PART I

Item 1. Identity of Directors, Senior Management and Advisors

A. Directors and senior management.

Not applicable.

B. Advisers.

Not applicable.

C. Auditors.

Not applicable.

Item 2. Offer Statistics and Expected Timetable

A. Offer statistics.

Not applicable.

B. Method and expected timetable.

Not applicable.

Item 3. Key Information

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risk Management

Our risk management system 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, we can weigh operational and economic parameters and initiate specific measures to mitigate or entirely prevent the potential negative impact of risks.

Our Management Board assumes the responsibility for the risk management system and the underlying cornerstones of risk policy and strategy. The group-wide co-ordination, implementation and development of the risk management system is handled by our risk management department, which routinely reports directly to the Chief Financial Officer (CFO).

Our 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. The Supervisory Board is in charge of 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.

As part of the comprehensive risk management system, we have an internal control system in place in which suitable structures and processes are defined and implemented in the organization. The aim of our 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 standard and laws.

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 classification of risks and the risk matrix generated for the internal quarterly risk report are based on the following three-level 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

We are 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.

We have 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 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. We also report significant risks that may not be financially quantifiable in a meaningful way. In the following, we describe the individual risk categories and indicate their risk classification. The order does not imply any valuation of the risks.

CORPORATE RISK OVERVIEW (aggregated)	Probability of Occurrence	Potential financial impact
1. Strategic risks		
Failure to achieve strategic targets	High	High
Disruptive market participants	Low	High
Future risks to success in drug discovery and development	High	High
Failures of mergers and acquisitions	Medium	Medium
Political risks	High	Low
2. Market risks		
Competitive situation	Low	High
Commercial risks from out-licensing and licensed products	High	Medium
Overall economic development	High	Medium
Risks related to the COVID-19 pandemic	Low	High
Termination of projects and contractual relationships	High	High
3. Financial risks		
Liquidity risk	Low	Low
Currency risks	Low	High
Interest rate risks	Low	Low
Loss of R&D tax credits	Low	High
Risks in the context with changes in tax laws and interpretations by tax authorities's in jurisdictions of business operations	Medium	Medium
4. Legal/compliance risks		
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
5. Ownership and patent risks		
Patents and proprietary technologies	Medium	Medium
Licenses granted for partnered assets	Medium	Medium
6. HR risks		
Loss of highly qualified staff (key employees)	High	Low
7. Information technology risks		
Loss of data	Medium	High
Data integrity and protection	Medium	Low
Cyber risks	High	High
GDPR and other similar jurisdictions	High	High
8. Operational risks		
Environmental, health and occupational safety risks	Medium	Low
Procurement risks	High	High
Process risks	Low	Medium
Major disasters on sites	Low	High

Compared to fiscal year 2020, Evotec has fundamentally changed its valuation basis as well as the valuation methodology. Since the fiscal year, all risks are derived using a gross-net method, as recommended by German and international standards. This leads to a more accurate assessment of risks and improved management of our countermeasures. In addition, the risk management has been changed to a cash impact assessment only, which allows for an improved comparability of risks.

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

Strategic risks

Failure to achieve strategic targets

Currently, we have more than 4,000 employees and, in connection with the growth and advancement of our pipeline, we expect to increase the number of employees and the scope of our operations. To manage our anticipated development and expansion, we must continue to implement and improve our managerial, operational, legal, compliance and financial systems, expand our facilities, and continue to recruit and train additional qualified personnel. Also, our 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. We are actively developing pipeline assets in many therapeutic areas and across a wide range of diseases. We also routinely pursue new service offerings, such as our recent 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 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, we 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 our infrastructure, give rise to operational mistakes, legal or regulatory compliance failures, loss of business opportunities, loss of employees and reduced productivity among remaining employees. For example, by expansion into CRO services, we may become liable for acts or omissions made in connection with developing clinical protocols. The physical expansion of our operations may lead to significant costs and may divert financial resources from other projects. If our management is unable to manage effectively our expected development and expansion, the expenses may increase more than expected the ability to generate or increase revenue could be reduced and we may not be able to implement its business strategy. Our future financial performance and our ability to compete effectively will depend in part on the ability to effectively manage our future development and expansion. In order to achieve our strategic targets, we above all must continue and expand our top-quality, innovative services.

