RISK FACTORS

You should carefully consider the following information about these risks, together with the other information included in this Annual Report on Form 20-F. Please also see the discussion regarding forward looking statements at page 1.

Risks Related to Evotec's Business

Evotec is an early-stage biopharmaceutical company without commercial products, and there is no assurance that Evotec will successfully develop and commercialize potential products.

You must evaluate Evotec in light of the uncertainties and complexities inherent in an early-stage biopharmaceutical company. All of Evotec's product candidates are in early-stages of development. EVT 201 is currently in Phase II clinical trials. EVT 101 is currently in Phase Ib clinical trials. Phase II clinical trials for EVT 302 commenced in the first quarter of 2008. The commercialization of those products will not occur, if at all, for at least the next several years. Evotec's future success is dependent upon, among other factors, its ability to finance and develop viable product candidates, successfully complete clinical trials and obtain regulatory approval for those product candidates. All of Evotec's early-stage drug discovery programs are focused on CNS disease targets and will require extensive additional research and development prior to the commercial introduction of any product candidates. There can be no assurance that any of Evotec's research and development and clinical trial efforts, or those of its strategic partners or licensees, will result in viable new products. For example, in September 2006, based on the results of a safety and tolerability study conducted during Phase I clinical trials for EVT 301, Evotec announced that it was discontinuing development of EVT 301 as a monoamine oxidase B (MAO-B) inhibitor for the treatment of Alzheimer's disease.

Evotec has expended significant time, money and effort developing EVT 201, EVT 101 and EVT 302, which are its most advanced product candidates to date. Before Evotec or its potential partners can market and sell EVT 201, EVT 101 and EVT 302, Evotec will need to obtain necessary approvals from the FDA in the United States, the European Medicines Agency, or EMEA, in Europe, and similar regulatory agencies elsewhere. Even if their further development is successful, it will take several more years before Evotec or licensees can file for regulatory approval of these product candidates. Therefore, if the necessary regulatory approvals for EVT 201, EVT 101 or EVT 302 are not received from the FDA or EMEA, regulatory approval is later withdrawn or the approvals are significantly delayed, it is less likely that Evotec will achieve profitability and its business prospects will be seriously limited. As a result, you could lose all or part of your investment.

Evotec AG has historically incurred significant losses and might not achieve or maintain operating profitability.

Since Evotec's formation, it has incurred significant net losses and, as of December 31, 2007, had an accumulated deficit of €495.1 million. Evotec's net losses from continuing operations were €14.3 million in 2005, €29.0 million in 2006 and €48.1 million in 2007, with all figures determined in accordance with IFRS. Evotec's historical losses have resulted principally from amortization of intangible assets and goodwill from acquisitions as well as from costs incurred in its research and development programs and from its sales, general and administrative expenses. Evotec expects to continue to incur significant and increasing expenses for at least the next several years as it continues its research activities and conducts development of, and seeks regulatory approvals for, current or additional indications for EVT 201, EVT 101 and EVT 302 and for other drug candidates. Whether Evotec is able to achieve operating profitability in the future will depend upon Evotec's ability to generate revenues that exceed its expenses. Changes in market conditions, including the failure or approval of competing products, may require Evotec to incur more expenses or change the timing of expenses such that it may incur unexpected losses. In addition, Evotec has historically experienced considerable quarter-to-quarter variation in its results of operations and may not generate sufficient revenues from product sales in the future to achieve or maintain profitable operations. Further, Evotec may not be able to sustain or

increase profitability on a quarterly or an annual basis. If Evotec is unable to achieve and maintain profitability, the market value of Evotec AG ordinary shares and ADSs will likely decline and you could lose all or a part of your investment.

Clinical trials have in the past and may in the future fail to demonstrate the safety and efficacy of Evotec's product candidates, including EVT 201, EVT 101 and EVT 302, which could prevent or significantly delay their regulatory approval and may adversely affect Evotec's business and stock price.

Any failure or substantial delay in completing clinical trials for Evotec's product candidates, including EVT 201, EVT 101 and EVT 302, may severely harm its business. Before obtaining regulatory approval for the sale of any of Evotec's potential products or the potential products of its current and future strategic partners and licensees, Evotec and its strategic partners or licensees must subject these product candidates to extensive preclinical and clinical testing to demonstrate their safety and efficacy in humans. The success of this preclinical and clinical testing is critical to achieving Evotec's product development goals. If Evotec's product development efforts are unsuccessful, it will not obtain regulatory approval for them, it will not generate sales from them, and its business and results of operations would be adversely affected.

Clinical trials are expensive, time-consuming and typically take years to complete. In connection with clinical trials, Evotec faces the risks that:

- a product candidate may not prove to be efficacious;
- it may discover that a product candidate may cause harmful side effects;
- patients may die or suffer other adverse medical effects for reasons that may not be related to the product candidate being tested;
- the results may not confirm the positive results of earlier trials; and
- the results may not meet the level of statistical significance required by the FDA, the EMEA or other relevant regulatory agencies.

The results in early phases of clinical testing are based upon limited numbers of patients and a limited follow-up period and success in early phase trials may not be indicative of results in a large number of patients or long-term efficacy. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials even after achieving promising results in earlier development activities, including previous late-stage clinical trials. Failure by Evotec to demonstrate the safety and effectiveness of its product candidates in larger patient populations could prevent or significantly delay their regulatory approval and may adversely affect Evotec's business and the price of its ordinary shares and ADSs.

Evotec depends on intellectual property licensed from third parties including Roche, and termination of any of these licenses could result in the loss of significant rights, which would harm Evotec's business.

Evotec holds licenses granted by F. Hoffmann-La Roche Ltd., or Roche, for EVT 201, the EVT 100 compound family and EVT 302, and by other parties related to certain of Evotec's pre-clinical research projects. Any termination of these licenses could result in the loss of significant rights and could harm Evotec's ability to commercialize its drug candidates. Evotec's ownership of patents relating to some or all of its products will not reduce its reliance on these and other third party patents. Evotec's rights relating to EVT 201, the EVT 100 compound family and EVT 302 are subject to the terms of license agreements entered into with Roche. Evotec must therefore rely on Roche to enforce its rights and obligations and if Roche is unable to enforce such rights and obligations, Evotec's development and commercialization of EVT 201, the EVT 100 compound family and EVT 302 could be delayed or prevented.

When Evotec licenses intellectual property from third parties, including Roche, those parties generally retain most or all of the obligations to maintain and extend, as well as the rights to assert, prosecute and defend, that intellectual property. Evotec generally has no rights to require its licensors, including Roche, to apply for

new patents, except to the extent that Evotec actually assists in the creation or development of patentable intellectual property. With respect to intellectual property that Evotec licenses, Evotec is generally also subject to all of the same risks with respect to its protection as Evotec is for intellectual property that Evotec owns, which are described below in "Risk Factors—Risks Related to Evotec's Industry." Evotec is dependent on patents and proprietary technology, both its own and those licensed from others. If Evotec or its licensors fail to adequately protect this intellectual property or if Evotec does not have exclusivity for the marketing of its products, Evotec's ability to commercialize products could suffer.

