evotec operates a defined contribution plan ("Group Personal Pension Plan", "GPPP") in the United Kingdom and makes additional contributions to employees' own schemes. The pension charge for the year represents contributions payable by the Company to the fund (and to the employees' own pension schemes) and amounted to k€ 3,346 in 2022 (2021: k€ 4,519). Contributions amounting to k€ 379 (2021: k€ 152) were payable to the fund at the year-end 2022 and 2021 respecitvely and are included in provsions. The Company's contribution rate is employee-specific and depends on the amount of an employee's contribution and the relevant legislation.

Further, the Company operates defined contribution 401K plans in the US with the contribution to these plans amounting to k€ 575 during 2022 (2021: k€ 646).

Defined benefit pension plans

Evotec 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 2022 and 2021, the obligation is based on the following assumptions:

	31 Dec 2022	*31 Dec 2021*
Actuarial interest rate	**3.35%**	0.80%
Salary increase	**3.00%**	1.90%
Employee turnover	**0%–2.51 %**	0%–1.10%
Retirement age	**62 years**	62 years
Duration	**8.7 years**	9.2 years

For the measurement of the mortality rate, the mortality tables of France according to l'INSEE 2016-2018 were used. The mortality rate is not subject to any significant sensitivity as the payment is made at the beginning of retirement. The sensitivity of the actuarial interst rate and the resulting change in the corresponding pension provision is shown in the following table. This change would be recognized 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 not change significantly during the course of a year.

in k€	*31 Dec 2022*	*31 Dec 2021*
Actuarial interest rate +0.50%-points	**(550)**	(626)
Actuarial interest rate -0.50%-points	**592**	676

The Company operates defined benefit pension plans for one former member of the Management Board of Evotec SE and for the newly acquired Evotec DS. The provisions for these plans are calculated using the projected unit credit method in accordance with IAS 19. Actuarial reports have been prepared for both companies. For Evotec SE, the calculations are based on assumed pension increases of 2.00% (2021: 1.50%) and a discount rate of 3.51% (2021: 1.06%). For Evotec DS, the projected annual pension increase is 2.00% and the underlying actuarial interest rate is 3.70%. The discount rates reflect market conditions. The provisions for both companies amounted to k€ 722 as of 31 December 2022 (31 December 2021: k€ 189 only Evotec SE).

The pension provisions developed as follows:

in k€	*31 Dec 2022*	*31 Dec 2021*
Pension provision at beginning of the year	**14,428**	**14,441**
Addition at acquisition date	**553**	-
Benefit payments from the employer	**(692)**	(468)
Included in other comprehensive income:		
Actuarial gains/losses from:		
– Changes in financial assumptions	**(1,899)**	(551)
– Experience adjustments	**469**	(116)
– Impact of changes in demographic assumptions	**10**	3
Included in net income:		
– Current service costs	**1,282**	1,021
– Interest costs	**110**	98
Pension provision at year-end	**14,261**	**14,428**

The pension provisions are mainly unfunded and relate to French Group companies in the amount of k€ 13,539. The expected payments of undiscounted benefits for the financial year 2023 amount to k€ 1,751. Expenses for the statutory retirement obligations are explained in Note (34).

(32) COMMITMENTS AND CONTINGENCIES

— a) OPERATING LEASE OBLIGATIONS —

The future minimum lease payments under non-cancellable lease agreements area as follows:

in k€	*31 Dec 2022*	*31 Dec 2021*
Less than one year	**1,561**	801
Between one and five years	**16,373**	10,595
More than five years	**44,979**	46,474
Total	**62,913**	**57,870**

In addition, the Company maintains leases which were not recognized in accordance with the exemptions in IFRS 16. These amounts are not material.

— b) OTHER COMMITMENTS AND CONTINGENCIES —

The future minimum payments associated with miscellaneous long-term commitments total approximately k€ 22,111 and k€ 9,459 at 31 December 2022 and 2021, respectively. The significant portion thereof related to long-term commitments in connection with facility expenses.

As of 31 December 2022, the Company has entered into purchase order commitments in the amount of k€ 152,289 (31 December 2021: k€ 66,154).

The Company has licenses or acquired certain third-party intellectual property for use in its business. Under these agreements, the Company is required to pay milestones, dependent on development progress and/or royalties and milestones dependent on present and future net income or on sublicensing fees received from third parties. The Company also agreed with several third parties on getting access to their technology and know-how for use in Evotec's business activities or within collaborations. Under those agreements, the Company is required to pay if necessary a share of the revenue relating to those technologies and know-how to the respective third parties.

The Company is not aware of any material actual or threatened litigation as of 31 December 2022.

