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 business faces significant risks and uncertainties. You should carefully consider all of the information set forth in this annual report and in other documents we file with, or furnish to, the SEC, including the following risk factors, before deciding to invest in or to maintain an investment in our securities. Our business, as well as our reputation, financial condition, results of operations, and share price, could be materially adversely affected by any of these risks, as well as other risks and uncertainties not currently known to us or not currently considered material.

Strategic risks

Failure to achieve strategic targets.

Currently, we have close to 5,000 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. 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 expansion into Contract Research Organization ("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 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 our 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 expanding 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 manage our expected development and expansion, our expenses may increase more than expected, our ability to generate or increase revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to compete effectively will depend in part on our ability to effectively manage our future development and expansion. To achieve our strategic targets, we above all must continue to expand our top-quality, innovative services.

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 several active discovery and early-stage development assets that we intend 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 depends 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' R&D priorities. The market environment, demand and competitive landscape for our individual pipeline assets might change significantly over time as certain diseases become 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 are highly uncertain, subject to factors outside of our control and could deviate significantly from our projections. Whether we are eligible to receive milestone and royalty payments is subject to our partners' success in pre-clinical and clinical testing. The outcome of respective tests and trials is inherently uncertain, and we neither control nor drive the development process once our partners enter the clinical trial phase. Our partners also may experience unforeseen challenges during, or because of, any clinical trial that 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 jeopardizing the corresponding strategic target in the medium to long term.

Political risks

Political risks, which Evotec considers to be strategic risks, mainly include geopolitical decisions that lead to global trade conflicts or an uncertain economic situation. In February 2022, Russia launched an invasion of Ukraine. The ongoing armed conflict is having a significant impact on the global economy and financial markets and increases the risk that the current economic challenges will not only persist but intensify in the future. The direct impact of the Russia-Ukraine war has been minor due to Evotec's limited business relationships in Russia, Ukraine and Belarus and is not expected to pose a major risk to Evotec in the near-term future. However, there are currently noticeable indirect effects, the impact and development of which are difficult to assess. The Russia-Ukraine war has led to a further deterioration of the macroeconomic environment which, due to a persistent inflationary market situation, significantly increased energy prices and transport costs as well as supply bottlenecks and delays, resulting in additional cost burdens and considerable planning uncertainties for Evotec. As global capital markets are in a state of sustained upheaval characterized by rising interest rates and credit spreads as well as higher volatilities, Evotec faces increased counterparty risk through constraints on customers' ability to pay. The challenging capital market situation could complicate the required refinancing initiative from early-stage biotech companies who are a relevant customer class from Evotec. The potential risk of losing revenues as a result requires continuous monitoring of our customers. There may be significant risks of production interruptions at our sites, particularly because of restricted natural gas supplies. For example, in September of 2022, a series of explosions interrupted the operations of the Nord Stream 1 and 2 natural gas pipelines linking Russian natural gas supply to Germany.

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 superior manufacturing capabilities than we do. Further, any drug products resulting from our research and development ("R&D") efforts might not be able to compete successfully with others' existing or future products.

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.

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, doing so may not realize the intended advantages of such acquisitions and investments, 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 because 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 the 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 ongoing 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 the companies we invest in may be unprofitable at the time of, and subsequent to, our investment. For example, during the year ended December 31, 2022, we recognized a € 171.3 milion measurement loss, mainly related to the decline in value of our investment in Exscientia plc. We have incurred and may continue to 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.

Market risks

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 2021 and 2022, the revenue contribution of our three largest customers was 25%. 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, significant future revenues including milestone and royalty payments could be lost.

Commercial risk from out-licensing and licensed products

We depend in part on out-licensing arrangements for late-stage development, marketing, and commercialization of our pipeline assets. Dependence on out-licensing arrangements subjects us to several 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. Moreover, we face the risk 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 licensees breach or terminate their agreements with us if any of our licensees otherwise fail to conduct their development and commercialization activities in a timely manner or if 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 could 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.

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 that we believe will transform the way new drugs are discovered. By leveraging the advanced capabilities of our integrated platforms, we can 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 because 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 on 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.

Risks related to a pandemic

The initial stages of the COVID-19 pandemic were an extraordinary shock for the economies of the EU and the rest of the world and had severe economic and social consequences.

The COVID-19 pandemic 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. Although of the pandemic is entering an endemic phase in many Western countries and the most dangerous waves of infection are presumably over in Europe and North America, China has started a new wave of infection following the end of its "zero COVID" policy at the end of 2022, suggesting that COVID-19 may remain an ongoing global problem and risk. An economic crisis in China as a result of COVID-19 may further exacerbate the inflationary environment in Europe as well as produce supply bottlenecks. It also increases the risk of virus variants and increased infections that can spread beyond China. 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 because of a newly intensifying COVID-19 pandemic. The extent to which a 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.

Financial risks

Risks of changes in tax laws and interpretations by authorities 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 negatively impact our business, our financial position, and results. These unforeseen additional tax expenses can arise for several 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 contribute significantly to our financial performance. Changes can also arise from significant acquisitions, divestments, restructuring and other reorganizations. Due to the global economic downturn caused by the COVID-19 pandemic, the Russia-Ukraine war 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.

Currency risks

We manage currency risks via close, 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. The increase in interest rates affects the interest charges on our variable interest-bearing loans and leads to additional interest expenses. Additionally, we regularly maintain cash balances at third-party financial institutions in excess of applicable insurance limits and are therefore reliant on banks and other financial institutions to safeguard and allow ready access to the assets. If banks or financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened.