Evotec depends on the efforts of its strategic collaborative partners, particularly Boehringer Ingelheim, Roche and CHDI, to generate steady revenues for its business.

Evotec is a party to contract research and proprietary collaboration projects with strategic partners that include, among others, Boehringer Ingelheim, Roche and CHDI. These partnerships and collaborations involve the joint discovery and development of product candidates targeting CNS related diseases as well as partnerships granting Evotec's collaborators access to its integrated discovery offerings. In exchange for access to its integrated discovery offerings, Evotec receives contractual service fees and ongoing research payments and, in certain circumstances, milestone and royalty payments related to research milestones achieved. The agreements provide for indefinite or medium term joint research periods which are extendable by mutual consent. Evotec's potential rights to receive milestone and royalty payments from their respective partner may survive the joint research terms. The dates of these potential payments depend on the timing of achievement of pre-agreed research and commercialization milestones. Evotec will only be entitled to these potential payments until the expiration of underlying valid patent claims.

Evotec cannot control the time or resources that these strategic partners devote to these collaborations, nor can Evotec control these strategic partners' business decisions. In addition, Evotec's collaborators may not perform their obligations as expected. Changes in a collaborator's business strategy or business combinations involving a collaborator may adversely affect that party's willingness or ability to successfully meet its obligations. Disagreements between Evotec and its collaborators may lead to delays in or termination of the research, development or commercialization of product candidates or result in time-consuming and expensive negotiations, litigation or arbitration. In addition, Evotec's strategic partners may benefit from customary termination rights (e.g. in a case of a breach of a material obligation by Evotec after expiration of customary cure periods) allowing them to claim additional rights in the affected research projects. Furthermore, the right to terminate certain research projects may rest within the sole discretion of the partner, which in return may forgo certain future rights in the affected research projects. The failure of Evotec's strategic partners to successfully complete their obligations in a timely manner or the termination or breach of agreements by these parties could materially harm Evotec's business, financial condition and results of operations.

Key obligations of Evotec under the collaboration with Boehringer Ingelheim are to jointly explore biological targets and to develop pharmaceutically active compounds, following the decisions and the requirements of a research steering committee established by Boehringer Ingelheim and Evotec. Under the Roche collaboration, Evotec's obligation is to provide services for the discovery and development of pharmaceutical substances, effective against potential drug targets. Evotec does perform these services in accordance with specific research plans agreed by a joint steering committee. The work comprises, among other things, assay development, screening of substances and chemical optimization of substances. In the CHDI collaboration, the obligations of Evotec to provide services are specified by a joint steering committee. These services are in the field of assay development, reagent development, compound screening, compound profiling, structural biology and chemical synthesis of compounds. Evotec has been and currently is in full compliance with its obligations under the collaboration agreements.

The integration of Renovis into the Evotec group may be difficult and expensive to achieve and, as a result, the price of Evotec ADSs and Evotec ordinary shares may be adversely affected.

The acquisition of Renovis challenges Evotec's management as well as to the management of Renovis as Evotec's wholly owned subsidiary. These challenges include the integration of Renovis's operations and

personnel. Evotec may not be able to integrate Renovis into its operations or successfully manage the operations it has acquired, which may adversely affect the price of Evotec ADSs and Evotec ordinary shares.

The integration of Renovis into the Evotec group may not result in the benefits that Evotec currently anticipates and, as a result, the price of Evotec ADSs and Evotec ordinary shares may be adversely affected.

If Evotec's management is not able to implement a business plan that effectively integrates Renovis' operations or if Renovis' product candidates do not prove to be successful, the anticipated benefits of the acquisition may not be realized which may adversely affect the price of Evotec ADSs and Evotec ordinary shares. All of the Renovis product candidates are in early stages of development and the commercialization of those products will not occur, if at all, for at least the next several years. Since its inception, Renovis' business has incurred significant net losses and its future success is dependent upon, among other factors, its ability to develop viable product candidates, successfully complete preclinical testing and clinical trials and obtain regulatory approval for those product candidates.

Evotec has no experience selling, marketing or distributing products and no internal capability to do so.

If Evotec receives regulatory approval to commence commercial sales of any of its product candidates for which it has retained marketing rights, Evotec will have to establish a sales and marketing organization with appropriate technical expertise and supporting distribution capability. At present, Evotec has no sales or marketing personnel for any of its product candidates and as such Evotec intends to partner and out-license its product candidates to pharmaceutical companies to undertake such activities. Factors that may inhibit Evotec's efforts to commercialize its products without strategic partners or licensees include:

- Evotec's inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe Evotec's products;
- the lack of complementary products to be offered by sales personnel, which may put Evotec at a competitive disadvantage against companies with broader product lines; and
- unforeseen costs associated with creating an independent sales and marketing organization.

Evotec may not be able to successfully establish sales and distribution capabilities either on its own or in collaboration with third parties or gain market acceptance for its products. To the extent Evotec enters co-promotion or other licensing arrangements, any revenues Evotec receives will depend on the efforts of third parties, and Evotec may not succeed in achieving any such partnering or out-licensing arrangement on a satisfactory basis, if at all.

Even if Evotec's product candidates are approved and commercialized, competitive products may impede market acceptance of Evotec's products.

Hospitals, physicians or patients may conclude that Evotec's potential products are less safe or effective or otherwise less attractive than existing drugs. Even if approved and commercialized, any future product candidates may fail to achieve market acceptance with hospitals, physicians or patients. If Evotec's products do not receive market acceptance for any reason, Evotec's revenue potential could be diminished, which would materially adversely affect its business, financial condition and results of operations. Further, Evotec's competitors may develop new products that could be more effective or less costly, or that may seem more cost-effective, than Evotec's products.

Most of Evotec's competitors have substantially greater capital resources, research and development staffs, facilities and experience in conducting clinical trials and obtaining regulatory approvals, as well as in manufacturing and marketing pharmaceutical products. As a result, they may achieve product commercialization or patent protection earlier than Evotec can, if at all. Hospitals, physicians, patients or the medical community in general may not accept and use any products that Evotec may develop.

Evotec may elect to further expand its research, clinical development, and sales and marketing capabilities and, as a result, may encounter difficulties in managing its growth, which could disrupt its operations.

