#RESEARCHNEVERSTOPS

Half-year Interim

REPORT '18

PUBLICATION DATE 09 AUGUST 2018

For further information, please contact: *Gabriele Hansen VP, Corporate Communications & Investor Relations, gabriele.hansen@evotec.com, T. +49.(0)40.560 81-255, F. +49.(0)40.560 81-333, www.evotec.com*

I. MANAGEMENT REPORT – EXTERNAL INNOVATION

- *SIGNIFICANT GROWTH AND ACCELERATION OF BOTH BUSINESS SEGMENTS*
- *STRONG FINANCIAL PERFORMANCE IN H1 2018*
- *CONTINUED FOCUS ON INTEGRATED DRUG DISCOVERY AND DEVELOPMENT*
- *H2 2018 GUIDANCE UPDATE REGARDING R&D EXPENSES*

HIGHLIGHTS

STRONG FINANCIAL PERFORMANCE – NEW BUSINESS MIX FOLLOWING ACQUISITION OF APTUIT

- 67% increase in consolidated Group revenues to € 173.8 m (H1 2017: € 104.3 m)
- Strong revenue growth in both segments: EVT Execute revenues up 61% to € 163.3 m; EVT Innovate revenues up 52% to € 32.0 m
- Adjusted Group EBITDA increased to € 38.6 m (H1 2017: € 26.2 m); adjusted EBITDA of € 36.3 m for EVT Execute (H1 2017: € 28.6 m)
- Group R&D expenses up 17% to € 10.0 m (H1 2017: € 8.5 m)
- Acquisition loan from August 2017 repaid by 50% (partially after period-end) mainly from operational cash flows
- Strong liquidity position of € 109.8 m

EVT EXECUTE – OPERATIONAL EXCELLENCE

- Strong progress within ongoing alliances (e.g. Forge, Dermira, C4X, Blackthorn, Abivax) and good clinical progress within Bayer endometriosis alliance: Start of third clinical Phase I study in endometriosis and initiation of Phase II in chronic cough (after period-end)
- New and extended integrated drug discovery and development agreements (e.g. Katexco)
- Continued strong performance of high-throughput ADME-tox testing from Cyprotex
- Aptuit integration according to plan: Positive development of business and good uptake of INDiGO solution to accelerate drug candidate delivery (e.g. Carna Biosciences, Petra Pharma); expansion of INDiGO capacity initiated

EVT INNOVATE – SCIENTIFIC EXCELLENCE

- Sanofi's infectious disease unit taken over by Evotec effective 01 July 2018: Evotec now has the largest global footprint in infectious diseases plus a broad pipeline of drug candidates and discovery projects
- New strategic long-term partnership with Celgene in oncology with upfront payment of $ 65 m
- Important milestone achievements (e.g. iPSC diabetes alliance with Sanofi, iPSC neurodegeneration alliance with Celgene)
- Continued focus on expansion of iPSC platform and patient-centric approaches
- Academic BRIDGE model accelerated (e.g. expansion of funded projects under LAB150 and LAB**282**; LAB591 successfully established)

CORPORATE

- Conversion of the Company into European Company (SE) approved by the Annual General Meeting 2018

GUIDANCE UPDATE H2 2018

- Guidance on Group revenues – Growth of >30% confirmed
- Guidance on adjusted Group EBITDA – Growth of approx. 30% confirmed
- Guidance on R&D expenses increased – R&D expenses for 2018 will increase to € 35-45 m (from € 20-30 m) due to investments in newly acquired infectious disease unit; there will be no impact on the adjusted Group EBITDA since the costs for the first five years will be covered by Sanofi

FINANCIAL HIGHLIGHTS

The following table provides an initial overview of the financial performance in the first half of 2018 and 2017. More detailed information can be found on page 6 of this half-year report.

Key figures of consolidated income statement & segment information

(Note: Different business mix following the acquisition of Aptuit in 2017)

Evotec AG & subsidiaries – First six months of 2018

In T€	*EVT Execute*	*EVT Innovate*	*Evotec Group H1 2018*	*Evotec Group H1 2017[3]*
External revenues	141,787	31,971	173,758	104,335
Intersegment revenues	21,547	–	–	–
Gross margin in %	22.4	50.4	28.9	35.7
R&D expenses	(359)	(12,009)	(10,015)	(8,542)
SG&A expenses	(23,353)	(3,764)	(27,117)	(15,790)
Impairment of intangible assets[1]	–	(4,167)	(4,167)	–
Other operating income (expenses), net	9,101	3,596	12,697	5,553
Operating result	**21,915**	**(225)**	**21,690**	**18,439**
Adjusted EBITDA[2]	***36,268***	***2,331***	***38,599***	***26,215***

[1] *This is offset by a release of earn-out accruals related to the EVT770 programme (€ 2.3 m), which were recorded as operating income.*
[2] *Before contingent considerations, income from bargain purchase and excluding impairments on goodwill, other intangible and tangible assets as well as the total non-operating result*
[3] *2017 figures adjusted from the first time application of IFRS 15*

EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles as reported in the consolidated financial statements of the Group. More details are described in the notes to the unaudited interim condensed consolidated financial statements on page 17 of this half-year report.

OPERATIONAL HIGHLIGHTS

EVT EXECUTE

Continued focus on operational excellence, innovation efficiency and long-term alliances

In the first half of 2018, the EVT Execute segment was able to continue its strong operational performance of the previous quarters. Good progress was achieved in Evotec's existing alliances (e.g. Forge, Dermira, C4X, Blackthorn, Abivax) and new and expanded alliances were also signed (e.g. Katexco). In Evotec's multi-target alliance with Bayer, further promising small molecules for the treatment of endometriosis advanced into Phase I and for the treatment of chronic cough into Phase II (after period-end). Since the beginning of the collaboration in 2012, six first-in-class/best-in-class non-hormonal pre-clinical candidates have been generated, out of which three programmes progressed into Phase I/Phase II clinical trials.

In the first six months of 2018, Evotec continued to focus on upgrading its cutting-edge drug discovery and development platform. In addition, Evotec's ADME-tox screening business (Cyprotex) continued to show impressive growth and performance.

Focus on drug development

After the acquisition of Aptuit in August 2017, the Aptuit operations are well on track with regard to the successful integration into Evotec's business and demonstrated a good performance in the first six months of 2018. Only seven months after the acquisition, Evotec launched its accelerated drug development service INDiGO in March 2018. INDiGO is an integrated and highly efficient process to IND submission, which reduces the time and cost of pre-clinical drug development whilst delivering a high-quality data package for CTA/IND level regulatory filing. With the launch of INDiGO, Evotec's expertise and capabilities are uniquely combined under one roof to accelerate drug candidate delivery for its partners. The scale of this capability means that Evotec works on 10-15 INDiGO projects at any time. In the first six months of 2018, INDiGO deals have been signed with Carna Biosciences and Petra Pharma, among others. In addition, Aptuit's standalone development services and integrated CMC continued to deliver and sign new programmes. The expansion of the API capacity volume in Oxford and in Verona will be completed in the second half of 2018, affording significant important scale to maximise on INDiGO opportunities.