Disruptive market participants

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

We address the growing competitive and price pressure with high-quality, innovative, and flexible-access services and a unique business model based on proprietary technology platforms. Reasonable cost management continued development of capacities and technologies, diversification of revenues as well as revenues from valuable, result-driven alliances are critical factors for us in maintaining a significant role in the world of drug discovery in the pharma and biotechnology sector.

Future risks to success in drug discovery and development

We seek to serve as a source of innovative drug candidates to potential partners. We are 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 our assets are not partnered, and if we cannot find a suitable partner or agree on acceptable terms with a partner, we may not be able to generate a return on such assets. Furthermore, the amount of our return on the investments in our own pipeline assets depend on many factors, such as the degree of innovation and strength of our intellectual property position, as well as on external factors outside of our control. For example, our ability to generate a return on the investments in our pipeline assets depends, in significant part, on our partners' research and development priorities. The market environment, demand and competitive landscape for our 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 our pipeline assets in development. As a result, the commercial objectives of our partners with respect to individual assets and the financial proceeds we may receive from partnering individual assets is highly uncertain, subject to factors outside of our control and could deviate significantly from our projections. Whether we are eligible to receiving milestone and royalty payments is subject to our partners' success with regard to pre-clinical and clinical testing. The outcome of respective tests and trials is inherently uncertain, and we do neither control nor drive the development process once our partners enter the clinical trial phase. Our 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 our strategic planning. This could thus lead to impairments of underlying individual intangible assets, affecting our financial position and jeopardize the corresponding strategic target in the medium to long term.

Failure of mergers and acquisitions

We have strategic growth targets which we intend to achieve through a combination of organic growth and the acquisition of complementary service and research capacities. We intend to undertake additional strategic acquisitions; however, it may not realize the intended advantages of such acquisitions and investments, in particular if we are unsuccessful in ascertaining or evaluating target businesses. For instance, our assumptions may prove to be incorrect, which could cause us to fail to realize the anticipated benefits of these transactions. If we fail to realize the expected benefits from acquisitions or investments, whether as a result of e.g., unidentified risks or liabilities or integration difficulties, our business, results of operations and financial condition could be adversely affected (e.g., impairments on goodwill or intangible assets). Moreover, we may not be able to locate suitable acquisition or partnership opportunities. Following an acquisition, we 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 our on-going business or inconsistencies in standards and controls that could negatively affect our operations, including the ability to maintain third-party relationships. If we encounter difficulties integrating newly acquired assets or operations with our platform, our business, and results of operations as a group may be adversely impacted. Moreover, if we invest in new modalities and technologies, it may not be successful in integrating them into our platform offerings or generating customer or partner demand for them, which could result in failure to generate a return on our investment. Some of the businesses we may seek to acquire may be marginally profitable or unprofitable. For these businesses to achieve acceptable levels of profitability, we may need to improve our management, operations, products and/or market penetration. We may not be successful in this regard, and it may encounter other difficulties in integrating acquired businesses into our existing operations. Further, if we undertake acquisitions, it may utilize our cash, issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Further, as part of our **EVO***equity* model, from time to time we invest in start-up companies and/or development stage technology. In evaluating these opportunities, we follow an evaluation process that considers factors such as potential financial returns, new expertise in emerging drug discovery and business benefits. Despite our best efforts to calculate potential return and risk, some, or all of these companies we invest in may be unprofitable at the time of, and subsequent to, our investment. We 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. We therefore strive 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, we make use of all necessary resources and departments to ensure a smooth integration process.

Political risks

Political risks, which we consider to be strategic risks, mainly include geopolitical decisions that lead to global trade conflicts or an uncertain economic situation. In case of instable political situations, we also face the risk of direct impact on our operations e.g. due to delays of deliveries or blacklisted countries including suppliers and customers from these countries. We address these risks by continuously monitoring political uncertainties and actively working with stakeholders in order to assess and minimize potential negative effects where possible. For this purpose, special task forces comprising representatives from all necessary business units prepare and implement measures in a timely manner, e.g., a BREXIT task force in 2020 until mid of 2021. With the Russia/Ukraine conflict, starting in 2021, we closely monitor all impacts from sanctions against Russia for our business as well as indirect impacts like e.g. significant increases in energy costs. The impact on Evotec from the Russia/Ukraine conflict is recorded directly under the purchasing risks. We address these risks by e.g. transferring orders to other suppliers on an early stage and proactively.

