

**Translation of
Financial Statements as of
31 December 2013
and Management Report**

**Evotec AG
Hamburg**

Evotec AG, Hamburg

Balance Sheet as at 31 December 2013

Assets

	31 December 2013		31 December 2012	
	EUR	EUR	EUR	EUR
A. Fixed Assets				
I. Intangible Assets				
Purchased patents, licences and similar rights		1.414.224,83		3.122.211,34
II. Property, plant and equipment				
1. Land, land rights and buildings including buildings on third party land	2.382.248,92		2.194.079,24	
2. Technical equipment and machinery	8.450.904,65		8.570.180,04	
3. Fixtures and fittings	620.226,84		573.582,91	
4. Payments in advance	994.260,03	12.447.640,44	1.081.214,74	12.419.056,93
III. Financial Assets				
1. Shares in affiliated companies	31.176.810,01		37.331.904,82	
2. Participations	9.950,00		9.950,00	
3. Other financial assets	0,00	31.186.760,01	0,00	37.341.854,82
		45.048.625,28		52.883.123,09
B. Current Assets				
I. Inventories				
1. Raw materials and supplies	1.703.525,37		1.900.684,07	
2. Work in process	297.379,51	2.000.904,88	213.880,96	2.114.565,03
II. Receivables and other assets				
1. Trade accounts receivables	9.697.369,38		5.982.627,46	
2. Accounts receivables due from affiliated companies	24.562.566,04		28.501.085,43	
3. Accounts receivables due from investments in other companies	141.935,00		181.963,83	
4. Other assets	639.900,11		1.545.701,12	
–thereof due after one year				
EUR 411,276.77 (2012: EUR 411,276.77)–		35.041.770,53		36.211.377,84
III. Investments				
Other investments		41.434.540,64		22.225.758,41
IV. Cash and cash equivalents				
		24.111.350,03		11.944.359,08
		102.588.566,08		72.496.060,36
C. Prepaid expenses				
		2.681.558,77		3.348.984,29
		150.318.750,13		128.728.167,74

Shareholder's equity and liabilities

	31 December 2013		31 December 2012	
	EUR	EUR	EUR	EUR
A. Stockholder's equity				
I. Share capital	131.460.193,00		118.546.839,00	
–conditional capital EUR 34,119,352.00 (2012: EUR 35,214,093.00)–				
./. Treasury shares	-338.815,00	131.121.378,00	-798.271,00	117.748.568,00
II. Additional paid-in capital	163.806.175,36		144.504.081,02	
III. Reserve for Treasury shares	338.815,00		798.271,00	
IV. Accumulated deficit	-192.181.534,41		-178.699.057,45	
	103.084.833,95		84.351.862,57	
B. Accrued liabilities				
1. Pension accrual	57.838,43		50.515,82	
2. Other accrued expenses	4.361.855,43		3.819.245,69	
	4.419.693,86		3.869.761,51	
C. Liabilities				
1. Bank loans	17.000.000,00		17.000.000,00	
–thereof due within one year EUR 17,000,000 (2012: EUR 13,000,000.00)–				
2. Advance payments received	232.450,39		295.882,42	
–thereof due within one year EUR 232,450.39 (2012: EUR 295,882.42)–				
3. Trade accounts payable	1.429.616,52		1.858.819,04	
–thereof due within one year EUR 1,429,616.52 (2012: EUR 1,858,819.04)–				
4. Accounts payable due to affiliated companies	6.232.546,98		767.048,41	
–thereof due within one year EUR 6,232,546.95. (2012: EUR 767,048.41)–				
5. Other liabilities	2.172.332,95		775.310,19	
–thereof due within one year EUR 2,172,332.95 (2012: EUR 775,310.19)– –thereof taxes EUR 852,495.23 (2012: EUR 211,470.81)–				
	27.066.946,84		20.697.060,06	
D. Deferred income	15.747.275,48		19.809.483,60	
	150.318.750,13		128.728.167,74	

Evotec AG, Hamburg

Statement of Operations for the period from 1 January to 31 December 2013

	2013		2012	
	EUR	EUR	EUR	EUR
1. Revenues		46.556.471,51		41.195.579,30
2. Increase (2012: decrease) in inventories		83.498,55		-353.219,10
3. Other operating income		3.627.244,28		26.829.228,54
4. Cost of materials				
a) Raw materials and supplies	-4.775.303,31		-5.210.887,52	
b) Costs of services	-19.881.694,95	-24.656.998,26	-13.777.487,32	-18.988.374,84
5. Personnel costs				
a) Salaries	-11.551.330,52		-11.991.321,19	
b) Social security expenditure	-1.834.307,47	-13.385.637,99	-1.765.430,35	-13.756.751,54
-thereof pension costs				
EUR 8,590.00 (2012: EUR 7,113.00)				
6. Depreciation		-3.686.854,65		-6.403.305,11
7. Other operating expenses		-17.432.743,93		-16.645.588,64
8. Other interest income		2.205.326,97		3.933.823,18
-thereof from subsidiaries				
EUR 2,078,344.77 (2012: EUR 3,463,568.13)-				
9. Amortisation of financial assets		-6.229.702,95		-44.009.937,29
10. Other interest expense		-305.843,64		-728.507,44
11. Operating result		-13.225.240,11		-28.927.052,94
12. Extraordinary expenses		-720.976,21		0,00
13. Income tax		4.283,36		0,00
14. Net loss for the year		-13.941.932,96		-28.927.052,94
15. Allocation to (-) / withdrawals from (+)		459.456,00		-798.271,00
reserve for treasury shares				
16. Net loss carried forward		-178.699.057,45		-148.973.733,51
17. Accumulated deficit		-192.181.534,41		-178.699.057,45

Evotec AG, Hamburg

Notes to the Financial Statements 2013

I. General Information

Evotec AG, hereinafter referred to as „Evotec” or „the company”, is classified as large company according to section 267 paragraph 3 German Commercial Code (“Handelsgesetzbuch” or “HGB”).

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, additionally, to the regulations of the German Stock Corporation Act („Aktienengesetz” or “AktG”).

The statement of operations is presented according to the total cost method (section 275 paragraph 2 HGB).

From 11 February 2003 to 19 March 2007, the company was listed on the German Stock Exchange’s TecDAX index, having formerly been listed on the Neue Markt index from 10 November 1999 onward. Since 19 March 2007, the company had been listed on the German Stock Exchange. Since 28 October 2009 the company is listed on the German Stock Exchange’s TecDAX index again.

II. Basis of Presentation, Accounting and Valuation Practices

The presentation system applied for the statement of operations and for the balance sheet of the preceding financial year has 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. Respective assets are depreciated from the point in time they are available for use in operations. Non-real-estate fixed assets are depreciated on a monthly basis. Assets which are not yet available for operational use and have a presumably lasting decrease in their values will be unscheduled depreciated to the attributable value as of the closing date.

Low value assets which were acquired after 01 January 2008 are depreciated by 20% in the year of the acquisition and the next four years.

The useful lives are estimated as follows:

	Years
Buildings	10-15
Technical equipment and machinery	5-10
Factory and office equipment	5-10
Intangible assets	2-15
Computer equipment and software	3

Tenant fixtures are depreciated over the period of the lease contract at the most.

Financial assets are recorded at historical cost less the unscheduled depreciation plus appreciation.

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

Accounts receivable and other current assets are recorded at nominal value or at lower attributable value. Foreign currency assets, all of which are short-term, are converted at period-end exchange rates.

Trade securities are recorded at historical cost in accordance with the lower of cost or market principle. Trade securities held in foreign currency are converted at period-end exchange rates.

Cash and cash equivalents are recorded at a nominal value.

Own shares are shown separately from the share capital with their nominal value. Since the company does not account for any free reserves the difference between the purchase price less EUR 1.00 and the nominal value is recognized within the profit and loss. In the amount of own shares the company booked a reserve.

Accrued liabilities make allowance for all risks and contingent liabilities that are identifiable with sound business judgement. Future increases in price and costs are also considered according to section 253 paragraph 1 HGB. According to section 253 paragraph 2 HGB, accruals with a maturity of more than one year are discounted using a discount rate which is equivalent to a market interest rate over the last seven years.

Pension accruals and similar commitments have been estimated using the Projected Unit Credit-method with an interest rate of 4.56 % p. a. and under consideration of Prof. Dr. Klaus Heubeck's reference tables ("Richttafeln") issued in July 2005. The interest rate is equivalent to an average market interest rate over the last seven years considering a maturity of 10 years. This interest rate is determined on the interest rates published by the Deutsche Bundesbank. Pension progression was considered at a rate of 2.0%.

Liabilities are recorded at the amount repayable. Foreign currency liabilities are converted at period-end exchange rates.

Future taxable temporary differences which lead to **deferred tax liabilities** do not exist. Deferred tax asset for future taxable differences in accruals and losses carried forward have been calculated using a combined tax rate of 32.28% and have not been capitalized according to section 274 paragraph 1 sentence 2 HGB.

III. Comments on the Balance Sheet

1. Fixed assets

The development of the fixed assets is specified in the summary of fixed assets (see pages 6 and 7) and includes gross cost, historic cost and manufacturing cost of assets and the respective accumulated depreciations.

2. Financial assets

In the financial year 2013, Evotec acquired 100% of the shares of CCS Cell Culture Service GmbH, Hamburg. The CCS Cell Culture Service GmbH was merged into the Evotec AG in the same year. Due to this merger a loss of TEUR 721 was recorded.

Due to the liquidation of Evotec (India) Private Ltd., Maharashtra (Thane), India, in 2013, this is no more included in investments breakdown. Due to the disposal of this investment, a loss of TEUR 6,230 was recognised.

As of the balance sheet date of 31 December 2013, Evotec held direct equity investments in the following companies:

	Total equity	Share interest	Net income/loss-
	TEUR	%	TEUR
1. Evotec (Hamburg) GmbH, Hamburg*	25	100.00	0
2. Evotec International GmbH indirectly through 1st	-81,469	100	2,656
3. Evotec (UK) Ltd., Abingdon, UK	27,659	100.00	5,322
4. Evotec (US) Inc., South San Francisco, USA*	-8,604	100.00	599
5. Evotec (India) Private Limited, Maharashtra (Thane), India**	2,203	100.00	-1531
6. Evotec (München) GmbH*	73	100.00	-253
7. European ScreeningPort GmbH, Hamburg***	-10	19.90	28

*unaudited

**Local stats as per 31 March 2012

***Local stats as per 31 December 2012

With regard to companies whose annual statements were set up in a foreign currency, the exchange rate on balance sheet date was used for equity and the average exchange rate of 2013 for the annual profit or loss statement.

Fixed Assets Movement Schedule for the year 2013

Acquisition and manufacturing costs						
	1 January 2013	Additions (Merger)	Additions	Disposals	Reclasses	31 December 2013
	EUR	EUR		EUR	EUR	EUR
I. Intangible Assets						
Purchased patents, licences and similar rights	10.246.082,74	14.965,51	63.340,00	14.965,51	22.145,75	10.331.568,49
II. Property, plant and equipment						
1. Land, land rights and buildings including buildings on third party land	3.181.122,88	0,00	361.838,13	0,00	65.000,00	3.607.961,01
2. Technical equipment and machinery	23.935.306,79	491.352,10	911.536,65	194.774,43	276.372,95	25.419.794,06
3. Fixtures and fittings	3.550.856,58	86.198,76	314.403,35	39.137,94	8.492,70	3.920.813,45
4. Payments in advance	1.081.214,74	0,00	355.136,59	70.079,90	-372.011,40	994.260,03
	31.748.500,99	577.550,86	1.942.914,72	303.992,27	-22.145,75	33.942.828,55
III. Financial Assets						
1. Shares in affiliated companies	37.331.904,82	0,00	74.608,14	0,00	0,00	37.406.512,96
2. Participations	9.950,00	0,00	0,00	0,00	0,00	9.950,00
	37.341.854,82	0,00	74.608,14	0,00	0,00	37.416.462,96
	79.336.438,55	592.516,37	2.080.862,86	318.957,78	0,00	81.690.860,00

Depreciations				Net book value		
1 January 2013	Additions (Merger)	Additions	Disposals	31 December 2013	31 December 2013	31 December 2012
EUR	EUR	EUR	EUR	EUR	EUR	EUR
7.123.871,40	14.960,51	1.793.472,26	14.960,51	8.917.343,66	1.414.224,83	3.122.211,34
987.043,64	0,00	238.668,45	0,00	1.225.712,09	2.382.248,92	2.194.079,24
15.365.126,75	380.781,09	1.336.969,70	113.988,13	16.968.889,41	8.450.904,65	8.570.180,04
2.977.273,67	41.960,07	317.744,24	36.391,37	3.300.586,61	620.226,84	573.582,91
0,00	0,00	0,00	0,00	0,00	994.260,03	1.081.214,74
19.329.444,06	422.741,16	1.893.382,39	150.379,50	21.495.188,11	12.447.640,44	12.419.056,93
0,00	0,00	6.229.702,95	0,00	6.229.702,95	31.176.810,01	37.331.904,82
0,00	0,00	0,00	0,00	0,00	9.950,00	9.950,00
0,00	0,00	6.229.702,95	0,00	0,00	31.186.760,01	37.341.854,82
26.453.315,46	437.701,67	9.916.557,60	165.340,01	36.642.234,72	45.048.625,28	52.883.123,09

3. Inventories

	TEUR	TEUR
	31.12.2013	31.12.2012
Raw materials	1,704	1,901
Work in progress	297	214
	<u>2,001</u>	<u>2,115</u>

The raw materials mainly include compound libraries amounting to TEUR 1,131 (2012: TEUR 1,287) as at 31 December 2013.

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

4. Accounts receivable and other assets

Accounts receivable

The accounts receivable includes receivables from shareholders amounted to TEUR 0 (2012: TEUR 2).

Account receivable from affiliated companies

	Maturity			
	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2013		31.12.2012	
	TEUR	TEUR	TEUR	TEUR
Evotec (India) Private Ltd.	1,003	0	1,000	0
Evotec International GmbH	250	8,929	7,035	6,000
Evotec (München) GmbH	0	2,400	32	2,000
Evotec (US) Inc.	0	11,623	333	12,101
CCS Inc.	359	0	0	0
	<u>1,612</u>	<u>22,952</u>	<u>8,400</u>	<u>20,101</u>

Accounts receivables from affiliated companies include trade accounts receivables in an amount of TEUR 160 (2012: TEUR 373).

Due to the indebtedness of Evotec International GmbH in previous years, the accounts receivable were impaired. The accumulated depreciation amounts to TEUR 80,570 (2012: TEUR 80,570).

Accounts receivable from affiliated companies

	Maturity			
	31.12.2013		31.12.2012	
	< 1 year	> 1year	< 1 year	> 1 year
	TEUR	TEUR	TEUR	TEUR
European ScreeningPort GmbH	142	0	182	0
	142	0	182	0

The accounts receivable from the European ScreeningPort GmbH were impaired by TEUR 1,387 according to the prudence principle in 2010. The company agreed to a cancellation of debt subject to restoration towards the European ScreeningPort GmbH in the amount of TEUR 1,348. The remaining receivables for the financial year 2013 exist solely due to current settlement receivables.

Other assets

	Maturity			
	31.12.2013		31.12.2012	
	< 1 Year	> 1 Year	< 1 Year	> 1 Year
	TEUR	TEUR	TEUR	TEUR
Tax authorities				
- Capital yields tax	39	0	247	0
- Corporate tax	0	0	92	0
- Value added tax	0	0	654	0
Deposits	91	411	95	411
Others	99	0	47	0
	229	411	1,135	411

5. Other investments

The other investments include shares from listed investment funds which were used as a short-term liquidity reserve. The company only invested Euro in these shares. These shares will not be used for permanent business operation purposes.

	TEUR	TEUR
	31.12.2013	31.12.2012
DB Platinum IV	17,773	16,775
DWS bonds	10,001	0
SAP bonds	1,004	0
GE Capital Bond	2,235	0
Daimler bonds	2,054	0
BMW Float 03/13	0	2,000
Volkswagen Float	4,058	498
Deutsche Bank bonds	4,310	2,953
	<u>41,435</u>	<u>22,226</u>

6. Cash and cash equivalents

As at 31 December 2013 cash on hand was TEUR 2 (2012: TEUR 3) and the cash equivalents amounted to TEUR 24,109 (2012: TEUR 11,944) (including TEUR 1,663 (2012: TEUR 2,277) in US dollar and TEUR 1,614 (2012: TEUR 894) in Pound Sterling).

7. Deferred Taxes

The deferred tax receivables mainly result of taxable losses brought forward. According to section 274 paragraph 1 sentence 2 HGB, the receivables from deferred taxes were not activated. The tax rate for the deferred taxes is a combined rate of 32.28 % which is based on the applicable tax rates for corporation tax, solidarity surcharge and trade tax.

8. Equity

The share capital of the company is portioned in 131,460,193 shares with a par value of EUR 1,00 made out to bearer. In 2013, the nominal capital rose due to the authorization of the Management Board at the annual general meeting on the 14 June 2012, with agreement of the supervisory board from 28 August 2013, by EUR 11,818,613.00 and amounted to EUR 130,365,452.00 at the end of period. For this capital increase, the approved capital was used and it was made by a cash contribution. Within this Biotechnology Value Fund L.P. got 11,818,613.00 shares for a share price of 2.55 Euro per share. In a simultaneous transaction, BVF also purchased an option from TVM V Life Science Ventures GmbH & Co. KG („TVM“)

granting BVF the right to acquire an additional 11,818,612 shares of Evotec at EUR 4.00 per share. 50% of the guaranteed from TVM to BVF are based on a option from TVM with the ROI Verwaltungsgesellschaft mbH („ROI“) which is guaranteed under similar conditions.

In 2012, an increase of nominal capital is due to the exercise of stock options of EUR 230,975.00 were registered in the Commercial register of companies in 2013. Additionally, the nominal capital was increased due to the exercise of stock options of EUR 1,094,741.00 in 2013. This entry in the Commercial register of companies will be made in 2014.

Additionally the company held due to the authorisation of the Annual General Meeting on the 16 June 2011 and according to section 71 paragraph 1 no. 8 AktG 403 own shares. On 12 March 2012, a total of 1,328,624 own shares with a nominal value of EUR 1,328,624.00 were transferred by former Renovis, Inc. These shares represented 1.12% of the share capital. In 2012 530,353 of these shares with a nominal value of EUR 530,353.00 were used for servicing employee stock options. These shares represented 0.44% of the share capital. In 2013 additional 459,456 shares with an nominal value of EUR 459,456.00 were used for servicing employee stock options. These shares represented 0.35% of the share capital. As at 31 December 2013, Evotec held 338,815 own shares with a nominal value of EUR 338,815.00. Respective shares are shown separately from the share capital pursuant to section 272 paragraph 1a HGB. Hence, the nominal value of the share capital amounted to EUR 131,121,378.00 including the capital increases and the own shares. As at 31 December 2013 these shares represented 0.26% of the share capital.