(33) RELATED PARTY TRANSACTIONS

Related persons and entities as defined by IAS 24 represent for the Group, in particular, shareholders who (jointly) have a controlling or significant influence, as well as subsidiaries, associates and joint ventures, key management personnel as well as members of the Supervisory Board.

Evotec has not entered into any material transactions with any key management personnel or member of the Supervisory Board. The remuneration paid to key personnel is presented in Note 35 e) "Management Board"; the remuneration paid to members of the Supervisory Board is shown in Note 35 f) "Supervisory Board".

In addition to the business relationships with the subsidiaries eliminated in the consolidated financial statements by means of full consolidation, mainly business transactions with associated companies and joint ventures exist.

The terms and conditions of all transactions were made on terms and conditions that prevail in an arm's length transaction. The balances from the transactions with related parties are unsecured and fulfilled by payment or service. In the period under review, the Group has recorded expenses for allowances on outstanding balances in the amount of k€ 1,477 (31 December 2021: k€ 8,969).

in k€ Transactions with ...	*Revenue from contracts/other income 1 Jan-31 Dec 2022*	*Cost of revenue/ Interest expense 1 Jan-31 Dec 2022*	*Trade accounts receivable 31 Dec 2022*	*Other financial assets 31 Dec 2022*	*Other liabilities 31 Dec 2022*
– associated companies and joint ventures	**36,677**	**-**	**3,146**	**925**	**-**

in k€ Transactions with ...	*Revenue from contracts/other income 1 Jan-31 Dec 2021*	*Cost of revenue/ Interest expense 1 Jan-31 Dec 2021*	*Trade accounts receivable 31 Dec 2021*	*Other financial assets 31 Dec 2021*	*Other liabilities 31 Dec 2021*
– associated companies and joint ventures	28,868	146	2,643	153	-

Other liabilities to associates result from capital transactions.

(34) PPERSONNEL EXPENSES AND COST OF MATERIAL

The Company's personnel expenses in 2022 amounted to k€ 388,050, of which k€ 284,452 were incurred for personnel expenses outside of Germany, in the UK, Italy, Austria, France and the US (2021: k€ 319,353 and k€ 240,947, respectively). Thereof expenses for the statutory retirement insurance amounted to k€ 15,106 of which k€ 9,066 relate to expenses outside of Germany in the UK, Italy, France and the US (2021: k€ 12,407 and k€ 7,566).

Cost of materials in 2022 amounted to k€ 120,568 thereof k€ 90,901 was incurred outside of Germany in the UK, Italy, France and the US (2021: k€ 107,837 and k€ 83,275).

(35) 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 2022 was 4,482 employees (2021: 3,945). In 2022, 694 of these employees worked in sales and administration (2021: 583). The increase is mainly due to organic business growth.

— b) REMUNERATION OF THE AUDITOR —

The fees in financial year 2022 are exclusively attributable to BDO AG, Wirtschaftsprüfungsgesellschaft. The audit fees relate to the audit of the consolidated financial statements of Evotec SE and the statutory financial statements of Evotec SE and Evotec International GmbH. The audit fees include additional expenses for the 2021 audits in the amount of k€ 402.

Furthermore, audit-related fees of k€ 43 were provided for the audit of the non-financial report including sustainability-related disclosures.

All other fees in the amount of k€ 77 were provided for an analytical plausibility check of the interim financial statements as of 31 March and 30 September 2022, as well as the half-year financial report as of 30 June 2022.

in k€	*2022*	*2021*
Audit Fees	2,167	821
Audit-Related Fees	43	16
Tax Fees	-	-
All Other Fees	77	30
Total	**2,287**	**867**

— c) CORPORATE GOVERNANCE CODE —

According to Sec 161 AktG, the Management Board and Supervisory Board issued 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/de/investor-relations/governance).

— d) CONSOLIDATED SUBSIDIARIES AND EQUITY INVESTEES —

The information below shows Evotec's direct and indirect voting rights in their subsidiaries and other investments. Evotec's direct and indirect voting rights in dormant companies are not included.