Market risks

Competitive situation

The world of drug discovery in the pharmaceutical and biotechnology sector has grown rapidly in recent years. As a result, we are closely monitoring the competitive situation and the competitive environment. Our mission is to discover best and first-in-class medicines for a broad range of difficult to treat diseases in collaboration with our partners. To that end, we have built a comprehensive suite of fully integrated, next generation technology platforms which we believe will transform the way new drugs are discovered. By leveraging the advanced capabilities of our integrated platforms, we are able to provide solutions to our 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 we operate is highly competitive, with many players pursuing similar scientific approaches. If we do not continually offer our partners innovative and cutting-edge solutions and remain at the forefront of precision medicine, our business may be materially and adversely affected. Moreover, our business operations are subject to challenges as a result of industry pressures. For instance, we expect 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 our partners are impacted accordingly. As our business is dependent on the continued health and growth of the pharmaceutical and biological industry, should the industry contract due to pricing pressure, our business may be materially and adversely affected. We address this risk with a diversified business model based on innovative, multifunctional technologies and platforms that took years to develop.

Commercial risk from out licensing and licensed products

We depend in part on out-licensing arrangements for late-stage development, marketing, and commercialization of its pipeline assets. Dependence on out-licensing arrangements subjects us to a number of risks, including the risk that we have limited control over the amount and timing of resources that our licensees devote to pipeline assets, that our licensees may experience financial difficulties or that our licensees may fail to secure adequate commercial supplies of pipeline assets upon marketing approval, if at all. Moreover, we face the risks that our future revenues depend heavily on the efforts of our 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 our competitors.

If we or any of our licensee’s breach or terminate their agreements with us or if any of our licensees otherwise fail to conduct their development and commercialization activities in a timely manner or there is a dispute about their obligations, we may need to seek other licensees, or we may have to develop our own internal sales and marketing capability for our pipeline assets. Our dependence on our licensees’ experience and the rights of our licensees will limit our flexibility in considering alternative out-licensing arrangements for our pipeline assets. Any failure to successfully develop these arrangements or failure by our licensees to successfully develop or commercialize any of our pipeline assets in a competitive and timely manner will have a material adverse effect on the commercialization of our pipeline assets. The commercial risk from out licensing and licensed products is a medium risk, in our view. To mitigate this risk to the extent possible, detailed project reporting is established within our Company and stipulated in any collaboration agreement.

Overall economic development

Due to our global activities, we are exposed to risks arising from the overall economic development, which may have an adverse effect on our revenue and earnings performance in the event of an economic slowdown.

Risks related to the COVID-19 pandemic

The COVID-19 pandemic is an extraordinary shock for the economies of the EU and the rest of the world, and it has severe economic and social consequences. The COVID-19 pandemic is continually evolving and to date has 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. In response to the spread of COVID-19, and in accordance with direction from government authorities, we have, for example, limited the number of such personnel that can be present at our facilities at any one time, mandated the usage of face masks in all our facilities, implemented regular COVID-19 task force consultations, limited the maximum numbers of people allowed in rooms at one time and requested that many of our personnel work remotely. In the event that government authorities were to further modify current restrictions, our employees conducting research and development, or manufacturing activities may not be able to access our laboratory or manufacturing facilities and our core activities may be significantly limited or curtailed, possibly for an extended period of time. As a result of the COVID-19 pandemic, we have experienced and may in the future (with COVID-19 or other similar pandemics and outbreaks) experience severe disruptions, including:

- Interruption of or delays in receiving products and supplies, such as pipettes and pipette tips, from the third parties we rely on to, among other things, provide our service offerings to our customers or manufacture for our customers, which may impair our ability to operate our business.
- Limitations on our business operations by local, state, or federal governments that affect our ability to operate our business.
- Delays in customers’ orders and negotiations with customers and potential customers.
- Delays in clinical trials conducted by our partners, leading to a decrease in revenue in our 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 our 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 our operations. We cannot predict the scope and severity of any potential business shutdowns or disruptions as a result of the ongoing COVID-19 pandemic. The extent to which the pandemic may negatively impact our consolidated operations and results of operations or those of our third-party manufacturers, suppliers, partners or customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Although the direct financial effect of the coronavirus pandemic has been less severe for us than for other sectors up to now, due to the high likelihood of occurrence we rate the impact of COVID-19 as an ongoing material risk.