The remaining approved capital amounted to EUR 11,844,599.00 equal to 11,844,599 shares as at 31 December 2013.

Following the exercise of the stock options and two resolutions made by the Annual General Meeting on 14 June 2012, the conditional capital amounted to EUR 34,119,352.00 on 31 December 2013. Conditional capital amounting to EUR 10,456,180.00 shall be used only to the extent that holders of stock options, awarded by Evotec on the basis of the shareholders' resolutions from 07 June 1999, 26 June 2000, 18 June 2001, 07 June 2005, 30 May 2007, 28 August 2008, 16 June 2011 and 14 June 2012, respectively exercise their rights to subscribe for new shares of the Company. It was created to give stock options to employees and members of the management board of the company or affiliated companies. Additional conditional capital in the amount of EUR 23,663,172.00 exists to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments) that may be issued by Evotec on the basis of the authorisation resolved by the Annual General Meeting on 14 June 2012. 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 accumulated deficit represents EUR 177,900,786.44 on 31 December 2013.

The additional paid-in capital rose due to the capital increase and exercised stock options by EUR 19,302,094.34 to EUR 163,806,175.36.

On 04 July 2013, DWS Investment GmbH, Frankfurt, Germany, gave notice pursuant to section 21, paragraph 1 Securities Trading Act (“Wertpapierhandelsgesetz” or “WpHG”) that on 28 June 2013 its voting rights on Evotec AG, Essener Bogen 7, Hamburg, Germany, fell short of the threshold of 3% and on that day its shareholding of 3,459,501 shares amounted to 2.92% of the total Evotec voting rights.

On 17 September 2013, Deutsche Asset & Wealth Management Investment GmbH (formerly DWS Investment GmbH), Frankfurt, Germany, gave notice pursuant to section 21, paragraph 1 WpHG that on 12 September 2013 its voting rights on Evotec AG, Essener Bogen 7, Hamburg, has exceed the threshold of 3% and on that day its shareholding of 3,628,164 shares amounted to 3.06% of the total Evotec voting rights.

On 04 October 2013, Samana Capital, L.P., Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% threshold of the Voting Rights on 24 September 2013 and on that day amounted to 14.37% (this corresponds to 18,731,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 6 in connection with sentence 2 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to the company. According to section 22, paragraph 1, sentence 1, No. 5 in connection with sentence 2 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,808 Voting Rights) is to be attributed to the company from TVM.

On 04 October 2013, Morton Holdings, Inc., Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% threshold of the Voting Rights on 24 September 2013 and on that day amounted to 14.37% (this corresponds to 18,731,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to the company from Samana Capital, L.P. According to section 22, paragraph 1, sentence 1, No. 6 in connection with sentence 2 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to the company from Samana Capital, L.P. According to section 22, paragraph 1, sentence 1, No. 5 in connection with sentence 2 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,808 Voting Rights) is to be attributed to the company from TVM.

On 07 October 2013, BVF Investments, L.L.C., Chicago, Illinois, USA, has informed us according to section 21, section 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% threshold of the Voting Rights on September 24, 2013

and on that day amounted to 14.369% (this corresponds to 18,731,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 6 WpHG, 7.184% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to the company via Samana Capital L.P. According to section 22, paragraph 1, sentence 1, No. 5 WpHG, 7.184% of the Voting Rights (this corresponds to 9,365,808 Voting Rights) is to be attributed to the company from.

On 07 October 2013, BVF Partners L.P., Chicago, Illinois, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% and 15% threshold of the Voting Rights on September 24, 2013 and on that day amounted to 18.132% (this corresponds to 23,637,225 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 6 of the WpHG, 7.184% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to the company from Samana Capital L.P. According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 1.561% of the Voting Rights (this corresponds to 2,034,776 Voting Rights) is to be attributed to the company. According to section 22, paragraph 1, sentence 1, No. 5 in connection with sentence 2 WpHG, 8.745% of the Voting Rights (this corresponds to 11,400,584 Voting Rights) is to be attributed to the company from TVM.

On 07 October 2013, BVF Inc., Chicago, Illinois, USA, has informed us according to section 21, paragraph 1 of the WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% and 15% threshold of the Voting Rights on 24 September 2013 and on that day amounted to 18.132% (this corresponds to 23,637,225 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 6 in connection with sentence 2 WpHG, 7.184% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to the company from Samana Capital L.P. According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 1.561% of the Voting Rights (this corresponds to 2,034,776 Voting Rights) is to be attributed to the company. According to section 22, paragraph 1, sentence 1, No. 5 in connection with sentence 2 WpHG, 8.745% of the Voting Rights (this corresponds to 11,400,584 Voting Rights) is to be attributed to the company from TVM.

On 07 October 2013, Mr Mark N. Lampert, USA, has informed us according to section 21, paragraph 1 WpHG that via shares his Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% and 15% threshold of the Voting Rights on 24 September 2013 and on that day amounted to 18.132% (this corresponds to 23,637,225 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 6 in connection with sentence 2 WpHG, 7.184% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to Mr Lampert from Samana Capital L.P. According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 1.561% of the Voting Rights (this corresponds to 2,034,776 Voting Rights) is to be attributed to Mr Lampert. According to section 22, paragraph 1, sentence 1, No. 5 in connection with sentence 2 WpHG, 8.745% of the Voting Rights (this corresponds to 11,400,584 Voting Rights) is to be attributed to Mr Lampert from TVM.

On 04 October 2013, Mr Philip Korsant, USA, has informed us according to section 21, paragraph 1 WpHG that via shares his Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% threshold of the Voting Rights on 24 September 2013 and on that day amounted to 14.37% (this corresponds to 18,731,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to Mr Korsant from Morton Holdings, Inc. and Samana Capital, L.P. According to section 22, paragraph 1, sentence 1, No. 6 in connection with sentence 2 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,809 Voting Rights) is to be attributed to Mr Korsant from Samana Capital, L.P. According to section 22, paragraph 1, sentence 1, No. 5 in connection with sentence 2 WpHG, 7.18% of the Voting Rights (this corresponds to 9,365,808 Voting Rights) is to be attributed to Mr Korsant from TVM.

On 24 October 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 18 October 2013 and on that day amounted to 7.07% (this corresponds to 9,230,793 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,586 Voting Rights) is to be attributed to the company.

On 24 October 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 18 October 2013 and on that day amounted to 7.07% (this corresponds to 9,230,793 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,586 Voting Rights) is to be attributed to the company.

On 24 October 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 18 October 2013 and on that day amounted to 7.07% (this corresponds to 9,230,793 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 7.07% of the Voting Rights (this corresponds to 9,230,793 Voting Rights) is to be attributed to the company from Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 24 October 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 18 October 2013 and on that day amounted to 7.07% (this corresponds to 9,230,793 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 7.07% of the Voting Rights (this corresponds to 9,230,793 Voting Rights) is to be attributed to the company from Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 30 October 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 24 October 2013 and on that day amounted to 4.74% (this corresponds to 6,193,019 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.74% of the Voting Rights (this corresponds to 6,193,019 Voting Rights) is to be attributed to the company from Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 30 October 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 24 October 2013 and on that day amounted to 4.74% (this corresponds to 6,193,019 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.74% of the Voting Rights (this corresponds to 6,193,019 Voting Rights) is to be attributed to the company from Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 30 October 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 24 October 2013 and on that day amounted to 4.74% (this corresponds to 6,193,019 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,586 Voting Rights) is to be attributed to the company.

On 30 October 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 24 October 2013 and on that day amounted to 4.74% (this corresponds to 6,193,019 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.74% of the Voting Rights (this corresponds to 6,193,019 Voting Rights) is to be attributed to the company from Morgan Stanley & Co. LLC.

On 31 October 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 25 October 2013 and on that day amounted to 0.20% (this corresponds to 260,081 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.20% of the Voting Rights (this corresponds to 260,081 Voting Rights) is to be attributed to the company.

On 31 October 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 25 October 2013 and on that day amounted to 0.20% (this corresponds to 260,081 Voting Rights).

According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.20% of the Voting Rights (this corresponds to 260,081 Voting Rights) is to be attributed to the company.

On 31 October 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 25 October 2013 and on that day amounted to 0.20% (this corresponds to 260,081 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.20% of the Voting Rights (this corresponds to 260,081 Voting Rights) is to be attributed to the company.

On 31 October 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 25 October 2013 and on that day amounted to 0.20% (this corresponds to 260,081 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,586 Voting Rights) is to be attributed to the company.

On 05 November 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 01 November 2013 and on that day amounted to 6.74% (this corresponds to 8,803,795 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 6.74% of the Voting Rights (this corresponds to 8,803,795 Voting Rights) is to be attributed to the company from Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 05 November 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 01 November 2013 and on that day amounted to 6.74% (this corresponds to 8,803,795 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 6.74% of the Voting Rights (this corresponds to 8,803,795 Voting Rights) is to be attributed to the company from Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 05 November 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 01 November 2013 and on that day amounted to 6.74% (this corresponds to 8,803,795 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 6.74% of the Voting Rights (this corresponds to 8,803,795 Voting Rights) is to be attributed to the company from Morgan Stanley & Co. LLC.

On 05 November 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% and 5% threshold of the Voting Rights on 01 November 2013 and on that day amounted to 6.74% (this corresponds to 8,803,795 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,586 Voting Rights) is to be attributed to the company.

On 14 November 2013, Deutsche Asset & Wealth Management Investment GmbH, Frankfurt, Germany, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 08 November 2013 and on that day amounted to 2.84% (this corresponds to 3,714,127 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 6 WpHG, 0.16% of the Voting Rights (this corresponds to 204,300 Voting Rights) is to be attributed to the company.

Correction of the announcement from 08 October 2013, 16.00 CEST On 15 November 2013, Mr Mark N. Lampert, USA, has informed us according to section 21, paragraph 1 WpHG that via shares his Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 10% and 15% threshold of the Voting Rights on 24 September 2013 and on that day amounted to 18.132% (this corresponds to 23,637,225 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 6 in connection with sentence 2 WpHG, 7.826% of the Voting Rights (this corresponds to 10,201,865 Voting Rights) is to be attributed to Mr Lampert from Samana Capital L.P.. According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 1.561% of the Voting Rights (this corresponds to 2,034,776 Voting Rights) is to be attributed to Mr Lampert. According to section 22, paragraph 1, sentence 1, No. 5 in connection with sentence 2 WpHG, 8.745% of the Voting Rights (this corresponds to 11,400,584 Voting Rights) is to be attributed to Mr Lampert from TVM.

On 20 November 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 15 November 2013 and on that day amounted to 4.87% (this corresponds to 6,373,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.87% of the Voting Rights (this corresponds to 6,373,617 Voting Rights) is to be attributed to the company from Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 20 November 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 15 November 2013 and on that day amounted to 4.87% (this corresponds to 6,373,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG,

4.87% of the Voting Rights (this corresponds to 6,373,617 Voting Rights) is to be attributed to the company from Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 20 November 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 15 November 2013 and on that day amounted to 4.87% (this corresponds to 6,373,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.87% of the Voting Rights (this corresponds to 6,373,617 Voting Rights) is to be attributed to the company from Morgan Stanley & Co. LLC.

On 20 November 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 15 November 2013 and on that day amounted to 4.87% (this corresponds to 6,373,617 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

On 21 November 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 5% threshold of the Voting Rights on 18 November 2013 and on that day amounted to 5.54% (this corresponds to 7,251,168 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 5.54% of the Voting Rights (this corresponds to 7,251,168 Voting Rights) is to be attributed to the company from Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 21 November 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 5% threshold of the Voting Rights on 18 November 2013 and on that day amounted to 5.54% (this corresponds to 7,251,168 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 5.54% of the Voting Rights (this corresponds to 7,251,168 Voting Rights) is to be attributed to the company from Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 21 November 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 5% threshold of the Voting Rights on 18 November 2013 and on that day amounted to 5.54% (this corresponds to 7,251,168 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 5.54% of the Voting Rights (this corresponds to 7,251,168 Voting Rights) is to be attributed to the company from Morgan Stanley & Co. LLC.

On 21 November 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 5% threshold of the Voting Rights on 18 November 2013 and on that day amounted to 5.54% (this corresponds to 7,251,168 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

On 28 November 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 22 November 2013 and on that day amounted to 4.96% (this corresponds to 6,499,391 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.96% of the Voting Rights (this corresponds to 6,499,391 Voting Rights) is to be attributed to the company from Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 28 November 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 22 November 2013 and on that day amounted to 4.96% (this corresponds to 6,499,391 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.96% of the Voting Rights (this corresponds to 6,499,391 Voting Rights) is to be attributed to the company from Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 28 November 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 22 November 2013 and on that day amounted to 4.96% (this corresponds to 6,499,391 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.96% of the Voting Rights (this corresponds to 6,499,391 Voting Rights) is to be attributed to the company from Morgan Stanley & Co. LLC.

On 28 November 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 5% threshold of the Voting Rights on 22 November 2013 and on that day amounted to 4.96% (this corresponds to 6,499,391 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

On 03 December 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 27 November 2013 and on that day amounted to 2.69% (this corresponds to 3,531,714 Voting Rights). According to

section 22, paragraph 1, sentence 1, No. 1 WpHG, 2.69% of the Voting Rights (this corresponds to 3,531,714 Voting Rights) is to be attributed to the company.

On 03 December 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 27 November 2013 and on that day amounted to 2.69% (this corresponds to 3,531,714 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 2.69% of the Voting Rights (this corresponds to 3,531,714 Voting Rights) is to be attributed to the company.

On 03 December 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 27 November 2013 and on that day amounted to 2.69% (this corresponds to 3,531,714 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 2.69% of the Voting Rights (this corresponds to 3,531,714 Voting Rights) is to be attributed to the company.

On 03 December 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 27 November 2013 and on that day amounted to 2.69% (this corresponds to 3,531,714 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

On 04 December 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% threshold of the Voting Rights on 28 November 2013 and on that day amounted to 4.85% (this corresponds to 6,365,840 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.85% of the Voting Rights (this corresponds to 6,365,840 Voting Rights) is to be attributed to the company from Morgan Stanley Capital Management LLC, Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 04 December 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% threshold of the Voting Rights on 28 November 2013 and on that day amounted to 4.85% (this corresponds to 6,365,840 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.85% of the Voting Rights (this corresponds to 6,365,840 Voting Rights) is to be attributed to the company from Morgan Stanley Domestic Holdings Inc., Morgan Stanley & Co. LLC.

On 04 December 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% threshold of the Voting Rights on 28 November 2013 and on that day amounted to 4.85% (this corresponds to 6,365,840 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 4.85% of the Voting Rights (this corresponds to 6,365,840 Voting Rights) is to be attributed to the company from Morgan Stanley & Co. LLC.

On 04 December 2013, Morgan Stanley & Co. LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have exceeded the 3% threshold of the Voting Rights on 28 November 2013 and on that day amounted to 4.85% (this corresponds to 6,365,840 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

On 30 December 2013, Morgan Stanley, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 20 December 2013 and on that day amounted to 0.01% (this corresponds to 13,587 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

On 30 December 2013, Morgan Stanley Capital Management LLC, Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 20 December 2013 and on that day amounted to 0.01% (this corresponds to 13,587 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

On 30 December 2013, Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, USA, has informed us according to section 21, paragraph 1 WpHG that via shares its Voting Rights on Evotec AG, Hamburg, Germany, have fallen below the 3% threshold of the Voting Rights on 20 December 2013 and on that day amounted to 0.01% (this corresponds to 13,587 Voting Rights). According to section 22, paragraph 1, sentence 1, No. 1 WpHG, 0.01% of the Voting Rights (this corresponds to 13,587 Voting Rights) is to be attributed to the company.

9. Pension accruals

Pension accruals were set up according to a valuation by Mercer Germany GmbH and pertain to a former director of Evotec Biosystems GmbH, of which Evotec is the successor in title. The amount of this liability is TEUR 135 on 31 December 2013 (2012: TEUR 126). At the same

time, the accruals for pensions were netted against an insurance cover, constituted as plan asset, amounting to TEUR 77 (2012: TEUR 76).

10. Other accruals

	31.12.2013	31.12.2012
	TEUR	TEUR
Outstanding invoices	1,505	1,361
Earn out	1,303	0
Bonus	637	1,041
Unclaimed vacation	384	441
Supervisory remuneration	279	280
Risks from FX hedging deals	137	333
Others	117	363
	4,362	3,819
	4,362	3,819

11. Liabilities

Liabilities to banks

As of 31 December 2013, the liabilities to banks comprise of three loans in the total amount of TEUR 17,000 (2012: TEUR 17,000). All of the three loans have a maturity of up to one year two loans amounting to TEUR 6,500 and one loan amounting to TEUR 4,000. The interest rate for for the first two loans is 1.25 percentage points above the three-month-EURIBOR per annum. The loan amounting to TEUR 4,000 has an interest rate for this loan is 1.05 percentage points above the three-month-EURIBOR per annum. No loan is secured.

Liabilities to affiliated companies

	Maturity			
	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2013	31.12.2013	31.12.2012	31.12.2012
	TEUR	TEUR	TEUR	TEUR
Evotec (UK) Ltd.	3,180	0	659	0
Evotec (India) Private Ltd	0	0	85	0
Evotec International GmbH	2,896	0	23	0
Renovis Inc.	157	0	0	0
	6,233	0	767	0
	6,233	0	767	0

The balances only comprise trade payables.

In balancing the accounts receivables and liabilities of affiliated companies, TEUR 343 accounts receivables from Evotec (UK) Ltd, TEUR 569 from Evotec International GmbH and TEUR 94 from Evotec (München) GmbH were included.

Other Liabilities

The other liabilities consist of a payment obligation due to exercised employee options in the amount of TEUR 1,120 (2012: TEUR 0), a wage tax liability in the amount of TEUR 437 (2012: TEUR 211), a VAT liability in the amount of TEUR 415 (2012: TEUR 0), customers with a credit balance of TEUR 130 (2012: TEUR 129).

Deferred revenue

Deferred revenue mainly relate to three current customer projects.

IV. Comments on the Statement of Operations

1. Revenues

The company recorded revenues of TEUR 46,556 (2012: TEUR 41,195) through research and development services, thereof TEUR 5,824 with affiliated companies (2012: TEUR 4.657).

The external revenues amounted to TEUR 40,733 (2012: TEUR 36,538) including licence income of TEUR 1,578 (2012: TEUR 1,615).

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

	2013	2012
	TEUR	TEUR
United States of America	21,832	19,036
Belgium	7,338	5,240
Germany	7,064	1,177
United Kingdom	1,600	6,198
Switzerland	1,180	469
Rest of Europe	972	417
Japan	627	3,931
Rest of the world	120	70
Total	40,733	36,538

2. Other operating income

	2013	2012
	TEUR	TEUR
Costs charged to affiliated companies	1,870	1,663
Sublease of building	295	726
Subsidies	185	22
Income relating to other periods		
- Income from reversal of accruals	150	1,457
- Income from repayments of loans	0	13,500
- Revaluation of investments	0	8,599
Others	1,127	862
	3,627	26,829

3. Other operating expenses

	2013	2012
	TEUR	TEUR
Cost charged from affiliated companies	2,518	1,382
Rental expenses including related costs	2,375	3,990
Service and maintenance	1,537	1,401
Royalty costs	1,448	917
Legal and consultancy expenses	871	1,123
Costs for Services	800	754
Reconstruction/ moving expenses	173	1,308
Others	7,711	5,771
	<u>17,433</u>	<u>16,646</u>

4. Depreciation of financial assets and marketable securities

The Depreciation of financial assets and marketable securities refers to the liquidation of Evotec (India) Private Ltd, Maharashtra (Thane), India.