EVT INNOVATE

New strategic effort in infectious diseases

Shortly after period-end, the strategic transaction signed on 15 June 2018 to integrate Sanofi's infectious disease unit including licensing-in the majority of Sanofi's infectious disease research portfolio was successfully closed effective 01 July 2018. Evotec intends to accelerate the infectious disease research pipeline development and initiate new open innovation R&D initiatives in the field of anti-infectives. As part of the transaction, Evotec will take over and integrate approx. 100 highly qualified employees into its global drug discovery and development operations. The transaction results in a € 60 m upfront cash payment from Sanofi to Evotec (€ 43 m in cash plus € 17 m cash of the acquired company) and further guaranteed financial commitments for a five-year period. It will result in increased other operating income as well as significantly increased R&D expenses and will be slightly accretive to Evotec's EBITDA over the next five years.

New strategic long-term partnership with Celgene in oncology

In May 2018, Evotec announced a further collaboration with Celgene, in addition to the already existing relationship from 2016. This new long-term strategic drug discovery and development partnership aims to identify new therapeutics in oncology, leveraging Evotec's phenotypic screening capabilities and unique compound libraries and associated target deconvolution capabilities. Evotec received an upfront payment of $ 65 m and is eligible to receive additional significant milestone payments as well as tiered royalties on each programme licensed to Celgene.

Important milestone achievements

The EVT Innovate segment recorded a very good first half of 2018 with regard to milestone achievements. In the strategic alliance with Sanofi in the field of diabetes (Target*BCD*), Evotec recorded milestone payments of € 3 m. Evotec reached its second beta cell therapy milestone after meeting all pre-agreed critical success criteria for a potential manufacturing process for the generation of human induced pluripotent stem cell (iPSC)-derived beta cells, including the demonstration of upscaling potential and suitability of the cell product for encapsulated beta cell function in diabetes models.

In addition, Evotec received a payment of $ 6 m from Celgene following Celgene's decision to expand the iPSC-based alliance in neurodegeneration to include additional cell lines. Evotec continues to place great emphasis on the expansion and development of its iPSC platform and patient-centric approaches and thus entered into a non-exclusive licence agreement with ID Pharma, enabling Evotec to expand its ability to produce even more patient-derived iPS cell lines.

Academic BRIDGE model accelerated

Evotec's academic BRIDGE model was initiated in 2016 to ease the funding gap between early drug discovery in Academia and large Pharma companies and has so far attracted significant interest by academia and industry. In May 2018, Evotec, the Fred Hutchinson Cancer Research Center and Arix Bioscience founded the academic BRIDGE LAB591. This first US academic

BRIDGE aims to accelerate research discoveries at Fred Hutchinson and leverage these discoveries to form new companies focused on cancer and infectious disease drug development. Furthermore, in February 2018, a first project was selected in the academic BRIDGE LAB150 with MaRS Innovation in Toronto, Canada, initiated in September 2017. In addition, three additional projects were selected in LAB**282** with Oxford University, initiated in November 2016.

CORPORATE

Conversion of the Company into European Company (SE)

At the Annual General Meeting 2018 on 20 June 2018 in Hamburg, Evotec's shareholders voted to support the conversion of Evotec AG into a European Company with a majority of 99.96%. After finalising the mandatory negotiation process regarding the future arrangements for employee involvement, Evotec AG will be transferred into Evotec SE with the registered seat and headquarters remaining in Hamburg, Germany.

A. OPERATIONS

Changes in Group structure, corporate strategy and objectives, product offering and business activities

The Company continues to be managed in line with the corporate objectives and strategy described in Evotec's Annual Report 2017 on pages 29 and 30.

B. REPORT ON THE FINANCIAL SITUATION AND RESULTS

Note: The 2017 and 2018 results are not fully comparable. The difference stems from the acquisition of Aptuit, effective 11 August 2017. The results from Aptuit are only included from 11 August 2017 onwards. The accounting policies used to prepare this interim information are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 01 January 2018.

From 01 January 2018 onwards, Evotec applies IFRS 15 in the financial year 2018. The comparison period in 2017 is also presented according to IFRS 15 in this half-year report, affecting data in the consolidated interim financial statement. Reference is made to note 4 of the unaudited interim condensed consolidated financial statements.

1. Results of operations

Evotec's **Group revenues** for the first half of 2018 grew to € 173.8 m, a significant increase of 67% compared to the same period of the previous year (H1 2017: € 104.3 m). This increase is due to a strong performance in the base business, the positive Aptuit contribution (€ 53.6 m) as well as increased milestone achievements. The total revenues from milestones, upfronts and licences for the first half of 2018 amounted to € 15.5 m and increased by 17% over the same period of the previous year (H1 2017: € 13.3 m).

Geographically, 52% of Evotec's revenues were generated with European customers, 45% with customers in the USA and 3% with customers in the rest of the world. This compares to 60%, 38% and 2%, respectively, in the same period of the previous year.

Costs of revenue for the first half of 2018 amounted to € 123.5 m (H1 2017: € 67.1 m) and included significant amortisation of intangible assets from the purchase price allocation of the recent strategic acquisitions, yielding a gross margin of 28.9% (H1 2017: 35.7%). This margin change compared to 2017 reflects a new business mix following the most recent acquisition of Aptuit as well as higher amortisation of intangible assets. Additionally, adverse FX effects impacted the gross margin. Gross margin excluding total amortisation amounted to 32.5%. As has previously been stated, gross margins in the future may be volatile due to the dependency of the financial results on the receipt of potential milestone or out-licensing payments.

R&D expenses for the first half of 2018 increased by 17% to € 10.0 m (H1 2017: € 8.5 m) reflecting continued development on initiatives in the fields of CNS and metabolic diseases as well as academic BRIDGE initiatives.

SG&A expenses for the first half of 2018 increased by 72% to € 27.1 m (H1 2017: € 15.8 m) and are not comparable with the prior-year period due to the Aptuit acquisition in August 2017. The SG&A expenses have been stable since this acquisition. SG&A expenses in the first six months of 2018 were mainly impacted by expenses of Aptuit for six months as well as an increase in headcount in response to Company growth and M&A-related expenses.

In the first six months of 2018, **impairments of intangible assets** of € 4.2 m were recorded (H1 2017: € 0.0 m). The EVT770 programme was fully impaired (€ 4.0 m) as the project was put on hold. This results in a counter-effect, which is described in more detail in the following paragraph. The developed assets resulting from the acquisition of Panion Ltd. were fully impaired (€ 0.2 m) as it was decided to discontinue the programme.

Other operating income and expenses, net in the first six months of 2018 amounted to € 12.7 m (H1 2017: € 5.6 m) and mainly resulted from R&D tax credits in France, the UK and Italy in the amount of € 10.3 m (H1 2017: € 5.6 m), which are recorded as other operating income. In addition, the impairment of intangible assets led to a release of earn-out accruals related to the EVT770 programme which were recorded as operating income (€ 2.3 m).