Termination of projects and contractual relationships

We depend on certain individual large customers. The loss of any of these customers would have a material adverse impact on our results of operations. Furthermore, certain of our service contracts involve scientific or technical delivery risks. In the current fiscal year, the revenue contribution of our three largest customers was 25% compared to 24% in 2020. Although we generally have long-term contracts with our major customers, there is a risk that customers may terminate projects and contractual relationships earlier than planned for strategic reasons or reasons for which we are 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 our 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, we will always seek to continue the advanced research projects with new partners. We classify the termination of projects and contractual relationships especially our key projects with larger customers as a material risk, which, however, is also associated with significant opportunities.

Financial risks

Liquidity risk

Revenue fluctuations, expenditures, external events, and changes in the business environment might negatively impact our short-to-medium term profitability and liquidity. As of December 31, 2021, we had €858.2 million in cash, cash equivalents and investments. However, our operating plan may change as a result of many factors currently unknown to us, and we 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, marketing and distribution arrangements, other partnerships and licensing arrangements, or a combination of these approaches. Even if we believe to have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations. Our spending will vary based on new and ongoing development and corporate activities. To actively address any related risk and safeguard its cash position, we have defined minimum liquidity levels and regularly undertakes scenario planning. In full compliance with our 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. Overall, we see little liquidity risk at this point. Our business and reported profitability are affected by fluctuations in foreign exchange rates mainly between the US dollar, Pound Sterling and the Euro.

Currency and interest rate risks

We manage 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 our order book. Despite active currency management, exchange rate risk cannot be eliminated due to unpredictable volatility. As a result, our business may be affected by fluctuations in foreign exchange rates, which may have a significant impact on our results of operations and cash flows from period to period. Currency exchange movements also impact our reported liquidity in respect of translating liquid assets held in U.S. dollars or pound 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 European Central Bank’s negative deposit interest rate of -0.5% (European Central Bank decided on February 3, 2022, to keep the rate at -0.5%), our banks are also charging negative interest on its balances. The Corporate Treasury Team continuously screens the market for suitable short-to-medium term investment options in order to avoid negative interest. In addition, Evotec continuously monitors interest rate market developments in order to react on interest rate increase risks - due to economic developments - on our floating rate loans at an early stage.

Risks in the context of changes in tax laws and interpretations by authorities in jurisdictions of business operations and R&D tax credit risks

We operate in many different countries and are therefore potentially taxable in several countries and subject to various national tax laws and regulations. Changes in tax laws, jurisdiction and interpretations by authorities or courts 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 our business, our financial position, and results. These unforeseen additional tax expenses can arise for a number of reasons. Due to the complexity of our 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 form a significant part of other operating income and contribute positively 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 resulting increase in government costs, there is a higher risk that we will receive notifications about the reduction or failure to grant tax relief or receive adverse changes to tax assessments. In general, we work together with external consultants in all countries in which we operate in order to minimize any risks. In addition, we regularly monitor the political and legal landscape in this regard but could not completely avoid the negative effect on our results due to the lack of influence and compensation options.

Legal/compliance risks

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

Litigation and contractual risks

Despite our pro-active measures, we are exposed to risks from litigation and cannot completely rule out infringements of legislation. As a result, we are 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, we pro-actively seek external advice to mitigate the related risks. We are bound by numerous complex contracts with a low degree of standardization, in particular customer contracts. Contractual clauses that are flawed or contentious or unfavorable for us may entail contractual risks like legal liability risks and financial risks. We address this risk by continuously involving our corporate legal department as well as external legal advisers when needed. Thanks to this cumulative expertise of established review and contract drafting processes, we have not recorded any judicial or material out-of-court settlements with customers in the past 10 years, so we consider the risk to be low. We and our 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 us or our partners' products.

Regulatory risks and risks arising from changing or stricter regulations

In addition to the risk before, new laws and regulations to which we and our customers and partners are subject may change in the future affecting the viability of market entry for new products developed in our 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 risks are addressed by continuously monitoring global and local legislations to ensure that looming changes are detected in time. For this purpose, we also employ external partners such as consultants, auditors, and legal advisers under contract. Provided such connections exist, we also engage 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.

Product liability risks

It is possible that we 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 we develop is commercialized. If we cannot successfully defend ourselves against claims that drug products, we develop with our partners caused injuries, we 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 we may develop with our partner, loss of revenues, significant time and costs to defend the related litigation, initiation of investigations by regulators and injury to our reputation and significant negative media attention. We are covered by liability insurance, but notwithstanding such coverage, our 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. We act 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 our licensing partners.