5. Currency result

In 2013, the company recorded income relating to FX effects in the amount of TEUR 349 (2012: TEUR 632) and expenses relating to FX effects amounting to TEUR 812 (2012: TEUR 420).

6. Interests

In 2013 are interest expense of TEUR 6 (2012: TEUR 6) as a result from accumulation of accruals.

7. Extraordinary Expense

The extraordinary expenses refer to the merger loss of the CCS Cell Culture Service GmbH, Hamburg, Germany.

8. Allocation to reserve for own shares

The adjustment of the loss due to the accounting treatment of the reserve for own shares was made because of the 338,815 (2012: 798,271) own shares which the company held to the 31 December 2013. These own shares have a nominal value of EUR 338,815.00 (2012: EUR 798,271.00).

V. Other Information

Audit Fees

In regard to the audit fees see the group financial statement which is created by the Evotec AG.

Employee Information

In 2013, the average employee count was 221 (2012: 193).

Other financial obligations

The other financial obligations for 2014 mainly relate to obligations from service contracts, rent and leasing and add up to TEUR 3,456 (thereof to affiliated companies TEUR 0). The total amount of all existing obligations for the period 2015 to 2018 is TEUR 9,099. The other obligations for later periods add up to TEUR 6,776.

As agreed in the acquisition of the former DeveloGen AG the company is obliged to make an earn-out payment to the former shareholders of former DeveloGen of 30% of the net income from certain licence and cooperation contracts after the receipt of the payment.

As agreed in the acquisition of Kinaxo the company is obliged to make earn-out payments to the former shareholders of Kinaxo. These payments depend on the achievement of particular revenues and the continuation of a customer project.

Guarantees and Other Commitments

In order to prevent the legal consequence of over-indebtedness of Evotec International GmbH (TEUR 80,813) Evotec AG issued letter of comfort. The company does not expect this liability to be claimed, since the over-indebtedness materially relates to a loan liability in favour of the Evotec AG.

At 31 December 2013, the company had a guarantee outstanding of TEUR 446 (2012: TEUR 446) related to securing a loan from Evotec (München) GmbH. The company don't assume that this guarantee will be claimed.

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 permanently available to all shareholders on Evotec's website www.evotec.com.

Management Board

Dr Werner Lanthaler; Business Executive, Hamburg (Chief Executive Officer);

Colin Bond; Qualified Chartered Accountant, Hamburg (Chief Financial Officer);

Dr Cord Dohrmann; Biologist, Göttingen (Chief Scientific Officer);

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

The remuneration paid to the members of the Management Board in the financial year 2013 totalled TEUR 2,352 (2012: TEUR 2,584), of which TEUR 446 (2012: TEUR 695) is a variable remuneration and of which TEUR 610 (2012: TEUR 601) is a remuneration with long-term incentive effect. The remuneration includes TEUR 514 for Dr Mario Polywka which was not paid by Evotec but is rather recharged by another group company. Fixed remuneration includes base salaries, contributions to personal pension plans, insurance premiums 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. Respective scheme was approved by the Supervisory Board. The variable portion of the remuneration in 2013, payable on the achievement of certain strategic targets in the business year 2012, was based on the following criteria:

	Achievement of defined corporate milestones	Achievement of defined corporate financial mile- stones	Achievement of personal objectives
	%	%	%
Dr Werner Lanthaler	48	32	20
Colin Bond	36	24	40
Dr Cord Dohrmann	36	24	40
Dr Mario Polywka	36	24	40

The variable portion of the remuneration in 2014 will be payable on the achievement of certain strategic targets in the business year 2013 and will be based on the following criteria:

	Achievement of de- fined corporate mile- stones	Achievement of defined corporate financial milestones	Achievement of personal objectives
	%	%	%
Dr Werner Lanthaler	48	32	20
Colin Bond	36	24	40
Dr Cord Dohrmann	36	24	40
Dr Mario Polywka	36	24	40

On 31 December 2013, the company has an accrual for the variable remuneration which will be paid to the Management Board in March 2014 amounted to TEUR 293 (2012: TEUR 433). This accrual includes for Werner Lanthaler TEUR 119 (2012: TEUR 184), Colin Bond TEUR 48 (2012: TEUR 75), Dr Cord Dohrmann TEUR 68 (2012: TEUR 87) und Dr Mario Polywka TEUR 58 (2012: TEUR 87).

In addition to their fixed and variable remuneration, the members of the Management Board received 393,526 Share Performance Awards (SPA) in 2013 under the Company's share performance plan. These Share Performance Awards vest after four years according to achievement versus defined key performance indicators over a three-year performance measurement period. The fair values of all Share Performance Awards granted as of the grant date amounted to a total of TEUR 610.

	2013	2013	2013	2013	
	Fixed remuneration	Variable remuneration	Stock options	Fair value of stock options	Total remuneration
	TEUR	TEUR	in pcs	TEUR	TEUR
Dr Werner Lanthaler	414	187	179,538	278	879
Colin Bond	280	80	70,014	109	469
Dr Cord Dohrmann	285	87	76,379	118	490
Dr Mario Polywka	317	92	67,595	105	514
Total	1,296	466	393,526	610	2,352

The members of the Management Board of Evotec AG have only customary rights in case of a change of control. Their contracts contain a change-of-control clause which would allow them to terminate their current contracts in the event of a change of control. In case members of the Management Board make use of their right to terminate their contracts in the event of a change of control, they are entitled to severance payments determined as follows: for Dr Werner Lanthaler, the severance payment shall be equal to 24 months of base salary; for Dr Mario Polywka, the payment shall be equal to 18 months of base salary; and for both Colin Bond and Dr Cord Dohrmann, the payment shall be equal to 18 months of base salary plus bonus (following new contracts from July and September 2013 respectively the payment shall be equal to 18 months base salary plus bonus). In no case shall the respective severance payment be higher than the total compensation due for the remaining term of the respective Management Board member's contract.

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

The company has 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 com-

panies. The insurance expenses amounted to TEUR 117 in 2013 (2012: TEUR 117) and were paid by the company.

Evotec accounted for a liability in favour of a former manager of the Evotec Biosystems GmbH for which the Evotec AG is the legal successor which is explained in more detail in the management report.

Dr Werner Lanthaler is member of the Board of Directors (“Verwaltungsrat”) of Pantec Biosolutions AG, Rugell, LI (till January 2013).

Colin Bond is Chairman of the Supervisory Board of European ScreeningPort GmbH, Hamburg, Germany, Member of the Board of Directors (“Verwaltungsrat”) of Siegfried Holding AG, Zofingen, CH (since April 2013) and Member of the Board of Directors of Evotec India (Private) Ltd., Maharashtra (Thane), India.

Dr Mario Polywka is Non-Executive Chairman of the Board of Directors of Pharminox Ltd., Oxfordshire, UK (till November 2013) and Member of the Board of Directors of Evotec India (Private) Ltd., Maharashtra (Thane), India.

Supervisory Board

Dr Flemming Ørnskov, Zurich, CH, CEO Sire plc., Dublin, Irland (since Januar 2013) (Chairman) (till June 2013) Head General Medicine, Bayer Schering Pharma AG (Chairman);

Dr Walter Wenninger, Leverkusen, GER, Former Member of the Management Board of Bayer AG, Leverkusen (Vice Chairman) (till June 2013), (Chairman) (since June 2013);

Dr Hubert Birner, Gräfeling, GER, Managing Director, TVM Life Science Management GmbH, Landsham/Pliening, GER (till December 2013);

Roland Oetker, Düsseldorf, GER, Managing Partner, ROI Verwaltungsgesellschaft mbH, Düsseldorf, GER (Vice Chairman) (since June 2013);

Prof Dr Andreas Pinkwart, Alfter, GER, Rector and Academic Managing Director of the, Handelshochschule Leipzig gGmbH, Leipzig, GER;

Mary Tanner, New York, NY, USA, Senior Managing Director, Burril & Company, San Francisco, CA, USA;

Dr. Claus Braestrup, Kopenhagen, DK, Consultant (since June 2013);

Bernd Hirsch, Holzminden, GER, CFO, Symrise AG, Holzminden, GER (since December 2013).

The remuneration paid to the members of the Supervisory Board in the financial year amounted to TEUR 279 (2012: TEUR 280). The members of the Supervisory Board were members of the following other Supervisory Boards, Committees and Bodies according to section 125 paragraph 1 sentence 3 AktG.

Dr Flemming Ørnskov

Non-Executive Member of the Board of Directors:

PCI Biotech Holding ASA, Oslo, NO (till January 2013)

Dr Walter Wenninger

Chairman of the Supervisory Board:

Noxxon Pharma AG, Berlin, GER

Non-Executive Chairman of the Board of Directors:

Santharis Pharma A/S, Hoersholm, DK

Non-Executive Member of the Board of Directors:

Recordati S.p.A. Mailand, I

Member of the Advisory Group:

Novo A/S, Hellerup, DK

Dr Hubert Birner

Non-Executive Chairman of the Board of Directors:

Argos Therapeutics Inc., Durham, North Carolina, USA

Non-Executive Member of the Board of Directors:

Proteon Therapeutics Inc., Waltham, USA

Spepharm Holding BV, Amsterdam, NL

Roland Oetker

Member of the Supervisory Board:

Deutsche Post AG, Bonn, GER

Rheinisch-Bergische Verlagsgesellschaft mbH, Düsseldorf, GER

Prof Dr Andreas Pinkwart

Member of the Board of Trustees:

RAG-Stiftung, Essen, GER

Mary Tanner

Member of the Board of Directors:

Lineagen Inc., Salt Lake City, USA PanGenx Inc., Newton, USA (since September 2013)

Dr. Claus Braestrup

Non-Executive Chairman des Board of Directors:

Aniona ApS, Ballerup, DK

Non-Executive Member des Board of Directors:

Bavarian Nordic A/S, Kvistgaard, DK

Santaris Pharma A/S, Hørsholm, DK

Gyros AB, Uppsala, SE

Other

The company has prepared Consolidated Financial Statements that qualify as statutory obligatory Consolidated Financial Statements pursuant to section 315a paragraph 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. These statements can be obtained at the Commercial Register in Hamburg, Germany.

Hamburg, 27 February 2014

Dr Werner Lanthaler

Colin Bond

Dr Cord Dohrmann

Dr Mario Polywka

Management Report

I. Operations and business environment

Organisational structure and business activities

– Business model

Evotec AG (hereinafter referred to as “Evotec” or “the Company”) is a drug discovery solutions company providing drug discovery expertise and capabilities to pharmaceutical and biotechnology companies as well as to academic institutions. Drug discovery solutions are provided in form of fee-for service work, integrated drug discovery alliances, development partnerships, licensing of innovative drug candidates and consulting arrangements. The Company operates worldwide and has leading scientific experts, state-of-the-art technologies as well as key therapeutic expertise in the areas of neuroscience, pain, metabolic diseases, oncology and inflammation. By leveraging this expertise, Evotec intends to develop best-in-class and first-in-class differentiated therapeutics on its systematic, unbiased and comprehensive infrastructure.

The core of Evotec’s business is:

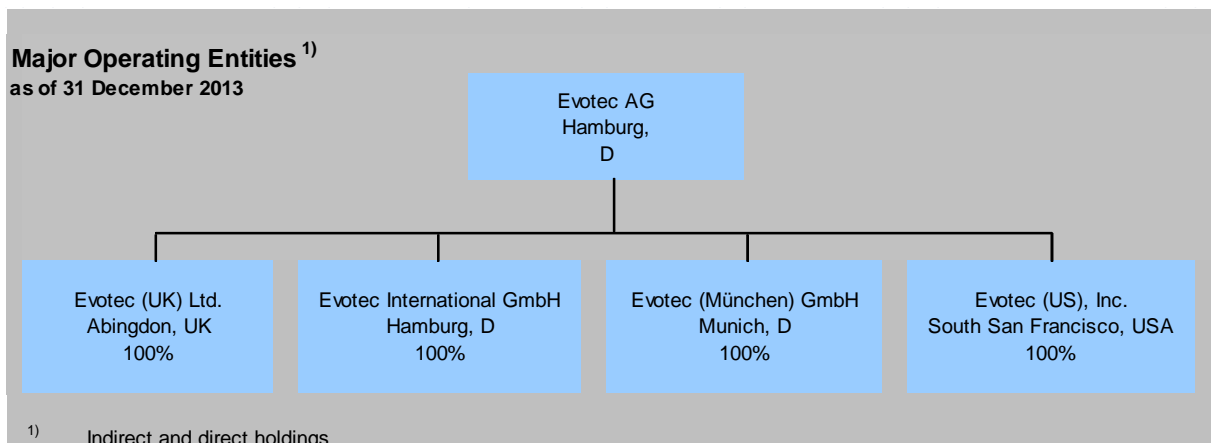
- high-quality drug discovery research in collaboration with Pharma and biotech partners
- in-licensing of early innovative assets developed in-house and in collaboration with selected academic partners

– Group structure

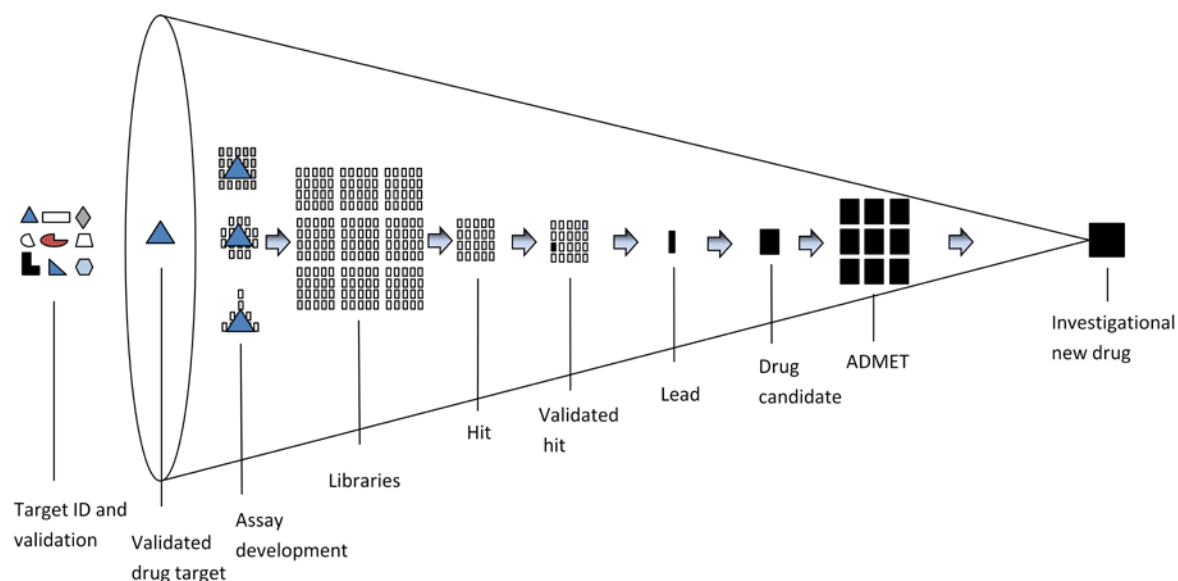
Evotec AG is a publicly listed stock corporation operating under German law. Evotec AG is headquartered in Hamburg, Germany.

In addition to Evotec AG, major operating sites exist in Abingdon, UK; Göttingen and Munich, Germany and South San Francisco and Branford, USA. Further offices in Germany, the USA and the UK handle Evotec’s international business development activities, which are closely integrated with the operations of the Group. In September 2013, Evotec closed its Indian operations in Thane and the legal entity Evotec India PLT is in the process of being dissolved.

Evotec AG employed 239 people at the end of 2013.



– Drug discovery process



Setting off with the target

The drug discovery process builds on research showing that certain genes or their corresponding proteins play a role in the manifestation of a disease (*target identification and validation*). The approaches and technologies employed in this phase of research vary significantly and are highly sophisticated.

Primary screening

The search for new drugs begins with *screening of targets*. In an automated process, the selected target is brought together with numerous chemical compounds to test for biological interactions. For this process a tailored test system, an *assay*, has to be developed to identify an interaction of reference molecules with specific targets such as G protein-coupled receptors (“GPCRs”), ion channels or enzymes.

The collection of chemical compounds used for the screening of targets may contain tens or even hundreds of thousands of structurally diverse molecules and is referred to as a **compound library**. The compounds that biologically interact with the target are subsequently referred to as “hit compounds” or simply “**hits**”. The closer an assay reflects the natural biological processes within the human body the more meaningful these hits are as starting points for drug discovery projects.

In addition to standard screening methods, ultra-high throughput screening (“uHTS”) systems can be used. A significant advantage of this technology is its simultaneous analyses of multiple read-out parameters and its high-quality and sensitive results which can be used especially for *fragment-based drug discovery*. Fragments are small organic molecules that are typically only one-third the size of typical screening compounds and tend to interact only weakly with target proteins. Nevertheless, they are very useful starting points for medicinal chemists to optimise into more active drug molecules. They provide the flexibility to add additional chemical groups, leaving chemists with more room to manoeuvre and increase the likelihood of developing a successful compound. Complementary to identifying hits by chemical means, sophisticated computational methods that simulate how compounds bind to targets are increasingly employed in a process known as *virtual screening*. This helps to narrow down the number of chemical compounds for subsequent testing in the lab.

Focused screening and compound optimisation

Hit compounds must undergo considerable optimisation before they can be clinically tested in humans as new drug candidates. On the basis of hit structures that result from primary screening, Evotec designs and synthesises smaller, more **focused compound**

libraries of similar molecules. These expanded hit structures are then screened against the original target to identify compounds with improved drug properties.

The biologically active molecules, or **lead structures**, that the above process yields are subsequently pharmacologically optimised. In *biological testing* and *optimisation*, selectivity tests are performed against similar targets, generating extensive side effect profiles. ADMET assays, which test for **absorption, distribution, metabolism, excretion** and **toxicity** properties of compounds, are also conducted. For the first time, the impact of the lead compounds is then tested in living organisms, resulting in primary *in vivo* data. In *chemical optimisation*, the knowledge gained in biological testing is used to optimise the molecular structure by means of computational chemistry and medicinal chemistry methods.

Pre-clinical drug research leads to IND filing

In drug development, pre-clinical development is a stage of research that begins before clinical trials are allowed to start and during which important feasibility, iterative testing and drug safety data are collected. This stage of development is also named pre-clinical studies or non-clinical studies. The main goals of pre-clinical studies are to determine a product's ultimate safety profile.

