

**Translation of**

**Financial Statements as of**

**31. December 2022**

**and Combined Management Report**

**Evotec SE**

**Evotec SE, Hamburg**  
**Statement of financial position as of December 2022**

Assets	31/12/2022 EUR	31/12/2021 EUR	Equity and liabilities	31/12/2022 EUR	31/12/2021 EUR
<b>A. Fixed assets</b>			<b>A. Equity</b>		
<b>I. Intangible assets</b>			<b>I. Subscribed capital</b>	176.952.653,00	176.608.195,00
1. Purchased franchises, industrial and similar rights, assets and licenses in such rights and assets	521.331,98	1.170.477,06	./. Nominal value treasury shares	<u>-249.915,00</u>	<u>-249.915,00</u>
2. Intangible assets under development	<u>1.897.003,26</u>	<u>980.316,18</u>		176.702.738,00	176.358.280,00
	2.418.335,24	2.150.793,24	<b>II. Capital reserves</b>	903.624.726,97	903.624.726,97
<b>II. Property, plant and equipment</b>			<b>III. Reserve for treasury shares</b>	249.915,00	249.915,00
1. Land, land rights and buildings, including buildings on third-party land	1.011.962,42	1.255.718,20	<b>IV. Accumulated loss</b>	<u>-144.969.125,56</u>	<u>-127.930.748,70</u>
2. Plant and machinery	19.008.904,87	12.215.353,44		935.608.254,41	952.302.173,27
3. Other equipment, furniture and fixtures	4.003.661,65	2.306.921,40	<b>B. Provisions</b>		
4. Prepayments and assets under construction	<u>2.303.858,47</u>	<u>517.728,32</u>	1. Provisions for pensions and similar obligations	171.685,00	164.736,62
	26.328.387,41	16.295.721,36	2. Other provisions	<u>22.398.885,51</u>	<u>19.708.243,59</u>
<b>III. Financial assets</b>				22.570.570,51	19.872.980,21
1. Shares in affiliates	423.452.658,60	335.222.811,07	<b>C. Liabilities</b>		
2. Loans to affiliates	235.594.970,15	189.102.228,50	1. Liabilities to banks	318.172.117,31	354.299.824,38
3. Investments	96.636.202,18	52.933.011,72	2. Trade payables	4.409.087,04	10.936.400,69
4. Other loans	<u>2.583.550,69</u>	<u>2.402.763,83</u>	3. Liabilities to affiliates	2.175.377,58	1.112.118,17
	758.267.381,62	579.660.815,12	4. Other liabilities	1.523.690,63	836.755,00
	787.014.104,27	598.107.329,72	thereof for taxes EUR 1.057k (prior year EUR 702k)	<u>326.280.272,56</u>	<u>367.185.098,24</u>
<b>B. Current assets</b>			<b>D. Deferred income</b>	1.276.738,22	1.543.323,97
<b>I. Inventories</b>					
1. Raw materials, consumables and supplies	898.261,43	1.210.340,73			
2. Work in process	<u>302.309,71</u>	<u>254.115,32</u>			
	1.200.571,14	1.464.456,05			
<b>II. Receivables and other assets</b>					
1. Trade receivables	1.404.331,95	1.394.112,11			
2. Receivables from affiliates	121.823.543,45	99.385.231,22			
3. Other assets	<u>72.817.803,20</u>	<u>45.499.992,53</u>			
	196.045.678,60	146.279.335,86			
<b>III. Securities</b>					
Other securities	272.284.184,92	256.514.824,29			
<b>IV. Cash on hand, central bank balances, bank balances and checks</b>	<u>25.262.968,91</u>	<u>335.580.812,32</u>			
	494.793.403,57	739.839.428,52			
<b>C. Prepaid expenses</b>	<u>3.928.327,86</u>	<u>2.956.817,45</u>			
	<u>1.285.735.835,70</u>	<u>1.340.903.575,69</u>		<u>1.285.735.835,70</u>	<u>1.340.903.575,69</u>

**Evotec SE, Hamburg**

**Income statement for the period from 1 January 2022 to 31 December 2022**

	2022 EUR	2021 EUR
1. Revenues	87.424.973,47	82.038.235,90
2. Increase or decrease in finished goods and work in process	-48.194,39	-125.826,51
3. Other operating income thereof income from currency translation: EUR 57.205k (prior year EUR 43.436k)	58.241.612,48	46.024.723,35
	<u>145.618.391,56</u>	<u>127.937.132,74</u>
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	13.176.201,56	13.321.885,35
b) Cost of purchased services	2.690.359,38	9.687.611,83
5. Personnel expenses		
a) Wages and salaries	46.468.394,77	38.685.829,58
b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 1k (prior year EUR 25k)	7.745.722,46	6.720.761,93
6. Amortization, depreciation and write-downs on current assets to the extent that it exceeds the usual depreciations in the corporation	5.541.370,98	4.386.600,00
7. Other operating expenses thereof expenses from currency translation EUR 34.104k (prior year EUR 5.522k)	89.656.377,55	81.946.641,75
	<u>165.278.426,70</u>	<u>154.749.330,44</u>
8. Income from equity investments thereof from affiliates: EUR 13.000k (prior year EUR 7.626k)	13.000.000,00	7.626.449,60
9. Income from other securities and loans held as financial assets thereof from affiliates EUR 5.427k (prior year EUR 3.529k)	9.536.403,07	4.836.169,64 <sup>1)</sup>
10. Other interest and similar income thereof from affiliates EUR 3.754k (prior year EUR 3.332k)	3.950.731,28	3.332.034,74 <sup>1)</sup>
11. Write-down of financial assets and securities classified as current assets	14.179.435,70	10.517.697,10
12. Interest and similar expenses	9.691.655,74	6.289.766,17
	<u>2.616.042,91</u>	<u>-1.012.809,29</u>
13. Income taxes	-5.615,37	-26.682,56
	-5.615,37	-26.682,56
14. Income after tax/net income	-17.038.376,86	-27.798.324,43
15. Net loss carried forward	<u>127.930.748,70</u>	<u>100.132.424,27</u>
16. Accumulated loss	<u>-144.969.125,56</u>	<u>-127.930.748,70</u>

<sup>1)</sup> after adjustment of presentation

## Evotec SE, Hamburg

### Notes to the Financial Statements 2022

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#### I. General Information

Evotec SE is a European stock corporation with its place of incorporation in Hamburg, Germany, registered with the Hamburg District Court under number HRB156381 of the commercial register. Evotec SE - hereinafter referred to as Evotec or Company - is classified as a large company according to section 267 paragraph 3 German Commercial Code ("Handelsgesetzbuch" or "HGB").

The annual financial statements of the company are prepared according to the provisions of the German Commercial Code as well as the relevant regulations of the German Stock Corporation Act ("Aktien-gesetz" or "AktG").

The income statement is presented according to the total cost method (section 275 paragraph 2 German Commercial Code).

The management report of Evotec SE and the Group management report have been combined accordance in with section 315 paragraph 5 in conjunction with section 298 paragraph 2 of the German Commercial Code (HGB). The annual financial statements and the management report of Evotec SE combined with the Group management report for the financial year 2022 are published in the Company Register.

The financial statements are prepared on a going concern basis.

#### II. Accounting and measurement principles

The following predominantly unchanged accounting and measurement policies have been applied in the preparation of the individual financial statements.

In general, assets and liabilities **denoted in foreign currency** are translated using the spot rate prevailing at the balance sheet date.

**Intangible assets and Property, plant and equipment** are measured at cost of acquisition or production less straight-line depreciation or amortization over their useful lives. Respective assets are amortized/depreciated from the point in time they are available for use in operations. Fixed assets are amortized/depreciated on a monthly basis. In case of an expected permanent impairment, an impairment loss is recognized to the attributable value.

Low value assets, which are purchased until 31 December 2018, are pooled and depreciated by 20% in the year of acquisition and in the following 4 years. After 2018, low value assets with a value up to EUR 800 are fully written down when purchased; their immediate disposal is assumed.

The useful lives are applied as follows:

	Years
Intangible assets	2-10
Land, land rights and buildings	10-15
Technical equipment and machinery	5-10
Factory and office equipment	3-10

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

**Financial assets** are measured at cost of acquisition or in case of an expected permanent impairment at the lower value attributable to them. If the reasons for an impairment no longer exist, the impairment loss is reversed.

**Inventories** are measured at cost of acquisition or production less purchase price reductions, taking into account the lower of cost or market principle.

**Accounts receivable and other current assets** are measured at nominal value or at lower value attributable. Individual risks are considered through specific bad debt allowances.

**Other securities** are measured at nominal value or in accordance with section 253 paragraph 4 German Commercial Code at the lower values resulting from exchange or market prices at financial year end.

**Cash and cash equivalents** are measured at a nominal value.

**Subscribed capital** is measured at nominal value.

**Treasury shares** are deducted from the subscribed capital in the amount of their nominal value. In the amount of treasury shares the Company recognized a reserve.

**Provision for pension accruals and similar obligations** have been estimated using the Projected Unit Credit-method with an interest rate 1.78% p.a. (2021: 1.87% p.a.) and under consideration of Prof. Dr. Klaus Heubeck's reference tables ("Richttafeln") issued in October 2018. The interest rate is equivalent to an average market interest rate over the last ten years. According to section 253 paragraph 2 German Commercial Code, an average remaining term of 15 years was assumed. Pension progression was considered at a rate 2.0% p.a. (2021: 1.5% p.a.).

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

The Company uses derivative financial instruments to hedge currency risks. These have no direct hedging relationships and are therefore free from valuation effect.

**Liabilities** are measured at the settlement amount.

**Prepaid expenses and deferred income** are expenditures and earnings before the closing date as far as they represent expenses and income for a specified time after this date.

Future taxable temporary differences between commercial law valuation of assets, liabilities and prepaid expenses and deferred income and their taxable valuation which lead to deferred tax liabilities do not exist. Deferred tax assets, mainly consisting of losses carried forward, have not been capitalized according to section 274 paragraph 1 sentence 2 German Commercial Code.

### III. Comments on the Balance Sheet

#### 1. Intangible and tangible assets

The movement of fixed assets is presented on a gross basis in the fixed assets schedule and include costs of acquisition and production and accumulated amortization/depreciations. (see appendix to the notes).

#### 2. Financial Assets

As at the balance sheet date 31 December 2022, Evotec held equity investments in the following companies:

	Total equity	Share in the business	Overall result of the year
	kEUR	%	kEUR
1. Evotec (Hamburg) GmbH, Hamburg, Germany	12,674	100.00	-1
2. Evotec International GmbH, Hamburg, Germany (indirectly via 1.)	-10,653	100.00	32,570
3. Evotec (UK) Ltd., Abingdon, UK	45,198	100.00	2,023
4. Evotec (US) Inc., Princeton, USA	-19,077	100.00	2,053
5. Just-Evotec Biologics Inc., Seattle, USA (indirectly via 4.)	4,469	100.00	-61,815
6. Evotec (München) GmbH, Martinsried, Germany*	3,580	100.00	132
7. Evotec (France) SAS, Toulouse, France	123,229	100.00	24,470
8. Evotec ID (Lyon) SAS, Marcy l'Étoile, France	25,013	100.00	6,850
9. Cyprotex Ltd., Manchester, UK	5,458	100.00	572
10. Cyprotex Discovery Ltd., Manchester, UK (indirectly via 9.)	21,552	100.00	7,888
11. Cyprotex US LLC, Watertown, USA (indirectly via 9.)	-3,236	100.00	-1,074

12.	Aptuit Global LLC, Princeton, USA	34,158	100.00	4,125
13.	Aptuit (Potters Bar) Ltd., Abingdon, UK	7,253	100.00	507
14.	Aptuit (Verona) SRL, Verona, Italy (indirectly via 12.)	75,382	100.00	26,378
15.	Aptuit (Oxford) Ltd., Abingdon, UK (indirectly via 12.)	2,432	100.00	11,169
16.	Evotec GT GmbH, Orth an der Donau, Austria*	-6,108	100.00	-4,583
17.	Just-Evotec Biologics EU SAS, Toulouse, France	52,274	100.00	-1,775
18.	Evotec Modena S.r.l, Medolla, Italy	3,738	100.00	159
19.	Evotec Drug Substance (Germany) GmbH, Halle, Germany	5,890	100.00	0
20.	Eternigen GmbH, Berlin, Germany*	0	24.97	-682
21.	Exscientia plc., Oxford, UK	540	11.42	-134
22.	Breakpoint Therapeutics GmbH, Hamburg, Germany*	5,995	34.12	-11,789
23.	Immunitas Therapeutics Inc., Waltham, USA**	-26,663	6.17	-19,863
24.	Quantro Therapeutics GmbH, Wien, Austria*	2,792	8.79	-1,185
25.	Leon Nanodrugs GmbH, München, Germany	4,035	13.24	-5,705
26.	Celmatix Inc., New York, USA*	-3,460	39.09	-2,165
27.	Ananke Therapeutics Inc., Boston, USA*	2,733	20.09	-8,445
28.	Tubulis GmbH, München, Germany*	24,823	6.90	-10,511
29.	Tucana Biosciences Inc., Boston, USA*	5,070	26.92	-629
30.	Centauri Therapeutics Limited, Cheshire, UK*	3,600	13.17	-3,069
31.	CARMA FUND I CAPITAL GmbH & Co. KG, München, Germany*	355	10.00	-760
32.	Carrick Therapeutics Group, Boston, USA***	-104,283	3.48	-10,791
33.	Mission Biocapital V, Cambridge MA, USA**	37,426	3.64	-4,759
34.	OxVax Limited, Oxford, UK*	54	12.22	-788
35.	Cajal Neuroscience Inc., Seattle, USA*	57,643	1.67	-18,025
39.	IMIDdomics Inc., San Rafael, USA*	9,137	11.77	-6,498
37.	CurieBio Operations LLC, USA	230,948	0.11	-2,591
38.	Sernova Corp., Ontario, Canada****	32,970	5.16	-16,912

\* unaudited

\*\* figures of 30 September 2022

\*\*\* figures of 30 November 2022

\*\*\*\* deviating financial year

The total equity of the financial statements of the associated companies prepared in foreign currencies was translated at the respective closing rate on 31 December 2022 and the overall result of the year was translated at the respective average rate for 2022. The values are based on the annual financial statements under commercial law for the companies in Germany and on the IFRS financial statements (HBII) before consolidation for the companies abroad.

In the financial year 2022, no unscheduled impairments on financial assets (previous year: kEUR 10,518) were recognized.

In the financial year 2022, the company acquired 100% of the shares in Rigenerand Srl, Medolla/Italy, for a purchase price of EUR 23.0 million on 1 July 2022. In addition, acquisition-related costs of EUR 0.8 million for legal and consulting fees were capitalised as incidental acquisition costs. The company now operates under the name Evotec (Modena) Srl. Furthermore, 100% of the shares in Central Glass Germany GmbH, Halle, were acquired on 1 November 2022 for a purchase price of EUR 1. Acquisition-related costs of EUR 0.9 million for legal and consulting fees and due diligence were capitalised as incidental acquisition costs. The company now operates under the name Evotec Drug Substance (Germany) GmbH.