Quality risks in manufacturing and R&D activities

Our business processes are designed to meet the highest scientific quality, and the progression of drug programs and drug candidates in development partnerships is part of our non-financial performance indicators. The success of our business therefore hinges upon the fulfilment of both our own and legal quality standards. Parts of our operations are subject to Good Manufacturing Practice (GMP), Good Laboratory Practice (GLP) and Good Clinical Practice (GCP) requirements and similar foreign requirements. Regulatory authorities and our customers may conduct scheduled or unscheduled (for cause) periodic inspections of our facilities to monitor our quality control system and verify that we comply with regulatory requirements and with the terms of our quality agreements with our 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 our customers and a subsequent loss in revenue. Our manufacturing facilities also require certification and validation activities to demonstrate that they operate as designed. In addition, our manufacturing facilities are subject to regulatory inspections by the FDA, the national competent authorities in EU member states (including AIFA in Italy), the Medicines and Healthcare products Regulatory Agency (MHRA) in the UK, and other comparable regulatory authorities. If we are unable to reliably manufacture products in accordance with the legal and regulatory requirements of the relevant regulatory authorities, we may not obtain or maintain the necessary approvals. Further, our 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 our cost of goods, and have an adverse effect on our business, financial condition, results of operations and growth prospects. To minimize potential **quality risks in manufacturing and R&D activities**, we have established a quality management system monitored by the Quality Assurance Committee. The Quality Assurance Committee submits regular reports to our 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.

General Governance and compliance risks

In terms of governance and compliance risks, we are 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 unauthorized invitations. All our employees are obliged to adhere to our Code of Conduct, which is applicable across the entire group. Compliance with internal company policies is paramount to our 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 our 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 our Code of Conduct to our supervisor or to our Compliance Officer. Our corporate Legal & Compliance department is in charge of the 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.

Risks of failing to maintain an effective internal control over financial reporting as a US listed company

As a German public company traded on Frankfurt stock exchange, we were not required to evaluate our internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404(a) of the Sarbanes-Oxley Act. After the additional US listing in Nasdaq at the end of 2021, we are responsible for establishing and maintaining internal controls over financial reporting, disclosure controls, and complying with the other requirements of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes Oxley Act"), Nasdaq regulations, and the rules promulgated by the SEC thereunder. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with international financial reporting standards.

The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting at the end of each fiscal year. The process of designing and implementing effective internal controls over financial reporting is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a US public company. If we are unable to establish or maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our results of operations. In addition, we will be required, pursuant to Section 404(a), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in the annual report for the fiscal year 2022. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Testing and maintaining internal controls may divert our management's attention from other matters that are important to our business.

In connection with the implementation of the necessary procedures and practices related to our internal control over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404(a). In addition, we may encounter problems or delays in completing the remediation of any deficiencies identified by our independent registered public accounting firm in connection with the issuance of their audit report.

In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements, or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our shares.

For as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We may lose our emerging growth status as soon as the end of Q2 2022. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

Ownership and patent risks

If our 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, in the event that we believe that its patents or other intellectual property rights have been infringed upon by a third party, we might file lawsuits. These actions could have an influence on our financial position or results.

The risks associated with intellectual property include the two main general risks **patents and proprietary technologies** as well as **licenses granted for partnered assets**. In the following we give a more detailed overview of the most important sub-risks from our two main general risks stated above:

Uncertain protection for Evotec´s intellectual property

Different risk scenarios could arise which we subdivide in the following risk areas. Ours success depends in part on our ability to develop, use and protect our proprietary methodologies, software, compositions, processes, procedures, systems, technologies, and other intellectual property. To protect our intellectual property position, we primarily rely upon trade secrets, confidentiality agreements and policies, invention assignments and other contractual arrangements, trademark registrations and copyrights. Although our patent portfolio is not material to certain of our business, we have filed patent applications in the United States, Europe and abroad related to our pipeline assets, processes, or other technologies (including methods of manufacture). Our collaboration partners also file patent applications on our development assets on which we may earn milestones and royalties. We may not be able to apply for patents on certain aspects of our 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 our intellectual property and other proprietary rights is uncertain. Only limited protection may be available and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Additionally, our intellectual property may not provide us with sufficient rights to exclude others from copying our processes and technologies or commercializing pipeline assets. If we do not adequately obtain, maintain, protect, defend and/or enforce our intellectual property and proprietary technology, competitors may be able to use our proprietary technologies and erode or negate any competitive advantage we may have, which could have a material adverse effect on our financial condition and results of operations.