Consequently, Evotec's **operating result** for the first half of 2018 increased to € 21.7 m (H1 2017: € 18.4 m).

The **total non-operating result** in the first half of 2018 was positively impacted by a foreign currency exchange gain of € 0.7 m, net, which was offset by net interest expenses. Evotec's share in the net result of its equity investments in the first six months of 2018 of € (1.4) m mainly related to Exscientia, Topas Therapeutics and Facio and is included in the position "Share of the loss of associates accounted for using the equity method".

Adjusted Group EBITDA in the first six months of 2018 significantly increased by 47% to € 38.6 m (H1 2017: € 26.2 m).

The **net result** in the first half of 2018 significantly increased to € 17.9 m (H1 2017: € 10.3 m).

Earnings per share for the first half of 2018 were € 0.12 (H1 2017: € 0.07).

2. Operating segments EVT Execute and EVT Innovate

Revenues from the EVT Execute segment amounted to € 163.3 m in the first half of 2018, an increase of 61% compared to the same period of the previous year (H1 2017: € 101.3 m). This increase is primarily attributable to growth in the base business and the Aptuit contribution for the first six months of 2018. Included in this amount are € 21.5 m of intersegment revenues (H1 2017: € 18.0 m). The EVT Execute segment recorded costs of revenue of € 126.8 m in the first six months of 2018 (H1 2017: € 71.6 m), resulting in a gross margin of 22.4% (H1 2017: 29.3%). The gross margin was affected, against the prior-year period, by amortisation of intangible assets, the new business mix with a different margin expectation in the Aptuit business and adverse FX effects. In the first six months of 2018, the adjusted EBITDA of the EVT Execute segment was strong at € 36.3 m and significantly improved compared to the same period of the previous year (H1 2017: € 28.6 m).

The EVT Innovate segment generated revenues in the amount of € 32.0 m (H1 2017: € 21.1 m), consisting entirely of third-party revenues. This 52% increase in EVT Innovate revenues primarily resulted from milestone achievements in the first half of 2018 and the new Celgene oncology collaboration. The EVT Innovate segment reported costs of revenue of € 15.9 m (H1 2017: € 11.4 m), resulting in a gross margin of 50.4% compared to 46.1% in the prior-year period. R&D expenses for the EVT Innovate segment increased from € 10.4 m in the first six months of 2017 to € 12.0 m in the first six months of 2018. This increase is primarily due to expenses in the fields of metabolic and CNS diseases as well as academic BRIDGE initiatives. The EVT Innovate segment reported a positive adjusted EBITDA of € 2.3 m (H1 2017: € (2.4) m) mainly due to milestone achievements.

3. Financing and financial position

Cash provided by operating activities for the first half of 2018 amounted to very strong € 71.2 m (H1 2017: cash provided by operating activities of € 2.5 m). This increase compared to the prior-year period mainly results from the $ 65 m (approx. € 55 m) upfront payment from the new Celgene oncology collaboration. The positive operating result of the first six months of 2018 also contributed favourably but was partly offset by the increase in working capital resulting primarily from R&D tax credit receivables as well as prepayments at the beginning of the year.

Cash used in investing activities for the first half of 2018 amounted to € 13.6 m compared to cash used in investing activities of € 69.6 m in the same period of the previous year. The prior-year period was affected by the investments of the proceeds from the capital increase in February 2017. In the first six months of 2018, the proceeds from the sale of current investments (€ 5.5 m) exceeded the purchase of current investments (€ 0.0 m). The purchase of investments in associated companies and other long-term investments in the first six months of 2018 (€ 2.7 m) related to the second round of financing of Topas Therapeutics (€ 2.0 m) and Forge (€ 0.7 m). Capital expenditures amounted to € 14.2 m (H1 2017: € 6.9 m). The increase is mainly related to the Aptuit sites.

Cash used in financing activities for the first half of 2018 amounted to € 33.5 m (H1 2017: cash provided by financing activities of € 70.1 m) and primarily related to a partial repayment of bank loans and finance leases (€ 33.1 m, net). The prior-year period was affected by the proceeds from the capital increase in February 2017.

Liquidity, which includes cash and cash equivalents (€ 91.3 m) and investments (€ 18.5 m) amounted to € 109.8 m at the end of June 2018 (31 December 2017: € 91.2 m).

4. Assets, liabilities and stockholders' equity

Assets
The increase in current tax receivables to € 10.6 m (31 December 2017: € 6.9 m) is primarily related to higher R&D tax receivables in Italy and France.

The increase in not yet invoiced accounts receivables to € 14.5 m (31 December 2017: € 11.2 m) primarily relates to the Aptuit sites.

Intangible assets decreased to € 125.3 m (31 December 2017: € 135.0 m) mainly following regular amortisation as well as the impairments of EVT770 and the Panion asset as well as FX effects.

Changes in liquidity are explained above under "Financing and financial position".

The Company was not involved in any off-balance-sheet financing transactions.

Liabilities
The decrease in current loan liabilities and finance lease obligations to € 132.2 m (31 December 2017: € 168.5 m) mainly results from the partial early repayment of the bridge loan (€ 30 m).

Current deferred revenues increased to € 36.5 m (31 December 2017: € 16.2 m) mainly due to the current portion of the new Celgene oncology upfront payment.

Non-current deferred revenues increased to € 55.2 m (31 December 2017: € 28.7 m) primarily as a result of the long-term portion of the new Celgene oncology upfront payment. This increase was partly offset by the recognition of revenues in the first six months 2018 from the Bayer and Celgene collaborations.

Stockholders' equity
As of 30 June 2018, Evotec's capital structure remained largely unchanged compared to the end of 2017. Due to the exercise of stock options and share performance awards, there were in total 147,547,269 shares issued and outstanding with a nominal value of € 1.00 per share as of 30 June 2018. Included in this amount as of 30 June 2018 were 249,915 treasury shares.

Evotec's equity ratio as of 30 June 2018 slightly increased to 50.9% (31 December 2017: 49.9%).

More details regarding assets, liabilities and stockholders' equity are described in the notes to the unaudited interim condensed consolidated financial statements on page 20 of this half-year report.

5. Human Resources

Employees

At the end of June 2018, 2,268 people were employed within the Evotec Group (31 December 2017: 2,178 employees).

Stock-based compensation

In the first six months of 2018, no stock options were granted to Evotec employees and no options were exercised. As of 30 June 2018, the total number of options available for future exercise amounted to 111,814 (approximately 0.0% of shares in issue).

During the first half of 2018, 230,390 share performance awards were granted to members of the Management Board and other key employees and 14,588 shares were issued through the exercise of share performance awards. As of 30 June 2018, the total number of share performance awards available for future exercise amounted to 3,672,285 (approximately 2.5% of shares in issue).

Options and share performance awards have been accounted for under IFRS 2 using the fair value at the grant date. In the first six months of 2018, no options and no share performance awards held by employees of the Company continued to be valid after termination of the relating employment.