in %	*2022 Company's Voting rights*
Subsidiaries	
Aptuit Global LLC, Princeton, USA	**100.00**
Aptuit (Verona) SRL, Verona, Italy	**100.00**
Aptuit (Oxford) Ltd., Abingdon, UK	**100.00**
Aptuit (Potters Bar) Ltd., Abingdon, UK	**100.00**
Cyprotex Discovery Ltd., Manchester, UK	**100.00**
Cyprotex Ltd., Manchester, UK	**100.00**
Cyprotex US, LLC., Framingham, USA	**100.00**
Evotec (France) SAS, Toulouse, France	**100.00**
Evotec ID (Lyon) SAS, Marcy l'Étoile, France	**100.00**
Evotec (Hamburg) GmbH, Hamburg, Germany	**100.00**
Evotec GT GmbH, Orth an der Donau, Austria	**100.00**
Evotec (India) Private Limited, Thane, India*	**100.00**
Evotec International GmbH, Hamburg, Germany	**100.00**
Evotec (München) GmbH, Martinsried, Germany	**100.00**
Evotec (UK) Ltd., Abingdon, UK	**100.00**
Evotec (US), Inc., Princeton, USA	**100.00**
Just - Evotec Biologics, Inc., Seattle, USA	**100.00**
Just - Evotec Biologics EU SAS, Toulouse, France	**100.00**
Evotec Drug Substance (Germany) GmbH, Halle, Germany	**100.00**
Evotec (Modena) Srl, Medolla, Italy	**100.00**
Associates	
Ananke Therapeutics Inc., Boston, USA	**20.09**
Autobahn Labs LLC, Palo Alto, USA	**35.94**
Breakpoint Therapeutics GmbH, Hamburg, Germany	**34.12**
Celmatix Inc., New York, USA	**39.09**
Curexsys GmbH, Göttingen, Germany	**43.44**
Dark Blue Therapeutics Ltd., Oxford, UK	**39.11**
Eternygen GmbH, Berlin, Germany	**24.97**
NephThera GmbH, Hamburg, Germany	**50.00**
Pancella Inc., Toronto, Kanada	**12.65**
Quantro Therapeutics GmbH, Wien, Austria	**38.79**
Topas Therapeutics GmbH, Hamburg, Germany	**22.14**
Tucana Biosciences Inc., Boston, USA	**26.92**

** in voluntary liquidation*

in %	*2022 Company's Voting rights*
Other Investments	
Aeovian Pharmaceuticals Inc., San Francisco, USA	**3.79**
ArgoBio SAS, Paris, France	**10.02**
Aurobac Therapeutics SAS, Lyon, France	**12.50**
Blacksmith Medicines Inc., San Diego, USA	**18.00**
Cajal Neuroscience Inc., Seattle, USA	**1.67**
Carma Fund I, München, Germany	**10.00**
Carrick Therapeutics Ltd., Dublin, Ireland	**3.48**
Centauri Therapeutics Ltd., Sandwich (Kent), UK	**13.17**
Curie Bio LLC, Boston, USA	**0.11**
Curie Bio Seed Fund I L.P., Boston, USA	**2.82**
Exscientia plc, Oxford, UK	**11.42**
Extend Srl, Rome, Italy	**10.00**
Fibrocor LLP, Toronto, Canada	**16.26**
Fibrocor Therapeutics Inc., Toronto, Kanada	**8.98**
IMIDomics Inc., San Francisco, USA	**11.77**
Immunitas, Therapeutics, Inc., Waltham, USA	**6.17**
Leon Nanodrugs GmbH, München, Germany	**13.24**
Mission BioCapital V LP, Cambridge, USA	**3.64**
OxVax Ltd., Oxford, UK	**12.22**
Sernova Corp., Ontario, Canada	**5.16**
Tubulis GmbH, München, Germany	**6.90**

In the second half of the year, Evotec completed the acquisition of Rigenerand Srl. The Medolla, Italy-based cell technology company, a leader in the field of cGMP manufacturing of cell therapies, now operates as Evotec (Modena) Srl.

Also, in the second half of the year, Evotec SE completed the acquisition of Central Glass Germany. Operating as Evotec Drug Substance (Germany) GmbH, the acquisition strengthens Evotec's clinical and commercial drug production capabilities, particularly for rare diseases and precision therapeutics.

Associates and joint ventures are accounted for using the equity method.

Through the shareholders' agreement of Pancella Inc. Evotec participates in all significant financial and operational decisions. The Group has therefore determined that it has significant influence over this company, even though it only holds less than 20% of the voting rights.

The Group's investments in subsidiaries, associates and joint ventures are not hedged as these currency positions are considered to be long-term in nature.

