

Creating a #Biobased Future



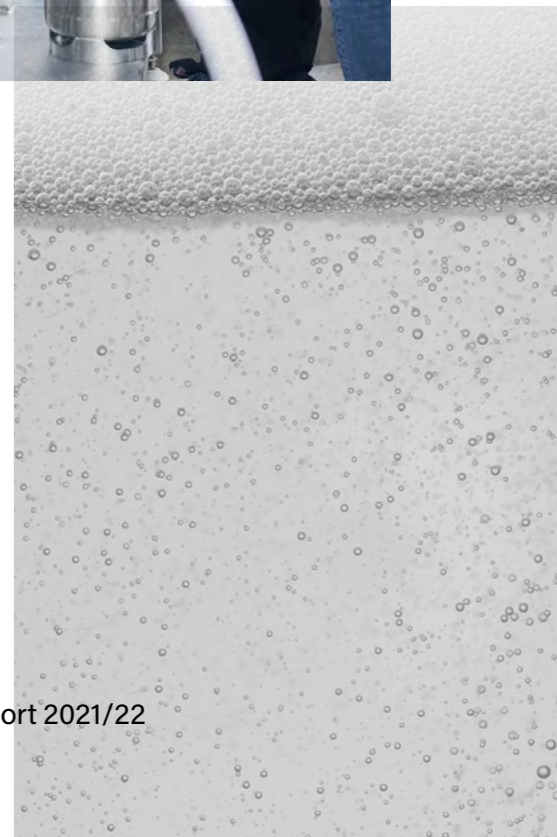
B·R·A·I·N

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BRAIN Biotech AG Annual Report 2021/22



BRAIN Group key financials

in € million 2021/22 2020/21 2019/20

Consolidated income statement data:

	2021/22	2020/21	2019/20
Revenue	49.5	38.4	38.2
Total operating performance	53.1	40.7	39.2
EBITDA	-1.3	-2.5	-3.9
Adjusted EBITDA	-0.1	-2.1	-2.0
Net loss for the reporting period	-6.3	-4.7	-9.0

Consolidated balance sheet data:

Total equity	34.2	41.8	26.1
Equity ratio (in %)	43.9	53.8	36.2
Total assets	78,0	77.7	72.2

Consolidated cash flow data:

Cash flows from operating activities	-1.5	-3.9	-4.8
Cash flows from investing activities	-12.7	-2.2	-4.5
Cash flows from financing activities	-2.0	11.6	13.1

The BRAIN Group

The German company BRAIN Biotech AG is the parent company of the international BRAIN Group with its subsidiaries AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC, Biocatalysts Ltd (80.7%), Biocatalysts Inc., Biosun Biochemicals Inc., Breatec B.V. (62%) and WeissBioTech GmbH. Until the end of the 2021/22 financial year, the Group also included L.A. Schmitt GmbH.

BRAIN Group's head office and Technology Campus are based in Zwingenberg, situated approximately 50 km south of the city of Frankfurt am Main in Germany's Hesse region. BRAIN Group's fermentation and production are located in Continental Europe, the UK and the USA.

BRAIN Group holds a minority investment in SolasCure Ltd., which is included in the consolidated financial statements as an equity accounted interest.

BRAIN



BRAIN at a glance

BRAIN Biotech AG ("BRAIN") is one of Europe's leading industrial biotechnology companies. Since it was founded in 1993, the company has developed continuously from a service provider specializing in research & development to a corporate Group offering extensive science services and a product business for the B2B market. In the specialty enzymes area, BRAIN Group today covers the entire value chain – from development through to fermentation and production on an industrial scale.

The products business with enzymes forms one pillar of the business of BRAIN Biotech AG. The second pillar is based on the research and development (R&D) of in-house incubator projects as well as joint development projects as a service provider for industry partners.

R&D-driven business (BioScience)

The Technology Campus in Zwingenberg is the starting point for product developments and innovative solutions in the categories of

- enzymes
- microbial production strains
- bioprocesses

A significant current development project from the "enzymes" category is aimed at applications for the proprietary genome editing nucleases "BEC" and "BMC". These and further CRISPR-Cas nucleases are currently being developed into a technology platform under the *Akribion Genomics* brand.

At the Potsdam site, AnalytiCon Discovery performs high-throughput screening of natural product-based active ingredients for customers from the pharmaceutical and food industry, among others.

Products business (BioIndustrial)

BRAIN Group's established products business includes enzymes and enzyme-based products from the four subsidiaries Biocatalysts, Breatec, Biosun and WeissBioTech, which operate directly on the market. The Group's product portfolio also includes flavors and microbial starter cultures. The product activities focus on the food & beverage sector as a customer group.

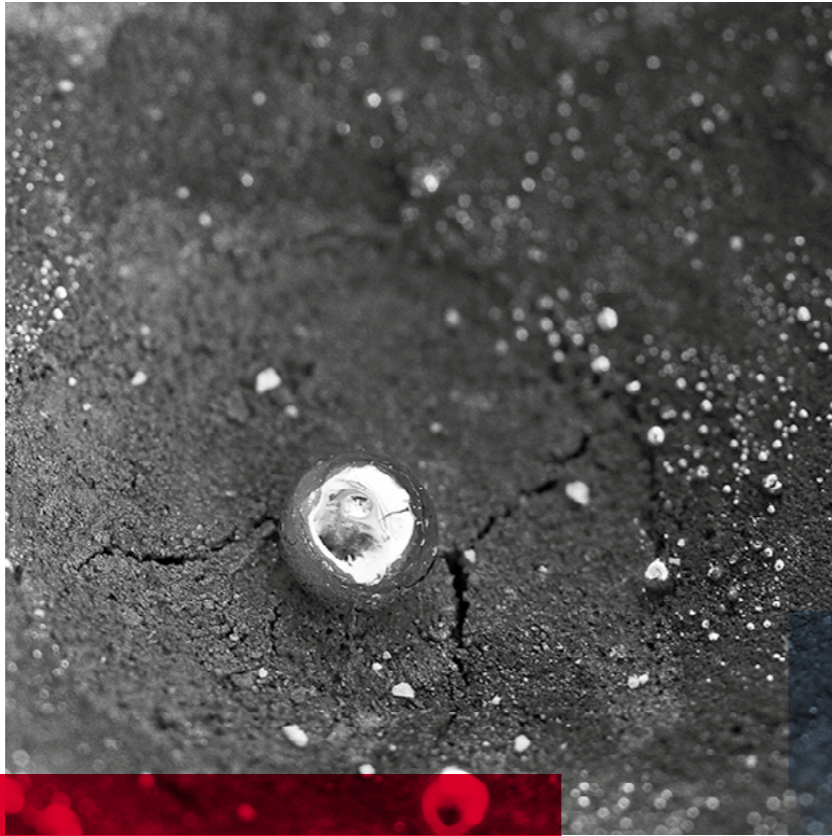
Fermentation and production of enzymes and other proteins on an industrial scale is conducted at the bioprocessing facilities of Biocatalysts Ltd. (Cardiff, Wales, UK). Further blending and mixing capacities are located at Bisoun (Tampa, Florida, USA), Breatec (Nieuwkuijk, Netherlands) and WeissBioTech (Büttelborn, Germany).

With our innovative products and as an experienced solution provider, we are a strong partner to industry customers striving to make processes and products more sustainable. We utilize innovative biotechnological processes to shape a bio-based future and to enable companies gain access into the bioeconomy.

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01 Company management



01 Company management

Letter from the CEO
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Management Board interview

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Adriaan Moelker — CEO BRAIN Biotech AG

Dear shareholders,

We hereby present the annual report of BRAIN Biotech AG for the 2021/22 financial year. Our financial year ended on 30 September 2022.

Consolidated revenue for the financial year under review amounted to €49.5 million and the Group's total operating performance to €53.1 million, a very pleasing increase of 29% and 30%, respectively, compared to the previous fiscal year. The adjusted operating result before depreciation, amortization and taxes (adjusted EBITDA) posted a significant improvement close to break-even, compared with a loss of €2.1 million in the previous year, despite the continuing high level of investment.

Both business segments contributed to the extremely pleasing revenue growth as well as the improvement in earnings in an economic environment that proved to be challenging overall.

The ongoing effects of the coronavirus pandemic, Russia's war against Ukraine and the associated energy crisis are not leaving our business unscathed: Laboratory articles and raw materials face supply chains constraints and rising purchasing costs are commonplace. To date, we have successfully mitigated major supply difficulties, and we are passing on cost increases to our customers wherever possible. Thanks to our successful coronavirus prevention measures, we averted major downtime within our workforce.

Biotechnology on the rise

Biotechnology has gained in public attention and social acceptance over the past two years, largely thanks to the development of mRNA-based coronavirus vaccines. However, biotechnology solutions for industrial processes are also garnering increasing attention – in industry itself as well as in politics and society. Germany's Ministry of Education and Research has launched its "bioeconomie.de" digital public information platform, thereby helping to ensure that topics such as precision fermentation and alternative proteins are communicated to the public and better understood. Germany's Ministry of Economic Affairs and Climate Action is also promoting the topic of industrial biotechnology – including events for business participants and a dialog platform for the public.

Companies wish and need to become more sustainable. Many industrial companies have now recognized that processes based on fossil raw materials can be replaced by alternative, non-fossil starting materials and processes. However, companies that operate process plants whose investment costs have already been amortized are for cost reasons often reluctant to replace them with new ones. Nevertheless, increasing pressure on industry, not only from the capital market but also from consumers, will continue to drive the decarbonization of industrial processes.

A further reason why biotechnology is currently attracting greater attention is growth in demand for food, while at the same time agricultural land is diminishing constantly and climatic conditions are changing. Today, food proteins for affluent societies derive largely from industrial livestock farming as well as from fishing. The food proteins of the future may be produced

in other ways, and biotechnology has an important role to play in this context. Microorganisms are engineered into powerful producers using molecular biology methods, such as genome editing. In the fermentation process, they efficiently produce a protein of choice and release it into their surrounding medium. With our microbial production platforms, we have created the basis for the economical production of so-called alternative proteins.

Genome editing currently falls under the heading of genetic engineering, although scientists are calling for this definition to be reconsidered within the specific context of genome editing, a process in which no foreign DNA is inserted into the genome. We expressly welcome the scientific-ethical discussion in Germany and in the EU concerning a new definition of the term genetic engineering, as well as education and the social discussion surrounding the opportunities and risks entailed in genome editing, especially as a tool for solving global problems.

2023 is an anniversary year

Some thirty years after BRAIN Biotech was founded, policymakers, industry and the wider public have now also recognized the potential offered by white biotechnology. Today, as the BRAIN Group, we are increasingly reaping the rewards of thirty years of persistent science- and technology-based work. The technology services BRAIN offers – the development of enzymes, bioprocesses and production strains – are fundamental tools for the bioeconomy today.

We are extremely grateful to our three founders – Holger Zinke, Jürgen Eck and Hans Günter Gassen – for having founded one of the first German biotech companies in 1993 with great courage and enthusiasm. With their vision of a sustainable economy, they were – as we know today in retrospect – far ahead of their time. These three biologists probably did not expect that it would take such a long time for the implementation of sustainable industrial processes and products to finally reach the industrial and commercial world.

We will of course celebrate BRAIN Biotech's anniversary at the Zwingenberg site in a fitting manner. But that's not all, our subsidiary Biocatalysts also has reason to celebrate: The enzyme specialist is even celebrating the 40th anniversary of its founding!

Further focusing of BRAIN Group

In recent months, we have continued systematically to focus our business. We are concentrating to an ever greater extent on covering the entire enzyme value chain. Demand for specialty enzymes is increasing constantly, and we are pleased that we can already produce on a large scale with the help of the fermentation facilities at our subsidiary Biocatalysts in Cardiff. Together with the other enzyme companies within BRAIN Group – Biosun, Breatec and WeissBioTech – we have already built up a significant enzyme product business over the past few years. We will continue to systematically pursue this path over the coming years.

“Some thirty years after BRAIN Biotech was founded, policy-makers, industry and the wider public have now also recognized the potential offered by white biotechnology.”

This focusing process has also meant that cosmetic formulation and manufacturing, as it is conducted at L.A. Schmitt, has taken a back seat in our portfolio. As a consequence, it was a logical step that we transfer the company into the hands of a strong Korean cosmetics company last fall. I am very pleased that the managing director of L.A. Schmitt accompanied the search for a buyer in the interests of the company and supported the decision in favor of Korea's URI Group.

Sustainability report with initial ESG reporting

We published our first sustainability report and our initial ESG report in June 2022. This reporting is based on standards such as the German Sustainability Code, the UN Global Compact, the UN Sustainable Development Goals – the SDGs – and the Global Reporting Initiative (GRI). We thereby meet our stakeholders' greater demands in relation to transparent sustainability reporting. The data we collected for the first time is also useful to us elsewhere, as it will form an integral part of our corporate planning and risk analysis in the future.

Important personnel changes

In the fall of last year, we made forward-looking personnel decisions: Lukas Linnig and Dr. Michael Krohn will manage our genome editing activities under the company's own brand name Akribion Genomics, driving the accelerated development and commercialization of our CRISPR-Cas nucleases. We believe that our technology's potential can best be leveraged in the medium term by focusing it in a separated legal entity, and that the current dual leadership team with deep scientific expertise and recognized financial market experience will successfully market our technology platform.

Michael Schneiders, CFO of BRAIN Biotech AG since 1 October, has known the company for many years, and was already involved in BRAIN Biotech's IPO on the banking side. Since taking over as Head of Investor Relations & Sustainability at BRAIN Biotech in spring 2020, he has been working closely with the Management Board and the extended management team.

“We will continue to systematically expand our fermentation and production capacities in Cardiff in order to gain further market shares in the enzyme sector.”

Dedicated employees

Over the recent months, many of our employees once again demonstrated their passion for working at BRAIN Group and many were again required to adopt a highly flexible approach. For example, we would like to mention those colleagues who are now completely assigned to the Akribion Genomics activities. My thanks to the newly formed team for their willingness to invest all their efforts into the development of our genome editing systems. BRAIN Group will provide the best possible support for the spin-off of activities into a separate entity.

The other employees within the BRAIN Group also once again dedicated themselves to their often highly complex tasks with verve, creativity and a sense of personal responsibility, and consistently pursued their project aims and made their respective contributions to our positive performance. On behalf of the Management Board, I would like to thank everyone for their commitment during the past financial year.

Our goals in the coming months

We will continue to systematically implement our growth strategy and aim above all to achieve profitable growth.

Enzymes and microbially produced so-called alternative proteins will be in increasing demand not only, although especially, by the food industry, and we will increasingly position ourselves in this area.

We will continue to systematically expand our fermentation and production capacities in Cardiff in order to gain further market shares in the enzyme sector.

We are working on achieving our sustainability goals as well as on the implementation of individual measures. This includes defining milestones on our path to achieving the targets that

we have set ourselves for 2032, which will also be incorporated into the Management Board's non-financial compensation targets.

Under the name Akribion Genomics, we are preparing to launch our genome editing platform as an independent unit.

We will focus new pipeline projects to an even greater extent on the development of enzymes and microbial production strains, as well as on bioprocesses in our promising proprietary development projects.

Within the Group, we are leveraging further synergies, simplifying our Group structure and creating clear areas of responsibility in order to bring our most promising projects to market as early as possible.

I would like to thank you, our shareholders, including on my Management Board colleague's behalf, for remaining loyal to us. There's a lot going on at BRAIN Biotech – however, standing still would be the worst thing that could happen to a company like ours. For this reason, we look forward to your continuing accompaniment on our journey of “Creating a #biobasedFuture”.

December 2022



Adriaan Moelker – CEO BRAIN Biotech AG

Dear shareholders,

BRAIN Biotech AG successfully continued to develop its defined growth strategy during the 2021/22 financial year, despite the still ongoing negative effects and after-effects of the pandemic and of the war of aggression against Ukraine.

The Supervisory Board accompanies and expressly supports the accelerated development of proprietary genome editing (BEC, BMC) technology, as it anticipates significant positive commercial effects for the company.

The company's medium-term targets, which were published at the Capital Markets Day in 2020, remain unchanged: the company continues to aim for a doubling of revenue and an EBITDA margin of 15 % (± 5 pp). The company is consistently pursuing an expansion of its product business in the BioIndustrial area. As part of implementing this strategy, BRAIN Biotech AG acquired a majority interest in Weriol Group BV, which includes Breatac BV and Panei BV as wholly owned subsidiaries. The business of Breatac BV and Panei BV strengthens the enzyme business and at the same time opens up new market segments for the BioIndustrial product business.

In the light of this latest acquisition, the initial focus is now on organic growth, the integration of the subsidiaries into BRAIN Group and the leveraging of synergy effects within the Group. The company will continue to consider further value-enhancing acquisitions in the future.

At the spin-off SolasCure Ltd., UK, the first Phase 2a clinical trials on patients, which were delayed by the pandemic situation, have now been successfully progressed. BRAIN Biotech AG continues to support SolasCure Ltd. both financially and scientifically in its development. We are convinced that BRAIN Biotech AG, with its fast-growing products business, its successful market position in contract research, its investment in SolasCure Ltd., the planned spin-off of the business with BEC and BMC technology under the name Akribion Genomics, as well as product innovations from the incubator, enjoys a wide range of positive development potentials.

Finally, BRAIN Biotech AG has published an ESG report for the first time, which, in addition to outlining the Group's status in regard to ESG criteria and target descriptions for the future, also sets out the positive effects of BRAIN Group's business activities in terms of sustainability issues.

For BRAIN Biotech AG as an industrial biotechnology company, sustainability has always played a central role – both in its corporate strategy and in its corporate management. Accordingly, as part of its activities the Supervisory Board regularly deals with sustainability issues that are relevant to the company and has also discussed this ESG report in detail in the plenum. The Supervisory Board continued to play a consultative role in these developments during the past financial year.

The following report provides information about the Supervisory Board's work in the 2021/22 financial year, in other words, from 1 October 2021 until 30 September 2022. During this period, we fulfilled all of the tasks and duties incumbent upon us pursuant to the law, the company's bylaws and the rules of business procedure for the Supervisory Board.

We continuously supervised the Management Board in its management of the business, and consulted on all matters of importance for the company. In this context, the Supervisory Board was always convinced of the legality, propriety, appropriate nature and economic efficiency of the management of the company.

Collaboration between the Supervisory and Management boards

The Management Board informed the Supervisory Board regularly, promptly and comprehensively in the form of detailed written and verbal reports on all matters relating to strategy, planning, business devel-

opment, the risk position, risk trends and compliance that are of importance for the company and the Group, and consequently fully met its reporting duties to the Supervisory Board in the relevant period. The Supervisory Board and its committees were involved in all important business transactions and decisions of fundamental significance for the company. Collaboration with the Management Board was characterized in all aspects by responsible and purposeful action.

Personnel matters

The following changes occurred to the composition of the Supervisory Board in the reporting period:

Prof. Dr. Bernhard Hauer stepped down from the Supervisory Board at his own request with effect as of 31 May 2022. No judicial appointment was made, as the Supervisory Board with its five members is fully

capable of acting and of performing its duties.

No changes occurred within the Management Board in the year under review. The position of Chief Financial Officer was filled with the change to the following financial year. In the future, Mr. Lukas Linnig will focus on the spin-off and development of the BEC and BMC technology business and the CFO position has been filled internally with the appointment of Michael Schneiders to this role. Michael Schneiders was previously responsible for Investor Relations and Sustainability and has twenty years of professional experience in capital markets and investment banking.

The company supports new members of the Supervisory Board, especially by providing information and advice on compliance issues, as well as in the further training of Supervisory Board members as required, such as in the event of changes to the legislative framework.



“The Supervisory Board expressly accompanies and supports the accelerated development of proprietary genome editing technology (BEC, BMC) technology, as it anticipates significant positive commercial effects for the company.”

Dr. Georg Kellinghusen — Supervisory Board Chairman

Supervisory Board meetings

In the 2021/22 financial year, a total of three Supervisory Board meetings were held on a face-to-face basis and eight by way of video conference. The committees held three face-to-face meetings and 16 video conferences. The Supervisory Board members always had sufficient time to engage critically with the information submitted by the Management Board, and to contribute its own views. As part of the meetings, the information was discussed in detail with the Management Board, and examined as to its plausibility. The Supervisory Board also met regularly without the Management Board. The Supervisory Board issued its approval of specific business transactions as required by law, the company's bylaws, and the rules of business procedure for the Supervisory or Management boards.

The individualized list of meeting attendances presented below provides additional information about the meetings of the Supervisory Board and its committees.

TABLE 01.1

OVERVIEW OF SUPERVISORY BOARD MEETINGS IN THE 2021/22 FINANCIAL YEAR

Name	Meetings attended ¹	Meetings attended ²	Remarks
Dr. Georg Kellinghusen	11/11	19/19	Chair
Dr. Anna C. Eichhorn	11/11	2/2	Deputy Chair Member of the Nomination Committee (Chair)
Stephen Catling	11/11	1/1	Member of the Audit Committee
Prof. Dr. Bernhard Hauer	4/6	0/0	Member of the Nomination Committee (until 31 May 2022)

¹ plenum; based on relevant meetings within the respective mandate period.

² committee meetings; based on relevant meetings within the respective mandate period.

Dr. Michael Majerus	11/11	18/18	Member of the Audit Committee (Chair), Personnel Committee, Nomination Committee (since 1 June 2022)
Prof. Dr. Wiltrud Treffenfeldt	11/11	12/16	Member of the Personnel Committee Non-participation excused

Moreover, outside the scope of meetings, the Supervisory Board members, especially myself as Supervisory Board Chairman and Committee Chairman as well as the respective Chairs of the committees, were in regular communication both with each other as well as with the Management Board. This particularly entailed consultations on questions relating to the company's strategy, planning, business development, risk position, risk management, key sustainability topics, corporate governance and compliance. The Supervisory Board members were informed about important information at the latest as of the following plenary or committee meetings.

No conflicts of interest arose within the Supervisory Board during the reporting period.

Focus consultation areas in the plenary Supervisory Board

During the 2021/22 financial year, we on the plenary Supervisory Board concerned ourselves especially with the following topics:

- Annual financial statements for the 2020/21 financial year,
- The statement of conformity and the corporate governance declaration,
- Reaching the corporate targets for the 2020/21 financial year relating to developing the BioIndustrial and BioScience operating segments,
- Risk management and internal controlling systems,
- Tender of the audit mandate and recommendation for the election of the auditor at the 2022 AGM
- Further development of the company's strategy,
- Planning and implementation of the Annual

- General Meeting on 9 March 2022,
- Assessing and limiting impacts from the Covid-19 pandemic,
 - Overseeing cost optimization measures,
 - Acquisition of a majority interest in Weriol Group B.V. including its wholly owned subsidiaries Breatec B.V. and Panei B.V.,
 - ESG report and sustainability topics,
 - Evaluation of current and future research projects,
 - Strategic alliances and planned partnerships,
 - Budget planning for the 2022/23 financial year and long-term planning for the next five years,
 - Accelerated development of genome editing activities including consideration of spin-off of activities,
 - Personnel changes on the Management Board and at subsidiaries.

The Supervisory Board in all cases passed specific resolutions following intensive review and discussion.

In addition, the following topics and resolutions were presented:

On 10 December 2021, the Supervisory Board approved the financial statements documents for the 2020/21 financial year and concurred with the Management Board's proposal relating to the application of unappropriated profit, after having previously clarified and discussed in depth the financial statements at its face-to-face meetings.

Committees

The Supervisory Board has formed a total of three committees to efficiently perform its work: an Audit Committee, a Nomination Committee and a Personnel Committee. Based on their respective rules of business procedure for the committees, these prepare resolutions for the Supervisory Board, as well as topics to be handled by the plenary board. The Supervisory Board's decision-making powers are also

transferred to committees where legally permissible. In all cases, the committee chairs report on the committees' work at the subsequent plenary meeting.

Audit Committee

The Audit Committee concerns itself especially with the supervising of financial accounting, the financial accounting process, the efficacy of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, sustainability topics as well as compliance. The Audit Committee submits a substantiated recommendation for the election of the auditor to the Supervisory Board, which comprises of at least two candidates if the audit mandate is to be put out to tender. The Audit Committee supervises the auditor's independence and concerns itself with services to be rendered additionally by the auditor, the award of the audit mandate to the auditor, the setting of focus audit areas, as well as arranging the auditor's fee.

Pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), the audit committee must include at least one supervisory board member with expertise in the financial accounting area. The Audit Committee Chairman, Dr. Michael Majerus, meets the statutory conditions pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), and also possesses specialist knowledge as head of financial accounting and as CFO, including at three listed companies. His main areas of expertise are controlling & risk management, corporate finance and capital markets as well as financial accounting. Moreover, he commands a broad spectrum of knowledge in compliance topics as well as in the investor relations area. In addition, a further member of the Audit Committee must have expertise in the area of auditing. Supervisory Board Chairman Dr. Georg Kellinghusen, who is also a member of the Audit Committee, has knowledge of financial accounting and auditing from his CFO roles at various companies and as a member of supervisory boards of public stock corporations. In addition to the committee chair and the Supervisory Board Chairman, the Audit Committee includes Supervisory Board member Stephen Catling.

The Audit Committee will decide concerning the approval of non-audit services by the auditing company appointed in March 2021, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Düsseldorf), Düsseldorf ("Baker Tilly"), or management consulting firms in group association with Baker Tilly, in relation to the maintenance of independence for the audit mandate. The prior approval of non-audit services by Ernst & Young GmbH, or by management consulting companies in group association with Ernst & Young GmbH, will become irrelevant in the future as a consequence of the change of auditor.

In the 2021/22 financial year, the Audit Committee dealt, in particular, with the invitation to tender for the audit mandate and a recommendation to the Supervisory Board on the election of the auditor.

The Audit Committee meetings held one face-to-face meeting during the 2021/22 financial year.

Nomination Committee

The Nomination Committee held two video conferences during the 2021/22 financial year. In addition to committee chair Dr. Anna C. Eichhorn, the members of the committee include Dr. Georg Kellinghusen, Prof. Dr. Bernhard Hauer (until 31 May 2022) and Dr. Michael Majerus (since 1 June 2022).

Personnel Committee

The Personnel Committee prepares personnel decisions for the Supervisory Board, especially the selection, appointment and recall from office of Management Board members, the conclusion and amendment of service contracts and pension arrangements, the compensation scheme including its implementation as part of the service contracts, target setting for variable compensation, setting and reviewing appropriate total compensation for each Management Board member, and approving the annual compensation report. In addition, the Personnel Committee passes resolutions concerning the representation of the company vis-à-vis Management Board members pursuant to Section 112 AktG,

the approval of Management Board members' other business activities pursuant to Section 88 AktG (prohibition of competition), and other ancillary activities, especially assuming supervisory board posts or positions on comparable controlling bodies outside the BRAIN Group. Dr. Georg Kellinghusen chairs the Personnel Committee. Besides the committee chair, Dr. Georg Kellinghusen, the committee also includes the Supervisory Board members Dr. Michael Majerus and Prof. Dr. Wiltrud Treffenfeldt.

The Personnel Committee held two face-to-face meetings and 14 video conferences during the 2021/22 financial year. The Personnel Committee dealt, in particular, with the appointment of a new CFO, for which the planning for the spin-off of the Akribion project also had to be taken into consideration, and the further development of the compensation scheme.

Corporate governance and the statement of conformity

→ Declaration on Corporate Governance, page 60

At its meetings, the Supervisory Board consulted on several occasions concerning the company's corporate governance, including requirements deriving from the German Corporate Governance Code (DCGK).

The Supervisory Board approved the current statement of conformity in December 2022, after the end of the 2020/21 financial year. The Code's recommendations were, and are, complied with, apart from the exceptions explained in the statement of conformity. The full text of the statement of conformity as well as the corporate governance declaration by the Management and Supervisory boards of BRAIN Biotech AG are published on the company's website at www.brain-biotech.com/investors/corporate-governance.

Regarding the provisions of Section 111 (5) AktG, the Supervisory Board has set itself the target of taking women into appropriate consideration in its future composition. At its meeting on 28 September 2017, the Supervisory Board of BRAIN AG reconfirmed its objective that the Supervisory Board should include one

woman, corresponding to a 17% ratio. The target included a deadline of 30 June 2022. The ratio was exceeded with the appointment of Prof. Dr. Wiltrud Treffenfeldt in the course of the subsequent appointment as requested in accordance with Section 104 (2) Clause 1 AktG. With the re-election of Dr. Anna C. Eichhorn and the election of Prof. Dr. Wiltrud Treffenfeldt for a full mandate period, the current ratio stands at 33%.

Also on 28 September 2017, the Supervisory Board passed a resolution to leave the target ratio for women on the Management Board of BRAIN Biotech AG unchanged at 0% until 30 June 2022.

On 15 December 2022, the Supervisory Board increased the target for the composition of the Supervisory Board to 33% with an implementation deadline of 30 June 2027. On the same day, the target for the Management Board was left at 0%. This target was maintained on the basis that the medium- to long-term planning for the Management Board assumes that the members of the Management Board in office in the 2022/23 financial year are scheduled for an extension of their periods of office. Setting a different ratio would stand at variance with this medium- to long-term planning. In the event of an increase in the number of members of the Management Board, this objective would require review, as would be the case if the Management Board members in office in the 2022/23 financial year did not renew their service contracts. On the basis of a decision made during the 2021/22 financial year, the new CFO for the 2022/23 financial year was appointed from a selection of internal candidates. Priority was given to replacement by internal candidates as not only were suitable internal candidates available, but also to ensure as rapid and straightforward a handover as possible.

Audit of the separate and consolidated annual financial statements

Auditor

The AGM on 9 March, 2022, appointed Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft

(Düsseldorf), Düsseldorf ("Baker Tilly") as auditors for the financial year ending 30 September, 2022. This engagement also includes engaging the auditor for the consolidated financial statements for the financial year ending 30 September, 2022. Andreas Weissinger, Diplom-Kaufmann, Wirtschaftsprüfer has signed as auditor responsible for the audit since the 2021/22 financial year and Christian Roos, Diplom-Kaufmann, Wirtschaftsprüfer, as auditor, also since the 2021/22 financial year. Baker Tilly audited the separate annual financial statements for the financial year from 1 October, 2021 to 30 September, 2022, prepared by the Management Board in accordance with the financial accounting regulations of the German Commercial Code (HGB), the management report of BRAIN Biotech AG, and the compensation report in accordance with Section 162 AktG. The auditor Baker Tilly awarded an unqualified audit certificate. Pursuant to Section 315e HGB, the consolidated financial statements of BRAIN Biotech AG for the financial year from 1 October, 2021 to 30 September, 2022, and the Group management report were prepared on the basis of International Financial Reporting Standards (IFRS), as applicable in the European Union. Both the consolidated financial statements and the Group management report and compensation report also received unqualified audit opinions. Moreover, the auditor found that the Management Board has set up an appropriate information and supervision system that is suitable in its design and utilization to identify developments at an early juncture that jeopardize the company as a going concern.

Review by the Supervisory Board

The documents for the financial statements and the audit reports were discussed extensively at the Audit Committee meeting on 14 December 2022 and at the Supervisory Board meeting on 15 December 2022. The auditors Baker Tilly reported on the main findings of their audit. It also provided information about its findings on internal control and risk management in relation to the financial accounting

process, and was available to respond to additional queries as well as to provide further information. The review of the separate and consolidated financial statements by the Audit Committee was reported upon in detail by its chair at the plenary meeting. Following in-depth review and discussion of the separate financial statements, the consolidated financial statements and the management report, the Supervisory Board raised no objections against the submitted documents. The Supervisory Board consequently concurred with the Audit Committee's recommendation and approved the result of the audit by the auditor. By way of resolution on 21 December 2022, the Supervisory Board then approved the separate and consolidated annual financial statements of BRAIN Biotech AG for the 2021/22 financial year. The separate annual financial statements of BRAIN AG have been adopted as a consequence.

Report on the review of the dependent companies report pursuant to Section 314 AktG

Furthermore, the Supervisory Board reviewed the report prepared by the Management Board on relationships with affiliates pursuant to Section 312 (1) AktG for the period of dependency between 1 October 2021 and 30 September 2022 ("dependent companies report"), and discussed it extensively with the Management Board as well as with the auditor that additionally audits the dependent companies report.

The auditor reported in detail on the main points of its audit. In this context, the Supervisory Board concerned itself in-depth with the report by the auditor on the audit of the dependent companies report. The discussion led to no grounds for reservations.

The auditor issued the following audit opinion relating to the dependent companies report:

"In accordance with the audit and appraisal incumbent upon us, we confirm that

1. the actual disclosures presented in the report are correct,
2. and that for the legal transactions listed in the report, the consideration rendered by the company was not inappropriately high."

Following the conclusive result of the extensive review of the dependent companies report by the Supervisory Board, the Supervisory Board states that no reservations are to be expressed (Section 314 (3) AktG) against the Management Board statement that follows the report concerning relationships with affiliates (concluding statement pursuant to Section 312 (3) Clause 1 AktG).

Thank you from the Supervisory Board

The Supervisory Board would like to thank the members of the Management Board as well as all employees of the BRAIN Group for their further commitment and outstanding personal contribution during the 2021/22 financial year. We look forward to working with you as we continue on our profitable growth path.

Zwingenberg, 21 December 2022



BRAIN Biotech AG, The Supervisory Board
Dr. Georg Kellinghusen — Supervisory Board Chairman

Members of the Supervisory Board and Supervisory Board committees

	Further board mandates in 2021/22
Dr. Georg Kellinghusen Chairman Member since 9 March 2017. Appointed until the AGM 2022/23.	<ul style="list-style-type: none"> • Member of the Advisory Board of NWB Verlag GmbH & Co. KG, Herne (mandate ended in FY 2021/22) • Member of the Advisory Board of Advyce GmbH, Munich • Member of the Advisory Board of Simplifa GmbH, Berlin • Member of the Bavaria Advisory Board of Deutsche Bank AG, Frankfurt am Main (listed company)
Dr. Anna C. Eichhorn Deputy Chair, since 23 February 2020 Member since 9 March 2017. Appointed until the AGM 2024/25.	<ul style="list-style-type: none"> • CEO of humatrix AG, Pfungstadt • Management Board member (Deputy Chair) of Initiative gesundheitswirtschaft-rhein-main e.V. • Member of the Supervisory Board of Frankfurter Innovationszentrum Biotechnologie (FIZ), Frankfurt am Main • Member of the Management Board of House of Pharma & Healthcare e.V.
Stephen Catling Supervisory Board member Member since 14 October 2020. Appointed until the AGM 2024/25.	<ul style="list-style-type: none"> • Chairman of the Board of Directors of the Cambridgeshire Community Foundation, UK • Chairman of the Board of Trustees of Food-Cycle, UK
Prof. Dr. Bernhard Hauer Supervisory Board member (stepped down as of 31 May 2022) Member since 7 March 2019. Appointed until the AGM 2022/23.	<ul style="list-style-type: none"> • Member of the Scientific Advisory Board of Biosyntia ApS • Member of the Scientific Advisory Board of Provi, Inc. • Member of the Scientific Advisory Board of Arzeda Corporation
Dr. Michael Majerus Supervisory Board member Member since 7 March 2019. Appointed until the AGM 2022/23.	<ul style="list-style-type: none"> • Non-executive director on the Management Board of Deutsches Aktieninstitut e.V., Frankfurt am Main (mandate ended in FY 2021/22)
Prof. Dr. Wiltrud Treffenfeldt Supervisory Board member Member since 14 October 2020. Appointed until the AGM 2024/25.	<ul style="list-style-type: none"> • Member of the Supervisory Board of ProBio-Gen AG, Berlin • Member of the Board of Trustees of the Fraunhofer Institute for Systems and Innovation Research ISI, Karlsruhe • Member of the Board of Trustees of the Fraunhofer Institute for Interfacial Engineering and Biotechnology IGB, Stuttgart

The company is of the opinion that the recommendation regarding the independence of the committee chairpersons in accordance with Section C.10 of the German Corporate Governance Code (DCGK) is fulfilled. In other respects, the company is of the opinion that the recommendations of the current DCGK from Sections C.6, C.7 and C.9 are fulfilled.