Shareholdings of the Boards of Evotec AG

Number of shares

	01 Jan 18	Additions	Sales	30 June 18
Management Board				
Dr Werner Lanthaler	838,053	–	–	838,053
Enno Spillner	–	–	–	–
Dr Cord Dohrmann[1)]	46,218	–	–	46,218
Dr Mario Polywka	60,000	–	–	60,000

1) Dr Cord Dohrmann received his shares in Evotec through a transfer from an escrow account in accordance with the share purchase agreement in July 2010 in exchange for his share in DeveloGen

Number of stock options

	01 Jan 18	Additions	Exercise	Expired options	30 June 18
Management Board					
Dr Werner Lanthaler	–	–	–	–	–
Enno Spillner	–	–	–	–	–
Dr Cord Dohrmann	111,814	–	–	–	111,814
Dr Mario Polywka	–	–	–	–	–

Number of Share Performance Awards

	01 Jan 18	Additions	Exercise	30 June 18
Management Board				
Dr Werner Lanthaler	775,850	57,065	–	832,915
Enno Spillner	78,295	13,990	–	92,285
Dr Cord Dohrmann	301,324	16,828	–	318,152
Dr Mario Polywka	310,764	15,978	–	326,742

The Supervisory Board of Evotec AG does not hold any stock options or Share Performance Awards.

Pursuant to Article 19 of the European Market Abuse Regulation (EU-Marktmissbrauchverordnung), the above tables and information list the number of Company shares held and rights for such shares granted to each board member as of 30 June 2018 separately for each member of our Management.

C. RISKS AND OPPORTUNITIES MANAGEMENT

The risks and opportunities described in Evotec's Annual Report 2017 on pages 60 to 67 remain unchanged. At present, no risks have been identified that either individually or in combination could endanger the continued existence of Evotec AG.

D. SUBSEQUENT EVENTS

Shortly after period-end, the strategic transaction signed on 15 June 2018 to integrate Sanofi's infectious disease unit in Lyon including licensing-in the majority of Sanofi's infectious disease research portfolio has been successfully closed effective 01 July 2018.

E. GENERAL MARKET AND HEALTHCARE ENVIRONMENT

Global economic development

Overall, the global economy had a robust start in 2018 with a slightly decelerating growth rate in the second quarter of 2018. Though forecasts predict a robust global economic growth in 2018, some downward risks such as fears of a trade war, rising energy prices, tightening financial conditions, especially following the European Central Bank's decision to end its bond purchasing programme in December 2017 and widespread political uncertainty in some emerging countries still remain. In Europe, a strong Euro and slowing global recovery led to a decline in overseas sales and the BREXIT is still a persistent theme which may also impact commercially relevant criteria such as currency movements.

Trends in the pharmaceutical and biotechnology sector

In the first half of 2018, there were no material changes to the overall trends in the pharmaceutical and biotechnology sector described in Evotec's Annual Report 2017 on page 41. Please see Evotec's Annual Report 2017 for further information.

F. FINANCIAL OUTLOOK

Guidance 2018 adjusted

Following the closing of the agreement to take over Sanofi's infectious disease unit, the financial guidance 2018 was updated. Evotec now expects R&D expenses to range from € 35-45 m (previously: € 20-30 m). All other elements of the guidance 2018 provided in Evotec's Annual Report 2017, which was published on 28 March 2018, are confirmed in this report. In particular, the additional R&D efforts are not expected to impact the adjusted EBITDA since these extra R&D expenses will be covered by other operating income recognised in context of this new agreement with Sanofi. Please see the table below for further details.

	Guidance 2018	*Actual 2017[2)]*
Group revenues	More than 30% growth	€ 257.3 m
Adjusted Group EBITDA[1)]	Improve by approx. 30% compared to 2017	€ 58.4 m
R&D expenses	Approx. € 35-45 m (previously: approx. € 20-30 m)	€ 17.6 m

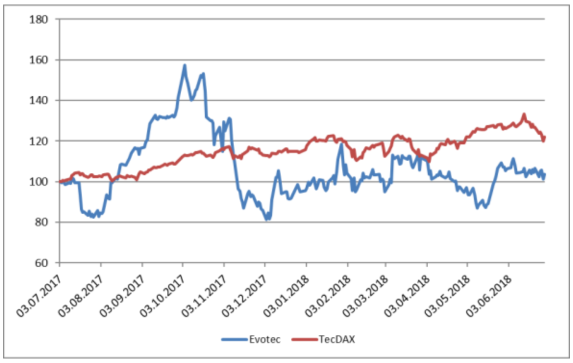
1) EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles. Adjusted EBITDA excludes contingent considerations, income from bargain purchase and impairments on goodwill, other intangible and tangible assets as well as the total non-operating result

2) 2017 figures adjusted from the first time application of IFRS 15. Reference is made to note 4 of the unaudited interim condensed consolidated financial statements.

G. EVOTEC SHARE

Performance of the Evotec share over the past twelve months

The DAX index closed the first half of 2018 down 5% at 12,306 points. Evotec's share price ended the first half of 2018 at € 14.74. This represents an increase of 9% compared to its opening price for 2018 (€ 13.55). The main benchmark index for the Evotec share, the TecDAX, gained about 6% in the first six months of 2018.



II. UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Evotec AG and Subsidiaries
Consolidated interim statement of financial position as of 30 June 2018[1)]

in T€ except share data	*footnote reference*	*as of 30 June 2018*	*as of 31 December 2017*
ASSETS			
Current assets:			
— Cash and cash equivalents		91,309	67,017
— Investments		18,504	24,139
— Trade accounts receivables		46,002	45,590
— Accounts receivables from related parties		605	523
— Inventories		5,260	5,002
— Current tax receivables	8	10,605	6,903
— Not yet invoiced accounts receivables	9	14,479	11,174
— Other current financial assets		421	791
— Prepaid expenses and other current assets	10	20,567	16,644
Total current assets		**207,752**	**177,783**
Non-current assets:			
— Investments accounted for using the equity method and other long-term investments		23,387	22,113
— Property, plant and equipment		80,191	74,662
— Intangible assets, excluding goodwill	11	125,327	135,033
— Goodwill		220,413	220,178
— Deferred tax asset		20,154	19,233
— Non-current tax receivables		11,919	11,168
— Other non-current financial assets		24	28
— Other non-current assets		4,601	4,601
Total non-current assets		**486,016**	**487,016**
Total assets		**693,768**	**664,799**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
— Current loan liabilities	12	131,464	167,763
— Current portion of finance lease obligations		703	705
— Trade accounts payable		23,617	26,078
— Provisions	13	19,060	22,090
— Deferred revenues	14	36,488	16,164
— Current income tax payables		1,215	2,033
— Other current financial liabilities	15	5,187	1,666
— Other current liabilities		6,634	6,446
Total current liabilities		**224,368**	**242,945**
Non-current liabilities:			
— Non-current loan liabilities	16	23,519	20,295
— Long-term finance lease obligations		780	1,165
— Deferred tax liabilities		22,549	23,692
— Provisions	17	13,532	15,366
— Deferred revenues	18	55,180	28,680
— Other non-current financial liabilities		778	741
Total non-current liabilities		**116,338**	**89,939**
Stockholders' equity:			
— Share capital		147,547	147,533
— Additional paid-in capital		780,926	778,858
— Accumulated other comprehensive income		(28,071)	(28,903)
— Accumulated deficit		(548,330)	(566,565)
Equity attributable to shareholders of Evotec AG		**352,072**	**330,923**
Non-controlling interest		990	992
Total stockholders' equity		**353,062**	**331,915**
Total liabilities and stockholders' equity		**693,768**	**664,799**

