

**Translation of
Financial Statements as of
December 31, 2008
and Management Report**

**Evotec AG
Hamburg**

Evotec AG, Hamburg

Balance Sheet as of December 31, 2008

Assets

	31.12.2008		31.12.2007	
	EUR	EUR	EUR	EUR
A. Fixed Assets				
I. Intangible Assets				
Patents, licences and customer lists		100.113,02		190.219,09
II. Property, plant and equipment				
1. Land, land rights and buildings including buildings on third party land	666.183,13		808.124,46	
2. Technical equipment and machinery	3.913.438,53		3.347.472,44	
3. Fixtures and fittings	544.376,56		579.343,32	
4. Payments in advance	33.278,07	5.157.276,29	0,00	4.734.940,22
III. Financial Assets				
1. Shares in affiliated companies	87.762.677,96		84.257.357,30	
2. Participations	9.950,00		9.950,00	
3. Other financial assets	63.411,00	87.836.038,96	68.759,00	84.336.066,30
		93.093.428,27		89.261.225,61
B. Current Assets				
I. Inventories				
1. Raw materials and supplies	1.439.757,09		1.666.439,84	
2. Work in process	367.143,15	1.806.900,24	221.071,45	1.887.511,29
II. Receivables and other assets				
1. Trade accounts receivables	1.397.081,72		1.480.719,69	
--thereof due after one year				
EUR 0.00 (2007: EUR 0.00)--				
2. Accounts receivables due from affiliated companies	24.415.161,02		45.759.793,23	
--thereof due after one year				
EUR 24,125,547.60 (2007: EUR 45,271,943.33)--				
3. Other assets	1.326.151,39		3.584.936,87	
--thereof due after one year				
EUR 7,851.98 (2007: EUR 5,151.98)--		27.138.394,13		50.825.449,79
III. Investments				
Treasury shares		0,00		57.532,36
IV. Cash and cash equivalents				
		38.943.001,68		19.202.654,42
		67.888.296,05		71.973.147,86
C. Prepaid expenses				
		337.464,94		316.583,03
		161.319.189,26		161.550.956,50

Shareholder's equity and liabilities

	31.12.2008	31.12.2007
	EUR	EUR
A. Stockholder's equity		
I. Share capital	108.838.715,00	73.868.447,00
--conditional capital EUR 10,599,380.00 (2007: EUR 7,199,380.00)--		
II. Additional paid-in capital	144.176.579,92	144.119.047,56
III. Reserve for treasury shares	0,00	57.532,36
IV. Net loss carried forward	-78.940.058,62	-81.190.068,97
V. Net loss for the year (2007: net income)	-24.446.623,48	2.250.010,35
	149.628.612,82	139.104.968,30
B. Accrued liabilities		
1. Pension accrual	71.034,00	67.621,00
2. Tax accrual	145.800,00	0,00
3. Other accrued expenses	5.901.171,03	3.890.819,30
	6.118.005,03	3.958.440,30
C. Liabilities		
1. Bank loans	3.000.000,00	3.000.000,00
--thereof due from one to five years EUR 3,000,000.00 (2007: EUR 3,000,000.00)--		
2. Advance payments received	274.999,92	94.825,74
--thereof due within one year EUR 274,999.92 (2007: EUR 94,825.74)--		
3. Trade accounts payable	1.108.159,81	2.962.719,10
--thereof due within one year EUR 1,108,159.81 (2007: EUR 2,962,719.10)--		
4. Accounts payable due to affiliated companies	388.592,61	11.100.913,00
--thereof due within one year EUR 388,592.61 (2007: EUR 11,100,913.00)--		
5. Other liabilities	283.558,30	658.774,81
--thereof due within one year EUR 283,558.30 (2007: EUR 658,744.81)--		
--thereof taxes EUR 144,765.82 (2007: EUR 146,603.97)--		
--thereof social security EUR 0.00 (2007: EUR 3,133.11)--		
	5.055.310,64	17.817.232,65
D. Deferred income	517.260,77	670.315,25
	161.319.189,26	161.550.956,50

Evotec AG, Hamburg

Statement of Operations for the period from January 1 to December 31, 2008

	2008		2007	
	EUR	EUR	EUR	EUR
1. Revenues		12.792.720,58		13.324.375,40
2. Increase in inventories		-146.071,70		-120.382,37
3. Other operating income		6.341.967,33		6.068.726,44
4. Cost of materials				
a) Raw materials and supplies	-1.850.028,39		-1.895.045,32	
b) Costs of services	-1.589.821,03	-3.439.849,42	-545.083,66	-2.440.128,98
5. Personnel costs				
a) Salary	-6.831.640,09		-6.829.683,91	
b) Social security expenditure	-925.676,68	-7.757.316,77	-864.855,58	-7.694.539,49
--thereof pension costs				
EUR 3,413.00 (2007: EUR 3,258.00)--				
6. Depreciation				
a) of intangible assets and fixed assets	-1.262.419,14		-1.299.907,25	
b) of current assets to the extent that they exceed provisions normally recorded by the company	-64.375.540,53	-65.637.959,67	-396.899,32	-1.696.806,57
7. Other operating expenses		-13.378.375,55		-11.497.434,24
8. Income from investments		44.437.429,67		4.239.595,30
--thereof from subsidiaries				
EUR 42,821,055.52 (2007: EUR 3,772,095.30)--				
9. Other interest income		4.906.650,60		2.232.103,77
--thereof from subsidiaries				
EUR 4,018,260.60 (2007: EUR 1,259,960.00)--				
10. Amortisation of financial assets and treasury stock		-21.200,35		0,00
11. Other interest expense		-583.534,37		-161.756,94
12. Operating result		-22.485.539,65		2.253.752,32
13. Extraordinary expenses		-1.700.000,00		0,00
14. Income tax		-261.000,00		0,00
15. Other taxes		-83,83		-3.741,97
16. Net loss for the year (2007: net income)		-24.446.623,48		2.250.010,35
17. Net loss carried forward		-78.940.058,62		-81.190.068,97
18. Accumulated deficit		-103.386.682,10		-78.940.058,62

Evotec AG, Hamburg

Notes to the Financial Statements 2008

I. General Information

Evotec AG, henceforth referred to as „Evotec” or „the company”, fulfils the size criteria of a medium-sized company in the meaning of section 267 par. 2 HGB („Handelsgesetzbuch”; German commercial code) but according to section 267 par. 3 sentence 2 HGB is classified as large company.

With regards to financial reporting and valuation practices, the company complies with sections 242 et seq. HGB, with sections 264 et seq. HGB (which specifically apply to incorporated firms) as well as to the regulations of the German Stock Corporation Act AktG („Aktien-gesetz”).

The statement of operations is presented in the total expenditure format (section 275 paragraph 2 HGB).

From February 11, 2003, to March 19, 2007, the company was listed in the German Stock Exchange’s TecDAX index, having formerly been listed in the Neue Markt index from November 10, 1999, onwards. Since March 19, 2007, the company has been listed in the German Stock Exchange. Additionally, on May 5, 2008 Evotec became listed on the NASDAQ Global Market in the US.

II. Basis of Presentation, Accounting and Valuation Practices

The presentation system applied for the balance sheet and the statement of operations in the preceding financial year 2007 have been maintained.

Intangible assets and Property, plant and equipment are recorded at historical cost or manufacturing cost less scheduled straight-line depreciation or amortization over their useful lives. Non-real-estate fixed assets are depreciated on a monthly basis. Low-value fixed assets were fully depreciated in 2007 in the year of acquisition. As from January 1, 2008 low-value fixed assets will be valued in accordance with Section 6 par. 2 and par. 2a EStG.

The useful lives are estimated as follows:

	Years
Leasehold Improvements	10-15
Technical equipment and machinery	5-10
Factory and office equipment	5-10
Computer equipment	3

Financial assets are recorded at historical cost or on the basis of information given by the insurer, in regards to the actuarial reserve plus surplus dues.

Inventories are recorded at historical cost or manufacturing cost less purchase price reductions, taking into account the principle of the lower of cost or market.

Current assets are recorded at nominal value or at lower attributable value. Foreign currency assets, all of which are short-term, are recorded on the basis of the period-end exchange rates, taking into account the principle of the lower of cost or market.

Treasury Shares are recorded at historical cost in accordance with the principle of lower of cost or market.

Cash and cash equivalents are recorded at nominal value.

Accrued liabilities make allowance for all risks and contingent liabilities that are identifiable with sound business judgement. **Pension accruals and similar commitments** are recorded at current worth in accordance with tax law, taking into account Prof. Dr. Klaus Heubeck's reference tables („Richttafeln") issued in 2005.

Liabilities are recorded at the amount repayable. Foreign currency liabilities are recorded on the basis of the period-end exchange rates, taking into account the recognition-of-loss principle.

III. Notes to the Balance Sheet

1. Fixed assets

The development of the fixed assets is specified in the fixed asset movement schedule (see pages 6 and 7), and includes gross cost, historic cost and manufacturing cost of items.