— e) MANAGEMENT BOARD —

Dr Werner Lanthaler, *Business Executive, Hamburg, Germany (Chief Executive Officer, Chairman of the Board),*
Dr Cord Dohrmann, *Biologist, Göttingen, Germany (Chief Scientific Officer),*
Dr Craig Johnstone, *Chemist, Castillon-Savès, France (Chief Operating Officer),*
Enno Spillner, *Business Executive, Hamburg, Germany (Chief Financial Officer, until 31 March 2023),*
Laetitia Rouxel, *Business Executive, Clarens, Switzerland (Chief Financial Officer, Germany from 1 April 2023) and*
Dr Matthias Evers, *Neurobiologist, Hamburg, Germany (Chief Business Officer, from 1 May 2022).*

The fixed remuneration component consists of a fixed basic salary and fringe benefits such as pension allowances, travel allowances, contributions to certain insurance policies, and the non-cash benefit for the private use of a company car or an allowance for a private vehicle. The variable remuneration component is based on a bonus program. The bonus is determined on the basis of the achievement of certain targets for each fiscal year set by the Compensation and Nominating Committee of the Supervisory Board and subsequently approved by the Supervisory Board. Furthermore, the Executive Board receives Share Performance Awards as a component with a long-term incentive effect. With the entry into force of the new compensation system in 2022, the Restricted Share Plan 2020 is no longer part of the multi-year compensation component.

The variable remuneration for fiscal year 2022 is based on the achievement of nine company-related targets (strategic targets). For the financial year 2022, 50% of these company-related targets relate to defined strategic and ESG company targets and 50% to defined financial company targets. The payment of variable remuneration in 2022 for the fiscal year 2021 was based on the achievement of eight company-related targets (strategic targets). In the fiscal year 2021, 40% of these company-related targets related to defined corporate targets and 60% to defined corporate financial targets.

In addition to their fixed and variable remuneration, the members of the Executive Board also receive long-term multi-year compensation in the form of participation in the Company's various multi-year compensation programs. These are two different share-based programs whose payment is subject to a waiting period of four years. With the entry into force of the new compensation system in 2022, the aforementioned link to corporate success and sustainable corporate growth has been continued, but the Restricted Share Plan 2020 is no longer part of the multi-year compensation component.

These Share Performance Awards will vest four years after issuance according to the degree of achievement of defined key performance indicators measured over the four-year period (2021: four years). Further information on the SPA can be found in Note (22).

	2022 Fixed remuneration	*2022 Variable remuneration*	*2022 Share Performance Awards*	*2022 Fair value of SPAs granted*	*2022 Total remuneration*
	in k€	in k€	in pcs	in k€	in k€
Dr Werner Lanthaler	**741**	**578**	**27,040**	**1,200**	**2,519**
Dr Cord Dohrmann	**469**	**335**	**13,520**	**600**	**1,404**
Dr Craig Johnstone	**442**	**270**	**48,500**	**1,400**	**2,112**
Enno Spillner	**387**	**216**	**10,816**	**480**	**1,083**
Dr Matthias Evers	**304**	**180**	**39,353**	**900**	**1,384**
Total	**2,343**	**1,579**	**139,229**	**4,580**	**8,502**

The fixed remuneration was fully paid in 2022. The variable remuneration, which is based on a bonus system, is presented within current provisions.

	2021 Fixed remuneration	*2021 Variable remuneration*	*2021 Share Performance Awards*	*2021 Fair value of SPAs granted*	*2021 Total remuneration*
	in k€	in k€	in pcs	in k€	in k€
Dr Werner Lanthaler	711	590	100,769	3,313	4,614
Dr Cord Dohrmann	451	275	40,956	1,348	2,074
Dr Craig Johnstone	382	234	9,439	296	912
Enno Spillner	384	220	8,884	278	882
Total	**1,928**	**1,319**	**160,048**	**5,235**	**8,482**

The individual contracts of the Executive Board members contain a customary clause in the event of a takeover of the Company by a third party. This clause allows the Executive Board members to terminate their existing contracts extraordinarily in the event of a takeover. A takeover within the meaning of this clause has taken place as soon as more than 30% of the shares of the Company are acquired by a third party. If Executive Board members exercise this right of termination, they are entitled to the following severance payments: Dr Werner Lanthaler will receive a severance payment amounting to two years' basic salary, Dr Craig Johnstone, as well as Dr Cord Dohrmann, amounting to 18 months' basic salary plus the agreed bonus. In no case, however, is the corresponding payment to be higher than the total compensation to which the respective Executive Board members would still be entitled for their remaining term of office until the expiry of their contracts.

The Company has a Directors and Officers liability insurance ("D&O insurance") for the members of the Management Board. This insurance covers the personal liability risk in the event that claims are made against members of the Management Board for financial loss in the course of their duties. The insurance includes a deductible for the Executive Board members in line with the requirements of the German Stock Corporation Act.

The Members of the Management Board and their additional memberships in supervisory boards and memberships in comparable governing bodies of enterprises are listed below.