Audit Committee

- Dr. Michael Majerus**, Chair
- Dr. Georg Kellinghusen**, Member
- Stephen Catling**, Member

Nomination Committee

- Dr. Anna C. Eichhorn**, Chair
- Dr. Georg Kellinghusen**, Member
- Prof. Dr. Bernhard Hauer**, until 31 May 2022, Member
- Dr. Michael Majerus**, since 1 June 2022, Member

Personnel Committee

- Dr. Georg Kellinghusen**, Chair
- Dr. Michael Majerus**, Member
- Prof. Dr. Wiltrud Treffenfeldt**, Member



"The disposal of L.A. Schmitt was a logical step for us, as we wish to have the BioIndustrial segment place a greater focus on food."

Adriaan Moelker — CEO BRAIN Biotech AG



Management Board Interview

The 2021/22 fiscal year ended with a change to the Management Board, and in a three-way discussion with the CEO and the former and new CFO, we discussed motivations, further developments and BRAIN Group's future.

Lukas, you stepped down as CFO from the Management Board of BRAIN Biotech AG at the end of the 2021/22 fiscal year. Can you explain this unusual move?

LUKAS LINNIG

Indeed, I have stepped down as CFO, but I remain loyally connected to BRAIN Group as I have now taken over the management of the Akribion Genomics activities – together with my colleague Michael Krohn. Once I started to become involved in the potential applications for Genome Editing as well as the elaboration of possible business models, I couldn't get the topic out of my mind. I'm sure this is exactly where I can contribute the most to generating value for BRAIN Group. This new role enables me to focus a hundred percent of my time on this exciting opportunity.

Adriaan, what is your view on this move?

ADRIAAN MOELKER

The Supervisory Board and I were very pleased to support this organizational change. I'm a firm believer in giving our people career development opportunities and in capitalizing on people's passions and capabilities. In Lukas's case – and, of course, Michael Krohn's – this meant it would be best if they head up Akribion Genomics.

Let's not forget that Genome Editing is one of the most exciting programs at BRAIN, so we wished to give it the best launch possible.

Michael, after three months in office have you arrived in your new position as CFO?

MICHAEL SCHNEIDERS

Yes, definitely. In such a responsible position there's not a lot of time for leisurely familiarization with the area. Of

course, it has helped me enormously that I have known the Group for a long time: First from the outside – I was involved in the IPO on the banking side – and for around three years now also from inside as Head of Investor Relations & Sustainability. Before joining BRAIN, I worked in investment banking for over twenty years – so knowing this side well of the financial world helps a lot.

Previously, Lukas was your superior, now you are his – isn't that strange for you?

MICHAEL SCHNEIDERS

We did find it a bit strange ... (smiles). No, we get along really well and we can both handle this situation in an outstanding manner. Lukas himself took this decision and we have had a very cooperative working relationship right from the outset. In the past, we discussed many fiscal and strategic issues as equal sparring partners, and we continue as previously despite having exchanged our relative positions.

Not only was the CFO change made known shortly before the end of the last fiscal year, but the divestiture of L.A. Schmitt was also announced. What was the reason for this disposal?

ADRIAAN MOELKER

The disposal of L.A. Schmitt was a logical step for us, as we wish to have the BioIndustrial segment place a greater focus on food. We are now concentrating even more within the Group on enzyme development and production. The vision to produce cosmetics ourselves dates back to the time when BRAIN itself wanted to incorporate its bioactive natural substances into cosmetics. Screening for bioactive natural substances remains important and is conducted by AnalytiCon Discovery. However, the next step – formulation – will be performed by customers rather than by a BRAIN Group company.

MICHAEL SCHNEIDERS

From L.A. Schmitt's point of view as well, it was ultimately advantageous that the company was acquired by a cosmetics group. This gives it much better development opportunities. At BRAIN Biotech, we now have a focused BioIndustrial business with a strong orientation towards all relevant segments of the food market. Thanks to this divestiture, we have gained additional cash that will be invested in our core business with higher expected returns.

One company less ... but a new company is being founded. How will Akribion Genomics be staffed as a start-up?**LUKAS LINNIG**

In addition to Michael Krohn and myself, around twenty further colleagues have been assigned to the activities of Akribion Genomics. We are leveraging their proven expertise and are ensuring that our work on our proprietary CRISPR-Cas platform continues without interruption and with full focus from the outset.

BRAIN Biotech will miss these employees in other scientific activities. How are you dealing with this?**ADRIAAN MOELKER**

The establishment of the Akribion Genomics brand, the planned spin-off and the transfer of employees is in line with our goal of greater focus. Our genome editing experts are to be enabled to concentrate fully on their area, so they are moving to a separate unit. The remaining scientific and process engineering staff at the Zwingenberg site will focus on our core business – in other words, developing solutions for customers, using enzymes, bioprocesses and microbial production strains. In doing so, we are retaining full access to Akribion Genomics' technology portfolio and are exploiting this technology as a clear competitive edge in customer projects.

Bioactives are missing from the list of core businesses. Do they no longer form part of the portfolio?**ADRIAAN MOELKER**

The Bioactives business has always been based primarily on the natural product discovery activities of our subsidiary AnalytiCon Discovery. This will remain the case and our services in this area will be concentrated there.

Does this portfolio change at the Zwingenberg site also affect the incubator pipeline?**MICHAEL SCHNEIDERS**

Over the past three years, we have already focused the incubator pipeline much more stringently on projects offering the greatest potential. Although it's in the nature of science that risks remain here as well – that not all projects can be successfully launched on the market – we achieved a major milestone this fiscal year with the successful market launch of our salt flavor enhancer after more than ten years of development. We will continue to consistently pursue this focused approach in our incubator projects and we now have a real flagship project in our incubator in the form of Akribion Genomics.

What then is the future importance of the food industry for BRAIN Biotech?**ADRIAAN MOELKER**

The food industry remains our largest customer segment. Enzymes have always played an important role in food production, and that's something that's not going to change. The even stronger trend towards non-animal foods – in other words, alternatives to meat and dairy – is intensifying the industry's search for suitable enzymes. Food manufacturers are also looking for micro-organism strains or starter cultures for specific applications such as fermented foods.

MICHAEL SCHNEIDERS

By the way, food manufacturers often have additional application fields for biotechnology – they want to add value to their side streams, for example. If a company's production process for a vegetable juice generates organic residues that it would like to recycle, then we develop the related solutions. With the help of microorgan-

"We will continue to consistently pursue this focused approach in our incubator projects and we now have a real flagship project in our incubator in the form of Akribion Genomics."

Michael Schneiders — CFO BRAIN Biotech AG





In the new food application laboratory on the premises of WeissBioTech at the Büttelborn site, a wide spectrum of food development applications, including in a suitable regulatory environment, can be implemented – ranging from the cultivation of microbial starter cultures to the fermentation of food. Tastings are possible in adjoining rooms.



isms and their enzymes, carbon-containing compounds are then produced, for example, which can be utilized as basic building blocks for organic chemical compounds. BRAIN can thereby make a significant contribution to a company's entry into the circular economy, which represents one of the most important building blocks of sustainable management.

ADRIAAN MOELKER

To come back to the importance of the food market for us: Last year, we set up a food application lab on the premises of WeissBioTech in Büttelborn. There we have created suitable conditions to implement a wide spectrum of food development applications, including in a suitable regulatory environment – ranging from the cultivation of microbial starter cultures to the fermentation of food. We plan to conduct feasibility studies and general application testing there for our own developments and collaborative projects. The associated team and laboratory facilities are also available to our food industry customers, and tastings and meetings with customer companies' food scientists and food technicians are possible in adjoining rooms.

Incidentally, our subsidiary Breatec also has a professionally equipped application laboratory, in this case specifically for baked goods. We are clearly positioning ourselves here as a solution provider for our customers.

So, for the food industry that's a further good reason to do business with BRAIN. What further reasons are there, including for other industries, to look for sustainable solutions for bioprocesses or for optimized production strains together with the experts at the Group's technology campus?

ADRIAAN MOELKER

One really good reason is that we will continue to use our CRISPR technology for customer projects after the spin-off of Akribion Genomics – and this will enable us to bring many projects to a successful conclusion more rapidly.

MICHAEL SCHNEIDERS

Our customers value us as an experienced, creative solution provider, including when they are looking for an enzyme for a specific application or wish to optimize their own enzyme that's already in use. In combination with the production capacities at Biocatalysts, we can also offer industrial-scale enzyme production, including scale-up and technology transfer to Cardiff; with the customer thereby receiving the product for its specific application from a single source – from BRAIN Group. This demonstrates the complementarity between our scientific services in our BioScience segment and our production expertise in our BioIndustrial segment.

Production capacities at Biocatalysts have already been expanded twice. Is this the end of such expansion activities?

MICHAEL SCHNEIDERS

Indeed, fermentation is already taking place on a large scale in Cardiff, and we have doubled capacity again this fiscal year. We will continue to pursue the future expansion of capacity in our fermenters just as consistently as the growth of blending and mixing activities. This is justified by the expected general structural market growth and our ambition to grow market shares.

Does fermentation capability exist at Zwingenberg?

ADRIAAN MOELKER

Fermentation technology forms part of the basic process of biotechnological production. However, scaling up a fermentation approach from laboratory scale to industrial scale requires several steps where the process is "scaled up". The process is first run on a so-called pre-production scale before the fermentation process is transferred to the manufacturer, for example to our Group company Biocatalysts in Cardiff. At the Zwingenberg site, we are currently expanding our small-scale fermentation capabilities in "mini bioreactors" where we develop bioprocesses up to pre-production scale. Biocatalysts then focuses on production-scale fermentation and invests in it accordingly.

Times are not easy at the moment: Disrupted supply chains, repeated outages due to coronavirus, higher energy prices ... How do you see these factors impacting BRAIN Biotech AG?

MICHAEL SCHNEIDERS

Fortunately, none of the BRAIN Group companies belongs to a highly energy-intensive sector. Nevertheless, it goes without saying that we are always looking for further opportunities to conserve energy at all our sites. As we produce essential components for the food and, in some cases, pharmaceutical industries, we should rank among the companies gaining preferred energy supply. With supply chain constraints as well as rising prices, all industrial operations must adapt and try to minimize disruptions to operations. With our employees' health in mind, we have maintained our coronavirus prevention measures throughout the year, and this has continued to prevent major downtime.

Of course, we are also concerned about the general geopolitical situation, the depressed global economy and strong inflationary trends. It is the primary task of the entire management team to find adequate responses here in order to minimize these effects on our operating business.

ADRIAAN MOELKER

Even though the general situation remains challenging, we look to the future with confidence. With our focus on food, health and the environment, we see ourselves ideally positioned in structurally growing markets. With our genome editing system, we have a proprietary technology that offers great market potential. Our Group will grow even closer together in order to successfully meet future challenges as well as to gain market shares. These are very strong prerequisites for achieving the medium-term growth targets we announced.

Interview conducted by: Dr. Stephanie Konle



„With our focus on food, health and the environment, we see ourselves ideally positioned in structurally growing markets.“

Adriaan Moelker — CEO BRAIN Biotech AG

02 The Company



02 The company

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The BRAIN Group in figures

54

metagenome libraries serve as a database to find new enzymes for our customers.

13,000

plant parts are available to the BRAIN Group for natural substance isolation. This saves time in the search for bioactive substances.

49.5

is the amount of revenue in millions of euros that the BRAIN Group generated in the 2021/22 financial year.

30

years of experience in biotechnology and always at the leading edge technologically.

~150

is the number of R&D projects BRAIN has successfully executed to date – including cooperation projects conducted over many years with major global companies.

53,000

microorganisms have been cultured and characterized and are ready for customer projects. This saves time in the search for organism and enzyme candidates.

~330

employees work in the BRAIN Group and are committed to its goals every day.

~2,000

previously unutilized Class 2 CRISPR nucleases have been identified by BRAIN Biotech using metagenome sequencing.

>50

active patent families with varying numbers of individual patents are currently held by BRAIN Biotech AG.

40

years of enzyme experience at Biocatalysts Ltd.

~535

products from the BRAIN Group are special products for B2B.

5

We directly address 5 UN Sustainable Development Goals with our products and solutions.

Why invest in BRAIN Biotech?

Industry is hunting for bio-based products and sustainable process solutions as companies increasingly strive to support UN sustainability targets and meet consumer demand for healthier and more sustainable products. BRAIN Group offers corresponding solutions and products to meet this growing demand.

Our mission

We develop disruptive bio-based products and solutions for industry, with a focus on nutrition, health and the environment. We thereby support companies on their path to greater sustainability, and we are helping business to move towards a bioeconomy.

Our vision

We are the sought-after specialist in industrial biotechnology. With our service and products business we successfully occupy and develop niches offering high added value for our customers. We are more agile than our competitors and strive to produce our innovations ourselves or together with our partners.

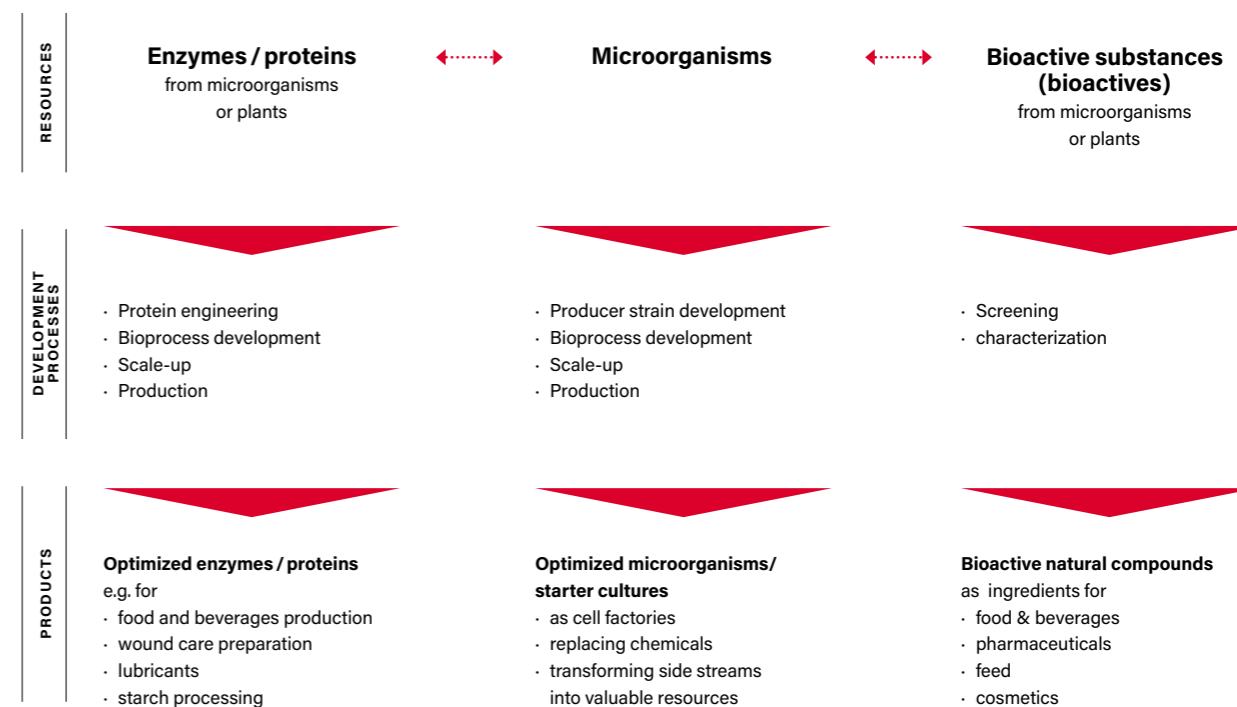
From R&D start-up to product provider

Since the company was founded in 1993, BRAIN Biotech AG has developed from a sought-after research and development specialist into the BRAIN Group, covering the entire value chain from the laboratory through to production. Our focus is on the B2B business.

BRAIN Group's **products business** (its BioIndustrial segment) focuses primarily on the specialty business with the production of enzymes and other proteins as well as microorganisms as starter cultures for fermentations. Production strain and bioprocess development form an integral part of this business. BRAIN Group produces mainly for end markets in the areas of nutrition, health and the environment – markets that are less susceptible to the general business cycle.

In addition to its products business with market access via four independently operating enzyme companies, BRAIN Group's **R&D activities** (its BioScience segment) are located in Zwingenberg and Potsdam. In Potsdam, Analyticon Discovery performs screening for bioactive natural compounds on behalf of customers. The Zwingenberg site not only conducts contract development for industrial partners but also develops in-house projects and product ideas. Disruptive development projects are modeled in BRAIN Biotech's incubator pipeline.

From the laboratory to the product: Our value added for the B2B industry



Enzymes – a mainstay of our business

Enzymes are the key molecules in biotransformation. From the outset, BRAIN Biotech has had a focus on enzymes – both on finding natural enzymes for specific requirements as well as on optimizing these natural catalysts' catalytic potential. With its technical expertise, the company launched its first biotransformation solutions together with industrial partners some thirty years ago.

Today, BRAIN Biotech finds and optimizes enzymes on the basis of state-of-the-art technological processes as well as with the help of bioinformatics. Tools for searching for such biocatalysts include the company's own so-called SeqPool – a digital metagenomics database that is available for the rapid and simple *in silico* discovery of previously undiscovered enzymes. Today, the enzyme unit at BRAIN Biotech also handles complete enzyme engineering projects, such as protein design as well as in-depth characterization of enzyme variants.

Thanks to several acquisitions in recent years and the expansion of BRAIN Biotech AG to form the BRAIN Group, the Group now covers the entire enzyme value chain, including biopro-

cess development at the Zwingenberg site, process transfer (such as to the enzyme producer Biocatalysts in Cardiff, Wales) as well as formulation as an enzyme product (such as at Weiss-BioTech in Büttelborn).

BRAIN Biotech AG has own fermentation and production facilities for enzymes and proteins in the UK, continental Europe and the USA. The Group aims to accelerate the growth of its enzyme business and will continue to expand its corresponding infrastructure over the coming years. With the enzyme products business, BRAIN Biotech AG now focuses primarily on the beverage and food industries.

Nucleases: Enzymes for genome editing

Particularly promising proprietary enzyme development is currently taking place at the Zwingenberg site, headquarters and technology campus of the BRAIN Group. It concerns enzymes of the nucleases enzyme category, in other words, enzymes that are able to cut DNA strands. The BEC and BMC enzymes identified by BRAIN Biotech are two such nucleases. They are deployed in so-called CRISPR-Cas technology, the genome editing process.

In basic research and in large-scale industry, **CRISPR-Cas technology** is already being used in a wide range of applications. However, the unresolved global patent situation, especially

in relation to the CRISPR/Cas9 system, prevents widespread use of the technology, as unforeseeable patent risks are involved in its use, as well as high licensing fees to be paid. For this reason, BRAIN Biotech has developed its own variants of CRISPR-Cas nucleases. Examples of its applications include supporting the development of microorganism strains according to our customers' specific requirements. Furthermore, we utilize our proprietary genome editing technology to improve strain performance in order to achieve commercially viable yields in fermentation processes. Fermentations thereby become **precision fermentations**.

Especially in the production of so-called **alternative proteins** by fermentation, our genome editing systems can help to meet customer requirements in a more targeted and more rapid manner in the future. The market for vegan and vegetarian food is a growth area where alternative proteins are playing an important role.

As our nucleases BEC and BMC also are active in **mammalian cells**, great potential exists to address large markets with pharmaceutical or diagnostic applications in the future via user licenses.

We will further pursue the development and commercialization of our genome editing activities in the future under the brand name Akribion Genomics and under expert scientific and commercial management. We plan to establish a separate economic entity to advance development and marketing and to enable an independent presence on the financial market.

“Genome engineering is widely regarded as one of the most influential technologies of this century for advanced health-care, nutrition and sustainable production.”

Dr. Michael Krohn — Head of Akribion Genomics Activities at BRAIN Biotech

Enzymes are the key molecules in biotransformation

Enzymes play a key role in the development of the bioeconomy. Biochemically, they are proteins, and all living organisms produce them as catalysts for their own metabolic processes.

However, what makes them key molecules in biotransformation? Enzymes can be used as a component of microorganisms, or as isolated molecules in order to replace process-related chemical reactions with biochemical reactions. Enzymes require more neutral pH values, moderate temperatures and aqueous environments to develop their activity. For this reason, their use contributes to greater environmental compatibility in the reaction process as well as the subsequent cleaning of process containers.

Biochemical syntheses also require significantly less energy compared to chemical syntheses, as chemical reactions often rely on high pressure. Catalysts containing heavy metals used in conventional processes are also rendered superfluous, which reduces the use of toxic substances.

Enzymes are used in many areas of industry today: For over twenty years now, they have been helping to conserve energy in washing and cleaning processes, for example. They are also utilized in the food, pharmaceutical and chemical industries and are indispensable in the manufacturing of leather and paper products.

Biotechnology as a lever for greater sustainability – examples from the company

If one thinks of the economy as a circular economy, an obvious approach is to use organic carbon-containing side streams from production processes (such as from food production) as carbon sources for microbial biosynthesis, and to supply organic residual flows for further utilization in this way. At its Zwingenberg site, BRAIN Biotech develops solutions in the “Enzyme Technology” and “Strain Development” technology units to enable such biosynthesis, as well as completely different biological processes.

Converting CO₂ into useful chemical building blocks: Special optimized microorganisms use their enzymes to convert the greenhouse gas CO₂ via acetate into a variety of chemical building blocks. These “chemical building blocks” can then be converted into various industrial products such as bioplastics and other consumer products.

Enzymes for alternative proteins: Plant protein sources are often not directly suitable for processing into food – due their structure, bitter substances or unpleasant taste profiles. To meet the trend towards sustainable meat alternatives and plant-based protein sources, further processing of the proteins is required in such cases, ideally in the most natural way possible. BRAIN Group supports the beverage and food industry with enzymes to optimize the taste, structure, color and shelf life of their products.

Enzyme for wound management: The enzyme Aurease®, which is currently in clinical trial phase 2a under the management of SolasCure Ltd., promotes the wound healing process. BRAIN Biotech produces this biological agent – which was originally found in larvae of the common green bottle fly – biotechnologically with microorganisms as enzyme producers, to a high level of purity.

Health-promoting animal feed: Enzymes secreted by probiotics (microorganisms with health-promoting effects) improve feed conversion and the absorption of the nutrients they contain. Thanks to improved nutrient absorption, the animals' immune systems are strengthened, which in turn protects against pathogens and improves overall animal welfare.

Five clearly identified drivers

BRAIN Biotech AG has at least five clearly identified drivers to grow the company's value in the future

1. Products business

The products business of BRAIN Biotech AG, accounting for approximately EUR 37.5 million of revenue and an adjusted EBITDA margin of around 13.1%, forms a key element of our company's current value. We continue to plan for solid innovation-driven organic growth in this area as well as a rising EBITDA margin. This growth is to be supplemented by value-enhancing acquisitions.

As far as the orientation of our in-house production and fermentation is concerned, we are concentrating on high-growth, high-margin niches in the areas of food & beverages, health and the environment.

2. Contract research

Since its foundation around 30 years ago, BRAIN Biotech AG has commanded a strong market position in contract research. Today, this area accounts for profitable revenue of approximately EUR 9.5 million. In addition to research services for industry, we grant customers paid access to the substance libraries of our subsidiary AnalytiCon Discovery. The pharmaceutical and food industries, among others, rely on their expertise in natural product research. Milestone payments and licensing income contribute to this area's growth.

3. Incubator projects

BRAIN Biotech AG invests a considerable amount of its own resources in the development of disruptive products and solutions with high social impact. Together with academic or industrial partners, we develop solutions for the areas of nutrition, health and the environment. The incubator projects have the potential to significantly influence the BRAIN Group's value. More about the impact of our products and solutions in the [Sustainability Report of BRAIN Biotech AG](#).

4. Akribion Genomics investments

One of our key value drivers is our genome editing platform technology, based on proprietary and patent-pending Cas nucleases. Access to genome editing tools is a prerequisite for many life science or biotech projects. Since restrictive licensing terms from the few active players and remaining uncertainties regarding copyright make access to these tools difficult, we have been investing in the development of our own technology platform for several years. We continue to drive the development of the technology and its commercialization under the Akribion Genomics brand. The spin-off into a separate entity is planned.

5. SolasCure investments

With investment from BRAIN Biotech AG, SolasCure Ltd. was founded in 2018 as a specialized clinical development unit to develop our novel wound cleansing enzyme Aurase® in order to make it ready for market launch. BRAIN Biotech AG is the owner of the IP for this enzyme. As clinical testing of the wound cleansing enzyme progresses successfully, the financial value of the investment in SolasCure grows in line with the greater probability of a successful market launch. BRAIN Biotech AG held an approximately 41% interest in SolasCure as of the end of the 2021/22 financial year. More information on the SolasCure website.

Value drivers of the BRAIN Group

Products

Value driver: **Contract research/ substance libraries**

- Bioprocess optimization
- Microorganism strain development
- Gene/protein engineering
- Pharma, small molecules

- Contract research: Two-year minimum duration; benefits from strong industry network; pipeline with great potential for new development projects; expansion of "We CRISPR for you" service
- Substance libraries: Key customers from food, pharmaceutical and cosmetics industries; library access fees; additional revenue from milestone payments and royalties

Value driver: **Incubator projects**

- Breakthrough innovations with significant value enhancement potential

- In-house and partner projects offer high commercial potential in the areas of nutrition, health and the environment
- Innovative proprietary tools for genome editing
- Value creation options: Spin-off, licenses, milestone payments, production, sales

Innovations & Services

Value driver: **Products business**

- Enzymes and other proteins
- Starter cultures for fermentations
- Cell factories
- Large-scale fermentation

- Focus on high-growth niches with attractive margins
- Stronger orientation from formulator to in-house production
- Stable target markets with structural growth in food & beverages, healthcare and the environment

Value driver: **Akribion Genomics investment**

- Genome editing tools, to bring projects to success rapidly and cost-efficiently
- Significant economic potential from licensing the technology platform

- Proprietary genome editing platform technology
- Cas nucleases BEC / BMC with high scientific and commercial potential
- Separate legal entity for Akribion Genomics will be established to attract significant external growth funding

Value driver: **SolasCure investment**

- Innovative solutions for wound cleansing/wound management

- Innovative wound management
- Spin-off of clinical development – today a 36% shareholding
- IP for the active ingredient Aurase is held by BRAIN Biotech AG
- Value creation options: Licenses, production, sale

Sustainability at BRAIN Biotech: more than ESG, SDGs and the GRI

The topic of sustainability has played a crucial role at BRAIN Biotech from the very beginning. Making industrial processes more environmentally compatible was the motivation for the company's founders, who recognized that nature's wealth of variants and biotechnological tools can be deployed to develop innovative solutions for a sustainable economy.

At BRAIN Biotech, achieving more sustainability in industrial processes with innovative solutions has been anchored within the company's DNA from the outset. The issue has also been systematically integrated into the company's strategy. BRAIN Biotech takes ESG factors into consideration in its current growth strategy – in other words, the company also aligns its actions with environmental aspects (Environment), social aspects (Social) and responsible corporate management (Governance). In some areas, ESG factors are associated with the UN Sustainable Development Goals (SDGs) – and these also serve BRAIN Biotech today as a guide for further developments within the Group.



Since 2021 we have been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption



We have published a declaration on the German Sustainability Code.

First sustainability report and initial ESG reporting

The transparency requirements of shareholders and other stakeholders in relation to a listed company have risen in recent years, with these expectations also especially affecting non-financial reporting. However, how can a company's contribution to the UN Sustainable Development Goals, its impacts on the environment and society, and the sustainability of corporate management be presented in specific terms? Qualitative and quantitative reporting are suitable instruments for making the company's own efforts and progress in relation to sustainability transparent.

BRAIN Biotech published its first sustainability report and initial ESG key figures in spring 2022, as a step towards more transparency. The Group's non-financial reporting thereby already extends beyond statutory requirements.

Orientation, analysis, defining the essentials

The initial question facing the ESG team at BRAIN Biotech was: What ESG information or indicators should we report on? What makes sense for our Group? How do we create a unified data set? The answer was clear: Standards had to be established on a basis that enabled collection of the relevant data. A variety of generally accepted national or international standards exist at present. BRAIN Biotech has made a selection of standards that the company believes will become the de facto standard in the future.

BRAIN Biotech also applied the so-called double materiality analysis approach. To this end, our cross Group ESG team identified the most important topics for stakeholders and from these topics derived opportunities and risks relating to the company's future development. In addition, discussions were held with equity analysts in order to examine relevant external factors. The team constructed the sustainability report on the basis of this analysis.



Contribution to the UN sustainability goals

In addition to classic ESG objectives, BRAIN Biotech has also anchored economic targets as well as so-called impact targets in its sustainability approach, which it refers to as "ESG plus". The background to this is the conviction of both the management and employees that only the Group's focused development towards sustainable profitability will pave the way for implementing the Group's ESG and impact goals in the medium term.

"Impact", or relevance to a variety of sustainability issues, is something BRAIN Biotech can already claim: Various products and solutions from the BRAIN Group portfolio directly address at least five UN sustainability goals. Further key ESG issues for the company include strong corporate governance; business ethics, workplace health and safety, IP protection, talent development and product safety.

Detailed and high-quality reporting also of non-financial issues enables BRAIN Group to have a clearer view of its contribution to the UN Sustainable Development Goals, to align its actions with these goals and to communicate the company's contribution to greater sustainability to a broad public.

The reporting of BRAIN Biotech AG is based on established standards, such as the German Sustainability Code (DNK), the UN Global Compact, the Sustainable Development Goals of the United Nations (SDGs) and the Global Reporting Initiative (GRI), thereby meeting all our stakeholders' greater requirements in relation to transparent sustainability reporting.



[Sustainability Report of BRAIN Biotech AG](#)



[Inaugural ESG and Sustainability Data Sheet](#)

Incubator Pipeline

Our incubator pipeline contains disruptive development projects that offer significant new business potential. We are pushing ahead with these projects with the help of strong industrial partners. This selection shows only the most important projects and their current status as of the end of the 2020/21 fiscal year. Additional projects are at an earlier stage of development and will only be added to the incubator if their business models are successfully validated.

PIPELINE	PARTNER	R&D → MARKET			RNPV MARKET POTENTIAL *	CURRENT PROJECT STATUS
		3 - 5 YEARS	1 - 3 YEARS	PRE-LAUNCH		
Natural fermented beverages 2	Japanese consumer goods and beverages group (JP Bev)				Large	
Perillic Active, Anti-Microbial	Not publicly named (non-disclosure agreement)				Medium	
Gold from waste streams	Not publicly named (non-disclosure agreement)				Medium	
Brazzein Natural Sweet Solutions					Large	
Aurase Wound Debridement					Large	
PHA121, HAE Pharma Compound					Medium	
Genome-Editing-Plattform (Akribion Genomics)	Several partners, depending on the application area	Projects I-...	Projects D-H	Projects A-C	Large	

Legend

- Progress since August 2021
- * BRAIN Group rNPV: Net present value (risk-adjusted free cash flows + terminal value):
Small: € 5 million / Medium: € 5 - 15 million / Large: €15+ million
- Contractual, technology or registration hurdles still need attention
- Phase 1 successfully completed; contract negotiations for next project phase still ongoing
- Project running according to plan

For a description of these cooperation projects see the next pages.

Partnerships in detail

Natural fermented beverages 2

BRAIN Biotech has made innovative beverage formulations available for a Japanese consumer goods and beverage group via natural fermentation. The Group's expertise in identifying and producing natural beverage components enables its customers to implement innovative beverage concepts and meet consumer demand.

Perillic Active, Anti-Microbial

BRAIN Biotech is developing a bioactive, preservative natural compound called Perillic Active. Originally, this natural substance derives from an edible plant native to Asian countries. However, isolating the substance from the plant is neither economical nor sustainable. BRAIN has exploited the properties of the natural substance and can alternatively extract bioactive (perilla) substances from the peel of citrus fruits and with the help of microorganisms. These substances can be utilized as a natural preservative in food, as well as in cosmetics.

Gold from waste streams

BRAIN Biotech uses microorganisms to recover gold (and other precious metals) from e-waste and other secondary raw materials. This enables a reduction in the utilization of harmful chemicals and energy as well as carbon footprint compared to conventional gold recovery processes. Together with partners from the recycling and gold processing industries, BRAIN aims to bring the technology to an industrially relevant scale and to leverage its potential.

www.brain-biotech.com/bioextractor

Brazzein Natural Sweet Solutions

BRAIN Biotech and Roquette have successfully completed the R&D phase of the DOLCE program to develop a natural sweetener. They are now pushing ahead with food sector approval and scaling for industrial-scale production. At the same time, the commercialization phase is being prepared. Both companies ascribe very good competitive opportunities to the sweetener, primarily in the beverage industry, as well as in other food markets.

www.brain-biotech.com/plant-based-sweeteners

Aurase Wound Debridement

Aurase® is an enzymatic substance developed by BRAIN Biotech to cleanse chronic wounds. SolasCure Ltd., which was founded with investment from BRAIN Biotech AG, is responsible for the approval of the medical compound and has started Phase II clinical trials.

www.brain-biotech.com/aurase

**PHA121,
HAE Pharma Compound**

PHA121 is a bradykinin B2 receptor antagonist and is intended for use as an oral therapeutic agent for the treatment as well as prophylaxis of hereditary angioedema (HAE). The bioactive substance was discovered and prepared for clinical development by BRAIN Biotech's subsidiary AnalytiCon Discovery.

Pharvaris is a Nasdaq (USA) listed development company for this new HAE drug and has already begun conducting initial clinical trials. Pharvaris holds an exclusive license to the drug candidate PHA121 developed by AnalytiCon Discovery and will render both milestone payments and royalties to the BRAIN Group upon continued successful development. In August 2022, Pharvaris announced that the FDA was suspending PHA121 clinical trials in the USA for the time being due to additional reviews.

**Genome Editing Platform
(Akribion Genomics)**

BRAIN Biotech has used metagenome sequencing in silico to identify approximately 2,000 previously unutilized additional Class 2 CRISPR nucleases that could be deployed for genome editing. The main candidates are the nucleases BEC (BRAIN-Engineered-Cas) and BMC (BRAIN-Metagenome-

Cas). In April 2022, the company announced that it had successfully performed genome editing technology in mammalian cell lines using its proprietary nucleases. The activity in plant cells had been demonstrated previously.

BMC and BEC are types of class 2 nucleases which differ in their general protein structure and their mode of action to target DNA. As a consequence, they can address different markets and applications more effectively. Both nucleases are now to be expanded internationally into an established platform for genome editing under the Akribion Genomics brand.

www.brain-biotech.com/we-crispr-for-you

Important events in the 2021/22 fiscal year

8 December 2021

Genome editing toolbox adds a further nuclease (BMC01)

BRAIN successfully extends its proprietary genome editing toolbox with the addition of the BRAIN-Metagenome-Cas 01 (BMC01) nuclease. The aim is to develop a genome editing platform that offers significant commercial and scientific potential. Nuclease BMC01 complements BRAIN-Engineered Cas (BEC), which the company first communicated about in May 2021.



11 January 2022

BRAIN-Engineered-Cas classified as patentable technology

A positive written opinion issued to BRAIN Biotech by the European Patent Office (EPO) as International Searching Authority (ISA) states that the BRAIN-Engineered-Cas (BEC) nucleases for which patent protection was sought under the Patent Corporation Treaty (PCT) constitute an inventive activity in relation to the BEC nuclease sequences, as well as being industrially exploitable and not excluded from patent protection by other circumstances.