When a drug candidate is generated with the right pharmacological properties, it is ready to be tested in clinical trials for its safety and suitability as a therapeutic for humans. To enter into these clinical trials, an **IND** ("**investigational new drug**") application must be filed.

It can take about 15-20 years to develop a new drug from initial discovery and can result in costs exceeding \$ 1-2 bn and a failure rate of approximately 95% (Source: Nature Reviews Drug Discovery, Nov 2013).

– Evotec's products and services

Evotec works as a high-quality drug discovery solution provider for pharmaceutical and biotechnology companies that outsource drug discovery projects to manage their core functions and increase capital efficiency. Together with its subsidiaries, Evotec has integrated all disciplines of drug discovery, optimised the entire process and consequently implemented a strategy of providing innovative drug discovery tools and expertise as the core of its partnering activities.

In addition, Evotec owns a selected number of proprietary drug candidates at various stages of development either partnered or available for partnering. Evotec's Cure X and Target X initiatives were expanded in 2013 to further develop Evotec's pre-clinical portfolio.

Alliances and partnerships

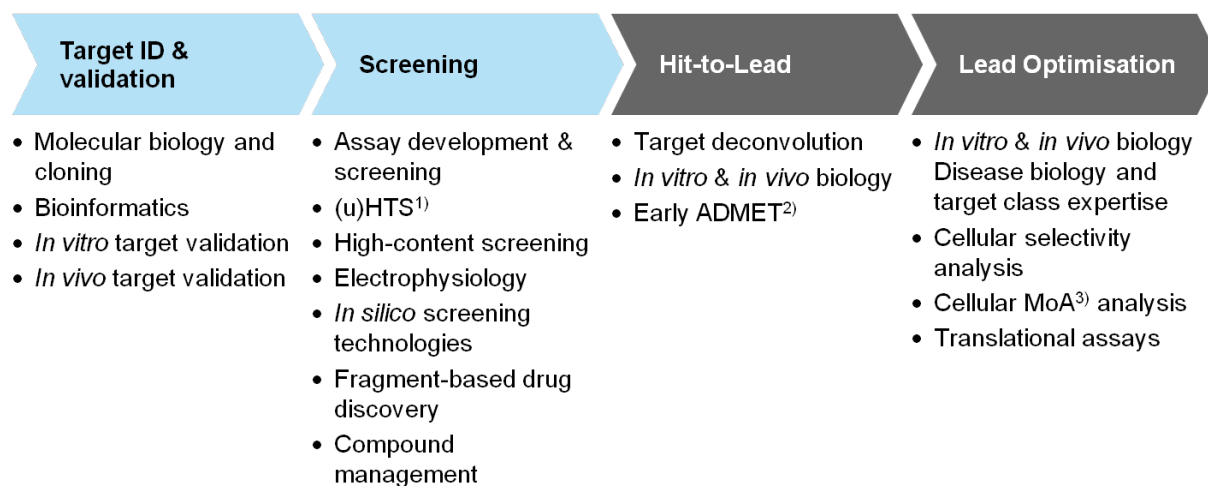
Evotec's partners include, among others, AstraZeneca AB ("**AstraZeneca**"), Bayer Pharma AG ("**Bayer**"), Boehringer Ingelheim Pharma GmbH & Co. KG ("**Boehringer Ingelheim**"), CHDI Foundation, Inc. ("**CHDI**"), Genentech, Inc. ("**Genentech**"), Janssen Pharmaceuticals, Inc. ("**Janssen**"), Ono Pharmaceutical Co., Ltd. ("**Ono**") and UCB Pharma ("**UCB**") (the core alliances are described in more detail in chapter "Research and development" on page 12 of this Management Report). In exchange for access to its integrated discovery offerings, Evotec receives contractual service fees and ongoing FTE-based research payments and, in certain circumstances, up-front technology or drug asset access fees and milestone and royalty payments related to the achievement of certain research, development and sales achievements.

In accordance with its strategy, the Company will very likely enter into partnerships for clinical development programmes rather than developing programmes alone.

Drug discovery services

In its proprietary research programmes as well as in those for its partners, Evotec makes use of all the discovery capabilities summarised in the diagram below and described in the following sections. Evotec offers integrated services that cover the entire span of the R&D process starting from target identification to pre-clinical candidate. Evotec's drug discovery platform was established to deliver an industrialised, cutting-edge, comprehensive and unbiased infrastructure to meet the industry's need for innovation in drug discovery. Evotec does not conduct any clinical trials internally and the Company's joint clinical programmes are exclusively developed in partnerships with pharmaceutical companies which fund their development.

Overview of Evotec's drug discovery offering



¹⁾ Ultra-high throughput screening

²⁾ Administration, distribution, metabolism, excretion, toxicity

³⁾ Mode of action

Target identification and validation

Evotec focuses its target identification and validation technologies on differential expression studies, followed by data-mining and hypothesis building, knock-down and over expression studies both *in vivo* and *in vitro* to access relevant disease models, phenotypic screening and proteomics-based target deconvolution. The targets that are used are usually provided to Evotec from their partners, but in a growing number of projects Evotec is accessing interesting target opportunities both internally and with academic collaborators.

Hit identification (Screening)

Evotec is able to offer screening services for biochemical, functional and/or cellular responses using its proprietary high-throughput screening ("HTS") technology and/or other commercial platforms. This can be through providing access to its own 350,000 compound screening library or using the client's library of compounds.

Evotec's technology platform includes nuclear magnetic resonance spectrometry, surface plasmon resonance spectrometry, high-content screening ("HCS"), high-throughput mass-spectrometry based screening and a comprehensive structure-based drug design platform. Furthermore, Evotec has twenty years of experience in assay development, covering the major target classes, but also new target classes in the field of epigenetics and protein-protein interaction.

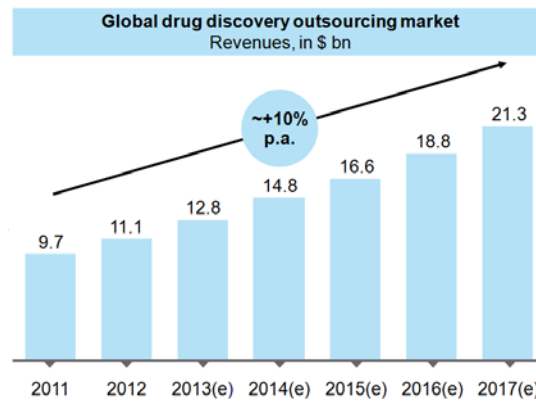
Hit-to-Lead and Lead optimisation

In compound optimisation Evotec has a breadth and depth of expertise across all major target classes and therapeutic areas. Evotec's range of services in pre-clinical drug discovery is supplemented by state-of-the-art high-speed analytical methods and highly specialised information management systems. These ensure the efficient capture,

storage and easy retrieval of the significant volume of data that is generated throughout the process.

– Market and competitive position

The drug discovery outsourcing market



(Source: Report "Drug Discovery Outsourcing: World Market 2013-2023", Visiongain)

The global pharmaceutical industry continues to face significant productivity challenges. Research and development costs have escalated over the years, yet product pipelines are not producing the returns experienced in earlier decades. Against this industry backdrop, biotech and Pharma companies are increasingly turning to outsourcing research and development activities to address and solve these issues. The use of external innovation solution providers allows fixed costs to be converted into variable costs and also provides expertise in selected areas without the client needing to maintain or build internal capabilities and infrastructure. Based on research from Visiongain, the drug discovery outsourcing market generated \$ 9.7 bn in global revenues in 2011 and this is expected to increase to \$ 21.3 bn by 2017 and to \$ 35.7 bn by 2023, reaching approximately 3.5 times today's market value within the next 10 years. In 2011, chemistry services were the largest segment in drug discovery outsourcing with a market share of 38.9%. However, going forward biological services are expected to increase from their 2011 level of 29.6%. This rise in market share is likely due to the growing complexity and importance of biological and targeted therapies, fast progressing molecular biology and also the emerging market for biosimilars (Source: Report "Drug Discovery Outsourcing: World Market 2013-2023", Visiongain).

Outsourcing has been used by the pharmaceutical industry for more than 20 years, mainly for supporting clinical trials or regulatory affairs in a particular country or region. In the current environment, companies are expected to continue to increase their outsourcing at earlier and earlier stages of the research and development process. In 2013, the reorganisation of the pharmaceutical industry continued in a similar way to 2012 with high-profile restructuring exercises undertaken by a number of global pharmaceutical companies. These actions by the pharmaceutical industry are intended to address the challenges presented by a high cost base, the possible decline of top level revenues and the search for new innovative ways to support its drug discovery pipeline going forward.

All stages of drug discovery can be outsourced as a stand-alone discipline (target identification, target validation, high-throughput screening and lead optimisation), but the productivity challenge facing the pharmaceutical industry is set to drive an increase in strategic outsourcing, which will likely lead to larger outsourcing contracts favouring bigger players with lower perceived risk.

Evotec's competitive position in drug discovery outsourcing

Evotec has tracked this changing trend in the market over the past few years and has strategically positioned itself to take full advantage of these market developments. By assembling top-class scientific experts and integrating state-of-the-art technologies as well as substantial experience and expertise in key therapeutic areas, Evotec has established a unique competitive position to respond to these changes in the industry.

The Company provides high-quality scientific expertise and innovation in all disciplines in a process in which they perfectly interact with each other. Amongst its peers in the Western markets, Evotec is one of the largest and financially most stable drug discovery providers with a flexible product portfolio and a long-standing track record. Competition from companies in emerging markets like China and India is expected to further grow within the coming years, since they offer chemistry, research and manufacturing services at low costs. While those advantages have started to diminish in China due to a significantly strengthened local currency, the FTE rates in India are still the most competitive in the world. In addition, the vast majority of scientists in these regions are highly educated, but they still lack the experience and track record in industrialised drug discovery. An additional emerging issue is the fluctuation of the workforce, especially in India, which remains a problem for companies in building a highly experienced workforce. Furthermore, there are still concerns regarding intellectual property rights protection in India.

In summary, Evotec is one of the few drug discovery companies in the world that can execute a comprehensive outsourcing strategy because:

- it is able to undertake and integrate all parts of the drug discovery process,
- it understands what it means for a customer to outsource its core early-stage intellectual property,
- it knows how to maximise the value that can be brought to it.

Additionally, Evotec is able to leverage early-stage innovation accessed through academic collaborations to feed into the pipelines of its customers.

Corporate objectives and strategy

Evotec's key measure of success is the overall return that the Company delivers to its shareholders. To achieve this objective, Evotec pursues a clear vision supported by a strategic plan entitled "Action Plan 2016 – Innovation Efficiency". Three core areas are defined within which the Company's key objectives and goals are set: EVT Execute, EVT Integrate and EVT Innovate.

The overall objective of Action Plan 2016 is for Evotec to become the global leader in high-quality drug discovery solutions. The execution of this strategy focuses on first-class innovation generated in partnerships with Pharma and biotech companies as well as with academia. In addition, the aim is to scale the business, develop optimal cost structures and achieve maximal operational efficiency.

More specific objectives of Action Plan 2016 include the following:

- Deliver innovation efficiency for Evotec's customers either through outlicensing of internally developed assets or through execution of specific drug discovery projects of its customers
- Double 2011 revenues by 2016, mainly through organic growth augmented by mergers and acquisitions
- Improve the quality of revenue mix through royalty, milestone and service income
- Achieve an operating margin in the range of 15% and accelerate cash generation
- Build an even more mature pipeline with limited financial risk

The Company's medium-term objectives of Action Plan 2016 in its three core areas as well as major achievements in 2013 are described in the following table.

	Medium-term objectives of Action Plan 2016	Major achievements 2013
EVT Execute	<ul style="list-style-type: none"> • Provide high-tech functional solution tools and capabilities to optimise efficiency at any point of a drug discovery process • Achieve strong foundation of repeat business • Drive profitability via economies of scale and process optimisation • Deliver double-digit revenue growth 	<ul style="list-style-type: none"> • Increasing gross margin • Expansion success of existing alliances (e.g. Genentech) • Significant long-term deals with big and mid-sized Pharma and biotech (e.g. Active Biotech)
EVT Integrate	<ul style="list-style-type: none"> • Offer integrated drug discovery alliances that can start at any point in the drug discovery process • Deliver an increase in the number of integrated collaborations • Risk-shared arrangements, profitability dependent on project success, milestones and royalties 	<ul style="list-style-type: none"> • Several milestone payments received (e.g. UCB)
EVT Innovate	<ul style="list-style-type: none"> • Deliver unique target-driven drug discovery initiatives (Cure X, Target X) for first-in-class novel drugs • Focused investments in research to drive higher returns • Achieve significant upfront, milestone and royalty payments associated with projects 	<ul style="list-style-type: none"> • Expansion of network of academic alliances (Harvard University, Belfer Institute, Yale University) • Partnering of one pre-clinical asset/development programme (AstraZeneca)

Evotec has evolved from being a service provider and an early-stage drug development company into being a drug discovery engine in its own right, combining two separate businesses:

1. Offering of complete drug discovery solutions
2. Internal development programmes selected and positioned for partnering with Pharma customers

This development led to an organisational change within the Evotec Group, which replaces the former single-track structure and provides the basis for managing the Company in two segments from January 2014 onwards. Two members of the Management Board were designated to separately lead the newly formed business segments named EVT Execute and EVT Innovate. Following this evolution, a segmentation of the business into two parts including the associated financial reporting that represents the underlying business offerings and business model is implemented from January 2014 onwards. The core area EVT Integrate will be divided up into EVT Execute and EVT Innovate. All long-term, integrated partnerships will be allocated to EVT Execute whereas all innovative, early-stage drug discovery projects, the so-called Cure X and Target X initiatives, will be allocated to EVT Innovate.

- **EVT Execute:** Evotec has evolved into one of the global leaders in providing complete drug discovery solutions on a stand-alone basis or through holistic, fully integrated drug discovery solutions. In EVT Execute, these services are provided on a typical fee-for-service basis only or through a variety of commercial structures including research fees, milestones and/or royalties, but with Evotec never taking development risks.
- **EVT Innovate:** The segment EVT Innovate includes the advanced drug candidates and the early-stage internal discovery programmes. Evotec's internal programmes focus on first-in-class and best-in-class projects based on innovative biology. These so called "Cure X" or "Target X" initiatives largely follow indication areas that are firmly established at Evotec: metabolic and inflammatory disease, neurology, oncology and pain as well as infectious diseases. Projects are selected to match Evotec's expertise and technology and positioned for partnering with Pharma customers, usually at pre-clinical stages. Ensuing partnerships usually involve upfront and research payments as well as milestones and product royalties. In the future, Evotec prepares to take unfunded development risks in this business segment, but only in very carefully selected projects and in early stage phases of drug discovery (pre-clinic).

Going forward, as stated above, Evotec intends to take unfunded risk only at the early stage, an area from which traditional venture capital firms have retreated. Evotec's Cure X and Target X initiatives exemplify this approach and the benefit derived from Evotec's drug discovery expertise. Evotec is well-positioned at this early risk-taking with the advantage of three key success factors:

- A deep understanding of basic science
- Deep familiarity with the demands and interests of the pharmaceutical industry
- Access to highest-quality resources and ensured capital efficiency

With its recent Cure X and Target X initiatives, Evotec has proven that the pharmaceutical industry is eager to get access to early but industrially validated drug discovery programmes and that the industry will pay appropriately for high-quality programmes.

The goals defined for 2014 in the context of Action Plan 2016 can be found in the "Business direction and strategy" section of the "Outlook" chapter on page 45 of this Management Report.

– Economic, environmental and social responsibility

For Evotec, sustainability means combining economic success with environmentally and socially responsible activities. Thus, the balance between economic growth, environmental and social responsibility is important and is reflected in Evotec's strategy. Furthermore, sustainability is firmly established in all business processes within the Company. Taking responsibility for the Company's employees and business partners as well as maintaining its commitment to society and a healthy environment are two of Evotec's guiding principles. By doing this, Evotec takes responsibility for current and future generations while ensuring the basis for long-term business success.

– Strategic Group structure and financial interest

Evotec's strategic Group structure reflects the international direction of the Company and its strategy to develop and acquire businesses with assets that complement Evotec's offering. With affiliates in Germany, the UK and the US, Evotec has proven that it is capable of integrating acquisitions and achieved both operational and technological synergies irrespective of geography. Going forward, Evotec will continue to expand its technology and capabilities in areas that complement its current drug discovery platform in order to further accelerate future growth. To this end, Evotec may continue to acquire or buy shares in other companies provided that there is a good strategic fit and a compelling rationale for its shareholders. As a result, the Group structure may change depending on any acquisitions or divestments made.

– Strategic financing measures

Evotec is pursuing the goals of ensuring a balanced capital structure and of limiting refinancing risks through diversification of its financing sources and instruments. The Company increased its access to equity and debt financing during 2013 and further improved the terms and conditions on which these funds are made available. Evotec has defined the minimum level of liquidity necessary in order to ensure that sufficient cash is available at all times to execute Action Plan 2016. In addition, a Treasury Committee meets on a monthly basis to consider all aspects of the Company's funding, liquidity and cash management. Currently, Evotec has a liquidity of € 65.5 m and drew € 17.0 m of bank loans as per 31 December 2013. Furthermore, Evotec had unused lines of credit of T€ 128 and \$ 7.5 m at the balance sheet date. In order to diversify risk, the Company works with three strategic banking partners. On this basis, Evotec is confident that adequate funding is in place to support its medium-term objectives and especially all goals of Action Plan 2016.

Performance measurement

– Financial performance measures

Evotec's Management Board employs various financial indicators to manage the Company.

Evotec's financial goals are continued top line growth, increased operating profitability and improved cash generation.

In 2012, the Company implemented Action Plan 2016 and this included a long-term target of 15% operating profitability by 2016.

Evotec's key long-term financial performance indicators are designed in support of the above financial goals.

Management performs monthly financial reviews with a strong emphasis on financial performance drivers such as revenues, order book status and margins. In addition, management reviews comprehensive cost data and analysis focused on R&D and selling, general and administrative expenditure. Performance is measured against budgeted financial targets and versus prior year. Liquidity levels are monitored versus forecast and versus defined minimum cash levels. Operating cash flows are reviewed on a daily basis with emphasis on receipt of contract research revenues and milestones and management of Capex expenditure. Treasury management is undertaken on an ongoing basis with a focus on cash management, FX exposure, funding optimisation and investment opportunities.

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

– Development of financial key performance indicators

in T €	2009	2010	2011	2012	2013
Revenues	14,604	19,241	25,211	41,195	46,556
Operating result	-43,315	-2,503	339	-28,927	-13,225
Liquidity	28,479	31,632	31,938	34,170	65,545

The 2013 performance compared to plan is shown and discussed in chapter "Comparison of 2013 financial results with forecast" on page 21 of this Management Report.