- Dr Werner Lanthaler
  - *Non-Executive Member des Board of Directors & Chairman of the Audit Committee: arGEN-X, Breda/NL (Stock exchange listing on the NASDAQ and Euronext)*
  - *Non-Executive Member des Board of Directors: AC Immune SA, Lausanne/CH (Stock exchange listing on the NASDAQ)*

- Dr Cord Dohrmann
  - *Member of the Supervisory Board: Eternygen GmbH, Berlin/DE* (not listed) Breakpoint Therapeutics, Hamburg/DE* (not listed)*
  - *Non-Executive Member des Board of Directors FSHD Unlimited, Leiden/NL* (not listed)*

- Dr Matthias Evers

- Dr Craig Johnstone

- Enno Spillner
  - *Non-Executive Member des Board of Directors & Chairman of the Audit Committee: Nanobiotix SA, Paris/FR (Stock exchange listing on the NASDAQ and Euronext)*
  - *Member of the Supervisory Board: Leon Nanodrugs GmbH, München/DE* (not listed)*

** Associated company of Evotec*

— f) SUPERVISORY BOARD —

Prof. Dr Iris Löw-Friedrich, *Chairwoman of the Board (Chief Medical Officer) of the UCB S.A. (Stock exchange listing on the Euronext Brüssel/Belgien); Chairwoman of the Supervisory Board and of the Compensation and Nomination Committee*
Roland Sackers, *Chief Financial Officer and Management Director of QIAGEN N.V. (Stock exchange listing on the Frankfurt Stock Exchange and New York Stock Exchange); Vice Chairman of the Supervisory Board and Chairman of the Audit and Compliance Committee*
Camilla Macapili Languille, *Head of Life Sciences, Mubadala Investment Company (MIC Head of Life Sciences, Mubadala Investment Company (MIC) (not listed); Member of the Supervisory Board (since June 2022)*
Dr Mario Polywka, *Oxfordshire, United Kingdom, Non-selfemployed consultant; member of the Supervisory Board; former member of the Management Board of Evotec SE*
Dr Elaine Sullivan, *London, United Kingdom, Self-employed consultant; chairwoman of the board of directors of KELTIC Pharma Therapeutics Ltd. (until September 2022) (not listed); member of the Management Board*
Kasim Kutay, *Hellerup, Denmark, Chairman of the Board Novo Holdings A/S (not listed); member of the Management Board (up to June 2022)*
Dr Constanze Ulmer-Eilfort, *Munich, Germany, Partner in the law firm Peters, Schönberger & Partner PSP Munich) (not listed); Member of the Supervisory Board and Chairwoman of the ESG Committee*

The remuneration accrued for the members of the Supervisory Board in the financial year was as follows:

in k€	*2022* ***Remuneration***	*2021* *Remuneration*
Prof. Dr Iris Löw-Friedrich	**150.0**	113.6
Roland Sackers	**95.0**	90.5
Dr Mario Polywka	**60.0**	55.5
Dr Elaine Sullivan	**65.3**	60.0
Kasim Kutay	**28.4**	60.0
Dr Constanze Ulmer-Eilfort	**73.2**	32.7
Camilla Macapili Languille	**31.6**	-
Prof. Dr Wolfgang Plischke	**-**	68.2
Total	**503.5**	**480.5**

In the financial years 2022 and 2021, the compensation per Supervisory Board member amounted to k€ 50 per year. The Chairman receives k€ 125 (2021: k€ 125) and his deputy k€ 60 (2021: k€ 60) in the financial year 2022. The members of Supervisory Board committees receive k€ 10 (2021: k€ 10) per committee; the chairman of a committee receives k€ 25 (2021: k€ 25).

In the financial years 2022 and 2022, there was no share-based remuneration.

The Company has a Directors and Officers liability insurance for the members of the Management Board, the Supervisory Board, its senior management and the directos of the subsidiary companies. An appropriate deductible has been agreed for the members of the Supervisory Board.

The members of the Supervisory Board and their additional memberships in supervisory boards and members in comparable governing bodies of enterprises according to Sec 125 (1) sentence 5 AktG are listed at the end of this report.

(36) SUBSEQUENT EVENTS

The Supervisory Board of Evotec SE has appointed Laetitia Rouxel as new Chief Financial Officer and member of the Management Board with effect from 1 April 2023.

On 6 April 2023, the Group suffered from a criminal cyber-attack that targeted many of Evotec's operations which caused disruptions to many of its IT systems in several countries and temporarily stopped or reduced the Research and Production activities. The Group has been working relentlessly and prompt actions were taken to contain the incident, mitigate its impact and to return the operations to normal as soon as possible. Operations quickly recovered within days however it is possible that there may be a significant impact on the Group's 2023 financial performance. The Group is currently assessing the estimated impacts this criminal action may have on the Group's operations. The financial impacts are expected to be partially mitigated by the Group's business interruption insurance, however due to the early stage of discussions with insurers the expected amount of reimbursement cannot be determined at this time. As a result of the cyber-attack, a delay in external reporting occurred, which has led to a likely temporary exclusion from the indices of the Frankfurt Stock Exchange. Evotec expects to rejoin the relevant indices after the next regular review of admission requirements by Deutsche Börse.