BRAIN Biotech AG

1 February 2022

BRAIN Group expands food enzyme business through Breatec acquisition

BRAIN Biotech acquires Dutch company Breatec B.V., a successful distributor, formulator and blender of functional food ingredients for the baking and milling industries. The acquisition enables BRAIN Biotech to further accelerate its growth in its products business and to expand its enzyme portfolio to comprise adjacent market segments.

2 February 2022

AnalytiCon Discovery and Pharvaris extend their partnership

AnalytiCon Discovery, a subsidiary of BRAIN Biotech, expands its research and development partnership with Pharvaris, a clinical-stage company that makes oral bradykinin B2 receptor antagonists available to patients in the form of so-called small molecules.



8 February 2022

BRAIN Biotech and Formo launch strategic partnership for animal-free production of milk proteins

BRAIN Biotech and Formo launch a strategic partnership to further advance the fermentative production of animal-free milk proteins. BRAIN Biotech supports the Potsdam-based start-up with its proprietary genome editing technology to successfully scale production of its bioidentical milk protein.

9 March 2022

Annual General Meeting for the 2020/21 financial year

At the Annual General Meeting of BRAIN Biotech AG, the actions of the Management and Supervisory boards are approved by a large majority. The shareholders attending the AGM approved all the motions submitted, including the change of auditor and a renewed capital reserve resolution to create flexible financing options for the future growth of BRAIN Biotech AG.



4 April 2022

Successful genome editing in mammalian cells with BMC and BEC

BRAIN Biotech reaches a very important milestone: The company successfully performs genome editing in mammalian cell lines using proprietary CRISPR-Cas genome editing nucleases BMC and BEC. BRAIN plans to further develop this technology together with partners for a variety of end markets and applications.



30 May 2022

Prof. Dr. Bernhard Hauer steps down from the Supervisory Board for personal reasons

Professor Dr. Bernhard Hauer resigns from the Supervisory Board of BRAIN Biotech AG for personal reasons and leaves as requested on 31 May 2022.

20 June 2022

BRAIN Biotech publishes its first ESG and sustainability report

BRAIN Biotech AG publishes its first ESG and sustainability report. The Group sees the global trend toward sustainable business practices as a clear opportunity for the company's further development.



26 September 2022

BRAIN Biotech divests subsidiary L.A. Schmitt

BRAIN Biotech divests its subsidiary L.A. Schmitt, Ludwigstadt, Germany, to a company of the URI Group based in Seoul, Korea. The background to the disposal is the increasing focus of BRAIN's business activities on the strongly science-driven activities of bioprocessing, producer strain development, and enzyme development and production. L.A. Schmitt was founded in 1925 as a producer contract manufacturer of cosmetics and wellness products and had formed part of the BRAIN Group since 2009.



27 September 2022

Planned change to the Management Board of BRAIN Biotech AG

BRAIN Biotech announces that Michael Schneiders is to become the new CFO of BRAIN Biotech AG as of 1 October 2022 and that the current CFO Lukas Linnig is to step down from his board position as CFO as of 30 September. Together with BRAIN's head of research Dr. Michael Krohn, Linnig is to head up the company's genome editing activities under the Akribion Genomics brand and establish them on the market.



Employees and corporate culture

Our core values guide our actions and shape our corporate culture. They are also reflected in areas such as employee development, our support for the broadening and deepening of employee expertise, and the maintenance and retention of our innovative capabilities.

Our core values

Integrity & respect: Our employees are committed to our corporate and Group goals, in relation to both our vision and our mission. Respect for other individuals and appreciation of their achievements characterize our mutual interactions. We uphold high ethical standards in relation to both ourselves and our work.

Creativity & innovation: Innovation is our passion. Accordingly, we leave plenty of latitude for creative thinking, and foster and promote our teams' innovative capabilities through interdisciplinary communication between the project teams as well as dialog among the project groups themselves. Our development of talent takes employees' individuality, potentials and passions into consideration.

Responsibility: In addition to being a reliable partner for our customers, reliability and personal responsibility also play a key role in our cross-company project teams. We ensure clear lines of responsibility and encourage a "can-do" mentality.

Collaboration: Teamwork and mutual support form the basis of our actions because we are aware that we achieve more in constructive cooperation than in isolated individual teams. We also maintain short communication channels and a collaborative way of working among the various BRAIN Group entities.

Sustainability: Sustainability is the guiding principle of our company and motivates our employees to achieve their best when it comes to meeting our customers' requirements for more sustainable processes or products. The further promotion of the Group's own operational sustainability is also an important issue for our workforce.

In 2022, we published our first sustainability report, which includes an initial ESG report.

Safety: Employee safety enjoys top priority at BRAIN Group companies. In addition to the regular occupational health and safety training courses required by law, internal operating instructions help to monitor biological safety in our laboratories. Employees at our sites receive updates on related developments from our in-house occupational health and safety officers and IT security officers. Regular updates and information from the "coronavirus crisis teams" have ensured effective preventive measures in the workplace for almost three years.



Further development as a prerequisite for the company's progress: employees during a BRAINway training course

Creating an environment for innovation

BRAIN Biotech stands for technological expertise, creativity and agility. It is not only at the Technology Campus in Zwingenberg that we welcome unconventional ideas from our employees and foster open communication and a positive approach to handling errors and mistakes – constructive discourse serves to rapidly and reliably transition a newly conceived idea through the scientific validation stage and on to marketing. Within the BRAIN Group, we exchange specialist knowledge and experience, we leverage synergies and we jointly drive forward projects for our customers.

Employee development

With the "BRAINway" training and development program, we are making a significant investment in BRAIN Group's future in terms of both time and personnel, and at the same time expressing our appreciation for our employees. The further development of our employees is also a prerequisite for our progress and for our company's growth.

We customize BRAINway to meet various needs within our corporate divisions and at our Group companies. In addition to BRAIN Group's basic values and goals, this development program imparts training in professional management processes and tools that make the day-to-



**Good for the environment and health:
Job bike programs are used
by employees at several sites**

day work of each individual more efficient and also support collaboration, such as in cross-divisional teams. Furthermore, the program promotes a sense of togetherness and, last but not least, injects an element of fun into training and development.

BRAIN Group employees

At the end of the 2022 financial year, BRAIN Group employed a total of 348 individuals: 125 employees at BRAIN Biotech's Zwingenberg site, 75 at AnalytiCon Discovery, 89 at Biocatalysts, 7 at BioSun, 11 at Breatec, 17 at WeissBioTech and 24 at L.A. Schmitt. Around 200 of the total of 348 employees were active in the R&D area.*

Since the end of 2021, we have been using a modern recruiting platform in order to advertise vacancies and to recruit new employees. The implementation of this platform has led to a significant increase in the number of applications for advertised positions as well as the number of unsolicited applications. The efficiency of our application processes has risen thanks to the platform, and hybrid forms of job interviews been simplified. Interviews in the advanced stage of application processes are always held on site.

* All data as of 30 September 2022, and including members of the Management Board, managing directors, trainees and interns

Health promotion

Employees at the Zwingenberg site regularly receive voluntary preventive medical check-ups, vaccination counseling and the opportunity to receive flu vaccinations. This precautionary program is supplemented by tips for VDU work in the company and information on healthy working in the home office.

Many employees at the Zwingenberg site continue to take advantage of the sports program that has been sponsored by the company for over ten years at an external health and fitness studio, which has also offered online courses since the start of the coronavirus pandemic.

The JobRad program (job bike scheme) at the Zwingenberg site is used regularly by 33 employees – for commuting to work, transporting their children to daycare centers or for private trips. AnalytiCon Discovery also began offering the JobRad program in April 2022. WeissBioTech enables employees to lease company bicycles via "Cycling Employees"

With these offerings, we not only promote the health of our employees but also make a contribution to the environment.

Networking and interexchange

Our scientists network and communicate on a regular basis with international research groups, universities and institutes.

At many trade events in the past financial year, our colleagues from the Business Development teams brought the Group's offerings to the attention of expert audiences: as speakers, as participants in panel discussions, and above all as networkers.

Student research projects and training

BRAIN Biotech has been contributing to the qualification of young people in the Rhine-Main-Neckar region since 1996, and is also active in recruiting young talent.

After having to scale back the number of student research projects in previous years due to coronavirus-related distancing regulations in the labs, the numbers have been on the rise again since the summer of 2022.

This year we took on two of our trainees at the Zwingenberg site as permanent employees after they had successfully completed their three-year training. The training program for biology laboratory technicians was resumed in 2018 in partnership with Merck KGaA, Darmstadt. At Zwingenberg, we organize our own office management and IT training programs. We present ourselves as corresponding trainers and educators at events at schools within the region.

The BRAIN Biotech share and the capital market

- BRAIN Biotech AG is a growth company in the emerging industrial biotechnology area
- BRAIN Biotech AG remains the only listed company of its kind on the German stock market
- Unsettled stock market year for the sector and for the BRAIN Biotech share
- Unchanged high level of investor relations activities
- Publication of the first ESG and sustainability reports

Capital market environment

In the 2021/2022 financial year, markets continued to be impacted by the after-effects of the coronavirus crisis and the associated general economic uncertainty, as well as increasing disruptions to global supply and logistics chains, which led to delays and outages in production, among other consequences. In the 2022 calendar year, rising interest rates, product cost inflation and high energy prices due to Russia's war of aggression against Ukraine caused great uncertainty in equity markets worldwide.

Germany's leading index, the DAX, started the BRAIN financial year at 15,156.44 points and marked its high for the year at 16,271.75 points (5 January 2022). As of the end of the financial year of BRAIN Biotech AG, it stood at 12,114.36 points (minus 20 %). The SDAX Small Cap Index, which is more relevant for BRAIN Biotech, fell by 36 % over the same period, thereby underperforming its large cap counterpart, the DAX. The specialty chemicals sector index closed better, posting a reduction of 10 %. With a decrease of 57 %, the BRAIN Biotech AG share significantly underperformed the DAX, SDAX and chemicals sector reference indices in the reporting period.

Supply chain bottlenecks, the energy crisis, and massive government stimulus aimed at countering the effects of the pandemic and the war against Ukraine have contributed to a significant upward push in the inflation rate. First-round effects of product inflation were followed by an incipient wage and price spiral. This led central banks worldwide to completely reverse their previous very expansive policy in order to launch a cycle of interest rate hikes, which are very aggressive from a historical perspective. At the same time, bond purchases by central

¹ In each case based on the XETRA closing price.

banks came to an end, leading to a tightening of money supply and additional widening of bond yields. Sharp rises in interest rates and restrictive monetary policy have placed valuations for technology and growth stocks under severe pressure. This also affected the biotechnology sector to a considerable extent.

The BRAIN Biotech Share

BRAIN Biotech AG is a growth company with a focus on industrial biotechnology. In addition to the general capital market environment, sector-specific conditions and investors' risk appetite, the main share price drivers are the Group's future and growth prospects. In particular, the share responds with increased volatility to news concerning progress made with projects from the BRAIN Incubator, which contains some of BRAIN's key future projects. Organic growth and the successful integration of acquired companies are further crucial factors for the share's performance.

The acquisition in the first step of an approximately 62 % interest in Breatec B.V. enabled us to further expand the enzyme portfolio in the BioIndustrial segment. In addition, cost and revenue synergies can be exploited with the Group companies Biocatalysts, BioSun and WeissBioTech.

Under the newly launched Akribion Genomics brand, the market potential of our proprietary genome editing platform technology is to be fully leveraged. BRAIN Biotech's declared intention remains to establish a separate legal entity for Akribion Genomics next year in order to raise significant growth capital.

The divestiture of L.A. Schmitt GmbH enables the company to focus primarily on science-driven business areas and thereby have additional liquidity reserves in the new financial year to finance its ambitious growth targets in the industrial and scientific sectors.

All analysts have welcomed BRAIN Biotech's continued transparent communications and recommend the share as a "Buy".

BRAIN Biotech AG published its first ESG and sustainability report in June. Sustainability issues are central to the company's business model and form an integral part of its risk assessment and planning. BRAIN Biotech has set its own ambitious goals for the company's sustainable development and growth. Our strategy for sustainable value creation includes economic and impact targets in addition to environmental, social and governance issues.

Share price performance

Price at the start of the financial year	Price at the end of the financial year	High for the financial year	Low for the financial year	12M share price performance
€ 10.25	€ 4.41	€ 10.45	€ 4.41	- 57 %
01.10.2021	30.09.2022	05.10.2021	30.09.2022	

FIGURE 02.1 PERFORMANCE OF THE BRAIN BIOTECH SHARE IN THE 2021/22 FINANCIAL YEAR (INDEXED)

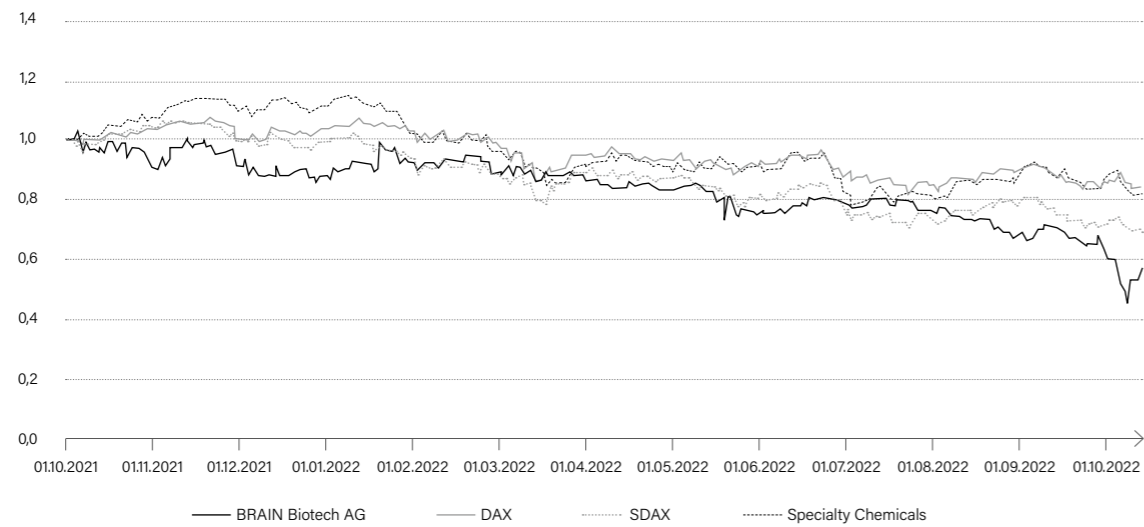


FIGURE 02.1 KEY SHARE DATA

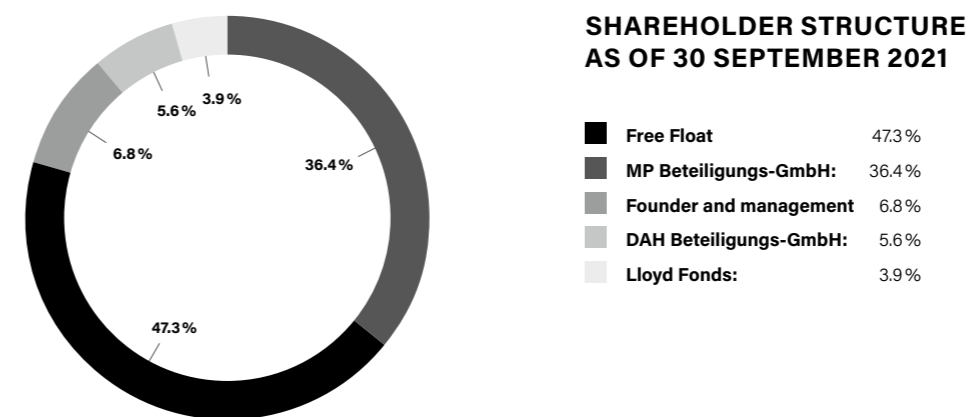
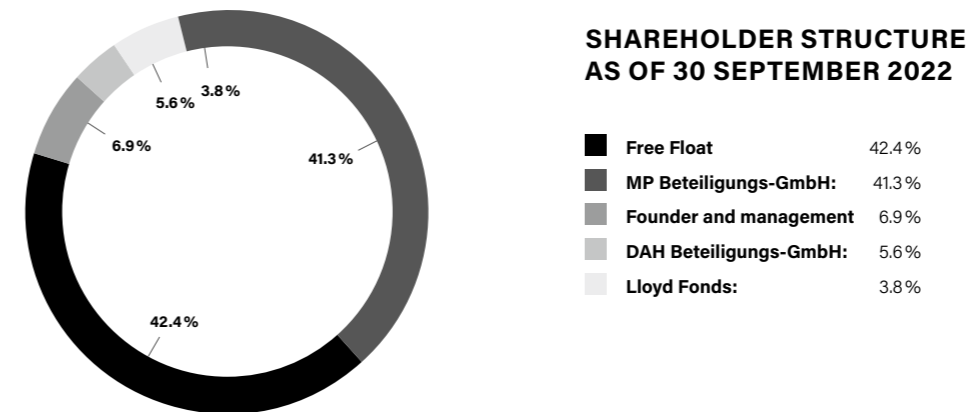
Share class	No-par-value registered shares
Stock exchanges	All stock exchanges
Transparency level	Prime Standard
Number of shares	21,847,495
Share capital	€ 21,847,495
ISIN	DE0005203947
WKN	520394
Ticker symbol	BNN
Specialist	Baader Bank AG
Designated Sponsor	Baader Bank AG
Paying agent	Bankhaus Gebr. Martin
Share price on 30.09.2022²	€ 4.41
52-week high	€ 10.45
52-week low	€ 4.41
Market capitalization on 30.09.2022²	€ 96 million
Average daily trading volume (52 weeks as of 30.09.2022²)	32,918 shares/day

² Last trading day of the 2021/22 financial year.

Shareholder structure

The free float stood at 42.4% as of 30 September 2022. The shareholder structure of BRAIN Biotech AG as of 30 September 2022 (and as of the previous year's reporting date) was as follows:

FIGURE 02.2 SHAREHOLDER STRUCTURE



Analysts

Estimates and recommendations relating to BRAIN Biotech AG are published by the following research houses:³

Company	Analyst
Baader Helvea Equity Research	Markus Mayer
Deutsche Bank AG	Falko Friedrichs / Jan Koch
FMR Frankfurt Main Research AG	Dr. Mohamad Vaseghi
Kepler Cheuvreux	Fabien Le Disert
M.M. Warburg & Co. Bank	Dr. Christian Ehmann

Financial communication

BRAIN Biotech AG is listed on the Frankfurt Stock Exchange in the Prime Standard segment of the Regulated Market, the stock exchange segment entailing the highest transparency requirements. Along with corresponding mandatory publications including quarterly statements and the half-year financial report, BRAIN Biotech informed investors, analysts and other interested capital market participants in a total of four ad hoc announcements, 15 press and investor relations announcements, as well as through telephone conferences and numerous individual meetings, about the company's further development and about the bioeconomy's global growth potential. In addition, we published one issue of our "BRAIN Shareholder Information". The Management Board and the Head of Investor Relations were repeatedly available for discussions at individual roadshows and relevant conferences such as the Equity Capital Forum, the virtual ODDO-BHF Finance Conference in January, the German Spring Conference and the Baader Investment Conference in Munich. The focus was on presenting the company and its future prospects to both new and existing investors. Financial announcements and publications as well as all other publications of relevance to the capital market are permanently available on the company's website at www.brain-biotech.com/investors.

Annual General Meeting

The sixth Annual General Meeting of BRAIN Biotech AG was held on 9 March 2022 – and for the second time as a virtual event due to the pandemic. Of the share capital of BRAIN Biotech AG of EUR 21,847,495.00, which is divided into 21,847,495 ordinary registered shares, a total of 13,921,709 shares with the same number of votes (including postal votes) were represented at the AGM. Depending on the agenda item, the shareholding at the time of voting was between 46.48 % and 63.71 % of the share capital of BRAIN Biotech AG. The voting results are published on the Internet at www.brain-biotech.com/investors/annual-general-meetings.

The actions of the members of the Managing and Supervisory boards for the 2020/21 financial year were voted upon, as was the counter-motion on the election of new auditors for both the separate and the consolidated financial statements. The resolution to cancel existing

authorized capital and to create new authorized capital against cash and/or non-cash contributions with authorization to exclude subscription rights, together with amendments to the company bylaws, was also approved.

³ as at 30.09.2022



03 Declaration on Corporate Governance



Declaration on Corporate Governance

The Management Board and Supervisory Board of BRAIN Biotech AG (hereinafter also referred to as the "Company") are oriented towards achieving sustainable business and financial performance and success, while taking their social responsibility into consideration. Transparency, responsibility and sustainability are the guiding values of their actions. This statement combines the corporate governance statement of BRAIN Biotech AG pursuant to Section 289f of the German Commercial Code (HGB) and the Group corporate governance statement for BRAIN Group pursuant to Section 315d HGB. It comprises the statement of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), relevant information about corporate governance practices, the description of Management and Supervisory boards' working methodology, as well as the composition of their committees.

Statement of conformity by the Management and Supervisory boards of BRAIN Biotech AG with the recommendations of the German Corporate Governance Code (DCGK) pursuant to Section 161 (1) Sentence 1 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of BRAIN Biotech AG declare that BRAIN Biotech AG has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated March 20, 2020 ("GCGC 2020") with the following exceptions since the last declaration of compliance was issued on December 20, 2021. The Management Board and Supervisory Board of BRAIN Biotech AG declare that BRAIN Biotech AG has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated June 27, 2022 ("GCGC 2022") with the following exceptions and will comply with them in the future.

If deviations only relate to one version of the Code (GCGC 2020 or GCGK 2022), this is noted within the outlined deviation.

- **A.5 (GCGK 2022):** The management report should describe the key features of the overall system of internal control and the risk management system and should comment on the adequacy and effectiveness of these systems.

Note relating to A.5: Due to the only recent publication of the new recommendation in A.5 of the GCGC 2022 with regard to the financial year to be reported, BRAIN Biotech AG has not yet revised the management report incorporating this new recommendation. As a precautionary measure, a deviation is therefore declared and BRAIN Biotech AG plans to adjust the management report at the next financial statements accordingly.

- **F.2:** The consolidated financial statements and the Group management report shall be publicly accessible within 90 days of the end of the financial year; the mandatory interim financial information shall be publicly accessible within 45 days of the end of the reporting period.

Note relating to F.2: Due to the additional financial accounting requirements as a listed company, the auditing of the financial statements lasted, and lasts, longer than 90 days, so that the audited figures cannot be published together with the annual report within the 90 days period after the financial year-end, but only post the 90 days period. Prospectively, this will also remain the case for future annual consolidated financial statements.

The publication of all financial information during the course of the year occurs regularly within two months. The Management and Supervisory Board regard this as appropriate. Furthermore, in light of various unlisted subsidiaries and participating interests held abroad, publication of the consolidated financial statements and the Group Management Report as well as mandatory interim financial information within shorter periods would require the deployment of additional considerable financial and personnel resources. This additional effort would not appropriately relate towards the information that shareholders can expect for a company of the size of BRAIN Biotech AG. Therefore, the reporting periods desired in the Corporate Governance Code are not met.

In relation to the publication of annual and interim reports, BRAIN Biotech AG complies with statutory regulations as well as the Prime Standard Stock Exchange regulations of the Frankfurt Stock Exchange.

- **G.6:** The variable compensation deriving from the achievement of long-term goals should exceed the share deriving from short-term goals.

Note relating to G.6: The variable Executive Board compensation is linked to medium-term and sustainable success targets. It is paid out annually pro-rata in accordance with target achievements. The stock options as part of the compensation scheme encourage the pursuit of long-term objectives. Taking into consideration the 2020 fair value for the stock option awards, option based compensation has a lower total value than variable compensation paid out in cash for the achievement of annual (interim) targets. The compensation paid through stock options may considerably exceed the value of the variable compensation paid out in cash annually if the market value of the company increases over the long term.

- **G.10:** The variable compensation amounts granted to the member of the Management Board are to be invested by him or her predominantly in shares in the company (taking into consideration the respective tax burden), or are to be granted accordingly on a share-based basis. The Management Board member should not be able to dispose of the long-term variable grant amounts until a four-year period has expired.

Note relating to G.10, first sentence: It should be noted: in accordance with the existing compensation scheme and the existing management contracts, variable compensation for the annually defined targets, depending on their fulfilment, is currently fully paid out in cash and no share-based granting is incorporated. The Supervisory Board is examining to further develop the Executive Management compensation scheme to incorporate a


share based component for the variable compensation part on a pro-rata basis. The Supervisory Board plans to propose a revised Management Board compensation scheme for approval by the annual general meeting in March 2023 that complies with G.10, first sentence.

- **G.11:** The Supervisory Board should have the possibility to take extraordinary developments into consideration within an appropriate framework. In justified cases, it should be possible to withhold or reclaim variable compensation.

Note relating to G.11, second sentence: The Supervisory Board has not made any arrangements for the possible claw-back of variable compensation. The Supervisory Board is examining the possibility of taking into account a so-called claw-back mechanism in the future development of the compensation scheme. The Supervisory Board plans to propose a revised Management Board compensation scheme for approval by the annual general meeting in March 2023 that complies with G.11, second sentence.

Zwingenberg, December 2022

For the Supervisory Board
of BRAIN Biotech AG:



Dr. Georg Kellinghusen
Supervisory Board Chairman

For the Management Board
of BRAIN Biotech AG:



Adriaan Moelker
Chief Executive Officer

Relevant information about corporate governance practices

Corporate governance at BRAIN Biotech AG

The corporate structure is oriented towards the responsible, transparent and efficient management and controlling of the company. For this reason, the company also supports the targets and principles of the German Corporate Governance Code (DCGK). The Management and Supervisory boards as well as the other management levels and employees are obligated to adhere to these principles of responsible corporate governance. The Management Board is responsible for compliance with corporate governance principles within the company.

BRAIN Biotech AG has established compliance structures in light of the company's current size, and will further develop them in relation to growing requirements imposed by the regulatory environment and with a view to the company's development and growth.

BRAIN Biotech AG has also established whistle-blower arrangements for potential misconduct on the part of its own employees. Employees can notify the whistle-blower office of potential misconduct, either anonymously or openly. After initial allocation, and depending on the corporate areas involved, the whistle-blower office forwards such notifications to the Management Board and/or Supervisory Board to instigate countermeasures in the instance of actual misconduct, or for archiving at the whistle-blower office if it is established that no misconduct has occurred.

Furthermore, BRAIN Biotech AG has decided to obligate its subsidiaries' managers to comply with closed periods 30 days before the publication of the company's results. This enables transparent communication with the respective managers in the periods preceding the publication of corporate results, and ensures that consistent governance rules apply to the individuals involved.

The purpose of BRAIN Biotech AG and of BRAIN Group is to identify, research, develop, produce and market biological, biochemical and biotechnology processes and products, especially enzymes, biocatalysts, microorganisms and other bioactive natural compounds for industrial applications at chemical companies, for the production of foodstuffs and animal feed, cosmetics and medical products, for the disposal of waste and hazardous materials, as well as to produce energy and raw materials, including the development, production and marketing of such processes and products that contain bioactive components, are based on biotechnical mechanisms, exhibit bioactive effects, or enable biotechnology applications. Within BRAIN Group, services are also rendered for the pharmaceuticals industry.

The company complies with all statutory corporate governance regulations as well as the recommendations of the German Corporate Governance Code (DCGK) – apart from the exceptions specified and justified in the statement of conformity.

As far as the DCGK recommendations are concerned, the company also intends to comply with them in the future.

The company's bylaws can always be viewed on the company's website at www.brain-biotech.com/investors/corporate-governance.

Transparency

The shares of BRAIN Biotech AG are listed in the Prime Standard segment of the Frankfurt Stock Exchange. The company is thereby subject to the highest level of statutory and stock exchange law transparency regulations. In particular, BRAIN Biotech AG reports on the situation and development of the company and of the Group in both German and English in the following form:

- annual financial report for the financial year,
- interim financial report as of the first half of the financial year (6M),

- quarterly statements as of the first quarter (3M) and after the first nine months of the financial year (9M),
- quarterly analyst telephone conferences,
- corporate presentations,
- publication of corporate and IR announcements,
- publication of notifications of shareholding threshold levels,
- publication of ad hoc statements,
- publication of PR, IR and marketing releases,
- presentations at investor conferences,
- multimedia investor communications formats,
- Capital Markets Day.

Corporate responsibility and ESG

As corporate responsibility and ESG issues become more important, the Supervisory Board, the Management Board and employees are paying more attention than ever to the resultant aspects. In 2021, BRAIN Biotech AG joined the UN Global Compact as an active member. The company has now formally committed itself to the values of the world's largest initiative for corporate social responsibility and is thereby committed to ten universal principles in the areas of human rights, labor standards, the environment and climate, and the prevention of corruption. Moreover, the company supports the German Sustainability Code (DNK) as guidelines for sustainable corporate governance. BRAIN Biotech AG published its first ESG report in June 2022 (www.brain-biotech.com/investors/esg). The data relevant to BRAIN Group were identified for the report and short- and medium-term targets were developed on this basis. As a consequence, these data and targets can also be used in the context of the Management Board compensation scheme. The ESG report was also discussed and approved by the Supervisory Board prior to publication. Adriaan Moelker holds Management Board responsibility for Corporate Responsibility and ESG. At the operational level, Michael Schneiders was responsible for the implementation of the ESG strategy as Head of Investor Relations & Sustainability during the 2021/22 financial year. In the following 2022/23 financial year, Michael Schneiders will be responsible for this task as CFO.

Description of the Management and Supervisory boards' working methodology as well as composition and working methodology of the Supervisory Board's committees

BRAIN Biotech AG is a public stock corporation under German law and the BRAIN Group parent company with subsidiaries in Germany, France, England, the Netherlands and the USA. It is especially subject to the regulations of the German Stock Corporation Act (AktG), and also operates the normal dual executive and supervisory structure consisting of a management board and a supervisory board. The company's Management and Supervisory boards work together closely in the company's interest.

The Supervisory Board consults regularly with the Management Board concerning the management of BRAIN Biotech AG, and supervises the Management Board's activities. The Management Board involves the Supervisory Board in good time concerning all decisions of fundamental significance for the company. It coordinates the company's strategic orientation with the Supervisory Board, and at regular intervals discusses with it the status of strategy implementation. The Management and Supervisory boards' joint goal is to successfully implement the corporate and growth strategy that has been approved.

Management Board working methodology

The Management Board manages the company's business according to statutory regulations, the company's bylaws and the rules of business procedure for the Management and Supervisory boards. In this context, it is subject to the restrictions that the company's bylaws or the Management and Supervisory boards' rules of business procedure have established in relation to the power to manage the business, or which the Supervisory Board or the AGM determine within the scope of their powers. It informs the Supervisory Board regularly, promptly and comprehensively in the form of detailed written and verbal reports on all questions of relevance to the company relating to strategy, planning, business development, the risk position, risk management, sustainability and compliance. The Management Board prepares the separate and consolidated annual financial statements.

Pursuant to Section 7 (1) of the company's bylaws, the Management Board consists of one or several individuals. The Supervisory Board determines the number of Management Board members. The Supervisory Board appoints the Management Board members, recalls them from office, and determines the allocation of their responsibilities. It can also appoint a Management Board Chair (CEO) and a Deputy Management Board Chair, as well as deputy Management Board members.

Composition of the Management Board

During the 2021/2022 financial year, the Management Board of BRAIN AG consisted of the following members:

TABLE 03.1 COMPOSITION OF THE MANAGEMENT BOARD

Name	Role	Management Board member since	Contract end
Adriaan Moelker	Chief Executive Officer	1 February 2020	31 January 2024
Lukas Linnig	Chief Financial Officer	1 October 2020	30 September 2023 (stepped down from the Management Board as of 30 September 2022)

All Management Board members are individually responsible for managing the business division entrusted to them; the company's overall interest has to be taken into consideration at all times in this context. The allocation of business areas to the individual Management Board members is derived from the business allocation plan that is prepared with the Supervisory Board's approval, and can be modified at any time with its approval.

The business allocation plan included the following allocations during the 2021/22 financial year:

Adriaan Moelker (Chief Executive Officer – CEO)

- Corporate strategy
- Coordinating the individual Management Board areas and contacts with the company's boards
- Business development of the BioScience segment
- Business development of the BioIndustrial segment
- Press and public relations work (corporate communications)
- Technology management, research and development, technological process optimization
- Personnel, purchasing
- Grants and academic partnerships
- IT, digitalization

- Product development
- Formulation and application technology
- Quality assurance
- Production scale-up
- Innovation management
- Corporate responsibility and ESG
- Registration and approval
- Patent strategy

Lukas Linnig (Chief Financial Officer – CFO)

- Management of shareholdings
- M&A
- Corporate finance
- Financial communications (IR)
- Accounting and controlling
- Compliance
- Risk management
- Legal, administration and organization, Group audit
- Occupational safety
- Business development of L.A. Schmitt
- Project to develop a genome editing platform (including BEC)

The Management Board has a set of rules of business procedure. The rules of business procedure for the Management Board were approved by the Supervisory Board and the allocation of business responsibilities was last updated in their entirety in December 2020 in accordance with the Management Board's proposal. These particularly include regulations about the working methodology of the Management Board and the allocation of responsibilities between the Management Board members, as well as relating to collaboration with the Supervisory Board. They include a catalog of actions and legal transactions requiring Supervisory Board assent. As far as the transfer of the CFO role from Mr. Linnig to Mr. Schneiders at the beginning of the 2022/23 financial year is concerned, the Supervisory Board will adjust the allocation of responsibilities.

The Personnel Committee of the Supervisory Board is responsible for discussing long-term succession options with the Management Board. The Management and Supervisory boards agree on requirements for the appointment of successors based on the planned development for the company, which provide guidelines for the selection of candidates. The Supervisory Board endeavors to achieve a staggered duration of mandates in the future, if possible by means of mandate extensions or reappointments, thereby dispensing with the need to fill several Management Board mandates concurrently if no scheduled mandate extension occurs.

The Supervisory Board has approved an age limit of 65 years for members of the Management Board.

Management Board meetings

Management Board meetings are held as required, which is generally every three weeks. These must be convened if the company's interests so require. Management Board resolutions are passed with a simple majority of the votes cast, unless statutory provisions prescribe another majority. If the Management Board consists of at least three members, the vote of the Management Board Chair (CEO) is decisive given an equal number of votes.

Collaboration with subsidiaries

At least once a quarter, the Management Board of BRAIN Biotech AG and the management of the subsidiaries

meet in person or hold conference calls on the course of business and forthcoming developments at the subsidiaries. The subsidiaries report monthly to BRAIN Biotech AG and consult with the Management Board at short notice in the event of deviations from the planning or forecast. The Management Board reports to the Supervisory Board on reporting and coordination with the subsidiaries and, if requisite, consults with it separately on individual topics.

Management Board compensation

The compensation scheme for the Management Board, which was approved by the Supervisory Board on 11 December 2020 and approved by the Annual General Meeting on 10 March 2021, is published on the company's website at www.brain-biotech.com/investors/compensation.

Detailed information on the compensation structure and compensation of the individual members of the Management Board and the compensation of the members of the Supervisory Board can be found in the compensation report pursuant to Section 162 of the German Stock Corporation Act (AktG), which can be downloaded from www.brain-biotech.com/investors/compensation.

Notifiable securities transactions

The Management and Supervisory board members, other individuals with management roles with regular access to the company's insider information and who are authorized to take important business decisions, as well as certain individuals closely related to the aforementioned, are obligated by law to disclose to BRAIN Biotech AG the purchase and sale of BRAIN shares and related financial instruments, especially derivatives, from upwards of an amount of € 20,000 in the calendar year. Notifications of corresponding transactions are also published on our website at www.brain-biotech.com/investors/financial-news. For the 2021/22 financial year, the company was notified of two such securities transactions, namely by Lukas Linnig (published on 7 April 2022) and by Adriaan Moelker (published on 7 April 2022). Lukas Linnig purchased shares in April 2022 for a total purchase price of € 44,474.83. Adriaan Moelker purchased shares in April 2022 for a total purchase price of € 43,500.00.