## Evotec SE

## Statement of changes in fixed assets for the fiscal year 2022

	Acquisition and production cost				Accumulated amortization, depreciation and write-downs				Net book values		
	1 Jan 2022 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2022 EUR	1 Jan 2022 EUR	Additions EUR	Disposals EUR	31 Dec 2022 EUR	31 Dec 2021 EUR	
I. Intangible assets											
1. Purchased franchise, industrial and similar rights, assets and licenses in such rights & assets	10.673.806,52	0,00	1.000,00	67.748,90	10.740.555,42	9.503.329,46	716.893,98	1.000,00	10.219.223,44	521.331,98	1.170.477,06
2. Intangible assets	980.316,18	0,00	0,00	916.687,08	1.897.003,26	0,00	0,00	0,00	0,00	1.897.003,26	980.316,18
	<u>11.654.122,70</u>	<u>0,00</u>	<u>1.000,00</u>	<u>984.435,98</u>	<u>12.637.558,68</u>	<u>9.503.329,46</u>	<u>716.893,98</u>	<u>1.000,00</u>	<u>10.219.223,44</u>	<u>2.418.335,24</u>	<u>2.150.793,24</u>
II. Property, plant and equipment											
1. Land, land rights and buildings, including buildings on third-party land	4.315.838,19	0,00	0,00	188.999,23	4.504.837,42	3.060.119,99	432.755,01	0,00	3.492.875,00	1.011.962,42	1.255.718,20
2. Plant and machinery	35.825.000,67	0,00	1.208.721,97	9.594.894,10	44.211.172,80	23.609.647,23	2.583.162,32	990.541,62	25.202.267,93	19.008.904,87	12.215.353,44
3. Other equipment, furniture and fixtures	8.361.561,76	132.998,53	1.215,00	3.372.301,39	11.865.646,68	6.054.640,36	1.808.559,67	1.215,00	7.861.985,03	4.003.661,85	2.306.921,40
4. Prepayments and assets under construction	517.728,32	15.926.760,85	0,00	-14.140.630,70	2.303.858,47	0,00	0,00	0,00	0,00	2.303.858,47	517.728,32
	<u>49.020.128,94</u>	<u>16.059.759,38</u>	<u>1.209.936,97</u>	<u>-984.435,98</u>	<u>62.885.515,37</u>	<u>32.724.407,58</u>	<u>4.824.477,00</u>	<u>991.756,62</u>	<u>36.557.127,96</u>	<u>26.328.387,41</u>	<u>16.295.721,36</u>
III. Financial assets											
1. Shares in associated companies	345.974.658,06	88.229.847,53	0,00	0,00	434.204.505,59	10.751.846,99	0,00	0,00	10.751.846,99	423.452.658,60	335.222.811,07
2. Loans to affiliates	189.102.228,50	46.492.741,65	0,00	0,00	235.594.970,15	0,00	0,00	0,00	0,00	235.594.970,15	189.102.228,50
3. Investments	63.450.708,82	43.703.190,46	0,00	0,00	107.153.899,28	10.517.697,10	0,00	0,00	10.517.697,10	96.636.202,18	52.933.011,72
4. Other loans	2.402.763,83	180.786,86	0,00	0,00	2.583.550,69	0,00	0,00	0,00	0,00	2.583.550,69	2.402.763,83
	<u>600.930.359,21</u>	<u>178.606.566,50</u>	<u>0,00</u>	<u>0,00</u>	<u>779.536.925,71</u>	<u>21.269.544,09</u>	<u>0,00</u>	<u>0,00</u>	<u>21.269.544,09</u>	<u>758.267.381,62</u>	<u>579.660.815,12</u>
	<u>660.624.294,67</u>	<u>194.666.325,88</u>	<u>1.210.936,97</u>	<u>0,00</u>	<u>855.059.999,76</u>	<u>63.497.281,13</u>	<u>5.541.370,98</u>	<u>992.756,62</u>	<u>68.045.895,49</u>	<u>787.014.104,27</u>	<u>598.107.329,72</u>

### **3. Trade receivables and other assets**

#### **Trade receivables**

As in the previous year, the accounts receivables are completely due within one year.

#### **Receivables from affiliates**

Receivables from affiliates include trade receivables of kEUR 39,677 (2021: kEUR 20,615) and receivables due to taxes from tax group of kEUR 2,139 (2021: kEUR 2,520) owed by Evotec International GmbH. The remaining kEUR 80,008 (2021: kEUR 76,251) include loans which were granted by Evotec. Amounts owed by affiliates with a maturity of 5 or more years are presented within financial assets in loans to affiliates.

#### **Other assets**

With the exception of deposits of kEUR 626 (2021: kEUR 423), the other assets have a remaining maturity of less than one year. As of the balance sheet date, other assets include time deposits of kEUR 65,629 (2021: kEUR 31,902).

Other assets also include value added tax receivables in the amount of kEUR 2,970 (2021: kEUR 1,001) which will legally arise after the financial year closing date.

### **4. Other securities**

The securities have maturities between 1 and 10 years. These assets serve as short-term liquidity reserve. They will not be used for permanent business operation purposes.

### **5. Equity**

The subscribed capital of the Company is classified into 176,952,653 shares with a par value of EUR 1.00 made out to bearer.

Furthermore, the company acquired treasury shares with the authorisation of the Annual General Meeting of 16 June 2011 in accordance with section 71 paragraph 1 no. 8 AktG. A total of 1,328,624 treasury shares with a total nominal value of EUR 1,328,624 were transferred from the former Renovis, Inc, South San Francisco/USA on 12 March 2012. This corresponded to 1.12% of the subscribed capital. Of these treasury shares, 530,353 shares in 2012, 459,456 shares in 2013, 66,500 shares in 2014 and 22,400 shares in 2015, each with the same nominal value, were used to service employee options. In 2017, this corresponded to 0.02% of the subscribed capital.

At financial year end, Evotec held 249,915 treasury shares with a nominal value of EUR 249,915. These are deducted from the subscribed capital pursuant to section 272 paragraph 1a German Commercial Code. As of 31 December 2022, these treasury shares presented 0.14% of the subscribed capital.

Pursuant to section 5 paragraph 5 of the Articles of Association of the Company, the Management Board, with the approval of the Supervisory Board, is authorized to increase the Company's subscribed

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capital by up to € 35,321,639 in one or more tranches until 21 June 2025 by issuing 35,321,639 new shares against cash or non-cash consideration.

As of 31 December 2022, the conditional capital amounts to EUR 12,773,576 available with respect to the stock option plans and 29,959,289 shares available to issue no-par-value bearer shares to owners or creditors of convertible bonds and/or warrant-linked bonds, participation rights and/or income bonds (or a combination of such instruments). Consequently, the remaining conditional capital as of 31 December 2022 amounts to 42,732,865 shares.

The capital reserves increased due to newly issued shares and exercised stock options to kEUR 903,625.

As of 31 December 2022, the accumulated loss amounts to EUR 144,969,125.56.

According to law, investors whose share of voting rights exceeds a specified threshold are obliged to notify the Company.

According to section 33 WpHG Evotec has received the following voting rights notifications in the expired financial year:

<b>Date</b>	<b>Notifier</b>	<b>Triggering Event</b>	<b>Threshold crossed or reached</b>	<b>Total amount of voting rights</b>
07.01.2022	Allianz Global Investors GmbH, Frankfurt, Deutschland	Acquisition/disposal of shares with voting rights	3%	2.997%
12.04.2022	T. Rowe Price Group, Inc., Baltimore, Maryland, USA	Acquisition/disposal of shares with voting rights	10%	10.03%
27.05.2022	BlackRock, Inc., Wilmington, Delaware, USA	Acquisition/disposal of shares with voting rights	3%	2.87%
30.05.2022	Novo Holdings A/S, Hellerup, Denmark	Acquisition/disposal of shares with voting rights	10%	9.98%

31.05.2022	BlackRock, Inc., Wilmington, Delaware, USA	Acquisition/disposal of shares with voting rights	3%	3.00%
02.06.2022	BlackRock, Inc., Wilmington, Delaware, USA	Acquisition/disposal of shares with voting rights	3%	2.99%
03.06.2022	BlackRock, Inc., Wilmington, Delaware, USA	Acquisition/disposal of shares with voting rights	3%	3.70%
22.06.2022	T. Rowe Price Group, Inc., Baltimore, Maryland, USA	Acquisition/disposal of shares with voting rights	10%	9.997%
04.10.2022	Roland Oetker	Acquisition/disposal of shares with voting rights	3%	1.64%
10.11.2022	T. Rowe Price Group, Inc., Baltimore, Maryland, USA	Acquisition/disposal of shares with voting rights	10%	10.11%

## 6. Provisions for pensions and similar obligations

The difference according to section 253 paragraph 6 HGB amounts kEUR 7 and is generally subject to a restriction in profit distribution which is covered by disposable reserves.

## 7. Other provisions

	2022 kEUR	2021 kEUR
Currency derivatives	6,228	4,347
Outstanding invoices	5,098	4,916
Bonus	4,281	3,972
Indirect Tax	2,139	2,139
Unclaimed vacation	1,367	1,020
Overtime Hours	702	634
Supervisory board remuneration	509	475
Interest derivatives	271	779
Partial retirement	137	263
Others	1,667	1,164
	<u>22,399</u>	<u>19,709</u>

## 8. Liabilities

### Liabilities to banks

As of 31 December 2022, the liabilities to banks amount to kEUR 318,172 (2021: 354,300). None of the loans are secured.

Maturity							
31.12.2022				31.12.2021			
up to 1 year	1 to 5 years	more than 5 years	total	up to 1 year	1 to 5 years	more than 5 years	total
kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
4,068*	229,486	84,618	318,172	37,211*	228,849	88,240	354,300

\* incl. Interest liabilities

In the financial year 2019, a promissory note loan totaling kEUR 250,000 was taken out. The promissory note is divided into four tranches with terms of 3, 5, 7 and 10 years. In the financial year 2022, the three-year tranche was repaid in the amount of kEUR 35,000. As at 31 December 2022, the remaining liabilities to banks from the promissory note amounted to TEUR 215,000. The promissory note has a fixed and variable interest rate, with an average interest rate of less than 1.5%.

### Trade payables

As in the previous year, all trade payables are due within one year.

## Liabilities to affiliates

Liabilities to affiliates include trade payables of kEUR 2,175 (2021: kEUR 959). In the previous year, there were also liabilities from tax payments received in the amount of kEUR 84 with a remaining term of up to one year included.

## Other liabilities

As in the prior year, all other liabilities are due within one year.

## IV. Comments on the Income statement

### 1. Revenues

In the financial year 2022, kEUR 87,425 (previous year: kEUR 82,038) from research and development services are recognised, thereof kEUR 67,955 (previous year: kEUR 67,111) with affiliated companies in Germany.

Included in the external revenues of kEUR 19,470 (previous year: kEUR 14,927) are revenues from milestone payments of kEUR 3,000 (previous year: kEUR 500).

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

	2022 kEUR	2021 kEUR
United States of America	15,637	13,202
Germany	3,833	1,162
Denmark	0	500
Rest of Europe	0	63
Total	<u>19,470</u>	<u>14,927</u>

### 2. Other operating income

	2022 kEUR	2021 kEUR
Currency gains	57,205	45,352
Income from the liquidation of investments	865	0
Income from reversal of provisions	69	389
Income from the reversal of the impairment loss of loan receivables	65	0
Grants	0	101
Others	37	183
	<u>58,241</u>	<u>46,025</u>

### 3. Other operating expenses

	2022 kEUR	2021 kEUR
Losses from currency translations	34,104	5,522
Legal and consultancy expenses	10,726	10,061
Contingent loss	6,449	8,565
Royalty expense	6,362	2,429
IT Consulting Business Application	5,313	1,844
Rent including related costs	4,159	4,560
Incidental wage costs	3,791	2,442
Service and maintenance	2,835	2,233
IT consumables and software	1,894	2,235
Fees	1,701	27,639
Recruiting costs	1,202	979
Cleaning expense	929	918
Insurance	925	528
Freight costs	866	716
Marketing expense	547	708
Supervisory board remuneration	509	475
Reconstruction/ moving expenses	417	526
Expenses from the valuation of securities	0	3,614
Write-off receivables	0	1,000
Others	6,927	4,953
	<u>89,656</u>	<u>81,947</u>

In the previous year, other operating expenses included non-period expenses of kEUR 1,000, which relate to the write-off of receivables.

### 4. Write-down of financial assets

In the previous year, write-down of financial assets included impairment losses of kEUR 10,518 regarding three investments, as further delays in the respective lead programs led to the failure of further financing rounds and consequently to a permanent impairment. In the financial year 2022, there were no write-downs on financial assets but unrealized income from foreign currency translations amounting to kEUR 8,738.

## V. Other Information

### Audit Fees

The audit fees 2022 in amount of kEUR 2,188 solely relate to BDO AG, Wirtschaftsprüfungsgesellschaft.

Audit services in the amount of kEUR 2,069 relate to the audit of Evotec SE's Group financial statements as well as to the individual financial statements of Evotec SE. Furthermore, other assurance services in the amount of kEUR 42 were provided for the audit of the non-financial report including sustainability-related disclosures and other services in the amount of kEUR 77 were provided for an analytical review of the interim announcements as of 31 March 2022 and 30 September 2022 as well as the half-year financial report as of 30 June 2022.

### Transactions with affiliated companies and related parties

There are no transactions with affiliated companies and related parties, which are not made on terms and conditions that prevail in an arm's length transaction.

### Employees

The average number of people employed by the Company in 2022 was 657 (2021: 578). Thereof 251 (2021: 185) employees serve in sales and administration function. The remaining employees are mainly active in the scientific area.

### Other financial obligations

The other financial obligations as of 31. December 2022 mainly relate to obligations from service contracts, rent and leasing and add up to kEUR 81,462. The total amount of all existing obligations for the period 2023 to 2027 is kEUR 36,197. The other obligations for later periods add up to kEUR 45,265.

Maturities							
31.12.2022				31.12.2021			
up to 1 year	1 to 5 years	> 5 years	total	up to 1 year	1 to 5 years	> 5 years	total
kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
7,521	28,676	45,265	81,462	5,611	21,092	45,048	71,751

The advantages of rent and leasing contracts stem from optimizing liquidity. Risks might arise from contract terms if the leased objects cannot completely be used. Currently, there are no indications for this. No special risks arising from leases are evident.

The Company agreed with some third parties of granting access to their technology and Know-how for use in Evotec's business or cooperation's. Based on these agreements, the Company is obligated to pay royalties based on revenues to these third parties.

Evotec has entered into a loan agreement with the European Investment Bank (EIB) for a total amount of MEUR 150 on 29 December 2022 with an amendment dated 10 February 2023. The loan will be



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provided in 3 facilities, each with up to four tranches. As of 31 December 2022, Evotec has not requested a tranche yet. Once Evotec will draw a tranche, Evotec has to make variable payments in addition to fixed interest payments. The variable payments are linked to the progress of the research and development projects for which the respective tranche has been requested.

### Derivative financial instruments

	Nominal- amount kEUR	Fair value kEUR	Book value kEUR	Balance sheet item
Interest rate transactions	48,250	-271	-271	Other Provisions
Currency transactions	67,684	-6,228	-6,228	Other Provisions

The interest rate transactions relate solely to interest rate swaps. The currency transactions comprise forward exchange contracts in USD and GBP.

A provision for contingent losses of kEUR 6,228 (2021: kEUR 4,347) was recognized for open positions. For interest related transactions a provision of kEUR 271 (2021: kEUR 779) was recognized.

The fair values were measured based on input factors that are not quoted prices, but which are observed for the asset or liability either directly (i.e. as a price) or indirectly (i.e. derived from prices).

### Other contingent liabilities

In order to mitigate the legal consequence of over-indebtedness of Evotec International GmbH, Evotec SE issued a binding letter of comfort in favor of Evotec International GmbH. The Company does not expect this liability to be claimed, due to the positive financial performance of Evotec International GmbH.

### German 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 the website <https://www.evotec.com/en/investor-relations/governance>.

## Management Board

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

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

Dr Craig Johnstone, Chemist, Castillon-Savès, France (Chief Operating Officer)

Enno Spillner, Business Executive, Hamburg, Germany (Chief Financial Officer, until 31 March 2023)

Laetitia Rouxel, Business Executive, Clarens, Switzerland (Chief Financial Officer, since 1 April 2023)  
and

Dr Matthias Evers, Neurobiologist, Hamburg, Germany (Chief Business Officer, since 1 May 2022).

In the financial year 2022, the remuneration paid to the members of the Management Board totalled kEUR 3,583 (2021: kEUR 3,247), of which kEUR 1,579 (2021 kEUR 1,319) is a variable remuneration. In addition, the Management Board received from Share Performance Awards and Restricted Share Awards a remuneration at fair value in the amount of kEUR 4,580 TEUR (2021: 5,235 kEUR) with long-term incentive effect.

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. The Supervisory Board approved respective scheme.

In accordance with section G.13 of the German Corporate Governance Code („DCGK“), 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.

Furthermore, the Company has a Directors and Officers (D&O) insurance policy in place for the Management Board, the Supervisory Board, the executive management and the managers of subsidiary companies.

A pension obligation of kEUR 172 relates to a former general manager of the former Evotec Biosystems GmbH, for which Evotec is the legal successor.

Dr Werner Lanthaler is Non-Executive Member of the Board of Directors and Chairman of the Audit Committee of arGEN-X, Breda, Netherlands, Non-Executive Member of the Board of Directors der AC Immune SA, Lausanne, Switzerland.