– Non-financial performance measures

Biotechnology is a research-driven and employee-based industry. Thus, financial information alone provides an incomplete picture of a company's value creation potential. Therefore, key non-financial performance indicators are also used to manage the Company.

Quality of drug discovery solutions and performance in discovery alliances (Sustainable development – Key performance indicator 1 (SD KPI 1))

Evotec generates the vast majority of its revenues in alliances with Pharma and biotech companies. Consequently, the most important non-financial performance indicators for Evotec are the quality of its drug discovery solutions, performance within its alliances and overall customer satisfaction.

The total number, growth and size of alliances, the percentage of repeat business, average contract duration, new customer acquisition and the status of the Company's sales and order book are key indicators at Evotec. During its 20-year history, Evotec has continued to deliver excellent results in existing programmes and has expanded its customer base and its global network of partnerships. The Company is now working with approximately fifty Pharma and biotech companies on a global basis. This growth and progression is summarised in the tables below.

Development of Evotec's customers*

	2011	2012	2013
Number of customers	38	31	49
Number of customers > € 1m revenues	4	8	6
New customers in the year	17	14	24

* To the Company's knowledge benchmark data not available

Development of TOP 10 collaborations* (sorted by years under review)

In T €	2011	2012	2013
TOP 1: UCB	1,085	9,792	8,489
TOP 2: CHDI	5,903	7,382	7,955
TOP 3: Janssen	1,113	2,795	5,417
TOP 4 – 10	8,438	13,613	13,995
Total TOP 10 revenues	16,539	33,582	35,856
<i>Wachstum in %</i>		103%	7%

* To the Company's knowledge benchmark data not available

Notably, several collaborations significantly increased in size in recent years. This is seen as a clear indicator of customer satisfaction. The number of alliances in which Evotec generates more than € 1 m revenues per year increased from four in 2011 to six in 2013. Revenues generated in the Company's TOP 10 collaborations amounted to € 35.9 m, up 7% compared to the previous year. Revenues from Evotec's TOP 3 customer Janssen increased by 94% because of increased revenues resulting from the recognition of upfront payments.

New collaborations were announced with Apeiron Biologics, AstraZeneca, Janssen Pharmaceuticals and Yale University (School of Medicine) during the year 2013. Substantial contract extensions were signed with Genentech and Jain Foundation.

**Research and development performance in development partnerships
(Sustainable development – Key performance indicator 2 (SD KPI2))**

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

Evotec's early-stage discovery projects were developed according to plan in 2013. The focus was primarily on delivering compounds to the clinical pipeline in future years and preparing selected programmes for partnering. In 2013, Evotec entered into two additional academic and biotech partnerships within its Cure X and Target X framework which nurtured Evotec's early-stage portfolio.

For a more detailed description of Evotec's advanced drug candidates and its research programmes, please see chapter "Research and development" on page 12 of this Management Report.

**Quality and safety performance of products
(Sustainable development – Key performance indicator 3 (SD KPI3))**

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

– Early indicators

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

- Current and expected developments of the market for drug discovery alliances and general trends in research and development:

Developments and trends are monitored on an ongoing basis in order to identify major developments and triggering events that can have a significant impact on the Company's product portfolio or financial position. When such developments are identified, the Company carefully evaluates the extent to which Evotec's strategy and current decisions should be altered. If necessary, actions are taken to reduce the impact of negative developments or to improve the probability of success.

- The development of Evotec's IP position:

In order to protect intellectual property, Evotec reviews its patent portfolio on a regular basis (see more details in chapter "Research and development – Intellectual property" on page 16 of this Management Report).

- Sales and order book:

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

- Monthly/quarterly results:

Financial results are regularly used for measuring the current performance of the Company but also to extrapolate the development of the business in future periods. By analysing trends and figures, management is able to adjust elements of its business plan and specific cost components appropriately.

- Achievement of milestones in discovery alliances and development partnerships:

Milestone achievements are a key revenue and cash flow driver for Evotec. Accordingly, the development of milestone payments is an indicator of the success of Evotec's programmes and the performance of Evotec in its risk-shared alliances. Milestone payments can vary between quarters and years. However, if the number of achieved milestone payments was to significantly deviate from Evotec's plans, the Company would need to consider adjusting its strategy.

Research and development

Research and development – Activities and partnerships

The core of Evotec's business is conducting research and development ("R&D") activities to support Pharma and biotech companies, academic institutions and non-for profit organisations in achieving their R&D goals by effectively utilising a best-in-class discovery infrastructure with maximum efficiency. Evotec offers access to a highly comprehensive pre-clinical discovery and development value chain via project-driven technology solutions and customised business arrangements. Evotec's partners are able to select either individual components of the value chain or access partially or fully integrated solutions for their projects. Research collaborations range from strict fee-for-service arrangements and success-based collaborations to risk-sharing and/or to fully

funded R&D plus upside type arrangements. Internal R&D investments target the support of all areas.

Key R&D partnerships

Evotec has a broad and deep pipeline of projects in clinical, pre-clinical and discovery stages in partnerships with Pharma and biotech companies. All of these projects are financed by Evotec's partners but Evotec retains a stake in the projects in terms of milestones and royalties.

The Company is committed to increasing this pipeline of partnered R&D projects using internally funded R&D. These additional new projects are generated via the Company's Cure X and Target X initiatives that are carried out either in partnership with leading academic labs and institutions/biotech companies, or by Evotec alone. Cure X and Target X initiatives are carefully selected to fit to Evotec's key disease areas and technical capabilities. They are also requiring having a high degree of innovation and the potential to lead to the development of disease-modifying drugs.

Key academic and biotech collaborators currently include the Harvard Stem Cell Institute (CureBeta), Yale University (TargetDBR), Dana Farber's Belfer Institute for Applied Cancer Research (TargetKDM) and Brigham and Women's Hospital (CureNephron), Apeiron (TargetT-cell) and Haplogen (TargetPicV).

Evotec is planning to further invest in internal R&D projects which are intended to drive future R&D partnerships with pharmaceutical companies. These projects are selected highly innovative drug discovery initiatives in key Evotec disease areas.

Molecule	Partner	Indication	Status	Next milestone	Commercials
Diabetes and diabetic complications pipeline overview					
CureBeta	Janssen	Type 1 and 2 diabetes (beta cell regeneration)	Target ID/validation	Validated target	\$ 8 m upfront, high margin research payments, up to \$ 300 m milestones/product, royalties
CureNephron	Harvard Stem Cell Institute	Chronic kidney disease	Discovery	Pharma partnership	-
Various	AstraZeneca	Kidney disease	ND ¹⁾	ND ¹⁾	Undisclosed upfront, high margin research payments, milestones/product, royalties
Neurology pipeline overview					
Various	CHDI	Huntington's disease	Target validation	ND ¹⁾	Research payments
ND ¹⁾	Genentech	Neurodegeneration	Pre-clinical	ND ¹⁾	Research payments
TargetASIC	BMBF, undisclosed Pharma	Multiple sclerosis	Lead generation	Lead status	Co-funded

Pain and inflammation pipeline overview					
Various	Bayer	Endometriosis	Pre-clinical	Pre-clinical candidate	€ 12 m upfront, total value up to € 580 m, royalties
Various	UCB	Inflammation	Lead	Pre-clinical	Milestones and royalties
ND ¹⁾	Novartis	Various/Pain	Pre-clinical	Successful PoC ²⁾	Research payments, milestones, royalties
Oncology pipeline overview					
Target <i>T-cell</i>	Apeiron	Various (Immunotherapy)	Pre-clinical	Pharma partnership	Shared research costs, milestones, royalties
Target <i>KDM</i>	Belfer Institute	Various (Epigenetic targets)	Pre-clinical	Pharma partnership	-)

²⁾ Proof of Concept

Systematic, unbiased and comprehensive approach in Evotec's core areas

The nature and scope of Evotec's discovery alliances and development partnerships is extremely diverse, but they are united by the aim of supporting Evotec's partners in discovering and developing novel drug candidates. Evotec's activities in its key alliances and partnerships are detailed below.

Strong partnerships with Pharma customers

AstraZeneca AB:

As part of its *CureNephron* initiative, Evotec announced an alliance with AstraZeneca in October 2013. The initial focus of the alliance is to explore compounds and targets with novel mechanisms that have disease-modifying potential for the treatment of chronic kidney disease. Under the terms of this licence and collaboration agreement, AstraZeneca receives access to a selected series of molecules identified in a screening effort, which is part of Evotec's systematic kidney disease initiative. This particular programme has been designed to explore a key mechanism in the field of chronic kidney disease. AstraZeneca provides industrial scope and scale as well as pharmaceutical development expertise and marketing capabilities.

Bayer Pharma AG:

In October 2012, Evotec entered into a five-year multi-target collaboration with Bayer with the goal of developing three clinical candidates for the treatment of endometriosis and associated pain. Endometriosis affects women in childbearing age, therefore there is a considerable need for new non-surgical treatments that will alleviate pain whilst preserving fertility. Bayer and Evotec both contribute drug targets and technology infrastructure as well as resources to drive the programmes and share the responsibility for early research and pre-clinical characterisation of potential clinical candidates. Bayer is responsible for any subsequent clinical development and commercialisation.

CHDI Foundation, Inc.:

Evotec and CHDI, a privately funded not-for-profit research organisation dedicated to developing therapies for Huntington's disease ("HD"), entered into a multi-year discovery alliance in March 2006, which has since grown significantly. It was extended again in 2012 for a further three years. The collaboration takes full advantage of Evotec's very broad and highly integrated drug discovery platform and its proficiency in neurological research, including its expertise in medicinal chemistry, *in vitro* and *in vivo* pharmacology as well as compound management. It is an excellent example of how foundations or other institutions without internal R&D facilities can access Evotec's platform suite of technologies, capabilities and strong disease biology expertise to drive their drug discovery efforts.

Janssen Pharmaceuticals, Inc.:

In July 2012, Evotec announced a licence and collaboration agreement with Janssen based on a portfolio of small molecules and biologics designed to trigger the regeneration of insulin-producing beta cells for the treatment of diabetes. The small molecules and biologics were originally identified by Professor Douglas Melton's laboratory at Harvard University and further developed in collaboration with scientists from Evotec as part of the *CureBeta* research and development programme. Further discovery and early development work is conducted in collaboration with Janssen, who provides industrial scope and scale as well as pharmaceutical development expertise and marketing capabilities to the joint programme. This collaboration is an excellent example of successfully joining forces across traditional academic and industrial boundaries to rapidly advance groundbreaking science into medicines.

UCB Pharma SA:

In 2011, Evotec entered into a multi-year multi-target integrated drug discovery collaboration with UCB in the field of immunology. The collaboration has progressed well over the last year. In 2013, Evotec achieved the first two milestones upon the progression of certain projects into hit-to-lead and lead optimisation, respectively.

Cure X and Target X initiatives fuel Evotec's pipeline

Evotec invests in highly innovative approaches to address key therapeutic areas and major pharmaceutical markets. As a result, the Company is developing technologies that will lead to an improved understanding in the areas diabetes and complications of diabetes (as e.g. kidney disease) as well as neurology, oncology, pain and inflammation.

In 2011, Evotec established a second alliance with Harvard University in the field of kidney diseases (*CureNephron*). Similar to *CureBeta*, the initial goal of the collaboration was to pursue a comprehensive and systematic approach towards the identification and development of physiological mechanisms and targets which are involved in the development of chronic kidney disease and acute kidney injury. Evotec continues to focus on developing additional "Cure X and Target X" initiatives, i.e. early assets in innovative areas of drug discovery, such as regenerative medicine, and is currently in the process of establishing further academic alliances. These aim at accessing highly innovative biology and early-stage assets that have the potential to be developed into disease-modifying therapies. A first partnership based on a specific screening approach within the *CureNephron* initiative was signed in 2013 with AstraZeneca, as mentioned above.

In 2013, Evotec entered into two additional academic and biotech partnerships within its Cure X and Target X framework.

Target T-cell (Apeiron Biologics AG)

Target T-cell is a research and development collaboration between Evotec and Apeiron Biologics AG ("Apeiron") entered in January 2013 with the objective of developing immunomodulatory lead compounds for the treatment of cancer. Apeiron contributes *in vitro* and *in vivo* pharmacology expertise to this collaboration while Evotec is responsible

for medicinal chemistry as well as chemical proteomics. The collaboration is based on the successful outcome of a phenotypic high-throughput screen previously commissioned by Apeiron to Evotec.

TargetDBR (Yale University)

An open innovation alliance was formed with Yale University in January 2013, starting in the first quarter of 2013. Under the agreement, Evotec and Yale leverage first-rate science performed at Yale University together with Evotec's drug discovery infrastructure and expertise into highly innovative discovery approaches in diseases of high unmet medical need and prepare these for partnering. In December 2013, Evotec announced the first collaboration within this alliance with the laboratories of Prof. Peter Glazer and Prof. Ranjit Bindra at Yale School of Medicine. The objective of this collaboration called TargetDBR (*DNA Break Repair*) is to identify novel mechanisms, targets and compounds that have the potential to interfere with DNA repair.

– Research and development – Intellectual property

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

Evotec reviews its patent portfolio regularly and decides whether to maintain or withdraw its patent applications and patents based on the importance of such intellectual property to maintain its competitive position and deliver on its strategy. As of 31 December 2013, Evotec has several patent families under its full control. All of these are on file or pending through national and/or foreign applications, such as patent applications filed under the Patent Cooperation Treaty or applications filed with the United States Patent Office, the European Patent Office or the Japanese Patent Office.

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

Evotec also pursues certain discovery projects internally. The Company monitors the research activities and results of this in-house research in order to identify patentable drug candidate series which have the potential for partnering. Numerous patent applications have been generated and filed as a result of such activities.

II. Economic Report

General market and healthcare environment

– Global economic development

Global economic development remained subdued in 2013. As calculated by the International Monetary Fund (“IMF”) for the whole year 2013, there has been worldwide economic growth of just 3.0% – a slight increase compared to worldwide growth in 2012 (3.1%). Since late 2012, several new policy initiatives in major developed economies have reduced systemic risks and helped stabilise consumer, business and investor confidence. However, these have only had a limited impact on growth.

The US economy grew faster than expected in the second quarter of 2013 and reached an overall Gross Domestic Product (“GDP”) growth rate of 1.9% in 2013. Americans ended the year more optimistic about the economy, with consumer confidence improving in December after falling significantly during the previous two months because of the partial government shutdown. Economic output in the Eurozone declined by 0.5% in 2013.

According to the German Institute for Economic Research (“DIW”), the German economy continued its moderate upward trend. Economic growth reached 0.4% in 2013.

– Recent trends in the pharmaceutical and biotechnology sector

Biotechnology is one of the most important industries of the 21st century and also one of the fastest-growing at the revenue level at approximately 11% p.a. Worldwide sector revenues amounted to \$ 91 bn in 2010 and are forecast to exceed \$ 150 bn in 2015. Headwinds to growth remain and drugs with annual revenues of more than \$ 100 bn will lose their patent protection by 2018 with generic entrants, poised to produce considerable savings for healthcare systems, driving additional financial capacity for new and innovative drugs from the biotech industry.

Drug development remains a high-reward but high-risk process and of late the pharmaceutical industry has struggled with a decline in R&D productivity and increasing demands from regulatory authorities, who demand first-in-class and best-in-class therapies rather than “me-too” solutions. This shift has driven an increase in both M&A activity and partnership arrangements over the past decade, as larger companies seek innovation externally. Therefore small biotech companies with innovative technologies that lack the resources to commercialise their products can enter into favourable deals with larger companies with established sales forces and market presence. This leaves small biotech companies with more capacity for further innovation.

Furthermore, the pharmaceutical industry faces the challenge of creating more value for patients, providers and payers – and thus for shareholders. In order to gain access to the leading science, pharmaceutical companies will have to collaborate with academia, governmental and non-governmental organisations, biotech companies, fellow life sciences companies, regulators and patients groups while entering into open innovation agreements. Improvement in scientific productivity and efficiency will require larger investments in genetics and genomics and a revision of research and development processes within the industry, with the aim to significantly speed up the development process of new life science products.

2013 saw these trends continue and the sector enjoyed a strong stock market performance. On the M&A side, the value of transactions completed in 2013 was \$ 51.9 bn, up from \$ 43.5 bn in 2012 and well above the average since 2000 of \$ 31 bn. In capital markets, healthcare funds saw a reported net inflow of funds totalling some

\$ 16 bn, the largest net annual inflow for more than decade with the Q4 2013 inflow alone exceeding the total inflow for the whole of 2012. Investors are taking a more positive view to the long-term prospects of the industry, buoyed by the pick-up in drug approvals by the Food and Drug Administration ("FDA") and signs of improving innovation in drug discovery.

Biotech companies like Evotec can secure a valuable share of associated value chains and benefit from its attractive business model. Alliances, co-operations, licensing and service agreements as well as asset deals underline the Company's role both as a strategic partner and as a development and service company to the industry.

– Development of legal factors

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

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

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

In 2013, legal factors affecting Evotec were largely unchanged and the Company's operating business was not materially affected.

– Exchange rate development, interest rates and financing

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

The biggest impact from currency movements on Evotec's financial position in 2013 resulted from the Euro (€) to US dollar (\$) exchange rate. The exchange rate fluctuated between 1.28 and 1.38 US dollar/Euro. In 2013, the US economy and the labour market improved only slightly so that the Fed continued its programme of purchasing US bonds. Although the economic recovery in the US was stronger than in the Eurozone, the Euro strengthened against the US dollar in the course of the year 2013, as the monetary policy of the Fed was much more expansive than of the European Central Bank ("ECB"). Starting at 1.32 US dollar/Euro, the Euro then weakened against the US dollar in the first half of the year to levels between 1.28 and 1.30. In the second half of 2013, the Euro

strengthened and ended the year close to its 12-month peak of 1.38 US dollar/Euro. On average, the Euro was 3% stronger against the US dollar in 2013 compared to 2012, with an average exchange rate of 1.33 US dollar/Euro compared to 1.29 in the prior year.

For Evotec, a weakening US dollar leads to a decrease in reported revenues and expenses in Euro as well as to a decrease in liquidity in Euro terms. This had a negative impact on 2013 revenues of approximately € 0.7 m and cost of goods sold of € 0,1 m in comparison to 2012. At year-end, the US dollar weakened against the Euro from 1.32 Euro/US dollar (2012) to 1.38 Euro/US dollar (2013), which reduced the year-end liquidity position by approximately € 0.1 m.

Overall, the Company is US dollar generated and Euro consumptive. This is due to the fact that the Company generates approximately 50% of its revenues in US dollar and approximately 90% of its total cost base is denominated in Euro. Evotec's policy is not to speculate on foreign exchange movements. The strategy of the Company is to sell surplus US dollar in both the forward and spot markets as well as to convert US dollar into Euro with its subsidiaries, in accordance with decisions made by the Treasury Committee of the Evotec Group.