Evotec intends to build a sustainable pipeline of CNS related drug candidates. As a result, Evotec's operations may expand through mergers and acquisitions and inlicensing. In addition, as Evotec's research and development programs continue to advance, Evotec may decide to proceed with the building of a commercial infrastructure for its product candidates and may elect to grow the number of its employees and the scope of its operations. To manage its potential future growth, Evotec would need to continue to improve its managerial, operational and financial systems, expand its facilities and continue to recruit and train additional qualified personnel. Because Evotec is a relatively small company, it may not be able to effectively manage the expansion of its operations or recruit and train additional qualified personnel. The possible physical expansion of its operations could increase Evotec's costs significantly and may divert its management and business development resources. Evotec's future financial performance and its ability to commercialize its product candidates and to compete effectively will depend, in part, on Evotec's ability to manage potential future growth effectively.

If Evotec cannot raise additional capital on acceptable terms, Evotec may be unable to complete clinical trials, obtain regulatory approvals or commercialize its product candidates.

Evotec believes that existing cash reserves, together with the cash acquired in the merger and the cash to be derived from its operations, will fund its planned activities for more than the next 24 months. However, Evotec will require substantial future capital in order to continue to conduct the research and development, clinical and regulatory activities necessary to bring its product candidates to market and may seek additional funding anytime in the future. During the year ended December 31, 2007, Evotec used net cash used in operating activities of €31.7 million and had capital expenditures for property, plant and equipment of €2.9 million without finance leases. Evotec's future capital requirements depend on many factors, including:

- the progress of preclinical development and laboratory testing and clinical trials;
- the time and costs involved in obtaining regulatory approvals;
- delays that may be caused by evolving requirements of regulatory agencies;
- the number of product candidates Evotec pursues and the number of preclinical and clinical programs conducted by Evotec;
- the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims;
- Evotec's ability to establish, enforce and maintain selected strategic alliances and activities required for product commercialization;
- the acquisition of technologies, products or other companies and other business opportunities that require financial commitments; and
- Evotec's revenues, if any, from the partnering and successful development and commercialization of its products.

Evotec intends to seek additional funding through strategic collaborations. Evotec faces intense competition from many other companies in the pharmaceutical and biotechnology industry for corporate collaborations, as well as for establishing relationships with academic and research institutions and for obtaining licenses to proprietary technology. If Evotec is unable to attract and retain corporate partners to develop, introduce and market its products, its business may be materially and adversely affected. Evotec's strategy and any reliance on corporate partners, if Evotec is able to establish such collaborative relationships, are subject to additional risks. Evotec's collaborators may not devote sufficient resources to the development, introduction and marketing of Evotec's products or may not pursue further development and commercialization of products resulting from collaborations with Evotec. If a corporate partner elects to terminate its relationship with Evotec, Evotec's ability to develop, introduce and market its products may be significantly impaired and Evotec may be forced to

discontinue the product altogether. Evotec may not be able to negotiate alternative corporate partnership agreements on acceptable terms, if at all. The failure of any collaboration efforts could have a material adverse effect on Evotec's ability to develop, introduce and market its products and, consequently, could have a material adverse effect on its business, results of operations and financial condition.

Additional financings may significantly dilute existing shareholders' ownership percentage in Evotec or such funding may not be available on acceptable terms, if at all.

Evotec may seek additional funding through public or private sales of its securities, entering into credit arrangements or licensing all or a portion of Evotec's technology. Any such funding activity may significantly dilute existing shareholders' ownership percentage or may limit Evotec's rights to its technology. Evotec cannot be certain that any such funding will be available on acceptable terms, if at all.

Currency fluctuations may expose Evotec to increased costs or revenue decreases.

Evotec's business is affected by fluctuations in foreign exchange rates between the U.S. dollar, UK sterling and the euro. A significant portion of Evotec's revenues are denominated in U.S. dollars but are reported in euro, while the majority of its expenses are denominated in euro and UK sterling, although U.S. dollar expenses will increase substantially after the merger with Renovis. Therefore currency fluctuations could cause Evotec's revenues to decline or its costs to increase. Evotec's cash and investments are denominated in euro, U.S. dollars and UK sterling.

Risks Related to an Investment in Evotec ADSs and ordinary shares

The price of the ordinary shares of Evotec AG has fluctuated significantly on the Frankfurt Stock Exchange and may continue to do so.

Evotec's ordinary share price has fluctuated between €4.88 and €1.17 between February 1, 2005 and June 18, 2008 or $7.57 and $1.82, at the June 18, 2008 exchange rate of €1 to $1.5519. The ADSs have fluctuated from $4.60 to $3.49 during the period that the ADSs have traded from May 6, 2008 through June 18, 2008.

Factors that could cause volatility in the market price of Evotec AG ordinary shares and ADSs include:

- the progress of preclinical development, laboratory testing and clinical trials of Evotec's product candidates;
- the results from Evotec's clinical trial programs and any future trials Evotec may conduct;
- developments in the clinical trials of potentially similar competitive products;
- European Medicines Agency, U.S. Food and Drug Administration, or FDA, or international regulatory actions;
- failure of any of Evotec's product candidates, if approved, to achieve commercial success;
- announcements of the introduction of new products by Evotec or its competitors;
- market conditions in the pharmaceutical and biotechnology sectors;
- developments concerning intellectual property rights;
- litigation or public concern about the safety of Evotec's potential products;
- comments by securities analysts;
- actual and anticipated fluctuations in Evotec's quarterly operating results;
- deviations in Evotec's operating results from the estimates of securities analysts;

- rumors relating to Evotec or its competitors;
- additions or departures of key personnel;
- third-party reimbursement policies;
- developments concerning current or future collaborations, strategic alliances or similar relationships; and
- reviews of the long-term values of Evotec's assets, which could lead to impairment charges that could reduce Evotec's earnings.

These and other external factors may cause the market price and demand for Evotec's ADSs or the ordinary shares to fluctuate substantially, which may limit or prevent investors from readily buying and selling the securities and may otherwise negatively affect the liquidity of, the Evotec ADSs or the ordinary shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of Evotec's shareholders brought a lawsuit against Evotec AG, it could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of Evotec's management.

A decline in the value of the euro could reduce the value of your investment in Evotec's ADSs.

Fluctuations in the exchange rate between the U.S. dollar and the euro will affect the U.S. dollar equivalent of the euro price per Evotec ADS. If the value of the euro relative to the U.S. dollar declines, the market price of the Evotec ADSs is likely to be adversely affected. The value of the euro relative to the U.S. dollar has increased by 61.70% from the introduction of the euro on January 1, 2002 through December 31, 2007, with the euro increasing 10.65% against the dollar during 2007.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

Evotec AG may from time to time distribute rights to its shareholders, including rights to acquire its securities. Under the deposit agreement for the Evotec ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act with respect to all holders of ADSs. Evotec is under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, Evotec may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of Evotec ADSs may be unable to participate in rights offerings and may experience dilution in their holdings as a result.