Supervisory Board working methodology

The Supervisory Board has all responsibilities and rights transferred or allocated to it by law, the company's bylaws, or in another manner. This especially includes supervising the executive management of the company, the appointment and dismissal of Management Board members, as well as the amendment, cancellation and termination of employment contracts with the Management Board members. The Supervisory Board consults regularly with the Management Board concerning the management of the company. The Supervisory Board is involved in good time in all decisions of fundamental significance for the company. The Supervisory Board has established a set of rules for its own business procedures. These include, among other matters, the working methodology and type of passing of resolutions on the Supervisory Board, as well as the tasks of the Supervisory Board committees that are formed (the Audit Committee, the Personnel Committee and the Nomination Committee). Separate sets of rules are also approved for the committees to regulate their working methodologies. All rules of business procedure are adapted regularly to reflect any modifications to the German Corporate Governance Code (DCGK).

The Supervisory Board met for a total of three face-to-face meetings in the 2021/22 financial year. In addition, 24 video conferences were held by the Supervisory Board and the committees, as well as three face-to-face meetings. The Audit Committee held one face-to-face meeting during the 2021/22 financial year. The Personnel Committee met for two face-to-face meetings and 14 video conferences during the 2021/22 financial year. The Nomination Committee held two video conferences during the 2021/22 financial year.

The Management Board participates in ordinary meetings of the Supervisory Board when invited to do so,

reports in writing and orally on the individual agenda items and draft resolutions, and answers the questions of the individual Supervisory Board members. The Supervisory Board Chair has the Management Board provide regular information concerning current business, forwarding such information in an appropriate form to the entire Supervisory Board.

Supervisory Board resolutions are generally passed at face-to-face meetings of the Supervisory Board members. Absent Supervisory Board members can submit a written vote through another Supervisory Board member. This also applies for the submission of the second vote of the Supervisory Board Chair. Outside the scope of attended meetings, the passing of resolutions is permissible through votes conveyed by written, telegram, telephone, telex or modern telecommunications means (by conference call or video conference or by email, for example), if so arranged for special reasons by the Supervisory Board Chair, or, if the Supervisory Board Chair is prevented from so doing, the Deputy Supervisory Board Chair. The Supervisory Board is considered quorate if all members are convened in good time via their last provided address, and at least half of the members of which it is to consist in total participate in the passing of the resolution. Supervisory Board members also participate in the passing of a resolution if they abstain from voting. Supervisory Board resolutions are passed with a simple majority of votes submitted, unless other majorities are required by law. This also applies in the case of elections. Abstentions are not counted when determining the results of voting. Given an equal number of votes, the Supervisory Board Chair – or if the Supervisory Board Chair is prevented from so doing, the Deputy Supervisory Board Chair – decides whether a further vote is to be held at the same meeting. Given a further vote on the same matter, the Supervisory Board Chair has two votes; the Deputy Supervisory Board Chair does not have this right to a second vote.

All Supervisory Board members must disclose conflicts of interest to the Supervisory Board, including potential conflicts of interest based on advising, or being a director of, a customer, supplier, lender or other third party, whereby this list is not conclusive. In the case of conflicts of interest that are significant or not just of a temporary nature, the respective Supervisory Board members must step down from office. The Supervisory Board provides information in its report to the AGM on conflicts of interest that arise and how they are handled. No conflicts of interest arose in the reporting period.

The Supervisory Board completed a self-assessment in August 2020. In order to conduct the self-assessment, the current situation was appraised based on questionnaires, and the results of the questionnaires were discussed by the Supervisory Board. After evaluating the results, the Supervisory Board notes that it performs its activities efficiently overall. Potential improvements identified as part of the audit are taken into consideration for the future. The Supervisory Board plans to conduct the next self-assessment in the 2023 calendar year.

Composition of the Supervisory Board

Pursuant to Section 9 (1) of the company's bylaws, the Supervisory Board of BRAIN Biotech AG consists of six members elected by the AGM. Unless the AGM approves a shorter period for the election of individual members – or for the entire Supervisory Board – the Supervisory Board members are appointed until the end of the Ordinary AGM that approves the discharge for the third financial year after the start of the period of office. The year in which the period of office starts is not included in the calculation. Reelection is permissible. When a Supervisory Board member is elected, a replacement member can be elected at the same time who moves up to the Supervisory Board if the Supervisory Board member steps down before the end of the respective period of office without a successor having been appointed. The appointment of the replacement member moving up to the Supervisory Board in this manner lapses as soon as a successor for the departing member has been appointed, although this is to occur at the latest as of the end of the period of office of the departing Supervisory Board member.

The Supervisory Board consisted of six members as of the start of the financial year under review.

Prof. Dr. Bernhard Hauer stepped down from the Supervisory Board at his own request on 31 May 2022, prior to the expiry of his regular term of office.

During the 2021/22 financial year, the Supervisory Board consisted of the following individuals:

TABLE 03.2 MEMBER OF THE SUPERVISORY BOARD

Name, Role	Member since	Appointed until the AGM in the respective FY	Further board mandates in 2021/22
Dr. Georg Kellinghusen Chairman of the Supervisory Board	9 March 2017	2022/23	<ul style="list-style-type: none"> Member of the Advisory Board of NWB Verlag GmbH & Co. KG, Herne (mandate ended in FY 2021/22) Member of the Advisory Board of Advyce GmbH, Munich Member of the Advisory Board of Simplifa GmbH, Berlin Member of the Bavaria Advisory Board of Deutsche Bank AG, Frankfurt am Main (listed company)
Dr. Anna C. Eichhorn Deputy Chair	9 March 2017	2024/25	<ul style="list-style-type: none"> CEO of humatrix AG, Pfungstadt Management Board member (Deputy Chair) of Initiative gesundheitswirtschaft-rhein-main e. V. Member of the Supervisory Board of Frankfurter Innovationszentrum Biotechnologie (FIZ), Frankfurt am Main Member of the Management Board of House of Pharma & Healthcare e. V.
Stephen Catling Supervisory Board member	14 October 2020	2024/25	<ul style="list-style-type: none"> Chairman of the Board of Directors of the Cambridgeshire Community Foundation, UK Chairman of the Board of Trustees of FoodCycle, UK
Prof. Dr. Bernhard Hauer Supervisory Board member	7 March 2019	2022/23 (stepped down as of 31 May 2022)	<ul style="list-style-type: none"> Member of the Scientific Advisory Board of Biosyntia ApS, Member of the Scientific Advisory Board of Provivi, Inc., Member of the Scientific Advisory Board of Arzeda Corporation
Dr. Michael Majerus Supervisory Board member	7 March 2019	2022/23	<ul style="list-style-type: none"> Non-executive director on the Management Board of Deutsches Aktieninstitut e. V., Frankfurt am Main (mandate ended in FY 2021/22)
Prof. Dr. Wiltrud Trefffeldt Supervisory Board member	14 October 2020	2024/25	<ul style="list-style-type: none"> Member of the Supervisory Board of ProBioGen AG, Berlin Member of the Board of Trustees of the Fraunhofer Institute for Systems and Innovation Research ISI, Karlsruhe Member of the Board of Trustees of the Fraunhofer Institute for Interfacial Engineering and Biotechnology IGB, Stuttgart

All members of the Supervisory Board are independent in the meaning of Sections C.6, C.7 and C.9 of the German Corporate Governance Code (DCGK).

The recommendations in Sections C.4 and C.5 DCKG regarding the total number of mandates held are complied with by the Supervisory Board members.

The Supervisory Board's competency profile and objectives are composed as follows: the Supervisory Board is of the opinion that one third of its members should cover with particular expertise the areas of entrepreneurship/new business as well as corporate finance/capital markets and the company's sector, and that it fulfills all self-imposed requirements in the intended number, taking into account the members of the Supervisory Board reappointed in October. Moreover, the Supervisory Board regards the recruiting of a further individual with knowledge of the North American market as a relevant medium-term objective for the company. The last women's quota set was exceeded. The Supervisory Board has set an age limit of 75 years for newly appointed Supervisory Board members. The Supervisory Board endeavors to ensure that the average age of the entire board does not rise any further in the case of new appointments, and that the board's heterogeneity in terms of differing curricula vitae is not reduced. To date, the Supervisory Board has not set a limit for the maximum length of service. The Supervisory Board also deals extensively with sustainability issues and plans to further strengthen these competencies.

	Dr. Georg Kellinghusen	Dr. Anna C. Eichhorn	Stephen Catling	Dr. Michael Majerus	Prof. Dr. Wiltrud Treffenfeldt
Business area (with highlighted expertise)	X	X	X	X	
New business areas (with highlighted expertise)		X	X		X
Corporate finance/capital markets (with highlighted expertise)	X			X	
Sector (with highlighted expertise)		X	X		X
Internationality (professional experience and/or residency)		X	X	X	X
M&A	X		X	X	X
Controlling & risk management	X			X	
Sustainability				X	X

Committees

The Management Board of BRAIN Biotech AG has not formed any committees.

The Supervisory Board has formed a total of three committees to efficiently perform its work: an Audit Committee, a Personnel Committee and a Nomination Committee. The committees prepare resolutions for the Supervisory Board as well as agenda items to be handled by the plenary meeting. In all cases, the committee chairs report on the committees' work at the subsequent meeting. The Supervisory Board also meets annually for a strategy meeting.

Audit Committee

The Audit Committee consists of the following individuals until the end of their respective periods of office (the chair and up to two further members):

Name	Role	Independence
Dr. Michael Majerus	Chair	yes
Dr. Georg Kellinghusen	Member	yes
Stephen Catling	Member	yes

The Audit Committee concerns itself especially with the supervising of financial accounting, the financial accounting process, the efficacy of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, sustainability topics as well as compliance. The Audit Committee submits a substantiated recommendation for the election of the auditor to the Supervisory Board, which comprises of at least two candidates if the audit mandate is to be put out to tender. The Audit Committee supervises the auditor's independence and concerns itself with services to be rendered additionally by the auditor, the award of the audit mandate to the auditor, the setting of focus audit areas, as well as arranging the auditor's fee.

Pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), at least one member of the audit committee must possess expertise in the financial accounting area and at least one further member must possess expertise in the auditing area. The Audit Committee Chair, Dr. Michael Majerus, meets the statutory conditions pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG) and also possesses specialist knowledge as head of financial accounting and CFO, including at three listed companies. His main areas of expertise are controlling & risk management, corporate finance and capital markets as well as financial

accounting. Supervisory Board Chairman Dr. Georg Kellinghusen, who is also a member of the Audit Committee, has knowledge of financial accounting and auditing from his CFO roles at various companies and as a member of supervisory boards of public stock corporations.

Personnel Committee

The Personnel Committee consists of the following individuals until the end of their respective periods of office (the chair and up to two further members):

Name	Role
Dr. Georg Kellinghusen	Chair (independent)
Dr. Michael Majerus	Member
Prof. Dr. Wiltrud Treffenfeldt	Member

The Personnel Committee concerns itself mainly with personnel matters relating to the Management Board. In particular, it plays a preparatory role for the Supervisory Board in the selection, appointment and recall from office of Management Board members, the agreeing and supplementation of Management Board contracts and pension arrangements, setting the compensation scheme for Management Board members and its implementation in the Management Board contracts, target setting for the variable compensation, setting and reviewing the appropriateness of overall compensation of the individual Management Board members, and approving the annual compensation report. It also submits recommendations for resolutions. Moreover, the Personnel Committee can pass resolutions on the Supervisory Board's behalf in relation to the following matters: certain legal transactions with Management Board members (e.g. in the meaning of Section 112 of the German Stock Corporation Act [AktG]), and approving Management Board members' outside activities pursuant to Section 88 AktG, especially where Supervisory Board mandates outside BRAIN Group are accepted.

Nomination Committee

The Nomination Committee consists of the following individuals until the end of their respective periods of office (the chair and up to two further members):

Name	Role
Dr. Anna C. Eichhorn,	Chair (independent)
Dr. Georg Kellinghusen	Member
Prof. Dr. Bernhard Hauer, until 31 May 2022	Member
Dr. Michael Majerus, since 1 June 2022	Member

The Nomination Committee submits appropriate candidates to the Supervisory Board for it to propose to the AGM for election.

Remarks concerning the working methodology of the Management Board, the Supervisory Board, and the committees in the financial year are also presented in the report by the Supervisory Board, which is included in the annual report of BRAIN Biotech AG.

Dialog with investors

The Supervisory Board discussed the suggestion contained in Number A.6 of the German Corporate Governance Code (DCGK), and was in favor of the Supervisory Board Chairman being available to respond to inves-

tors' questions relating specifically to the Supervisory Board. The Management Board of BRAIN Biotech AG also welcomes this move.

Supervisory Board compensation

Pursuant to Section 14 (1) of the company's bylaws, all Supervisory Board members receive not only reimbursement of their outlays but also a fixed annual payment of € 15,000.00. The Supervisory Board Chair receives twice this amount, and the Deputy Supervisory Board Chair receives one and a half times this amount. Supervisory Board members who have not been Supervisory Board members for a full year of service receive the aforementioned compensation pro rata temporis to the level of one twelfth for each month of service they commence. Moreover, all members of the Supervisory Board receive an attendance fee of € 1,000.00 for each meeting of the Supervisory Board and its committees in which they participate, and an attendance fee of € 500.00 for participating in a conference call of the Supervisory Board or its committees. The chairs of the Supervisory Board committees also receive an annual payment of € 15,000.00.

The company has taken out D&O (directors & officers) insurance cover for the Supervisory Board members. No deductible was arranged for Supervisory Board members.

Detailed information about the Supervisory Board members' compensation can be found in the compensation report pursuant to Section 162 of the German Stock Corporation Act (AktG), which can be downloaded at www.brain-biotech.com/investors/compensation.

Commitment to promote participation by women in management positions pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act (AktG)

At its meeting on 23 September 2016, the Supervisory Board of BRAIN Biotech AG passed a resolution whereby the Supervisory Board should include one woman, corresponding to a 17% ratio. The deadline for implementation was set at 30 June 2017. This objective was implemented on 9 March 2017 when Dr. Anna C. Eichhorn was elected to the Supervisory Board of BRAIN Biotech AG. The retention of this goal was confirmed at the meeting on 28 September 2017 for the period until 30 June 2022. In the context of the replacement of Supervisory Board members in accordance with Section 104 (2) Clause 1 of the German Stock Corporation Act (AktG), the proportion of women on the Supervisory Board increased to 33% with the appointment of Prof. Dr. Treffenfeldt. Also on 28 September 2017, the Supervisory Board passed a resolution to leave the ratio for women on the Management Board of BRAIN Biotech AG unchanged at 0% until 30 June 2022. On 15 December 2022, the Supervisory Board increased the target for the composition of the Supervisory Board to 33%, with an implementation deadline of 30 June 2027. On the same day, the target for the Management Board was left at 0%. This target was maintained on the basis that the medium- to long-term planning for the Management Board assumes that the members of the Management Board in office in the 2022/23 financial year are scheduled for an extension of their periods of office. Setting a different ratio would stand at variance with this medium- to long-term planning. In the event of an increase in the number of members of the Management Board, this objective would require review, as would be the case if the Management Board members in office in the 2022/23 financial year did not renew their service contracts. On the basis of a decision made during the 2021/22 financial year, the new CFO for the 2022/23 financial year was appointed from a selection of internal candidates. Priority was given to replacement by internal candidates as not only were suitable internal candidates available, but also to ensure as rapid and straightforward a handover as possible.

The Management Board is composed exclusively of men at present. For the first management level below the Management Board, the Management Board of BRAIN Biotech AG passed a resolution to set a 14% target for participation by women and determined that this goal should be implemented by 30 June 2017. This target was reached with a level of 14% on 30 June 2017.

As a consequence, the Management Board of BRAIN Biotech AG has set the target for the proportion of women at the first management level below the Management Board at 14%, with a deadline for implementation by the end of 30 September 2020. With the end of the implementation period mentioned above, the proportion of women at the first management level was reached. The Management Board has approved a 20% ratio of women by 30 September 2025 for the first management level below the Management Board in the meaning of Section 76 (4) AktG.

Considering the management matrix structure established within the company, especially including command and reporting lines between Management Board and subordinated levels, as well as taking into consideration the company's size, only one management level exists below the Management Board in the meaning of Section 76 (4) AktG.

Shareholders and the AGM

The shareholders exercise their co-management and controlling rights at the Shareholders' General Meeting (the Annual General Meeting/AGM), which is chaired by the Supervisory Board Chair pursuant to the company's bylaws. Each share in BRAIN Biotech AG grants one vote. Shareholders can exercise their voting rights at the AGM itself, or have it exercised by a proxy of their choosing or by a company proxy. The Management Board is authorized to ensure that shareholders that do not attend the AGM can also participate in the AGM and exercise their rights wholly or partly by way of electronic communications (online participation), or to issue their votes without participating in the meeting by way of written or electronic communications (postal option). The Management Board is also authorized to set the specific arrangements relating to the scope and procedure for online participation and postal voting. These are to be announced in the convening document for the AGM. All shareholders are entitled to participate in the AGM, to speak on the respective agenda items, and to request information about the company's affairs, where such information is required in order to arrive at an objective assessment of an agenda item.

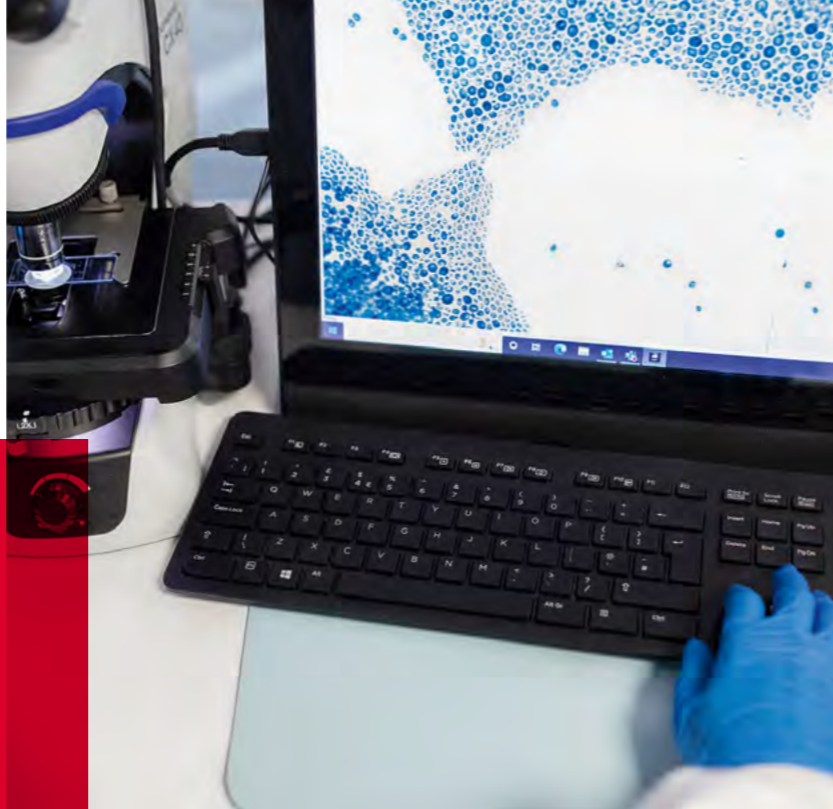
The sixth public Annual General Meeting of BRAIN Biotech AG was held for the second time as a virtual Annual General Meeting on 9 March 2022 in Offenbach. The invitation for the AGM was published in good time in the German Federal Gazette (Bundesanzeiger) pursuant to statutory regulations, including the agenda with the proposed resolutions of the management and of the Supervisory Board as well as the terms for participating in the AGM and the exercising of voting rights, among other matters. All reports and documents required by law were available on the website of BRAIN Biotech AG from the date when the AGM was convened. Directly following the AGM, BRAIN Biotech AG published the attendance and voting results on its website. Four out of five items on the agenda were submitted to the vote at the AGM. All of the proposed resolutions were accepted given an attendance of the share capital of BRAIN Biotech AG of 63.72%.

Financial accounting and auditing

The unaudited quarterly financial statements as of 31 December 2021 (3M) and 30 June 2022 (9M) as well as the unaudited half-year financial report (6M) as of 31 March 2022 and the consolidated financial statements for the financial year ending 30 September 2022 were prepared in accordance with Section 315e (1) of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS). The separate financial statements of BRAIN Biotech AG for the 2021/22 financial year were prepared in accordance with the regulations of the German Commercial Code (HGB), and the German Stock Corporation Act (AktG).

Zwingenberg, December 2022

Management Board and Supervisory Board



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Basis of the Group

- BRAIN strives to achieve breakthrough innovations based on biotechnological processes for societal problems in the areas of nutrition, health and the environment, using its own research funds and together with partners.
- As a technology pioneer in industrial biotechnology, BRAIN participates over proportionately in the growth potential of the Bioeconomy as well as circular economy.

Group business model

BRAIN Biotech AG is a growth company focussed on industrial biotechnology with an emphasis on business activities in the areas of nutrition, health and the environment. A science-based product business forms the core of our growth strategy.

The BioScience segment consists of our R&D services instead of programs for contract research conducted in partnership with industrial companies. These programs aim to make previously untapped high-performance enzymes, microbial producer organisms as well as natural substances deriving from complex biological systems usable in an industrial context. The BioScience segment is also home to our incubator. Here, deploying both our own research funds and working together with partners, we aim for breakthroughs in biotechnological solutions that address a number of large societal issues: nature-based food, health and environmentally compatible production methods. The BRAIN Biotech AG website presents a full overview of these topics. The BioIndustrial segment comprises mainly the industrially scalable business with a focus on the production of enzymes, microorganisms and bioactive natural substances. By investing in its own fermentation capacities, BRAIN Group has expanded its value chain in this segment.

BRAIN has a comprehensive research and development infrastructure at its location in Zwingenberg, as well as at the site of the subsidiary AnalytiCon Discovery GmbH in Potsdam, with the latter focusing on natural compounds. Special production expertise and market access is offered by our subsidiaries in relation to enzyme products, microorganisms and bioactive natural compounds: WeissBioTech GmbH, Ascheberg, Germany, Biocatalysts Ltd., Cardiff, UK, Biosun Biochemicals Inc., Tampa, USA, as well as Weriol Group B.V., Nieuwkuijk, Netherlands, which was newly acquired in the financial year under review (hereinafter referred to as Breatec Group). Cosmetic products are manufactured and distributed by L.A. Schmitt GmbH, Ludwigstadt, Germany (deconsolidated as of 30 September 2022). Moreover, as part of the spin-off SolasCure Ltd. based in Cardiff, UK, an ingredient for enzymatic wound healing is to be approved for marketing.

The major target of the 'bioeconomy' is to replace chemical-industrial processes with innovative, resource-conserving bio-based processes, as well as to establish new processes and products. BRAIN Group utilizes biotechnological processes in its production.

Management system

BRAIN's financial control parameters include revenue and adjusted EBITDA.¹ In the company's view, revenue appropriately reflects the Group's overall financial performance during the respective reporting period. Adjusted EBITDA better reflects the Group's underlying earnings

¹ Earnings before interest, tax, depreciation and amortization.

development than EBITDA, as it excludes exceptional items. Adjusted EBITDA is calculated by eliminating expenses from the share-based payments of BRAIN Biotech AG, as well as acquisition and integration costs from BRAIN Group's expansion. In the previous year, an adjustment was also made for other income from a gain on a bargain purchase.

As key non-financial indicator, the company refers to milestones achieved in the context of cooperation agreements and option exercises. The number of milestones reached and exclusive options exercised serves as an important measure of the technological targets achieved in the strategic industrial partnerships, and consequently of BRAIN's technology expertise. The management metrics underlying the planning and steering are calculated based on International Financial Reporting Standards (IFRS).

Research and development

Biotechnology research and the development of biotechnology processes and products represent an important expertise, and form the foundation of the Group's business activities. As early as 1999, BRAIN applied proprietary metagenome technologies in order to develop production organisms, enzyme products and genetic libraries. Today, BRAIN's portfolio consists of various patented special technologies, as reflected in the patent portfolio. This includes genome engineering technologies (BEC/BMC), a molecular biology technology developed and patented by BRAIN for the targeted and precise modification of DNA. For this purpose, nucleases (special enzymes) are utilized as so-called "gene scissors." BRAIN is also active in the areas of wound healing as well as green and urban mining.

Here, BRAIN achieved important milestones together with its partners. In the wound healing area, we are at the end of Phase 2a clinical trials. For the Gold from Waste Streams project, an industrial partnership was arranged for development up to market launch.

BRAIN's proprietary BioArchive includes around 53,000 comprehensively characterized microorganisms, isolated natural substances, chassis microorganism strains to develop production organisms, as well as genetic libraries encompassing new enzymes and metabolic pathways. The assets of subsidiary AnalytiCon Discovery GmbH, Potsdam, include a unique collection of pure natural materials and semisynthetic substances based on natural material building blocks. These collections aggregated within the BioArchive are being expanded in ongoing projects, enabling the identification of hitherto uncharacterized enzymes and natural substances, and new access to microorganisms that have not proved cultivatable to date.

Expenses for research and development amounted to € 4.9 million in the 2021/22 financial year, compared with € 5.4 million in the 2020/21 financial year. This corresponds to 10% of revenue in the 2021/22 financial year, compared with 14% in the previous financial year. Investments in research and development in the 2021/22 financial year mainly include expenses to develop various products (such as new sweeteners and processes to extract biological metal from waste and side streams, as well as the new BEC genome editing technology) at the sites in Zwingenberg and Potsdam. Research and development expenses include € 0.4 million of third-party services (previous year: € 0.5 million).

The Group currently employs 195 people in research and development functions (previous year: 184).

Economic and business report

- BRAIN Group revenue increased to €49.5 million in the financial year 2021/22
- Significant improvement in EBITDA

1 Macroeconomic and sector-related conditions

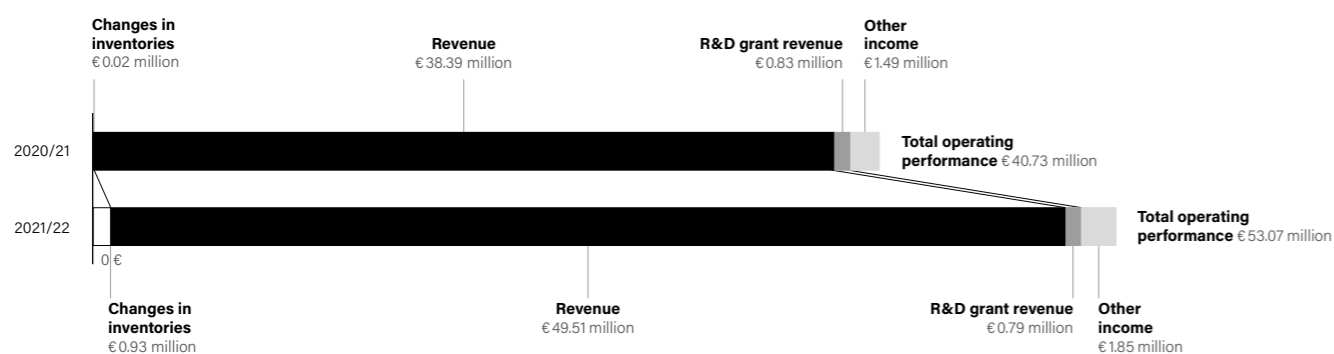
In an overall challenging and volatile global economic environment which also entailed continuing risks to global economic growth, general conditions for industrial biotechnology remained positive in the 2021/22 financial year. This was reflected by the second-highest level of capital raised by biotechnology companies in Germany in 2021. Excluding the extraordinary effects at vaccine manufacturers in the previous year, it was even a record year. M&A activity has also grown continuously over recent years.²

Markets for biotechnology products and processes frequently differ in their trends from those for conventional products within the same application areas. Such markets often exhibit a faster growth dynamic.³ Further, the trend towards more sustainable and healthier lifestyles has also been increasingly evident in recent years, which is highly relevant for BRAIN's growth and development.

While absolute revenue growth has been the highest in the therapeutic and diagnostic sector, industrial biotechnology also recorded growth.⁴ Along with substituting petrochemical-based products, our research and development activities focussed on biological solutions for sugar and salt substitutes as well as alternative protein sources.

² EY Biotech Report 2022.
³ Bio Deutschland survey 2021 of 20 April 2021 "Germany's biotech sector experiences record growth".
⁴ Biotechnologie Jahrbuch 2022, Biocom.

FIGURE 04.1 COMPOSITION OF TOTAL OPERATING PERFORMANCE



2 Business progress

TABLE 04.1 EXTRACT FROM THE STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2021/22	2020/21
Revenue	49,509	38,389
Research and development grant revenue	786	833
Changes in inventories	932	23
Other income	1,845	1,486
Total operating performance	53,072	40,731
EBITDA	-1,309	-2,533
Adjusted EBITDA	-98	-2,089
EBIT	-5,648	-6,548
Net financial result	-516	2,271
Pretax loss for the reporting period	-6,165	-4,276
Net loss for the reporting period	-6,341	-4,680
Earnings per share (in €)	-0.30	-0.25

BRAIN's consolidated revenue increased to €49.5 million in the 2021/22 financial year. Compared with the previous year (€38.4 million), this represents growth of 29%. Although this growth was partly driven by the acquisition of the Breatec Group, more than half of it is based on organic growth.

Organic growth arose both from a strengthened project business in the BioScience segment and from an expanding enzymes business in the BioIndustrial segment.

The focus of revenue was on Germany (c. 16%, previous year: c. 18% of total revenue), the USA (c. 28%, previous year: c. 23%), the Netherlands (c. 13%, previous year: c. 13%), the UK (c. 7%, previous year: c. 10%) as well as France (c. 8%, previous year: c. 8%). Revenue in Germany decreased to €7.9 million (previous year: €8.9 million). International revenue grew year-on-year to reach €41.6 million (previous year: €29.3 million).

At €0.8 million, research and development grant revenue was unchanged compared with the previous year.

Changes in inventories (€0.9 million) were higher than in the previous year (€0.0 million). In the BioScience segment, the change in inventories increased from €-0.1 million in the previous year to €0.1 million. The change in inventories in the BioIndustrial segment increased from €0.1 million in the previous year to €0.8 million. The higher level of inventories in the BioIndustrial segment is mainly due to the revenue growth as well as planned inventory accumulation. Other income increased by €1.5 million year-on-year to €1.8 million. This figure includes one-off items, such as €0.7 million in other income from the divestiture of L.A. Schmitt GmbH during the financial year under review, and €0.9 million of income from a gain on a bargain purchase in the previous year.

At €53.1 million, the total operating performance deriving from the aforementioned developments was 30.3% up on the previous year (€40.7 million). In the 2021/22 financial year, a total of five milestones were achieved and exclusivity options exercised (previous year: ten). The milestones reached and exclusivity options exercised relate to different cooperation partners.

3 Results of operations

In line with the higher revenue, the cost of materials also increased by 36.5% from €16.8 million to €23.0 million. As a consequence, the ratio of cost of materials to revenue rose slightly from 43.9% to 46.4%. Third-party services within BRAIN Group decreased by 15.6% to €1.3 million. Third-party services were purchased mainly from universities, companies with production expertise, and other technology firms.

Compared to the previous year, personnel expenses increased by 11.1% from €19.5 million to €21.7 million. This was mainly due to higher wages and salaries, as well as BRAIN Group's share-based compensation. In contrast, the personnel expense ratio decreased from 50.8% to 43.8%.

At €9.7 million (previous year: €6.9 million), other expenses were higher than in the previous year, reflecting, among other items, the acquisition of the Breatec Group and (mainly as a consequence of inflation) higher energy costs and costs for the delivery of goods and logistics services.

As a consequence of the aforementioned effects, EBITDA improved from €-2.5 million to €-1.3 million.

In the past financial year, adjusted EBITDA also improved to €-0.1 million compared to €-2.1 million in the previous year.

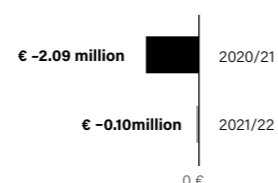
As in the previous year, EBITDA was influenced by various non-operating effects, for which adjustments have been made. These include acquisition and integration costs, expenses for share-based compensation schemes and other income from the divestiture of L.A. Schmitt GmbH. In the previous year, an additional adjustment was made for other income from a gain on bargain purchase.

The following table shows the reconciliation of reported EBITDA to adjusted EBITDA, excluding the income and expenses described above:

TABLE 04.2 RECONCILIATION OF REPORTED EBITDA TO ADJUSTED EBITDA

€ thousand	2021/22	2020/21
EBITDA, including:	-1,309	-2,533
Other income from a gain on bargain purchase	0	858
Personnel expenses from share-based payment components	-1,384	-989
Other operating expenses related to M&A transactions and the integration of acquired businesses	-476	-313
Other income from the divestiture of L.A. Schmitt GmbH	650	0
Adjusted EBITDA	-98	-2,089

FIGURE 04.2 ADJUSTED EBITDA



The adjustments relate to personnel expenses (share-based payment), other expenses (acquisition and integration costs) and other income (in the 2021/22 financial year: divestiture of L.A. Schmitt GmbH, and in the 2020/21 financial year: gain on bargain purchase).

EBIT also improved year-on-year from €-6.5 million to €-5.6 million.

The net financial result decreased from €2.3 million to €-0.5 million due to subsequent valuation effects from financial liabilities in connection with put option rights relating to Biocatalysts Group, which were negative in the financial year under review compared with a positive effect in the previous year. In addition, a planned negative result from the equity accounted interest in SolasCure Ltd. contributed to a lower net financial result. This is offset by a gain from share dilution relating to the interest in SolasCure Ltd.

As a consequence, the pretax result deteriorated from €-4.3 million to €-6.2 million.

The loss after taxes amounted to €-6.3 million (previous year: €-4.7 million). Of this amount, €-6.6 million is attributable to the shareholders of BRAIN Biotech AG.

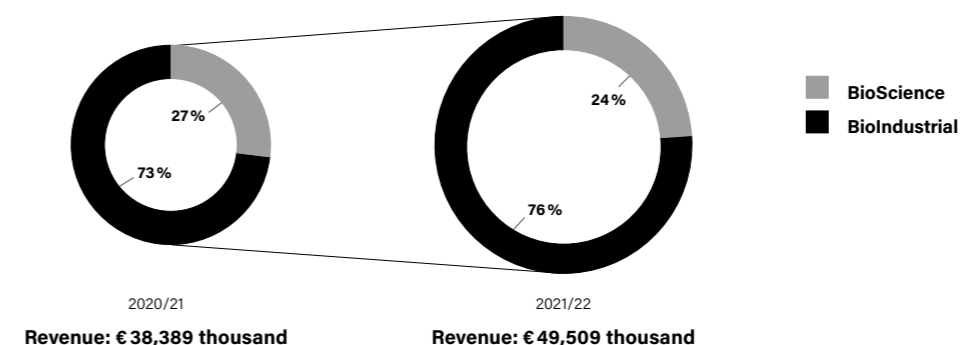
Overall, the revenue and adjusted EBITDA trends were fully in line with our fiscal year guidance (see also the detailed forecast report in this Group management report).

The operating segments report the following results:

TABLE 04.3 SEGMENT SHARE OF REVENUE

	2021/22	2020/21
BioScience	24 %	27 %
BioIndustrial	76 %	73 %

FIGURE 04.3 SEGMENT SHARE OF REVENUE



BioScience segment

The BioScience segment mainly includes research and development business with industrial partners, and the company's own research and development.