Dr Cord Dohrmann is Member of the Supervisory Board of Eternygen GmbH, Berlin, Germany, Member of the Supervisory Board of Breakpoint Therapeutics GmbH, Hamburg, Germany and Non-Executive Member of the Board of Directors der FSHD Unlimited Corp, Leiden, Netherlands as well as Board Observer of Immunitas Inc., Richmond, USA.

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Enno Spillner is Non-Executive Member of the Board of Directors and Chairman of the Audit Committee of Nanobiotix SA, Paris, France, and Member of the Supervisory Board of Leon Nanodrugs GmbH, München, Germany.

### **Supervisory Board**

Prof D. Iris Löw-Friedrich, Ratingen, Germany, Chairwoman of the Board (Chief Medical Officer) of UCB S.A. (Listed on the Euronext Brussel/Belgium); Chairwoman of the Supervisory Board and of the Remuneration and Nomination Committee;

Roland Sackers, Cologne, Germany, CFO und Management Director of QIAGEN N.V. (Listed on the Frankfurt and New York Stock Exchange); Vice Chairman of the Supervisory Board and Chairman of the Audit and Compliance Committee;

Dr Mario Polywka, Oxfordshire, United Kingdom, non-selfemployed consultant; Member of the Supervisory Board; former Member of the Management Board of Evotec SE;

Dr Elaine Sullivan. London, United Kingdom, self-employed consultant; Chairwoman of the Board of Directors of KELTIC Pharma Therapeutics Ltd. (until September 2022) (not listed); Member of the Supervisory Board;

Kasim Kutay, Hellerup, Denmark, Chairman of the Board of Novo Holdings A/S (not listed); Member of the Supervisory Board (until June 2022);

Dr Constanze Ulmer-Eilfort, Munich, Germany, Partner in the law firm Peters, Schönberger & Partner PSP Munich) (not listed); Member of the Supervisory Board und Chairwoman of the ESG Committee;

Camilla Macapili, Languille, Head of Life Sciences, Mubadala Investment Company (MIC) (not listed); Member of the Supervisory Board (since June 2022);

In 2022, the remuneration paid to the members of the Supervisory Board amounted to kEUR 509 (2021: kEUR 481). The members of the Supervisory Board were members of the following other Supervisory Boards, Committees and Bodies according to section 125 paragraph 1 sentence 5 AktG.

### **Prof Dr Iris Löw-Friedrich**

#### Member of the Supervisory Board:

Fresenius SE & Co. KGaA., Bad Homburg, Germany (Listed on the Frankfurt, Dusseldorf and Munich Stock Exchange)

TransCelerate BioPharma Inc., King of Prussia, United States of America (not listed)

#### Member of the Board of Directors:

PhRMA Foundation, Washington DC, United States of America (not listed)

### **Roland Sackers**

#### Member of the Board of Directors:

BIO Deutschland e.V., Berlin, Germany (not listed)

### **Dr Mario Polywka**

#### Non-executive Director:

Blacksmith Medicines Inc., San Diego, United States of America (not listed)

Exscientia Plc., Oxford, United Kingdom (Listed on the NASDAQ)

Orbit Discovery Limited, Oxford, United Kingdom (Listed on the NASDAQ)

C4X Discovery Holdings Plc., Manchester, United Kingdom (Listed on the London Stock Exchange)

### **Dr Elaine Sullivan**

#### Member of the Supervisory Board:

Active Biotech AB, Lund, Sweden (Listed on the NASDAQ OMX Nordic Exchange Stockholm)

hVIVO plc (prior Open Orphan plc), London, United Kingdom (Listed on the London AIM and Euronext Growth Stock Exchange)

IP Group plc, London, United Kingdom (Listed on the London Stock Exchange)

Nykode Therapeutics ASA, Oslo, Norway (Listed on the Oslo Stock Exchange)

### **Dr Constanze Ulmer-Eilfort**

#### Chair of the Advisory Committee:

S4DX GmbH, Munich, Germany (not listed)

#### Member of the Advisory Board:

Proxygen GmbH, Vienna, Austria (not listed)

### **Camilla Macapilli Languille**

#### Member of the Board of Directors:

PCI Pharma Services (KPCI Holdings Limited), Philadelphia, United States of America (not listed)

Norstella (Caerus PikCo S.A.R.L.), New York, United States of America (not listed)

Envirotainer A/S, Stockholm, Sweden (not listed)

## **Subsequent Events**

On 7 February, Evotec announced that the Supervisory Board has appointed Laetitia Rouxel as new Chief Financial Officer and member of the Management Board with effect from 01 April 2023. She will take over from Enno Spillner whose contract will expire after more than six years with Evotec at the end of March and who will pursue new opportunities.

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

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

## **Group affiliation**

The Company prepares mandatory Consolidated Financial Statements in accordance with section 315e paragraph 1 HGB, which will be published in the electronic Company register ("Unternehmensregister"). The Company prepares Consolidated Financial Statements for the largest and smallest group of companies.

Hamburg, 10 May 2023

**Dr. Werner Lanthaler**  
Chief Executive Officer

**Dr. Cord Dohrmann**  
Chief Scientific Officer

**Dr. Matthias Evers**  
Chief Business Officer

**Dr. Craig Johnstone**  
Chief Operating Officer

**Laetitia Rouxel**  
Chief Financial Officer

# Combined Management Report



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The Combined Management Report relates to the Evotec Group (Group management report) as well as to Evotec SE. The reporting period covers the period from 1 January 2022 to 31 December 2022. The presentation of the business development,

the position and the forecast of key performance indicators relate to the Evotec Group, unless otherwise stated. Information which solely relates to Evotec SE is disclosed as such.

# The Evotec Group

## ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

### — GROUP STRUCTURE —

Evotec SE, headquartered in Hamburg, is the parent company of the Evotec Group, whose group structure reflects its strategic international positioning and activities. Operating sites (hereafter in alphabetical order)

are in Austria, France, Germany, Italy, the United Kingdom and the US. By leveraging core competencies developed at its respective sites, the Group creates both operational and technological synergies by way of organic growth and strategic acquisitions.

#### MAJOR OPERATING ENTITIES <sup>1)</sup>

as of 31 December 2022

<sup>1)</sup> indirect and direct holdings

#### EVOTEC SE, HAMBURG, GERMANY

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

### — BUSINESS OVERVIEW —

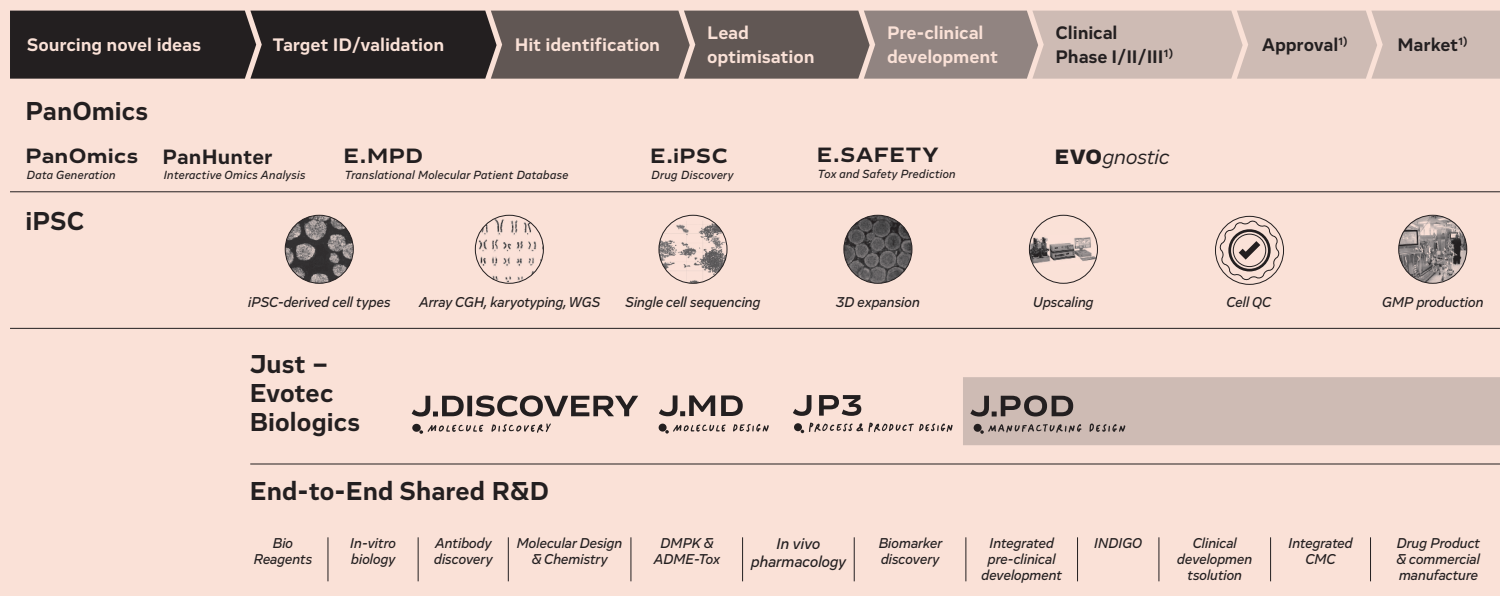
Evotec is, measured by the turnover of the five largest service providers, an industry-leading drug discovery and development partner for the pharmaceutical and biotechnology industry. Our long-term aspiration is to develop disease-modifying therapies and potential cures; for as long as even a single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

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

**IPSC**-based discovery & “off-the-shelf” cell therapies based on induced-pluripotent stem cells

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

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



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

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

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

In 2022, the Company has expanded its network of manufacturing facilities to a total of five. Capacity for continuous manufacturing of biologics is located in the United States, in Redmond (WA). In Europe, the Company has production capacity for active pharmaceutical ingredients (“API”) at its sites in Abingdon (UK) and Verona (Italy). Since the completion of the acquisition of Central Glass Germany GmbH, now Evotec DS (Drug Substance) GmbH, in November 2022, the site in Halle (Westphalia) is also one of the API producing sites. In May 2022, Evotec announced the acquisition of the company Rigenrand, which was completed on 1 July. The company now

operates under the name Evotec (Modena) Srl, which means that it now also has so-called GMP production capacities (“Good Manufacturing Practice”) for cell and gene therapies. Evotec is now able to manufacture drug products across all relevant modalities (small molecules, biologics and cell and gene therapy) to support the clinical development and commercialisation of both its own drug candidates and those of its partners on an industrial scale.

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

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

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

**PanOmics-driven drug discovery for a better disease understanding**

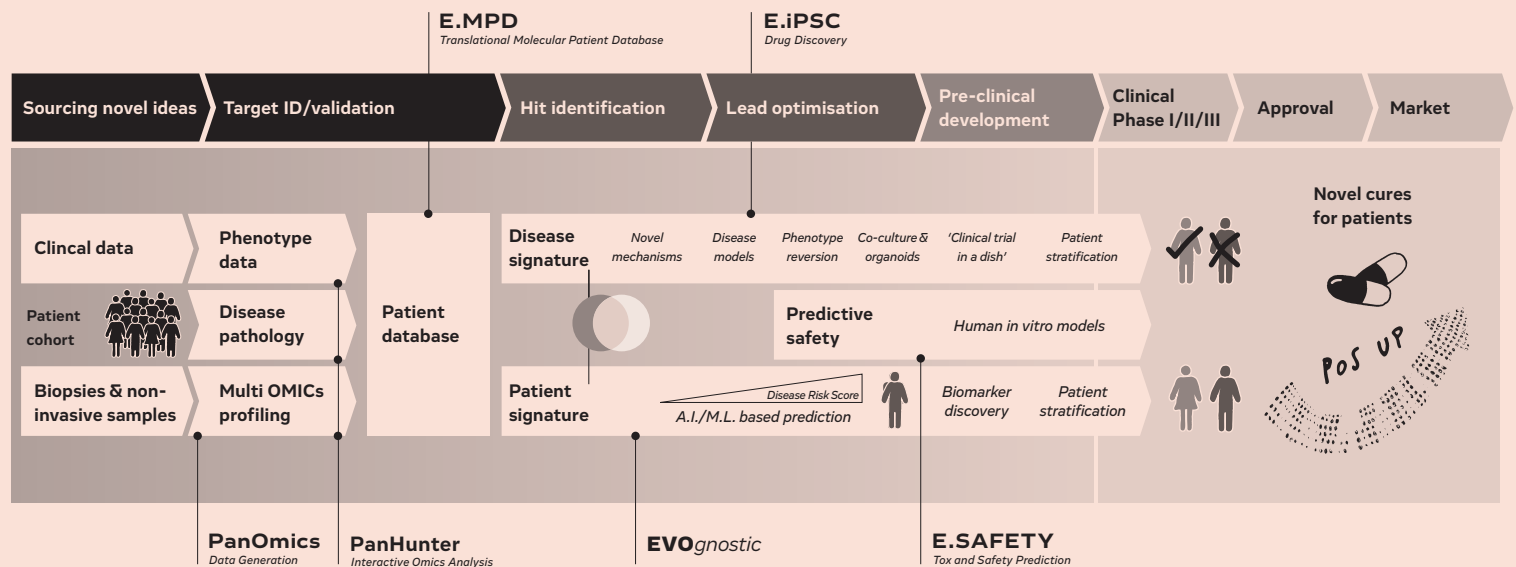
By investigating the entire complement of a specific type of biomolecule or the totality of a molecular process or signalling cascades within an



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

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

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



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

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

**iPSCs**

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

**Molecular patient databases**

Re-defining health and disease via molecular disease profiles



**Patient derived disease models & precision medicine approaches**

Focus on early disease relevance



**Patient stratification and biomarkers**

Precision diagnostics and tracking of diseases



**PanOmics**  
*Data Generation*

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

**PanHunter**  
*Interactive Omics Analysis*

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

**E.iPSC**  
*Drug Discovery*

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

Field	Programme/Project		Disease area	Protocol development	Pre-clinical research	Pre-clinical development	IND/Phase I	iPSC-derived cell types
Anti-tumour therapy	iNK		Oncology					<ul style="list-style-type: none"> <li>▶ <b>iNK</b> Natural killer cells</li> <li>▶ <b>iT</b> αβ und γδ T cells</li> <li>▶ <b>iM</b> Macrophages</li> </ul>
	iM		Oncology					
	γδ iT	Pharma partner	Oncology	Undisclosed				
	αβ iT		Oncology					
Diabetes	E.iBeta (Device)		Diabetes					<ul style="list-style-type: none"> <li>▶ <b>iBeta</b> Pancreatic islets</li> </ul>
	E.iBeta (Engineered)		Diabetes					<ul style="list-style-type: none"> <li>▶ <b>iCM</b> Cardiomyocytes</li> </ul>
Other	iCM		Heart failure					<ul style="list-style-type: none"> <li>▶ <b>iRPE</b> Retinal pigment epithelium cells</li> <li>▶ <b>iPR</b> Photoreceptors</li> </ul>
	iRPE, iPR		Ophthalmology					
	...							