If the depositary is unable to sell the rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

You may not be able to exercise your right to vote the ordinary shares underlying your Evotec ADSs.

Holders of Evotec ADSs may exercise voting rights with respect to the ordinary shares represented by Evotec ADSs only in accordance with the provisions of the deposit agreement. The deposit agreement provides that, upon receipt of notice of any meeting of holders of Evotec AG ordinary shares, the depositary will, as soon as practicable thereafter, fix a record date for the determination of ADS holders who shall be entitled to give instructions for the exercise of voting rights.

As promptly as practicable after the depositary receives (i) notice of any meeting or solicitation of consents or proxies of holders of shares and (ii) the statement of the custodian which will act as a proxy bank in

accordance with Sections 128 and 135 of the German Stock Corporation Act (*Aktiengesetz*) setting forth its recommendations with regard to voting of the shares pursuant to Section 128 (2) of the German Stock Corporation Act as to any matter concerning which the notice from Evotec indicates that a vote is to be taken by holders of shares, together with an English translation thereof, the depositary shall, subject to applicable law and the Articles of Association of Evotec AG, mail to registered holders of ADSs a notice (a) containing such information as is contained in such notice and any solicitation materials, (b) stating that each registered holder of ADSs on the record date set by the depositary therefor will be entitled to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the whole number of shares underlying such registered holder's ADSs, (c) containing the recommendation of the custodian, and (d) specifying how and when such instructions may be given.

You may instruct the depositary of your Evotec ADSs to vote the ordinary shares underlying your ADSs but only if Evotec asks the depositary to ask for your instructions. Otherwise, you will not be able to exercise your right to vote, unless you withdraw Evotec AG ordinary shares underlying the Evotec ADSs you hold. However, you may not know about the meeting far enough in advance to withdraw those ordinary shares. If Evotec asks for your instructions, the depositary, upon timely notice from Evotec AG, will notify you of the upcoming vote and arrange to deliver Evotec's voting materials to you. There can be no guarantee that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ordinary shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. As a result, you may not be able to exercise your right to vote, and there may be nothing you can do if the ordinary shares underlying your Evotec ADSs are not voted as you requested.

Under the deposit agreement for the Evotec ADSs, Evotec may choose to appoint a proxy bank in accordance with the German Stock Corporation Act. In this event, the depositary will receive a proxy which will be given to the proxy bank to vote the Evotec ordinary shares underlying your ADSs at shareholders' meetings if you do not vote in a timely fashion and in the manner specified by the depositary. The effect of this proxy is that you cannot prevent the Evotec AG ordinary shares underlying your Evotec ADSs from being voted, and it may make it more difficult for shareholders to influence the management of Evotec, which could adversely affect your interests. Holders of Evotec AG ordinary shares are not subject to this proxy.

You may not receive distributions on Evotec AG ordinary shares represented by Evotec ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.

The depositary of Evotec ADSs has agreed to pay to you distributions with respect to cash or other distributions it or the custodian receives on Evotec ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of Evotec AG ordinary shares your Evotec ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of Evotec ADSs. Evotec has no obligation to take any other action to permit the distribution of its ADSs, ordinary shares, rights or anything else to holders of its ADSs. As a result, you may not receive the distributions made on Evotec ordinary shares or any value from them if it is illegal or impractical for Evotec to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

You may be subject to limitations on transfer of your Evotec ADSs.

Your Evotec ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may refuse to deliver, transfer or register transfers of your ADSs generally when Evotec's books or the books of the depositary are closed, or at any time if Evotec or the depositary deems it advisable to do so because of any requirement of law or government or governmental body, or under any provision of the deposit agreement, or for any other reason.

The rights of shareholders in German companies differ in material respects from the rights of shareholders of corporations incorporated in the United States, and as a result Evotec's public shareholders may have greater difficulty protecting their interests than would shareholders of a corporation incorporated in the United States.

Evotec is incorporated in Germany, and the rights of its shareholders are governed by German law, which differs in many respects from the laws governing corporations incorporated in the United States. For example, individual shareholders in German companies do not have standing to initiate a shareholder derivative action, either in Germany or elsewhere, including the United States, unless they meet thresholds set forth under German corporate law. As a result, Evotec's public shareholders may have more difficulty protecting their interests in the face of actions by its management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

It may be difficult for you to bring any action or enforce any judgment obtained in the United States against Evotec AG or members of its Supervisory or Management Boards, which may limit the remedies otherwise available to you.

Evotec is incorporated in Germany and the majority of its assets are located outside the United States. In addition, most of the members of its Supervisory Board, Management Board and other senior management, as well as some of the experts named in this Annual Report on Form 20-F, are nationals and residents of Germany or the United Kingdom. Most or all of the assets of these individuals are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against Evotec AG or against these individuals in the United States if you believe your rights have been infringed under the securities laws or otherwise. In addition, a German or United Kingdom court may prevent you from enforcing a judgement of a U.S. court against Evotec AG or these individuals based on the securities laws of the United States or any state thereof. A German or United Kingdom court may not allow you to bring an action in their respective jurisdictions against Evotec AG or these individuals based on the securities laws of the United States or any state thereof.

Evotec has no present intention to pay dividends on its ordinary shares in the foreseeable future and, consequently, your only opportunity to achieve a return on your investment during that time is if the price of Evotec ADSs appreciates.

Evotec AG has no present intention to pay dividends on its ordinary shares in the foreseeable future. Any determination by Evotec's Supervisory and Management Boards to pay dividends will depend on many factors, including its financial condition, results of operations, legal requirements and other factors. Accordingly, if the price of Evotec ADSs falls in the foreseeable future and you sell your ADSs, you will lose money on your investment, without the likelihood that this loss will be offset in part or at all by cash dividends.

Evotec may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of its ADSs.

If Evotec AG were treated as a "passive foreign investment company," or PFIC for any taxable year during which a U.S. person held an ADS, certain adverse U.S. federal income tax consequences could apply to such U.S. person. See "Taxation—Material U.S. Federal Income Tax Consequences Relating to the Ownership and Disposition of Evotec ADSs—Passive Foreign Investment Company Considerations."

Risks Related to Evotec's Industry

Drug discovery and development is subject to a high degree of failure.

Although Evotec devotes significant resources to the discovery of new CNS therapeutic drugs and employs advanced technologies in its efforts to identify promising drug candidates to advance into preclinical studies, the risk that all or any one of its early-stage product candidates will fail is high. According to pharmaceutical

industry statistics published in 2001 by the Pharmaceutical Research and Manufacturers of America, only one in 1,000 early-stage drug discovery compounds is tested in clinical trials, and only one in five compounds that enters clinical trials receives FDA approval for marketing as a prescription drug. Moreover, the results from preclinical studies and early clinical trials may not accurately predict the results obtained in later stage clinical trials required for regulatory approval. Because there is no prior experience in treating humans with early-stage product candidates, Evotec cannot assure you that early-stage product candidates will prove in clinical testing to be effective and safe for use in humans. If Evotec's early-stage product candidates do not prove to be effective or safe in such tests, regulatory approval for such products would be delayed or may not be obtainable.