Financial assets

Evotec acquired in a share-for-share transaction 100% of shares in Renovis Inc., South San Francisco, USA, a company operating in the field of drug discovery and development with a focus on pain and inflammation. The acquisition was effective as of May 2, 2008. Evotec issued 34,970,268 bearer shares to acquire the underlying shares and change the outstanding options and restricted stock units held by Renovis employees into Evotec shares. The company chose to capitalize the Renovis investment at a book value of TEUR 37,705. The acquisition costs consist of the face value of the issued shares plus the capitalized incidental acquisition expenses of TEUR 2,735.

Due to a reduction in capital reserves at Neuro3d with an amount of TEUR 20,341, Evotec's share interest in Neuro3d decreased to TEUR 788.

Due to a reduction in capital reserves at Evotec (UK) with an amount of TEUR 26,258, Evotec's share interest in Evotec (UK) was reduced by TEUR 13,858. The remainder of TEUR 12,400 was recorded as income from investments (please refer to note no. 5 of the Statement of Operations).

As of the balance sheet date of December 31, 2008, Evotec held equity investments in the following companies:

	Total Equity	Share interest	Net income/loss
	TEUR	%	TEUR
1. ENS Holdings Inc., Wilmington/Delaware, USA*	25,632	100.00	-304
2. EVOTEC NeuroSciences GmbH, Hamburg* (indirectly through 1 st)	-93,420	100.00	-37,510
3. Evotec Neurosciences AG, Zürich, CH* (indirectly through 1 st .)	259	100.00	36
4. Evotec (UK) Ltd., Abingdon, UK	16,739	100.00	-17,878
5. Evotec Inc., Wilmington/Delaware, USA* (indirectly through 4 th)	180	100.00	15
6. Oxford Diversity Ltd., Abingdon, UK* (indirectly through 4 th)	2	100.00	0
7. Oxford Asymmetry Employee Shares Trust Ltd., Abingdon, UK* (indirectly through 4 th)	3	100.00	0
8. Neuro3d SA, Mulhouse, France	2,066	100.00	769
9. Renovis Inc., San Francisco, USA*	38,113	100.00	-7,739
10. Evotec RSIL Ltd., Maharashtra (Thane), India* (indirectly through 4 th)	682	49.00	-522
11. European ScreeningPort GmbH ,Hamburg**	-14	19.90	-39

With regards to companies whose annual statements were set up in a foreign currency, the exchange rate on recording day was used for equity, and the average exchange rate for annual profit or loss.

*unaudited

**Yearend 2007

Fixed assets movement schedule

(next Pages)

Fixed Assets Movement Schedule for the year 2008

	Acquisition and manufacturing costs				31.12.2008
	1.1.2008	Additions	Disposals	Reclasses	
	EUR	EUR	EUR	EUR	EUR
I. Intangible Assets					
Patents, Licences and customer lists	2.743.644,94	21.938,03	0,00	0,00	2.765.582,97
II. Property, plant and equipment					
1. Land, land rights and buildings including buildings on third party land	2.006.834,32	20.816,01	0,00	0,00	2.027.650,33
2. Technical equipment and machinery	16.572.080,74	1.253.140,05	0,00	0,00	17.825.220,79
3. Fixtures and fittings	3.435.202,82	265.630,42	34.010,52	0,00	3.666.822,72
4. Payments in advance	0,00	33.278,07	0,00	0,00	33.278,07
	22.014.117,88	1.572.864,55	34.010,52	0,00	23.552.971,91
III. Financial Assets					
1. Shares in affiliated companies	84.257.357,30	37.704.867,49	34.199.546,83	0,00	87.762.677,96
2. Participations	9.950,00	0,00	0,00	0,00	9.950,00
3. Other financial assets	68.759,00	2.552,00	7.900,00		63.411,00
	84.336.066,30	37.707.419,49	34.207.446,83	0,00	87.836.038,96
	109.093.829,12	39.302.222,07	34.241.457,35	0,00	114.154.593,84

1.1.2008	Depreciations		31.12.2008	Net book value	
	Additions	Disposals		31.12.2008	31.12.2007
EUR	EUR	EUR	EUR	EUR	EUR
2.553.425,85	112.044,10	0,00	2.665.469,95	100.113,02	190.219,09
1.198.709,86	162.757,34	0,00	1.361.467,20	666.183,13	808.124,46
13.224.608,30	687.173,96	0,00	13.911.782,26	3.913.438,53	3.347.472,44
2.855.859,50	300.443,74	33.857,08	3.122.446,16	544.376,56	579.343,32
0,00	0,00	0,00	0,00	33.278,07	0,00
17.279.177,66	1.150.375,04	33.857,08	18.395.695,62	5.157.276,29	4.734.940,22
0,00	0,00	0,00	0,00	87.762.677,96	84.257.357,30
0,00	0,00	0,00	0,00	9.950,00	9.950,00
0,00	0,00	0,00	0,00	63.411,00	68.759,00
0,00	0,00	0,00	0,00	87.836.038,96	84.336.066,30
19.832.603,51	1.262.419,14	33.857,08	21.061.165,57	93.093.428,27	89.261.225,61

2. Inventories

The work in process essentially consists of order based research and development work.

3. Accounts receivable and other assets

Accounts receivable from affiliated companies refer to EVOTEC NeuroSciences GmbH with TEUR 23,804 (2007: TEUR 45,272), which are due in more than one year. They also include accounts receivable from European ScreeningPort GmbH amounting to TEUR 451 (2007: TEUR 0), of which TEUR 322 are due in more than one year, as well as from Evotec (UK) Ltd. amounting to TEUR 0 (2007: TEUR 205) and from Neuro3d SA amounting to TEUR 0 (2007: TEUR 0.5).

The accounts receivable from EVOTEC NeuroSciences GmbH were impaired by TEUR 64.045 due to the over-indebtedness of EVOTEC NeuroSciences GmbH.

Other current assets include accounts receivables of TEUR 745 (2007: TEUR 595) to Capital Yields Tax and TEUR 420 (2007: TEUR 359) pertain to Value Added Tax (VAT). Furthermore, the other current assets include TEUR 8 (2007: TEUR 5) accounts receivable from paid deposits, which are due in more than one year. The accounts receivable amounting to TEUR 1,980 for the sale of Evotec Technologies GmbH were reported as other current assets as of December 31, 2007 and paid to the company in 2008.

4. Treasury shares

In 2008, the company transferred shares to the members of the Supervisory Board according to their contractual agreements. These shares were bought and held by the company with regard to the remuneration of the Supervisory Board.

5. Cash and cash equivalents

As of December 31, 2008, an amount of TEUR 465 cash and cash equivalents was pledged as security.

6. Equity

Due to a decision of the Management Board in 2008 with the authorization of the annual general meeting on May 30, 2007 and the approval by the Supervisory Board a share capital increase of EUR 34,970,268.00 to EUR 108,838,715.00 was accomplished in terms of a contribution in kind. Within the capital increase the company issued 34,970,268 shares to acquire Renovis Inc. in a share-for-share transaction in order to increase the total share capital of the company to EUR 108,838,715 bearer shares. The capital increase was registered in the commercial register on May 6, 2008. As a result of the transfer of treasury shares the reserve of EUR 57,532.36 was dissolved.

The conditional capital rose due to a decision of the annual general meeting on August 28, 2008, by an amount of EUR 3,400,000.00 and amounted to EUR 10,599,380.00 after the exercise of stock-options mentioned above. It was created to give stock options to employees and members of the Management Board of the company or affiliated companies.

Due to a decision of the annual general meeting on August 28, 2008, the approved capital amounted to EUR 21,733,878.00 equal to 21,733,878 shares as of December 31, 2008.

Mr. Roland Oetker, Bockumer Straße 121, 40489 Düsseldorf, informed us according to section 21 par. 1 WpHG and section 22 par. 1 sentence 1 no. 1 WpHG that his investments in Evotec fell below the 10% hurdle on May 6, 2008 and amounted to 7.79% (8,476,434 shares). The shares are assigned to ROI Verwaltungsgesellschaft mbH, registered at Königsallee 20, 40212 Düsseldorf according to section 22 par. 1 sentence 1 no. 1 WpHG.

Additionally, ROI Verwaltungsgesellschaft mbH, registered at Königsallee 20, 40212 Düsseldorf informed us according to Section 21 par. 1 WpHG that its investments in Evotec fell below the 10% hurdle on May 6, 2008 and amounted to 7.79% (8,476,434 shares).

Stichting Pensioenfonds ABP, Heerlen, The Netherlands, informed us by letter dated November 24, 2008 according to section 21 par. 1 WpHG that its investments crossed the 3% hurdle and amounted to 3.06% (3,331,544 shares).

7. Pension accruals

Pension accruals were set up according to a valuation by MERCER Human Resource Consulting GmbH and pertain a former director of Evotec Biosystems GmbH, of which Evotec is the successor in title.