TABLE 04.4 BIOSCIENCE SEGMENT

€ thousand	2021/22	2020/21
Revenue	12,079	10,313
Research and development grant revenue	632	772
Changes in inventories	108	-114
Other income	727	574
Total operating performance	13,545	11,545
Cost of materials	-2,694	-2,431
Personnel expenses	-12,752	-12,123
Other expenses	-4,226	-3,193
EBITDA	-6,126	-6,202
Adjusted EBITDA	-4,902	-5,377
Depreciation, amortization and impairment	-1,353	-1,287
EBIT	-7,479	-7,489

Revenue in the BioScience segment was up by 17.1%, from €10.3 million to €12.1 million, reflecting growth in the project business. New cooperation partners were acquired in the financial year under review and existing relationships with cooperation partners were expanded. Research and development grant revenue decreased by €0.2 million from €0.8 million to €0.6 million. As a consequence, total operating performance grew by €2.0 million year-on-year from €11.5 million to €13.5 million.

Segment adjusted EBITDA improved from €-5.4 million to €-4.9 million, mainly due to the higher revenue level.

BioIndustrial segment

The BioIndustrial segment consists mainly of the Group's industrially scaled product business.

TABLE 04.5 BIOINDUSTRIAL SEGMENT

€ thousand	2021/22	2020/21
Revenue	37,548	28,236
Research and development grant revenue	154	61
Changes in inventories	824	137
Other income	1,284	939
Total operating performance	39,811	29,373
Cost of materials	-20,402	-14,565
Personnel expenses	-8,929	-7,388
Other expenses	-5,562	-3,745
EBITDA	4,918	3,676
Adjusted EBITDA	4,904	3,295
Depreciation, amortization and impairment	-2,987	-2,727
EBIT	1,931	948

Revenue in the BioIndustrial segment grew from €28.2 million to €37.6 million. This segment's 33.0% growth is mainly driven by revenue generated in the enzymes area, which was supported by organic growth as well as by the previous year's acquisition of the Breatec Group.

The segment's total operating performance also reported growth of 35.5%, from €29.4 million in the previous year to €39.8 million. Other income includes €0.7 million in income from the disposal of L.A. Schmitt and, in the previous year, €0.9 million in income from a gain on bargain purchase.

The segment's adjusted EBITDA grew from €3.3 million to €4.9 million, underlining the importance of the industrially scaled segment, which operates profitably.

4 Net assets and financial position

TABLE 04.6 EXTRACT FROM THE BALANCE SHEET

€ thousand	30.09.2022	30.09.2021
Non-current assets		
Intangible assets	16,764	13,531
Property, plant and equipment	28,737	24,291
Other non-current assets	2,106	801
	47,608	38,623
Current assets		
Other current assets	21,507	14,362
Other financial assets	435	207
Cash and cash equivalents	8,443	24,545
	30,384	39,114
ASSETS	77,992	77,737
Equity		
	34,248	41,828
Non-current liabilities		
Non-current financial liabilities	15,435	17,669
Other non-current liabilities	6,920	6,907
	22,356	24,575
Current liabilities		
Current financial liabilities	8,437	2,649
Other current liabilities	12,951	8,686
	21,388	11,335
EQUITY AND LIABILITIES	77,992	77,737

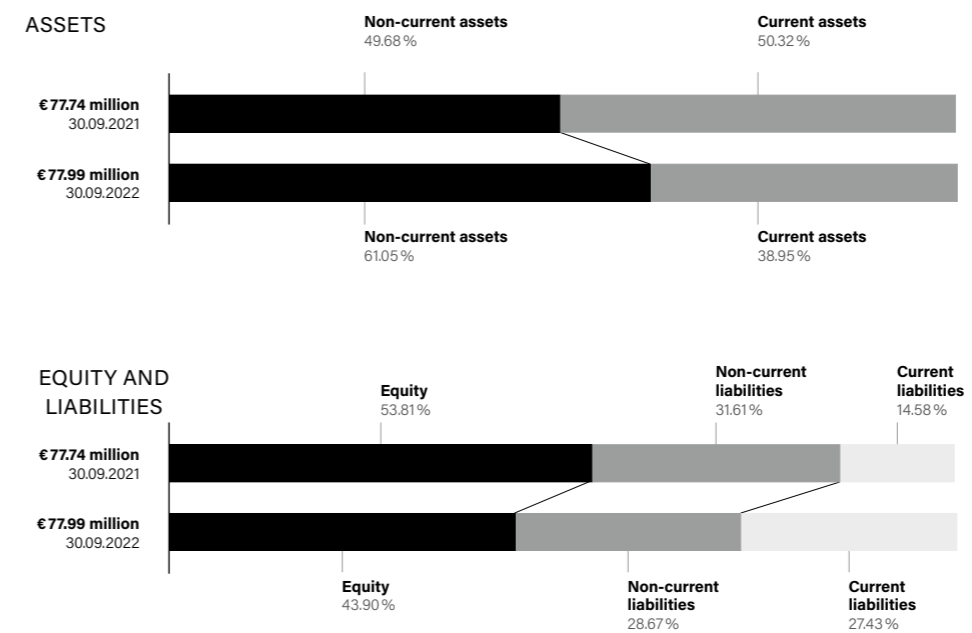
The changes in the net asset position and capital structure in the 2021/22 financial year mainly reflect operating effects, the net loss incurred for the year, as well as subsequent valuation effects in relation to financial liabilities.

Non-current assets increased year-on-year from €38.6 million to €47.6 million as a consequence of investments in new production capacities in the UK, the acquisition of the Breatec Group in February 2022, and participation in a capital increase at SolasCure Ltd.

Current assets decreased from €39.1 million to €30.4 million. This was due, in particular, to the reduction in cash and cash equivalents from €24.5 million to €8.4 million. This was offset by an increase in inventories from €7.0 million to €9.7 million, an increase in trade receivables from €6.7 million to €8.0 million, and an increase in other current assets from €0.6 million to €3.8 million (including €3.0 million in receivables from the divestiture of L.A. Schmitt GmbH).

Equity decreased from €41.8 million to €34.2 million due to the negative result at the level of comprehensive income and the reduction in the capital reserve (by €3.2 million to €92.7 million) due to put option agreements with non-controlling shareholders of the Breatec group.

FIGURE 04.4 BALANCE SHEET STRUCTURE



As at the 30 September 2022 balance sheet date, the company reports authorized capital of €4,369,499 and conditional capital of €1,986,136 (conditional capital to satisfy warrant and conversion rights when issuing bonds with warrants and/or convertible bonds), as well as an amount of €1,805,578 (conditional capital to satisfy option rights from issuing stock options).

Non-current liabilities decreased from €24.6 million in the previous year to €22.4 million in the year under review. This is mainly due to these two effects. Within non-current liabilities, non-current financial liabilities increased; firstly, as a consequence of put option liabilities for the acquisition of non-controlling interests in the Breatec Group. Secondly, due to the passage of time, put option liabilities for the acquisition of non-controlling interests in Biocatalysts were reclassified from non-current to current financial liabilities.

Current liabilities, in contrast, increased by €10.1 million from €11.3 million to €21.4 million, reflecting the aforementioned effect as well as a higher level of trade payables.

Financial management at BRAIN mainly entails securing the necessary liquidity to achieve the company's objectives and to meet payment obligations at all times. Such financial management includes deploying various financing instruments such as loans and leasing.

The financial liabilities are predominantly denominated in euros and pounds sterling. In addition to silent partnerships, the interest-bearing financial liabilities mainly consist of loans from financial institutions with a fixed nominal interest rate of between 1.15% and 6.10%, as well as liabilities for the potential acquisition of company shares from the exercise of put options. Of the interest-bearing loans, €1.4 million have a remaining term up to one year and €2.6 million a remaining term of between more than one year.

The equity ratio stood at 43.9% as of the reporting date, down on the previous year (53.8%). The debt-to-equity ratio increased from 46.2% in the previous year to 56.1% as at 30 September 2022 in the context of the aforementioned parameters. Total assets grew slightly from €77.7 million as at 30 September 2021 to €78.0 million as at 30 September 2022.

Investments

In addition to the acquisition of the Breatec Group, the focus of investments in the financial year under review was on the expansion of production capacity in the UK. In the financial year under review, on-balance-sheet investments including the aforementioned acquisition amounted to €12.7 million, of which €3.1 million comprised net payments from the acquisition of the Breatec Group. The main focus of capital expenditures was on property, plant and equipment, which amounted to €5.8 million, mainly due to the expansion of production capacity at Biocatalysts.

Liquidity

TABLE 04.7 EXTRACT FROM THE CASH FLOW STATEMENT

€ thousand	2021/22	2020/21
Gross cash flow	-5,120	-5,250
Cash flow from operating activities	-1,485	-3,906
Cash flow from investing activities	-12,686	-2,180
Cash flow from financing activities	-1,966	11,572
Net change in cash and cash equivalents	-16,137	5,485

BRAIN Group's gross cash flow amounted to €-5.1 million in the 2021/2022 financial year compared with €-5.3 million in the previous year. Cash flow from operating activities improved from €-3.9 million to €-1.5 million in the financial year under review.

Cash flow from investing activities amounted to €-12.7 million in the current financial year compared with €-2.2 million in the previous year, and mainly reflects additions to property, plant and equipment for the expansion of production capacities in the UK and reflecting the acquisition of the Breatec Group. Further information on this topic is presented in the "Investments" section of this management report.

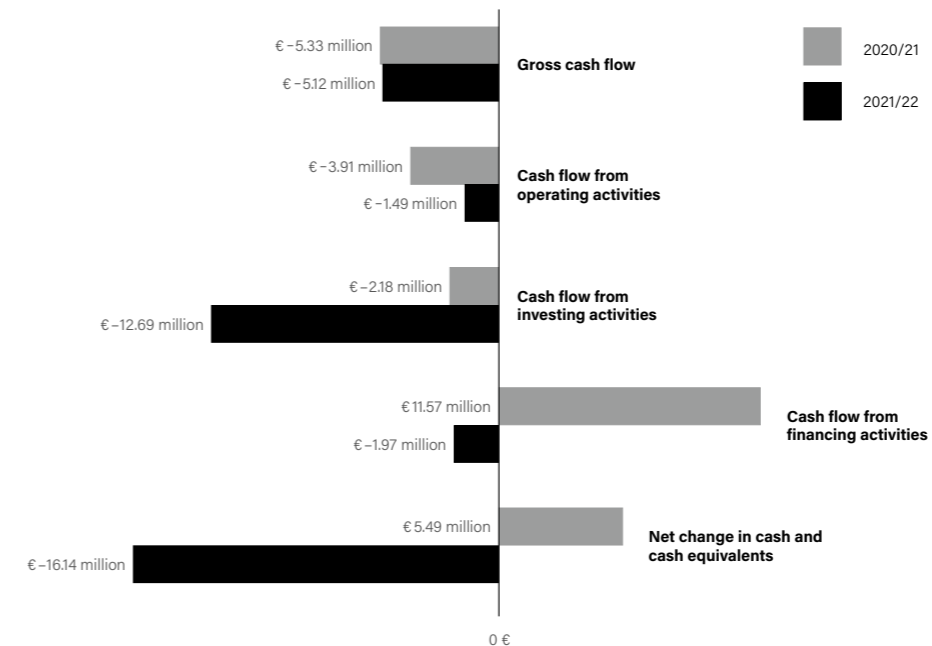
Cash flow from financing activities amounts to €-2.0 million and reflects the repayment of financial liabilities, compared with €11.6 million in the previous year. The previous year was characterized by the capital increase from authorized capital.

The individual cash flows led to a decrease in cash and cash equivalents of €-16.1 million compared with €5.5 million in the previous year.

Cash and cash equivalents of €8.4 million as at 30 September 2022 were offset by current financial liabilities of €8.4 million and non-current financial liabilities of €15.4 million, with the majority of non-current financial liabilities relating to potential payments from the exercise of put options. In addition, the company had unused credit lines of €7.0 million, which give it the flexibility to meet the aforementioned payment obligations.

In the Management Board's assessment, no restrictions exist that can limit the availability of cash and/or capital.

FIGURE 04.5 PRESENTATION OF THE CASH FLOW STATEMENT



5 Employees

The number of employees reports the following changes:

TABLE 04.8 NUMBER OF EMPLOYEES

	2021/22	2020/21
Total employees, of whom	309	288
Salaried employees	284	264
Industrial employees	24	25

BRAIN Group also employs scholarships/grant holders (1, previous year: 3), temporary employees (12, previous year: 12) and trainees (6, previous year: 8).

6 Overall statement on business progress

In the Management Board's view, BRAIN achieved some significant successes in terms of the company's business and strategic development during the past financial year. Revenue growth was particularly pleasing in all areas. With Salt Taste Enhancer 1.0, a project from the incubator pipeline was also successfully launched on the market.

The instruments for managing the Group, the subsidiaries and the projects were developed further and expanded on a business-related basis. A Groupwide training program, the BRAINway program, has now been established within the entire Group to strengthen our corporate culture, our focus on commercial success, and our employees' personal development. With our first ESG and sustainability report, we have expanded the documentation of our corporate actions far beyond their economic effects. BRAIN supports the transformation of society towards a more sustainable economic model and also identifies significant business development opportunities for the Group in this area.

BRAIN Group's strategic development was strengthened by both the acquisition in the Breatec Group and the divestiture of L.A. Schmitt GmbH. The acquisition of the Breatec Group gives the company better access to the baking and milling industry and the enzyme portfolio has been extended to include adjacent market segments.

In terms of research, BRAIN successfully advanced some of its own development projects in the financial year under review. The Salt Taste Enhancer 1.0 project was successfully launched on the market. In the wound management/Aurase area, patient studies have gained momentum and are at the end of Phase 2a clinical trials. For the Gold from Waste Streams project, an industrial partner was arranged for development up to market launch. We are making particularly encouraging progress in the area of our proprietary genome engineering technology (BEC/BMC). In particular, the successful activation of this technology in mammalian cells opens up significant market potentials. BRAIN's management has decided to bundle these activities under the brand name Akribion Genomics. A spin-off and more independent financing of these activities are still planned for the next financial year.

The economic environment remains characterized by uncertainty to a considerable extent – including the ongoing impact of the coronavirus pandemic, the war against Ukraine, strong price inflation and the increasing formation of political blocs. BRAIN Group was also affected by the negative economic effects in this context. In particular, supply chain constraints hampered even more dynamic growth. In addition, it was not always possible to pass on price increases for primary products and rising energy prices to customers in full and immediately. Nevertheless, most of the subsidiaries contributed to the positive revenue and earnings growth. With the acquisition of Breatec, BRAIN Group successfully expanded its activities in the large market for enzyme products in the bakery and milling segments.

With regard to the development of the net assets, financial position and results of operations, the Management Board is of the opinion that the overall picture is positive, as the Group achieved significant revenue growth and significantly improved EBITDA despite the generally weak economic environment.

We continued to push ahead with measures to strengthen our business activities with the aim of achieving sustainable and profitable revenue growth. This includes addressing cost and revenue synergies within the Group, a further streamlining of our corporate organization accompanied by a clear definition of responsibilities, stringent project controlling of the new business development pipeline, and ongoing initiatives to achieve general cost savings.

Above and beyond this, for the Management Board the continued high level of investments in research and development in relation to revenue represents an indicator and basis for BRAIN's future potentials. The Group holds a position of cash and cash equivalents of €8.4 million as at 30 September 2022, and reports a 43.9% equity ratio. In the Management Board's opinion, this signifies that the prerequisites to participate in the potential offered by growing bioeconomy markets remain in place.

Overall, and on the basis of the developments outlined above, the Management Board of BRAIN Biotech AG continues to assess the course of business and the Group's net assets and financial positions as positive as of the reporting date.

Events after the reporting date

Change on the Management Board - Michael Schneiders takes over from Lukas Linnig

In September 2022, the company announced that CFO Lukas Linnig would step down from the Management Board with effect as of 30 September 2022. At the same time, the company announced that Michael Schneiders had been appointed to the Management Board with effect from 1 October 2022 and had been appointed as the future Chief Financial Officer (CFO) of BRAIN Biotech AG.

No further significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2022 balance sheet date.

Outlook

Given the overall high-growth dynamic of markets for biotechnological products and processes, BRAIN assumes that positive conditions for the future will prevail overall. As a technology company active in the industrial biotechnology sector, BRAIN regards itself as in a position to contribute significant added value for industrial partners, as well as in the context of its own research and development, and as a product provider.

The original expectation of a positive business trend in the current financial year with dynamic revenue growth and a significantly improved adjusted EBITDA close to break-even was fully met in the past financial year. Revenue increased by 29%. In organic terms, too, revenue recorded growth. Adjusted EBITDA improved by €2.0 million year-on-year, from €-2.1 million to €-0.1 million.

For the 2022/23 financial year, the Management Board anticipates a business trend reflecting on-going revenue growth and, despite continued high investments at the prior-year level, a slight increase in adjusted EBITDA. As far as this guidance is concerned, investments in the novel genome editing tool (Akribion Genomics) are considered separately and do not form part of this forecast. In the area of the novel genome editing tool, the company forecasts R&D expenses in the mid seven-figure range, with a continued low level of revenue. A further improved, positive EBITDA result is expected for the BioIndustrial segment, and a continued negative adjusted EBITDA result for the BioScience segment. In the BioIndustrial segment, the company is confident that it will remain on a dynamic revenue growth path with continued rising, positive adjusted EBITDA in connection with the expansion of the product business. In the BioScience segment, high single-digit percentage revenue growth is expected thanks to the new business development pipeline and the cooperation business, as described above.

Milestones and option drawings were realized as expected although below last year's level (five in the financial year under review; ten in the previous year). An unchanged number of milestones is anticipated for the following financial year. Research and development expenses in the financial year under review remained at a high level. For the coming financial year, we will continue to invest heavily in research and development, further strengthening the company's development potential.

As in the previous year, these forecasts are based on the assumption that macroeconomic and sector-related conditions for industrial biotechnology in 2022/23 develop further as described in the section entitled "Macroeconomic and sector-related conditions", that potential projects are not discontinued on an unscheduled basis, and that further cooperation partners can be acquired for new projects. This forecast is also based on the assumptions that the after-effects of the coronavirus pandemic will not have a significant impact on BRAIN's planned revenue growth and associated earnings improvements, and that an increasing interest in sustainable products will continue to prevail among the general public. The forecasts are also based on a permanently stable supply of natural gas, oil and electricity and no further increases in the impacts of the energy crisis triggered by the war against Ukraine. We expect inflationary pressure to remain in the area of primary products and labor costs, and that we will be able to pass these cost increases on to our customers as far as possible.

Report on risks and opportunities

- BRAIN has established efficient instruments and processes to identify risks at an early stage and take suitable countermeasures.
- BRAIN's risk management system includes systematic identification, documentation, assessment, control and ongoing monitoring of all relevant risks.

1 Risk management at BRAIN Biotech AG

Seizing opportunities as well as identifying and avoiding risks at an early stage are the determinants of any corporate strategy. BRAIN Biotech AG ("BRAIN") endeavors to identify new opportunities and exploit them successfully for its business. At the same time, business success is impossible without consciously assuming risks. This applies especially to the company's research-intensive areas.

The aim is to optimally grow the company's long-term value through tapping opportunities, while considering the risks entailed. The systematic handling of risks and opportunities with the help of the internal risk management system forms part of corporate activity and an important element of management steering. BRAIN Biotech AG forms part of a growth industry characterized by constant change and progress, hence its focus on weighing opportunities against risks. It is crucial for BRAIN that opportunities be identified and managed to success, in order to thereby sustainably improve competitiveness and secure it long-term, as well as to ascertain and minimize risks at an early stage. BRAIN Biotech AG has established instruments and processes in order to identify risks at an early juncture and to promptly implement measures in order to realize opportunities in its business activities without undue delay. Risk and opportunities management forms an integral element of all planning processes within BRAIN and its subsidiaries.

2 Report on risks and opportunities

Risk Management System (RMS)

Features of the RMS

The focus of the RMS is on business risks, and does not also include opportunities. The operating segments and subsidiaries take opportunities into consideration based on the corporate strategy. Potential market opportunities, associated expenses and the time horizon until commercial exploitation are evaluated as part of related planning processes.

BRAIN's RMS includes the systematic identification, documentation, evaluation, management and reporting as well as constant monitoring of all identified and relevant risks. The management thereby ensures that the targets that are set are not jeopardized by risks, and creates risk awareness within the entire Group in accordance with statutory regulations. The RMS forms an integral element in the process system within BRAIN.

In other words, risks are modelled so that they continue to be monitored following implementation of countermeasures. The focus in this context is on medium and high risks, and on risks that might jeopardize the company as a going concern.

The aim of BRAIN's RMS is not only to comply with statutory regulations but also to support internal management and business security. Overall, risk awareness should be created on a Groupwide basis in accordance with statutory regulations in order to ensure responsible handling of risks and counterstrategies accordingly.

The RMS serves solely to ascertain risks within BRAIN. Opportunities are weighed and considered based on the corporate strategy, which forms a process that is integrated into planning processes. Potential opportunities are evaluated within strategy and planning processes, and compared with potential risks.

The RMS, which undergoes constant further development, has integrated previous years' experience in its identification and management of risks. The effects of the risks as presented in the following risk and opportunities report are reported as annual risks. The evaluation of the presented risks relates to the 30 September 2022 reporting date, and was prepared from a survey in the divisions shortly before the reporting date.

No relevant changes occurred after the balance sheet date.

Risk identification

Risks are surveyed Groupwide as part of risk identification involving all decision-makers and experts with respective responsibilities. This iterative process first surveys all risks before aggregating them within a Groupwide risk inventory and evaluating them.

Risk evaluation

Risks identified as part of a risk analysis are evaluated in terms of their likelihood of occurrence (event risk) and impact. They are categorized into risk classes ("high", "medium" and "low") by multiplying their individual impact by their respective likelihood of occurrence. The range of both likelihood and impact starts at 1 ("very low") and ends at 10 ("very high").

TABLE 04.09 LIKELIHOOD OF OCCURRING WITHIN THE NEXT TWO YEARS

Likelihood score	Note
0-2	Relatively unlikely (< 15 %)
3-5	Possible (15-45 %)
6-7	Probable (45-75 %)
8-10	Very probable (> 75 %)

TABLE 04.10 DEGREE OF IMPACT

Impact score	Note	EBITDA impact
0-2	Minor negative impact on next two years' forecast results of operations	< €100 thousand
3-5	Moderate negative impact on next two years' forecast results of operations	up to €500 thousand
6-7	Considerable negative impact on next two years' forecast results of operations	up to €2 million
8-10	Critical negative impact on next two years' forecast results of operations	> €2 million

Impact is defined as the influencing parameter on BRAIN's forecast EBITDA.

The so-called "risk score" – an individual risk evaluation for each risk for the classification – is calculated by multiplying the likelihood of occurrence by the impact. The range for the risk score consequently starts at 1 and ends at 100.

TABLE 04.11 **RISK SCORE**

Risk score	Risk class
0-10 points	Low risks
11-40 points	Medium risks
41-100 points	High risks

Special attention is paid to the "high" and "medium" risk classes. The particular focus here is on strategies to manage such risks. The "low" risk class is monitored and reviewed quarterly. In instances of doubt, risks are allocated to a higher rather than to a lower risk class.

"High" risk class (risk measure above 40 points)

Risks within this class include a high likelihood of occurrence combined with a major impact on the Group.

"Medium" risk class (risk measure between 11 and 40 points)

Risks within this class include a low likelihood of occurrence combined with a major impact, or a high likelihood of occurrence in combination with a low impact, on the Group.

"Low" risk class (risk measure below 11 points)

Risks within this class include a low likelihood of occurrence combined with a minor impact on the Group.

Risk management and monitoring

BRAIN deploys various measures to manage risks. Active risk measures include strategies such as risk avoidance (e.g. through refraining from engaging in excessively risky activities), risk reduction (e.g. through project controlling) and risk diversification (e.g. research in different areas). Where appropriate, BRAIN also makes recourse to passive measures including either a transfer of risk (e.g. through insurance or risk sharing with partners) or the conscious assumption of risks.

In addition, identified risks are aggregated and extensively reviewed and discussed at BRAIN twice a year, enabling specific countermeasures to be implemented if required.

Reporting

The Management Board is informed on a half-yearly basis not only about medium and high opportunities and risks, but also about important changes in relation to their impact and likelihood of occurrence. The Management Board also receives internal ad hoc reports on significant risks that unexpectedly arise or are discovered. The Supervisory Board is informed by the Management Board where required.

Accounting-related internal control system

The accounting-related internal control system ("ICS") aims to appraise appropriately in financial accounting terms, and to report in full, Group business transactions in accordance with respective applicable accounting regulations. The system consists of fundamental rules and procedures, as well as a clear functional separation through the dual control principle. Especially when preparing separate financial statements, when performing the reconciliation to IFRS, as well as when performing consolidation and related standard measurement and reporting, controls exist in the form of the dual control principle. The clear separation between preparation and internal review enables BRAIN to identify deviations and errors, and ensures that information is complete.

The accounting-related appraisal and recording of business transactions is implemented by the respective Group companies where such transactions occur, as a matter of principle. As an exception to this principle, BRAIN Biotech AG evaluates and records the transactions of the subsidiaries Mekon Science Networks GmbH, Zwingenberg, Germany, BRAIN US LLC, Rockville, Maryland, USA, BRAIN UK Ltd., Cardiff, UK, BRAIN UK II Ltd., Cardiff, UK, and BRAIN Capital GmbH, Zwingenberg, Germany. The subsidiaries' annual financial statements are prepared by the respective subsidiary's management. External service providers assist in the preparation of monthly and annual financial statements based on commercial law. Amendments to acts, accounting standards and other publications are monitored regularly in relation to relevance and their effect on the separate and consolidated financial statements.

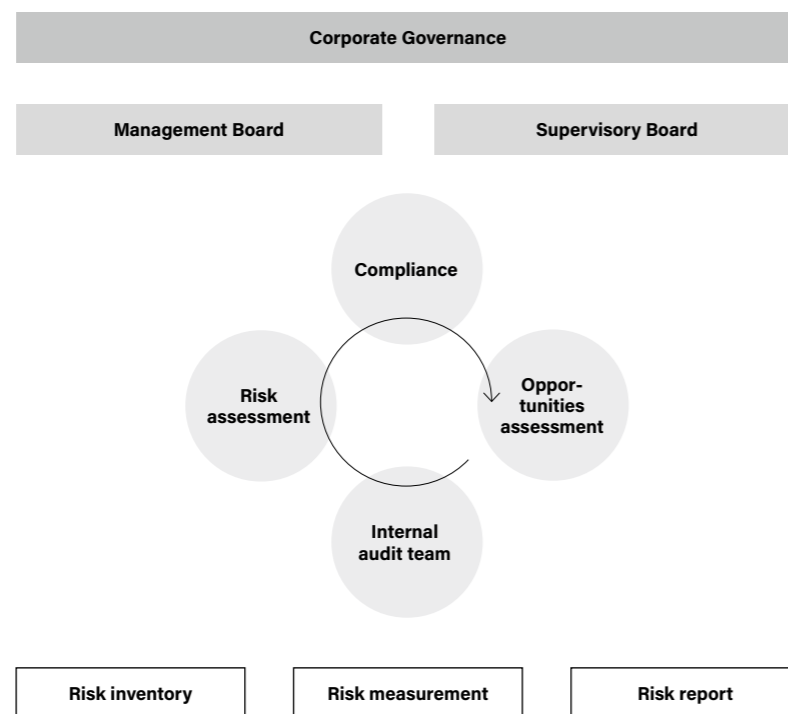
The Supervisory and Management boards are in regular contact when new risks are identified or the general risk situation changes. If necessary, recourse is also made to external consultants.

Business transactions within the Group are appraised in accounting terms based on standard Group accounting guidelines. The finance department of BRAIN Biotech AG with the support of external service providers converts financial statements prepared according to commercial-law accounting standards to IFRS financial reporting standards (quarterly), and prepares the separate annual financial statements of BRAIN Biotech AG as well as the consolidated financial statements. The independent auditor appointed by the AGM audits both the separate and the consolidated annual financial statements. Significant risks for the financial accounting process are monitored and evaluated based on the risk classes specified below, and applying their individual risk classification. Requisite controls are defined and subsequently implemented.

The separate annual financial statements and the consolidated financial statements of BRAIN Biotech AG are submitted to the Supervisory Board of BRAIN Biotech AG for approval. At least one Supervisory Board member is an independent financial expert in the meaning of Section 100 (5) of the German Stock Corporation Act (AktG). The Supervisory Board's Audit Committee monitors the financial accounting process and the auditing of financial statements.

The accounting-related internal control system ensures that the financial accounting process complies with German commercial-law (HGB) regulations and International Financial Reporting Standards (IFRS).

FIGURE 04.6 RISK MANAGEMENT SYSTEM



3 Assessment of opportunities and risks in overall presentation

Business-related risks

Growth risk

Given BRAIN's planned growth and its need to hold resources ready for such growth, risks exist in relation to a lower growth rate, and consequently potential negative effects on the operating result. The risk exists of having fewer customers or cooperation partners than planned. Macroeconomic trends or relationships with existing customers could deteriorate, and the markets that are to be served might diminish in terms of volume or attractiveness. This could lead to BRAIN achieving lower growth long-term or to reduced earnings. In addition, the risk exists that costs are higher than budgeted, or that developments require more time. As a consequence, BRAIN's growth could be delayed and positive operating results might not be achieved until later than planned. Higher liquidity requirements and the need to realize potential capital measures would represent a secondary risk in this context.

Compared to the previous year, the risk is estimated to be unchanged due to the continued negative effects of the coronavirus pandemic. In particular, after-effects from the coronavirus pandemic, such as disrupted supply chains and higher cost inflation, are of growing importance in this context. Risks from travel restrictions and negative health effects on employees have tended to diminish. The risk from the pandemic relates to both of BRAIN's operating segments, BioScience and BioIndustrial. This characteristic is classified as a "medium risk", as in the previous year.

Risks from research and development

BRAIN is a technology company, and innovations form an integral part of the BRAIN strategy. The risk always exists that research projects can be delayed (please also refer in this context to the section above entitled "Growth risk"). Milestones or research targets might not be met and biotechnology solutions might not be found, or competitors might be faster to the market. With already more than 150 research projects to date, the company has shown that it commands the expertise to deliver innovations and to tackle technical challenges. Although a predetermined technical path might often prove unfeasible, it has usually been the case in the past that other solutions to achieve the desired result have been developed. The Management Board is convinced that the company will continue to develop solutions in the future, although the risk of diminished innovative capability cannot be ruled out. As far as BRAIN's proprietary development projects are concerned, the company endeavors to limit research pipeline risks long-term with its continuous portfolio management process at management level.

The same applies when concluding contracts with collaboration partners. Here, too, before contracts are signed, diversified and cross-functional teams thoroughly evaluate feasibility, cost-effectiveness, and timeframes.

The resultant risk in the Tailor-Made Solutions area would at most involve a default on an outstanding milestone payment, a budget overrun, or the abandoning of an individual project. Such risk is to be largely avoided or minimized through the aforementioned evaluation.

Overall, the risk remained the same as in the previous year. As in the previous year, a "medium risk" exists here that especially relates to the BioScience segment. Indirectly, the BioIndustrial segment is affected to the extent that the products developed in the BioScience segment are also to be sold via companies in the BioIndustrial segment.

Material damage to the BioArchive or research results

The Group's bioarchives are physically present mainly at BRAIN Biotech AG and at AnalytiCon Discovery GmbH. Physical loss of the archives is minimized through measures. A redundant setup exists at various locations, as well as a security concept, and staff are trained in archive handling and management.

An insurance concept also exists to cover most of the potential costs to remedy potential losses. The physical measures as well as the insurance concept are reviewed annually and are updated as required in order to reduce the risk to BRAIN even further.

It remains the case that individual research results could also be destroyed by external circumstances. However, these are sufficiently covered by various measures such as emergency power supplies. Various measures to safeguard the BioArchive continued to be implemented during the past financial year. Despite the reduction in risk thanks to the measures that have been implemented, a "medium risk" exists overall, especially in relation to the BioScience segment.

Product liability

In its BioIndustrial area, BRAIN supplies products directly to customers. Accordingly, the risk also exists of being liable for such products. As the product range differs widely, the related risk is also to be appraised differently. In the area of cosmetics, as well as when delivering enzymes, defective products could entail liability cases for BRAIN's results. This risk is continuously monitored by internal and external partners. In addition, product liability insurance with a maximum coverage of €10 million is in place. To date, no significant product liability cases have occurred.

This risk has decreased compared to the previous year and is classified as "low risk" and relates to the BioIndustrial segment.

Financial risks

Financial risks are reviewed regularly. The Group has internal guidelines to identify, investigate and evaluate financial risks at an early stage. Simultaneous comparison with planning is facilitated through monthly and quarterly written reports as well as ongoing communication with managers. Depending on the extent of divergences in relation to planning, BRAIN managerial functions have sufficient time to implement countermeasures. The Groupwide reporting document for all Group areas has been further developed and improved this year.

Impairment of inventories/assets as well as financing risks at subsidiaries

In light of revenue and earnings growth at some subsidiaries, and the holding available of resources for expansive growth, a risk exists that losses will be incurred if the subsidiaries report lower growth. Under certain circumstances, this could lead to financing problems or financial accounting situations that might necessitate the application of impairment losses to the respective companies' intangible assets, or the application of impairment losses to tangible assets.

This concerns both operating segments, BioScience and BioIndustrial. This risk has remained the same as in the previous year and is classified as "medium risk".

Goodwill impairment / valuation of investments

This financial risk relates to both segments. Given unfavorable future trends, financial risks to be categorized as "medium risk" might entail impairment losses on acquired goodwill and other intangible assets deriving from corporate acquisitions. Compared to the previous year, the risk is unchanged. Further information on this topic is presented in the section entitled "Impairment tests" in the notes to the consolidated financial statements.

Financing of option liabilities

As at 30 September 2022, BRAIN holds €8.4 million of cash. BRAIN also has a €7.0 million loan facility at its disposal, which is not utilized. We assume that the put options for the remaining shares will be exercised by the non-controlling shareholders in the last possible period (1 January to 31 March 2023). This would impact liquidity by around €5.0 million in the 2022/23 financial year. The aforementioned loan facility enables the company to meet this payment obligation. Nevertheless, appropriate measures must be taken from this point on to secure medium-term liquidity.

As in the previous year, this risk is consequently categorized overall as a "medium risk" and relates to the BioScience segment.

Legal risks

BRAIN generally endeavors to avoid legal risks, and has taken precautions to appraise and measure legal risks. Legal risks entailing one risk relate to litigation in the case of license licenses, matters in the regulatory law/capital market area, and relating to general litigation with international firms.

The risk always exists that legislation is amended in coming years (e.g. in fiscal, capital market or other legal regulations). The likelihood that legislation in an area changes is very high. The effects on business results cannot be estimated, although they would affect the entire industry. This would also then affect compliance rules that would need to be newly prepared.

This risk continues to be rated as a "medium risk".

IP risks

BRAIN is a research company whose strategy is based on a competitive intellectual property foundation. A possibility of becoming involved in significant patent litigation exists, but would presumably exert no effects on BRAIN's results. Existing patent disputes either exert only minor effects on results, or are unlikely to lead to any material damage.

The main risk in this context would be a company claiming freedom to operate. As issued patents become ever more closely intermeshed as intellectual property assets issued internationally, it is becoming increasingly difficult to find all relevant patents in corresponding patent research. This could lead to the risk of patents not being located under certain circumstances, with the potential risk that patents might be infringed unintentionally.

This risk affects both the BioScience and BioIndustrial segments. This risk is classified as a "medium risk", as in the previous year.