Risks in a patent prosecution process

The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our 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 our proprietary technologies (including pipeline assets and methods of manufacture) and their uses. Furthermore, the patent prosecution process is also expensive and time-consuming, and we 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.

Risks in case of changing patent laws

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 our 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 our patent rights are highly uncertain.

Risks in detecting infringement, misappropriation and other violation

Our ability to enforce our owned (solely or jointly), and in-licensed patent and other intellectual property rights depends on our 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, we may not be able to introduce obtained evidence into a proceeding or otherwise utilize it to successfully demonstrate infringement. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded if we were to prevail may not be commercially meaningful. If any of our owned (solely or jointly) or in-licensed patents covering our 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 our pipeline assets, processes or other technologies, our competitive position could be harmed or we could be required to incur significant expenses to protect, enforce or defend our rights.

Risks in securing licenses

We currently have rights to certain intellectual property, through our owned (solely or jointly) and in-licensed patents and other intellectual property rights, relating to identification and development of our pipeline assets, processes, or other technologies. Our 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 our ability to acquire, in-license or use such intellectual property and proprietary rights. In addition, our pipeline assets may require specific formulations to work effectively and efficiently, and these intellectual property and other proprietary rights may be held by others. We 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 we identify as necessary or consider attractive, on reasonable terms, or at all, for pipeline assets, processes, and other technologies that we 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 we, or our partners, may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources, and greater clinical development and commercialization capabilities. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Third party challenge to Evotec's or Evotec's licensors' patents

Our 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 our 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 pares review, post-grant review or interference or other similar proceedings. Any successful third-party challenge to us or our 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 our business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks from unknowing all third-party intellectual property rights

We 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. We might not have been the first to make the inventions covered by each of our pending patent applications and we might not have been the first to file patent applications for these inventions. To determine the priority of these inventions, we 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-U.S. 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 us 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 our 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 our patents, regardless of the merit of such proceedings and regardless of whether we are successful, we could experience significant costs and our management may be distracted. Any of the foregoing events could have a material adverse effect on our business, financial condition, results of operations and prospects.

Future litigation by third parties

Our commercial success depends in part on our ability and the ability of future partners to develop, manufacture, market and sell our assets and use our 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 pares review, post-grant review, and re-examination proceedings before the USPTO, or oppositions and other comparable proceedings in foreign jurisdictions. We may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights alleging that our assets, manufacturing methods, software and/or technologies infringe, misappropriate or otherwise violate our intellectual property rights.

Limited lifespan of patents

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 us or our partners' assets, processes and other technologies and their uses are obtained, once the patent term has expired, we 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 our competitive position, business, financial conditions, results of operations and prospects.

HR risks

Loss of highly qualified staff (key employees)

The loss of any of our key employees could impede the achievement of our short-term financial targets as well as its medium- and long-term strategic goals. Our ability to compete in the highly competitive biotechnology and pharmaceutical industry depends upon our ability to identify, attract, develop, motivate, adequately compensate, and retain highly qualified managerial and scientific personnel. We are highly dependent upon members of our 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. We may not be able to retain these employees in particular due to the competitive environment in the biotechnology industry. The loss of any of our employees' services may adversely impact the achievement of our strategic objectives. We currently do not have "key person" insurance on any of our employees. We also may encounter problems hiring and retaining the experienced scientific, quality-control and manufacturing personnel needed to operate our manufacturing processes and operations, which could result in delays in production or difficulties in maintaining compliance with applicable regulatory requirements. To reduce this risk, we have 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, we have set up its organization such that key employees develop a common level of knowledge, with well-defined rules of substitution and succession.

Information technology risks

Cyber risks, data integrity and protection and loss of data

We collect and maintains information in digital form that is necessary to conduct our business, particularly for purposes of our **EVO***panOmics*, **EVO***panHunter*, J.DESIGN and induced Pluripotent Stem Cell (iPSC) -based drug discovery platforms, and we are highly dependent on our information technology systems. In the ordinary course of our business, we collect, store, and transmit large amounts of confidential information, including intellectual property, proprietary business information, human samples, and personal information. We have also outsourced elements of our information technology infrastructure, and as a result a number of third- party vendors may or could have access to confidential information. Despite the implementation of security measures and safeguards, our information technology systems, and data and those of our current or future contractors and consultants are vulnerable to compromise or damage.