8. Other accruals

Other accruals are composed mainly of outstanding invoices (TEUR 1,729; 2007: TEUR 1,768) and severance payments amounting to TEUR 1,700 (2007: TEUR 0). The accruals also include accruals for bonuses (TEUR 1,132; 2007: TEUR 1,354), accruals for a sales and marketing charge of Evotec (UK) Ltd. (TEUR 595, 2007: TEUR 0) and unclaimed vacation (TEUR 229, 2007: TEUR 262). Contained in the accruals for outstanding invoices is an accrual of TEUR 198 (2007: TEUR 198) for Supervisory Board remuneration and of TEUR 223 (2007: TEUR 285) for the payment to inventors.

9. Liabilities

The liabilities to banks as of December 31, 2008 comprise of a loan of TEUR 3,000 (2007: TEUR 3,000) which is due between one and five years. The loan will be repaid by December 10, 2010. The interest rate is 1.15 % over six month EURIBOR per annum. The loan is secured by a general terms and conditions lien.

Liabilities owed to affiliated companies relate to Evotec (UK) Ltd. in the amount of TEUR 326 (2007: TEUR 11,101) and to Renovis Inc. in the amount of TEUR 82 (2007: TEUR 0).

IV. Notes to the Statement of Operations

1. Revenues

The company recorded revenues of TEUR 12,793 (2007: TEUR 13,324) through services, of which TEUR 2,771 were with affiliated companies (2007: TEUR 4,006).

Revenues with third parties can be split based on customers' locations, in the following geographical regions:

	2008	2007
	TEUR	TEUR
Germany	2,175	1,311
Norway	855	0
United Kingdom	597	380
Rest of Europe	923	2,098
United States of America	4,912	4,566
Japan	542	577
Rest of the world	18	326

2. Other operating income

Other operating income comprises of TEUR 3,042 (2007: TEUR 3,467) of income from costs charged to affiliated companies. Furthermore the other operating income includes TEUR 1,216 (2007: 1,373) from the sublease of the building as well as TEUR 0 (2007: TEUR 15) of purpose-tied public grants.

Income unrelated to the accounting period resulted mainly from the reversal of accruals (TEUR 758; 2007: TEUR 171).

3. Depreciation

The depreciation includes TEUR 64,045 from the impairment of the receivables from EVOTEC NeuroSciences GmbH.

4. Other operating expenses

Other operating expenses substantially consist of legal and consultancy expenses with TEUR 2,655 (2007: TEUR 3,673), rental expenses including related costs with TEUR 1,896 (2007: TEUR 1,729), maintenance costs with TEUR 738 (2007: TEUR 577) and patent costs with TEUR 414 (2007: TEUR 363).

5. Income from investments

The income from investments comprises TEUR 4,607 as a result of the sale of Direvo convertible bonds and TEUR 27,431 from an interim dividend and an amount of TEUR 12,400 from a reduction in capital reserves of Evotec (UK) Ltd.

However, cash inflows for the latter two issues differ from the gains shown above. Of the TEUR 27,431 from an interim dividend, Evotec only received TEUR 20,379 in cash as the dividend amount was netted with TEUR 7,053 of an intercompany loan payable due to Evotec (UK).

The reduction in capital reserves at Evotec (UK) originally had an amount of TEUR 26,258. Of these, TEUR 13,858 were deducted from Evotec's share interest in Evotec (UK). The remainder of TEUR 12,400 was included in income from investments. This reduction in capital reserves at Evotec (UK) produced a cash inflow of TEUR 19,099 as in total TEUR 7,159 of intercompany loans and interest as well as current trade accounts payable due to Evotec (UK) were netted with the above mentioned original amount.

6. Extraordinary result

Extraordinary result includes only extraordinary expenses amounting to TEUR 1,700 resulting from a severance agreement with a member of the Management Board.

7. Income taxes

The income taxes include TEUR 261 as a result of the Tax calculation for 2008.

8. Audit fees

In 2008, fees of KPMG AG Wirtschaftsprüfungsgesellschaft are shown as expenses for auditing with TEUR 120, other consultancy with TEUR 374, tax consultancy with TEUR 53 and other services with TEUR 5.

V. Other Disclosures

Employees

In 2008, the average employee count was 101 (2007: 94).

As part of the stock option plan, employees of the company and its affiliates received a total of 0 options (2007: 595,000) as well as the Management Board received 600,000 options (2007: 280,000).

Other financial obligations

The other financial obligations for 2009 are mainly obligations from service contracts, rent and leasing and add up to TEUR 1,667 (thereof to affiliated companies TEUR 0). The sum of all existing obligations until the year 2011 is TEUR 4,924 and with a longer term is TEUR 2,926.

Guarantees and Other Commitments

In order to prevent the legal consequence of over-indebtedness of EVOTEC NeuroSciences GmbH (TEUR 93,420) Evotec AG issued letter of comfort.

Corporate Governance Code

Both the Management Board and the Supervisory Board have issued a statement in accordance with section 161 AktG, which has been made available to all shareholders on Evotec's Internet-Site.

Management Board

Jörn Aldag,
Business Executive, Hamburg (President and Chief Executive Officer)
until December 31, 2008.

Dr. Klaus Maleck,
Biotechnologist, Hamburg (Chief Financial Officer)

Dr. Mario Polywka,
Chemist, Oxfordshire, UK (Chief Operating Officer)

The remuneration paid to the members of the Management Board in the financial year totalled TEUR 1,264 (2007: TEUR 1,041), of which TEUR 362 (2007: TEUR 380) was variable remuneration. Fixed remuneration includes base salaries, contributions to personal pension plans, premiums for accident and accidental death insurances as well as the benefit derived from the use of company cars. The variable remuneration of the Management Board is based on a bonus scheme designed by the Remuneration Committee of the Supervisory Board and is then approved by the Supervisory Board. The variable portion of the remuneration in 2008, payable on the achievement of certain strategic targets for the business year 2007, was based on the following criteria:

	Achievement of defined corporate milestones	Achievement of budget and financial targets	Achievement of share price targets	Achievement of personal objectives
	%	%	%	%
Jörn Aldag	40	30	30	--
Dr. Klaus Maleck	40	40	--	20
Dr. Mario Polywka	40	40	--	20

The variable portion of the remuneration in 2009 will be referred to the business year 2008 and is based on the following criteria:

	Achievement of defined milestones	Achievement of budgeted financial targets	Achievement of personal objectives
	%	%	%
Dr. Klaus Maleck	67.5	22.5	10
Dr. Mario Polywka	67.5	22.5	10

Under the Company's stock option plans, the members of the Management Board received in 2008, 600,000 (2007: 280,000) options which may be exercised after three years provided the conditions of this plan are met.

	2008		
	Fixed remuneration	Variable remuneration	Stock options
	TEUR	TEUR	EUR
Jörn Aldag	376	217	400,000
Dr. Klaus Maleck	215	48	100,000
Dr. Mario Polywka ^{*)}	311	97	100,000
Total	902	362	600,000

When Jörn Aldag resigned as Chief Executive Officer of Evotec and from the Company's Management Board, he and Evotec entered into a non-competition agreement exceeding the regular duration of his service agreement. They also agreed upon a lump-sum payment equivalent to the remuneration that Jörn Aldag would have received had his contract expired and not been terminated. No further severance payments were agreed. The exit agreement stipulates gross total payments of TEUR 2,022 to Jörn Aldag, including the bonus for the business year 2008 (TEUR 322). These payments include TEUR 573 fixed and TEUR 805 variable remuneration for the period until his contract would have expired if not terminated as well as TEUR 644 for the non-competition agreement. Of this sum, TEUR 1,700 is due for payment in early 2009 and the remaining TEUR 322 in early 2010.

The individual contracts of the Management Board contain a change-of-control clause in case the company is acquired by a third party. This clause would allow members of the Management Board to terminate their current contracts if an investor acquired more than 30% of the shares of the company and as a consequence thereof tasks and responsibilities changed significantly. The severance entitlement is one year base salary and bonus calculated on the basis of the prior year's remuneration. The company has a Directors and Officers (D&O) insurance policy in place for the Management Board the Supervisory Board, the executive management and the managers of subsidiary companies. The insurance expense amounted to TEUR 179 in total in 2008 (2007: TEUR 60), and was paid by the Company.

Jörn Aldag is member of the Monopolkommission der Bundesrepublik Deutschland (until June 2008), Chairman of the Supervisory Board of European ScreeningPort GmbH, Hamburg, Non-Executive Member of the Board of Directors of Evotec-RSIL Ltd., Maharashtra, India (until December 29, 2008) and Chairman of the Board of Directors of Molecular Partners AG, Zurich-Schlieren, Switzerland.

^{*)} Dr. Mario Polywka receives no remuneration for his Management Board membership from Evotec AG.

Dr. Mario Polywka is Non-Executive Chairman of the Board of Directors of Glycoform Ltd, Oxfordshire, UK, as well as Pharminox Ltd, Oxfordshire, UK and Non-Executive Member of the Board of Directors of Evotec-RSIL Ltd., Maharashtra, India.