Hamburg, 10 May 2023

Dr Werner Lanthaler *Dr Cord Dohrmann* *Dr Craig Johnstone*

Laetitia Rouxel *Dr Matthias Evers*

Supervisory Board and Management Board

SUPERVISORY BOARD

Prof Dr Iris Löw-Friedrich Chairwoman of the Supervisory Board and Chairwomen of the Remuneration and Nomination Committee *Member of the Management Board (Chief Medical Officer) of UCB S.A. (listed on the Euronext Brussels/BE)*	***Member of the Supervisory Board:*** Fresenius SE & Co. KGaA, Bad Homburg/DE (listed on the Frankfurt, Düsseldorf and Munich Stock Exchange) TransCelerate BioPharma Inc., King of Prussia/USA (not listed) ***Member of the Board of Directors:*** PhRMA Foundation, Washington DC/USA (not listed)
Roland Sackers Vice Chairman of the Supervisory Board and Chairman of the Audit and Compliance Committee *Chief Financial Officer and Managing Director of QIAGEN N.V. (listed on the Frankfurt Stock Exchange, Swiss Exchange, New York Stock Exchange and Luxembourg Stock Exchange)*	***Member of the Board of Directors:*** Bio Deutschland e.V., Berlin/DE (not listed)
Kasim Kutay Member of the Supervisory Board (until June 2022) *CEO of Novo Holdings A/S (not listed)*	***Member of the Supervisory Board:*** Novo Nordisk A/S, Hellerup/DK (listed on the stock exchange Brasil, Bolsa, Balcão, NASDAQ Copenhagen and New York Stock Exchange) Novozymes A/S, Bagsvaerd/DK (listed on the NASDAQ Copenhagen)
Camilla Macapili Languille Member of the Supervisory Board (since June 2022) *Head of Life Sciences, Mubadala Investment Company (MIC) (not listed)*	***Member of the Board of Directors:*** PCI Pharma Services (KPCI Holdings Limited), Philadelphia/USA (not listed) Norstella (Caerus PikCo S.A.R.L.), New York/USA (not listed) Envirotainer A/S, Stockholm/SE (not listed)
Dr Mario Polywka Member of the Supervisory Board *Non-independent consultant* *Former Member of the Management Board Evotec SE*	***Non-executive Director:*** Blacksmith Medecines Inc, San Diego/USA (not listed) Exscientia plc, Oxford/UK (listed on the NASDAQ) Orb it Discovery Limited, Oxford/UK (listed on the NASDAQ) C4X Discovery Holdings PLC, Manchester/UK (listed on the London Stock Exchange)
Dr Elaine Sullivan Member of the Supervisory Board *Independent consultant* *CEO of KELTIC Pharma Therapeutics Ltd. (until September 2022) (not listed)*	***Member of the Supervisory Board:*** Active Biotech AB, Lund/SE (listed on the NASDAQ OMX Nordic Exchange Stockholm) hVIVO plc (formerly Open Orphan plc), London/UK (listed on the London AIM and Euronext Growth Stock Exchange) IP Group plc, London/UK (listed on the London Stock Exchange) Nykode Therapeutics ASA, Oslo/NO (listed on the Oslo Stock Exchange)
Dr Constanze Ulmer-Eilfort Member of the Supervisory Board and Chairwoman of the ESG Committee *Partner at Peters, Schönberger & Partner (not listed)*	***Chair of the Advisory Board:*** S4DX GmbH, Munich/DE (not listed) ***Member of the Advisory Board:*** Proxygen GmbH, Vienna/AT (not listed)

MANAGEMENT BOARD

Dr Werner Lanthaler CEO *Business Executive*	***Non-Executive Member of the Board of Directors & Chairman of the Audit Committee:*** arGEN-X, Breda/NL (listed on the NASDAQ and Euronext) ***Non-Executive Member of the Board of Directors:*** AC Immune SA, Lausanne/CH (listed on the NASDAQ)
Dr Cord Dohrmann CSO *Biologist*	***Member of the Supervisory Board:*** Eternygen GmbH, Berlin/DE* (not listed) Breakpoint Therapeutics, Hamburg/DE* (not listed) ***Non-Executive Member of the Board of Directors:*** FSHD Unlimited, Leiden/NL* (not listed)
Dr Matthias Evers CBO (since May 2022) *Neurobiologist*	
Dr Craig Johnstone COO *Chemist*	
Enno Spillner CFO (until March 2023) *Business Executive*	***Non-Executive Member of the Board of Directors & Chairman of the Audit Committee:*** Nanobiotix SA, Paris/FR (listed on the NASDAQ and Euronext) ***Member of the Supervisory Board:*** Leon Nanodrugs GmbH, Munich/DE* (not listed)
Laetitia Rouxel CFO (since April 2023) *Business Executive*	

** Associated company of Evotec*

Independent Auditor's Report

Note: This is a convenience translation of the German original.
Solely the original text in German is authoritative.