Historically low interest rates continued throughout 2013. In Europe, the ECB inter-banking interest rate (3-month Euribor) remained around its historic low of 0.20% in the first half of 2013. Signs that the Fed might tighten monetary policy sent interest rates slightly higher and the Euribor increased to 0.22% in June. With the start of the tapering mid-December, the 3-month Euribor increased to 0.29%. However, the US signalled that the target range for the US federal funds rate will be kept between 0 and 0.25% until the unemployment rate goes below 6.5%. The main impact of low interest rates on the financial performance of Evotec is a reduction in interest income received on the cash deposits and the short-term investments of the Company.

Evotec is one of the very few European small-cap biotech companies with a healthy liquidity position and believes this to be a competitive advantage. As a result of the capital inflow to Evotec of € 30.1 m from the increase of its share capital against cash contribution from Biotechnology Value Fund, L.P. in September 2013, cash increased to € 65.5 m at the end of the year.

Evotec will continue:

- to operate as capital-efficiently as possible,
- to assess the funding of its R&D activities and capital investments carefully,
- to balance this against cash flow from revenue-bearing business.

This will ensure that Evotec's cash will be sufficient to maintain and grow the Company sustainably.

Significant corporate development events 2013

Integration of CCS

Evotec acquired CCS Cell Culture Service GmbH ("CCS"), a Hamburg-based company which supports the cell culture needs of a worldwide customer base of biotech and pharmaceutical companies, effective 01 January 2013. The Hamburg-based operations of CCS were relocated and fully integrated into the Manfred Eigen Campus during the third quarter of 2013, resulting in cost synergies and efficiency improvements. The purchase price consisted of a cash consideration of € 1.15 m and an earn-out component which could reach up to € 1.3 m in cash. The earn-out component is due one year after the acquisition and depends on the achievement of certain revenue targets. Through the acquisition of CCS, Evotec confirms its leading position as a fully integrated drug

discovery and early development partner for Pharma and biotechnology companies. Integration of CCS' unique capabilities, such as frozen cell preparations and bulk cell transfection for cell-based screening will enable Evotec's partners to access the latest science and the best-in-class technology infrastructure to increase efficiency in the drug discovery process.

Closing of Indian operations

In July 2013, Evotec announced the closure of its Operations in Thane, India with Evotec (India) Private Limited being a 100% subsidiary of Evotec AG. Its chemistry-based offering included custom synthesis, process research and development, scale-up and analytical services. The decision was the result of customer demand for European-based activities and the realisation that Evotec could most effectively serve its customers by utilising its UK chemistry resources and capabilities. Thus, Evotec now offers these services through its site in Abingdon (UK). In addition, the realignment results in cost savings. As a consequence, the Company recognised a full depreciation of the holding of € 6.3 m.

Successful capital increase

In August 2013, the Company resolved on a capital increase against cash contribution from its authorised capital by issuing 11,818,613 new shares to the Biotechnology Value Fund, L.P. and other affiliates of the US biotech specialist investment firm BVF Partners L.P. Shareholders' subscription rights were excluded. In a direct placement capital increase, which was arranged between the Company and BVF, BVF invested € 30 m to subscribe for 11,818,613 new shares of Evotec at a price of € 2.55 per share. In a simultaneous transaction, BVF also purchased an option from TVM granting BVF the right to acquire an additional 11,818,612 shares of Evotec at € 4.00 per share within the next 30 months.

AstraZeneca licence agreement

In October 2013, one of several *CureNephron projects* was licensed to AstraZeneca with the aim to explore compounds and targets with novel mechanisms that have disease-modifying potential for the treatment of chronic kidney diseases. Under the agreement, AstraZeneca will receive access to a selected series of molecules identified in a screening effort performed by Evotec.

Reduction of Group revenue guidance for 2013

In December 2013, a subsidiary of Evotec was informed by its licensee, Janssen Pharmaceuticals, Inc., that a significant milestone payment to this subsidiary will not be triggered in 2013, which caused the Company to evaluate an impairment of € 15 m of intangibles in respect of these "legacy assets" on Evotec's balance sheet and to reduce the Group's revenue guidance for the fiscal year 2013. The project is currently under evaluation at Janssen. Evotec and Janssen entered into this licence agreement regarding Evotec's NR2B subtype selective NMDA antagonist portfolio for development against diseases in the field of depression in December 2012.

Alliances with leading academic institutions

In the course of 2013, Evotec successfully pursued its innovation efficiency strategy by entering several alliances with leading academic institutions such as Yale University. These alliances aim at leveraging first-in-class science performed at these institutions with Evotec's comprehensive, systematic and unbiased drug discovery infrastructure into highly innovative discovery approaches. The list of these new approaches includes the open innovation alliance with Yale University (announced in January 2013) and a research collaboration based on this open innovation alliance with Yale University called, *TargetDBR (DNA Break Repair)*, with the laboratories of Prof. Peter Glazer and Prof. Ranjit Bindra at Yale School of Medicine on cancer therapies (announced December 2013).

Management Board's assessment of the economic situation and business performance

Evotec operates within an industry that has experienced a period of significant transition and adjustment in recent years as a result of increasing regulatory pressure, falling sales and the general global economic uncertainty. In addition, there is a continued cost focus within the pharmaceutical industry due to the patent cliff situation that many Pharma companies are currently experiencing. This has led to significant restructuring and consolidation in the industry. In the short term this has led to new strategies being developed but also a hiatus in decision making as the new emerging organisations "find their feet". On the other hand, ageing populations in developed countries continue to demand better drugs and improved diagnostics that are clearly differentiated from existing treatments. Against these overall market trends the drug discovery outsourcing market remains highly fragmented, often with little differentiation between companies, and the emerging economies of India and China with their highly educated workforces and competitive cost structures offer significant competition to Western outsourcing. The result of this is that the pharmaceutical industry requires innovation in drug discovery in a capital efficient manner. Evotec believes that the short term market dynamics will ultimately lead toward greater outsourcing opportunities, but only to those organisations with highly experienced drug discovery experts, operating in key therapeutic areas using best-in-class drug discovery platforms, with access to first-in-class biology from leading academic and specialist institutions. In this respect, the Evotec Group is ideally positioned through Action Plan 2016 to provide innovation and drug discovery solutions as the core of a comprehensive outsourcing strategy. The Management Board of Evotec believes that Evotec is adequately financed to master the challenges of 2014 and beyond. Information on possible future developments of this industry can be found in chapter "Outlook" on page 44 of this Management Report.

Comparison of 2013 financial results with forecast

	Forecast report 2012	Final result
Revenues	Two-digit %-growth	13%
Adjusted operating result	Improve	Decrease € 3.1m
Investing volume	€ 2.0 - 3.0m	€ 2.0m
Liquidity	Sufficient	€ 65.5m

In Evotec's financial guidance for the full year 2013, as stated in the "Outlook" chapter of the 2012 annual report, total Group revenues were expected to show two-digit percentage growth. The operating result before extraordinary depreciation of current assets, amortisation of financial assets, impairments of intangible assets and investment result was expected to improve in 2013 compared to 2012. Investments were expected to amount between € 2 m and € 3 m. The entity was forecast to have a sufficient level of liquidity at the end of the year.

Evotec ended the year 2013 with € 46.6 m in revenues; this corresponds to a growth rate of 13% compared to 2012. The operating result before extraordinary depreciation of current assets, amortisation of financial assets, impairments of intangible assets and investment result amounted to € 6.4 m. This is a decrease compared to previous year and is mainly due to a decrease in financial income and other operating income. Investments amounted to € 2.0 m. Liquidity was at € 65.5 m, and thus, significantly above the level of the previous' year end. This related to the capital increase against cash contribution of Biotechnology Fund, L.P. in September 2013.

III. Financial report

Results of operations

– Revenues

Evotec's total revenues in 2013 amounted to € 46.6 m, an increase of € 5.4 m or 13% compared to previous year (€ 41.2 m).

Third party revenues increased from € 36.5 m in 2012 to € 40.8 m in 2013. Revenues are composed of assay development, screening (including nuclear magnetic resonance (NMR) screening), FTE-based revenues, milestones, deferred upfront-payments as well as licence income. Evotec generates its revenues either by signing a single contract with the customer or as a part of an integrated deal in which several affiliates are involved (Group-based contracts). Revenues from contracts in which Evotec AG serves as the single contracting party decreased by 10% from € 18.4 m in 2012 to € 16.6 m in 2013 while revenues from Group-based contracts increased by 33.2% from € 16.4 m in 2012 to € 21.9 m in 2013. The increase in revenues from Group-based contracts was primarily driven by a collaboration with Bayer that has been started in October 2012. Group-based contracts have gained an increasing importance for Evotec in 2013. In this sort of contracts, Evotec serves as a contracting party for various integrated deals. In 2013, Evotec signed a number of new contracts with new and existing customers. Further revenues were generated by licence income of € 1.6 m (2012: € 1.6 m) and milestones of € 0.7 m (2012: € 0.0 m).

Internal revenues increased by € 1.1 m from € 4.7 m in 2012 to € 5.8 m in 2013. The internal demand from subsidiaries includes support for external customer projects as well as for internal R&D programmes. In 2013, the support demand for customer work increased while the support demand for internal R&D programmes decreased compared to previous year.

The geographical spread of revenues for Evotec continues to be global. With a revenue contribution of 54%, the US market continues to be the most important revenue driver (2012: 53%). Similarly to the previous year, the European market is the second largest revenue driver with a contribution of 42% (2012: 36%). The geographical regions Asia and rest of the world only amounted for 4% of revenues in 2013. The decrease from a ratio of 11% in 2012 is mainly due to one large Japanese customer whose project has been finished in 2012. The customer base has been increased in 2013. However, the three main customers accounted for 54% of revenues in 2013, whereas the portion was 64% in 2012. Hence, the revenue concentration on a few customers continues to be significant.

– Net result

Evotec reports a net loss of € 13.9 m for the year. This is a decrease of € 15.0 m compared to 2012 with a reported net loss of € 28.9 m.

Overall, the result primarily was influenced by the impairment of the investment in Evotec (India) Private Limited, higher costs of purchased services and impairments of intangible assets. The operating result before extraordinary depreciation of current assets, amortisation of financial assets, impairments of intangible assets and investment result shows a net loss of € 6.4 m (2012: € (3.3) m).

in T €	2012	2013
Operating result	-28,927	-13,225
+ extraordinary amortisation intangible assets	3,708	642
+ depreciation financial assets	44,010	6,230
- reversal of loan write-off shown as other operating income	-13,500	0
- reversal of write-off Renovis shown as other operating income	-8,599	0
Adjusted operating income	-3,309	-6,354

The variation in net result was caused by the following effects:

Other operating income decreased by € 23.2 m from € 26.8 m in 2012 to € 3.6 m in 2013. The decrease is mainly due to one-off effects incurred in 2012: Evotec benefited from a loan repayment of the subsidiary Evotec International GmbH (formerly EVOTEC NeuroSciences GmbH) in the amount of € 3.5 m for a loan previously written-off, an appreciation of loan receivables in the amount of € 10.0 m and a reversal of an impairment of € 8.6 m of Renovis, Inc. (now: Evotec (US), Inc.) due to increased income expectations. In 2013, the main portion of other operating income was generated through cost recharges to subsidiaries, material cost recharges to customers and FX gains.

Total cost of materials increased from € 19.0 m in 2012 to € 24.7 m in 2013. Raw materials and supplies amounted to € 4.8 m and were € 0.4 m lower than previous year. The decrease in costs is due to lower consumption of chemicals, consumables and materials needed for lab equipment and machinery. Costs for services increased by € 6.2 m from € 13.7 m in 2012 to € 19.9 m in 2013. As a result of the continuing growth of various integrated projects, Evotec has to deliver an increased volume of work for subsidiaries as a contracting party. Hence, outsourcing costs for those projects increased by € 4.6 m from € 11.1 m in 2012 to € 15.7 m in 2013. Additionally, Evotec increased the amount of work occurred for its internal research programme 'CureNephron' in collaboration with Harvard University and started a couple of new projects ('TargetKDM', 'TargetT-cell', 'TargetDBR'). Costs increased by € 1.4 m for these programmes mainly executed by Evotec International GmbH.

The number of employees has increased by 40 to 239 employees at 31 December 2013. This is mainly due to the increased demand in research services and the increased amount of administrative work. In spite of the growing number of employees, personnel expenses decreased by € 0.4 m to € 13.4 m in 2013 (2012: € 13.8 m) due to a change in the payment structure, an increased number of maternity leaves and a bonus reduction of € 0.4 m

In 2013, the regular depreciation of intangible assets amounted to € 1.1 m (2012: € 0.7 m), and was mainly related to the proportional amortisation of an access fee for a development platform that has been acquired in April 2012 in the course of a cooperation with 4-Antibody. The regular annual impairment review of the intangible assets led to a full write down of one pre-clinical research programme of € 0.6 m for which the probability of partnering was regarded as low.

Other operating expenses increased by € 0.8 m to € 17.4 m in 2013. The increase is mainly due to cost transfers from subsidiaries which increased by € 1.1 m to € 2.5 m resulting from the higher level of service integration between Evotec and its subsidiaries.

Sales commissions increased by € 0.5 m to € 1.4 m – these mainly result from Harvard University due to the partnering of the internal research programme 'CureBeta' with Janssen in July 2012 (€ 1.0 m in 2013). This effect is partly offset by lower rent expenses in 2013 as in 2012 higher costs incurred due to the relocation into the new building.

The interest result decreased by € 1.3 m to € 1.9 m in 2013. The interest income decreased by € 1.7 m and mainly resulting from a decrease of intercompany loans.

In 2013, Evotec decided to abandon the operating activities of the Indian subsidiary Evotec (India) Private Ltd. and liquidate the entity. Hence, the investment was fully written off by € 6.2 m.

The extraordinary result of € 0.7 m was due to the merger of CCS Cell Culture Service GmbH on Evotec (2012: € 0 m).

Financing and financial position

– Cash and financing

As per 31 December 2013, Evotec's cash and cash equivalents together with bonds and investment funds, presented as other investments, amounted to € 65.5 m. This is an increase of € 31.3 m compared to the end of 2012 (€ 34.2 m) and resulted mainly from the capital increase of € 30.1 m. A substantial portion of the proceeds from the capital increase were invested in short-term money market funds (€ 15.0 m). Evotec invested € 1.9 m in non-current assets. Furthermore, Evotec acquired 100% of the shares in CCS Cell Culture Service GmbH (CCS) for a cash payment of € 1.15 m and an earn-out payment of € 1.3 m. The earn-out payment will be due in 2014.

Assets and liabilities

– Capital structure

Total share capital and additional paid in capital increased by € 32.3 m from € 263.0 m to € 295.3 m. This increase resulted from a capital increase amounting to € 30.1 m and the exercise of stock options amounting to € 2.2 m.

In 2013, 1,094,741 stock options were exercised by employees as well as current and former members of the Management Board (2012: 230,975) which were converted into Evotec shares by using conditional capital. In addition, 459,456 stock options were exercised by employees as well as current and former members of the Management Board of the Evotec Group which were serviced from own shares (2012: 530,353). As per 31 December 2013, Evotec holds 338,815 of own shares (2012: 798,271).

Total equity increased by € 18.7 m to € 103.1 m per 31 December 2013 (2012: € 84.4 m) as the effect from the capital increase is mainly offset by the net loss of € 13.9 m. Evotec reports an equity ratio of 68.6% at the end of the year (2012: 65.5%).

– Net assets and liabilities

Intangible assets include licences and patents as well as capitalised development costs. Intangible assets decreased from € 3.1 m in 2012 to € 1.4 m in 2013 mainly resulting from ordinary amortisation for licences and patents amounting to € 1.0 m. The research programme H3 has been fully written down by € 0.6 m following impairment testing.

Tangible assets consist of leasehold improvements, technical equipment and machinery, fixture and fittings (predominantly laboratories) and scientific and technical equipment for use in the laboratories.

Tangible assets remained constant with respect to prior year amounting to € 12.4 m per 31 December 2013. In 2013, Evotec invested € 1.9 m in tangible assets. This amount is below the invested amount in 2012 (€ 5.6 m) as in 2012 new equipment and leasehold improvements for the new building resulted in higher investments of € 1.5 m. As investments were relatively high in the prior year in order to cover the growing number of sales orders and to fulfill a sustainable competitive ability, the investment needs in this year were only moderate. Further investments took place in IT and administrative equipment. Depreciation remained unchanged compared to previous year with an amount of € 1.9 m.

Financial assets comprise shares in affiliated companies and investments. These investments decreased to € 31.2 m at the end of the year (2012: € 37.3 m). The drop is preliminary due to the impairment of the shares in Evotec (India) Private Ltd. of € 6.2 m. As a result of the acquisition of CCS, shares in affiliated companies increased by € 1.2 m during the year and subsequently decreased by the same amount as the company was merged on Evotec AG realising a merger loss of € 0.7 m

Trade accounts receivables and other assets decreased by € 1.2 m to € 35.0 m at the end of the year. Trade accounts receivables increased by € 3.7 m to € 9.7 m (2012: € 6.0 m). This increase is mainly due to an overdue receivable of € 1.9 m. The accounts receivables from affiliated companies amounted to € 24.6 m at the end of the year and thus decreased by € 3.9 m compared to prior year. The decrease is preliminary due to the repayment of intercompany loans. Other assets decreased by € 0.9 m from € 1.5 m in 2012 to € 0.6 m in 2013 as a result of a decrease in receivables from the tax authority. Prepaid expenses amounted to € 2.7 m at the end of the 2013 (2012: € 3.3 m). Main items are prepayments towards Harvard University and Haplogen.

Accrued liabilities increased by € 0.5 m from € 3.9 m in 2013 to € 4.4 m as at the end of 2013. The increase is mainly due to an accrual for earn-out payments relating to the acquisition of CCS of € 1.3 m. This effect is partly offset by a reduction in accruals for bonus payments.

Liabilities to financial institutions remain unchanged compared to previous year with € 17.0 m at 31 December 2013.

Liabilities to affiliated companies increased by € 5.4 m from € 0.8 m in 2012 to € 6.2 m in 2013. This amount mainly contains liabilities to Evotec (UK) Ltd. and Evotec International GmbH.

The decrease in deferred income by € 4.1 m to € 15.7 m at 31 December 2013 mainly resulted from the realization of deferred revenues for the research collaboration 'CureBeta' (€ 2.2 m) and the collaboration with Bayer (€ 3.1 m). A revenue deferral of € 1.4 m for AstraZeneca is partly offsetting the aforementioned.

– Authorisation of management to repurchase stock

The Company is authorised by two resolutions of the 2011 Annual General Meeting to acquire own shares with a computed proportion of the share capital totalling up to € 1,000,000.00 and € 10,818,613.00, respectively. Together with other own shares, which are in the possession of the Company or are attributable to the Company pursuant to section 71a and following of the German Stock Corporation Act (Aktiengesetz, AktG), the own shares acquired on the basis of these authorisations may at no time exceed 10% of the Company's current share capital. Acquisitions for the purpose of trading with own shares are excluded. The respective authorisations are effective until 15 May 2016. As of

31 December 2013, Evotec used its authorisation to acquire own shares with a computed proportion of the share capital totalling up to € 1,000,000.00 in the amount of a computed proportion of the share capital of € 104,120.00 (€ 67,090.00 in 2012 and € 37,030.00 in 2013) for the remuneration of the Supervisory Board in accordance with the Articles of Association of the Company.