[1)] 2017 figures adjusted from the first time application of IFRS 4, reference is made to note 4

Evotec AG and Subsidiaries
Consolidated interim income statement for the period from 01 January to 30 June 2018[1)]

in T€ except share and per share data	*footnote reference*	*Six months ended 30 June 2018*	*Six months ended 30 June 2017*	*Three months ended 30 June 2018*	*Three months ended 30 June 2017*
Revenues	4	173,758	104,335	94,774	53,424
Costs of revenue		(123,466)	(67,117)	(62,970)	(35,200)
Gross profit		**50,292**	**37,218**	**31,804**	**18,224**
Operating income and (expenses)					
— Research and development expenses		(10,015)	(8,542)	(5,399)	(3,891)
— Selling, general and administrative expenses		(27,117)	(15,790)	(13,823)	(8,476)
— Impairment of intangible assets		(4,167)	–	(4,167)	–
— Other operating income		22,315	12,529	11,597	5,823
— Other operating expenses		(9,618)	(6,976)	(4,853)	(3,163)
Total operating expenses		**(28,602)**	**(18,779)**	**(16,645)**	**(9,707)**
Operating income		**21,690**	**18,439**	**15,159**	**8,517**
Non-operating income (expense)					
— Interest income		301	566	–	313
— Interest expense		(1,113)	(375)	(666)	(136)
— Share of the loss of associates accounted for using the equity method		(1,413)	(614)	(685)	(381)
— Other income from financial assets		4	50	1	50
— Other expense from financial assets		–	(374)	–	(172)
— Foreign currency exchange gain (loss), net		673	(3,709)	2,200	(3,326)
— Other non-operating income		72	19	69	2
Total non-operating income (expense)		**(1,476)**	**(4,437)**	**919**	**(3,650)**
Income before taxes		**20,214**	**14,002**	**16,078**	**4,867**
— Current tax expense		(4,100)	(3,738)	(2,570)	(1,594)
— Deferred tax income (expense)		1,753	57	780	(48)
Total taxes		**(2,347)**	**(3,681)**	**(1,790)**	**(1,642)**
Net income		**17,867**	**10,321**	**14,288**	**3,225**
thereof attributable to:					
Shareholders of Evotec AG		17,869	10,560	14,288	3,287
Non-controlling interest		(2)	(239)	–	(62)
Weighted average shares outstanding		**147,295,047**	**143,068,464**	**147,297,465**	**146,382,976**
Net income (loss) per share (basic)		**0.12**	**0.07**	**0.10**	**0.02**
Net income (loss) per share (diluted)		**0.12**	**0.07**	**0.10**	**0.02**

[1)] 2017 figures adjusted from the first time application of IFRS 15, reference is made to note 4

Evotec AG and Subsidiaries
Consolidated interim statement of comprehensive income for the period from 01 January to 30 June 2018[1)]

in T€	***Six months ended 30 June 2018***	***Six months ended 30 June 2017***	***Three months ended 30 June 2018***	***Three months ended 30 June 2017***
Net income	**17,867**	**10,321**	**14,288**	**3,225**
Accumulated other comprehensive income				
Items which have to be re-classified to the income statement at a later date				
— Foreign currency translation	876	(4,529)	(1,369)	(4,483)
— Revaluation and disposal of investments accounted for at fair value through other comprehensive income	(44)	414	–	–
— Revaluation and disposal of available-for-sale securities	–	–	(44)	(289)
Other comprehensive income	**832**	**(4,115)**	**(1,413)**	**(4,772)**
Total comprehensive income	**18,699**	**6,206**	**12,875**	**(1,547)**
Total comprehensive income (loss) attributable to:				
— Shareholders of Evotec AG	18,701	6,445	12,875	(1,485)
— Non-controlling interest	(2)	(239)	–	(62)

[1)] 2017 figures adjusted from the first time application of IFRS 15, reference is made to note 4

Evotec AG and Subsidiaries
Condensed consolidated interim statement of cash flows for the six months ended 30 June 2018

in T€	***Six months ended 30 June 2018***	***Six months ended 30 June 2017***
Cash flows from operating activities:		
— Net income[1)]	17,867	10,321
— Adjustments to reconcile net income to net cash provided by operating activities	21,159	10,310
— Change in assets and liabilities[1)]	32,186	(18,115)
Net cash provided by operating activities	**71,212**	**2,516**
Cash flows from investing activities:		
— Purchase of current investments	–	(78,801)
— Purchase of investments in associated companies and other long-term investments	(2,689)	(4,644)
— Purchase of property, plant and equipment	(14,196)	(6,941)
— Purchase of intangible assets	(430)	–
— Payment of subsequent contingent considerations	(2,140)	–
— Proceeds from sale of property, plant and equipment	405	65
— Proceeds from sale of current investments	5,483	20,714
Net cash used in investing activities	**(13,567)**	**(69,607)**
Cash flows from financing activities:		
— Proceeds from capital increase	–	90,248
— Proceeds from option exercise	15	880
— Proceeds from loans	15,559	–
— Repayment finance lease obligation	(392)	(100)
— Repayment of loan notes	–	(203)
— Repayment of loans	(48,647)	(20,758)
Net cash provided by (used in) financing activities	**(33,465)**	**70,067**
Net increase in cash and cash equivalents	**24,180**	**2,976**
— Exchange rate difference	112	1,083
— Cash and cash equivalents at beginning of year	67,017	83,940
Cash and cash equivalents at end of the period	**91,309**	**87,999**

[1)] 2017 figures adjusted from the first time application of IFRS 15, reference is made to note 4

Evotec AG and Subsidiaries
Interim consolidated statement of changes in stockholders' equity of the six months ended 30 June 2018[1)]