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, 2022, we had €718.5 million in cash, cash equivalents and investments. However, our operating plan may change because 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 we 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. At the end of 2022 Evotec was able to secure € 150 million in additional financing from the EIB. Overall, we believe, we have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. Our business and reported profitability are affected by fluctuations in foreign exchange rates mainly between the US dollar, Pound Sterling, and the Euro.

Legal/compliance risks

Quality risks in R&D

The success of our business hinges upon the fulfillment 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 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 United Kingdom, 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. In addition, any failure of quality in the product could cause significant delays and additional costs required to remediate any deficiencies. Any failure in quality which can cause damage to the patient may be subject to civil and criminal penalties. Any of these challenges could delay the 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, damage to reputation, financial condition, results of operations and growth prospects.

General Governance and compliance risks (fraud, corporate governance)

Risks of failing to maintain effective internal control over financial reporting as a U.S.-listed company.

We have identified material weaknesses in our internal control over financial reporting as of December 31, 2022. We are subject to requirements under the Sarbanes-Oxley Act of 2002, as amended (“Sarbanes-Oxley”), to perform system and process evaluation and testing of our internal control over financial reporting to allow management to assess the effectiveness of our internal controls. Management has identified certain material weaknesses in our internal control over financial reporting. As a result, management has concluded that, as of December 31, 2022, our internal control over financial reporting was not effective, as more fully described in Item 15.E of this annual report. Management has also accordingly concluded that our disclosure controls and procedures were not effective.

The material weaknesses that have been identified relate to the failure to design and maintain an effective risk assessment process to identify and analyze the risk of material misstatements in its financial statements and the failure to design and maintain effective internal controls as a lack of sufficient accounting and supervisory personnel who have the appropriate level of technical accounting experience and training and a lack of consistent application of accounting processes and procedures.

Notwithstanding these material weaknesses, we confirm that our consolidated financial statements, as included in this annual report, fairly present, in all material respects, our consolidated financial condition as of December 31, 2022 and 2021, and our consolidated results of operations and cash flows for the years ended December 31, 2022, 2021 and 2020, in conformity with IFRS. Management has developed a remediation plan to address the material weaknesses, including enhancing the risk and control frameworks, which will build on the significant attention that management has devoted to controls to date. While we are taking steps to address these material weaknesses, which could require us to expend significant resources to correct the material weaknesses or deficiencies, any gaps or deficiencies in our internal control over financing reporting may result in us being unable to provide required financial information in a timely and reliable manner and/or incorrectly reporting financial information, which could reduce confidence in our published information, impact access to capital markets, impact the trading price of our securities or subject us to potential regulatory investigations and sanctions. In addition, there can be no assurance that these measures will remediate the material weaknesses in our internal control over financial reporting or that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

Litigation and contractual risks

We are exposed to risks from litigation and 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. We are bound by numerous complex contracts with a low degree of standardization, in particular customer contracts. Contractual clauses that are flawed, contentious, or unfavorable for us may entail contractual risks like legal liability risks and financial risks. We and our pharmaceutical and biotechnology customers and partners are subject to extensive regulations by the EMA, the FDA and similar regulatory authorities in other countries for the development, manufacturing, and commercializing of products for therapeutic or diagnostic use. Such regulations include but are not limited to, restrictions on testing on animals and humans, manufacturing, safety, efficacy, labeling, sale, advertising promotion and distribution of our or our partners' products.

Regulatory risks

New laws and regulations to that we, our customers, our and partners are subject to 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.

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.

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, if 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.

Uncertain protection for Evotec´s intellectual property

Our 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 as a whole, 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 their 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 unenforceable 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 is generally 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 the 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 several 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 partes review, post-grant review or interference or other similar proceedings. Any successful third-party challenge to our 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 our assets. Publications of discoveries in the scientific literature often lag 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 partes 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 their 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 our 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 our 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 R&D 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 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 our organization such that key employees develop a common level of knowledge, with well-defined rules of substitution and succession. Evotec also strives to reduce its employee attrition in general throughout the company thanks to a combination of measures in compensation and benefits packages, career development and leadership development initiatives.

Information technology risks

Cyber risks, data integrity and protection and loss of data

We collect and maintain information in digital form that is necessary to conduct our business, particularly for purposes of our PanOmics, 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, including our internal computer system, and as a result, several third-party vendors may or could have access to confidential information.

Our information technology systems, including our internal computer systems, and data have been, and may continue to be, vulnerable. As previously disclosed, on April 6, 2023, we were the victim of a ransomware incident that has continued to impact our operations. Upon learning of the incident, we immediately retained a team of third-party forensic, incident response and security professionals and engaged external counsel to respond to and contain, as well as to investigate and determine the full scope of, the incident. We also notified law enforcement officials and confirmed that we have certain insurance coverage for such incidents. However, there is no guarantee that we will be fully reimbursed for all expenses incurred in connection with the incident. The incident has caused, and may continue to cause, delays in our operations and result in a deferral or loss of revenue and incurrence of incremental costs that may adversely impact our results of operations, cash flows and financial condition and the trading price of our Common Stock.

As a result of the ransomware incident and any future cyber security incidents, information stored on our networks may be manipulated, publicly disclosed and permanently lost. Any such breach or other loss of information could result in legal claims or proceedings and liability under laws that protect the privacy of personal information, as well as regulatory penalties. 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.

There is no assurance that there will not be cyber security incidents or vulnerabilities that will have a material adverse effect on us in the future.

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, may interrupt, or delay our development activities, and may adversely affect our business, financial condition, and results of operations. We must comply with the GDPR and the UK GDPR, which, together with the amended UK Data Protection Act 2018, retains GDPR in the United Kingdom's national law. The European Commission has adopted an adequacy decision which will automatically expire on June 27, 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 therefore remains unclear, and it is unclear how the 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 way 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 breaches.

Operational risks

Procurement risks

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