General legal risks

Due to the increasing industrialization and internationalization of BRAIN's business, the risk of litigation with an international corporate group is also increasing. BRAIN currently appraises the probability that contractual risks will lead to litigation as low. A lawsuit would exert a negative effect on results. Quantification cannot be estimated at present as no significant litigation exists.

The Management Board of BRAIN Biotech AG endeavors to take the enhanced regulation into consideration through regular training and instruction of staff, such as in the area of compliance.

As in the previous year, all general legal risks are categorized as a "medium risk" and relate to both operating segments BioScience and BioIndustrial.

Other risks

Personnel

Overall, BRAIN employs trained personnel who constantly acquire further expertise in the context of the company's operating activities. Recent years' trends show that some positions can be filled only at great expense due to a lack of skilled staff, especially scientists, engineers and laboratory staff who already possess experience. In some instances, we note that some competitors have higher salary structures. This leads to the risk that qualified staff might defect to competitors if financial and non-financial incentives were to prove inadequate. A bonus program for BRAIN Biotech AG staff was already established in the 2015/16 financial year in order to provide adequate incentivization. This program is subject to annual approval by the Management Board.

The risk of loss of key knowledge holders is unchanged compared with the previous year, and continues to represent a "medium risk" for BRAIN. This risk concerns both operating segments, although mainly the BioScience segment.

Environment

At any company operating in biotechnology or chemicals, a residual risk exists of harm to the environment. Such risk at BRAIN has been reduced thanks to staff training, the availability of the requisite volumes of materials, and because BRAIN has instituted organizational measures in order to prevent accidents and product spillages. Furthermore, BRAIN works very closely together with all relevant authorities and is reviewed by such authorities. This also concerns compliance with regulations relating to handling genetically modified objects ("GMOs"). As part of our ESG and sustainability report, we have again dealt extensively with the main risks.

This risk relates to both segments and is to be categorized as a "low risk".

Risks related to COVID-19

BRAIN has been able to largely contain any negative impacts caused by the coronavirus pandemic. BRAIN's business development team pursued new approaches in order to minimize the impact on customer acquisition. Nevertheless, a risk still exists that the effects of the coronavirus pandemic, such as due to delays in investments by customers, could impact the planned revenue growth. The subsidiary SolasCure Ltd. was affected by the pandemic insofar as clinic closures led to delays in the processing of clinical trials. Further negative impacts beyond this cannot be ruled out.

Overall, this risk is considered to constitute a "medium risk".

Risks in connection with the global supply chain

Supply chains have proved largely stable despite the constraints on global logistics, although long delivery times for certain products are already having a dampening effect on even more dynamic growth in the BioIndustrial segment due to the tight supply situation.

This risk affects both the BioScience and BioIndustrial segments. This risk is rated as a "medium risk".

Inflation and energy supplies

BRAIN depends on a stable supply of gas, oil and electricity to operate its business properly. Gas and electricity, in particular, play a crucial role in R&D operations, the production of enzymes and other products, and the preservation of our bioarchives.

For this reason, sufficient and uninterrupted energy supplies are essential for BRAIN Group and form a basis for our full-year guidance. BRAIN is a supplier to the food and pharmaceutical industries in major sub-segments and is likely to be classified as systemically important in these areas. The volumes of energy required in research operations and other sub-operations lie in the basic supply range, which makes the risk of a shutdown similar to the household sector. In addition to risks arising from supply security, BRAIN also faces cost risks from significant energy price increases and energy price fluctuations. These may not be passed on to customers in full or only with a time delay. This could have a negative impact on the Group's profitability.

This risk is rated as a "medium risk" overall.

TABLE 04.12 SUMMARY OVERVIEW: BRAIN GROUP RISK ASSESSMENT

Risks	Resultant two-year estimate of impact	Segment mainly affected
Business-related risks		
Growth risk	medium	BioScience and BioIndustrial
Risk with R&D projects	medium	BioScience
Risk of loss of bioarchives	medium	BioScience
Product liability risk	low	BioIndustrial
Financial risks		
Devaluation of inventories/assets	medium	BioScience and BioIndustrial
Goodwill impairment/valuation of investments	medium	BioScience and BioIndustrial
Financing of option liabilities	medium	BioScience
Legal risks		
IP risks	medium	BioScience and BioIndustrial
General legal risks	medium	BioScience and BioIndustrial
Other risks		
Personnel	medium	BioScience and BioIndustrial
Environmental risk	low	BioScience and BioIndustrial
COVID risk	medium	BioScience and BioIndustrial
Risk: global supply chain	medium	BioScience and BioIndustrial
Inflation and energy supplies	medium	BioScience and BioIndustrial

BRAIN evaluated a total of 51 risks. Of these risks, 32 risks are to be categorized as "medium risks", and are aggregated in the 14 risk classes listed above (BioScience and BioIndustrial). A total of 19 risks were appraised as "low risk". No risk was evaluated as a "high risk" or as a "going concern risk" for BRAIN.

Risk reporting on the deployment of financial instruments

At BRAIN, financial instruments⁵ are either not deployed, or deployed only to an extent that is insignificant in order to assess the Group's financial position and performance, or its prospective development. For further information, please refer to the "Risk management" section in the notes to the consolidated financial statements.

⁵ Defined as purchase transactions, exchange transactions or otherwise endowed fixed or option transactions that are to be settled with a time delay and whose value is derived from the price or measure of an underlying asset, especially relating to the following underlying assets: foreign exchange, interest rates, securities, commodity prices and indices related to these underlying assets as well as other financial indices. Financial assets are not deployed as risk management instruments. The Group's loans serve to finance Group activities and avoid liquidity risks.

Report on opportunities

Opportunities arising from research and development

BioScience segment

The BioScience segment combines two research-intensive areas of BRAIN Biotech AG: firstly, contract research for customers; secondly, the development of innovative solutions and products from our incubator.

We continue to expand our market position as a service provider in industrial biotechnology. Here we provide our partners with research services and access to our resource libraries. BRAIN Biotech AG has an established industrial network in this area, which it is continuously expanding.

The New Business Development area is our incubator for solutions and products. Here, BRAIN deploys its innovations in order to tap new markets in the areas of nutrition, health and the environment. Some examples include:

Genome editing

Genome editing is a molecular biology technology for the targeted and precise modification of DNA. For this purpose, nucleases (special enzymes) are utilized as so-called "gene scissors". This technology forms the basis for many innovations, such as in the areas of industrial production, plant-based nutrition, circular economy, and medicine. With BRAIN Engineered Cas (BEC), we have successfully completed the first development phase for a novel genome editing system based on a non-Cas9 nuclease. The system has already been validated as a genome editing tool and has shown DNA targeting activity in selected bacteria, fungi and yeasts. Activity in plants has been demonstrated but is still in the validation phase. Research into the wider potential beyond selected microorganisms and plants is still ongoing. Patent applications to protect the nuclease sequence have already been filed.

Innovative active ingredients for the pharmaceutical industry

As part of an internally funded research project, BRAIN has discovered an enzyme that fly maggots use to liquefy the wound coating of chronic wounds ("maggot therapy"). The company has developed a biotechnological production process for this enzyme. The cleaning of chronic wounds is the first step in wound therapy, and is often responsible for extended treatment periods. The project was spun out within SolasCure Ltd. and is in Phase 2a clinical trials.

Our subsidiary AnalytiCon Discovery GmbH has discovered and developed a pharmacologically active substance that promises an improved therapeutic approach for patients suffering from the rare disease hereditary angioedema (HAE), both in acute treatment and for prophylaxis. Pharvaris N.V., listed on Nasdaq, USA, holds a license from AnalytiCon Discovery for the clinical development and testing of the novel drug. BRAIN is entitled to substantial milestone and license payments in the event of a successful market launch.

Plant-based sweeteners without the calorie burden

BRAIN is dedicated to meeting growing demand for plant-based sweeteners for healthier foods. BRAIN has a selection of plant-based sweeteners and sweetness enhancers that have been identified through screening in natural substances utilizing its patented "Human Taste Cell" technology (HTC technology). From the substances identified in this manner, we develop natural sweeteners for various applications, markets and consumer groups. A pleasant taste profile is crucial for acceptance by consumers. Together with our French partner Roquette, we are currently developing the natural sweetener Brazzein to market maturity.

Fermented food

Fermented foods are more than just another "superfood" trend. They rightly form a focus for health-conscious consumers, as they score points in many areas: no need for preservatives, upgrading/digestibility of plant-based staple foods, discovery of ever new health-promoting ingredients and a virtually unlimited wealth of new taste experiences. Thanks to its biological and technological resources, BRAIN can meet market demand for new starter cultures. BRAIN Group has the opportunity to act as both an innovator and a manufacturing company, and not only participate in an attractive market (forecast volume for 2025: USD 1.3 billion), but also develop completely new product categories.

Business-related opportunities**BioIndustrial segment**

In the BioIndustrial segment, we are continuing along the path of forward integration on which we started in previous years. BRAIN Biotech AG has set itself the goal of covering the entire value chain from laboratory through to production. This enables us to participate in the value chain all the way to the customer, as well as to generate sales revenues over the entire life cycle of the products. The positive organic growth in the past financial year has shown that this strategy is paying off, despite the generally difficult economic environment. Here, BRAIN has the opportunity to continue along this path and improve its revenues and results. This represents a consistent step from being a research-driven company to becoming an industrial company. Integration offers the company the possibility to act not only as an innovator but also as a manufacturing firm. Furthermore, an active M&A strategy with a focus on industrially profitable companies in adjacent areas or markets, essentially in the enzymes business, also deserves to be mentioned as an opportunity.

Corporate governance

The Management Board is working continuously on realizing cost and revenue synergies within the Group. This requires good networking among the subsidiaries, as well as centralized performance and target controlling. The acquisition of the Breatac Group will generate additional cost and sales synergies.

Takeover-relevant information pursuant to Section 315a of the German Commercial Code (HGB)

The following information reflects the circumstances as at the 30 September 2022 reporting date.

Composition of subscribed share capital (No. 1)

The share capital of BRAIN Biotech AG amounts to €21,847,495 on the reporting date. The share capital is divided into 21,847,495 ordinary shares, to each of which a proportional amount of the share capital of €1.00 is attributable. The shares are fully paid-in registered shares. The company holds no treasury shares on the reporting date.

Restrictions affecting voting rights or transfer of shares (No. 2)

The company's Management Board is not aware of any restrictions affecting voting rights or the transfer of shares, including those potentially deriving from agreements between shareholders.

Shareholdings with more than 10% of the voting rights (No. 3)

MP Beteiligungs-GmbH, Kaiserslautern, holds a 41.3% interest in the company's share capital as at 30 September 2022. As at 30 September 2022, no further shareholders existed with interests of more than 10% in the voting rights.

Holders of shares with special rights (No. 4)

No shares exist at BRAIN Biotech AG with special rights endowing control powers.

Voting rights control of employees who are shareholders (No. 5)

No voting rights controls for employees who are shareholders exist for the instance of control rights that are not to be exercised directly.

Rules concerning the appointment and recall from office of Management Board members (No. 6)

Pursuant to Section 84 of the German Stock Corporation Act (AktG) and the bylaws of BRAIN Biotech AG, the Supervisory Board appoints the members of the Management Board. Pursuant to Section 7 of the bylaws of BRAIN Biotech AG, the Management Board consists of one or several individuals. The Supervisory Board determines the number of Management Board members. It can appoint a Management Board Chair (CEO) and a Deputy Management Board Chair, as well as deputy Management Board members. If the Management Board consists of several members, Management Board resolutions are passed with a simple majority of votes. If the Supervisory Board has appointed a Management Board Chair, and if the Management Board consists of three members, the vote of the Management Board Chair decides given an equal number of votes.

Rules concerning amendments to the bylaws (No. 6)

Pursuant to Section 179 of the German Stock Corporation Act (AktG) and the bylaws of BRAIN Biotech AG, amendments to the bylaws require an AGM resolution. AGM resolutions require a simple majority of votes, unless the law stipulates a greater majority.

Management Board authorizations concerning issuing and repurchasing shares (No. 7)

BRAIN Biotech AG has the following authorized and conditional capital:

Authorized capital

The authorized capital of 3,972,273 (Authorized Capital 2021/I) existing as of 30 September 2020 was revoked by resolution of the Annual General Meeting on 9 March 2022.

With an AGM resolution on 9 March 2022, authorized capital of € 4,369,499 was created (Authorized Capital 2022/I). Authorized Capital 2022/I was entered in the commercial register on 28 March 2022. The Management Board was authorized, with Supervisory Board assent, to increase the company's share capital in the period until 8 March 2027, once or on several occasions, albeit by a maximum of up to a nominal amount of € 4,369,499 through issuing up to 4,369,499 new ordinary registered shares against cash or non-cash capital contributions, whereby shareholders' statutory subscription rights can be wholly or partly excluded. If the new shares are issued against cash capital contributions, shareholders' statutory subscription rights can be wholly or partially excluded if the new shares' issue price is not significantly less than the stock market price of the company's shares already listed on the date when the issue price is finally determined, and the total number of shares issued in this manner under exclusion of subscription rights does not exceed 10 % of the share capital.

Accordingly, authorized capital of € 4,369,499 was reported as at the 30 September 2022 reporting date.

Conditional capital

Pursuant to Section 5 (3), (4) and (5) of the company's bylaws, the share capital is conditionally increased by € 1,986,136 through issuing up to 1,986,136 new ordinary registered shares (Conditional Capital 2021/I) and by a further € 123,000 through issuing up to 123,000 new ordinary registered shares (Conditional Capital 2015/II), and through issuing up to 1,682,578 new ordinary registered shares (Conditional Capital 2019/I).

Conditional Capital 2021/I serves exclusively to grant shares to the holders of bonds with warrants and convertible bonds that the company issues based on the authorization of the Management Board by way of AGM resolution passed on 10 March 2021. The conditional capital increase is to be implemented through issuing up to 1,986,136 new ordinary registered shares only to the extent that the holders of convertible bonds and/or bonds with warrants utilize their conversion rights or warrant rights, or the holders of convertible bonds that are obligated to convert satisfy their obligation to convert, and to the extent that other forms of satisfaction are not deployed to service the bonds. An increase in the share capital from Conditional Capital 2021/I had not been implemented as at the 30 September 2022 reporting date.

Conditional Capital 2015/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 July 2015 as part of a stock option plan comprising up to 123,000 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board, members of affiliated companies' management boards, as well as managers and other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2015/II had not been implemented as at the 30 September 2022 reporting date. At the Annual General Meeting on 7 March 2019, Conditional Capital 2015/II was reduced from originally € 1,272,581 to € 123,000, as this capital was to remain exclusively for hedging stock options already issued. The authorization to issue further stock options from Conditional Capital 2015/II was revoked at the same Annual General Meeting and replaced by a new authorization (see following section).

By resolution of the Annual General Meeting on 7 March 2019, the share capital was conditionally increased by € 1,682,578 through the issue of up to 1,682,578 new no-par-value registered shares (Conditional Capital 2019/I). The conditional capital serves exclusively to service subscription rights from stock options granted to members of the company's Management Board and other senior company managers. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2019/I had not been implemented as at the 30 September 2022 reporting date.

Stock options

An AGM resolution dated 7 March 2019 authorized the Management Board, with Supervisory Board approval, to issue as part of a stock option plan until 12 March 2027 up to 1,682,578 stock options with subscription rights to shares of BRAIN Biotech AG with a term of up to eight years, with the condition that each stock option grant the right to subscribe for one share, and according to further provisions. As far as issuing shares to members of the Management Board of BRAIN Biotech AG is concerned, this authorization is valid for the Supervisory Board alone. The AGM conditionally increased the share capital by € 1,682,578 to hedge and service the stock options (Conditional Capital 2019/I).

Significant agreements for the instance of a change of control due to a takeover offer (No. 8) and compensation agreements in the case of a takeover offer (No. 9)

The company has not entered into any arrangements in the meaning of Section 315a (4) Nos. 8 and 9 HGB.

Corporate governance statement of conformity pursuant to Section 289f and Section 315d of the German Commercial Code (HGB)

The corporate governance statement of conformity of BRAIN Biotech AG pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) is published on the website at www.brain-biotech.com/investors/corporate-governance.

Zwingenberg, 21 December 2022



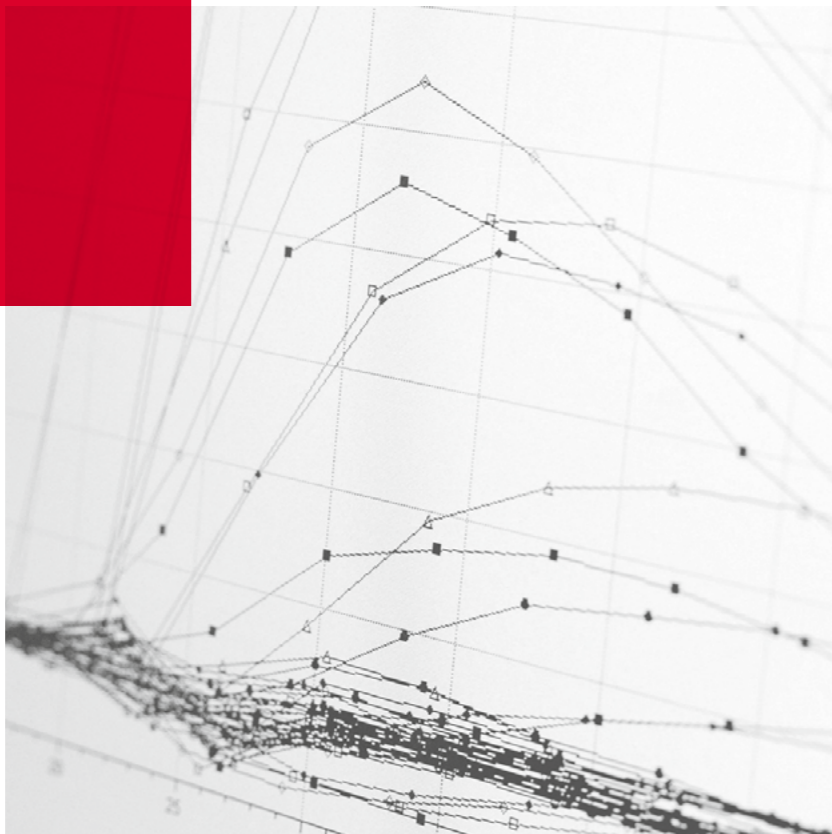
Adriaan Moelker
Chief Executive Officer



Michael Schneiders
Chief Financial Officer



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TABLE 05.1 CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2022

€ thousand	Note	30.09.2022	30.09.2021
Non-current assets			
Intangible assets and Goodwill	[12]	16,764	13,531
Property, plant and equipment	[13]	28,737	24,291
Equity-accounted investments	[14]	1,938	550
Other non-current assets	[18]	168	251
		47,608	38,623
Current assets			
Inventories	[15]	9,661	7,015
Trade receivables	[16]	8,036	6,722
Other current assets	[18]	3,811	617
Current tax assets	[10]	0	9
Other financial assets	[17]	435	207
Cash and cash equivalents	[19]	8,443	24,545
		30,384	39,114
ASSETS		77,992	77,737
Equity [20]			
Subscribed capital		21,847	21,847
Capital reserves		92,660	95,890
Retained earnings		-85,197	-79,509
Other reserves		328	555
		29,638	38,783
Non-controlling interests		4,610	3,044
Total equity		34,248	41,828
Non-current liabilities			
Deferred tax	[10]	3,292	2,790
Provisions for post-employment benefits for employees	[5]	1,153	2,271
Financial liabilities	[21]	15,435	17,669
Other liabilities	[22]	1,709	736
Deferred income	[23]	766	1,109
		22,356	24,575
Current liabilities			
Provisions	[24]	654	404
Tax liabilities	[10]	190	116
Financial liabilities	[21]	8,437	2,649
Prepayments received	[25]	13	79
Trade payables	[26]	6,754	3,831
Other liabilities	[22]	3,350	2,684
Deferred income	[23]	1,990	1,572
		21,388	11,335
EQUITY AND LIABILITIES		77,992	77,737

TABLE 05.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 OCTOBER 2021 - 30 SEPTEMBER 2022

€ thousand	Note	12M 21/22 01.10.2021 – 30.09.2022	12M 20/21 01.10.2020 – 30.09.2021
Revenue	[1]	49,509	38,389
Research and development grant revenue	[2]	786	833
Change in inventories of unfinished and finished goods and work in progress		932	23
Other income	[3]	1,845	1,486
Total operating performance		53,072	40,731
Cost of materials	[4]		
Cost of raw materials, consumables and supplies, and purchased merchandise		-21,671	-15,274
Cost of purchased services		-1,323	-1,568
		-22,994	-16,842
Personnel expenses	[5]		
Wages and salaries		-17,301	-15,618
Share-based employee compensation		-1,384	-989
Social security and post-employment benefit costs		-2,995	-2,903
		-21,681	-19,510
Other expenses	[7]	-9,706	-6,912
EBITDA		-1,309	-2,533
Depreciation, amortization and impairment	[6]	-4,340	-4,014
Operating result (EBIT)		-5,648	-6,548
Share of profit or loss from equity-accounted investments	[14]	-2,426	-1,723
Finance income	[8]	3,606	4,722
Finance costs	[9]	-1,696	-727
Net financial result		-516	2,271
Pretax loss for the reporting period		-6,165	-4,276
Income tax expense/income	[10]		
a) Current tax expense/income		-226	-169
b) Deferred tax expense/income		50	-234
		-176	-404
Net loss for the reporting period		-6,341	-4,680
of which attributable to non-controlling interests		249	292
of which attributable to the shareholders of BRAIN Biotech AG		-6,590	-4,972
Earnings per share	[11]		
Earnings per share, basic undiluted (in €)		-0.30	-0.25
Number of shares taken as basis		21,847,495	19,942,982
Earnings per share, diluted (in €)		-0.30	-0.25
Number of shares taken as basis		21,847,495	19,942,982

€ thousand	Note	12M 21/22 01.10.2021 – 30.09.2022	12M 20/21 01.10.2020 – 30.09.2021
Net loss for the reporting period		-6,341	-4,680
of which attributable to non-controlling interests		249	292
of which attributable to the shareholders of BRAIN Biotech AG		-6,590	-4,972
Other comprehensive income			
Net gain or loss from revaluing obligations from post-employment employee benefits*	[5]	901	306
Currency translation		-245	568
Other comprehensive income, net		656	874
Consolidated total comprehensive income (loss)		-5,685	-3,805
of which attributable to non-controlling interests		231	340
of which attributable to the shareholders of BRAIN Biotech AG		-5,916	-4,145

* Items that will not be subsequently reclassified to profit or loss.

TABLE 05.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 01.10.2021 - 30.09.2022

Note (20)	Interests of shareholders of BRAIN Biotech AG				Non-controlling interests		
	Subscribed capital	Capital reserves	Retained earnings	Other reserves Currency translation	Total	Total	Total
€ thousand							
Balance at 30 September 2020 / 1 October 2020	19,861	78,386	-77,497	35	20,785	5,358	26,143
Cash capital increase from authorized capital, less capital raising costs	1,986	16,992	0	0	18,978	0	18,978
<i>Net loss for the reporting period</i>	0	0	-4,972	0	-4,972	292	-4,680
<i>Other comprehensive income</i>	0	0	306	521	827	48	874
Total comprehensive income (loss)	0	0	-4,666	521	-4,145	340	-3,805
Acquisition of shares of non-controlling shareholders	0	0	2,654	0	2,654	-2,654	0
Transfers due to employee share scheme	0	512	0	0	512	0	512
Balance at 30 September 2021 / 1 October 2021	21,847	95,890	-79,509	555	38,783	3,044	41,828
<i>Net loss for the reporting period</i>	0	0	-6,590	0	-6,590	249	-6,341
<i>Other comprehensive income</i>	0	0	901	-227	674	-17	656
Total comprehensive income (loss)	0	0	-5,689	-227	-5,916	231	-5,685
Acquisition of shares of non-controlling shareholders	0	0	0	0	0	1,335	1,335
Addition of liability from put/call agreement relating to the acquisition of non-controlling interests in fully consolidated Group companies	0	-3,978	0	0	-3,978	0	-3,978
Transfers due to employee share scheme	0	748	0	0	748	0	748
Balance at 30 September 2022	21,847	92,660	-85,198	328	29,638	4,610	34,248

TABLE 05.4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 OCTOBER 2021 - 30 SEPTEMBER 2022

Note (19)	12M 21/22		12M 20/21	
	01.10.2021 - 30.09.2022		01.10.2020 - 30.09.2021	
€ thousand				
Net profit (/loss) for the period, after tax		-6,341		-4,680
Depreciation, amortization and impairment		4,340		4,014
Deferred tax expense/income		-50		234
Conversion of deferred income into revenue		-2,792		-1,373
Income from the acquisition of fully consolidated companies (Bargain Purchase)		0		-798
Income from release of provisions and liabilities		-231		-343
Share of profit or loss from equity-accounted investments		2,426		1,723
Change in net pension provisions recognized in profit or loss		-217		-225
Other non-cash expenses and income		-61		-3,810
Income from the sale of consolidated entities		-2,167		0
Losses on disposals of intangible assets and property, plant and equipment		-28		7
Gross cash flow		-5,120		-5,250
Change in trade receivables		-231		-143
Change in inventories		-2,412		-17
Change in tax assets and liabilities		6		-121
Change in other assets and financial assets		-352		126
Change in trade payables		2,529		313
Change in prepayments		3		9
Change in provisions and other liabilities		1,587		-537
Additions from deferred income		2,505		1,715
Cash flows from operating activities		-1,485		-3,906
Net cash inflows from disposals of companies (less cash and cash equivalents divested)		-3,096		-436
Net payments from disposals of companies (less cash and cash equivalents disposed of)		-1,071		0
Payments to acquire intangible assets		-282		-11
Payments to acquire property, plant and equipment		-5,800		-1,251
Net cash flows relating to other non-current assets		-1,401		81
Investments in equity-accounted investments		-1,173		-564
Proceeds from disposal of property, plant and equipment		137		1
Cash flows from investing activities		-12,686		-2,180
Proceeds from borrowings		352		55
Repayments of borrowings		-2,318		-2,875
Payments of the Put-Option liabilities for Biocatalysts Ltd.		0		-4,586
Contributions to equity, less related capital raising costs		0		18,978
Cash flows from financing activities		-1,966		11,572
Net change in cash and cash equivalents		-16,137		5,485
Cash and cash equivalents at start of financial year		24,545		18,943
Exchange-rate-related change in cash		35		116
Cash and cash equivalents at end of financial year		8,443		24,545
Cash flows from operating activities include:				
Interest paid		-503		-431
Interest received		16		26
Income taxes paid		-259		-387
Income taxes received		0		55

Notes

I. GENERAL INFORMATION

General information about the company

BRAIN Biotech Aktiengesellschaft (also referred to below as "BRAIN Biotech AG" or the "Company") is entered in the commercial register of the Darmstadt District Court under commercial sheet register number 24758. The company's registered offices are located at Darmstädter Strasse 34–36 in 64673 Zwingenberg, Germany.

BRAIN Biotech AG is a growth company in the industrial biotechnology sector. BRAIN Group (hereinafter referred to as "BRAIN" or "the Group" or "BRAIN Group") focuses its business activities on the areas of nutrition, health and the environment. A science-based product business forms the core of our strategic orientation.

The BioScience segment consists of our R&D services for contract research conducted in partnership with industrial companies. These programs aim to make previously untapped high-performance enzymes, microbial producer organisms as well as natural substances deriving from complex biological systems usable in an industrial context. The BioScience segment is also home to our incubator. Here, deploying both our own research funds and working together with partners, we aim for breakthroughs in biotechnologically produced solutions that address a number of society's most pressing issues: naturebased food ingredients, health and environmentally compatible production methods.

The BioIndustrial segment comprises mainly the industrially scalable business with a focus on the production of enzymes, microorganisms and bioactive natural substances. By investing in its own fermentation capacities, BRAIN Group has significantly expanded its value chain in this segment.

BRAIN has a comprehensive research and development infrastructure at the location in Zwingenberg, as well as at the site of the subsidiary AnalytiCon Discovery GmbH in Potsdam, with the latter focusing on natural compounds. Special production expertise and market access is offered by our subsidiaries in relation to enzyme products, microorganisms and bioactive natural compounds: WeissBioTech GmbH, Ascheberg, Germany, Biocatalysts Ltd., Cardiff, UK, Breatec B.V., Nieuwkuijk, Netherlands, and Biosun Biochemicals Inc., Tampa, USA. Cosmetic products are manufactured and distributed by L.A. Schmitt GmbH, Ludwigstadt, Germany (deconsolidated as at 30 September 2022). Moreover, as part of the spinoff SolasCure Ltd. based in Cardiff, UK, an ingredient for enzymatic wound healing is to be approved for marketing.

The targets in terms of a "bioeconomy" are to replace conventional chemical industrial processes with innovative resourceconserving processes, as well as to establish new processes and products. BRAIN Group utilizes biotechnology processes in order to manufacture sustainable products. Our products and services directly address the following UN Sustainable Development Goals: 2, 3, 6, 9 and 12.

General basis of financial accounting

BRAIN Biotech AG has been listed on the stock market since 9 February 2016 and is oriented to the capital market. As a consequence, the regulations of Section 315e (1) of the German Commercial Code (HGB) are applicable when preparing the consolidated financial statements. The consolidated financial statements prepared by the parent company BRAIN Biotech AG for the year ending 30 September 2022 (the "consolidated financial statements" or "financial statements") were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. The financial statements of BRAIN Biotech AG are included in the consolidated financial statements of MP Beteiligungs-GmbH, Kaiserslautern, by way of equity accounting. The consolidated financial statements of MP Beteiligungs-GmbH are published in the German Federal Gazette (Bundesanzeiger).

The reporting period comprises the period from 1 October 2021 to 30 September 2022. This period corresponds to the financial year of BRAIN Biotech AG. For historical reasons, the annual financial statements of WeissBioTech GmbH, Ascheberg, WeissBioTech S.A.R.L., Chanteloup-en-Brie, France, Breatec B.V., Nieuwkuijk, Netherlands, and AnalytiCon Discovery LLC, Rockville, MD, USA, are prepared based on a calendar yearend reporting date. Where a financial year differs, annual figures based on the Group's financial year are calculated for the consolidated financial statements, and included in the financial statements on this basis.

These consolidated financial statements of BRAIN Biotech AG were approved by the Management Board for submission to the Supervisory Board on 14 December 2022. The review and approval by the Supervisory Board took place on 21 December 2022.

New accounting regulations applied

The standards and amendments to be applied for financial years beginning on or after 1 October 2021 did not have any effect at BRAIN Biotech AG.

BRAIN Biotech AG has not voluntarily applied any standards, interpretations or amendments, which, although published, are not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to the effects of the Interest Rate Benchmark Reform (Phase 2):

To be applied to financial years commencing on or after 1 January 2021. Early, voluntary application of the regulations is permitted.

Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 9:

To be applied to financial years commencing on or after 1 January 2021. Early, voluntary application of the regulations is permitted.

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021:

To be applied to financial years commencing on or after 1 April 2021. Early, voluntary application of the regulations is permitted.

Accounting regulations published but not yet applied

The following accounting regulations that have been published and are potentially relevant, but that do not yet require mandatory application, have not been applied early on a voluntary basis:

Amendments to IAS 1 Presentation of Financial Statements:

To be applied to financial years commencing on or after 1 January 2024. Early, voluntary application of the regulations is permitted.

Amendments to IAS 16 Lease Liability in a Sale and Leaseback:

To be applied to financial years commencing on or after 1 January 2024. Early, voluntary application of the regulations is permitted.

IFRS 17 Insurance Contracts including amendments to IFRS 17:

To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.

Amendments to IFRS 17 Insurance Contracts: Firsttime Adoption of IFRS 17 and IFRS 9 – Comparative Information:

To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current:

To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.

Amendments to IAS 1: Disclosure of Accounting Policies:

To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.

Amendments to IAS 8: Definition of Accounting Estimates:

To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction:

To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.

Annual improvements IFRS 2018– 2020:

To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.

Amendments to IFRS 3: Reference to the Conceptual Framework:

To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use:

To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.

Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract:

To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.

The company does not expect these to generate significant effects. Early application is not envisaged.

Presentation of the financial statements

The income statement is extended to include other comprehensive income items recognized in equity, to the extent these do not arise from transactions with owners. The income statement is structured according to the nature of expense method.

The consolidated financial statements are prepared in euros (€). Unless otherwise stated, all figures are presented in thousands of euros (€ thousand). Due to commercial rounding rules, individual numbers may not add up exactly to the indicated total. This may also result in individual amounts being rounded to zero.

II. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidation methods

Business combinations are accounted for applying the acquisition method, under which the carrying amount of the investments is eliminated against the parent's share of the subsidiaries' equity on the acquisition date.

Subsidiaries are those companies where BRAIN Biotech AG exerts a significant influence, generally in the form of the acquisition of a direct or indirect majority of the voting rights. Significant influence entitles the company to influence the business activities of the companies and to control the (variable) returns from these companies, such as in the form of profit sharing.

The acquisition date is the date on which acquirer gains control of the acquiree.

The consideration transferred for an acquisition is calculated at the acquisition date fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed. It also includes the fair values of those recognized assets or liabilities resulting from a contingent consideration arrangement.

Any contingent considerations are measured at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as an asset or a liability are measured in accordance with IFRS 9, with any resultant gain or loss for the reporting period recognized in the result for the period. Contingent consideration classified as equity is not remeasured and its subsequent settlement is recognized directly in equity.

Identifiable assets and liabilities are recognized at fair value. For each acquisition, the Group decides on an individual basis whether non-controlling interests in the acquired company are to be recognized at fair value, or based on the proportional interest in the acquiree's remeasured net assets.

Acquisition-related costs are expensed when they are incurred.

Goodwill is recognized as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the net assets. Any negative difference is recognized directly in profit or loss.

On the basis of written put options, non-controlling shareholders of subsidiaries have the right to tender non-controlling interests to BRAIN Biotech AG. In other words, BRAIN Biotech AG has a contractual obligation upon exercise of its own equity instruments to purchase with delivery of cash. In the first step, a review must be conducted as to whether the arrangement of the put option agreement, taking all further aspects into consideration, substantiates a current power of disposal (hereinafter referred to as "present ownership").

Where present ownership exists, BRAIN Biotech AG applies the anticipated purchase method and recognizes a financial liability pursuant to IAS 32.23. In the case of the anticipated acquisition method, accounting occurs always and independently of the specific structure of the options assuming that a (constructive) acquisition of the non-controlling interest by the controlling shareholder has already occurred. No non-controlling interests are reported for shares included in the option. The liability is recognized at fair value with changes recognized through profit or loss.

If present ownership does not exist, BRAIN Biotech AG recognizes the non-controlling interest in full, reporting the entire non-controlling interest in the statement of comprehensive

income or under balance sheet equity. The liability is then recognized as a liability at fair value on the agreement date, with a simultaneous reduction in the capital reserve. Future fair value changes are recognized in profit or loss.

Transactions with non-controlling interests without loss of control are recognized as transactions with the Group's owners acting in their capacity as owners. The difference between the fair value of the consideration paid and the acquired interest in the carrying amount of the subsidiary's net assets arising from the acquisition of a non-controlling interest is recognized in equity. Gains and losses arising from the disposal of non-controlling interests are also recognized in equity.

Intragroup profits and losses, revenues, income and expenses, as well as receivables and payables between companies included in the scope of consolidation are eliminated.

The income tax effects of consolidation entries are reflected through recognizing deferred taxes.