Supervisory Board

Dr. Flemming Ørnskov, Global President Pharmaceuticals, Bausch & Lomb, Inc. Zürich, CH (Chairman) (since August 28, 2008);

Dr. Hubert Birner, General Partner of Techno Venture Management GmbH, Landsham/Pliening; (assistant Chairman) (since August 28, 2008)

Dr. Peter Fellner, Executive Chairman Vernalis plc., Oxfordshire, UK;

Dr. Corey Goodman, President Biotherapeutics and Bioinnovation Center Pfizer Inc., Oakland, CA, USA (since August 28, 2008);

Mary Tanner, Financial Advisor, New York, USA;

John Walker, Chairman and Chief Executive Officer Novacea Inc., Atherton, CA, USA (since August 28, 2008);

Prof. Dr. Heinz Riesenhuber, former Federal Minister of research and Technology .D., Frankfurt am Main (honorary chairman of the supervisory board) (since August 28, 2008);

Peer Schatz, chairman of the managementboard of Qiagen N.V., Düsseldorf (assistant Chairman) (until August 28, 2008);

Dr. William J. Jenkins, management consultant Life Sciences, Basel, CH (until August 28, 2008);

The remuneration paid to the members of the Supervisory Board in the financial year amounted to TEUR 199 (2007: TEUR 198). The members of the Supervisory Board were members of the following other Supervisory Boards, Committees and Bodies according to section 125 paragraph 1 clause 3 AktG:

Dr. Flemming Ørnskov

Non-Executive Chairman of the Board of Directors:

Astion Pharma A/S, Copenhagen, DK; Santaris Pharma A/S, Copenhagen, DK;

Non-Executive Member of the Board of Directors:

PCI Biotech Holding ASA, Oslo, NO; Shangdong Bausch & Lomb Freda Pharmaceutical Company Limited, Jinan, CN;

Dr. Hubert Birner

Chairman of the supervisory board:

DIREVO Biotech AG, Cologne, DE (until September 2008)

Member of the supervisory board:

Jerini AG, Berlin, DE (until August 2008)

Non-Executive Chairman of the Board of Directors:

Argos Therapeutics Inc., Durham, North Carolina, USA

Non-Executive Member of the Board of Directors:

BioXcell SA, Milan, IT; Nitec Pharma AG, Reinach, CH (from November 2008); Proteon Therapeutics Inc., Waltham, USA; Spepharm Holding BV, Amsterdam, NL; TransMolecular, Inc., Cambridge, MA, US (from August 2008).

Dr. Peter Fellner

Non-Executive Chairman of the Board of Directors:

Acambis plc, Cambridge, UK (until September 2008); Astex Therapeutics Ltd., Cambridge, UK; Premier Research Group plc, Bracknell, UK (until June 2008).

Non-Executive Member of the Board of Directors:

Consort Medical plc, Milton Keynes, UK; Isis Innovation Ltd., Oxford, UK (until March 2008); QinetiQ Group plc, London, UK; UCB SA, Brussels, BE.

Dr. Corey Goodman

Non-Executive Member of the Board of Directors:

Limerick BioPharma, Inc., South San Francisco, CA, US;

Mary Tanner

Non-Executive Member of the Board of Directors:

Synvista Therapeutics, Inc., Montvale, USA

John Walker

Non-Executive Member of the Board of Directors:

Aerovance, Inc., Berkeley, CA, US; Affymax, Inc., Palo Alto, CA, US; Ceregene, Inc., San Diego, Ca, US; Geron Corporation, Menlo Park, CA, US.

Prof. Dr. Heinz Riesenhuber

Chairman of the supervisory board:

Kabel Deutschland GmbH, Unterfoehring, DE

Member of the supervisory board:

Frankfurter Allgemeine Zeitung GmbH, Frankfurt am Main, DE; Henkel KGaA, Duesseldorf, DE (until April 2008);

Member of the administrative board

HBM BioVentures AG, Baar, CH.

Peer Schatz

Non-Executive Chairman of the Board of Directors:

Digene France SAS, Paris, FRA; Egene, Inc., Fitch, USA; GenoVision Inc, West Chester, USA; Qiagen AS, Oslo, NO; Qiagen Canada Inc, Montreal, CAN; Qiagen Gaithersburg, Inc., Gaithersburg, USA (from July 2007); Qiagen Hong Kong Ltd. Pte., HK; Qiagen Inc, Valencia, US; Qiagen Ltd, Crawley West Sussex, UK; Qiagen North American Holdings, Inc, Valencia, US; Qiagen Pty Ltd, Clifton Hill, Victoria, AUS; Qiagen S.A., Courtaboeuf Cedex, FRA; Qiagen S.p.A., Milan, IT; Qiagen Sciences, Inc, Germantown, US; Qiagen Synthetic DNA, Inc, Alameda, US; Xeragon, Inc, Germantown, US.

Non-Executive Member of the Board of Directors:

Corbett Diagnostics Pty Ltd, Brisbane, AU (from July 2008); Corbett Liefesciences Pty Ltd, Sidney, AU (from July 2008); Corbett Research Ltd. (UK), London, UK (since July 2008); Corbett research Ltd, Sydney, AU (since July 2008); Corbett Robotics, Inc. (US), San Francisco, US (since July 2008); Corbett Robotics Pty Ltd, Sydney, AU (since July 2008); Digene Italy, s.r.l., Milan, IT; Digene UK (Holding) Ltd., London, UK; Digene UK Ltd., London, UK; 5 Prime Inc, Boulder, US (since January 2008); Genaco Biomedical Products, Inc., Huntsville, US; Gentra Systems, Inc., Minneapolis, US; PG Biotech Ltd, Shenzhen, CHN; Qiagen Australia Holdings Pty Ltd, Clifton Hill, AU (since June 2008); Qiagen Brasil Biotechnologia Ltda., Sao Paulo, BR (since May 2008); Qiagen Iberia S.L., Madrid, ESP; Qiagen Inc, Mississauga, CAN; Qiagen K.K., Tokyo, JPN; Qiagen Malaysia Sdn Bhd, Kuala Lumpur, MYS; Qiagen Mexico, S. de R.L. de C.V., Mexico City, MX (since May 2008); Qiagen Servicios Mexico, S. de R.L. de C.V., Mexico City, MX (since May 2008); Qiagen Singapore Pte. Ltd (formerly: Research Biolabs Technologies Pte. Ltd), SGP; Research Biolabs Pte. Ltd, SGP; Research Biolabs Technologies Pte. Ltd, SGP.

Dr. William J. Jenkins

Non-Executive Member of the Board of Directors:

Acambis plc, Cambridge, UK (until September 2008); BTG plc, London, UK; Eurand Pharmaceutical Holdings, N.V., Amsterdam, NL; Monogram Biosciences, Inc., San Francisco, CA, US.

Scientific Advisory Board

Dr. William J. Jenkins, MD, Basel, CH;

Dr. Corey Goodman, Oakland, CA, US (since January 1, 2008)

Prof. Jon Levine, San Francisco, CA, US (since January 1, 2008)

Dr. Peter Machin, London, UK (since January 1, 2008)

Prof. Dr. Hanns Möhler, Zurich, CH;

Ian Ragan, Ph.D., London, UK;

Dr. Karsten Henco, Duesseldorf, DE (until January 1, 2008);

Prof. Dr. Christoph Hock, Zurich, CH (until March 15, 2008)

In 2008 three meetings of the board took place. The remuneration paid in 2008 amounted to TEUR 39 (2007: TEUR 27)

The company has prepared Consolidated Financial Statements that qualify as statutory obligatory Consolidated Financial Statements pursuant to section 315a par. 1 HGB, which will be published in the electronic German Federal Official Gazette („Bundesanzeiger“). The company prepares Consolidated Financial Statements for the largest and smallest possible number of companies.

Hamburg, March 3, 2009

Dr. Klaus Maleck

Dr. Mario Polywka

Evotec AG, Hamburg

Management Report for the Financial Year 2008

I. Operations and Business Environment

Organizational Structure and Business Activities

Evotec AG (Evotec or Company) is a publicly listed stock corporation operating under German law, with an issued number of shares of 108,838,715 as of December 31, 2008. Evotec is registered for trading on the Frankfurt Stock Exchange and on the NASDAQ Global Market. The Company has subsidiaries in Hamburg, Oxford, England, South San Francisco, California, USA and North Potomac, Maryland, USA and employed 101 people at the end of 2008.

Evotec AG is the parent company of Evotec group which is focused on drug discovery and development for novel small molecule therapeutics. Through various research programs it generates high quality research results, building a portfolio of proprietary drug candidates and feeding into the pipeline of its partners in the pharmaceutical and biotechnology industries.

Evotec AG offers integrated and rational discovery biology solutions for third-party biotechnology and pharmaceutical companies and provides administrative and corporate services for the Evotec group.

In its research collaborations, Evotec provides innovative and integrated solutions to the pharmaceutical and biotechnology industry through a range of capabilities, including early-stage assay development and screening, fragment-based drug discovery through to medicinal chemistry. Evotec's partners include, among others, Boehringer Ingelheim, CHDI, Novartis, Ono Pharmaceutical and Roche. In exchange for access to its integrated discovery offerings, Evotec receives contractual service fees and ongoing FTE-based research payments and, in certain circumstances, milestone and royalty payments.