To the Evotec SE, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of Evotec SE, Hamburg, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in stockholders' equity for the financial year from January 1, 2022 to December 31, 2022, and notes to the consolidated financial statements for the fiscal year 2022, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of Evotec SE for the financial year from January 1, 2022 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in section "OTHER INFORMATION".

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at December 31, 2022, and of its financial performance for the financial year from January 1, 2022 to December 31, 2022, and

- the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in section "OTHER INFORMATION".

Pursuant to § 322 (3) sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) letter (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2022 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

We have identified the following matters as key audit matters:

1. Recoverability of goodwill
2. Revenue recognition from long-term contracts with customers

RECOVERABILITY OF GOODWILL

Matter

In the consolidated financial statements of Evotec SE, goodwill in the amount of € 274.8 million (12.2 % of the consolidated total assets or 23.1% of the consolidated equity) is reported under the statement of financial position line item "Goodwill". Goodwill was allocated to cash-generating units. Cash-generating units with allocated goodwill are subjected to an impairment testing by the company at least once a year and additionally if there are indications of impairment. The valuation is carried out using a discounted cash flow method. If the carrying amount of a cash-generating unit is higher than the recoverable amount, an impairment loss is recognized in the amount of the difference. For the year ended December 31, 2022, no impairment of goodwill was recognized.

The assessment of the recoverability of goodwill is complex and requires various estimates and judgements by the management of the Company, particularly with regard to estimating future cash flows, various growth assumptions and the discount rates used. Due to the significance of goodwill for Evotec SE's consolidated financial statements in terms of amount, the complexity of the assessment and the significant inherent uncertainties in the assessment, a key audit matter has been identified. Evotec SE's disclosures on goodwill are included in sections "(2) Summary of significant accounting policies", subsections “Use of estimates” and “Impairment of non-financial non-current assets and goodwill” and "(15) Goodwill" of the notes to the consolidated financial statements for the financial year 2022.

Auditor's Response and Observations

As part of our audit, we initially assessed the appropriateness of the key assumptions as well as the methodology used for the purposes of performing the impairment test with the involvement of our valuation specialists. We obtained an understanding of the methodology and budgeting process, as well as of the significant assumptions made by the management of the company in the forecasts. We reconciled the forecast of future cash flows in the detailed planning period with the multi-year plan prepared by the management of the Company and convinced ourselves of the company's quality of planning comparing the plan in the past with developments in the current period. We evaluated the reasonableness of the assumptions used for the planning and the growth rates assumed in the forecast of cash flows beyond the detailed planning period by comparing them with past developments, management's budgets and current industry-specific market expectations. In addition, we critically examined the discount rates used on the basis of the average cost of capital of a peer group. Our audit also included the sensitivity analyses performed by Evotec SE. With regard to the effects of possible changes in the cost of capital and the assumed growth rates used in management's valuation model, we additionally performed our own sensitivity analyses and evaluated whether the forecasts are consistent with evidence obtained in other areas of the audit. Furthermore, we obtained reasonable assurance about the completeness and accuracy of the disclosures in the notes regarding the recoverability of goodwill. In our opinion, the valuation parameters and assumptions applied by the management of the company have been appropriately determined for the purpose of the impairment test.

REVENUE RECOGNITION FROM LONG-TERM CONTRACTS WITH CUSTOMERS

Matter

In Evotec SE's consolidated financial statements, revenues of € 751.4 million are recognized in the income statement. A significant portion of Evotec Group's revenues include long-term contracts with customers, which are based on an agreement with enforceable rights and obligations, partially with multiple performance obligations which require revenue recognition over time. The agreed consideration from a contract with a customer is sometimes paid in advance in part or in full and recognized as a contract liability until the progress of performance exceeds the amount of the advance payment or the performance obligation is fulfilled. The agreed transaction price may also include variable components dependent on the achievement of certain milestones and is allocated to the identified performance obligations based on the individual selling prices.