– Shareholdings exceeding 10% of voting rights

On 13 May 2011, Evotec was last notified by its shareholder Roland Oetker that he, via ROI Verwaltungsgesellschaft mbH, Königsallee 20, 40212 Düsseldorf, Germany, owned 14.74% of the shares of the Company. The Company is not aware of any other direct or indirect shareholdings in its share capital exceeding 10% of its capital.

In August 2013, Evotec arranged a direct placement capital increase with Biotechnology Value Fund, L.P. and other subsidiaries of the US Biotechnology investor BFV Partners L.P., San Francisco ('BVF'). BVF subscribed for 11,818,613 new shares of Evotec. With the registration of the capital increase in the commercial register, BVF owns 9.9% of the shares in Evotec. In a simultaneous transaction, BVF also purchased an option from TVM Capital granting BVF the right to acquire further 9.9% of Evotec's shares. Should this option be exercised in full until the end of January 2016, BVF would possess a total shareholding in Evotec of over 18%.

– Amendment to the Company's Articles of Association/Appointment of Management Board

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

IV. Employees

In order to be a leader in the provision of drug discovery solutions to the Pharma and biotech industry it is imperative for Evotec to recruit and retain the most talented employees in the industry. The core values of the Company are innovation, industrialisation, entrepreneurship and customer focus. Evotec therefore seeks to employ exceptional individuals whose profiles are consistent with these key values coupled with the experience, commitment and dedication necessary for the Company to succeed.

– Headcount

As of 31 December 2013, Evotec AG employed a total of 239 people. This represents an increase of 20% in headcount compared to the end of 2012 (199 people). This reflects the increased demand for Evotec's core disease biology know-how and the need to support new research projects and collaborations with an increasing biology focus.

Approximately 40% of Evotec's employees have worked for the Company for more than five years. The average age of Evotec's employees at the end of 2013 was approximately 38 years.

– Diversity

Evotec has an international employee population possessing a rich diversity of skills, capabilities and experiences. This diversity brings a range of perspectives to the workplace, which in turn helps to grow the global business and to create a strong link to clients all over the world. The Company is committed to recruiting and promoting solely on the basis of ability and performance.

In 2013, Evotec held regular "Culture Café" meetings to capture the benefits of diversity, foster integration and create an inclusive environment. In a very informal and open setting, employees of different backgrounds and cultures were able to build deeper relationships and share individual experiences and views with colleagues. These events were well perceived by employees and will be continued in 2014.

Women account for nearly 64% of employees globally. At the junior entry level for newly qualified graduates, approximately 68% of the individuals Evotec hired in 2013 were females.

– Work-life balance

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

– Succession planning and development

Launched in 2012, Evotec continued to roll-out its formal succession planning and development programme in 2013. This is part of the Company's commitment to develop its employees and ensures that individuals are ready to assume key or critical roles in the Company as they become vacant. Succession planning is proactive in nature and results in the creation of a talent pool of candidates with the required potential, competencies

and understanding of the existing business to fill high-level leadership positions in the future. Identifying and developing this pool of employees is vital to an organisation if it needs to respond quickly to fill immediate capability requirements. However, succession planning also provides Evotec a mechanism to give highly skilled employees an indication of future advancement, a key factor in the retention of individuals identified as having exceptional potential.

– Education and training

The targeted succession planning and development programme described above operates alongside more broad-based development linked to further education and professional training programmes that enable Evotec employees to fulfil their potential. In 2013, the Company established in-house trainings in the area of lean processes, finance for non-financial managers, project management and data analysis. In 2014, Evotec intends to further increase the range and number of courses available. Through its training and development initiatives, the Company ensures that employees are given every opportunity to effectively perform their jobs, gain competitive advantage and seek self-growth for future and increased work responsibilities.

Apart from hiring university graduates, Evotec also provided internships to talented young students to give them insight into the variety of career opportunities while they are still studying. A number of these individuals completed their bachelor or master thesis with Evotec and then later returned to Evotec as an employee. In addition, one trainee started vocational training at Evotec AG. Evotec plans to offer more apprenticeships in the future.

– Performance management

Evotec operates a uniform and transparent compensation system for all employees. This system promotes performance-based remuneration, whereby employees are rewarded for achievement. According to the philosophy of Evotec, employees are incentivised to add value and to share in the success of the Company.

Consequently, compensation includes, in addition to a fixed base salary and benefits, a bonus which is based on Company results and on individual performance against a written set of objectives.

At the beginning of 2013, the Human Resources department continued to align remuneration policies and processes. These included the further development and standardisation of the performance management process.

In 2012, Evotec designed and implemented a new global long-term incentive programme ("LTIP") to promote and ultimately reward the values of innovation, industrialisation, entrepreneurship and customer focus that underpin the Company's Action Plan 2016. The LTIP is a Share Performance Plan in which participants are allocated shares, the vesting of which is subject to the actual performance versus four equally weighted key performance indicators ("KPI"). These KPI were carefully selected on the basis of being the indicators that will drive shareholder value and ensure the future success of Evotec.

Under the new LTIP programme, Evotec made awards in both 2012 and 2013 to the members of the Management Board, to Senior Management and some other employees who are in key positions and have a significant impact on the long-term success of the Company.

– Engagement

The Company places great importance on fostering a good working environment with its employees in order to ensure that colleagues feel informed, motivated and valued. All sites have company meetings with open question sessions so that the Company's strategy, performance and policies are transparent.

– Looking to the future

In 2014, Evotec will continue to position itself as a truly inspiring place to work, by providing an environment where people can grow and develop and make their mark. As the business is expected to grow, attracting and retaining highly skilled, motivated and dedicated people as well as helping them perform at consistently high levels, will be vital to best serve the Company's partners and partnerships. Therefore, recruitment, succession planning and professional development continue to be key priorities on the Company's talent management agenda in the coming year.

Procurement and facility management in 2013

In 2013, the procurement function of Evotec continued to build on the successes of 2012. For example, the procurement of all significant capital expenditure items was centralised Group-wide. This resulted in financial savings due to synergies and economies of scale. Furthermore, the procurement function of Evotec defined targets regarding savings on the capital budget and consumable spend.

The purchasing team was able to deliver successfully on both targets by a range of initiatives that included improved negotiation, supplier chain management and product substitution.

The development of the procurement function was strengthened by the appointment of a global Head of Purchasing in October 2013. The newly created position is intended to ensure that the function continues to implement best practice and progress towards being world class.

2013 saw the continued development and fit-out of the Manfred Eigen Campus in Hamburg. Specifically this related to the move of CCS Cell Culture Service GmbH into the building following the acquisition that became effective on 01 January 2013.

In 2013, Evotec implemented improvements in the efficiency of air chillers as part of its ongoing efforts to improve the eco-sustainability of the business. In addition, the implementation of LED technologies for lighting and other specific energy reducing initiatives at the Manfred Eigen Campus resulted in an estimated 6% reduction of energy consumption.

V. Post-balance sheet events

There are no material events to be reported.

VI. Risk and opportunities management

Entrepreneurial success cannot be achieved without consciously taking quantified risks. Owing to its worldwide activities, Evotec is naturally exposed to a variety of risks directly related to the Company's business. An effective system of risk management helps to control the risks and opportunities associated with the execution of the business. Regular strategy reviews and a quarterly risk management process ensure that opportunities and risks are appropriately balanced.

Risk and opportunities management principles

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

The risk management system of Evotec comprises the entirety of controls that ensure a structured management of opportunities and risks throughout the Company. Evotec considers risk and opportunities management as the ongoing task of determining, analysing and evaluating actual and potential developments in the Company and the Company's environment. Evotec identifies opportunities based on comprehensive quantitative and qualitative analyses of market data, commercial initiatives, research projects and general trends in the biotechnological environment. The close coordination between the Company's strategic, commercial and operating functions allows Evotec to recognise risk and opportunities worldwide at an early stage. Where possible, Evotec's Management Board responds to these risks and opportunities by implementing corrective or supportive measures. The Company's risk and opportunities management system is therefore an important component of its management and control and plays a major role in the Group-wide guidelines described in more detail below.

In the following section, Evotec summarises the most important individual risks and opportunities.

Risk and opportunities management system

The Management Board is supported by the Risk Manager who is the owner of the centrally managed risk and opportunities management process on behalf of the Management Board. The Supervisory Board has the responsibility to monitor the effectiveness of the Company's risk management system. These duties are undertaken by the Supervisory Board's Audit Committee.

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

According to the Company's risk management policy, Evotec engages in businesses and incurs risks only when the businesses are in line with its strategy, when they have a risk profile consistent with industry norms, when there is a corresponding opportunity for an increase in value, and when the risks can be managed using established methods and measures within Evotec's organisation. Management engages in monthly financial reviews with a strong emphasis on cash and cash forecasts and key financial performance drivers such as revenues, order book status and gross margins as well as

Careful cost analysis. Currency exposures are reduced through natural hedges and, where appropriate, hedging instruments. It is Company policy not to speculate on foreign exchange movements, but to manage the risks arising from underlying business activities, for example to secure foreign exchange certainty against the value of signed customer contracts. Financial investments are made in products that have a low risk profile. The Management Board is directly involved in all key decisions concerning financial assets and manages all businesses and transactions considered to be material for the Company.

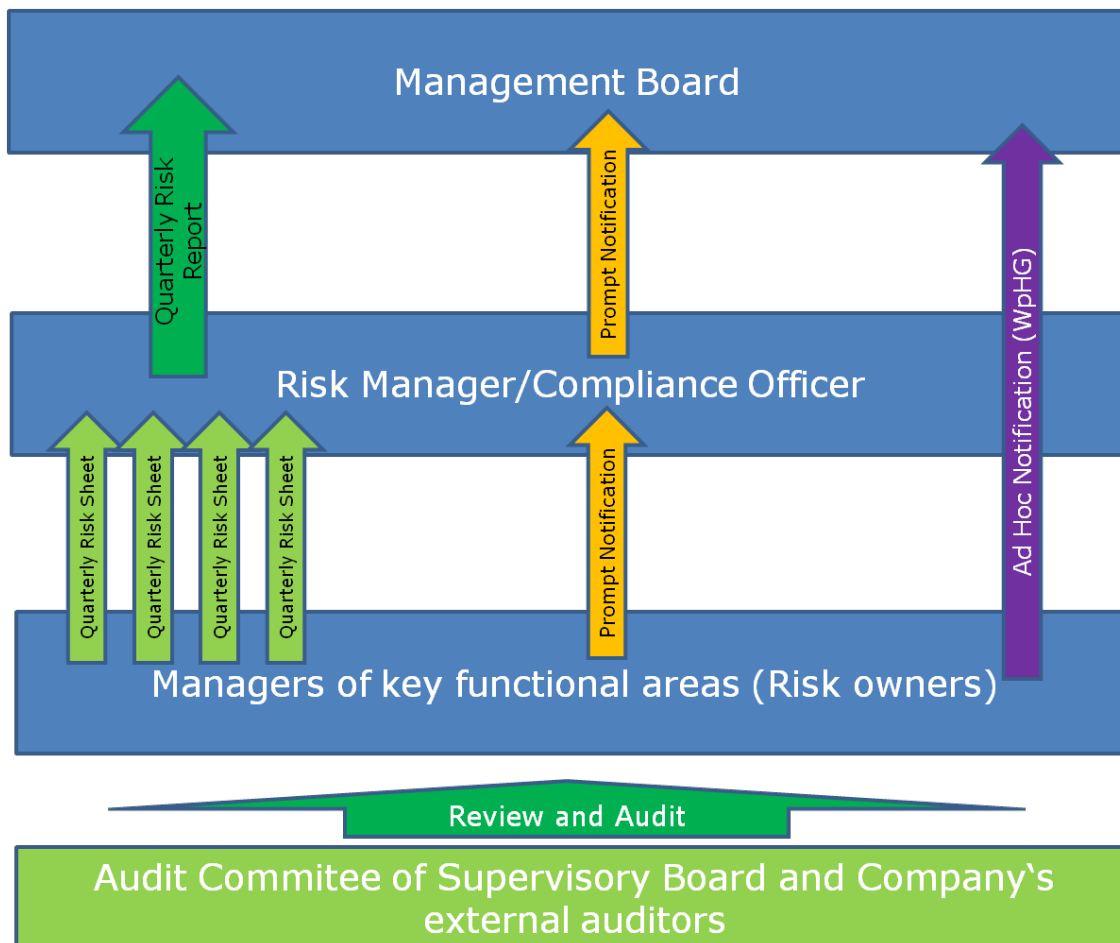
To cover other risks associated with the Company's business, including those that would not have a short-term financial impact, Evotec performs regular commercial project portfolio reviews. Strict application of project and investment approval processes, legal contract reviews and signing authorities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

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

The risk and opportunities management system comprises the following elements:

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

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



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

Internal controls over financial reporting

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

According to the German Commercial Code, Evotec's Management Board is required to annually assess the effectiveness of internal controls over financial reporting. In order to ensure the utmost effectiveness of the control environment, Evotec has decided to maintain almost all of the key controls from the processes defined to comply with the Sarbanes-Oxley Act, despite the formal deregistration of the Company from the SEC in March 2011. These controls are tested on an ongoing basis and are once a year subject to testing by an expert and independent third party. These assessments identified no material weaknesses in 2013 and detected deficiencies were remediated immediately. The effectiveness of Evotec's internal controls over the processes relating to the preparation of the financial statements is also audited during the year-end audit by its independent registered public accounting firm. The Audit Committee of the Supervisory Board is informed regularly and reviews and discusses the auditing activities.

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

- various automated and manual preventive and detective controls;
- a clear segregation of financial related duties; and
- strict adherence to Evotec's policies.

Among other things, Evotec regularly checks that:

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

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

Evotec routinely engages external specialists in order to minimise the risk related to specific issues, for example to value share-based compensation or to derive deferred taxes.

Specific risks related to accounting may arise, for example, from the conclusion of unusual or complex business transactions. In addition, business transactions not processed by means of routine operations but necessarily granted to employees for the recognition and measurement of assets and liabilities may also generate accounting-related risks. However, the internal control measures aimed at securing proper and reliable accounting ensure that business transactions are fully recorded in a timely manner in accordance with the legal provisions. The control operations also ensure that accounting records provide reliable and comprehensible information.

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

Risks

Evotec is exposed to a range of risks entirely consistent with its business undertaking. The business, financial condition and results of Evotec may be materially adversely affected by each of these risks. If not stated differently, the risks mentioned below are unchanged in comparison to 2012.

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

Management Board's assessment of risk situation

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

Probability of occurrence

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

Potential financial impact

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

– Corporate risks overview

	Probability of occurrence	Potential financial impact	Comparison to prior year
Business environment and industry risks			
a. Risk inherent to drug discovery alliances			
Pricing pressure	medium	medium	unchanged
b. Risk inherent to proprietary drug discovery and development			
Risk of failure	high	medium/high	unchanged
Risk of extensive regulation	medium	low	unchanged
Product liability claims	low	high	unchanged

Performance-related risks			
Fluctuating capacity and resource allocation	medium	medium	unchanged
Dependence on individual larger customer	medium	high	unchanged
Scientific or technical delivery risks	medium	medium	unchanged
Maintenance of customer recognition and branding	low	medium	unchanged
Commercial risks			
Changing market environment	low	medium	unchanged
Dependence on individual out-licensing events	medium	medium	unchanged
Outperformance by competitors	low	medium	unchanged
Strategic risks			
Implementation and achievement of strategic goals	medium	high	unchanged
Risk from M&A	low	low	unchanged
Financial risks			
Liquidity risks	low/medium	medium/high	unchanged
Default risks	low	medium/high	unchanged
Currency risks	medium	medium	unchanged
IP risks			
Dependence on technology patents and proprietary technology	low/medium	medium/high	unchanged
Dependence on licences granted for partnered assets	low	medium/high	unchanged
Legal risks	low/medium	low	slightly increased
HR risks			
Dependence on key personnel	low	medium	unchanged
IT risks			
Loss of data	low	medium/high	unchanged
Data integrity and protection	low	medium	unchanged
Other risks			
Environmental risks	low	low	unchanged
Compliance risks	low	low	unchanged
Risks involving production	low	low	unchanged
Risks involving procurement	low	low	unchanged

Based on the general principles for estimating risk factors described above the Management Board believes that, although the risks in any drug discovery and development business are significant, the Company has great opportunities to create long-term value that outweigh the foreseeable risks. At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG. Furthermore, no material changes to risks were identified compared to 2012.

– Business environment and industry risks

Risks inherent to drug discovery alliances

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

Risks inherent to proprietary drug discovery and development

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

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

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

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

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

– Performance-related risks

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

> Even with a stable revenue stream, fluctuating capacity utilisation and requirements as well as resource allocation between different parts of the business can significantly impact profitability. Therefore, this needs to be carefully managed. In addition, dependence on individual large customer contracts needs to be closely monitored. In 2013, Evotec's largest customer accounted for 21% of total revenues (see table "Development of TOP 10 collaborations" on page 11).

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

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

– Commercial risks

Commercial risks include the following:

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

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

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

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

Evotec's financial planning does not assume any product commercialisation and subsequent milestone or royalty payments. The business is sustainable even in the absence of such an event.

– Strategic risks

Implementation and achievement of strategic goals

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

Action Plan 2016

In March 2012, Action Plan 2016 – Innovation Efficiency was initiated. This five-year mid-range plan defines the Group strategy until 2016.

Evotec continued to focus its internal R&D activities on its most valuable and promising assets. At present, the Company continues to build an extensive pipeline, by concentrating its efforts on bringing proprietary products from its existing portfolio and from collaborations with scientific institutions to important value inflection points ready for partnering.

Risks from M&A

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

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

– Financial risks and risk management in relation to financial instruments (IFRS 7)

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

Liquidity risks

> Revenue fluctuations and expenditures on internal discovery and early development programmes might negatively impact Evotec's short- to mid-term profitability and cash reserves. To actively address any related risk, Evotec's management has defined minimum liquidity levels and regularly undertakes scenario planning in order to safeguard its cash position. Evotec believes that existing liquidity reserves are sufficient to cope with the cumulative impact of all identified risks. These reserves were strengthened after Evotec executed a 9.9% capital increase from its authorised capital against € 30 m cash contribution by issuing 11,818,613 new shares to BVF in September 2013. Consequently, Evotec is currently well-financed and has no plans or necessity to raise capital in the near- to mid-term future. However, the possibility of further increasing capital is reviewed on an ongoing basis. 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 not had any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special-purpose entities, established for the purpose of facilitating off-balance-sheet arrangements or other contractually narrow or limited purposes. Therefore, Evotec is not materially exposed to any financing, liquidity, market or credit risk that could arise if it had been engaged in these relationships.