	Share capital			*Income and expense recognised in other comprehensive income*					
in T€ except share data	***Shares***	***Amount***	***Additional paid-in capital***	***Foreign currency translation***	***Re-valuation reserve***	***Accu-mulated deficit***	***Stockholders equity attributable to the Share-holders of Evotec AG***	***Non-con-trolling interest***	***Total stock-holders' equity***
Balance at 01 January 2017	**133,051,739**	**133,052**	**698,069**	**(31,562)**	**6,410**	**(592,553)**	**213,416**	**901**	**214,317**
— Capital increase	13,146,019	13,146	77,102	–	–	–	90,248	–	90,248
— Exercised stock options	472,733	472	407	–	–	–	879	–	879
— Stock option plan	–	–	1,126	–	–	–	1,126	–	1,126
— Purchase of subsidiary with non-controlling interest			–	–	–	–	–	348	348
— Deferred tax on future deductible expenses	–	–	–	–	–	1,671	1,671	–	1,671
Other comprehensive income	–	–	–	(4,529)	414	–	(4,115)	–	(4,115)
Net income for the period	–	–	–	–	–	10,560	10,560	(239)	10,321
Total comprehensive income (loss)				**(4,529)**	**414**	**10,560**	**6,445**	**(239)**	**6,206**
Balance at 30 June 2017	**146,670,491**	**146,670**	**776,704**	**(36,091)**	**6,824**	**(580,322)**	**313,785**	**1,010**	**314,795**
Balance at 01 January 2018	**147,532,681**	**147,533**	**778,858**	**(35,287)**	**6,384**	**(566,565)**	**330,923**	**992**	**331,915**
— IFRS 9 adjustment	–	–	–	–	–	(10)	(10)	–	(10)
— Exercised stock options	14,588	14	–	–	–	–	14	–	14
— Stock option plan	–	–	2,068	–	–	–	2,068	–	2,068
— Tax on future deductible expenses	–	–	–	–	–	376	376	–	376
Other comprehensive income	–	–	–	876	(44)	–	832	–	832
Net income for the period	–	–	–	–	–	17,869	17,869	(2)	17,867
Total comprehensive income				**876**	**(44)**	**17,869**	**18,701**	**(2)**	**18,699**
Balance at 30 June 2018	**147,547,269**	**147,547**	**780,926**	**(34,411)**	**6,340**	**(548,330)**	**352,072**	**990**	**353,062**

[1)] 2017 figures adjusted from the first time application of IFRS 15, reference is made to note 4

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements of Evotec have been prepared in accordance with IAS 34 on interim reporting in conjunction with International Financial Reporting Standards (IFRS) and their interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The interim consolidated financial statements have been prepared on cost basis, except for derivative financial instruments, which are measured at fair value as well as investments accounted for at fair value through other comprehensive income (equity) and long-term investments accounted for at fair value through profit and loss. The accounting policies used to prepare interim information are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 01 January 2018. Income tax income and expense is recognised in interim periods based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The interim consolidated financial statements do not include all of the information and footnotes required under IFRS for complete financial statements according to IAS 1. As a result, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2017. In the opinion of the management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included.

2. Principles of consolidation

Effective 11 August 2017, Evotec acquired 100% of the shares in Aptuit Global LLC, Princeton, USA, and hereby Aptuit Verona SRL, Verona, IT, and Aptuit Oxford Ltd, Abingdon, UK, Aptuit (Switzerland) AG, Basel, CH, and Aptuit (Potters Bar) Ltd, Abingdon, UK. This acquisition has been fully consolidated since that date.

Due to this acquisition, the interim condensed consolidated financial statements for the first six months of 2017 and 2018 are not fully comparable.

3. Use of estimates

In the interim condensed consolidated financial statements for the six months ended 30 June 2018, the Company has used the same estimation processes as those used to prepare the audited consolidated financial statements for the year ended 31 December 2017.

4. Recent pronouncements, adopted for the first time in 2018

Evotec has applied IFRS 9 retrospectively, from 01 January 2018 onwards. The Company did not make use of the option to restate comparative information for previous periods with regard to changes in categorisation and measurement.

From the application of the new impairment requirements of IFRS 9, Evotec recognised an impairment loss of T€ 10 for trade accounts receivables as of 01 January 2018, based on expected credit loss rates.

Under IFRS 9, Evotec classified the unquoted equity instruments shown in other long-term investments as financial assets at fair value through profit and loss. The adoption of IFRS 9 for other long-term investments had no impact on the accumulated deficit and total stockholders' equity as of 01 January 2018.

Evotec adopted IFRS 15 using the full retrospective method of adoption. The effect of adopting IFRS 15 on the statement of financial position as of 31 December 2017 is as follows:

in T€	*Adjustments*	*31 December 2017 adjusted*
Assets		
Inventories	(4,015)	5,002
Not yet invoiced accounts receivables	1,546	11,174
Total current assets	**(2,469)**	177,783
Total assets	**(2,469)**	664,799
Liabilities		
Deferred revenues	(2,488)	16,164
Advanced payments received	(342)	–
Total current liabilities	**(2,830)**	242,945
Deferred tax liabilities	193	23,692
Total non-current liabilities	**193**	89,939
Stockholders' equity		
Accumulated deficit	168	(566,565)
Total stockholders' equity	**168**	332,915

The impact (increase/(decrease)) on the consolidated interim income statement for the period 01 January to 30 June 2017 is as follows:

in T€	*Adjustments*	*Six months ended 30 June 2017 adjusted*
Revenues	939	104,335
Costs of revenue	(734)	(67,117)
Deferred tax income	(2)	57
Net income	**203**	10,321
thereof attributable to		
Shareholders of Evotec AG	203	10,560
Non-controlling interest	–	(239)

The adjusted EBITDA for the six months ended 30 June 2017 increased by T€ 205 to T€ 26,215.

Under IFRS 15, a portion of revenues for delivered goods and deliverable kind of services are recognised earlier. Revenue is recognised over time by reference to the hours incurred to date as a percentage of expected total hours. Accordingly, the statement of financial position as of 31 December 2017 was adjusted resulting in lower work-in-progress, higher not-yet-invoiced accounts receivable, lower deferred revenues and lower accumulated deficit. Additionally, advanced payments received were reclassed to deferred revenues. The income statement for the six months ended 30 June 2017 was also adjusted resulting in higher revenues and costs of revenue.

Revenues generated from service contracts or FTE-based research contracts are recognised as the services are rendered. Payments for contracted services are generally paid in advance and recorded as deferred revenue until earned. The revenue recognition did not change under IFRS 15 compared to the prior period.

The Company is recognising revenues from milestones on target achievement and confirmation of the contract partner also under IFRS 15 as an earlier revenue recognition has a high risk of correction of revenues and is therefore according to IFRS 15 not realisable.

For further revenue categories and the impact of IFRS 15 see page 92 in the Annual Report 2017.

5. Recent pronouncements, not yet adopted

For information about the recent pronouncements other than IFRS 16 please refer to the consolidated financial statements for the year 2017.

IFRS 16: Evotec is going to apply this standard in the financial year 2019. The actual impact will depend on, amongst others, Evotec's borrowing rate in 2019, the portfolio of lease contracts at that date, the then latest assessment of exercising renewal options and the yet to be made decision by Evotec on practical expedients and application options. Currently, the largest impact stems from building lease contracts. This will be accompanied by increased financing liabilities and a reduced equity ratio as well as an improved adjusted EBITDA.