Our internal computer systems and those of our current and any future partners, vendors, and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, cybersecurity threats, war, and telecommunication and electrical failures. 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, we may be unable to anticipate these techniques or implement adequate preventative measures. we may also experience security breaches that remain undetected for an extended period of time. If any such material system failure, accident or security breach were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our 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 **EVO***panHunter*, may also subject us 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, we could incur internal costs or liability, our competitive position could be harmed, and the further development and commercialization of our partners' product candidates could be delayed. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, manipulated, publicly disclosed, lost, or stolen. Any such access, breach or other loss of information could result in legal claims or proceedings, and liability under federal, state, or foreign laws that protect the privacy of personal information, as well as regulatory penalties. Though we have put systems and procedures in place to minimize the likelihood of security breaches, accidents or system failures occurring; we cannot guarantee that third parties will not be able to gain unauthorized access to or otherwise breach our systems in the future. Any such unauthorized access or breach could adversely affect our business, results of operations and financial condition. To minimize the risk of losing data, we invest in the resilience and expansion of our 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. Compliance with corporate guidelines relating to data integrity and protection, which also regulate the assignment of access rights, is mandatory. We perform regular IT risk assessments to identify and rectify weaknesses. In addition, an IT Security Committee meets weekly to analyze threats, investigate reported incidences and make recommendations to management. Where weaknesses are identified, remedies are initiated immediately. 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. To protect us from virus attacks and cybercrime activities, we employ antivirus and antimalware software, as well as firewalls running at relevant points of entry. In addition, systems are updated as often as possible, enabling the installation of new versions or patches with better secured authorized access, improved protection against malware and viruses to all systems possible. Systems that cannot be updated for technical reasons (e.g., due to lack of technical support) are – where feasible – isolated from the main network or replaced. In addition, relevant employees (e.g., in the financial and IT departments) are educated and regularly reminded of the risks and kinds of potential attacks that may occur. We have increased resources and investments in order to further secure our IT and data on all its sites.

All 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.

GDPR and other similar jurisdictions

Considering the significantly expanded regulations under General Data Protection Regulation **(GDPR) and other similar jurisdictions**, we are permanently reviewing the handling of relevant internal and external data and our respective flow, storage, and access. If we fail to comply with the GDPR and the applicable national data protection laws of the European Union member states, or if regulators assert, we have 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 our development activities, and adversely affect our business, financial condition, and results of operations. Further, from January 1, 2021, we have 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 in 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 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 our 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 our 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. We 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 our business, financial condition, results of operations and prospects. If any of these events were to occur, our business and financial results could be significantly disrupted and adversely affected. In this regard, we have intensified our employee training efforts to increase awareness of the need to review and adjust internal data protection procedures and improve restricted access applications. In addition, we have defined routines and installed internal and external contact persons in the event of certain potential types of data breach.

Operational risks

Environmental, health and occupational safety risks

We continuously enhance our operational risk management and optimize the accountability and performance assessment mechanism of all departments and functions. We actively gather 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 on a monthly basis to gain insights preventively, thereby reducing our operational risks and saving costs in the long term. As a global corporation, we are exposed to extensive environmental, health and occupational safety risks potentially arising from production and supply chain processes as well as from various external events, such as force majeure, natural disasters, government decisions, pandemics (e.g., COVID-19) or other global and local incidents. We have several business continuity plans tailored to different locations which are updated if the general environment changes. In addition, local task forces were installed at individual sites that introduce further measures and ensure appropriate communication with employees and major stakeholders. As a result, we are well prepared to respond as quickly as possible to external disruptions with a direct or indirect impact on its business. We have also prepared further measures, including the possibility to draw on alternative materials or suppliers, internal exchange of materials and the definition of a clear code of conduct for employees and visitors and mobile work. Aside from the safety of our processes, the safety of our employees and the protection of the environment are also given high priority at us. Any misconduct may lead to personal, property, environmental and reputational damage, which in turn may cause short-term business interruptions, (temporary) shutdowns of projects, and penalties. Based on continuous threat analyses, we have established guidelines, standards and measures that should reduce any environmental, health and occupational safety risks to a minimum. Finally, our operations, including our research, development, testing and manufacturing activities are subject to numerous environmental, health and safety laws and regulations. These laws and regulations govern, among other things, the controlled use, handling, release and disposal of, and the maintenance of a registry for, hazardous materials and biological materials. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. In the event of contamination or injury resulting from the use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. we also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.