Revenue recognition for long-term contracts with customers is performed over time for those performance obligations where control is not transferred at a point in time. Evotec measures its progress for the individual performance obligations largely by applying input-based methods or where required also by output-based methods. The measurement of progress for input-based methods is primarily based on the number of actual full-time equivalents (“FTE”) delivered in relation to total planned FTEs per performance obligation.

Significant judgment is exercised by management of the company in identifying performance obligations, determining, and allocating the transaction price to multiple performance obligations and in estimating the progress for purposes of revenue recognition for these long-term contracts with customers. Given this background and the materiality of the revenue, the recognition of revenue from long-term contracts with customers was a particularly important audit matter. Evotec SE's disclosures on revenue recognition from contracts with customers are included in the sections "(2) Summary of significant accounting policies", subsections “Use of estimates” and “Revenues from contracts with customer” and "(24) Revenues" of the notes to the consolidated financial statements for the financial year 2022.

Audit approach and findings

We obtained an understanding of the group-wide process for recognition of revenue from long-term contracts with the customer and reviewed the process based on the documentation provided to us. In the course of this, we obtained an understanding of the relevant internal controls and assessed their appropriateness and implementation.

For a risk-based selection as well as a sample of closed agreements, based on the understanding of an appropriate categorization as a contract with a customer, we performed and assessed the reasonableness of application of relevant accounting guidance in management's identification of performance obligations, the determination of the transaction price as well as the allocation of the transaction price to the identified performance obligations. Furthermore, for a risk-based selection of material new agreements entered into in the financial year 2022, we have assessed the accounting treatment applied by the Company. In the case of agreements with variable components of the transaction price in the form of milestone payments, we obtained confirmation from the respective contractual partner and evidence of payments already received that any uncertainty in connection with the achievement of the milestones no longer existed. Furthermore, for the selected agreements, we assessed whether the requirements for over time revenue recognition are met for the performance obligations concerned.

We have assessed the progress of the respective agreements by evaluating the planned and actual inputs for the selected agreements and comparing the underlying inputs to the actual performance during the year and discussed the conclusions with the Management. In addition, we assessed the budgeting process using selected long-term agreements by performing a multi-year assessment of the budgets versus actual performance during the period.

We were able to convince ourselves that the estimates and assumptions made by the management of the company are sufficiently documented and reasoned to ensure the appropriate recognition of revenue. Therefore, as judgment was used in the accounting treatment, this was used appropriately.

OTHER INFORMATION

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

- the separately published non-financial group report, to which reference is made in the section "Sustainable business development" of the combined management report;
- the separately published group statement on corporate governance, to which reference is made in section "Declaration of corporate management" of the combined management report;
- the other parts of the annual report, except for the audited consolidated financial statements and combined management report as well as our auditor's report.

We have not audited the contents in the following section of the combined management report: "Pipeline development: Progression of drug programmes and drug candidates in development partnerships" in the Chapter "Performance Management", Subchapter "Key financial performance indicators".

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

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report, or our knowledge obtained in the audit or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered

necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an 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 combined management report.

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

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

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

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

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

- evaluate presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 actions taken or safeguards applied to eliminate independence threats.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT, PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 (3A) HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "Evotec_SE_KA_KLB_ESEF-2022-12-31" and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1, 2022 to December 31, 2022 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.

- evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the combined management report.

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the consolidated general meeting on June 22, 2022. We were engaged by the supervisory board on October 15, 2022. We have been the group auditor of the Evotec SE without interruption since the financial year 2021.

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

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report for the audited entity or its controlled entities:

- Other attestation services in accordance with ISAE 3000 with *limited assurance* on the non-financial group report including sustainability-related disclosures.

- Other services for an analytical plausibility check of Evotec's interim financial statements as of March 31 and September 30, 2022 and the half-year report as of June 30, 2022.

OTHER MATTER — USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format — including the versions to be published in the German Federal Gazette — are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Jens Freiberg.

Frankfurt am Main, 12 May 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

Jennifer Becker
Auditor

Dr Jens Freiberg
Auditor

Responsibility statement

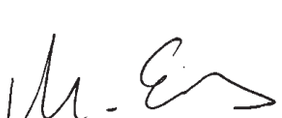
To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial results of the Group, and the Group Management Report, which has been combined with the Management Report of Evotec SE for the financial year 2022, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Evotec SE
The Management Board

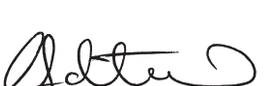
Hamburg, 10 May 2023

Dr Werner Lanthaler
Chief Executive Officer

Dr Cord Dohrmann
Chief Scientific Officer



Dr Matthias Evers
Chief Business Officer



Dr Craig Johnstone
Chief Operating Officer

Laetitia Rouxel
Chief Financial Officer