In May 2008, Evotec completed the acquisition of Renovis, Inc., a South San Francisco-based biotechnology company focused on pain and inflammation. The acquisition of Renovis was effected through a share-for-share transaction in which 34,970,268 new Evotec shares were issued. Upon completion of the acquisition the number of Evotec shares, including those traded as American Depository Shares (ADSs) on NASDAQ, had risen to 108,838,715. Each Evotec ADS represents two ordinary shares of Evotec.

As required by the German Stock Corporation Act (Aktiengesetz), Evotec AG has a two-tier board system consisting of the Evotec Management Board (Vorstand) and the Evotec Supervisory Board (Aufsichtsrat). The Management Board is responsible for

managing Evotec and representing the Company in its dealings with third parties, while the Supervisory Board appoints and removes the members of the Evotec Management Board and oversees the management of the Company. German law prohibits the Supervisory Board from making management decisions.

The Evotec Supervisory Board consists of six members—as provided in the current Articles of Association—all of whom are elected by the shareholders by a simple majority of the votes cast at a shareholders' meeting. The Supervisory Board appoints a chairman and one or more vice-chairmen from among its members. The members of the Supervisory Board are elected for five years and may be re-elected. The term of the current members of the Evotec Supervisory Board will expire at the end of the annual general shareholders' meeting held in the year 2009.

Under Evotec's Articles of Association, the Supervisory Board determines the size of the Management Board, which must have at least one member under the German Stock Corporation Act. The statutory maximum term for members of the Management Board is five years, but Evotec's current practice is to limit the terms to three years. Management Board members may be reappointed and may be dismissed with good cause prior to the termination of their terms of office.

The individual contracts of the Management Board contain a change-of-control clause in case the company is acquired by a third party. This clause would allow members of the Management Board to terminate their current contracts if an investor acquired more than 30% of the shares of the company and as a consequence thereof tasks and responsibilities changed significantly. The severance entitlement is one year base salary and bonus calculated on the basis of the prior year's remuneration.

The position of President & Chief Executive Officer is currently vacant as the former President & Chief Executive Officer Jörn Aldag resigned on December 10, 2008. The resignation became effective as of December 31, 2008. Dr Klaus Maleck, Chief Financial Officer, and Dr Mario Polywka, Chief Operating Officer, will continue to lead the Company jointly until a successor is announced. The Management Board is closely working together with Evotec's extended Management Team. This Team draws its membership from the senior executives with diverse expertise and experience in Research, Clinical Development, Investor Relations and Human Resources.

Impact of Business Environment on Evotec's strategy

Management's objective is to systematically and continuously increase the value of the Company. Management has successfully transformed Evotec AG and its subsidiaries from a small technology provider into a focused discovery and development company. Non-core research services and the discovery instruments business were divested for cash.

Evotec's reputation for delivering the highest quality results within agreed budgets and timescales has been at the core of the Company's success. With its integrated discovery platform, Evotec provides collaborators a choice of solutions for projects that range from target to clinic. In the past, clients have mainly engaged Evotec to provide

specific capabilities on a fee-for-service basis. Today, collaborative research providers are expected to contribute additional disease expertise, specific know-how and resources previously generated internally in broader, more innovative drug discovery collaborations. To fully capitalize on the potential of its capabilities, Evotec therefore increasingly engages in higher value, results-driven projects.

Financial Control Criteria

Knowing that sufficient funding is the basis for future success, Evotec carefully monitors cash levels. The most important financial control criteria for Evotec are cash forecasts including the definition of minimum cash levels, the monitoring of research and development milestones critical to short and mid-term financial performance and related investment decisions as well as value analysis based on discounted cash flow models for Evotec's pipeline products and its corporate development projects.

Management engages in monthly financial reviews with a strong emphasis on key financial performance drivers such as revenues, order book status and gross margins as well as careful cost analysis (SG&A, R&D expenses) to measure its performance against its financial targets.

General Market Summary

General Economic Development

2008 was arguably the most challenging year in recent financial history. The financial market downturn that started in October 2007 escalated in the second half of 2008 primarily due to the US housing market crisis which affected stock markets globally resulting in significant losses. The Dow Jones Industrial Average dropped 34% for the year compared to its 6% increase the year before. The NASDAQ Composite fared even worse closing the year down 41% after ending 2007 higher by 10%. European performance was equally severe. Germany's DAX Index closed the year down 40%, London's FTSE 100 closed down 31%, France's CAC 40 was down 43% and Spain's IBEX was down 39%.

The US housing crisis also exposed how sensitive the world was to the more exotic financial products, such as collateralized debt obligations, credit default swaps, and tri-party repos. Financial institutions wrote down billions of Dollars worth of mortgage backed securities from their balance sheets as a credit crunch ensued. Weaker, more vulnerable investment and commercial banks were acquired, privatized, or in the case of 158-year-old Wall Street investment bank, Lehman Brothers, filed for bankruptcy. Governments across the globe implemented rescue efforts including multi-billion Dollar bail outs. In October 2008, many central banks across the globe in a coordinated rate cut, reduced their respective policy interest rates. The German Government stated its intent to borrow as much as €80 billion (\$107.3 billion) to buy stakes in banks and provide an additional €400 billion in debt guarantees. The global equity markets sustained a brief relief rally after Barack Obama was elected to be the US's 44th

president, offering a break from the uncertainty surrounding an election year. However, the President-elect was quick to emphasize that the wounds from the financial crisis were far deeper and would last much longer than anyone had originally anticipated.

Exchange Rate Development

World banks' short-term interest rate cuts had a major impact on currencies, including the US Dollar and Euro. Investors seeking a safe haven from the havoc that has been overwhelming the world markets flocked to US treasuries which created a steep rise in the US Dollar since mid-year. The US Dollar hit a six-year high in early December but decreased after the US Fed cut the fed funds rates to a historic low of 0.25% and reversed its trend later in the month. The Bank of England and other central banks have suggested that further rate cuts can be expected and major global economic institutions have been forecasting that a recession will spread to the world's developed countries in the coming months, if it is not there already. On cue, Germany, the world's fourth-largest economy, announced its own recession in November.

Management's General Assessment of Business Performance

In 2008 Evotec AG sustained its position in an increasingly difficult business environment. Revenues with third parties improved over 2007 by 8%. With great effort the Company closed the acquisition of Renovis and, prior to this, achieved listing with American Depositary Shares (ADSs) on the NASDAQ Global Market. As a result, Evotec has issued an aggregate of 34,970,268 new ordinary shares.. The company continued to finance its subsidiary Evotec NeuroSciences GmbH on approximately the same level as in 2007 to further advance the pipeline projects. At year-end, Evotec's ordinary shares were valued below the Company's available funds. However, with the acquisition of Renovis and reductions in capital reserves at Evotec (UK) Ltd and Neuro3d S.A. the Company improved its financial position. Evotec remains comfortably financed and, through its affiliates, possesses a pipeline that includes several partnerable assets that could provide significant upside.

II. Financial Report

Results of operations

Revenues

Evotec's revenues in 2008 amounted to € 12.8m, a decrease of € 0.5m or 4% in comparison with the previous year (€ 13.3m). Third party sales however increased from € 9.3m (2007) to € 10.0m. Assay development and Screening (incl. nuclear magnetic resonance (NMR) Screening) continued to improve their performance by € 1.1m or

30%. FTE-based revenues show a slight decrease of € 0.2m in 2008. License income amounted to € 1.5m (2007: € 1.7m). The internal demand from affiliated companies, which includes support for external projects of subsidiaries and for internal R&D programmes, decreased in quantity and thus was reduced by € 1.3m. The freed up capacity was used to fulfil the increased demand from third party customers. The geographical spread of revenues for Evotec continues to be diverse. The US market continues to be the largest market for Evotec followed by the European market. The Asian market is of lower significance. The top customer represented almost 31% of the revenues, but the remaining third party revenues are spread over a large number of different customers.

Gross profit (Rohertrag)

The gross profit (Rohertrag) for 2008 decreased to € 9.2m which translates into a gross profit (Rohertrag) margin of 72.0% (2007: € 10.8m respectively 80.8%). Whereas material cost of revenues could be kept constantly in comparison to previous year, Evotec's focus on platform R&D, especially fragment-based screening, led to a higher need for resources from affiliated companies (€ 1.0m). The weakened US Dollar depressed revenues in the first three quarters and in total affected gross profit negatively by € 0.4m (at constant 2007 currency rates). Furthermore license revenues provided a € 0.2m lower contribution to the gross profit as in 2007.