Competition in the biotechnology and pharmaceutical industries is intense, and if Evotec fails to compete effectively Evotec's financial results will suffer.

Evotec's business is characterized by extensive research efforts, rapid developments and intense competition. Evotec's competitors may have or may develop superior technologies or approaches to the development of competing products, which may provide them with competitive advantages. Evotec's potential products may not compete successfully. Evotec believes that successful competition in its industry depends on product efficacy, safety, reliability, availability, timing, scope of regulatory approval, acceptance and price, among other things. Important factors to Evotec's success also include speed in developing product candidates, completing clinical development and laboratory testing, obtaining regulatory approvals and manufacturing and selling commercial quantities of potential products to the market.

Evotec expects competition to increase as technological advances are made and commercial applications broaden. In commercializing its initial product candidates and any additional product candidates, Evotec will face substantial competition from pharmaceutical, biotechnology and other companies, universities and research institutions.

Many of Evotec's competitors have substantially greater capital resources, research and development staff, facilities and experience in conducting clinical trials and obtaining regulatory approvals, as well as in manufacturing and marketing pharmaceutical products. Evotec's competitors may achieve product commercialization or patent protection earlier than Evotec achieves commercialization or patent protection, if at all. Furthermore, Evotec believes that some of its competitors have used, and may continue to use, litigation to gain a competitive advantage.

Evotec is dependent on patents and proprietary technology, both its own and those licensed from others. If Evotec or its licensors fail to adequately protect this intellectual property or if Evotec does not have exclusivity for the marketing of its products, Evotec's ability to develop and commercialize products could suffer.

As of December, 31, 2007, Evotec had approximately 100 families of intellectual property rights under its full control, with each such family protecting an invention in one or more countries by one or more patent applications, patents and/or utility models. A utility model is an intellectual property right similar to that of a patent, and it is available in a number of countries through domestic legislation and typically has a shorter term and less stringent patentability requirements than a patent. In particular, few patent applications have been filed that relate to three compound series and their uses in a variety of disorders, such as metabolic diseases as well as neurological and neurodegenerative diseases.

In addition, Evotec is party to licensing agreements that grant Evotec rights under third-party patents or patent families. Evotec has exclusively in-licensed intellectual property from Roche with respect to EVT 201 in the field of CNS indications, the EVT 100 Series for certain therapeutic indications including pain and Alzheimer's disease and EVT 302 for treatment of any indication in humans and is party to further exclusive in-licensing agreements with Garching Innovation GmbH (now renamed Max-Planck-Innovation GmbH) and other third parties.

Evotec's success depends in part on its ability, and the ability of its licensors, to obtain patent protection for product candidates, products, technologies and processes, to preserve trade secrets, to defend patents against third parties seeking to invalidate such patents, and to enforce rights against infringing parties, in the United States, Europe and elsewhere. The validity and breadth of claims in medical or pharmaceutical technology and biotechnology or life science patents involve complex legal and factual questions and, therefore, may be highly uncertain. For example, the value of Evotec's intellectual property rights, both its own and those licensed from others, depends on whether:

- confidentiality agreements entered into with employees, contractors, consultants, advisors, collaborators and others effectively prevent disclosure of Evotec's and its licensors' confidential information or provide meaningful protection of such confidential information;
- the inventors of Evotec's patents or those Evotec co-owns or licenses were the first to make the inventions, or the first to file patent applications covering the intellectual property important for Evotec's business;
- the applicants of Evotec's or its licensors' patents obtained the appropriate rights, including that of ownership, from the inventors of such patents;
- Evotec will develop, co-develop, acquire or license additional product candidates, technologies or processes that are patentable;
- the scope of any patent protection Evotec, the co-owners of its intellectual property rights or its licensors receive will exclude competitors or provide Evotec with competitive advantages;
- any of the patents that have been or may be issued to Evotec, the co-owners of its intellectual property rights or its licensors will provide protection for commercially viable products;
- any of the patents that have been or may be issued to Evotec, the co-owners of its intellectual property rights or its licensors will be held valid if challenged;
- Evotec's licensors effectively prosecute, maintain, defend, extend and enforce the patents and patent applications Evotec has licensed;
- patent authorities will grant patents to Evotec's competitors or others based on applications they have filed or may file that restrict Evotec's business;
- Evotec will be able to detect infringement of any patent Evotec, the co-owners of its intellectual property rights or its licensors hold, or, if detected, will be able to enforce or cause its licensors to enforce in an effective manner any such patent against an infringing party;
- others claim rights in, or ownership of, the patents and other proprietary rights that Evotec holds or licenses;
- any patent that Evotec, the co-owners of its intellectual property rights or its licensors receive will be eligible under, and benefit from, any laws or regulations governing patent term extension;
- the patents of others have an adverse effect on Evotec's business; or
- others have developed or will develop similar product candidates, products, technologies or processes, duplicate any of those, or design around any patents that have been or may be issued to Evotec, the co-owners of its intellectual property rights or its licensors, particularly in relation to EVT 201, the EVT 100 compound family and EVT 302.

Evotec tries to protect its proprietary position by generally filing national and foreign patent applications related to those of its proprietary technologies, inventions and improvements that are important to its business, including those related to the development of its product candidates. Evotec's ability to obtain patents is, however, highly uncertain because, to date, some legal principles remain unresolved and there has not been a consistent policy regarding the breadth or interpretation of claims allowed in patents in the United States, European countries and elsewhere. Moreover, the specific content of patents and patent applications that is

necessary to support and interpret patent claims is highly uncertain due to the complex nature of the relevant legal, scientific and factual issues. The policies governing biotechnology patents throughout various countries, including Germany, are even more uncertain. Changes in either patent laws or in interpretations of patent laws in European countries, the United States and elsewhere may diminish the value of Evotec's and its licensors' intellectual property or narrow the scope of Evotec's and its licensors' patent protection.

Many of Evotec's and its collaborators' research and development employees and/or consultants work in Germany or other European countries and are subject to German employment law or comparable rules in other European jurisdictions. Ideas, developments, discoveries and inventions made by such employees and consultants are subject to the provisions of the German Employees Inventions Act (*Gesetz über Arbeitnehmererfindungen*) or similar European legislation, which regulates the ownership of, and compensation for, inventions made by employees. For such inventions, Evotec faces the risk that disputes can occur between employer and employee, ex-employee, or employee of its consultants pertaining to alleged non-adherence to the provisions of this act. Even if Evotec, the co-owners of its intellectual property rights or licensors prevailed in any such dispute, such action could result in substantial costs and be a distraction to management. If Evotec fails in such dispute, in addition to paying substantial money damages, Evotec may lose valuable intellectual property rights.

Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings, and U.S. patents may be subject to re-examination proceedings. In other countries, patents may be subject to opposition or comparable proceedings. Such proceedings could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, re-examination and opposition proceedings may be costly and time-consuming and, even if Evotec were to prevail, would distract its management. Moreover, the U.S. Federal Food, Drug, and Cosmetic Act and FDA regulations and policies provide incentives to manufacturers to challenge patent validity or create modified, non-infringing versions of a drug in order to facilitate the approval of abbreviated new drug applications for generic substitutes that have the same active ingredients and the same therapeutic effect but are offered at a lower price. Although Evotec and, to Evotec's knowledge, its licensors, are not currently faced with any of these types of legal actions with respect to Evotec's product candidates, the risk of these legal actions increases as its product candidates progress toward commercialization and should they ultimately be approved and commercialized.

Any patents or patent applications that Evotec owns, co-owns or licenses from others may not provide any protection against competitors. Evotec's pending patent applications, those Evotec may file in the future, or those Evotec has licensed or may license from third parties, may not result in patents being issued. If issued, the patents may not provide Evotec with proprietary protection or competitive advantages against competitors with similar technology, products or processes. Furthermore, others may independently develop similar technologies, products or processes or duplicate any of those that Evotec has developed.

Evotec and its licensors depend on third parties, such as patent-annuity payment companies and patent law firms, to pay the annuity, renewal and other fees as well as to take additional measures required to maintain their respective patents and patent applications. Non-payment or delay in the payment of these fees or non-adherence to take such additional measures is likely to result in irrevocable loss of patents or patent rights important to Evotec's business.

Similar risks apply to the patent proprietary technology rights of Renovis, Inc, referred to under Item 4 of this Form 20F, acquired by Evotec effective May 2008.

Evotec, the co-owners of its intellectual property rights or its licensors may face difficulties in protecting or enforcing intellectual property in countries outside the United States and the member states of the European Patent Convention, which may diminish the value of its intellectual property in those countries.

The laws of some foreign jurisdictions do not protect intellectual property rights to the same extent as in the United States and countries in the European Patent Convention, and many companies have encountered significant difficulties in protecting and defending such rights in foreign jurisdictions. If Evotec, the co-owners of

Evotec's intellectual property rights or its licensors encounter such difficulties in protecting, or are otherwise precluded from effectively protecting, in foreign jurisdictions the intellectual property rights important for Evotec's business, the value of these rights may be diminished and Evotec may face additional competition from others in these jurisdictions.

Many countries, including, but not limited to, certain European countries, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties (if, for example, the patent owner has failed to "work" the invention in that country, or the third party has patented improvements). Compulsory licensing of life-saving drugs is also becoming increasingly popular, especially in developing countries. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. Moreover, the legal systems of certain countries do not favor the efficient enforcement of patent and other intellectual property rights which makes it difficult to stop infringement and diminishes the value of such rights.

Claims that Evotec infringes a third party's intellectual property may give rise to burdensome litigation, result in potential liability for damages or stop Evotec's development and commercialization efforts.

Not infringing on the intellectual property rights of others is important to Evotec's, its strategic partners' and its licensees' success. Third parties may assert patent or other intellectual property infringement claims against Evotec, its strategic partners or its licensees with respect to technologies used in Evotec's, its strategic partners' or its licensees' business. Numerous patent applications are currently pending and Evotec expects that further patents may be filed in the future for technologies generally related to Evotec's technologies, including many patent applications that at least initially remain confidential after filing. United States, European and other patents in other jurisdictions have been or may be issued to third parties in the same fields as some of Evotec's product candidates. These third-party intellectual property rights could subject Evotec to infringement actions. A risk inherent in any patent searches to determine potential rights of third parties is that search results may be inconclusive. For example, the searches will bring to attention only those patents and patent applications indexed by search terms and classification marks used in the searches. Furthermore, searches will not reveal patent applications pending, which are not yet published or have not yet been incorporated into the search database at the date of search. Assessing the validity of claims of third party patents can be uncertain due to the complex
nature of the relevant legal, scientific and factual issues. Furthermore, the success of potentially challenging the validity of third party patents is not certain. Although Evotec has not been subject to any infringement actions to date, due to these factors and the inherent uncertainty in conducting patent searches, Evotec may violate third-party patent rights that Evotec has not yet identified as being relevant or at all.

The owners or licensees of these and other patents may file one or more infringement actions against Evotec. Patent litigation can involve complex factual and legal questions and its outcome is uncertain. Even if Evotec were to prevail, any litigation could be costly and time-consuming and would divert the attention of Evotec's management and key personnel from its business operations. Any claim relating to infringement of patents that is successfully asserted against Evotec may cause Evotec to pay substantial damages.

Furthermore, as a result of a patent infringement suit brought against Evotec or its strategic partners or licensees, Evotec or its strategic partners or licensees may be forced to stop or delay developing, manufacturing or selling potential products that are claimed to infringe a third party's intellectual property unless that party grants Evotec or its strategic partners or licensees rights to use its intellectual property. In such cases, Evotec may be required to obtain licenses to patents or proprietary rights of others in order to continue to commercialize its products. However, Evotec may not be able to obtain any licenses required under any patents or proprietary rights of third parties on acceptable terms, or at all. Even if Evotec's strategic partners, licensees or Evotec were able to obtain rights to the third party's intellectual property, these rights may be non-exclusive, thereby giving Evotec's competitors access to the same intellectual property. Ultimately, Evotec may be unable to commercialize some of its potential products or may have to discontinue development of a product candidate or cease some of its business operations as a result of patent infringement claims, which could severely harm its business.

Rapid technological change could make Evotec's products and collaborative projects obsolete.

Biopharmaceutical technologies have undergone rapid and significant change and Evotec expects that they will continue to do so. Any compounds, products or processes that Evotec or its strategic partners or licensees develop may become obsolete or uneconomical before achieving significant revenues. Rapid technological change could also make Evotec's products and collaborative projects obsolete or uneconomical.

If Evotec or its strategic partners or licensees fail to obtain U.S. or European regulatory approval for product candidates under development, Evotec will not be able to generate revenue in the U.S. and European markets from the commercialization of product candidates.

Evotec must receive FDA approval for each of its product candidates before it can commercialize or sell that product candidate in the United States, and Evotec must receive EMEA approval for each of its product candidates before it can commercialize or sell that product candidate in Europe. The FDA and EMEA can limit or deny their approval for many reasons, including:

- a product candidate may be found to be unsafe or ineffective;
- regulators may interpret data from preclinical testing and clinical trials differently and less favorably than the way Evotec interprets it;
- regulators may not approve the manufacturing processes or facilities that Evotec or its strategic partners or licensees use; and
- regulators may change their approval policies or adopt new regulations.