Evotec is currently appropriately financed in order to execute Action Plan 2016.

Default risks

> As a service provider, Evotec always faces the risk of bad debt losses. However, Evotec's customers are generally financially stable pharmaceutical companies, foundations and larger biotech companies. There has been no history of significant doubtful receivables and this is not expected to change.

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

Currency risks

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

> Currency exchange movements also impact Evotec's reported liquidity primarily through the translation of liquid assets held in US dollars into Euros. A portion of the funds are held in currencies other than the Euro in order to meet local operating needs and due to different currencies defined in customer contracts.

– Intellectual property risks

The risks associated with intellectual property ("IP") include the following:

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

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

– Legal risks

> As reported in previous years, in a letter on 19 August 2010, the Federal Financial Supervisory Authority (BaFin) requested certain information with regard to an ad hoc release made by the Company on 12 August 2010. The Company provided such information in a detailed letter on 13 September 2010. BaFin informed the Company on 14 October 2010 that there might be an indication that the timing of the ad hoc publication constituted an infringement of section 15 of the German Securities Trading Act (“WpHG”) and that an administrative offence may have occurred. In a letter on 05 September 2012, BaFin requested additional information with regard to the circumstances in 2010. Again, the Company provided such information and explained in detail its refusal of any alleged infringement of section 15 WpHG. In Evotec’s opinion, the timing and content of the respective ad hoc release in August 2010 was based on an in-depth and thorough legal examination and in line with acknowledged expert opinion in the legal literature. Nonetheless, in May 2013, Evotec received a fine notice amounting to € 0.17 m from the BaFin. The Company appealed against this ruling. No further information has been received from BaFin up to the date of this report.

> On 13 December 2013, Evotec received another letter from BaFin about three cases of alleged infringement of section 26a of the German Securities Trading Act (WpHG) resulting from delayed notifications concerning increases in issued share capital as a result of share options being exercised. The three cases occurred during the period 2010 to 2012. At the end of 2012, the process was improved and optimised. Therefore, Management is of the opinion that no additional actions need to be taken to further refine the notification process. Evotec replied to BaFin on 13 January 2014. BaFin will now either reach a judgement on the Company’s submission or ask additional questions.

– HR risks: 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 business objectives. However, Evotec has set up its organisation such that the Company’s knowledge is shared amongst key employees. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future is critical to Evotec’s success. If Evotec is unable to attract and to retain personnel on acceptable terms despite its strong corporate culture and industry leadership position, this may delay Evotec’s development efforts or otherwise harm its business.

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

– IT risks

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

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

> To minimise organisational risks such as manipulation and unauthorised access, access is protected by passwords that must be changed regularly. In addition, the Company

uses encryption methods for its portable IT hardware. Guidelines relating to data protection, which also regulate the assignment of access rights, are required to be observed. Evotec regularly assesses its IT security and where weaknesses are identified, remediation measures are initiated immediately.

– Other risks

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

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

Opportunities

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

– Business environment and industry opportunities

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

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

– Performance-related opportunities

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

– Commercial opportunities

The total number, growth and size of alliances, the percentage of repeat business, average contract duration, new customer acquisition and the status of the Company's sales and order book are key indicators of Evotec's business. These key indicators have

improved significantly during the last five years. During its 20-year history, Evotec has continued to deliver excellent results in its collaborations and has expanded its customer base and its global network of partnerships. The Company is now working with approximately one hundred Pharma and biotech companies on a global basis. The excellent track record and the Company's extensive network is an excellent basis for creating additional business opportunities that would have an impact on the performance and results of the Company.

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

– Strategic opportunities

In its Action Plan 2016 implemented in March 2012, the Company defined the corporate strategy up to 2016. One major pillar of this strategic plan is the creation of an extensive, long-term pharmaceutical pipeline without taking the financial risk of clinical exposure. Evotec has out-licensed a number of clinical assets for development in partnerships with pharmaceutical companies. These development programmes do not carry any financial risks, but only significant upside potential in case of clinical and commercial success for Evotec. In addition to these late-stage assets, Evotec continues to build this pipeline through partnering its proprietary products from its existing portfolio and from collaborations with scientific institutions. These efforts are called Cure X and Target X initiatives. To date, the Company has already initiated more than ten such initiatives. So far already three Pharma alliances were generated based on these programmes.

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

– HR opportunities

Since the biotechnology and pharmaceutical industry is very people dependent, employees are a critical asset for companies in this industry. As stated in chapter "Employees" on page 27 of this Management Report, approximately 40% of Evotec's employees have worked for the Company for more than five years. The Company believes that its success in alliances and partnerships is attributable to its key personnel to a large extent. Thus, retaining employees who have outstanding expertise and skills in the long term could have a positive impact on the Company's business, results of operations and financial position.

Furthermore, employees with new ideas, expertise in further key indication areas and knowledge of innovative technologies are essential in developing new branches or initiatives such as the Cure X and Target X initiatives the Company is pursuing, since they result in new business opportunities for the Company. Thus, attracting new employees could have a positive impact on the Company's business, results of operations and financial position.

VII. Outlook

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

Expected general market and healthcare development

– Economic development

The year 2013 saw a significant increase in investor appetite for both the pharmaceutical and biotech sectors in the USA. However, on an operational basis the restructuring and reorganisation of recent years continued.

In the coming years, global economic development will again vary widely from region to region. Global gross domestic product ("GDP") will expand moderately in real terms with the forecast for economic growth in 2014 estimated to be 3.6% rising to 3.7% in 2015. In the USA, economic growth is expected to accelerate in 2014 and be at around 2.8% compared to 1.9% in 2013. The Eurozone is expected to move from recession to recovery in 2014, with growth projected to strengthen to 1.0% in 2014 and 1.4% in 2015. For Asia growth forecasts are still higher than for the developed economies of the West, but no longer reaching double-digit growth from the years 2010 and 2011. These expectations, relating to the overall situation, are subject to considerable uncertainties. One key factor will be the timing and extent to which monetary policy accommodation is withdrawn by central banks. However, Evotec is confident that these factors will not have a major impact on the Company's expected corporate development or performance.

– The market for drug discovery alliances

The global drug discovery market is expected to experience continued growth. According to studies from Kalorama Information (June 2010) and Visiongain (2012), the global drug discovery market including later-stage *in vivo* work is expected to reach \$ 14 bn in 2014 compared to the total of \$ 9.7 bn in 2011. Also, according to Visiongain, by 2023 total global revenues generated by drug discovery outsourcing could even reach \$ 35.7 bn. The growth in outsourcing will be stimulated by Pharma and biotech companies focusing on more efficient drug discovery solutions and switching to a variable cost model. This will result in core capabilities and capacities being increasingly outsourced at a lower cost. Most importantly, expertise in required areas will be accessed externally, avoiding the need to build additional infrastructure and capabilities internally. This innovation efficiency demand will be increasingly met by companies such as Evotec.

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

– Trends in research and development

The significant increase in costs to take a drug to market has led to a number of key trends, including an increase in outsourcing and a focus by major Pharma companies concentrating on fewer core disease areas. In terms of proprietary research and development of novel drug compounds, experts believe that sufficient financial resources will remain a critical competitive advantage for biotechnology companies as funding availability will continue to be limited for the coming years. There has been a reduction in venture capital for new enterprises since 2009. However, this situation improved in 2013 as institutional investors again showed an increasing risk appetite concerning innovative ideas coming out of the pharmaceutical and biotechnology industry in the USA. The overall risk appetite in Europe, however, is still somewhat restrained.

Business direction and strategy

Evotec's strategy is to be the leading provider of drug discovery solutions. In 2012, Evotec implemented "Action Plan 2016 – Innovation Efficiency", which defined the next goals the Company wants to achieve in the medium term up to and including 2016.

Evotec will manage its drug discovery activities under the business segments EVT Execute and EVT Innovate from January 2014 onwards. EVT Execute represents all partnerships in which the partner brings the underlying target to the table. EVT Innovate comprises all partnerships derived from Evotec's internal research. Further information on Evotec's two new business segments can be found in chapter "Corporate objectives and strategy" on page 6 of this Management Report.

Based on Action Plan 2016, specific objectives for the segments EVT Execute and EVT Innovate for 2014 were defined at the end of 2013.

EVT Execute	EVT Innovate
<ul style="list-style-type: none"> • Expansion of existing alliances • Significant new long-term deals with big and mid-sized Pharma and biotech • At least one significant new integrated technology/disease alliance 	<ul style="list-style-type: none"> • Expansion of network of top-class academic alliances • Accelerated investments in existing Cure X/Target X initiatives • Partnering of at least one Cure X/Target X initiative

Expected research and development, new products, services and technologies

All of Evotec's new products, services or technologies are based on internal R&D activities, technology agreements with other companies and the acquisition of assets. Evotec is continually upgrading its capabilities to maintain the best infrastructure and skills to meet its partner's needs in drug discovery. This trend is expected to continue in 2014 and beyond.

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

The CureBeta and CureNephron initiatives were started with Harvard University in March 2011 and February 2012, respectively. In January 2013, Evotec expanded this strategy

by signing an agreement with Yale University, whereby both institutions will accelerate targets to a suitable partnering position within this "open innovation alliance". In 2013, Evotec's pipeline of R&D partnerships underwent a significant expansion (further information regarding Evotec's partnerships can be found in chapter "Research and development – Activities and partnerships" on page 12 of this Management Report).

These projects and others that are currently under development are expected to lead to an increasing number of large strategic alliances with pharmaceutical companies in the future. *CureBeta* is an excellent example of this as it entered an alliance with Janssen, a member of the Johnson & Johnson family of companies, in 2012 and has since then been externally funded.

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

Financial outlook for 2014

– Expected operating results

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

In 2014, Evotec **revenues** are expected to see double-digit growth in percentage terms. This assumption is based on the current order book, expected new contracts and contract extensions.

Evotec AG's **EBITDA** before will depend on the productivity of its drug discovery business. In 2014, the EBITDA is expected to slightly improve due to the planned revenue growth. Negative effects may originate from corporate expenses not chargeable to the affiliates. For 2014, these costs are expected to be on the same level as in 2013. Related to the growth of revenues, Evotec also expects further growth of headcount.

Actual results could materially deviate from these projections.

EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles. EBITDA excludes impairments or unimpairments on intangible and tangible assets as well as financial assets.

EBITDA is disclosed from 2014 onwards and replaces the adjusted operating result as the key performance indicator for productivity. The reason for this change is that EBITDA better facilitates comparisons between companies and industries by eliminating the effects of financing (i.e., interest) and capital investments (i.e., depreciation and amortisation).

– Expected financing and financial position

In the beginning of 2013, Evotec announced the acquisition of CCS Cell Culture Service GmbH resulting in an estimated earn-out payment of € 1.3 m in 2014.

In 2014, Evotec will continue to invest in order to drive its long-term growth strategy. **Capital expenditures** are expected to be between € 2.0 m and € 3.0 m and will thereby remain on a similar level as in 2013. Main portions of the investments will be used for expanding laboratory equipments and a lower proportion will be invested in the Manfred Eigen Campus to enable future growth.

Evotec had to finance again some of its subsidiaries in 2013. A small amount of financing is also expected for its affiliates for 2014. It is planned that that Evotec International GmbH will commission the construction of a new building in 2014. Evotec will support its subsidiary in financing this new building.

Due to the strong strategic situation of Evotec the cash situation should remain strong throughout 2014. **Liquidity** is expected to exceed € 60.0 m despite further investments in early research activities. Hence, the Company's mid-term financial plan does not indicate any financing needs for Evotec's operating business. However, all strategically desirable moves such as potential company or product acquisitions will need to be considered separately.

A successful partnering event may influence the critical threshold positively.

	Results 2013	Guidance 2014
Revenues	€ 46.6 m	Double-digit %-growth compared to 2013
EBITDA before impairments	€ (5.2) m	Slight improvement compared to 2013
Capital expenditures	€ 2.0 m	€ 2.0 m - € 3.0 m
Liquidity	€ 65.5 m	Above € 60 m

– Dividends

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

– Opportunities

The most important opportunities for the Company are summarised in section "Opportunities" in chapter "Risk and opportunities management" on page 42 of this Report.

General statement of expected development by the Management Board

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

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

On this basis, the Management Board expects Evotec to show strong revenue growth in 2014 and continued profitability. The Company's strong cash position will provide a firm foundation to consider potential M&A opportunities that might further strengthen the business and increase shareholder value.

VIII. Declaration of corporate management

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

IX. Remuneration report

The Remuneration Report describes the Company's remuneration structure and provides information about payments to the board members in accordance with the requirements of the German Corporate Governance Codex (the "Code"). It is part of both the financial statements and the Corporate Governance Report. The variable remuneration for all employees is detailed in the section "Employees" on page 27 of this Management Report.

Remuneration of the Management Board

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

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

The German Law on the Appropriateness of Management Board Compensation (VorstAG) of 31 July 2009 allows the Annual General Meeting ("AGM") to approve the system of remunerating members of the Management Board (Sec. 120 Para. 4 AktG). The Management Board and the Supervisory Board of Evotec AG proposed such an approval at the AGM in 2012. The shareholders and shareholder representatives voted in favour of this item of the agenda with a majority of 92.22% of the votes. Following Sec. 4.2.3 of the Code this item was not put to the AGM 2013 as the remuneration system for the Management Board has not changed since then.

In 2013, the fixed and variable remuneration of the active members of the Management Board totalled T€ 2,352, of which the variable part amounted to T€ 446 and the long-term incentive component amounted to T€ 610.

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

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

The variable portion of the remuneration paid out in March 2013 was based on the achievement of certain strategic targets for the business year 2012. The variable portion of the remuneration for the achievement of strategic targets for the business year 2013

will be paid out in March 2014. In both years, 80% of the bonus of the Company's Chief Executive Officer, Dr Werner Lanthaler, was based on the achievement of corporate milestones, and the remaining 20% on the achievement of personal objectives. For Colin Bond, Dr Cord Dohrmann and Dr Mario Polywka, as the other members of the Management Board, 60% of their respective bonus was based on the same corporate milestones, and the remaining 40% on the achievement of personal objectives. As per 31 December 2013, the Company accrued T€ 293 for the variable portion of the remuneration for the members of the Management Board, thereof T€ 119 for Dr Werner Lanthaler, T€ 48 for Colin Bond, T€ 68 for Dr Cord Dohrmann and T€ 58 for Dr Mario Polywka. The remuneration for Dr Mario Polywka was not paid by Evotec but is rather recharged as management fee by another Group company.

The 2012 and the 2013 corporate objectives referred to targets considered important for the positive development of the Company, such as the achievement of revenue and profitability targets, the execution of significant integrated collaboration agreements, the implementation of an innovation strategy and the preparation of the Company for sustainable future growth.

In addition to their fixed and variable remuneration, the members of the Management Board received 393,526 Share Performance Awards ("SPA") in 2013 under the Company's share performance plan. These Share Performance Awards vest after four years according to achievement versus defined key performance indicators over a three-year performance measurement period. The fair values of all Share Performance Awards granted as of the grant date amounted to a total of T€ 610 of which T€ 105 for Dr Mario Polywka were recharged by another Group company.

Remuneration of the Management Board 2013					
	Fixed remuneration in T€*	Variable remuneration in T€	Share Performance Awards in pcs	Fair values of SPA granted in T€	Total remuneration in T€
Dr Werner Lanthaler	414	187	179,538	278	879
Colin Bond	280	80	70,014	109	469
Dr Cord Dohrmann	285	87	76,379	118	490
Dr Mario Polywka	317	92	67,595	105	514
Total	1,296	446	393,526	610	2,352

* Includes annual base salary, car allowance, contributions made towards health insurance, pension, accident/life insurance and accommodation cost

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

In accordance with section 4.2.3 of the German Corporate Governance Code, in case of an early termination of their respective Service Agreement in the absence of a change-

of-control situation, payments to the members of the Management Board shall not exceed the amount of two annual remunerations and shall not exceed the amount of remuneration that would be due until the expiration date of the Service Agreement.

The Company has made a provision for pension for one former Management Board member amounting to T€ 164 (2012: T€ 122). No such further provisions are due for other former Management Board members or their surviving dependents.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is set forth in the Company's Articles of Association as last amended by the Annual General Meeting (AGM) 2013 and also applies for the following years, unless a new AGM passes different resolutions for the future.

According to Sec. 113 AktG, Supervisory Board remuneration is to be appropriate to the task of the Supervisory Board members and the situation of the Company. The members of Evotec's Supervisory Board are entitled to fixed payments as well as out-of-pocket expenses. In accordance with the recommendations of the Corporate Governance Code, Chair and Deputy Chair positions on the Supervisory Board, as well as the chair positions and membership on committees, are considered when determining the remuneration of individual members. Consequently, as last amended following the approval of the Annual General Meeting 2013, every Supervisory Board member receives T€ 25 per year, with the Chair receiving three times that amount and the Deputy Chair twice that amount. Members of Supervisory Board committees additionally receive T€ 3.75 per year, with the chairperson receiving T€ 20.

For their contributions in 2013, the individual members of the Evotec Supervisory Board receive the following compensation:

Remuneration of the Supervisory Board 2013	
	Total remuneration in T€ ¹⁾
Dr Walter Wenninger	83.9
Roland Oetker	42.6
Dr Claus Braestrup ²⁾	16.0
Bernd Hirsch ³⁾	1.9
Prof. Dr Andreas Pinkwart	28.8
Mary Tanner	28.8
Dr Hubert Birner ⁴⁾	42.3
Dr Flemming Ørnskov ⁵⁾	35.0
Total	279.3

¹⁾ Cash remuneration

²⁾ Relates to the period from 12 June 2013 onwards, when Dr Claus Braestrup was elected to the Supervisory Board by the Evotec Annual General Meeting.

³⁾ Relates to the period from 16 December 2013 onwards following the appointment of Bernd Hirsch to the Supervisory Board by the trade register.

⁴⁾ Relates to the period until 09 December 2013, when the resignation of Dr Hubert Birner from the Supervisory Board became effective.

⁵⁾ Relates to the period until 12 June 2013, when Dr Flemming Ørnskov resigned as Chairman of the Supervisory Board at the Evotec Annual General Meeting.

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

Directors and Officers Liability Insurance (D&O Insurance)

Evotec procured directors and officers liability insurance coverage for its Management and Supervisory Board members, its senior management and the directors of its subsidiaries at a cost to the Company of T€ 117 in 2013 (2012: T€ 117). For the members of Supervisory Board, an appropriately sized deductible, and for the members of the Management Board, a deductible in line with the stipulations of the legal provisions of the VorstAG, were agreed upon.

Auditor's Report

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

„Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the statement of operations and the notes to the financial statements, together with the bookkeeping system and the management report of Evotec AG, Hamburg, for the business year from 1 January to 31 December 2013. 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 German 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, 7 March 2014

KPMG AG

Wirtschaftsprüfungsgesellschaft

Kniese
Wirtschaftsprüfer
[German Public Auditor]

Zander
Wirtschaftsprüfer
[German Public Auditor]