<sup>1)</sup> Each immune cell type can deliver multiple differentiated products

**Just – Evotec Biologics**

In the field of biologics discovery, development and manufacturing, Evotec applies its machine learning and integrated technology platform J.DESIGN to bring further value to its partnerships by designing, developing, and manufacturing biologics in a cost-effective and efficient manner. Because Evotec utilises J.DESIGN early in the drug discovery stage, by the time it reaches the manufacturing stage of any given programme, Evotec has already predicted and reduced the risk of most scaling problems that may occur. As a result, Evotec can offer flexible, on-demand production compared to traditional large single batch-based processes, so-called fed-batch processes, without any loss of product quality. Due to significantly higher yields resulting from continuous harvesting of biologics over several weeks, and

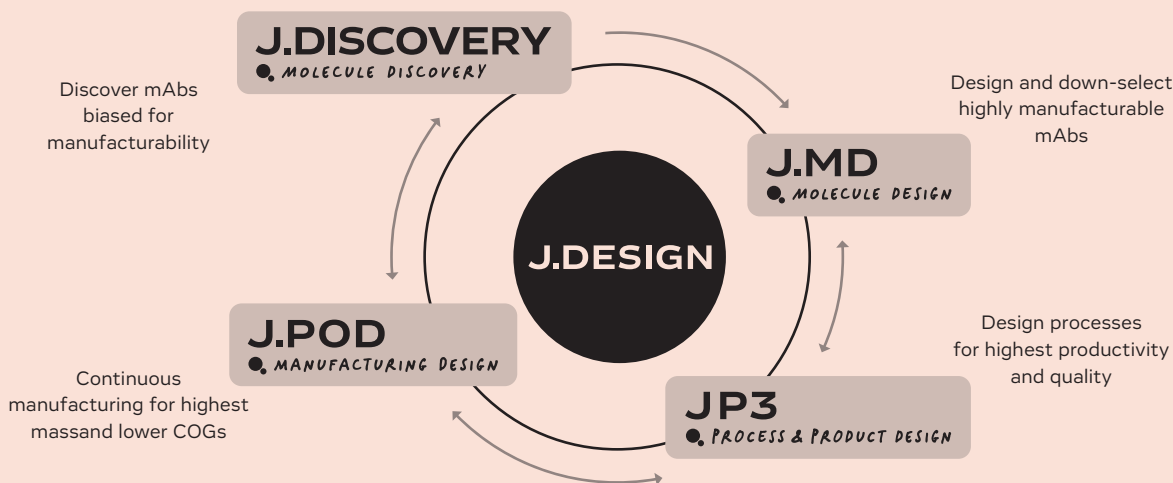
thus lower average unit costs, the new paradigm expands the indication areas for biologic drug candidates to include diseases with small case numbers for which a conventional process has proven uneconomical in the past.

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

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



THE EVOTEC GROUP



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

As global demand for flexible biologics capacity and for more affordable access to medicines increases, Evotec has started construction of a second J.POD facility in Toulouse, France in September 2022. Europe is the second largest biologics market. Nevertheless, one of the lessons of the COVID-19 pandemic was that there were bottlenecks and national preferences in supply. This has increased the need for local capacity and the need for security of supply in all regions and also in Europe to improve pandemic preparedness in case needed. The decision to set up this infrastructure at the Company’s own site in Toulouse, France was a strategic one, as, according

to Evotec’s belief, the Toulouse footprint creates operational efficiency and co-location with oncology and immunology expertise, adding further synergy with Evotec’s strategic needs. The second J.POD is expected to be completed in the second half of 2024.

**End-to-End Shared R&D**

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

Target ID/Validation	Hit identification	Lead optimisation	Pre-clinical/IND <sup>1)</sup>	Phases I/II/III	Approval	Market
<ul style="list-style-type: none"> <li>▶ Disease area expertise</li> <li>▶ Exploratory biology</li> <li>▶ Target validation</li> <li>▶ Assay Development</li> </ul>	<ul style="list-style-type: none"> <li>▶ Structural biology</li> <li>▶ Screening, virtual screening</li> <li>▶ Molecular design, chemistry</li> <li>▶ Biotherapeutic discovery</li> </ul>	<ul style="list-style-type: none"> <li>▶ Molecular optimization</li> <li>▶ PK/PD, ADME, PK</li> <li>▶ Safety, biomarkers</li> <li>▶ Development readiness</li> </ul>	<ul style="list-style-type: none"> <li>▶ Regulatory Toxicology</li> <li>▶ Formulation science</li> <li>▶ Process development and manufacture</li> </ul>	<ul style="list-style-type: none"> <li>▶ Translational biology, biomarkers</li> <li>▶ Clinical development support</li> <li>▶ API manufacturing, product for clinical testing</li> <li>▶ Drug Product</li> </ul>	<ul style="list-style-type: none"> <li>▶ Commercial API and drug product manufacturing</li> </ul>	
<ul style="list-style-type: none"> <li>▶ Comprehensive “under ONE roof” integration of technologies, experience and expertise</li> <li>▶ Operational excellence and A.I./M.L.-driven predictive science</li> </ul>						

<sup>1)</sup> Investigational New Drug Application

**Generation of revenues**

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

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

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

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

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

	<b>IP partnering<sup>1)</sup>/ Pipeline of co-owned assets</b>	<b>Partner owns IP</b>
<b>Value Creation Model</b>	<ul style="list-style-type: none"> <li>▶ Fee-for-Service/FTE-rates</li> <li>▶ Upfront payments, milestones, licenses, royalties</li> <li>▶ Equity investments</li> </ul>	<ul style="list-style-type: none"> <li>▶ Fee-for-Service/FTE-rates</li> <li>▶ Success payments</li> <li>▶ Price per amount manufactured</li> </ul>
<b>Focus areas</b>	<i>PanOmics</i>	<i>iPSC</i>
	<i>End-to-End Shared R&amp;D</i>	
	<i>Just – Evotec Biologics</i>	

<sup>1)</sup> Ranging from outlicensing of own IP to joint creation of IP

**Reporting segments**

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

**EVT Execute**

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

**EVT Innovate**

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

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



**Broad pipeline of development**

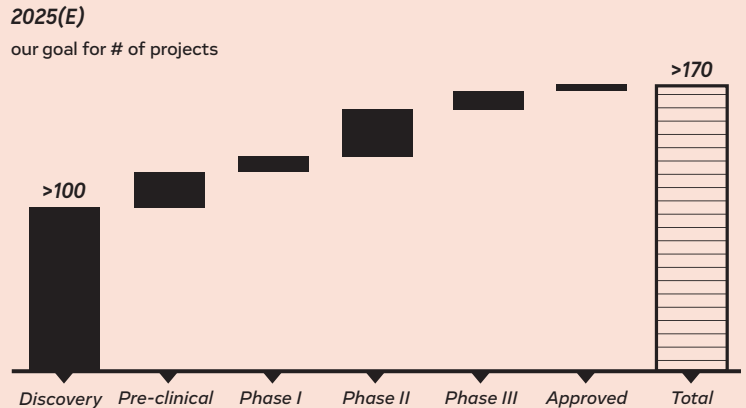
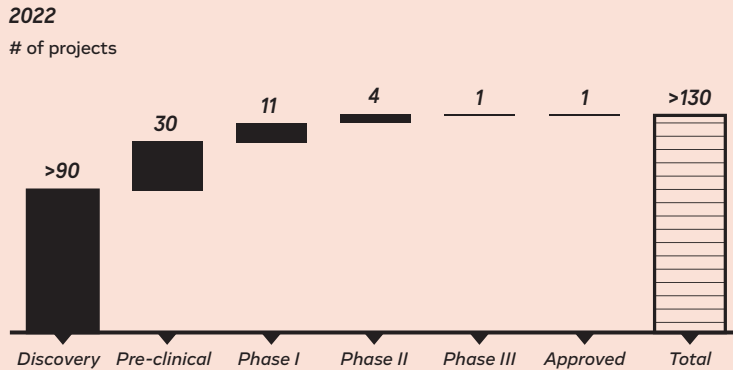
Evotec’s pre-clinical pipeline includes candidates that are wholly owned and those for which Evotec has the right to receive royalty or milestone payments. The number of Evotec’s pipeline assets has more than doubled in 2015 from 49 to over 130 of which 17 assets in clinical development as of 31 December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

The partnered pipeline consists mostly of drug candidates originally developed by Evotec and then out-licensed or transferred to partners for further preclinical and clinical development. But they also include candidates that have been initially developed by Evotec’s partners and that have become the subject of a joint research project pursuant to which Evotec is eligible for royalty or milestone payments. For the sake of transparency, Evotec also discloses candidates that are being developed by partners in

which Evotec has solely an equity stake and no right to milestone or royalty payments with respect to their candidates in development, but where it could benefit from value accretion related to progress of these assets.

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

**TOTAL NUMBER OF PROJECTS**



**CORPORATE OBJECTIVES AND STRATEGY**

**— EVOTEC’S GROWTH STRATEGY —**

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

Evotec’s strategic goals include:

- ▶ *Establishing Evotec’s offer as a best-in-class, integrated disease understanding and precision medicine platform:* Evotec is an industry-leading partner by revenue in drug discovery and development for the pharmaceutical and biotechnology industry. The Company’s proprietary platforms aim to integrate traditional R&D capabilities with cutting-edge data analytics to deliver potentially best-in-class and first-in-class therapeutics that are designed to be patient-relevant, disease-modifying and have curative potential. Evotec’s Innovation Hub targets molecular and

therefore patient-specific relevance, and thus the potential to achieve higher probability of success in clinical trials due to better patient stratification. On this basis, Evotec strives to be at the forefront of the ongoing paradigm shift towards precision medicine. .

- ▶ *Strengthening Evotec’s position as the premier partner to the life sciences sector:* Evotec has excelled in delivering drug discovery and development solutions. Evotec’s current offering and capabilities stretch significantly beyond traditional contract research and development and potentially holds the key to disruptive innovation in the life sciences sector through offering integrated capabilities and innovative partnering. The Company’s growth as a partner to innovators in the lifescience ecosystem is underpinned by the high quality delivered in the past and by the current breadth of Evotec’s capabilities across modalities, technologies and data integrated R&D efforts. Evotec’s two-pronged growth strategy includes adding new customers and increasing the scope of work for existing customers.
- ▶ *Expanding the breadth of co-owned assets:* To date Evotec has built a pipeline of more than 130 assets, of which a significant share is partnered. The Company expects its pipeline assets to provide a significant stream of milestones and royalties without direct exposure to trial costs. Evotec

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

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

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

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

**Increasing efficiency in research**

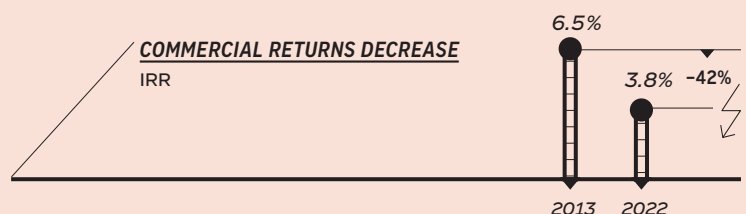
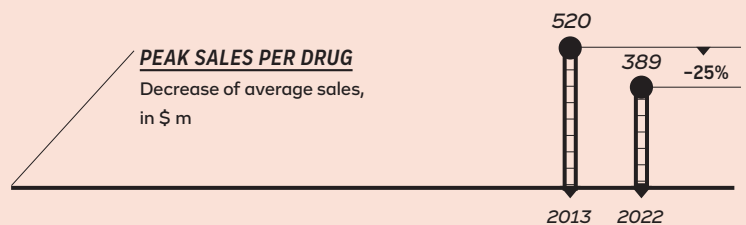
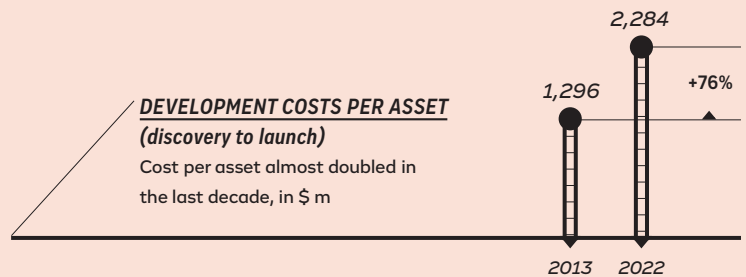
In contrast to the cost of developing an asset from discovery to launch, which increased from \$ 1.3 bn in 2013 to more than \$ 2.2 bn in 2022 for the benchmark of top-20 pharma companies, the average global peak sales per drug in the last decade declined by more than 25% from \$ 520 m per drug in 2013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

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

efficacy and reduced manufacturing costs. Evotec is able to deliver these critical solutions through a combination of:

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

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



<sup>1)</sup> Source: Deloitte Seize the digital momentum, Measuring the return from pharmaceutical innovation 2022 (January 2023)



**Evotec's corporate objectives and achievements 2022**

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

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

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

## PERFORMANCE MANAGEMENT

### — FINANCIAL PERFORMANCE INDICATORS —

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

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

In addition, management thoroughly analyses all costs (with a focus on cost of sales, research and development expenses and selling and administrative expenses). Liquidity levels are monitored against forecasts and against defined minimum cash levels. Operating cash flows are reviewed on a regular basis with an emphasis on the receipt of contract research revenues and milestone payments as well as working capital management. Investing activities like capital expenditure in maintenance and expansion and funding of Evotec's equity portfolio are compared against budget every

month. Balance sheet structure, equity ratio and net debt leverage are monitored in order to manage a balanced equilibrium of financing tools. Treasury management is undertaken on an ongoing basis with a focus on cash management, foreign exchange rate and interest risks, as well as funding and investment opportunities. Value analyses based on discounted cash flow and net present value models are the most important financial metrics for Evotec's investment decisions regarding M&A projects, equity investments and licensing opportunities.

### — KEY FINANCIAL PERFORMANCE INDICATORS —

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

<b>KEY FINANCIAL PERFORMANCE INDICATORS</b>					
in k€					
	2018 <sup>1)</sup>	2019 <sup>1)</sup>	2020 <sup>1)</sup>	2021	2022
Revenues	375,405	446,437	500,924	618,034	<b>751,448</b>
Unpartnered R&D expenses <sup>2)</sup>	(22,824)	(37,477)	(46,441)	(58,117)	<b>(70,204)</b>
Adjusted Group EBITDA <sup>3)</sup>	95,649	123,256	106,654	107,270	<b>101,654</b>

<sup>1)</sup> 2018 - 2020 restated for IAS 19

<sup>2)</sup> R&D expenses funded by Evotec

<sup>3)</sup> Adjusted for changes in contingent considerations

#### Revenues

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

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

#### Unpartnered R&D Expenses

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

The Company receives grants and funding from government authorities as well as private foundations for the support of some selected R&D projects.

These grants are linked to projects and are recognized as a reduction mainly of R&D expenses when they are received.

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

#### Adjusted Group EBITDA

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

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





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

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

—  
**NON-FINANCIAL  
PERFORMANCE INDICATORS**  
—

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

**Number of Customers**

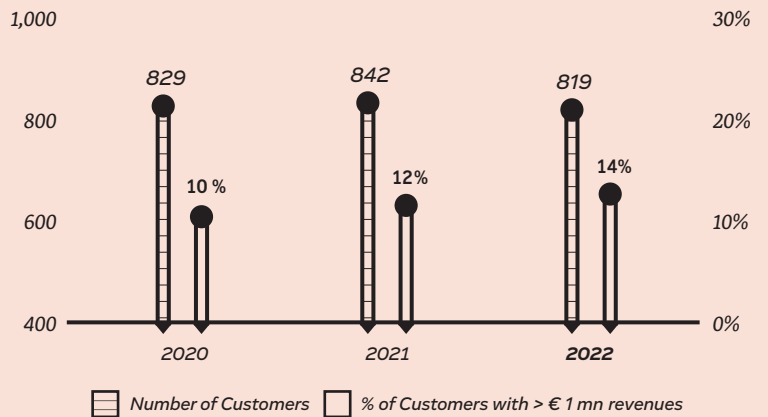
The number of customer alliances has exceeded 800 in the past three years, confirming the range of offered services. During 2022, 325 new customers were added compared with 337 in 2021 and 315 in 2020, a slight decrease of 4% versus 2021 and an increase of 7% versus 2020. An entity with multiple subsidiaries,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

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

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

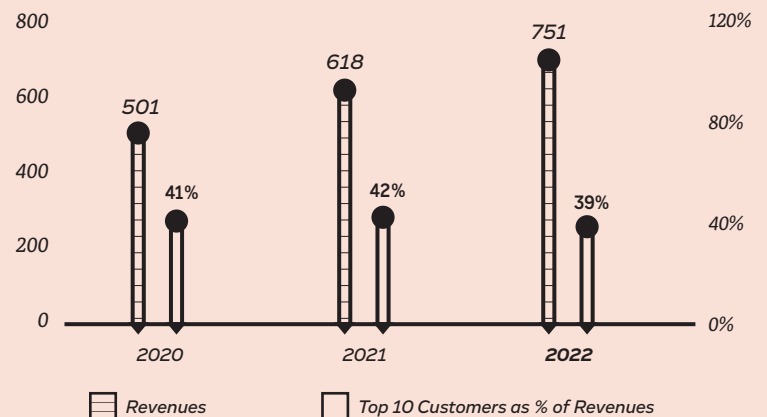
Evotec’s largest customers by revenues, Bristol Meyer Squibb (“BMS”), Merck and Exscientia, collectively accounted for 25% of revenues in 2022. In 2021, BMS, Merck and Sanofi were Evotec’s largest customers by revenue, together also contributing 25% to revenues. Other than BMS, no single customer contributed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

**CUSTOMER EVOLUTION AND CONTRIBUTION**



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

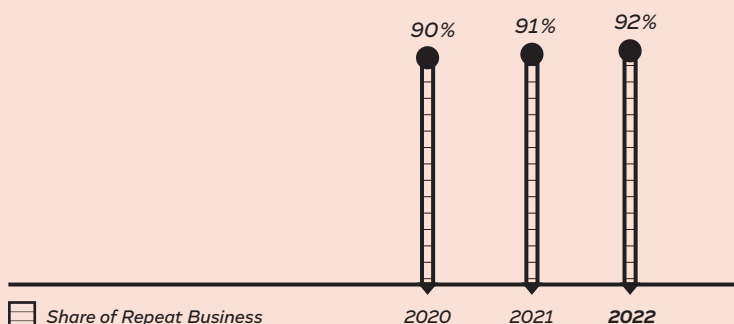
**EVOLUTION OF CUSTOMER CONCENTRATION**



**Repeat Business**

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

**SHARE OF ANNUAL REPEAT BUSINESS**



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

For a company that discovers and develops novel, innovative pharmaceutical drugs, the progression of proprietary drug programmes and candidates within drug discovery and development partnerships is another highly relevant non-financial performance indicator. The success of partnered (“co-owned”) research, pre-clinical and clinical programmes progressed by

Evotec’s partners represents additional value creation potential for Evotec without any financial risk (apart from the risks inherent in the companies themselves in which Evotec holds an interest). Evotec participates in the progress and success of those programmes through potential milestone and royalty payments, without having to make their own investments or expenditures after handover to the partner. In case of failure, Evotec may lose an option to benefit from future milestone payments or royalties linked to the respective product. However, such an event does not affect the overall set-up of Evotec at all.