Net result

The net result for the year turned to a loss of € 24.4m (2007: net profit of € 2.3m). The main factor that caused the negative result is a write-down in current assets. Loan receivables of € 64.0m were written-off as a result of the over-indebtedness of Evotec AG's subsidiary Evotec NeuroSciences GmbH. The net result was positively affected by gains from investments. Evotec (UK) Ltd performed a reduction in capital reserves and distributed dividends to Evotec AG (€ 39.8m). The income relating to the Sale of DIREVO Biotech AG convertible bonds in connection with the sale of DIREVO Biotech AG to Bayer HealthCare contributed € 4.6m. A further positive contributor was interest income with an increase of € 2.7m. Evotec AG received higher interest income from intercompany loans which was diminished by a lower income due to the lower average cash position held in 2008. As mentioned above the gross profit (Rohertrag) decreased by € 1.6m. Personnel expenses increased slightly by € 0.1m to € 7.8m although headcount increased by 7 employees during 2008. An increasing amount of the personnel and other operating expenses was used for research primarily to support specific platform technologies like fragment-based screening. Other operating expenses increased from € 11.5m to € 13.4m mainly driven by consultancy expenses in connection with the implementation of a new ERP-system, audit costs related to Renovis Inc. and associated costs to achieve Sarbanes-Oxley compliance. Finally the result was negatively impacted by increased expenses for corporate insurances, maintenance, utility costs and the aforementioned research activities.

Extraordinary expenses of € 1.7m related to the termination agreement with Evotec's CEO Jörn Aldag who left Evotec effective December 31, 2008.

Financing and financial position

Cash and Financing

As per December 31, 2008, Evotec's cash and cash equivalents amounted to € 38.9m which is substantially higher than at the end of 2007 (€ 19.2m). This is mainly caused by the above mentioned reduction in capital reserves and dividend distributions from Evotec (UK) Ltd as well as a further reduction in capital reserves from Neuro3d. Also, Evotec AG benefited also from the sale of DIREVO Biotech AG convertible bonds (€ 4.6m) and escrow payments resulting from the sale of Evotec Technologies GmbH to PerkinElmer in the beginning of 2007 (€ 2.0m). The increased liquidity was used to finance the affiliate Evotec NeuroSciences GmbH and its proprietary R&D programmes. Furthermore, cash was used for legal and consultancy services in relation with the Renovis transaction and to finance the European Screening Port GmbH.

Assets and liabilities

Capital structure

Evotec increased its share capital in the second quarter of 2008 due to the issuance of 34,970,268 new shares related to the acquisition of Renovis in May 2008. As a result of this transaction, Evotec's share capital increased to € 108.8 m for the end of the year (2007: € 73.9 m). Total equity increased to € 149.6m (2007: € 139.1m) despite the Company's net loss for the year of € 24.4m. No stock options were exercised by Evotec employees during the year ended December 31, 2008. Hence, Evotec ended the year with an equity ratio of 92.7% (2007: 86.1%) due to the above mentioned capital increase and the reduced amount of liabilities from € 17.8m in 2007 to € 5.1m in 2008.

Net assets and liabilities

The Company owns fixed assets consisting of leasehold improvements, technical equipment and machinery, fixture and fittings furniture and fixtures (predominantly laboratories) and scientific and technical equipment for use in these laboratories. In addition, the Company has offices and information technology which are also used by its affiliated companies.

As in previous years new investments in tangible fixed assets were handled restrictively. Tangible fixed assets increased from € 4.7m at end of 2007 to € 5.2m in 2008. Capital expenditures in 2008 were used to replace old machinery and equipment respectively where required for Evotec's long-term collaboration agreements.

Financial assets comprise the company's shareholdings and affiliates. These investments increased to € 87.8m (year-end 2007: € 84.3m). The assets acquired from Renovis Inc. (€ 37.7m) were higher than the reductions in capital reserves in Evotec (UK) Ltd (€ 13.9m) and Neuro3d S.A. (€ 20.3m).

As per December 31, 2008 inventories decreased slightly to € 1.8m (2007: € 1.9m). Receivables decreased to € 27.1m (2007: € 50.8m) mainly due to a reduction in accounts receivable from affiliated companies (€ 21.4m) and other current assets (€ 2.2m). The first is caused by the write down of intercompany loans to Evotec NeuroSciences GmbH. The decrease in other current assets results from a payment from escrow related to the sale of Evotec Technologies (€ 2.0m).

Evotec AG's debt with financial institutions remained unchanged at € 3.0m as per December 31, 2008. The Company borrowed a maturity loan in December 2007, repayable end of 2010. Trade accounts payable decreased from € 3.0m to € 1.1m. Accrued liabilities increased from € 4.0m to € 6.1m mainly due to the termination agreement with the former CEO Jörn Aldag. Liabilities with affiliates decreased to € 0.4m (year-end 2007: € 11.1m), primarily as a result of repaid inter-company loans to Evotec (UK) Ltd. Other current liabilities decreased from € 0.7m (2007) to € 0.3m.

Employees

Evotec employed on average 101 staff in 2008 compared to 94 in the year before. Headcount primarily increased through the acquisition of selected assets and expertise from Combinature Biopharm AG in the field of nuclear magnetic resonance (NMR) back in June 2007 and through the following expansion of capabilities in fragment-based screening.

The remuneration paid to the members of the Management Board in the financial year totalled € 1.3m (2007: € 1.0m), of which € 0.4m (2007: € 0.4m) was variable remuneration. Fixed remuneration includes base salaries, contributions to personal pension plans, premiums for accident and accidental death insurances as well as the benefit derived from the use of company cars. The variable remuneration of the Management Board is based on a bonus scheme designed by the Remuneration Committee of the Supervisory Board and is then approved by the Supervisory Board. The variable portion of the remuneration in 2008, payable on the achievement of certain strategic targets for the business year 2007, was based on the following criteria:

	Achievement of defined corporate milestones	Achievement of budget and financial targets	Achievement of share price targets	Achievement of personal objectives
	%	%	%	%
Jörn Aldag	40	30	30	-
Dr. Klaus Maleck	40	40	-	20
Dr. Mario Polywka	40	40	-	20

The variable portion of the remuneration in 2009 will be referred to the business year 2008 and is based on the following criteria:

	Achievement of defined milestones	Achieve of budgeted financial targets	Achievement of personal objectives
	%	%	%
Dr. Klaus Maleck	67.5	22.5	10
Dr. Mario Polywka	67.5	22.5	10

Under the Company's stock option plans, the members of the Management Board received in 2008, 600,000 (2007: 280,000) options which may be exercised after three years provided the conditions of this plan are met.

	2008	2008	2008
	Fixed	Variable	Stock options
	remuneration	remuneration	
	T€	T€	
Jörn Aldag	376	217	400,000
Dr. Klaus Maleck	215	48	100,000
Dr. Mario Polywka	311	97	100,000
Total	902	362	600,000

When Jörn Aldag resigned as Chief Executive Officer of Evotec and from the Company's Management Board, he and Evotec entered into a non-competition agreement exceeding the regular duration of his service agreement. They also agreed upon a lump-sum payment equivalent to the remuneration that Jörn Aldag would have received had his contract expired and not been terminated. No further severance payments were agreed. The exit agreement stipulates gross total payments of € 2.0m to Jörn Aldag, including the bonus for the business year 2008 (€ 0.3m). These payments include € 0.6m fixed and € 0.8m variable remuneration for the period until his contract would have expired if not terminated as well as € 0.6m for the non-competition agreement. Of this sum, € 1.7m is due for payment in early 2009 and the remaining € 0.3m in early 2010.

Additionally, the subscription rights of the Company with a total volume of 947,600 shares granted to Jörn Aldag by virtue of separate option agreements during 1999 – 2008 remain exercisable also after the termination of Jörn Aldag's contract.

Dr. Mario Polywka receives no remuneration for his Management Board membership from Evotec AG.

Information Pursuant to Section 289 Paragraph 4 of the German Commercial Code

Evotec's management focuses on value creation. To that degree, any change-of-control or takeover offer that realizes some of the embedded value of the Company for the benefit of current shareholders, is carefully analyzed with regard to the synergies proposed and the future value creation claimed. A change in control will generally have occurred if, as a result of any takeover, exchange or other transfer, a single shareholder or a group of shareholders acting in concert acquires more than 30% of the outstanding voting rights in Evotec or, if as a result of a merger or reverse merger

the shareholders of Evotec from the effective date of such transaction cease to own more than 30% of the outstanding voting shares in the merged entity. Evotec has no specific takeover-defense measures in place.

Composition of Capital Stock and Voting Rights

As of December 31, 2008 the capital stock of Evotec AG amounted to EUR 108,838,715 and was divided into 108,838,715 non-par value shares. All shares are bearer shares and have the same voting rights. Management is not aware of any restriction of the voting rights or the right to transfer. Existing stock option schemes do not allow for immediate vesting or additional issuance in the case of a takeover offer. Also, no binding lock-up agreements have been made with any shareholder, and neither stock loans, nor pre-emptive stock purchase rights are known to the Company. Also, the Company does not control voting rights of any shares owned by employees. No shareholder holds the right to have representatives on the Company's Supervisory Board, or is restricted or bound to specific votes at annual shareholder meetings.

Shareholdings Exceeding 10% of Voting Rights

The Company has not been notified of direct or indirect shareholdings in its share capital exceeding 10% of the capital stock. As of December 31, 2008, TVM V Life Science Ventures GmbH & Co. KG and ROI Verwaltungsgesellschaft mbH, together with its affiliates, held each more than 5% of the shares respectively.