6. Segment information

EVT Execute and EVT Innovate have been identified by the Management Board as operating segments. The segments' key performance indicators are used monthly by the Management Board to evaluate the resource allocation as well as Evotec's performance. Intersegment revenues are valued with a price comparable to other third-party revenues. The evaluation of each operating segment by the management is performed on the basis of revenues and adjusted EBITDA. The adjusted EBITDA is calculated without non-operating income (expense). For the EVT Innovate segment, R&D expenses are another key performance indicator.

The segment information for the first six months of 2018 is as follows:

in T€	***EVT Execute***	***EVT Innovate***	***Intersegment eliminations***	***Evotec Group***
External revenues	141,787	31,971	–	173,758
Intersegment revenues	21,547	–	(21,547)	–
Costs of revenue	(126,808)	(15,852)	19,194	(123,466)
Gross profit	**36,526**	**16,119**	**(2,353)**	**50,292**
Operating income and (expenses)				
— Research and development expenses	(359)	(12,009)	2,353	(10,015)
— Selling, general and administrative expenses	(23,353)	(3,764)	–	(27,117)
— Impairment of intangible assets	–	(4,167)	–	(4,167)
— Other operating income	17,885	4,430	–	22,315
— Other operating expenses	(8,784)	(834)	–	(9,618)
Total operating income (expenses)	**(14,611)**	**(16,344)**	**2,353**	**(28,602)**
Operating income (loss)	**21,915**	**(225)**	–	**21,690**
— Interest result				(812)
— Share of the loss of associates accounted for using the equity method				(1,413)
— Other income (expense) from financial assets, net				4
— Foreign currency exchange gain (loss), net				673
— Other non-operating income				72
Income before taxes				**20,214**
Adjusted EBITDA	**36,268**	**2,331**		**38,599**

The EBITDA adjusted for the first six months 2018 is derived from operating income (expense) as follows:

in T€	***EVT Execute***	***EVT Innovate***	***Intersegment eliminations***	***Evotec Group***
Operating income (expense)	**21,915**	**(225)**	–	**21,690**
plus depreciation of tangible assets	8,420	464	–	8,884
plus amortisation of intangible assets	5,933	188	–	6,121
plus impairment of intangible assets	–	4,167	–	4,167
less change in contingent consideration	–	(2,263)	–	(2,263)
Adjusted EBITDA	**36,268**	**2,331**		**38,599**

The segment information for the first six months of 2017 is as follows (figures adjusted from the first time application of IFRS 15, reference is made to note 4):

in T€	*EVT Execute*	*EVT Innovate*	*Intersegment eliminations*	*Evotec Group*
External revenues	83,256	21,079	–	104,335
Intersegment revenues	18,042	–	(18,042)	–
Costs of revenue	(71,633)	(11,358)	15,874	(67,117)
Gross profit	**29,665**	**9,721**	**(2,168)**	**37,218**
Operating income and (expenses)				
— Research and development expenses	(342)	(10,368)	2,168	(8,542)
— Selling, general and administrative expenses	(12,365)	(3,425)	–	(15,790)
— Other operating income	9,543	2,986	–	12,529
— Other operating expenses	(5,123)	(1,853)	–	(6,976)
Total operating income (expenses)	**(8,287)**	**(12,660)**	**2,168**	**(18,779)**
Operating income (loss)	**21,378**	**(2,939)**	**–**	**18,439**
— Interest result				191
— Share of the loss of associates accounted for using the equity method				(614)
— Other income (expense) from financial assets, net				(324)
— Foreign currency exchange gain (loss), net				(3,709)
— Other non-operating income				19
Income before taxes				**14,002**
Adjusted EBITDA	**28,618**	**(2,403)**		**26,215**

The EBITDA adjusted for the first six months of 2017 is derived from operating income (expense) as follows (figures adjusted from the first time application of IFRS 15, reference is made to note 4):

in T€	*EVT Execute*	*EVT Innovate*	*Intersegment eliminations*	*Evotec Group*
Operating income (expense)	**21,378**	**(2,939)**	–	**18,439**
plus depreciation of tangible assets	5,452	348	–	5,800
plus amortisation of intangible assets	1,788	188	–	1,976
Adjusted EBITDA	**28,618**	**(2,403)**		**26,215**

7. Acquisitions

Evotec acquired 100% of the shares in in Aptuit Global LLC, Princeton, USA, and hereby Aptuit Verona SRL, Verona, IT, and Aptuit Oxford Ltd, Abingdon, UK, Aptuit (Switzerland) AG, Basel, CH, and Aptuit (Potters Bar) Ltd, Abingdon, UK, effective 11 August 2017. The purchase price amounted to T€ 253,239 in cash. This acquisition strengthened Evotec's drug discovery platform. Evotec's offerings benefit from extended capabilities from this acquisition.

The preliminary goodwill resulting from this acquisition amounts to T€ 137,286 and is not yet allocated to any cash-generating units but is allocated to the EVT Execute segment. Due to the preliminary assessment of the valuation premises relating to the period prior to the acquisition, which could result in changes in the valuation of the intangibles assets, the initial accounting is provisional with regard to the allocation of the purchase price and the determination of fair values in accordance with IFRS 3 as well as the allocation of the provisional goodwill, which remains unallocated until the assessment is completed.

The breakdown of the fair value of Aptuit at the date of the acquisition is shown in the table below:

in T€	*11 August 2017 Fair value*
Cash and cash equivalents	5,156
Trade accounts receivables	11,122
Inventories	5,870
Current tax assets	1,686
Prepaid expenses and other current assets	18,549
Property, plant and equipment	28,916
Trademarks	6,539
Customer list	43,402
Favourable contracts	62,033
Deferred tax asset	1,873
Other non-current assets	967
Loan	(10,219)
Lease liabilities	(2,120)
Trade accounts payable	(13,162)
Provisions	(7,943)
Deferred revenues	(11,289)
Other current liabilities	(3,662)
Deferred tax liabilities	(21,765)
Net assets acquired	**115,953**
Goodwill	137,286
Cost of acquisition	**253,239**
Less cash and cash equivalents acquired	(5,156)
Cash outflow from acquisition	**248,083**

8. Current tax receivables

The increase in current tax receivables as of 30 June 2018 compared to 31 December 2017 relates mainly to tax refunds from tax development programmes in the context of qualifying research and development expenses within France and Italy.

9. Not yet invoiced accounts receivables

The increase in accrued revenues as of 30 June 2018 compared to 31 December 2017 primarily relates to the Aptuit sites.

10. Prepaid expenses and other current assets

Prepaid expenses and other current assets as of 30 June 2018 increased compared to 31 December 2017 primarily due to VAT-related receivables in Italy.

11. Intangible assets, excluding goodwill

In the second quarter of 2018, developed technologies resulting from the acquisition of Panion Ltd., London, UK, did not show promising data which resulted in the decision to discontinue the programme. Evotec therefore impaired the relating developed technologies in full in the amount of T€ 231. Furthermore, developed technologies resulting from the acquisition of DeveloGen (now: Evotec International GmbH) were put on hold. Evotec reviewed the related developed technologies for impairment and concluded that a full impairment in the amount of T€ 3,936 had to be recorded.