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

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

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

Molecule	Treatment area/indication	Partner	End of December 2022
SKY Covione	COVID-19	SK bioscience	Market approval
EVT201	Insomnia (GABA-A)	JingXin	Phase III
BAY2395840	Multiple Indications (B 1)	Bayer	Phase II
CT7001	Oncology (CDK7)	Carrick Therapeutics	Phase II
TPM501/502	Celiac Disease	Topas Therapeutics	Phase II
EXS21546	Oncology (various programmes)	Exscientia	Phase II
BAY2328065	Gynaecology	Bayer	Phase II
EVT401	Immunology & Inflammation (P2X7)	CONBA Group	Phase I
CNTX-6016	Pain (CB2)	Centrexion	Phase I
EVT894	Chikungunya (Antibody)	Sanofi/NIH	Phase I
Not Disclosed	Neuroscience & Pain	n.a.	Phase I
Not Disclosed	Neuroscience & Pain	n.a.	Phase I
EVT801	Oncology (VEGFR3)	Kazia Therapeutics	Phase I
EVT8683	Neurodegeneration (eIF2b activator)	Bristol Myers Squibb	Phase I
TPM203	Pemphigus Vulgaris (not disclosed)	Topas Therapeutics	Phase I
CT7001	Oncology (CDK7)	Carrick Therapeutics	Phase I
CT7001	Oncology (CDK7)	Carrick Therapeutics	Phase I



— EARLY INDICATORS —

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

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

**RESEARCH  
AND DEVELOPMENT**

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

— UNPARTNERED R&D —

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

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

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

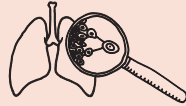
— PARTNERED R&D —

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

MAIN INDICATION AREAS PARTNERED AND UNPARTNERED R&D



Womens' Health



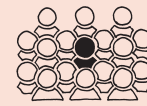
Lung & Multiple cancers



Kidney diseases



CNS



Multiple rare diseases



Tuberculosis



Liver diseases



Infectious diseases



Autoimmune diseases



Fibrosis



Inflammation

...

— INTELLECTUAL PROPERTY —

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

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

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



# Report on the economic position of the Evotec Group

## 2022 FINANCIAL RESULTS COMPARED WITH FORECAST

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

In 2022, Evotec was once again able to report double-digit revenue growth for the eighth consecutive year. Despite various political, economic and inflation challenges, Evotec was able to confirm its forecasts throughout the entire year. The top line goal was raised with the publication of the half year report.

Inflationary tendencies – in particular in the energy markets – were largely offset by a strong business performance.

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

### PERFORMANCE AGAINST FORECASTS

in €m

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

<sup>1)</sup> At constant exchange rates from Actual 2021 (EUR/USD 1,183; GBP/EUR 1,163)

<sup>2)</sup> Adjusted EBITDA before contingent considerations and excluding impairments on goodwill, other intangible and tangible assets as well as the total non-operating result (for the derivation of Adjusted EBITDA from operating result please see the section “Results of operations”)

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

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

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

**MANAGEMENT BOARD’S  
GENERAL ASSESSMENT OF EVOTEC’S  
ECONOMIC SITUATION**

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

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

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

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

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

**MACROECONOMIC  
CONDITIONS AND BUSINESS  
ENVIRONMENT**

—  
**GLOBAL ECONOMIC DEVELOPMENT –  
UNCERTAIN OUTLOOK**  
—

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

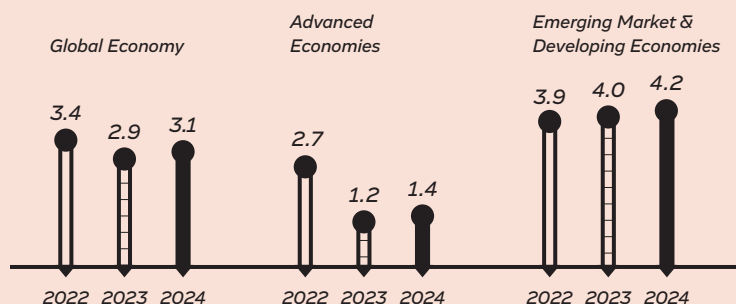
According to the World Bank’s latest forecast, released in January 2023, global growth is projected to slow in 2023 from 2.9% in 2022 to 1.7% – the third weakest pace in nearly three decades, exceeded only by the global recessions of 2009 (global financial crisis) and 2020 (COVID-19 pandemic). Main reason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

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



**GROWTH PROJECTIONS**

World Economic outlook update January 2023 (in %)



Source: International Monetary Fund

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

**US – Inflation pushed to multi-decade highs**

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

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

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

**Europe – Shortages of goods and inflation shape economic development**

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

Russia’s attack on Ukraine also led to a noticeable shortage of important goods, above all, energy and agricultural products. As in 2022, 2023 will be characterised by tightened supply of energy and agricultural products.

A combination of energy-saving measures and the development of new energy imports has, so far, prevented energy shortages in Europe. In particular, a feared shortage of natural gas has been avoided.

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

**Germany: Growing economy despite energy crisis, but high inflation**

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

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

**DEVELOPMENTS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY MARKETS**

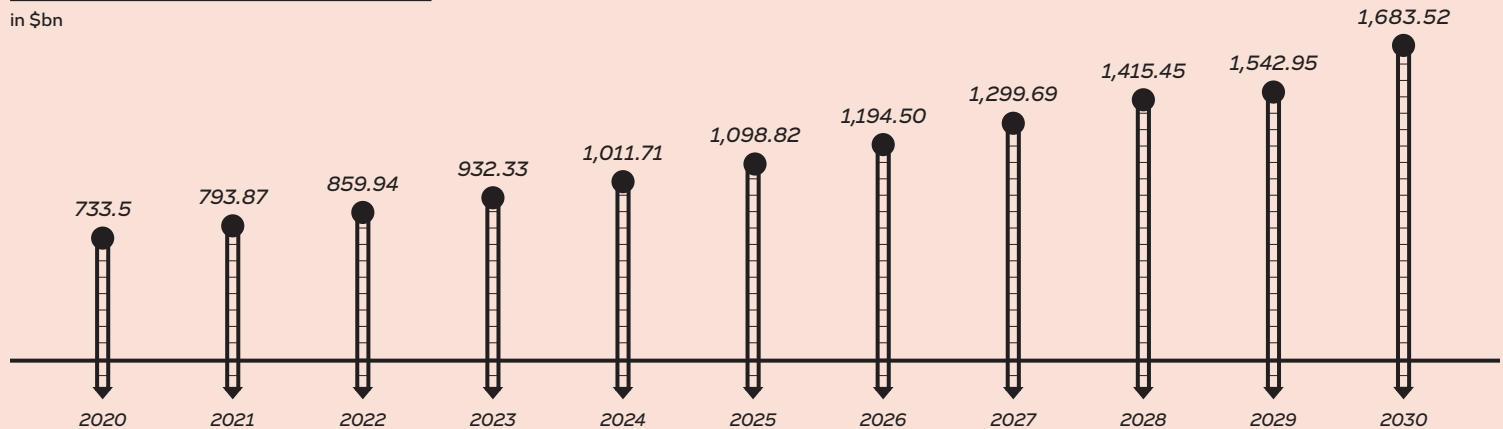
The COVID-19 pandemic has had a positive impact on the global market by increasing opportunities and advances in drug development and vaccine production against this disease and increasing awareness related to the need of pandemic preparedness in general.

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

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

**BIOTECHNOLOGY MARKET SIZE 2020 TO 2030**

in \$bn



Source: [www.precedenceresearch.com](http://www.precedenceresearch.com)

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

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

**Outsourced manufacturing continues to grow**

The global drug discovery outsourcing market size was valued at \$ 3.5 bn in 2022 and is expected to grow at a CAGR of 7.4% to \$ 6.3 bn until 2030. Pharmaceutical companies are gradually outsourcing R&D activities to academic and private contract research organizations (“CROs”) to reduce drug development timelines and costs. The pharmaceutical industry has seen radical changes in the past two decades, with a shift toward biologics, patent expiration, and unprecedented downsizing of the in-house research of big pharmaceutical companies. All this has accelerated the adoption of outsourcing activities. While Evotec estimates the share of outsourced

early-stage drug discovery to be in a range of 10% to 15% of R&D spending, an estimated 75% to 80% of R&D spending in the biopharmaceutical industry could be outsourced providing the chance to foster a dynamic and sustainable market growth.

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

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

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

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

**— OPERATIONAL AND BUSINESS ENVIRONMENT —**

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

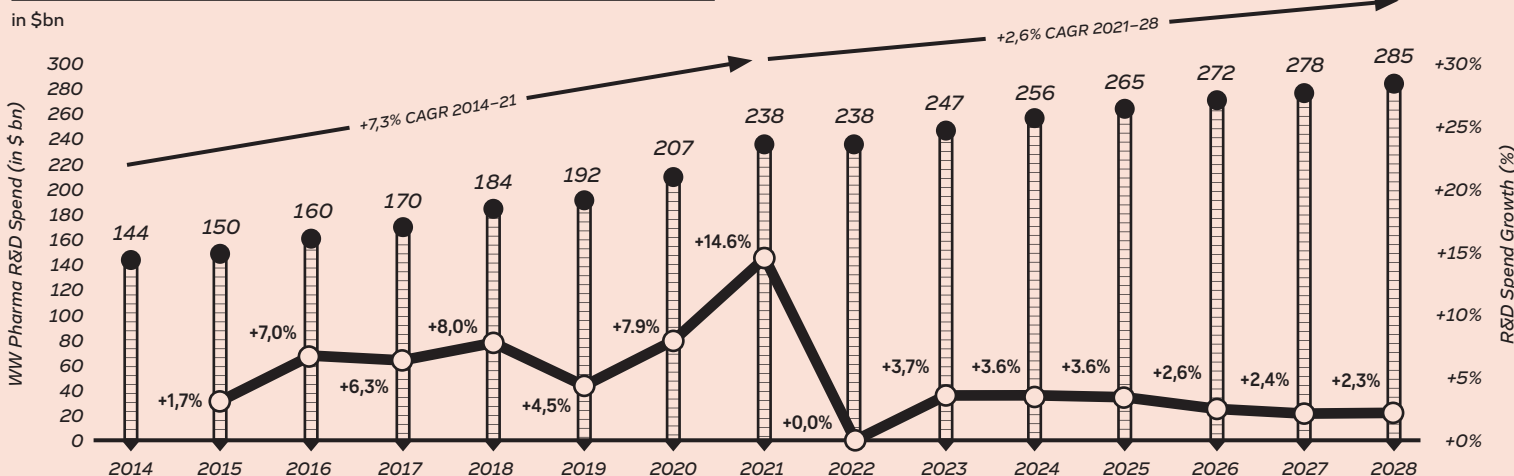
For more than ten years, the global pharmaceutical industry has been struggling with declining efficiency in introducing new products. While expenses for research and development have risen significantly over the years, products already on the market are generating lower revenues than in earlier decades: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



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

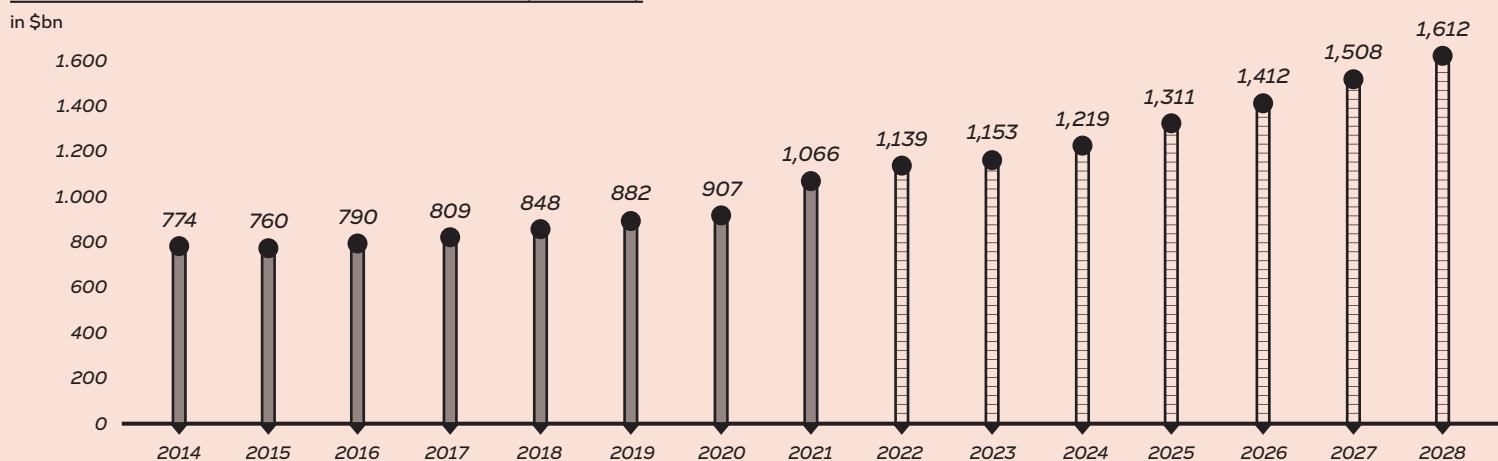
Revenues with prescription drugs are set to grow more than twice as fast as R&D costs and large molecules, such as biologics, cell & gene therapy are anticipated to grow faster than small molecules. In 2022 sales of prescription drugs amounted to \$ 1,139 bn. According to Evaluate Pharma, the number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

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



Source: Evaluate Pharma World Preview 2022, August 2022

**TOTAL GLOBAL REVENUES FROM PRESCRIPTION DRUGS (2014-2028)**



Note: 6.1% CAGR 2021-2028

Source: Evaluate Pharma World Preview 2022, August 2022

■ Historic □ Forecast

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

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

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

**Evotec's competitive position:**

**High market demand for external innovation**

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

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

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

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

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

**Market orientation of strategic research focus areas**

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

**MARKET POTENTIAL FOR INDIVIDUAL INDICATIONS\***

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

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

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

**CURRENT TRENDS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY SECTORS**

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

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

Currently, the following trends can be observed:

**Increasing importance of A.I.**

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



### Personalised medicine

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

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

### Drugs for rare diseases

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

### Higher investment in manufacturing innovation

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

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

### Drug discovery by using innovative platform technology

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

### Development of mRNA-based drugs and vaccines

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

### Environmental goals is becoming a top priority

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

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

## MAJOR BUSINESS EVENTS IN 2022

### LAND & EXPAND: SIGNIFICANT NEW AND EXPANDED PARTNERSHIPS

#### Great progress within collaborations with Bristol Myers Squibb (BMS)

##### a) Significant step-up of targeted protein degradation alliance

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

##### b) Further progress within iPSC-based neurodegeneration collaboration

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

#### New drug discovery collaboration with Eli Lilly in metabolic diseases

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

#### Strategic partnership with Sernova for an iPSC-derived diabetes therapy

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

**Multi-target alliance in medical dermatology with Almirall**

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

**Drug discovery collaboration with Janssen**

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

**Accelerated antibody development for the US Department of Defence**

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

— CLINICAL PIPELINE UPDATES —

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

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**PROGRESS IN DATA-DRIVEN  
 PRECISION MEDICINE PLATFORMS**  
 —

**Launch of translational molecular patient database E.MPD**

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

**Commercial launch of PanOmics data analysis platform PanHunter**

In October 2022, Evotec launched the first commercial version of its PanOmics data analysis platform PanHunter at Bio-IT World. PanHunter is Evotec’s PanOmics data access and analytics platform and was developed and used successfully internally and in industry-shaping drug discovery partnerships

over many years. After presenting the first commercial version, Evotec makes PanHunter available to collaborators and partners as a software-as-a-service product at enterprise level.