During 2008, Evotec received the following notifications from shareholders:

In May 2008, Roland Oetker gave notice that on May 6, 2008 due to the capital increase associated with the acquisition of Renovis, Inc. his voting interest in Evotec AG fell below the threshold of 10% and then amounted to 7.79% (8,476,434 shares). These voting rights are to be fully imputed to him by ROI Verwaltungsgesellschaft mbH.

Consequently, also ROI Verwaltungsgesellschaft mbH gave notice that on May 6, 2008 its voting interest in Evotec AG fell below the threshold of 10% and then amounted to 7.79% (8,476,434 shares).

In November 2008, the Dutch Stichting Pensioenfonds ABP gave notice that on November 24, 2008, its voting interest in Evotec AG exceeded the threshold of 3% and amounted then to 3.06% (3,331,544 voting rights). Stichting Pensioenfonds ABP further informed us that it did not have a parent company, a major shareholder or an investment manager who controls its voting rights.

Pursuant to § 6 of the Company's Articles of Association, the Management Board shall consist of one or more members which are appointed and dismissed by the Supervisory Board pursuant to section 84 paragraph 1 of the German Stock Corporation Act (Aktiengesetz). The board structure of Evotec is explained in detail in

the section 'Organizational Structure and Business Activities' on page 1 of this Management Report.

Authorization of Management Board to Issue Shares

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

1. Authorized Capital: Pursuant to § 5 paragraph 4 of the Articles of Association the Management Board, with the approval of the Supervisory Board, is authorized to increase the Company's share capital by up to EUR 21,733,878.00 in one or more tranches by August 27, 2013 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. Given the approval of the Supervisory Board, the Management Board may, however, exclude the preemptive rights of its shareholders on one or several occasions under certain, well defined conditions.

2. Conditional Capital: Pursuant to § 5 paragraph 5 to 11 of the Articles of Association shareholders have created conditional capital in the total amount of up to EUR 10,826,681.00, divided into 10,826,681 ordinary bearer shares with no par value. The Management Board is authorized to increase the share capital only to the extent that holders of stock options, awarded by Evotec on the basis of the shareholders' resolutions from June 7, 1999, June 26, 2000, June 18, 2001, June 7, 2005, May 30, 2007 or August 28, 2008 exercise their rights to subscribe for the new shares. Currently, after certain holders of stock options have exercised 227,301 stock options in the past and new shares have been issued from this conditional capital accordingly, an amount of 10,599,380 remains for new shares to be issued from this conditional capital.

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

Authorization of Management to Repurchase Stock

As of December 31, 2008, and as authorized by the last shareholder meeting, the Company is authorized to acquire by February 28, 2010, stock of the Company amounting to a mathematical share in the capital stock of altogether up to EUR 500,000.00 for the purpose of Supervisory Board compensation and to fulfil subscription rights that were and/or are granted within the framework of stock option programs. To the extent that treasury stock is to be transferred to members of the Management Board such decision is to be made by the Supervisory Board. In both cases, shareholders' subscription rights shall be excluded and stock may not be acquired for trading purposes.

Amendment to the Company's Articles of Association

Any amendment to the Company's Articles of Association requires a shareholder resolution. According to § 15 of the Articles, the shareholder resolution requires an affirmative vote of at least three quarters of the Company's share capital present in a general shareholders' meeting.

Change-of-Control Provisions

The Management Board of Evotec AG has only customary change-of-control rights. Their individual contracts contain a change-of-control clause, which would allow management to terminate their current contracts in the event of a change-of-control. The resulting severance entitlement is one year base salary and bonus calculated on the basis of the prior year's remuneration. The same change-of-control rights apply for other members of the Management Team.

III. Risk Management and Risk Report

Risk and Opportunity Management System

To increase the chances of successfully capturing business opportunities, and at the same time limiting the associated risks, Evotec places substantial emphasis on risk management as an ongoing management task. Evotec employs a comprehensive risk management policy and risk management system which forms an integral part of Evotec's management processes and complies with the legal requirements as laid out in the German Corporate Sector Supervision and Transparency Act (KonTraG).

According to the Company's risk management policy, Evotec engages in businesses only when this is in line with its strategy and with risks common within the industry, and when adequate reward potential is offered. At least once a year the Management Board defines the Company's specific affinity to financial risk in accordance with the prevailing business and financial condition, including in particular the definition of minimum cash levels and milestones critical to short and mid-term financial performance. Management engages in monthly financial reviews with a strong emphasis on cash and cash forecasts, and key financial performance drivers such as revenues, order book status and gross margins as well as careful cost analysis (SG&A, R&D expenses). It is company policy not to speculate on foreign exchange movements, but to manage the risks arising from underlying business activities, for example, to gain foreign exchange certainty against the value of signed customer contracts. Financial investments are made in low risk categories (products or financial institutions rated A or better (Standard & Poor's ratings)). During the current financial crisis the Management Board has further increased its attention on mitigating financial risks. It is therefore directly involved in all decisions concerning financial assets and manages all businesses and transactions considered to be material for the Company.

To cover other risks associated with the Company's business, including those that would not have a short-term financial impact, Evotec performs regular commercial, R&D project portfolio reviews. Strict application of R&D project and investment approval processes, legal contract review procedures and signing authorities are also standardized procedures. In addition, the Company emphasizes its IT security throughout the Group and reviews its insurance coverage regularly. Compliance with the regulatory environment, for example environment and health and safety, has a high priority, and corresponding training programs are in place. All these measures and procedures as well as further controls were adapted and implemented in line with the Evotec SOX compliance activities. The Company also takes its Corporate Governance responsibilities very seriously. A declaration according to § 161 AktG was made by the Management Board and the Supervisory Board of the Company. This declaration regarding the Company's compliance with the Corporate Governance Codex is accessible to the shareholders on Evotec's website.

Evotec's risk management system is regularly reviewed in order to adjust to changing environments, risk profiles and business opportunities. Since April 2007, an upgraded system operates which comprises the following elements:

Through *Internal Ad Hoc Notifications*, any risks, that might have a material impact on the Company's financial performance, are raised and reported to the Company's Ad hoc Committee as they emerge by the manager concerned. The manager also compiles a summary and assessment of the specific risk and the counter measures taken and reports the foregoing to the Company's Risk Manager and to the responsible superior line management without any undue delay. On a regular basis, responsible line managers forward *periodical risk reports* which (i) give an update on the risks described in the interim Internal Ad Hoc Notifications, (ii) report about any other material risk that has occurred even when beneath the pre-defined thresholds, and (iii) monitor the success of any measure taken to deal with the previously reported risks. The Risk Manager evaluates and summarizes the various risk sheets into a quarterly report for the Management Board. In addition, all regular internal reports and meeting minutes that could be of relevance to important risk categories are formally included in the Company's risk management system (*Risk Prevention System*). This procedure increases general alertness to risk and risk management, and also emphasizes the principle of risk prevention.

Internal Controls over Financial Reporting (SOX)

Evotec has been listed on the NASDAQ in the United States since mid 2008 and is therefore required to comply with the requirements of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires the Management Board of companies listed in the United States to take responsibility for implementing and adhering to an internal control system to provide for reliable financial reporting. In accordance with Section 404, Evotec's Management Board is required to assess annually the effectiveness of internal controls over financial reporting starting with the full-year 2008. The effectiveness of Evotec's internal controls over financial reporting will be audited by its independent registered public accounting firm for the first-time within the audit for the full-year 2009.

Evotec's internal control system is designed to ensure compliance with applicable accounting standards over its financial reporting. The system is based upon both, automated and manual, preventive and detective controls, segregation of financial related duties as well as the adherence to Evotec policies. Evotec uses the Committee of Sponsoring Organizations of the Treadway Commission's "Internal Control Integrated Framework" (COSO framework) as the basis for its internal controls over financial reporting. Using the COSO framework, Evotec's financial reporting control system is based upon:

- the control environment;
- risk evaluation;
- control activities;
- information and communication pathways; and
- monitoring of the internal control systems

Evotec assembled a project team, which included the engagement of a Big 4 auditing firm, to assist it in documenting and testing its internal control system in accordance with the above. The project team is led by Evotec's Chief Financial Officer and the members of the Audit Committee are updated on the project's progress on a regular basis.

For full-year 2008 management assessed the effectiveness of Evotec's internal control system over financial reporting for the first time. No material weaknesses were identified and detected deficiencies were remediated immediately. Based upon this assessment, management concluded that the Company's internal controls system for financial reporting was effective as of December 31, 2008.

Risks

Evotec AG is exposed to different risks, which are relevant to many business functions. The business, financial condition and results of Evotec may be materially adversely affected by each of these risks. If not stated differently, the risks mentioned below are unchanged over 2007.

Risks inherent to drug discovery collaborations

Evotec's collaborations business is well established within the industry, and has generated a steady revenue stream over the last years. The continuous drive for increasing research efficiency, combined with superior service quality, allows Evotec to generate value through positive cash contributions, and a shared and leveraged research platform with its customers. However, in this context, business specific risks also need to be managed:

> The market environment is marked by pricing pressures, originating from funding restrictions of some biotechnology customers and from evolving and strengthening competition in individual drug discovery disciplines in low cost countries. Therefore,

firm cost management, continuous enhancement of capabilities and technologies, careful market positioning and sales from high-value results-based contracts are mandatory for Evotec.