12. Current loan liabilities

The decrease in current loan liabilities as of 30 June 2018 in comparison with 31 December 2017 mainly relates to the partial repayment of the bridge loan in the amount of T€ 30,000. This loan was raised in the context of the Aptuit acquisition.

13. Current provisions

The decrease in provisions as of 30 June 2018 in comparison with 31 December 2017 primarily relates to the payment of the acquired contingent consideration (earn-out) relating to Aptuit (Potters Bar), Aptuit (Switzerland) and the yearly bonuses paid in the first half of 2018.

14. Current deferred revenues

The increase in current deferred revenues as of 30 June 2018 compared to 31 December 2017 primarily relates to the upfront payment received from Celgene.

15. Other current financial liabilities

Other current financial liabilities increased as of 30 June 2018 in comparison with 31 December 2017 primarily due to a factoring agreement relating to VAT receivables in Italy.

16. Non-current loan liabilities

The increase in non-current loan liabilities as of 30 June 2018 in comparison with 31 December 2017 primarily relates to a further tranche (€ 4.5 m) issued to Evotec as part of the € 75 m loan facility provided by the European Investment Bank.

17. Non-current provisions

The decrease in non-current provisions as of 30 June 2018 in comparison with 31 December 2017 primarily relates to a change in expected future cash outflows relating to contingent consideration (earn-out) in the context of EVT770.

18. Non-current deferred revenues

The increase in non-current deferred revenues primarily relates to the upfront payment received from Celgene.

19. Stock-based compensation

In the first half of 2018, the assumption relating to the SPAs granted in 2016 changed with regard to the estimated achievement of the key performance indicators within the performance measurement period of three years. It relates to the achievement of performance indicators which are dependent on certain financial figures of the Company. Expected changes of share-based measurements are not affected. This led to a T€ 295 higher than originally expected compensation expense recorded in the first six months 2018.

In the first six months ending 30 June 2018, 103,861 share performance awards from the total granted 230,390 share performance awards were given to the members of the Management Board.

20. Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet as of 30 June 2018 and 31 December 2017, are as follows:

in T€	Classification according to IFRS 9	Carrying amount (30 June 2018)	Fair value (30 June 2018)	Classification according to IAS39	Carrying amount (31 December 2017)	Fair value (31 December 2017)
— Cash and cash equivalents	Amortised cost	91,309	91,309	Loans and receivables	67,017	67,017
— Investments	Fair value through other comprehensive income	18,504	18,504	Available-for-sale financial assets	24,139	24,139
— Long-term investments	Fair value through profit and loss	4,977	4,977	N.A.	4,282	4,282
— Trade accounts receivables	Amortised cost	46,012	46,012	Loans and receivables	45,590	45,590
— Not yet invoiced accounts receivables	Amortised cost	14,479	14,479	Loans and receivables	11,174	11,174
— Other current financial assets	Amortised cost	421	421	Loans and receivables	791	791
— Current loan liabilities	Amortised cost	(131,464)	(131,464)	Financial liabilities measured at amortised costs	(167,763)	(167,763)
— Non-current loan liabilities	Amortised cost	(23,519)	(24,277)	Financial liabilities measured at amortised costs	(20,295)	(20,980)
— Current portion of finance lease obligations	Amortised cost	(703)	(703)	Financial liabilities measured at amortised costs	(705)	(705)
— Long-term finance lease obligations	Amortised cost	(780)	(856)	Financial liabilities measured at amortised costs	(1,165)	(990)
— Trade accounts payable	Amortised cost	(23,617)	(23,617)	Financial liabilities measured at amortised costs	(26,078)	(26,078)
— Other current financial liabilities	Amortised cost	(5,187)	(5,187)	Financial liabilities measured at amortised costs	(1,666)	(1,666)
— Derivative financial instruments	Fair value through other comprehensive income	(591)	(591)	Financial liabilities measured at fair value	–	–
— Contingent consideration	Fair value through profit and loss	(487)	(487)	Financial liabilities measured at fair value	(4,830)	(4,830)
		(10,646)	**(11,480)**		**(69,509)**	**(70,019)**
Unrecognised (gain)/loss			**834**			**510**

The following tables allocate financial assets and financial liabilities as of 30 June 2018 and 31 December 2017, respectively to the three levels of the fair value hierarchy as defined in IFRS 13:

in T€	Level 1 (30 June 2018)	Level 2	Level 3	Total
Assets at fair value through other comprehensive income	18,504	–	–	18,504
Assets at fair value through profit and loss	–	–	4,977	4,977
Liabilities at fair value through other comprehensive income	–	(591)	–	(591)
Liabilities at fair value through profit and loss	–	–	(487)	(487)

in T€	Level 1 (31 December 2017)	Level 2	Level 3	Total
Available-for-sale financial assets	24,139	–	–	24,139
Financial assets measured at fair value	–	–	–	–
Financial liabilities measured at fair value	–	–	(4,830)	(4,830)

The following tables show the movement of the fair values at level 3 for the six months period ending 30 June 2018 and the financial year 2017, respectively:

in T€	***January to June 2018 Fair values at level 3***
Balance at 01 January 2018 before IFRS 9 application	(4,830)
Effect of first time application of IFRS 9	4,282
Balance at 01 January 2018 after first time application of IFRS 9	**(548)**
Exchange rate difference	45
Addition	695
Consumption	2,140
Included in other operating expense	
— Changes in fair value, unrealised	–
Included in other operating income	
— Changes in fair value, unrealised	2,263
Included in interest expense	
— Interest change in net present value, unrealised	(105)
Balance at 30 June 2018	**4,490**

in T€	***January to December 2017 Contingent consideration***
As of 01 January 2017	(3,705)
Business combinations	(2,213)
Exchange rate difference	19
Consumption	–
Included in other operating expense	
— Changes in fair value, unrealised	–
Included in other operating income	
— Changes in fair value, unrealised	1,451
Included in expense from long-term investment	
— Changes in fair value, unrealised	–
Included in interest expense	
— Interest change in net present value, unrealised	(382)
As of 31 December 2017	**(4,830)**

The levels of the fair value hierarchy and its application to Evotec's financial assets and financial liabilities are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data.

21. Related party transactions

Except for the transactions described in Evotec's Annual Report 2017 on page 118, no other material transactions with related parties were entered into in the first six months of 2018.

22. Subsequent events

For further information on subsequent events refer to page 10 of this report.

Financial calendar 2018

28 March 2018	Annual Report 2017
09 May 2018	Quarterly Statement Q1 2018
20 June 2018	Annual General Meeting 2018
09 August 2018	Half-year 2018 Interim Report
13 November 2018	Quarterly Statement 9M 2018

FORWARD-LOOKING STATEMENTS

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

III. RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Condensed Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial results of the Group, and the Group Interim Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

09 August 2018

Dr Werner Lanthaler

Chief Executive Officer

Dr Cord Dohrmann

Chief Scientific Officer

Dr Mario Polywka

Chief Operating Officer

Enno Spillner

Chief Financial Officer