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

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

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

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

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

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

**Evotec adds cell therapy manufacturing facility with acquisition of Rigenerand**

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

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

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

— CORPORATE —

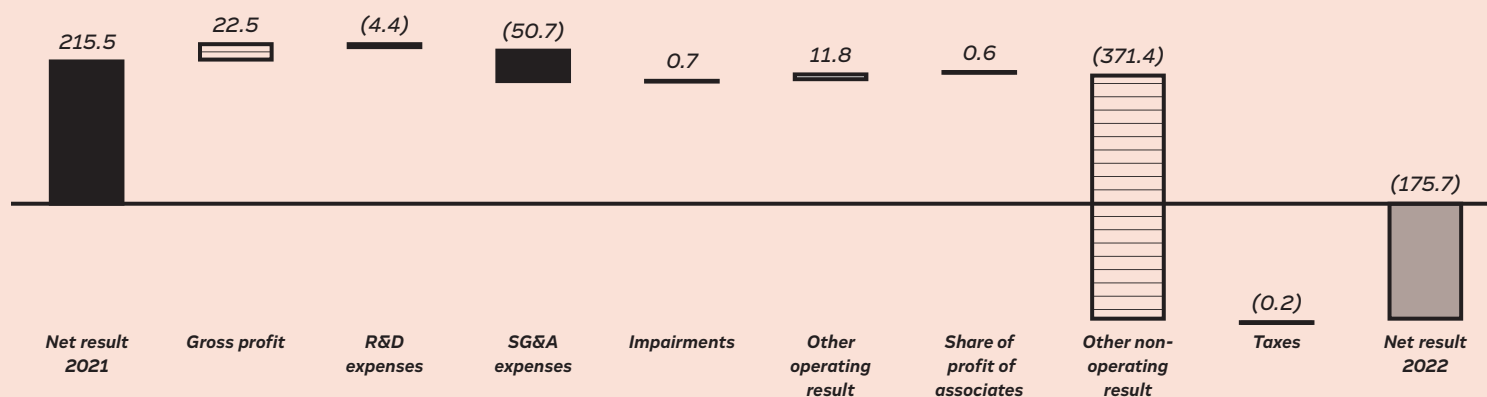
**Dr Matthias Evers joins Management Board as CBO**

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

**RESULTS OF OPERATIONS**

**BRIDGE OF NET RESULT 2021-2022**

in €m



**CONDENSED INCOME STATEMENT**

in €k

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

<sup>1)</sup> Adjusted for changes in contingent considerations

— REVENUES —

**Another year with double-digit top line growth**

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

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

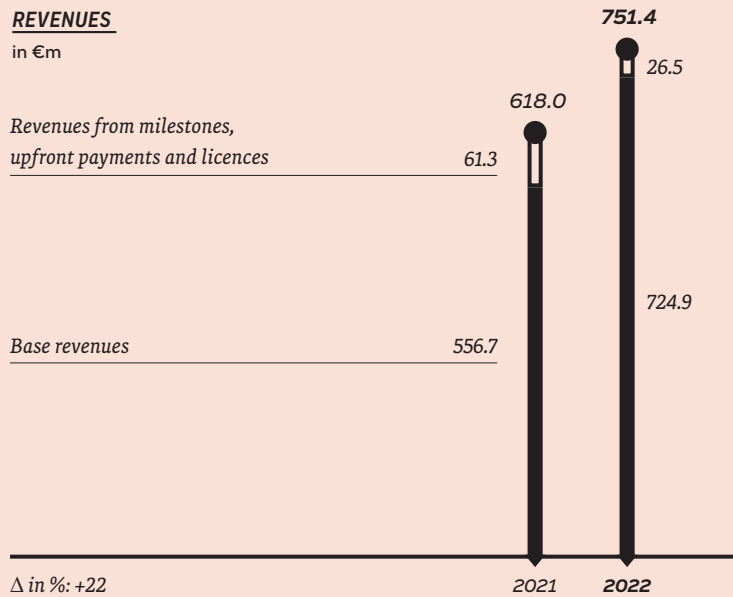
Just – Evotec Biologics contributed € 51.3 m to consolidated revenue growth compared with € 52.9 m in 2021, which included € 10.6 m in upfront revenue. Recognition of upfront payments ended as of Q4 2021. Excluding this effect, underlying 2022 revenues increased by 21%.

**REVENUES**

in €m

Revenues from milestones, upfront payments and licences

Base revenues



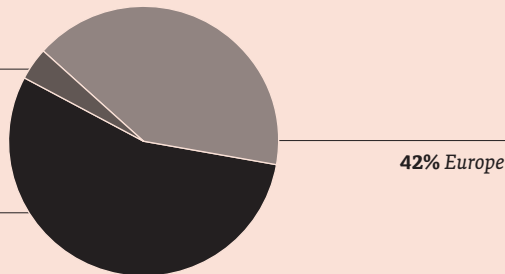
Evotec’s revenues were generated primarily with US (61%) and Europe customers (35%), and only to a very small extent in the rest of the world (predominantly Japan). However, the shift towards the US was mainly triggered by the latest BMS additions.

**REVENUES BY REGION**

2021

4% Rest of the world

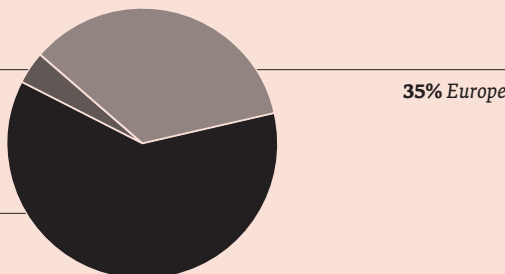
55% USA



2022

4% Rest of the world

61% USA



**COSTS OF REVENUE/  
GROSS MARGIN**

**Start-up costs in Biologics affect gross margin**

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

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

**RESEARCH AND  
DEVELOPMENT EXPENSES**

**Ongoing R&D activities in various fields**

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

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

**R&D EXPENSES BY CATEGORIES**

in €k

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

—  
**SELLING, GENERAL AND  
ADMINISTRATIVE EXPENSES**  
—

**Building resilient structure for next growth phase**

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

— **OTHER OPERATING INCOME AND EXPENSES** —

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

— **OPERATING RESULT** —

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

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

**REPORT ON THE ECONOMIC POSITION OF THE EVOTEC GROUP**

**MULTIPLE-YEAR OVERVIEW OF RESULTS OF OPERATIONS**

in €k	2018 <sup>1)</sup>	2019 <sup>1)</sup>	2020 <sup>1)</sup>	2021	2022
<b>Revenues</b>	<b>375,405</b>	<b>446,437</b>	<b>500,924</b>	<b>618,034</b>	<b>751,448</b>
Costs of revenue	(263,389)	(313,546)	(375,181)	(466,491)	<b>(577,383)</b>
<b>Gross profit</b>	<b>112,016</b>	<b>132,891</b>	<b>125,743</b>	<b>151,543</b>	<b>174,065</b>
Research and development expenses	(35,619)	(58,432)	(63,945)	(72,200)	<b>(76,642)</b>
Selling, general and administrative expenses	(56,820)	(66,433)	(77,205)	(105,445)	<b>(156,190)</b>
Impairment of goodwill (net)	-	(1,647)	-	-	-
Impairment of intangible assets (net)	(4,364)	(10,272)	(3,244)	(683)	-
Income from bargain purchase	15,400	-	-	-	-
Other operating income and (expenses), net	47,042	66,600	67,207	67,781	<b>79,617</b>
<b>Operating result</b>	<b>77,655</b>	<b>62,707</b>	<b>48,556</b>	<b>40,996</b>	<b>20,850</b>
Non-operating income and (expense), net	(5,464)	(6,032)	(22,716)	195,984	<b>(174,807)</b>
<b>Profit (loss) before taxes</b>	<b>72,191</b>	<b>56,675</b>	<b>25,840</b>	<b>236,980</b>	<b>(153,957)</b>
Tax income (expense)	12,007	(19,363)	(19,562)	(21,470)	<b>(21,698)</b>
<b>Net result</b>	<b>84,198</b>	<b>37,312</b>	<b>6,278</b>	<b>215,510</b>	<b>(175,655)</b>

**P&L Ratios**

Gross margin (= Gross Profit/Revenues)	29.8%	29.8%	25.1%	24.5%	<b>23.2%</b>
Operating margin (= Operating result/Revenues)	20.7%	14.0%	9.7%	6.6%	<b>2.8%</b>
EBITDA adjusted margin (= EBITDA adjusted/Revenues)	25.5%	27.6%	21.3%	17.4%	<b>13.5%</b>
Return on sales (= Net result/Revenues)	22.4%	8.4%	1.3%	34.9%	<b>(23.4)%</b>
R&D cost ratio (= R&D expenses/Revenues)	9.5%	13.1%	12.8%	11.7%	<b>10.2%</b>
SG&A cost ratio (= SG&A expenses/Revenues)	15.1%	14.9%	15.4%	17.1%	<b>20.8%</b>
Personnel costs to total costs <sup>2)</sup>	44.7%	50.6%	54.8%	52.4%	<b>50.1%</b>

<sup>1)</sup> 2018 – 2020 restated for IAS 19

<sup>2)</sup> Total costs = Costs of revenue, Research and development expenses, Selling, general and administrative expenses, Other operating income and expenses excluding changes in contingent considerations and R&D tax credits

**— OTHER NON-OPERATING RESULT —**

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

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

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

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

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

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

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



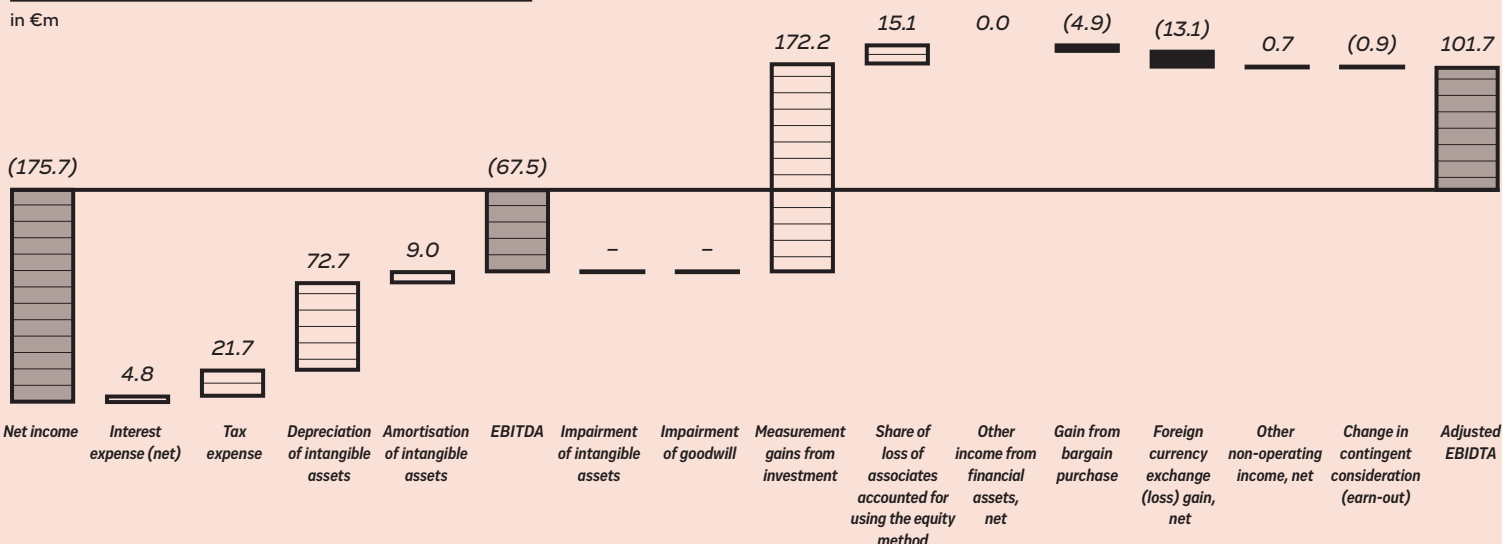
—  
NET INCOME &  
ADJUSTED GROUP EBITDA  
—

**Adjusted Group EBITDA within Guideline**

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

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

**BRIDGE FROM NET INCOME TO ADJUSTED GROUP EBITDA**



— SEGMENT REPORTING —

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

**SEGMENT INFORMATION 2022**

in €k

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

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

<sup>2)</sup> Adjusted for changes in contingent considerations

**EVT Execute**

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

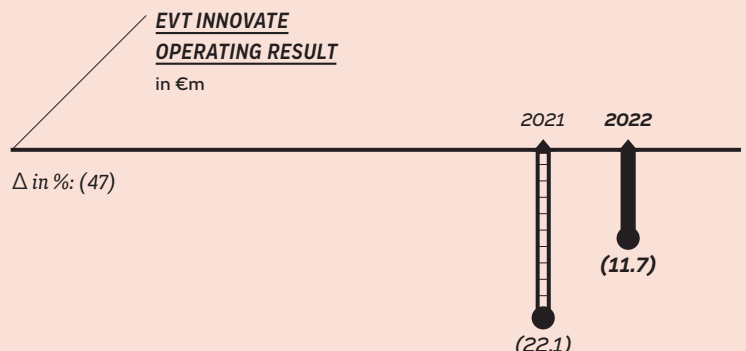
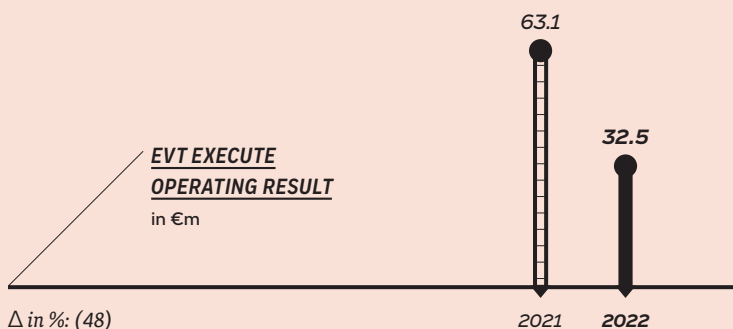
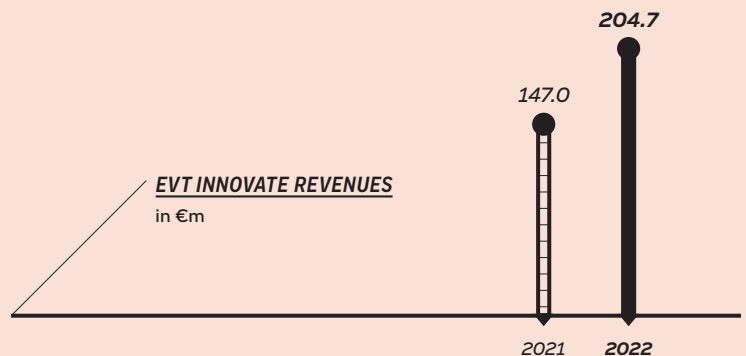
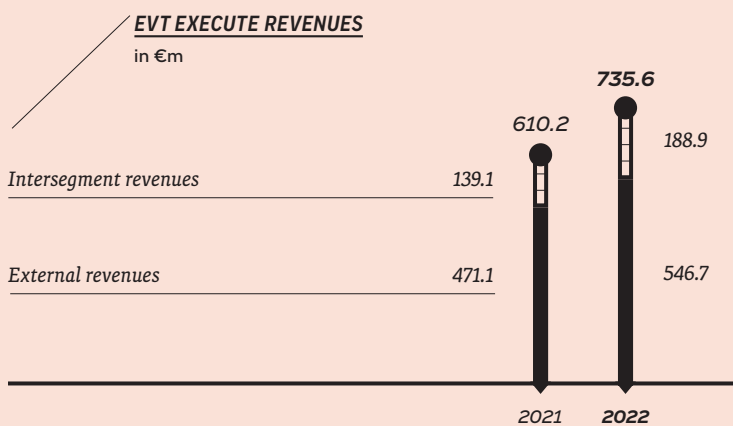
Intersegment revenues amounted to € 188.9 m (2021: € 139.1 m), which is an indicator for the convergence of Evotec’s offering based on its fully integrated platform. Intersegment sales are reflective of the progress of projects recognised within EVT Innovate where Evotec maintains rights to participate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