Failure to obtain FDA or EMEA approval or any delay or setback in obtaining such approval could:

- adversely affect Evotec's ability to market any drugs it develops independently or with strategic partners or licensees;
- impose additional costs and diminish any competitive advantages that Evotec may attain; and
- adversely affect Evotec's ability to generate royalties or product revenues.

Any such failures or delays in the regulatory approval process for any of Evotec's product candidates would delay or diminish its receipt of product revenues, if any, and would materially adversely affect Evotec's business, financial condition and results of operations.

Even if Evotec obtains FDA or EMEA approval, its product candidate may not be approved for all indications that Evotec requests, which could limit the uses of Evotec's product and adversely impact its potential royalties and product sales. If FDA or EMEA approval of a product is granted, such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post- marketing follow-up studies. As to any product for which marketing approval is obtained, the labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping related to the product will be subject to extensive regulatory requirements. The subsequent discovery of previously unknown problems with the product may result in restrictions on the product, including withdrawal of the product from the market. Evotec may be slow to adapt, or may never adapt, to changes in existing requirements or adoption of new requirements or policies.

If Evotec fails to comply with applicable U.S. and European regulatory requirements, it may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions, injunctions, civil penalties and criminal prosecution.

If Evotec or its strategic partners or licensees fail to obtain regulatory approvals in other countries for product candidates under development, Evotec will not be able to generate revenue in such countries from the commercialization of product candidates.

In order for Evotec to market its products outside of the United States and the European Union, Evotec and its strategic partners and licensees must comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA approval or EMEA approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the United States and EMEA approval in the European Union. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may negatively impact the regulatory processes in others. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval could have the same adverse effects detailed above regarding FDA approval in the United States and EMEA approval in the European Union. The adverse effects include the risk that Evotec's product candidate may not be approved for all indications that Evotec requests, which could limit the uses of Evotec's product and adversely impact Evotec's potential royalties and product sales, and the risk that such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post-marketing follow-up studies.

If Evotec fails to comply with applicable foreign regulatory requirements, it may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

If Evotec's partners, licensees or contract manufacturers of its products fail to devote sufficient time and resources to Evotec's concerns, or if their performance is substandard, Evotec's clinical trials and product introductions may be delayed and its costs may rise.

Evotec has no manufacturing facilities, limited experience in the commercial manufacturing of drugs and limited experience in designing drug manufacturing processes. Evotec depends on its partners, licensees and contract manufacturers to produce its product candidates for clinical trials and to manufacture, supply, store and distribute any resulting products.

While Evotec has not experienced problems with its partners, licensees or contract manufacturers to date, Evotec's reliance on these third parties exposes it to the following risks, each of which could delay or prevent the completion of its clinical trials, the approval of its product candidates by the FDA, EMEA or other regulatory agencies, or the commercialization of Evotec's products, result in higher costs or deprive Evotec of potential product revenues:

- Drug manufacturers are obliged to operate in accordance with FDA-mandated current good manufacturing practices, or cGMPs. A failure of any of Evotec's partners, licensees or contract manufacturers to establish and follow cGMPs and to document their adherence to such practices may lead to significant delays in the availability of material for clinical trials and may delay or prevent filing or approval of marketing applications for Evotec's products.
- Changing contract manufacturers may be difficult and the number of potential manufacturers is limited. Changing manufacturers may require re-validation of the manufacturing processes and procedures in accordance with FDA-mandated cGMPs. Such re-validation may be costly and time-consuming. It may be difficult or impossible for Evotec to find replacement manufacturers on acceptable terms quickly, or at all.

Drug manufacturers are subject to ongoing periodic unannounced inspections by the FDA and corresponding state and foreign agencies to ensure strict compliance with cGMPs, other government regulations and corresponding foreign standards. Evotec is not aware of any violations by its partners, licensees or contract

manufacturers of any of these regulations or standards. While Evotec would be obligated to audit the performance of its contractor manufacturers, Evotec would not have control over their compliance with these regulations and standards. Failure by Evotec's partners, licensees, contract manufacturers or Evotec to comply with applicable regulations could result in sanctions that would have a material adverse effect on Evotec's business, including fines, injunctions, civil penalties, failure of the government to grant pre-market approval of drugs, delays, suspension or withdrawal of approvals, seizures or recalls of product, operating restrictions and criminal prosecutions.

Evotec depends on the efforts of its strategic partners, licensors and licensees to develop and commercialize many of its product candidates.

Evotec cannot control the time or resources that its strategic partners, licensors or licensees devote to its collaborations with those parties, nor can Evotec control its strategic partners', licensors' or licensees' business decisions. In addition, Evotec's collaborators may not perform their obligations as expected. Changes in a collaborator's business strategy or business combinations involving a collaborator may adversely affect that party's willingness or ability to successfully meet its obligations. Disagreements between Evotec and its collaborators may lead to delays in or termination of the research, development or commercialization of product candidates or result in time-consuming and expensive negotiations, litigation or arbitration. The failure of Evotec's strategic partners, licensors or licensees to successfully complete their obligations in a timely manner or the termination or breach of agreements by these parties could materially harm Evotec's business, financial condition and results of operations.

Evotec or its strategic partners or licensees may not be able to manufacture its product candidates in commercial quantities, which would prevent Evotec from commercializing its product candidates.

To date, Evotec's product candidates have been manufactured in small quantities for preclinical and clinical trials. If any of these product candidates are approved by the FDA, EMEA or other regulatory agencies for commercial sale, they will need to be manufactured in larger quantities. Evotec or its strategic partners or licensees, as applicable, may not be able to successfully increase the manufacturing capacity, whether in collaboration with contract manufacturers or independently, for any of its product candidates in a timely or economic manner, or at all. Significant scale-up of manufacturing may require additional validation studies, which the FDA and the EMEA must review and approve. If Evotec or its strategic partners or licensees are unable to successfully increase the manufacturing capacity for a product candidate, the regulatory approval or commercial launch of that product candidate may be delayed or there may be a shortage in supply. Evotec's product candidates require precise, high-quality manufacturing. Failure to achieve and maintain these high manufacturing standards, including the incidence of manufacturing errors, could result in patient injury or death, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could adversely affect Evotec's business.

The contract research organizations and independent clinical investigators that Evotec and its strategic partners or licensees rely upon to conduct pre-clinical studies and clinical trials may not be diligent, careful or timely, and may make mistakes in the conduct of these studies.