Consolidation scope

All subsidiaries are included in the consolidated financial statements of BRAIN Biotech AG. Subsidiaries are companies that BRAIN Biotech AG controls. BRAIN Biotech AG controls an investee when it has the power of disposal over the company, a risk exposure exists through, or rights to variable returns exist from, its arrangement in the investee, and the Group has the ability to use its power of disposal over the investee in a manner such that the amount of the variable returns of the investee is affected. The consolidation of an investee commences on the date on which the Group obtains control of the company. It ends when the Group loses control of the investee.

In addition to BRAIN Biotech AG, the following subsidiaries were included in the consolidated financial statements for the period ended 30 September 2022:

Name and domicile of the company	Interest held as at 30.09.2022	Interest held as at 30.09.2021
AnalytiCon Discovery GmbH, Potsdam, Germany	100 %	100 %
AnalytiCon Discovery LLC, Rockville, Maryland, USA	100 %*	100 %*
BRAIN Capital GmbH i. L., Zwingenberg, Germany	100 %	100 %
MEKON Science Networks GmbH i. L., Zwingenberg, Germany	100 %	100 %
WeissBioTech GmbH, Ascheberg, Germany	100 %	100 %
WeissBioTech France S.A.R.L., Chanteloupen-Brie, France	100 %*	100 %*
BRAIN US LLC, Rockville, Maryland, USA	100 %	100 %
BRAIN UK II Ltd., Cardiff, UK	100 %	100 %
BRAIN UK Ltd., Cardiff, UK	88.97 %*	88.97 %*
Biocatalysts Ltd., Cardiff, UK	80.65 %*	80.65 %*
Biocatalysts Inc., Chicago, Illinois, USA	80.65 %*	80.65 %*
Biosun Biochemicals Inc., Tampa, Florida, USA	100 %	100 %
Weriol Group B.V., Nieuwkuijk, Netherlands**	62 %**	-
Breatec B.V., Nieuwkuijk, Netherlands	62 %*	-
Panei B.V., Nieuwkuijk, Netherlands	62 %*	-

* Indirect interests.

** Acquisition of a 62% interest in Weriol Group B.V. as of 1 February 2022.

Change in the consolidation scope

Expansions of BRAIN Group

On 1 February 2022, BRAIN Biotech AG acquired 62% of the shares, and thereby significant influence, in Weriol Group B.V., based in Nieuwkuijk, Netherlands. This acquisition also included Breatec B.V. and Panei B.V. (including Comix activities) both also based in Nieuwkuijk, Netherlands, as wholly owned subsidiaries of Weriol Group B.V. (hereinafter collectively referred to as "Breatec" or "Breatec Group").

Breatec is an established distributor, formulator and blender of functional food ingredients for the baking and milling industries. This acquisition will further accelerate the growth trajectory of BRAIN's BioIndustrial business unit and expand the enzyme portfolio to include adjacent market segments.

The purchase price of the acquired 62% interest in Breatec amounted to € 4,137 thousand. The purchase price includes an immediate cash outflow of € 3,494 thousand, an earnout agreement of € 443 thousand subject to performance conditions for the 2022 calendar year, and a payment of € 200 thousand due in twelve months with no further conditions.

The acquisition led to partial goodwill of € 1,960 thousand attributable to the shareholders of BRAIN Biotech AG as at the acquisition date. The hidden reserves disclosed under other intangible assets (excluding goodwill) mainly relate to disclosed customer relationships and brand names.

The fair values of Breatec's identified assets and liabilities as at the acquisition date are as follows:

€ thousand	Fair value recognized on acquisition
Assets	
Intangible assets (customer relationships and technology)	2,486
Property, plant and equipment	175
Right-of-use assets	946
Inventories	904
Trade receivables	1,396
Other current assets	65
Cash and cash equivalents	398
Total assets	6,370
Liabilities	
Trade payables	-664
Non-current liabilities (interest-bearing)	-1,202
Current liabilities (interest-bearing)	-352
Deferred tax liabilities	-640
Total liabilities	-2,858
Net assets at fair value	3,512
Non-controlling interests measured at fair value (38%)	-1,335
Goodwill from the acquisition	1,960
Purchase price	4,137
Cash flow from the acquisition	
€ thousand	
Cash and cash equivalents acquired with the subsidiary	398
Purchase price paid	-3,494
Net cash flow from the acquisition	-3,096

As at the acquisition date, the fair value of the trade receivables essentially corresponds to the gross amounts of the contractual receivables.

The acquired lease liabilities were measured at the present value of the remaining lease payments on the acquisition date. The rights-of-use were measured at the same amount as the lease liabilities.

Deferred tax liabilities comprise the effects of temporary differences between the fair values of the assets and liabilities identified as part of purchase price allocation, and their carrying amounts on the tax balance sheet.

The goodwill at Group level derives primarily from cost synergies, such as a pooled purchasing strategy, as well as from sales synergies arising from the broadening of the product portfolio and the expansion of the customer base in the area of baked goods production. Overall, BRAIN Group possesses extensive product expertise and market access in the enzymes area. It is expected that the acquisition of Breatec's activities will enable the Group to realize both extended cost synergies and revenue synergies. Breatec was allocated to the "BioIndustrial" segment.

The entirety of the goodwill is not tax deductible.

The consolidated financial statements include the results of Breatec for eight months from the acquisition date. Since acquisition date, Breatec has contributed € 4.9 million to BRAIN Group's revenue and € -0.1 million to its net result for the reporting period.

Transaction costs of € 0.5 million were expensed and are included in other expenses in the income statement, and form part of operating cash flow in the cash flow statement.

The non-controlling interests were as follows as at the acquisition date:

€ thousand	Interest in %	Interest in book equity	Share of revalued equity
Non-controlling interest	38.00	635	1,335

In addition, put/call option agreements were concluded between the remaining non-controlling shareholders and BRAIN Biotech AG. The call option enables BRAIN Biotech AG to acquire the non-controlling minority interests at a contractually agreed EBITDA multiple in three exercise periods between 1 January 2025 and 31 March 2027. The put option gives the non-controlling interests the right to tender shares to BRAIN Group at contractually agreed EBITDA multiples in three exercise periods between 1 January 2025 and 31 March 2027.

This put option is an asymmetric option. As at the date of preparation of the consolidated financial statements, the exercise of this option is uncertain.

The resulting potential financial liability is accounted for by recognizing the highest probable liability, as the actual exercise dates are uncertain. The present value of the resulting potential purchase obligation amounted to € 3,978 thousand as at 1 February 2022. The capital reserves were reduced accordingly by € 3,978 thousand. The liability is subsequently measured through profit or loss. In the course of the subsequent measurement as at 30 September 2022, finance income of € 791 thousand was recognized in the net financial result.

Divestiture of all shares in L.A. Schmitt GmbH

On 26 September 2022, BRAIN Biotech AG successfully concluded an agreement with the URI Group, headquartered in Seoul, Korea, relating to the divestiture of all shares (100%) in L.A. Schmitt GmbH owned by BRAIN Biotech AG as at 30 September 2022. This has further increased BRAIN Group's financial flexibility to focus on the accelerated expansion of science-intensive research areas and its enzyme product business.

The divestiture led to an earnings effect of €662 thousand recognized in other income. The transaction costs of €12 thousand were expensed and are included in other expenses in the income statement.

The following table shows the assets and liabilities as at the date of the divestiture.

Assets and liabilities as of the disposal date	
€ thousand	30.09.2022
Property, plant and equipment	867
Inventories	777
Trade receivables	230
Cash and cash equivalents	1,071
Other assets	76
Total assets	3,021
Provisions	15
Trade payables	88
Financial liabilities	135
Deferred tax liabilities	83
Other liabilities	322
Total liabilities	643
Net assets	2,378

No further changes in the scope of consolidation occurred in the 2021/22 financial year.

Changes in the previous year

In the 2020/21 financial year, Biosun Biochemicals Inc. (100%) was acquired and included in the scope of consolidation.

Equity-accounted investments

Equity-accounted investments are associates over whose financial and business policy decisions BRAIN Biotech AG can exercise significant influence. Significant influence is presumed to exist if BRAIN Biotech AG directly or indirectly holds a minimum of 20% and a maximum of 50% of the voting rights.

Under the equity method, the investment is initially recognized at cost and subsequently adjusted to reflect post-acquisition changes in the proportionate interest of BRAIN Biotech AG in the investee's net assets. Any share of the investee's losses that exceeds the carrying amount of the investment (where appropriate, including any other long-term interests that form part of the net investment in the investee) is not recognized unless a legal or constructive payment obligation exists. Any goodwill recognized is reported as a component of the value of the interest in the associate. Unrealized intra-group profits or losses arising from transactions between BRAIN Biotech AG and the associate are eliminated proportionately in the same way as consolidation adjustments.

If objective evidence of impairment exists, the carrying amount of the equity-accounted investment is compared with its recoverable amount in the course of the impairment test. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the amount of the difference. If the reasons for an impairment loss that was previously recognized cease to exist, a corresponding reversal of the impairment loss is applied.

Enzymicals AG, Greifswald, and SolasCure Ltd. were included as equity-accounted investments in the consolidated financial statements for the period ending 30 September 2022. The balance sheet date at the end of a calendar year (Enzymicals AG) or on 30 June (SolasCure Ltd.) differs from the balance sheet date of BRAIN Biotech AG. BRAIN Biotech AG holds 24.10% (previous year: 24.10%) of the voting rights in Enzymicals AG, and 35.51% (previous year: 41.27%) of the voting rights in SolasCure Ltd. In the 2021/22 financial year, BRAIN Biotech AG participated in a capital increase at SolasCure Ltd. The capital increase amounted to €9.9 million (in which BRAIN participated for an amount of €1.5 million) and led to the aforementioned change in the interest held. As a consequence, the capital increase led to a dilution of the interest held in SolasCure Ltd.

For further notes, please see section (14) "Equity-accounted investments".

III. ACCOUNTING POLICIES

Basis for the preparation of the financial statements

The consolidated financial statements have been prepared on the assumption that the company constitutes a going concern based on historical purchase and manufacturing costs, limited by the measurement of financial assets and financial liabilities at fair value through profit or loss.

Where indications exist of potential value impairment (so-called triggering events), a corresponding review is conducted based on the recoverable amount. As part of such impairment tests, fair values are also taken into consideration to calculate the lower value limit for individual assets. Valuation surveys for land and buildings, among other inputs, can also be applied in this context. If the carrying amount exceeds the recoverable amount, impairment losses are recognized against the assets to write them down to their recoverable amount.

Use of assumptions and estimates

In the financial statements, estimates and assumptions have to be made to a certain extent that affect the level and reporting of assets and liabilities, expenses and income, and contingent liabilities. All estimates and assumptions are continuously reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be appropriate under the given circumstances.

Assumptions and estimates relate in particular to:

- evaluating the capitalization of development expenditures (no development costs were capitalized in the financial year under review, and none were capitalized in the previous year),
- the (non-) capitalization of deferred taxes relating to tax loss carryforwards,
- measuring the useful life of intangible assets and of property, plant and equipment,
- identifying potential asset impairments (particularly goodwill and inventories)
- the measurement and reporting of put options for the acquisition of non-controlling interests (in particular with regard to the exercise dates. See also "Valuation risks connected with foreign currency put option agreements" in this document),
- the measurement of share-based compensation schemes,
- the determination of the transaction price and the date of revenue recognition according to IFRS 15,
- the determination of the amount of impairment of trade receivables in accordance with IFRS 9,
- the determination of present values for lease liabilities using a marginal borrowing rate,
- the assessment of possible utilization of contract extension options under IFRS 16,
- the formation of provisions depending on the assessment of event risk.

The key assumptions and inputs for the estimates made by management are explained in the disclosures on the respective line items. The resulting amounts may differ from the actual amounts.

Adjustments to earnings

In relation to certain matters, the Management Board defines adjustments for non-operating or non-recurring effects up to the level of EBITDA. The following table shows the reconciliation of reported EBITDA to adjusted EBITDA excluding the aforementioned earnings and expenses as described in the table.

€ thousand	2021/22	2020/21
EBITDA, including:	-1,309	-2,533
Personnel expenses from share-based payment components	-1,384	-989
Other operating expenses related to M&A transactions and the integration of acquired businesses	-476	-313
Other income from the divestiture of L.A. Schmitt GmbH	650	-
Other income from gain on bargain purchase	-	858
Adjusted EBITDA	-98	-2,089

Segment reporting

The Management Board, as the chief operating decision maker, assesses opportunities and risks and allocates the operating segments' resources. The segmentation as well as the selection of the indicators presented is realized in accordance with the internal control and reporting systems (the "management approach"). The segment information is prepared applying the same accounting standards as described in the notes to the consolidated financial statements.

Based on monitoring and control by the Management Board, only two segments have been identified, for which further aggregation is not possible due to their differing product and service orientation.

BRAIN's business activities are distinguished from one another by the division into the BioScience and BioIndustrial operating segments. Segmentation is according to the criterion of the existence of an industrial scale of products. At Management Board level, the individual segments' business performance is measured on the basis of revenue, and their profitability is measured based on adjusted EBITDA. The Management Board performs and approves planning at this level. Both areas have a different strategic orientation and require different marketing and business development strategies.

The BioScience segment mainly includes research and development business with industrial partners, and the company's own research and development. Marketing the company's own products and developments with external partners also forms part of this operating segment.

The BioIndustrial segment mainly consists of its industrially scaled products business focusing on enzyme and cosmetic products.

The allocation of adjustments (see the section "Adjustments to earnings") to the segments is generally made in the segment in which the costs to be adjusted were incurred.

Sales revenues generated between the segments are realized on standard market terms.

The following overview presents the segment results:

€ thousand	BioScience		BioIndustrial		Sum segments		Consolidation		Group	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
Revenue generated with other segments	71	37	47	122	118	159	-118	-159	0	0
Revenue generated with external customers	12,007	10,275	37,501	28,114	49,509	38,389	0	0	49,509	38,389
Total revenue	12,079	10,313	37,548	28,236	49,627	38,549	-118	-159	49,509	38,389
R&D grant revenue ¹	632	772	154	61	786	833	0	0	786	833
Changes in inventories ²	108	-114	824	137	932	23	0	0	932	23
Other income	727	574	1,284	939	2,011	1,513	-166	-27	1,845	1,486
of which gain on bargain purchase	0	0	0	-858	0	-858	0	0	0	-858
of which net income from divestiture of L.A. Schmitt GmbH	0	0	-650	0	-650	0	0	0	-650	0
Total operating performance	13,545	11,545	39,811	29,373	53,356	40,918	-284	-186	53,072	40,731
Cost of materials	-2,694	-2,431	-20,402	-14,565	-23,096	-16,995	101	153	-22,994	-16,842
Personnel expenses	-12,752	-12,123	-8,929	-7,388	-21,681	-19,510	0	0	-21,681	-19,510
of which from share-based payments	748	512	636	477	1,384	989	0	0	1,384	989
Other expenses	-4,226	-3,196	-5,562	-3,745	-9,788	-6,941	82	26	-9,706	-6,915
of which acquisition and integration costs	476	313	0	0	476	313	0	0	476	313
EBITDA	-6,126	-6,202	4,918	3,676	-1,208	-2,526	-101	-7	-1,309	-2,533
Adjusted EBITDA	-4,902	-5,377	4,904	3,295	3	-2,082	-101	-7	-98	-2,089
Depreciation and amortization	-1,353	-1,287	-2,987	-2,727	-4,340	-4,014	0	0	-4,340	-4,014
EBIT	-7,479	-7,489	1,931	948	-5,548	-6,540	-101	-7	-5,648	-6,548
Finance income									3,606	4,722
Result from equity-accounted investments									-2,426	-1,723
Finance costs									-1,696	-727
Result before taxes									-6,165	-4,276

¹ Research and development grant revenue.

² Changes in inventories of finished goods and work in progress.

Revenue derived from the following revenue sources:

€ thousand	2021/22	2020/21
Collaborative Business	12,007	10,275
BioScience	12,007	10,275
Enzymes & Bio-based Products	35,301	25,361
Cosmetics	2,200	2,753
BioIndustrial	37,501	28,114
Group total	49,509	38,389

The following table presents revenue by geographic region:

€ thousand	2021/22	2020/21
Germany	7,929	7,069
Abroad	41,579	31,320
of which: USA	14,017	8,862
of which: Netherlands	6,540	4,981
of which: UK	3,643	3,700
of which: France	3,798	3,079

Revenues are allocated to countries according to the destination of the products or services. Revenues in other countries were not material in comparison to total revenues and for this reason these revenues are not shown separately.

The following table shows intangible assets and property, plant and equipment by geographic region, according to the respective Group companies' locations. If assets in an individual foreign country are material, they are disclosed separately:

€ thousand	30.09.2022	30.09.2021
Intangible assets	16,764	13,531
Property, plant and equipment	28,737	24,291
Total	45,502	37,822
of which: UK	25,176	21,342
of which: Germany	13,102	14,513
of which: Netherlands	5,290	-
of which: USA	1,934	1,967

No relationships exist with individual customers where revenue is to be categorized as significant in comparison with consolidated revenue.

Currency translation

Translation of foreign currency transactions

Cash and cash equivalents as well as receivables and liabilities denominated in foreign currencies are translated at the closing rate. Currency translation differences are recognized in profit or loss. Transactions denominated in foreign currencies are reported applying the currency rate on the date of the respective transaction. The risk assessment of currency exchange rate differences that are recognized through profit or loss occurs on a net basis. The net results from translation differences are immaterial in total.

Translation of foreign Group companies' financial statements

In the case of foreign Group companies, the functional currency is the respective local currency, as the companies operate independently in financial, business and organizational terms. The foreign companies' assets and liabilities are translated into euros at the closing rate on the reporting date. Income and expenses are translated into euros at the average exchange rates for the year. Equity components are translated at historical exchange rates on the respective acquisition dates from the Group's perspective. The translation difference compared with the closing rates is recognized directly in equity under "Other reserves".

The exchange rates against the euro report the following changes:

Rate/€	Country	Closing rate		Average rate	
		2021/22	2020/21	2021/22	2020/21
GBP	UK	1.1394	1.1621	1.1799	1.1456
USD	USA	1.0202	0.8636	0.9245	0.8366

Revenue recognition

The revenue reported in the consolidated income statement relates to revenue from contracts with customers in accordance with IFRS 15. BRAIN Group recognizes revenue in accordance with the IFRS 15 transfer of control approach.

Revenue is measured on the basis of the consideration specified in the contract with a customer, taking into account variable consideration such as cash discounts, volume-related rebates and other contractual price reductions. The variable consideration is estimated based on the most probable amount. However, variable consideration is only taken into consideration if it is highly probable that a significant reversal in revenue will not arise once the uncertainty associated with the variable consideration no longer exists. In addition, the determination of the transaction price requires discretionary decisions and estimates in light of uncertainties typical of the sector, which are associated with future milestone and license payments. These discretionary decisions relate to the valuation of the inclusion of milestone payments in the transaction price. Accordingly, milestones are included in the transaction price only if it is highly probable that they will be reached.

Revenue is recognized when control, in other words, the possibility of deriving benefit from the service rendered and of determining its further use, is transferred. This can occur either at a specific time or over a period of time. Revenue is recognized over a period of time if one of the following criteria is met:

- Upon fulfilment by the company, the customer receives the benefit of the service rendered and utilizes it at the same time.
- With its work, the company produces or improves an asset over which the customer has control during the production or improvement.
- With its work, the company generates an asset that cannot be used by the company for other purposes; in doing so, the company has a claim for payment for the services rendered to date and can also expect the contract to be fulfilled as agreed.

If the performance obligation is not fulfilled over a period of time, it is fulfilled at a given /// point in time. The following factors are considered in order to determine the point in time at on which control is transferred:

- the Group currently has the right to receive payment for the asset;
- the customer has legal ownership of the asset;
- the company has transferred the asset physically (in other words, ownership of the asset);
- the significant risks and rewards entailed in ownership of the asset lie with the customer; and
- the customer has accepted the asset.

Sale of goods/products

Revenue from the sale of products is recognized when control of a promised product is transferred in accordance with Incoterms agreed with customers. This is usually when the delivery has reached the customer.

Rendering of services

Revenues from rendering services arise mainly from research and development partnerships, and are generated predominantly in the BioScience segment. Related one-off payments (mostly to be paid by customers when agreements are concluded) are analyzed on the date of receipt as to whether they relate to one-off payments for pre-contractual services that transfer to the customer and that are distinct. To the extent that this is the case, revenue is recognized immediately. R&D revenues are also recognized in the period in which the underlying services are rendered. This generally occurs in accordance with the progress of the transfer of the R&D services by applying the cost-to-cost method, as well as the milestones achieved as at the balance sheet date. The cost-to-cost method is best suited for measuring percentage of completion, as the R&D services' product is realized on the basis of the employees it deploys.

Royalties and license fees

Revenues from royalties (license agreements) are recognized in the period in which they accrue according to the terms of the underlying contract. As a matter of principle, revenue-based fees are not recognized until the customer realizes the corresponding sales revenues. In the case of licenses, a distinction must be made as to whether the customer acquires with the license a right-of-use (revenue recognition on the basis of a given point in time) or a right-of-access (revenue recognition over a period of time). One-off prepaid license payments are recognized immediately (revenue recognition based on a given point in time) if the license grants a right-of-use, and the licensed technology is not developed further (static licenses).

One-off prepaid license payments are realized over time (revenue recognition over a period of time) if and to the extent that the license grants access rights to the technology, and the licensed technology is developed further (dynamic licenses).

Financing components are separated from the actual performance if they are classified as material. If the period between the time when BRAIN transfers the promised goods or services to the customer and the time when the customer pays for those goods or services is one year or less, no financing component is taken into account. Contractual liabilities are reported as deferred income rather than separately on the balance sheet. Separate disclosure is made in section (23) Deferred income.

Intangible assets

Acquired intangible assets, with the exception of goodwill and capitalized development costs, are measured at cost less straightline amortization over their useful economic lives. Cost consists of directly attributable costs. The useful lives and depreciation methods are reviewed each year and modified if necessary. The useful lives applied by the Group are as follows:

	Useful life in years
Genetic resources	2-8
Software and industrial property rights	2-15
Customer relationships acquired as part of a corporate acquisition	8-11
Technology acquired as part of a corporate acquisition	10-12

Research and development

Research costs are recognized as expenses in the period in which they are incurred. In accordance with IAS 38.53 and IAS 38.57, development expenditures are capitalized if the following criteria are met:

- It is technically feasible for the entity to complete the intangible asset so that it will be available for use or sale.
- The entity intends to complete the intangible asset and use or sell it.
- The entity is able to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits can be demonstrated. Inter alia, the entity can substantiate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the intangible asset's utility.
- The availability of adequate technical, financial and other resources to complete development, and use or sell the intangible asset.
- The entity is able to reliably measure the expenditure attributable to the intangible asset during its development.

Not all of these criteria were met in the financial year, so that all expenditure connected with research and development activities was recognized as expenses as incurred.

Property, plant and equipment

Items of property, plant and equipment are measured at cost and depreciated to reflect any wear and tear. The straightline depreciation method is applied.

The depreciation period is based on the asset's expected useful economic life. Impairment losses and depreciation charges are recognized if no further, or fewer, economic benefits are expected from the asset's continued use or sale. Gains or losses on the disposal of items of property, plant and equipment are calculated by comparing the net disposal proceeds with the asset's carrying amount and recognized in profit or loss in the period in which the asset is derecognized.

Depreciation charges are based mainly on the following useful lives:

	Useful life in years
Buildings and outdoor facilities	10-50
Vehicle fleet	3-6
Laboratory equipment, operating and office equipment	1-15

Impairment tests

Goodwill and other intangible assets with an indefinite or indeterminable useful life are tested at least once per year for impairment. Intangible assets and items of property, plant and equipment with finite or indeterminable useful lives are only tested for impairment if indications exist that the asset has become impaired. An impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income if the asset's recoverable amount, in other words, the higher of its fair value less costs of disposal and its value-in-use, is less than its carrying amount. The recoverable amount is generally determined individually for each asset. If this is not possible, it is determined based on a group of assets representing a cash-generating unit (CGU). An assessment is made at least once a year whether any indication exists that the reason for an impairment loss recognized in prior periods no longer applies or the amount of the impairment has decreased. If this is the case, the asset's recoverable amount is remeasured, and the impairment loss is reversed accordingly (except in the case of goodwill).

The starting point for estimating the recoverable amount of the relevant cash-generating unit for the goodwill impairment tests as at 30 September 2022 is its value-in-use, calculated as the present value of the future net cash flows expected to be generated from the CGU. The estimate is based on the current five-year planning of the relevant company. The last planning year is generally also applied for cash flows beyond the planning period and modified considering further assumptions for the perpetual return, to the extent that specific related indications exist. These plans are based on Management Board estimates about future trends that are described further in the description of the individual cash-generating units. Past data and expected market performance are utilized to calculate values-in-use for the cash-generating units. The values allocated to the significant assumptions are generally in line with external information sources in this context.

The cash generating unit's capital costs are calculated as the weighted average of its equity and debt costs. The capital structure, and equity and debt costs, are based on peer companies from the same sector and are derived from available capital market information.

Goodwill existed at the following cash-generating units (CGUs) as at the reporting date:

Cash-generating unit	30.09.2022		30.09.2021	
	Goodwill € thousand	Pre-tax cost of capital (WACC) ³	Goodwill € thousand	Pre-tax cost of capital (WACC) ³
Biocatalysts	3,948	9.29 %	4,026	7.08 %
Breatec	1,960	8.08 %	-	-
Natural Products Chemistry	699	11.05 %	699	7.50 %

The "Biocatalysts" CGU consists of the goodwill from the acquisition of Biocatalysts Ltd., including its subsidiary Biocatalysts Inc., and is attributable to the BioIndustrial segment.

The "Breatec" CGU comprises the goodwill from the acquisition of Weriol Group B.V. including its subsidiaries Breatec B.V. and Panei B.V. and is attributable to the BioIndustrial segment.

The "Natural Products Chemistry" CGU consists of the goodwill from the acquisition of AnalytiCon Discovery GmbH and its subsidiary AnalytiCon Discovery LLC, and is attributable to the BioScience segment.

Biocatalysts

For the Biocatalysts unit, an IAS 36 impairment test was performed again as at 30 September 2022. Planning is based on a significant rise in sales revenues and successive margin improvements. As planned, this would be in line with the significant increases in recent years as well as in the 2021/22 financial year. Continued strong growth is to be achieved by further expanding business relationships with both existing and new customers. Furthermore, an even stronger focus on customer-specific enzymes and proprietary product developments is planned, which should contribute to a further improvement in revenue as well as to a margin improvement. Net cash flows beyond the detailed planning phase were modelled on a terminal growth rate that reflects growth rates derived from current market information (financial year under review: 1.00 %, previous year: 1.00 %). A value-in-use applying discounted cash flows was calculated based on five-year planning. No impairment was determined in the impairment test on 30 September 2022.

An increase in the weighted average cost of capital by 1.0 percentage points or a reduction in the EBITDA margin in the perpetual return by 2.0 percentage points would also have led to no impairment.

The Management Board assumes that the calculated sensitivities suitably and sufficiently reflect the potential deviations from plan in each case.

Breatec

For the Breatec unit, an IAS 36 impairment test was performed as at 30 September 2022. Planning is based on a significant rise in sales revenues and successive margin improvements. Continued strong growth is to be achieved by further expanding business relationships with both existing and new customers. Furthermore, an even stronger focus on customer-specific enzymes is planned, which should contribute to a further improvement in revenue as well as to a margin improvement. Net cash flows beyond the detailed planning phase were modelled on a terminal growth rate that reflects growth rates derived from current market information (financial year under review: 1.00 %). A value-in-use applying discounted cash flows was calculated based on five-year planning. No impairment was determined in the impairment test on 30 September 2022.

³ Weighted average cost of capital before tax.

An increase in the weighted average cost of capital by 1.0 percentage points or a reduction in the EBITDA margin in the perpetual return by 2.0 percentage points would also have led to no impairment.

The Management Board assumes that the calculated sensitivities suitably and sufficiently reflect the potential deviations from plan in each case.

Natural Products Chemistry

Thanks to positive market feedback and its successful performance in recent financial years, the "Natural Products Chemistry" unit in its planning assumes significant revenue growth and a positive trend in its EBITDA margin. The expected trend in revenue and earnings is mainly driven by the growth potential in the area of projects/services (including the project of AnalytiCon Discovery GmbH with Pharvaris N.V. regarding the novel oral bradykinin B2 receptor antagonist (PHA121)) as well as the resultant positive effects on the personnel expense ratio. Net cash flows beyond the detailed planning phase were modelled on a terminal growth rate that reflects growth rates derived from current market information (financial year under review and the previous year: 1.00%). A value-in-use applying discounted cash flows was calculated based on five-year planning. No impairment was determined in the impairment test on 30 September 2022.

An increase in the weighted average cost of capital by 1.0 percentage points or a reduction in the EBITDA margin in the perpetual return by 2.0 percentage points would have also led to no impairment.

The Management Board assumes that the calculated sensitivities suitably and sufficiently reflect the potential deviations from plan in each case.

Inventories

Raw materials, consumables and supplies as well as unfinished goods and services, are measured at cost. The average cost method is mainly applied, taking into account the lower of cost and net realizable value less costs to sell. In addition to direct costs, production costs include appropriate portions of materials and production overheads. Borrowing costs are not capitalized. Write-downs to a lower net realizable value are applied if necessary.

Financial instruments

Financial instruments refer to all contractual relationships that result in a financial asset for one party and a financial liability or equity instrument for the other party. Financial instruments include both non-derivative and derivative financial instruments.

Financial instruments are classified into three categories on initial recognition:

- At amortized cost (AC)
- At fair value through equity (through reserves) (FVTOCI)
- At fair value through profit or loss (FVTPL)

When financial assets are measured at fair value, expenses and income are to be recognized, depending on their classification, either in full in the profit or loss for the period (FVTPL) or in other comprehensive income FVTOCI, with or without subsequent reclassification to the income statement.

The classification is determined when the financial asset is first recognized, in other words, when BRAIN becomes a party to the contractual arrangements for the instrument.

A debt instrument that meets the following two conditions is measured at amortized cost:

- Business model condition: The objective of BRAIN Group's business model is to hold the financial assets in order to collect the contractual cash flows.
- Cash flow condition: The contractual terms of the financial asset generate cash flows at specified times that are solely payments of principal and interest on the principal outstanding.

A debt instrument that meets the following two conditions is measured at fair value changes recognized in other comprehensive income and subsequent reclassification to the income statement:

- Business model condition: The objective of BRAIN Group's business model is achieved by both collecting the contractual cash flows from financial assets and by disposing of financial assets.
- Cash flow condition: The contractual terms of the financial asset generate cash flows at specified times that are solely payments of principal and interest on the principal outstanding.

All other debt instruments are measured at fair value with value changes recognized in profit or loss for the period (FVTPL). All equity instruments held are recognized at fair value on the balance sheet. Value changes are recognized in the result for the period. If an equity instrument is not held for trading, BRAIN may make an irrevocable decision upon initial recognition to measure it at fair value, with value changes recognized in other comprehensive income. Subsequent reclassification to the income statement is excluded in this case.

Financial assets are generally only derecognized if no prospect of recovery exists, such as if enforcement has been unsuccessful, insolvency proceedings have been discontinued for lack of assets, or the debt is now statute-barred. No further enforcement actions are taken subsequently. Financial assets whose terms were amended because they would otherwise have been overdue or impaired did not exist in the past financial year (as in the previous year).

Debt instruments are derecognized from the consolidated balance sheet when all risks and rewards have been transferred and the related receipt of payment is assured. If not all risks and rewards are transferred, the debt instruments are derecognized when control of the debt instrument is transferred.

Impairment of financial assets

Impairment losses on debt instruments held by the company that are not to be measured at fair value through profit or loss are based on the premise that expected losses must be recognized. These are recorded at the following amounts:

- the "expected 12-month loss" (present value of expected payment defaults resulting from possible default events within the next twelve months after the reporting date) or
- the total loss expected over the remaining term of the instrument (present value of expected payment defaults arising from all possible default events over the financial instrument's remaining term).

For trade receivables with and without a significant financing component, contract assets and leasing receivables, the need for impairment is always determined on the basis of the losses expected over the entire term. For all other instruments, impairments are only determined on the basis of the losses expected over the entire term if the credit risk has increased significantly since initial recognition. The assessment as to whether the risk of default has increased significantly is based on an increase in the probability of default since the date of acquisition. Macroeconomic forecasts (such as in relation to GDP) are also taken into consideration in this analysis.

Otherwise, the impairment losses are determined solely on the basis of the expected losses that would result from a loss event occurring within twelve months of the reporting date. In this case, loss events that may occur later than twelve months after the balance sheet date are consequently not taken into consideration.

The credit quality of a financial asset is impaired if one or more events have occurred that have an adverse effect on the expected future cash flows. This includes observable data that has become known about subsequent events:

- significant financial difficulties on the part of the issuer or debtor;
- a breach of contract such as default or delay in interest or principal payments;
- concessions that the lender makes to the borrower for financial or contractual reasons relating to the borrower's financial difficulties; but would not otherwise grant;
- an increased probability that the borrower will enter bankruptcy or other reorganization proceedings;
- the disappearance of an active market for this financial asset due to financial difficulties;
- the purchase or issue of a financial asset with a high discount reflecting the credit losses incurred.

A value adjustment table is applied for trade receivables, which determines the losses expected over the remaining term as a flatrate percentage depending on the length of the overdue period. Irrecoverable receivables are written off at the time when the Group becomes aware that the receivable will probably be uncollectible.

Government grants

Monetary grants and other support payments for research and development projects are reported separately in the statement of comprehensive income as "research and development grant revenue".

According to IAS 20, these government grants are only recognized at fair value if satisfactory evidence exists that the grant conditions are met and the grants will be paid. Grants are recognized in profit and loss in the reporting period during which the costs related to the respective grants were incurred. Receivables from grants that have not yet been settled are reported as trade receivables, as the underlying research and development activities form a significant element of the range of work and service of BRAIN Group.

Investment subsidies and grants for assets are not deducted from the costs of acquiring the respective assets, but are instead recognized as deferred income. Such deferred income is recognized as income in line with the depreciation or amortization of the corresponding assets, and is reported in the statement of comprehensive income under other income.

Equity

To classify financial instruments that are not to be settled in BRAIN Biotech AG equity instruments as either equity or debt capital, it is essential to assess whether a payment obligation exists for BRAIN Biotech AG. A financial liability always exists if BRAIN Biotech AG is not entitled to avoid rendering liquid assets or realizing an exchange in the form of other financial assets in order to settle the obligation.

Costs directly attributable to the issuance of new shares are shown in equity as a deduction from the income received from the issue. If a reporting date occurs between the date on which the costs are incurred and the actual performance of the equity transaction, in other words, an inflow of issue proceeds, the deductible transaction costs accruing in the reporting period are initially recognized under assets as prepaid items, and are not offset against equity (capital reserves) until the capital increase is recognized on the balance sheet.

Provisions

Provisions are recognized for all identifiable present obligations to third parties arising from past events, whose settlement is expected to result in an outflow of resources and whose amount can be reliably estimated. They are recognized at the expected settlement amount. If the outflow of resources is expected to occur at a date after the year following the reporting period, the obligations are recognized at their present value. In the case of a lower level of discounting, the interest effects are recorded in finance costs.

Occupational pension scheme/employee benefits

The occupational pension scheme at BRAIN includes both defined contribution plans as well as defined benefit plans.

In addition to the statutory pension insurance systems, occupational pensions at BRAIN Biotech AG, AnalytiCon Discovery GmbH, Biocatalysts Ltd. and WeissBioTech GmbH utilize direct insurance policies and payments into pension funds and private pension schemes (direct contribution commitment). Pension schemes also exist for two former members of the Management Board of BRAIN Biotech AG. These schemes are managed and funded through an occupational pension plan (Unterstützungskasse) (direct benefit commitment).