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

**EVT Innovate**

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

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



## FINANCING AND FINANCIAL POSITION

## — CASH FLOW —

—  
FINANCIAL MANAGEMENT  
PRINCIPLES  
—

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

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

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

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

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

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

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

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

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

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

**REPORT ON THE ECONOMIC POSITION OF THE EVOTEC GROUP**

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

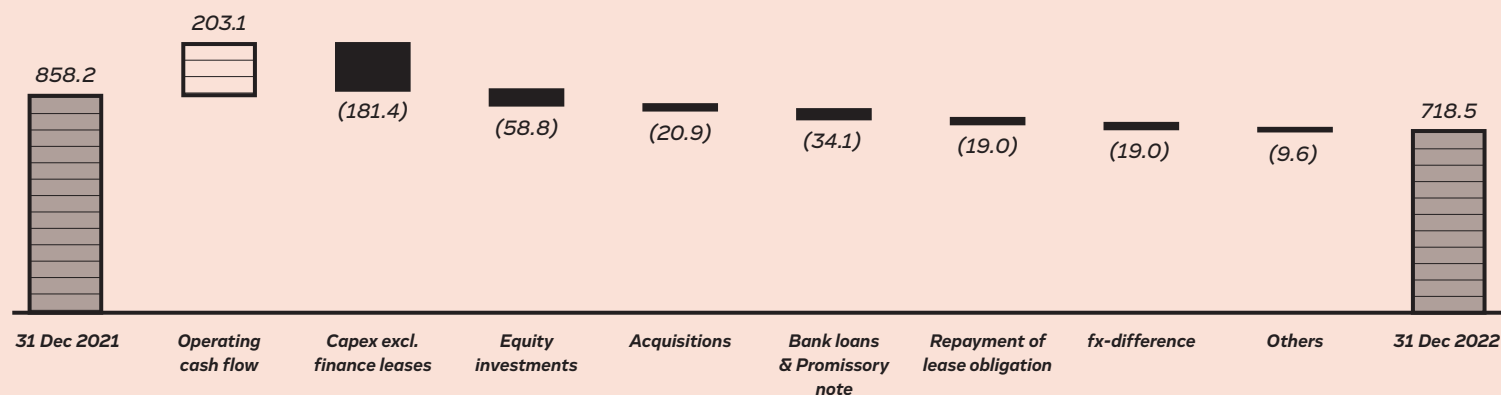
in €k

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

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

**LIQUIDITY DEVELOPMENT**

in €m



**— MULTIPLE-YEAR OVERVIEW FINANCIAL POSITION —**

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

years, even when executing the acquisitions of Aptuit in 2017 and Just Biotherapeutics in 2019.

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

**MULTIPLE-YEAR OVERVIEW OF FINANCIAL POSITION**

in €k

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

<sup>1)</sup> 2018 - 2020 restated for IAS 19

<sup>2)</sup> Cash and cash equivalents and investments

<sup>3)</sup> Loan liabilities and lease obligations

<sup>4)</sup> Ratio Capex/Property, plant and equipment excl. ROU (IFRS 16)

<sup>5)</sup> Write-down (Depreciation) excl. IFRS 16

<sup>6)</sup> Considering IFRS 16

— LIQUIDITY —

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

The decrease in liquidity in 2022 resulted mainly from the significant investing cash-outflow.

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

**MULTIPLE-YEAR OVERVIEW OF LIQUIDITY AS OF 31 DECEMBER**

in €k

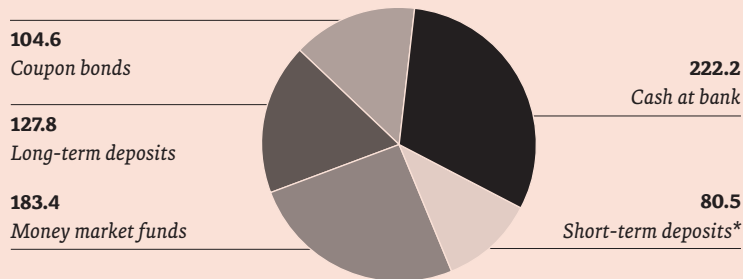
	2018	2019	2020	2021	2022
Cash and cash equivalents	109,055	277,034	422,580	699,326	<b>415,155</b>
Current investments	40,394	42,988	59,350	158,908	<b>303,334</b>
<b>Total liquidity</b>	<b>149,449</b>	<b>320,022</b>	<b>481,930</b>	<b>858,234</b>	<b>718,489</b>

Active liquidity management at Evotec is focused on funding the operational business and maintaining and preserving liquidity. At the same time, the Company seeks to maintain general flexibility and optimise returns. Evotec's cash and securities as well as other financial investments are held with several banks. The Company exclusively invests in liquid instruments with at least an investment grade rating (BBB- or better, Standard & Poor's ratings or equivalent). Only money market funds are allowed a maximum portion of 25% of sub-investment grade ratings, however these must be spread across several investors and are limited in size (max. € 5 m).

All investments must be in line with Evotec's internal investment policy. As of 31 December 2022, the liquidity was diversified invested, short-term, in bank balances (€ 222.2 m), money-market funds (€ 183.4 m) and short-term deposits (€ 80.5 m) as well as in long-term deposits (€ 127.8 m) and in corporate bonds (€ 104.6 m) with a maturity of up to seven years. As a result, Evotec has sufficient flexibility to seize strategic growth opportunities and finance the construction of its second J.POD facility in France, continued growth in ongoing research activities and platforms, and future equity investments.

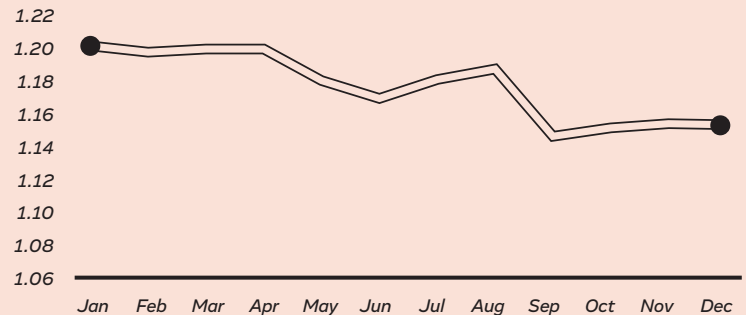
**LIQUIDITY BY INVESTMENT TYPE**

in €m



\* short-term: maturity ≤ 3 months

**1 £ = x € GBP VS. EURO 2022**



Average monthly foreign exchange rates

Source: www.oanda.com

**Exchange rate development, interest rates and financing**

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

**— FX-RATES/HEDGING —**

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

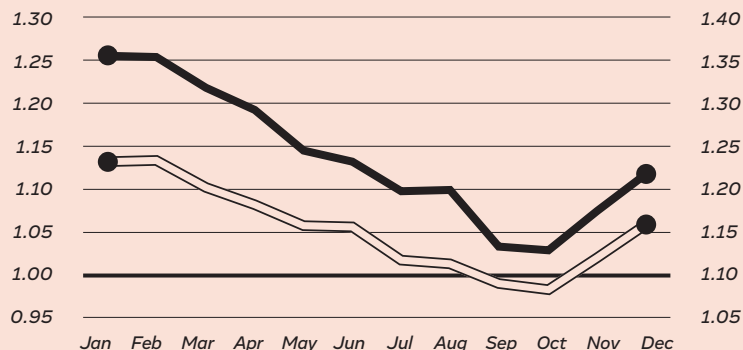
The pound sterling (£) to Euro (€) exchange rate fluctuated between € 1.11 and € 1.19 in 2022. In the first half of 2022, the pound sterling depreciated from € 1.19 to € 1.16, then jumping shortly to € 1.20 to then drop to its low of € 1.14 by end of Q3, to increase during Q4 to € 1.16 and ending the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

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

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

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

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



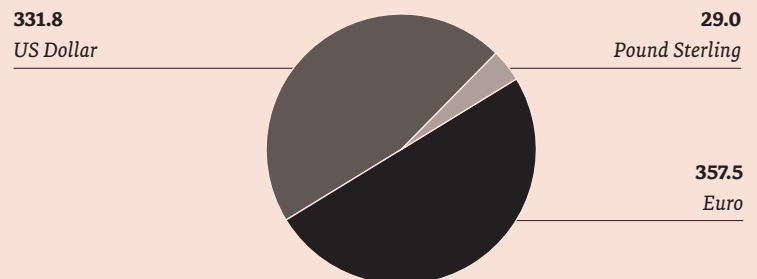
Average monthly foreign exchange rates

Source: www.oanda.com

— GBP/USD — EUR/USD

**FUNCTIONAL CURRENCY HOLDINGS**

in €m



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

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

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

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

#### Interest rates

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

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

### — DEBT/NET DEBT —

#### Net cash position maintained

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

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

### — CAPITAL EXPENDITURE AND DEPRECIATION —

#### Increased investments in upgrading and expanding Evotec’s platforms

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

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

## ASSETS, LIABILITIES AND STOCKHOLDERS’ EQUITY

### — CAPITAL STRUCTURE —

#### Solid equity ratio of 53%

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

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

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

**REPORT ON THE ECONOMIC POSITION OF THE EVOTEC GROUP**

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

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

**— ASSETS AND LIABILITIES —**

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

**—  
CURRENT AND  
NON-CURRENT ASSETS**

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

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

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

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

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

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

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

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



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

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

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

#### — CURRENT AND NON-CURRENT LIABILITIES —

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

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

#### — WORKING CAPITAL —

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

#### WORKING CAPITAL CALCULATION

in €k

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

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

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

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

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

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

REPORT ON THE ECONOMIC POSITION OF THE EVOTEC GROUP

**MULTIPLE-YEAR OVERVIEW OF BALANCE SHEET STRUCTURE**

in €k

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

<sup>1)</sup> 2018 – 2020 restated for IAS 19

<sup>2)</sup> Consist of tax receivables, deferred tax assets, contract assets, prepaid expenses, equity investments, other long-term investments and other financial assets

<sup>3)</sup> Consist of current and deferred tax, deferred income and other financial and non-financial liabilities

<sup>4)</sup> Working capital = Current assets excl. cash, cash equivalents and investments minus current liabilities excl. bank loans

<sup>5)</sup> Current ratio = Total current assets/Total current liabilities

<sup>6)</sup> Receivables turnover = Revenues/Trade account receivables

# Evotec SE

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

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

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

## FINANCIAL PERFORMANCE INDICATORS

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

### 2022 FINANCIAL PERFORMANCE INDICATORS COMPARED WITH FORECAST

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

As stated in the outlook section of the 2021 management report of Evotec SE, a single-digit percentage decrease in revenues was expected for the financial year 2022. Evotec SE ended the financial year 2022 with revenues of € 87.4 m

(2021: € 82.0 m). This is above the expected level and represents an increase of 6.6% compared to 2021. The increase in revenues was mainly driven by a milestone payment of € 3.0 m (2021: € 0.5 m) and revenues with CHDI of € 15.2 m (2021: € 12.9 m).

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

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

## RESULTS OF OPERATIONS

### — REVENUES —

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

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

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

### — NET RESULT —

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

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

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

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

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

<sup>1)</sup> Regarding the definition, please refer to the “PERFORMANCE MANAGEMENT - financial performance indicators” chapter of this Combined Management Report

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

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

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

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

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

## NET ASSETS AND FINANCIAL POSITION FINANCING AND FINANCIAL STATUS

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

### – LIQUIDITY AND FINANCING –

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

The net cash outflow from operating activities amounted to € 41.2 m (2021: net cash outflow of € (12.7) m). The main cash flow of € 133.1 m primarily resulted from intercompany payments, of which € 70.1 m came from Evotec

International GmbH, as contracts are preferably concluded with Evotec International GmbH. The cash outflow of € 174.3 m was mainly driven by personnel expenses (€ 58.1 m) and general expenses (€ 98.6 m).

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

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

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

## NET ASSETS

### – CAPITAL STRUCTURE –

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

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

## – NET ASSETS AND LIABILITIES –

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

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



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

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

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

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

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

### **GENERAL STATEMENT ON EXPECTED DEVELOPMENTS BY THE MANAGEMENT BOARD**

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

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

## **OUTLOOK FOR EVOTEC SE**

### **— EXPECTED OPERATING RESULTS —**

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

### **— EXPECTED LIQUIDITY —**

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

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

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

# Sustainable business development

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

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

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

<https://www.evotec.com/en/investor-relations/publications>.

## — EMPLOYEES —

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

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

## — DIVERSITY —

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

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

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

## — TRAINING AND EDUCATION —

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

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

<sup>1)</sup> This number has been corrected from a previous disclosed number of 563.

<sup>2)</sup> Number of nationalities is based on information from all operating countries except the United States.



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

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

#### — HEALTH AND SAFETY —

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

#### — ENVIRONMENT —

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

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

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

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

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

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

## *Post-balance sheet events*

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

On 6 April 2023, the Group suffered from a criminal cyber-attack that targeted many of Evotec's operations which caused disruptions to many of its IT systems in several countries and temporarily stopped or reduced the research and production activities. The Group has been working relentlessly and prompt actions were taken to contain the incident, mitigate its impact and to return the operations to normal as soon as possible. Operations

recovered within days however it is possible that there may be a significant impact on the Group's 2023 financial performance. The Group is currently assessing the estimated impacts this criminal action may have on the Group's operations. The financial impacts are expected to be partially mitigated by the Group's business interruption insurance, however due to the early stage of discussions with insurers the expected amount of reimbursement cannot be determined at this time.