> Even when exhibiting a steady revenue stream, fluctuating capacity utilization and resource allocation between different parts of the business can significantly impair profitability, unless these are carefully and flexibly adjusted. In addition, dependence on individual larger customer contracts needs to be carefully monitored.

> Some of the service contracts contain scientific or technical delivery risks, which can be only partly mitigated with high quality project work.

Financing and other financial risks

> Evotec AG continues to finance its shareholdings and affiliates, primarily its subsidiary Evotec NeuroSciences GmbH (ENS). As ENS intends to build a sustainable pipeline of CNS drug candidates, the future success is dependent upon, among other factors, its ability to finance viable product candidates. Expenditures on internal discovery and development programs will therefore reduce its short- to mid-term profitability and cash reserves. Evotec management, however, defines minimum liquidity levels which should be maintained. The Company intends to reduce part of this financial exposure in its investments through early partnering agreements with sizeable down-payments by a partner, to the degree possible and advisable when trying to maximize longer term returns. Even without a significant licensing agreement for one of its clinical or preclinical assets, Evotec believes that existing liquidity reserves are sufficient under the risk management plan to cope with all cumulated, identified risk implications and will fund its planned activities at least until the end of 2010.

> Evotec is currently well financed and has no plans or necessity to raise capital in the near- to mid-term. However, the option to increase capital may always be considered. This might be the case if new opportunities arise in terms of M&A and in-licensing requiring additional financing, either directly or through a subsidiary. Evotec AG does not intend to engage in projects or project phases unless appropriate funding is allocated or secured.

> Other than the trust Evotec implemented in the acquisition of Renovis to issue shares as replacement for outstanding options and similar share-based compensation involving Renovis employees, Evotec has not had any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Therefore, Evotec is not materially exposed to any financing, liquidity, market or credit risk that could arise if it had been engaged in these relationships.

Dependence on key personnel

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

> Among other benefits, Evotec has granted stock options as a method of attracting and retaining key employees. Due to fluctuations in the trading price of Evotec ordinary shares, a substantial portion of the stock options held by Evotec employees have exercise prices that are significantly higher than the current trading price of Evotec's shares. In addition, as a German AG, Evotec can only issue limited amounts of stock options to its employees which might not be competitive for US standards. If Evotec is unable to offer competitive remuneration including stock options that provide sufficient incentives, Evotec may be unable to retain its existing employees and attract additional qualified candidates.

> In the recent past, Evotec has not encountered difficulties in attracting and retaining qualified employees.

Currency risks

> Evotec's business is affected by fluctuations in foreign exchange rates between the US Dollar, UK Sterling and the Euro. Currency exchange movements impact Evotec's reported liquidity through the translation of liquid assets held in US Dollars or UK Sterling into Euros. A portion of the funds are held in currencies other than the Euro in order to meet local operating needs.

> With a high proportion of sales denominated in US Dollars, currency exposure creates a risk to Evotec's profitability.

Risks associated with current financial crisis

The financial turmoil witnessed during the last months has not directly impacted Evotec operations. Evotec's cash holdings are invested at several different banks, in liquid, highly diversified investment instruments. Evotec's customers are generally financially stable pharmaceutical companies, foundations and larger biotech companies and we do not foresee an increased level of accounts receivables or a drop of future revenues due to this crisis. Although Evotec is well financed and anticipates no need to raise capital in the short-term, Evotec is more cautious than ever to further conserve its liquidity and strengthen its business performance.

Other risks

Other risks, such as IT risks, environmental risks, and risks involving production and procurement are not considered to be significant.

Surviving business risks of divested businesses, Evotec Technologies (ET) and the Chemical Development Business (CPD), are limited to customary guarantees given to the acquirer as well as the risk of terminating existing sublease and administrative service agreements with Evotec AG. The Company believes that these are limited and existing precautionary measures are sufficient. Similarly, the risks assumed in the acquisition of Neuro3d are limited to customary guarantees given to the old shareholders. Evotec does not foresee any material warranty of future liability claims.

Management Assessment of Risk Situation

Management believes that although the risks in drug discovery business are significant, the Company has great opportunities to create long-term value that outweigh the foreseeable risks. With a highly competitive research collaborations business, supported by substantial financing and adequate risk and opportunity management systems, Evotec is well prepared to deliver on its strategy.

IV. Post Balance Sheet Events

There are no material events to be reported.

Expected General Market and Healthcare Development

Economic Development

Looking ahead, numerous economies globally are considering, and in many cases taking, nearly unparalleled fiscal and monetary action to stimulate their respective financial systems. Despite this, the prognosis given by most analysts and economists remains bleak – although the US government has increased spending to try to cushion the economic blow, including the recent enactment of a \$787 billion stimulus package. Rising unemployment figures and increasing housing foreclosures appear likely to will continue to create difficulties for developed economies as the state of the credit markets continues to be delicate, and most market commentators can definitively say when this global crisis will end and most are predicting continued economic turmoil in the near-term at least.

Environment in the Healthcare Sector

Despite the gloomy financial markets, many investment professionals see healthcare as a possible bright spot in the equity markets and believe that sub-sectors such as biotechnology will continue to outperform the broader markets as they did in 2008. Importantly, many in the biotechnology community believe that companies with ample capital resources will be the ones to survive limited funding availability for the next few years. Analysts following the sector believe the M&A between pharma and biotechnology and consolidation between biotechnology companies will continue going forward, creating opportunities with critical mass and greater funding that investors may find more attractive and hence bring much needed capital back into the sector. Fortunately, value creation continues in the biotechnology sector and the cyclical history of the sector continues to favor a recovery.

Business Direction and Strategy

In its research collaborations, the Company will continue to work with customers on a wide variety of disease areas and target classes. Evotec is working towards increasing its level of participation through results-based partnerships with pharmaceutical companies, resulting in milestones and royalties for Evotec in addition to research payments. The customer segments addressed will continue to include pharmaceutical and biotechnology companies as well as academia and not-for-profit organizations.

To maintain its competitive advantage, Evotec will continue to leverage its advanced technologies, superior know-how and expertise in areas such as fragment-based drug discovery, multiple target classes, in particular ion channels and GPCRs, and profound disease biology expertise in CNS.

V. Business Performance in 2009 and 2010

Profitability Outlook

Sales

Despite the general difficult economic environment Evotec AG expects no change in the main market of its products and services. For 2009, the current order book, expected new contracts and contract extensions, shows increased demand from third parties in comparison to 2008 at the same time last year so that total revenues in the range of 2008 are anticipated. Constant revenues are also expected for 2010.

Results

Evotec AG's result will operationally depend on the financial performance of its Discovery Biology business. The Company expects a gross profit (Rohertrag) margin in the range of 2008. Negative contributions will originate from corporate expenses not chargeable to the affiliates. After the successful integration of Renovis and the

implementation of a new ERP system in 2008, these expenses are assumed to decrease again.

Actual results as well as individual contributions from revenues and costs could materially deviate from these projections.

Finance Outlook

The Company expects future financing needs from its investments, especially for Evotec NeuroSciences GmbH (ENS), for the further enhancement of the proprietary pipeline. The company anticipates that a part of ENS' R&D expenditures might be offset by research funding obtained from collaborations and license agreements. Depending on the contribution from out-licensing and additional milestone income, ENS' financing needs may also be substantially smaller. However, such income is uncertain and subject to successful research and development activities.

Evotec's investments, ENS and Renovis, will adjust their research & development portfolio such that liquidity of Evotec AG will be sufficient to fund its operations over the next three years. Successful out-licensing of clinical or preclinical assets through the mentioned subsidiaries may reduce the funding needs of ENS so that liquidity stays above the critical threshold even longer.

All these statements are based on the assumption that the Evotec AG or its subsidiaries are not in-licensing or acquiring additional clinical programs in 2009 or 2010.

Management's mid-term assessment

Evotec has executed transactions during the last two years that allow the Company to benefit more than in the past from the value creation in the pharmaceutical industry. The environment in which Evotec AG acts is in urgent need for collaborations that give access to innovation and research productivity.

Competing demand for Evotec's collaborative product offerings could therefore result in higher retained value for the Company. Should Evotec be able to successfully manage the build-up of multiple result-based collaborations, the Company has an opportunity to build significant long-term value for its shareholders.

Dividends

A future payment of dividends is dependent upon Evotec's financial situation and liquidity requirements, the general market conditions, and statutory, tax and regulatory requirements. Evotec currently intends to retain any profits generated and to use them to further develop the Company and to enhance its shareholder value. Consequently, dividend payments are not foreseen in the near- to mid-term.

Hamburg March 3, 2009

Management Board

Dr. Klaus Maleck

Dr. Mario Polywka

Auditor's Report

We have rendered our unqualified auditor's report in German as set out in Appendix B5 which was translated as follows:

„Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Evotec AG, Hamburg, for the financial year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [„Institute of Public Auditors in Germany", IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Hamburg, March 3, 2009

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Kniese
Wirtschaftsprüfer

Boßow
Wirtschaftsprüfer