Evotec AG depends on contract research organizations, or CROs, and independent clinical investigators to conduct certain preclinical studies and clinical trials under their agreements with Evotec or its collaborators. In its preclinical research programs, Evotec depends on CROs to conduct certain efficacy, safety and toxicity testing activities that Evotec AG is not staffed to perform itself. The personnel at these CROs are not Evotec employees and Evotec cannot control the amount or timing of resources that they devote to such programs. Evotec's contracts with CROs may involve fixed fees. If the costs of performing the research activities or clinical trials exceed estimates, the CROs may fail to devote sufficient time and resources to Evotec's drug discovery and development programs, fail to enroll patients as rapidly as expected, or otherwise fail to perform in a satisfactory manner. Failure of the CROs to meet their obligations could adversely affect the development of Evotec's product candidates and delay the regulatory approval and commercial introduction of Evotec's product

candidates. Moreover, these independent investigators and CROs may also have relationships with other commercial entities, some of which may compete with Evotec. If independent investigators and CROs assist competitors, it could harm Evotec's competitive position.

Failure to enroll patients for clinical trials may cause delays in developing Evotec's product candidates.

Evotec may encounter delays or rejections if it or its strategic partners or licensees are unable to enroll enough patients to complete clinical trials. Patient enrollment depends on many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites, the eligibility criteria for the trial and the number and size of ongoing clinical trials sponsored by others that seek to enroll similar patients. When one product candidate is evaluated in multiple clinical trials simultaneously, patient enrollment in ongoing trials can be adversely affected by negative results from completed trials. Any delays in planned patient enrollment may result in increased costs and delays, which could harm Evotec's ability to develop products.

If Evotec is unable to retain and recruit qualified scientists or if any of its key executives, key employees or key consultants discontinues his or her employment or consulting relationship with Evotec, this may delay Evotec's development efforts or otherwise harm its business.

Evotec, like many biotechnology companies, is highly dependent on the key members of its management and scientific staff. The loss of any of Evotec's key employees or key consultants could impede the achievement of Evotec's research and development objectives. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future is critical to Evotec's success. Evotec may be unable to attract and retain personnel on acceptable terms given the competition among biotechnology, pharmaceutical and health care companies, universities and non-profit research institutions for experienced scientists.

Currently, Evotec considers four employees to be key to its success. These are Jörn Aldag, President and Chief Executive Officer, Dr. Mario Polywka, Chief Operating Officer, Dr. Klaus Maleck, Chief Financial Officer, and Dr. John Kemp, Chief Research and Development Officer of Evotec. All of these employees are highly qualified and very experienced in the biotechnology industry.

Evotec has employment agreements with each of these key employees. The service agreements with the management board members Jörn Aldag, Mario Polywka and Klaus Maleck are for a period of 3 years (expiring in June 2010, October 2010, and October 2010, respectively) and contain a change of control clause that gives them the right of extraordinary termination if a shareholder acquires a holding of more than 30 percent of Evotec's shares. In such an event, each is entitled to a settlement payment amounting to one year's salary. John Kemp's agreement is for an indefinite term and can be terminated by either party upon a 6-month notice effective on either June 30 or December 31 of a calendar year.

Among other benefits, Evotec has granted stock options as a method of attracting and retaining employees. Due to fluctuations in the trading price of Evotec's ordinary shares, a substantial portion of the stock options held by Evotec's employees have exercise prices that are significantly higher than the current trading price of Evotec's ordinary shares. If Evotec is unable to offer competitive remuneration including stock options that provide sufficient incentives, Evotec may be unable to retain its existing employees and attract additional qualified candidates.

In the recent past, Evotec has not encountered difficulties in attracting and retaining qualified employees and as far as Evotec is aware, none of the key employees plans to retire or leave Evotec in the near future.

Governmental and third party payors may impose sales and pharmaceutical pricing restrictions or controls on Evotec's potential products that could limit its future product revenues and adversely affect profitability.

The commercial success of Evotec's potential products is substantially dependent on whether third-party reimbursement will be available for its potential products by the medical profession for use by patients.

Government medical reimbursement programs, such as Medicare and Medicaid in the United States, health maintenance organizations and other third-party payors may not fully cover or provide adequate payment for Evotec's potential products. They may not view Evotec's potential products as cost-effective and reimbursement may not be available to consumers or may not be sufficient to allow potential products to be marketed on a competitive basis. Likewise, legislative or regulatory efforts to control or reduce health care costs or reform government health care programs could result in lower prices or rejection of Evotec's potential products. Changes in reimbursement policies or health care cost containment initiatives that limit or restrict reimbursement for Evotec's products may cause its future product revenues, if any, to decline.

Evotec may be subject to damages resulting from claims that it or its employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of Evotec's employees were previously employed at universities or other biotechnology or pharmaceutical companies, including Evotec's competitors or potential competitors. Although no claims against Evotec are currently pending, Evotec may be subject to claims that these employees or Evotec have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if Evotec is successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If Evotec fails in defending such claims, in addition to paying money claims, it may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent Evotec's ability to commercialize certain product candidates, which could severely harm its business.

Evotec faces potential product liability exposure far in excess of Evotec's limited insurance coverage.

The use of any of Evotec's product candidates in clinical trials, and the sale of any approved products, may expose Evotec to product liability claims. These claims might be made directly by consumers, health care providers, pharmaceutical companies or others selling Evotec's products. Evotec has obtained limited product liability insurance coverage for Evotec's clinical trials and such insurance may not be sufficient to reimburse Evotec for expenses or losses it may suffer. Moreover, insurance coverage is becoming increasingly expensive, and Evotec may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect Evotec against losses due to liability. On occasion, juries have awarded large judgments in class action lawsuits based on drugs that had unanticipated side effects in the United States. In addition, the pharmaceutical and biotechnology industries, in general, have been subject to significant medical malpractice litigation. A successful product liability claim or series of claims brought against Evotec would decrease its cash reserves and could cause the price of its ordinary shares and ADSs to fall.

Evotec AG and its German affiliates have product liability insurance in place with a combined single limit for bodily injury and property damage of €10 million per occurrence (but with a maximum of €2,556,460 per individual person injured) and a limit of €20 million for any one calendar year. Evotec (UK) Ltd has product liability insurances in place with a joint limit of indemnity of £20 million per occurrence. The product liability for clinical trials is insured separately on a case by case basis, usually in range of $1 million per subject. The cost of such coverage is not material. Renovis will be included in Evotec's product liability insurance.

Evotec is not aware of any pending threats of product liability claims.

Evotec is subject to significant environmental, health and safety regulation, compliance with which can be expensive.

Evotec is subject to a variety of health, safety and environmental laws and regulations in the United States, Germany, the United Kingdom and other countries. These laws and regulations govern, among other things, wastewater discharge, air emissions and waste management. Evotec has incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of its business in complying with these