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





# *Risk and opportunity management*

## **GROUP WIDE RISK MANAGEMENT**

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

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

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

## **BASIC ELEMENTS OF THE RISK MANAGEMENT SYSTEM**

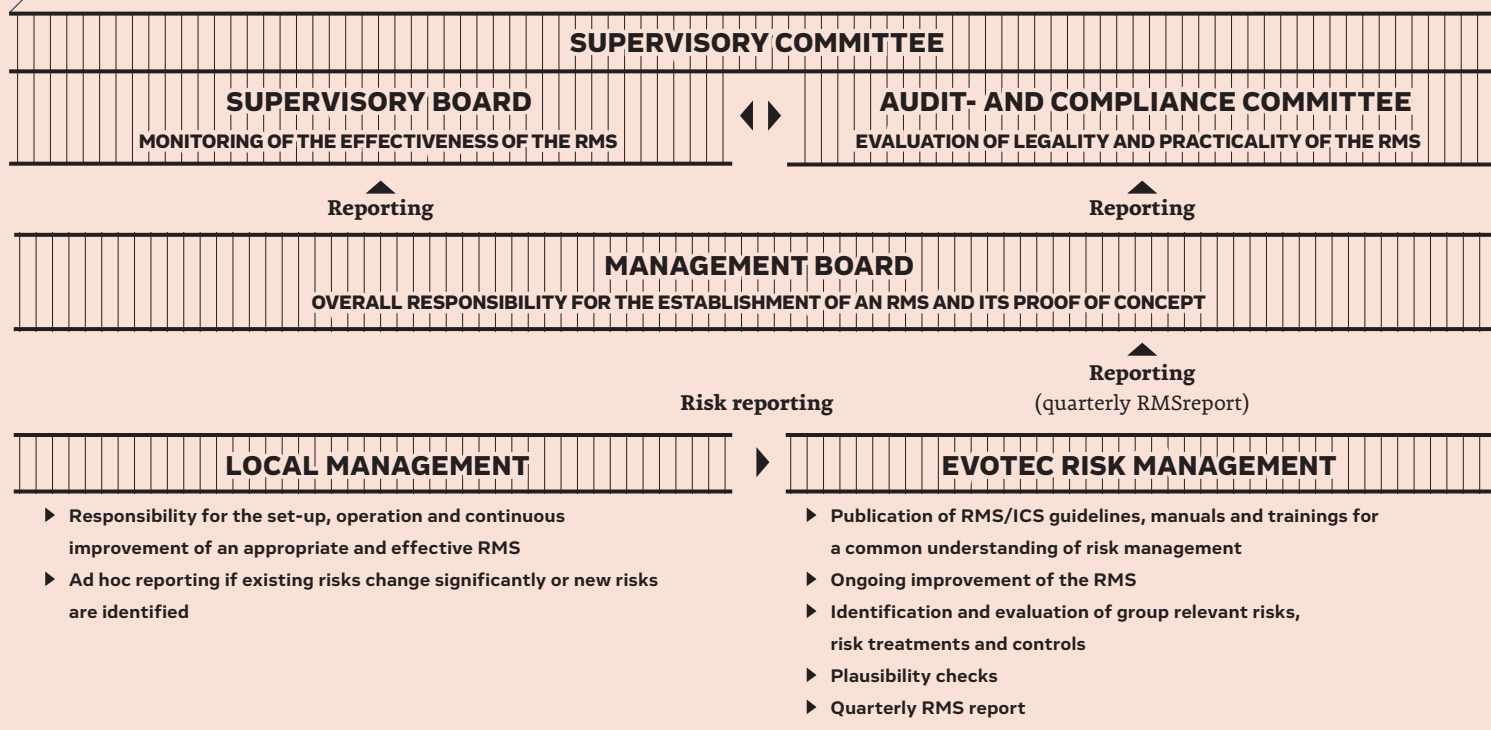
The Company's risk management system in accordance with Section 91 paragraph 3 of the German Stock Corporation Act ("AktG") is attuned to the early detection, assessment, and management of major risks, in particular those that may threaten its existence. Thanks to extensive, continuous analysis and monitoring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

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

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

## RISK AND OPPORTUNITY MANAGEMENT

### RISK MANAGEMENT STRUCTURE AND DUTIES



### **Risk detection**

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

### **Risk assessment**

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

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

### PROBABILITY OF OCCURRENCE

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

### POTENTIAL FINANCIAL IMPACT ON LIQUIDITY

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

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



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

#### **Risk management**

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

#### **Risk reporting**

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

#### **Risk monitoring**

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

## **CONTROL AND MONITORING SYSTEMS**

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

#### **Early risk detection system and risk bearing capacity model**

Evotec fulfils the requirements according to section 91 paragraph 2 AktG to be able to identify all significant developments and/or developments

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

#### **Internal control system**

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

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

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

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

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

## **OVERVIEW OF CURRENT RISK SITUATION**

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

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

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

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



## RISK AND OPPORTUNITY MANAGEMENT

The table below is an overview of these risks.

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

<sup>1)</sup>The risk of a cyber-attack has materialised post the cut-off date on 6 April 2023.

Due to the net risk assessment, there may be an increase or decrease in the overall risk assessment solely due to the change in financial key figures that serve as the basis for assessing the risk. The statement on the development of the risk changes

compared with the previous year is therefore not equivalent to an increase or decrease in the risk relevance for Evotec.

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

## 1. Strategic risks

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

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

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

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

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

Evotec has strategic growth targets which it intends to achieve through a combination of organic growth and the acquisition of complementary service and research capacities, so the Company faces the **risk of failure of mergers and acquisitions**.

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



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

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

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

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

**Political risks**, which Evotec considers to be strategic risks, mainly include geopolitical decisions that lead to global trade conflicts or an uncertain economic situation. In February 2022, Russia launched an invasion of Ukraine. The armed conflict, which continues to this day, is having a significant impact on the economy and global financial markets and increases the risk that the current economic challenges will not only persist but intensify in the future. The direct impact of the Russia-Ukraine war is and has been minor due to Evotec's limited business relationships in Russia, Ukraine and Belarus and is not expected to pose a major risk to Evotec in the near-term future. However, there are currently already noticeable indirect effects whose impact and developments are difficult to assess. The Russia-Ukraine war has led to a further deterioration of the macroeconomic environment which, due to a persistent inflationary market situation, significantly increased energy prices and transport costs as well as supply bottlenecks and delays, results in additional cost burdens and considerable

planning uncertainties for Evotec. As the capital market is in a state of sustained upheaval, also due to the Ukraine war, which is characterized by rising interest rates and credit spreads as well as higher volatilities, there are further potential customer risks for Evotec. The challenging capital market situation could complicate required refinancing initiatives by early-stage biotech companies who are a relevant customer class for Evotec. The potential risk of losing revenues for this reason requires a continuous monitoring of our customers. In addition to a growing risk of cyber-attacks, there may be significant risks of production interruptions at our sites, particularly as a result of restricted natural gas supplies. In this context, a loss of capacity can only be compensated to a limited extent by other sites through production relocations. In addition, a further increase in the strain on relations between the United States and China could lead to further trade sanctions, which could have a negative impact on our supply chains. Where possible, these risks are countered by further diversification of the supply chains in order to permanently safeguard the supply and procurement process against unexpected disruptions.

## 2 . Market risks

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

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

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

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

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

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

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

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

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

- ▶ interruption of or delays in receiving products and supplies, such as pipettes and pipette tips, from the third parties Evotec relies on to, among other things, provide the Company's service offerings to its customers or manufacture for its customers, which may impair Evotec's ability to operate its business;
- ▶ limitations on Evotec's business operations by local, state or federal governments that affect the Company's ability to operate its business;

- ▶ delays in customers' orders and negotiations with customers and potential customers;
- ▶ delays in clinical trials conducted by Evotec's partners, leading to a decrease in revenue in the Company's EVT Innovate segment due to a corresponding delay in milestone achievements;
- ▶ business disruptions caused by workplace, laboratory and office closures and an increased reliance on employees working from home, travel limitations, cyber security and data accessibility limits, or communication or mass transit disruptions; and
- ▶ limitations on employee resources that would otherwise be focused on the conduct of the Company's activities, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

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

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

### 3. Financial risks

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

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





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

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

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

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

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

Evotec operates in many different countries and is therefore potentially taxable in several countries and subject to various national tax laws and regulations. **Risks in the context of changes in tax laws and interpretations by authorities in jurisdictions of business operations** as well as findings based on audits by authorities in these countries can lead to additional tax expenses and payments, which can have a negative impact on the Company's business, its financial position and results. These unforeseen additional tax expenses can arise for a number of reasons. Due to the complexity of Evotec's business model, this could affect the tax treatment of individualized elements of customer contracts, the taxable presence of a group company in a tax jurisdiction, adjustments to transfer prices, the application of indirect taxes to certain transactions and the non-recognition of the benefits of double tax treaties. Furthermore, R&D tax credits in various countries contribute significantly to our financial performance. Influences can also arise from significant acquisitions, divestments, restructuring

and other reorganizations. Due to the global economic downturn caused by the COVID-19 pandemic and the Russia-Ukraine crisis and the resulting increase in government costs, there is a higher risk that Evotec will receive notifications about the reduction or failure to grant tax relief or receive adverse changes to tax assessments. In general, Evotec works together with external consultants in all countries in which the Company operates to minimize any risks. In addition, Evotec regularly monitors the political and legal landscape in this regard but could not completely avoid the negative effect on its results due to the lack of influence and compensation options.

#### 4. Legal/compliance risks

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

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

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

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

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

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

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

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

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

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

To minimise potential **quality risks in manufacturing and R&D activities**, Evotec has established a quality management system monitored by the Quality Assurance Committee. The Quality Assurance Committee submits regular reports to the Company's management, and it defines

quality requirements. In addition, it is in charge of compliance monitoring, reviewing and reporting as well as the implementation of quality improvement measures.

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

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

## 5. Ownership and patent risks

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

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

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

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

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

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

Evotec currently has rights to certain intellectual property, through its owned (solely or jointly) and in-licensed patents and other intellectual property rights, relating to identification and development of its pipeline assets, processes or other technologies. Evotec's pipeline assets, processes or other technologies could require the use of intellectual property and other

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

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

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

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

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

## 6. HR risks

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

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

To reduce this risk, Evotec has established defined documentation processes, shared knowledge platforms, lab journals, clearly defined job functions and project meetings to secure some of the relevant knowledge, findings and data. At the same time, long-term incentive ("LTI") awards for senior employees serve as a long-term retention measure. For reasons of risk mitigation and business strategy, Evotec has set up its organisation

such that key employees develop a common level of knowledge, with well-defined rules of substitution and succession. Evotec also strives to reduce its people attrition across the company by a combination of measures in Compensation & Benefits packages, career development and leadership development initiatives.

## 7. Information technology risks

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

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

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

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

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



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

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

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

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

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

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

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

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

## 8. Operational risks

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

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

## OPPORTUNITIES REPORT

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

# Outlook

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

## BUSINESS DIRECTION AND STRATEGY

In accordance with the strategic Action Plan 2025, Evotec’s management focuses on sustainable growth and value creation by expanding the Company’s position as a leader in external innovation, offering high-quality drug discovery and development solutions typically in partnerships, to its pharma and biotech partners as well as to mission-driven foundations and

academic institutions. By collaborating with partners and applying state-of-the-art platforms and the most suitable therapeutic modalities, Evotec aims to develop first- and best in class therapies that have disease modifying properties and ideally the potential to deliver functional cures. Evotec’s team aspires to impact patient’s lives by focusing on four areas in particular:

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

**IPSC-based** “off-the-shelf” cell therapies based on induced-pluripotent stem cells

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

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

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

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

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

<u>EVT EXECUTE</u>	<u>EVT INNOVATE</u>	<u>GROUP</u>
<ul style="list-style-type: none"> <li>▶ Undisrupted growth trend versus 2022 in line with AP 2025</li> <li>▶ Integration of Evotec DS Germany</li> <li>▶ Significant expansion of order book for J.POD Redmond, WA (US)</li> <li>▶ Progression of construction J.POD Toulouse, France (EU)<sup>1)</sup> and analysis of a global network of J.PODs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Strategic partnerships and expansions of co-owned alliances</li> <li>▶ Significant progress of later stage co-owned pipeline</li> <li>▶ Progression of partnered discovery projects to important milestones, including start of clinical studies</li> <li>▶ Expansion of internal portfolio of cell therapy assets</li> <li>▶ Expansion of Molecular Patient Database (“E.MPD”)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Science-based targets in place aligned with 1.5°C goal</li> <li>▶ Highly impactful contribution to UN SDG 32</li> <li>▶ Spin-Offs and investments along Building Blocks of AP 2025</li> </ul>

<sup>1)</sup>This project benefits from French government funding as part of the Investments for the future Programme (programme d’investissements d’avenir in French) and is also supported economically by the Occitanie Region and Toulouse Métropole.



## FINANCIAL OUTLOOK FOR 2023

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

### — EXPECTED OPERATING RESULTS —

Average annual revenue growth was 22% between 2011 and 2022 and Evotec expects to achieve double-digit revenue growth again in 2023. Revenues should benefit from a robust demand for all four focus areas (PanOmics-driven drug discovery; iPSC-based “off-the-shelf” cell therapies; Just – Evotec Biologics; End-to-End Shared R&D). Scale effects, a significantly expanded order book of Just – Evotec Biologics as well as a broader pipeline offering

the opportunity to benefit from success and milestone payments are the main drivers for revenue and EBITDA growth. Higher wages and materials costs as well as energy and logistics prices have offsetting effects. It also needs to be taken into account that a milestone achievement is a single event that is subject to certain risks and uncertainties of which some are beyond Evotec’s control. However, the number of projects with potential for milestone payments is rising. When taking account of the probability of success, the total amount of revenues from milestone payments is therefore becoming less erratic over time. In general, milestones should contribute significantly to the company’s overall profitability. We are still evaluating the direct financial impact of the cyber-attack on 6 April 2023 (for details please refer to Note 36 “Subsequent Events”). The temporary interruption of research and production activities causes a reduction in expected revenue, and a full recovery in the current financial year is uncertain. According to current expectations, there will be no impact on net income due to the existing insurance. Management will continue to monitor the situation and provide updates in subsequent meetings.

In € m	Actual figures for 2022	Forecasts for 2023	Main assumptions
Group revenues	751	820–840  835–855 at constant currencies <sup>1)</sup>	Potential impact from cyber-attack, but growth driven by <ul style="list-style-type: none"> <li>▶ current orders on hand</li> <li>▶ foreseeable new contracts</li> <li>▶ expanded available capacity</li> <li>▶ prospective milestone payments</li> </ul>
Adjusted Group EBITDA	102 <sup>3)</sup>	115–130  125–140 at constant currencies <sup>1)2)</sup>	<ul style="list-style-type: none"> <li>▶ Growing base business</li> <li>▶ Growth of J.POD Redmond gaining traction</li> <li>▶ Prospective milestone payments</li> <li>▶ Investing into resilient and sustainable structure as well as future growth</li> <li>▶ Possible negative effects caused by the cyber-attack are covered by the insurance policy</li> </ul>
Unpartnered R&D expenses	70	70–80	<ul style="list-style-type: none"> <li>▶ Long-term expansion of the pipeline</li> <li>▶ Focus on first-in-class platforms and projects</li> </ul>

<sup>1)</sup> Average exchange rate euro vs. US Dollar for 2022: 1.0530

<sup>2)</sup> Excluding costs related to potential M&A transactions

<sup>3)</sup> Excluding costs related the M&A (Rigenerand, Central Glass)

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

Including currency effects, Adjusted EBITDA is expected to be in a range of € 115–130 m. This projection takes into account the strong order book, an improving revenue mix with a higher contribution of Just – Evotec Biologics and success payments as well as coverage of the expenses

directly attributable to the cyber-attack by the existing insurance, but also increasing expenses for wages, materials, energy, promising R&D projects the adoption of organisation structures to ensure sustainable growth and the continued ramp-up of the Just – Evotec Biologics business via the remaining investments in the further expansion of the J.POD capacity in the US and the construction of a second J.POD in Europe (Toulouse, France). At constant currencies, Evotec expects Adjusted Group EBITDA to grow to € 125-140 m.

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

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**EXPECTED LIQUIDITY  
 AND STRATEGIC MEASURES**  
 —

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

**DIVIDENDS**

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


**OPPORTUNITIES**

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

**GENERAL STATEMENT ON  
 EXPECTED DEVELOPMENTS BY  
 THE MANAGEMENT BOARD**

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

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



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

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

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

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

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

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

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

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

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

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

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**AUTHORISATION OF MANAGEMENT  
 TO REPURCHASE STOCK**  
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Evotec is currently not authorised by a resolution of the Annual General Meeting to acquire its own shares.

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

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



# *Declaration of* corporate management

Evotec SE is guided by recognised standards of good and responsible corporate governance: The German Corporate Governance Code (“Deutscher Corporate Governance Kodex”), as amended from time to time, is the guideline for the exercise of management and control. The corporate governance standards applied are summarised in the corporate governance declaration in accordance with § 289f and § 315d HGB. It contains the Declaration of Conformity pursuant to § 161 of the German

Stock Corporation Act (“Deutsches Aktiengesetz”), which was adopted by the Management Board and the Supervisory Board in December 2022, as well as the Corporate Governance Report (Principle 22 of the Code 2022).

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

# *Remuneration* Report

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

Convenience translation – binding is the German version

## **Responsibility statement**

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements give a true and fair view of the assets, liabilities, financial position and financial results of the Evotec SE, and the Group Management Report, which has been combined with the Management Report of Evotec SE for the financial year 2022, includes a fair review of the development and performance of the business and the position of the Evotec SE, together with a description of the principal opportunities and risks associated with the expected development of the Evotec SE.

**Evotec SE**  
**The Management Board**

Hamburg, 10 May 2023

**Dr. Werner Lanthaler**  
Vorsitzender des Vorstands

**Dr. Cord Dohrmann**  
Chief Scientific Officer

**Dr. Matthias Evers**  
Chief Business Officer

**Dr. Craig Johnstone**  
Chief Operating Officer

**Laetitia Rouxel**  
Chief Financial Officer