Payments for defined contribution pension schemes are expensed under personnel expenses if the employees have rendered the work entitling them to said contributions. Contributions to government pension plans are treated in the same way as payments for defined contribution plans.

A defined contribution plan exists in Germany for all employees in the Group companies within the framework of the German statutory pension insurance into which the employer must pay. The amount to be paid is determined according to the current applicable contribution rate of 9.30 % (employer contribution) with regard to the employee compensation subject to compulsory pension insurance. In the USA, the employer contribution to social security is 6.2 % in relation to annual employee compensation of USD 147,000. In addition, BRAIN offers a company pension scheme in the form of deferred compensation without topping-up contributions by the employer.

A defined benefit plan exists for two former Management Board members in the form of benefit commitments by the company. The benefit entitlements consist of an old-age pension from the age of 65 as well as surviving dependents' and invalidity benefits. To reinsure pension commitments, the company pays contributions to an external occupational pension plan. In turn, the occupational pension plan has taken out pension liability insurance cover. The claims under the pension liability insurance have been assigned to the occupational pension plan beneficiaries.

The pension obligation is measured applying actuarial methods in accordance with IAS 19. The calculations are essentially based on statistical data relating to mortality and disability rates, assumptions about the discount rates as well as expected return on plan assets. The determination of the interest rate and the expected plan assets is based on yields on AA-rated corporate bonds corresponding to the respective term. As part of accounting, the fair value of plan assets is deducted from the present value of the benefit obligation for pensions. The valuation of the benefit obligation for pensions and the plan assets is undertaken annually by means of actuarial reports as at the reporting date.

Revaluations that resulted in particular from the adjustment of actuarial assumptions are recognized directly in equity (retained earnings) via other comprehensive income without affecting the operating result.

"CoPerBo" Corporate Performance Bonus for employees of BRAIN Biotech AG

In the 2015/16 financial year, a performance-based compensation scheme was set up for BRAIN Biotech AG employees. This scheme was continued in the financial year under review, and commits an annual bonus to BRAIN Biotech AG staff depending on their respective basic salary received in the financial year and certain development factors. The bonus level is significantly affected in this context by three development factors, each of which affect one third of the bonus payable. All employees of BRAIN Biotech AG with separate target agreements are not entitled to this program.

The first factor is the year-to-year percentage change in BRAIN Group's revenue in the respective financial year. The second factor is the change in BRAIN Group's adjusted EBITDA. A change in these factors of one million is defined as 10%. The third factor is the change in the weighted average share price over the financial year. The bonus payments for the financial year elapsed are always scheduled to occur in the January of the subsequent year, as the audited segment information is available on that date. The payout range is fixed at between 0 and 30% of the basic salary paid to an employee. Only ten percentage points may result from each factor.

Segment information from this set of financial statements was utilized to calculate the level of the obligation. The provision's effect on adjusted EBITDA was taken into account through applying an iterative calculation.

The periodic expense for the 2021/22 financial year amounted to €0 thousand. A liability of €0 thousand was formed as at 30 September 2022. An obligation of €160 thousand arose for the 2020/21 financial year.

Share-based payment and other long-term employee benefits

In the 2021/22 financial year, the following share-based employee compensation existed:

Employee Stock Ownership Program (ESOP)

In order to provide incentives and to retain managers and employees of BRAIN Biotech AG long-term, an employee stock ownership program (ESOP 2017/18) for the 2017/18 financial year came into effect on 8 June 2018, and an employee stock ownership program (ESOP 2018/19) came into effect on 12 March 2019. Under the latter, further options were issued in the 2021/22 financial year on 8 April 2022 as scheduled and on 27 September 2022 by way of exception (in particular due to the change of Chief Financial Officer). Managers and employees as well as the Management Board members of BRAIN Biotech AG participate in all ESOPs.

The ESOP 2017/18 stock option program is based on the AGM resolution of 8 July 2015 to set up a stock option program and create conditional capital 2015/II. The ESOP 2018/19 stock option program is based on the AGM resolution of 7 March 2019 to set up a stock option program and create conditional capital 2019/I.

As part of exercise, one option entitles to the purchase of one share in the company at the so-called exercise price. The exercise price corresponds to the average of the share price ten trading days prior to the contractual grant date. The following overview shows the measurement date and the exercise price.

	Measurement date	Exercise price (€)
ESOP 2017/18	8 June 2018	20.67
ESOP 2018/19	12 March 2019	10.64
ESOP 2019/20	9 March 2020	9.11
ESOP 2020/21-Oct	2 October 2020	7.37
ESOP 2020/21-Mar	15 March 2021	9.03
ESOP 2021/22-Apr	8 April 2022	8.71
ESOP 2021/22-Sep	27 September 2022	5.43

Along with the share price performance target (performance condition), the exercising of options is also conditional upon the respective beneficiary remaining at the company (service condition). Taking fulfilment of both the service and performance conditions into account, the options can be exercised at the earliest at the end of four years after the grant date (waiting period). The exercise period amounts to four years after the end of the four-year waiting period. From the ESOP 2018/19 onwards, a cap amount is also applied to the Management Board members' options, which limits the options' maximum value. In the ESOP 2017/18, such a cap amount was only provided for Management Board members.

The following overview presents the options granted, expired, forfeited and exercised in the financial year under review per type:

	Options for managers and employees	Options for Management Board members
Outstanding as at 30.09.2021	513,600	360,000
Granted in the financial year	183,000	150,000
Expired in the financial year	0	0
Forfeited in the financial year	0	0
Exercised in the financial year	0	0
Outstanding as at 30.09.2022	696,600	510,000
Exercisable as at 30.09.2022	63,000	0

The options are to be recognized in accordance with the provisions of IFRS 2 "Share-based Payment", and are to be classified as equity-settled share-based payment transactions.

As a matter of principle, the fair value of the options is measured once at the grant date using a Monte Carlo simulation, and taking into consideration the terms and conditions upon which the options were granted. When the options were issued in the 2021/22 financial year for the 2021/22-Apr ESOP, the grant date fell on 8 April 2022, and for the 2021/22-Sep ESOP, the grant date fell on 27 September 2022.

The following parameters were applied as at the measurement date:

Parameter	Options for Management Board members, managers and employees (ESOP 2021/22-Apr): Issued in the 2021/22 financial year	Options for Management Board members, managers and employees (ESOP 2021/22-Sep): Issued in the 2021/22 financial year
Measurement date	8.04.2022	27.09.2022
Remaining term (in years)	8	8
Share price on the measurement date (€)	8.80	5.16
Exercise price (€)	8.71	5.43
Expected dividend yield (%)	0.0	0.0
Expected volatility (%)	51.80%	55.15%
Risk-free interest rate (%)	0.35%	2.01%
Model applied	Monte Carlo	Monte Carlo
Value cap per option (€)	30.00	30.00
Fair value per option (€)	3.27	2.30

The volatility applied over the remaining option term reflects historical volatility derived from peer group data, and appropriate to the remaining term. The expected volatility applied is based on the assumption that conclusions can be drawn from historical volatility about future trends. The volatility that actually occurs can differ from the assumptions made. The expected dividend yield is based on management estimates as well as market expectations. The risk-free interest rate is based on German government bond yields with congruent maturities. Due to

the contractual structure, the management has made assumptions about expected exercise dates and payments. The actual exercise dates can differ from the assumptions that have been made.

For BRAIN Biotech AG, exercise of the subscription rights entails no effect on its cash position or treasury stock position, as no obligation of any kind exists for the company to deliver shares or cash payments in connection with this program. As the company receives the consideration in the form of work and similar service, pursuant to IFRS 2 an amount of € 748 thousand (previous year: € 512 thousand) for these share-based payment schemes is recognized at BRAIN Biotech AG. Of this amount, € 227 thousand relates to Management Board members (previous year: € 127 thousand).

Growth equity program at Biocatalysts Ltd.

In the 2018/19 financial year, a share-based compensation scheme was established to incentivize and retain managers at Biocatalysts, which was acquired in the 2017/18 financial year, in which managers at local company level participate. In the 2018/19 financial year, the managers acquired 50,197 shares at a nominal price of GBP 0.1, in other words, at a total amount of GBP 5,020. The shares carry neither voting rights nor profit participation rights. At the same time, a put option agreement was concluded, which enables the beneficiaries to sell the shares back to the company on the basis of the financial statements as at 30 September 2022. The management may also demand the exercise of the put option on the basis of the financial statements as at 30 September 2022 or, in the event of poor business performance, refrain from or postpone such exercise. The amount paid out is calculated on the basis of the growth in the company's value based on a predefined EBITDA multiple and on the achievement of the budgeted figures for the 2022/23 financial year (previous year: budgeted figures for the 2022/23 financial year). The options were valued at € 34.20 per option as at 30 September 2022 (previous year: € 26.39). The resulting personnel expenses are distributed over the vesting period until 30 September 2023. As this represents cash-settled share-based payment, a revaluation is performed on each balance sheet date on the basis of the company's current planning. An expense of € 636 thousand was recognized in the financial year under review and a corresponding provision was formed (previous year: € 477 thousand).

Current and deferred taxes

The expense for the period consists of current and deferred taxes. Taxes are recognized in the income statement unless they relate to items that were recognized directly in equity or in other comprehensive income. In such cases, the taxes are also recognized directly in equity or in other comprehensive income.

The current tax expense is calculated applying the tax rates that have been enacted as at the reporting date (or are soon to be enacted) in the countries in which the company and its subsidiaries are active and generate taxable income. The Management Board regularly reviews tax returns, in particular with regard to matters for which differing interpretations are possible, and recognizes income tax liabilities (if appropriate) based on the amounts expected to be paid to the tax authorities.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities on the IFRS balance sheet and their tax base, as well for differences resulting from consolidation adjustments.

In addition, deferred tax assets are recognized for the future tax benefit that arises from offsetting tax loss carryforwards against future taxable profit, to the extent that it is probable that such assets are expected to be recoverable, based on the company's tax projections.

Deferred tax assets and liabilities are offset if a legally enforceable right of offset exists and they relate to income taxes levied by same tax authority on the same taxable entity or the taxable entities intend to settle net.

Deferred tax assets or liabilities are reported as non-current assets or liabilities irrespective of the balance sheet classification by maturity.

Leases

A lease is an agreement that gives the right to control the use of an identified asset for a specified period of time in return for payment of a consideration. Lease agreements exist at BRAIN Biotech AG as lessee, in particular in connection with real estate and vehicles. BRAIN Group companies do not act as lessors.

As a lessee, BRAIN Biotech AG now accounts for all leases and recognizes rights-of-use to assets and liabilities arising from leases in accordance with the following principles:

- BRAIN Biotech AG utilizes the option not to recognize leases for intangible assets as part of IFRS 16.
- BRAIN Biotech AG applies the exemptions in connection with lease agreements with a maximum term of twelve months from the date of delivery of the asset, as well as low-value assets. Leased assets with a maximum value of USD 5,000 were defined as low-value assets. Lease payments for short-term leases and for leases for low-value assets are expensed straightline over the lease term.
- For leases, use is generally made of the option of not separating lease and non-lease components. Lease and non-lease components are separated only for leases of land and buildings.
- In determining the term of leases, the exercise of existing renewal or termination options is estimated on a case-by-case basis, taking into account factors such as location strategies, leasehold improvements and degree of specificity.
- Lease liabilities are measured at the present value of the remaining lease payments. The marginal borrowing rate is generally used because the interest rate underlying the lease cannot be readily determined. BRAIN Biotech AG applies the repayment model in order to determine the current portion of the lease liability. The current portion of the lease liabilities corresponds to the repayment portion of the next twelve months.
- On the date of addition, the right-of-use is generally capitalized in the same amount as the lease liability. Differences may arise if, for example, demolition/restoration obligations exist.
- Subsequently, the right-of-use is generally depreciated on a straight-line basis over the lease term. However, if an existing call option has been assessed as sufficiently certain in relation to the probability of exercise, or if an automatic transfer of ownership occurs at the

end of the contract term, depreciation is applied over the same period as is otherwise applied to corresponding assets of property, plant and equipment (see note "Property, plant and equipment").

- If an existing lease is subsequently adjusted, the lease liability and the right-of-use asset must be remeasured if the contractual adjustment modifies the payment profile (in accordance with the interest and repayment schedule) or the scope of the right-of-use asset in terms of quantity or time.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and time deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Statement of cash flows

The statement of cash flows is classified into cash flows from operating activities, investing activities and financing activities. Where appropriate, any mixed transactions may be allocated to more than one activity. Overall, income taxes are included in cash flows from operating activities.

Cash flows from operating activities are presented applying the indirect method, under which profit for the period after taxes is adjusted for non-cash results components as well as deferrals of past or future inflows and outflows (including provisions), as well as items of income and expense that are attributable to investing activities.

IV. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 Revenue

The Group's revenue consists primarily of revenue from the sale of goods and products amounting to € 38,974 thousand (previous year: € 29,783 thousand), fees from research and development partnerships of € 9,378 (previous year: € 7,598 thousand) and royalties of € 1,157 thousand (previous year: € 1,008 thousand).

Fees from research and development partnerships consist of one-off fees, ongoing research and development fees, and performance-related fees from milestones and project success points.

The composition of revenue by segments and regions is presented in the section Segment reporting.

2 Research and development grant revenue

R&D grant revenue amounting to € 786 thousand (previous year: € 833 thousand) consists of non-repayable grants received for specific research and development projects, mainly for projects sponsors acting on behalf of the Federal Ministry of Education and Research (BMBF). The BMBF has the right to examine whether the funds granted are being used for the designated purpose.

3 Other income

Other income consists of:

€ thousand	2021/22	2020/21
Gain on bargain purchase	0	858
Income from the divestiture of L.A. Schmitt GmbH	650	0
Income from release of liabilities and provisions	239	279
Income from translating foreign currency items	633	167
Benefits in kind and rental income	120	130
Other out-of-period income	114	52
Miscellaneous other income	89	0
Total	1,845	1,486

4 Cost of materials

The cost of materials contains the cost of raw materials, consumables, and supplies, the cost of purchased merchandise, and the cost of services, in particular for third-party research and development expenses relating to R&D partnerships with universities and with other technology companies.

5 Personnel expenses

Personnel expenses include, among other items, expenses of € 748 thousand from allocation to the capital reserves of share-based employee compensation at BRAIN Biotech AG (previous year: € 511 thousand). At Biocatalysts Ltd., further liabilities were recognized for the share-based compensation scheme, and a corresponding personnel expense of € 636 thousand (previous year: € 477 thousand) was recognized.

These include € 405 thousand (previous year: € 379 thousand) of expenses for pensions (occupational pension scheme, life insurance and pension insurance association contributions).

The employer contributions to the statutory pension insurance scheme amounted to € 1,307 thousand in the financial year under review (prior year: € 1,222 thousand).

Post-employment benefit costs of approximately € 414 thousand and employer contributions to the statutory pension insurance scheme (defined contribution benefit pension plan) of approximately € 1,281 thousand are expected in the 2022/23 financial year.

The effects from measuring defined benefit pension commitments for two former Management Board members, which are included in the statement of comprehensive income, consist of the following:

€ thousand	2021/22	2020/21
Service cost	0	0
Interest cost from the DBO/pension obligation	59	47
Return on plan assets	-33	-23
Expenses recognized in the operating result	26	24
Remeasurement effects	-901	-306
Net effect: other comprehensive income	-901	-306
Total expenses	-875	-282

The benefit entitlements of two former Management Board members consist of a retirement pension from the age of 65 as well as surviving dependents' and invalidity benefits, which are paid out through an occupational pension plan (defined benefit plans).

The defined benefit obligation (DBO) reports the following changes:

€ thousand	2021/22	2020/21
Value on 1 October	5,250	5,557
Interest cost	59	47
Service cost	0	0
Remeasurement due to changes to demographic assumptions	0	0
Actuarial gains (-) and losses (+) from changes in financial assumptions	-2,121	-342
Remeasurement due to experience-based adjustments	-9	-12
Value on 30 September	3,179	5,250

The actuarial gains arise mainly from the adjustment of the actuarial interest rate.

The obligation was covered by reinsurance. Plan assets report the following changes:

€ thousand	2021/22	2020/21
Value on 1 October	2,979	2,755
Return on plan assets	33	23
Contributions paid	243	249
Remeasurement effects	-1,229	-48
Value on 30 September	2,026	2,979

The plan assets arise exclusively from claims from reinsurance in the form of life insurance policies. To this extent, the fair value cannot be derived from a price in an active market and for this reason is also calculated actuarially.

After offsetting the obligation with the assigned plan assets, the amounts recognized on the balance sheet are as follows:

€ thousand	30.09.2022	30.09.2021
Defined benefit obligation	3,179	5,250
Plan assets	-2,026	-2,979
Provision for pension schemes	1,153	2,271

€ thousand	2021/22	2020/21
Value on 1 October	2,271	2,803
Net interest costs	26	23
Service cost	0	0
Contributions paid	-243	-249
Remeasurement effects	-901	-306
Value on 30 September	1,153	2,271

In relation to pension obligations hedged through corresponding reinsurance, the "Richttafeln 2018G, Heubeck-Richttafeln GmbH, Köln 2018" mortality tables were utilized to measure the pension obligation as at 30 September 2022.

When measuring the pension obligation, an actuarial interest rate of 3.65% (previous year: 1.12%) and a pension trend of 1.00% (previous year: 1.00%) was applied. The cashflow-weighted duration of the payment obligation scope amounts to 19.1 years (previous year: 23.4 years).

The significant valuation assumptions show the following sensitivities with regard to changes in the defined benefit obligation:

€ thousand	30.09.2022	30.09.2021
Change in interest rates +0.25 %	-142	-292
Change in interest rates -0.25 %	151	316
Increase in pension trend p.a. +0.25 %	111	231
Life expectancy +1 year	78	183
Life expectancy -1 year	-80	-183

The expected contributions to plan assets in the 2022/23 financial year amount to approximately € 230 thousand. No pension payments are expected for the 2022/23 financial year.

6 Depreciation, amortization and impairment

Depreciation, amortization and impairment charges are presented in the statements of changes in intangible assets and property, plant and equipment in the notes to the balance sheet.

7 Other expenses

Other expenses consist of the following:

€ thousand	2021/22	2020/21
Advertising and travel expenses	862	541
Occupancy costs	1,381	993
Distribution, sales and logistics expenses	1,331	830
Legal and consulting expenses	1,320	574
Repair and maintenance expenses	625	585
Office and business supplies	516	478
Costs of financial statements and auditing	408	428
Insurance	376	345
Services	333	128
Supervisory Board compensation	257	255
Currency translation expenses	515	202
Other levies and license fees	231	226
Training costs	156	193
Miscellaneous other expenses	1,394	1,134
Other expenses, total	9,706	6,912

8 Finance income

Finance income consists of the following:

€ thousand	2021/22	2020/21
Income from subsequent measurement of financial liabilities	1,234	3,746
Income from dilution of interests held in equity-accounted investments	2,356	741
Interest income from loans to equity-accounted investments	4	11
Income from the (subsequent) measurement of financial derivatives	0	117
Miscellaneous finance income	12	106
Finance income, total	3,606	4,721

Income from the subsequent measurement of financial liabilities derives mainly from the change in measurement and exercise of put option rights relating to non-controlling interests of Biocatalysts Ltd. in an amount of € 0 thousand (previous year: € 3,746 thousand) and of Breatec Group in an amount of € 1,234 thousand.

9 Finance costs

Finance costs consist of the following:

€ thousand	2021/22	2020/21
Expenses from subsequent measurement of financial derivatives	308	0
Interest cost for silent partnerships	280	285
Interest cost for loans	146	138
Interest cost for leases	103	98
Income from dilution of interests held in equity-accounted investments	0	164
Expenses from the subsequent measurement of financial liabilities for the potential acquisition of non-controlling interests (put options)	816	10
Miscellaneous finance costs	43	32
Finance costs, total	1,696	727

Expenses from the subsequent measurement of financial liabilities derives mainly from the change in measurement and exercise of put option rights relating to non-controlling interests of Biocatalysts Ltd. in an amount of € 816 thousand (previous year: € 10 thousand).

10 Current and deferred taxes

Deferred taxes are measured using the tax rates expected to apply in the period when the asset is realized, or the liability is settled. For all German entities included in the Group, this is 15.825 % for corporate income tax, including the solidarity surcharge (previous year: 15.825 %). The trade tax rate for domestic Group companies and the combined tax rate are shown below:

Trade tax rate	2021/22	2020/21
BRAIN Biotech AG	13.30 %	13.30 %
BRAIN Capital GmbH	13.30 %	13.30 %
AnalytiCon Discovery GmbH	15.93 %	15.93 %
Mekon Science Networks GmbH	13.30 %	13.30 %
L.A. Schmitt GmbH	11.76 %	11.76 %
WeissBioTech GmbH	14.53 %	14.53 %

Combined tax rate	2021/22	2020/21
BRAIN Biotech AG	29.13 %	29.13 %
BRAIN Capital GmbH	29.13 %	29.13 %
BRAIN US LLC	23.90 %	23.90 %
AnalytiCon Discovery GmbH	31.75 %	31.75 %
AnalytiCon Discovery LLC	23.90 %	23.90 %
Mekon Science Networks GmbH	29.13 %	29.13 %
L.A. Schmitt GmbH	27.59 %	27.03 %
Biocatalysts Ltd.	19.00 %	19.00 %
Biocatalysts Inc.	21.00 %	21.00 %
Biosun Biochemicals Inc.	21.00 %	21.00 %
Weriol Group B.V.	25.80 %	25.80 %
Breatec B.V.	25.80 %	25.80 %
Panei B.V.	25.80 %	25.80 %
WeissBioTech GmbH	30.35 %	30.35 %
WeissBioTech France S.A.R.L.	26.00 %	26.50 %

Of the income-tax assets of € 0 thousand (previous year: € 9 thousand), € 0 thousand (previous year: € 9 thousand) relate to corporation tax and the solidarity surcharge, and € 0 thousand (previous year: € 0 thousand) relate to trade tax. Of the income tax liabilities of € 190 thousand (previous year: € 116 thousand), € 18 thousand (previous year: € 52 thousand) relate to corporation tax and the solidarity surcharge, and € 172 thousand (previous year: € 64 thousand) relate to trade tax.

Deferred tax assets and liabilities and their changes in the financial year are as follows:

€ thousand	30.09.2022		30.09.2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	2,150	0	1,830
Tax loss carryforwards/carrybacks	790	0	1	0
Property, plant and equipment	56	2024	28	1,002
Trade receivables	2	3	2	4
Pension liabilities	24	0	0	0
Provisions and liabilities	15	3	19	4
Total	888	4,180	50	2,840
Offset	-888	-888	-50	-50
Total	0	3,292	0	2,790

€ thousand	2021/22	
Net deferred tax liabilities at start of financial year (1 October 2021)		2,790
Additions to deferred tax assets/liabilities due to changes in the scope of consolidation	557	557
Change in deferred taxes due to exchange rate differences	-5	-5
Change in temporary differences between carrying amounts of assets and liabilities on the IFRS balance sheet and their tax base (recognized in profit or loss)	50	
Deferred tax expense from the reversal of deferred tax assets from tax loss carryforwards	0	
Deferred tax expense reported in the statement of comprehensive income	50	-50
Net deferred tax liabilities at end of financial year (30 September 2022)		3,292

The differences between the expected income tax income based on the IFRS loss before taxes for the period and combined tax rate of BRAIN Biotech AG of 29.125 % (previous year: 29.125 %) and the income tax expense reported in the consolidated statement of comprehensive income are shown in the following table:

€ thousand	2021/22	2020/21
Consolidated net profit/loss for the period before taxes	-6,165	-4,276
Expected tax income	-1,795	-1,245
Different tax rates applicable to consolidated subsidiaries	-141	-149
Effects of changes in tax rates	69	129
Permanent differences from consolidation adjustments	612	-22
Permanent differences from equity transactions	0	-171
Permanent differences from subsequent measurement of financial assets and liabilities	-121	-1,088
Permanent differences from equity-settled share-based compensation	218	149
Release of deferred tax assets from prior periods' loss carryforwards	0	190
Non-capitalized tax loss carryforwards	2,227	2,554
Out-of-period taxes and other differences	-892	58
Reported current or deferred income tax income (-)/ expense (+)	176	404

The following table shows the maturity of the deferred taxes recognized at the end of the reporting period. Deferred taxes are classified as current if the entity expects to realize the asset or settle the liability within twelve months after the reporting period.

€ thousand	2021/22	2020/21
Current deferred tax assets	12	16
Non-current deferred tax assets	87	33
Current deferred tax liabilities	676	305
Non-current deferred tax liabilities	2,714	2,535
Net current deferred tax	-665	-289
Net non-current deferred tax	-2,628	-2,502

Based on the detailed planning horizon of three financial years modelled in the consolidated entities' tax projections, no deferred tax assets were recognized for tax loss carryforwards with an (in principle) unlimited carryforward period resulting from financial year 2021/22 and prior financial years amounting to € 77,277 thousand (corporation tax; previous year: € 69,950 thousand) and € 77,007 thousand (trade tax; previous year: € 69,576 thousand). The potential tax benefits that have consequently not been recognized amount to € 22,517 thousand (prior year: € 20,305 thousand).

No deferred taxes arose from a difference between tax valuations of participating interests and the net assets of subsidiaries included in the consolidated financial statements.

11 Earnings per share

Earnings per share attributable to the shareholders of BRAIN Biotech AG were calculated based on the loss for the period of € -6,589,514 as reported in the consolidated income statement (previous year: € -4,971,777).

Earnings per share are calculated by dividing the loss accruing to the shareholders of BRAIN Biotech AG for the period by the average number of shares of BRAIN Biotech AG issued in the financial year. The average number of shares in financial year 2021/22 amounted to 21,847,495 no-par value shares (previous year: 19,942,982 no-par value shares).

No dilutive effects arise at present.

V. NOTES TO THE CONSOLIDATED BALANCE SHEET

12 Intangible assets

The following table shows the composition and changes:

€ thousand	Goodwill	Other intangible assets	Total intangible assets
FY 2021/22	4,725	17,739	22,464
Cost at 1 October 2021			
Additions from acquisition	1,960	2,486	4,446
Additions	0	280	280
Disposals arising from divestitures	0	-94	-94
Currency translation	-78	36	-42
at 30 September 2022	6,606	20,448	27,054
Amortization and impairment at 1 October 2021	0	8,933	8,933
Amortization for the financial year	0	1,511	1,511
Disposals arising from divestitures	0	-94	-94
Currency translation	0	-60	-60
at 30 September 2022	0	10,289	10,289
Net carrying amount at 30 September 2022	6,606	10,158	16,765
at 30 September 2021	4,725	8,806	13,531
FY 2020/21	4,484	15,908	20,392
Cost at 1 October 2020			
Additions from acquisition	0	1,178	1,178
Additions	0	49	49
Disposals	0	-13	-13
Currency translation	241	617	858
at 30 September 2021	4,725	17,739	22,464
Amortization and impairment at 1 October 2020	0	7,121	7,121
Amortization for the financial year	0	1,688	1,688
Disposals	0	-13	-13
Currency translation	0	138	138
at 30 September 2021	0	8,933	8,933
Net carrying amount at 30 September 2021	4,725	8,806	13,531
at 30 September 2020	4,484	8,786	13,270

The goodwill reported as at 30 September 2022 arises from the acquisition of AnalytiCon Group (AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC) in the 2013/14 financial year, the acquisition of Biocatalysts Group (Biocatalysts Ltd., Biocatalysts Inc.) in the 2017/18 financial year, and the acquisition of the Breatec Group (Weriol Group B.V., Breatec B.V. and Panei B.V.) in the 2021/22 financial year.

The other intangible assets that are material to the consolidated financial statements consist of the intangible assets identified as part of the purchase price allocation, as shown in the following table.

in Tsd. €	30.09.2022	30.09.2021	Remaining useful life ⁴ as at 30.09.2022
Technology of AnalytiCon Discovery GmbH	303	545	1
Technology of Biocatalysts Ltd.	2,883	3,337	8
Technology of Breatec Group	449	-	5
Customer relationships of Biocatalysts Group	2,831	3,335	7
Customer relationships of Biosun Biochemicals Inc.	1,237	1,160	9
Customer relationships of Breatec Group	1,856	-	8

In accordance with the accounting policies presented above, no development costs were capitalized in the 2021/22 financial year or in the previous year, as it is not possible to distinguish research and development phases due to the alternating process, and consequently not all of the criteria specified in IAS 38 were met.

Research and development expenses of € 4,870 thousand (previous year: € 5,384 thousand) are reported in the statement of comprehensive income mainly under the items "personnel expenses", "cost of materials" and "other expenses", as well as in amortization charges.

13 Property, plant and equipment

Investments in property, plant and equipment in the 2021/22 financial year were attributable primarily to the technical expansion of research, development, and manufacturing infrastructure. The following table shows the composition and changes of property, plant and equipment:

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2021/22	16,258	20,587	36,845
Cost at 1 October 2021			
Additions from acquisition	566	554	1,121
Additions	1,907	5,407	7,314
Disposals	0	-237	-237
Disposals arising from divestitures	-787	-1,093	-1,880
Currency translation	-47	-186	-233
at 30 September 2022	17,898	25,032	42,930

⁴ Remaining useful life in years.

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
Depreciation and impairment at 1 October 2021	4,552	8,002	12,554
Depreciation for the financial year	1,051	1,778	2,829
Disposals	0	-125	-125
Disposals arising from divestitures	-330	-686	-1,016
Currency translation	6	-56	-50
at 30 September 2022	5,279	8,913	14,191
Net carrying amount at 30 September 2022	12,619	16,119	28,738
at 30 September 2021	11,706	12,585	24,291

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2020/21	16,026	18,879	34,905
Cost at 1 October 2020			
Additions from acquisition	0	63	63
Additions	93	1,458	1,550
Reclassifications	-1	1	0
Disposals	-22	-348	-370
Currency translation	163	534	696
at 30 September 2021	16,258	20,587	36,845

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
Depreciation and impairment at 1 October 2020	3,611	6,825	10,436
Depreciation for the financial year	931	1,395	2,326
Disposals	0	-249	-249
Currency translation	10	30	41
at 30 September 2021	4,552	8,002	12,554
Net carrying amount at 30 September 2021	11,706	12,585	24,291
at 30 September 2020	12,416	12,054	24,470

Land and buildings serve partly as collateral for bank loans. Not all of the land and buildings of BRAIN Biotech AG that are included in this item were assigned as collateral. More detail can be found in section (21) Financial Liabilities.

Rights-of-use

The right-of-use assets reported under property, plant and equipment derive from leases accounted for in accordance with IFRS 16. The following table presents the changes in the right-of-use assets.

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2021/22 at 1 October 2021	5,499	1,729	7,228
Additions from acquisition	517	429	946
Additions	221	44	265
Depreciation	802	430	1,232
Disposals	0	0	0
Currency translation	-4	-13	-17
at 30 September 2022	5,431	1,759	7,189

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2020/21 at 1 October 2020	6,141	1,711	7,852
Additions	70	54	124
Depreciation	690	36	726
Disposals	-22	0	-22
Currency translation	0	0	0
at 30 September 2021	5,499	1,729	7,228

Information on lease liabilities is provided in the section (21) Financial liabilities.

The following table presents the total cash outflows for leases.

€ thousand	2021/22	2020/21
Cash outflows for leases		
Repayments of lease liabilities	1,029	1,120
Interest payments for lease liabilities	118	111
Leases of low-value assets	0	0
Total	1,147	1,231

14 Equity-accounted investments**Enzymicals AG**

The carrying amount of the interest in the associated company Enzymicals AG⁵ reports the following changes:

€ thousand	
Carrying amount at 30.09.2020	133
Share of profit or loss after taxes in 2020/21	31
Impairment	-164
Carrying amount at 30.09.2021	0
Share of profit or loss after taxes in 2021/22	10
Impairment	-10
Carrying amount at 30.09.2022	0

The interest held by BRAIN Biotech AG continued to amount to 24.095 % in the 2021/22 financial year. This participating interest is allocated to the BioScience segment. No losses were recognized in the current financial year (previous year: € 0 thousand).

The following tables show the aggregated results and balance sheet data of Enzymicals AG and the amounts of profit or loss for the period and equity attributable to BRAIN Biotech AG in line with its interest (24.095 %). The figures for Enzymicals AG were calculated based on the accounting principles of the German Commercial Code (HGB), as the Management Board is of the opinion that no material valuation differences exist in relation to IFRS.

€ thousand	2021/22	2020/21
Revenue	1,577	1,093
Total comprehensive income or loss	40	129
Share of profit or loss after taxes	10	31

€ thousand	30.09.2022	30.09.2021
Non-current assets	354	406
Current assets	903	886
Non-current liabilities	500	419
Current liabilities	725	881
Equity	32	-8
Interest in equity	8	-2

The difference in prior periods between the recognized valuation of the participating interest and the proportional equity attributable to BRAIN Biotech AG of € 166 thousand reflected goodwill. As part of the impairment test as of 30 September 2021, the value of the interest in Enzymicals AG was completely written down.

⁵ Financial year = calendar year; the difference arises from the historical difference between the financial year of BRAIN Biotech AG and the calendar year

SolasCure Ltd.

The carrying amount of the interest in the associated company SolasCure Ltd. reports the following changes:

€ thousand	
Carrying amount at 30.09.2020	864
Share of profit or loss after taxes in 2020/21	-1,754
Reversal of elimination of unrealized results of intra-group transactions	99
Capital increase 19.01.2021	564
Gain from dilution of interest	741
Currency translation	36
Carrying amount at 30.09.2021	550

€ thousand	
Carrying amount at 30.09.2021	550
Share of profit or loss after taxes in 2021/22	-2,427
Reversal of elimination of unrealized results of intra-group transactions	178
Capital increase 29.11.2021	1,497
Gain from dilution of interest	2,180
Currency translation	-40
Carrying amount at 30.09.2022	1,938

In the 2021/22 financial year, the interest held by BRAIN Biotech AG changed from 41.27 % to 35.51% in the course of several capital increases. This participating interest is allocated to the BioScience segment. No losses were recognized in the current financial year (previous year: € 0 thousand).

The following tables show the aggregated results and balance sheet data of SolasCure Ltd. and the amounts of profit or loss for the period and equity attributable to BRAIN Biotech AG in line with its 35.51% interest (41.27% on 30 September 2021). The disclosures reflect the financial statements of SolasCure Ltd. prepared in accordance with IFRS as adopted by the European Union.

€ thousand	2021/22	2020/21
Revenue	0	0
Total comprehensive income or loss	-6,117	-4,094
Share of profit or loss after taxes	-2,426	-1,754

€ thousand	30.09.2022	30.09.2021
Non-current assets	3,989	4,067
Current assets	4,198	556
Non-current liabilities	0	0
Current liabilities	150	181
Equity	8,037	4,442
Interest in equity	2,854	1,833

In addition to the remaining elimination of unrealized results of intra-group transactions, the difference between the amount recognized for the participating interest and the proportionate equity attributable to BRAIN Biotech AG is attributable to goodwill of € 254 thousand.

15 Inventories

Inventories consist of the following:

€ thousand	30.09.2022	30.09.2021
Finished goods	5,950	4,638
Raw materials, consumables and supplies	3,285	2,006
Work in progress	389	367
Prepayments on inventories	36	4
Total	9,661	7,015

Inventories included impairment losses on raw materials and supplies of € 99 thousand (prior year: € 170 thousand), and work in progress and finished goods of € 83 thousand (prior year: € 0 thousand). Reversals of impairment losses of € 0 thousand were applied (previous year: € 26 thousand).

16 Trade receivables

Trade receivables consist of the following:

€ thousand	30.09.2022	30.09.2021
Trade receivables	7,424	6,473
Receivables from research and development grant revenue	612	249
Total	8,036	6,722

The presented carrying amounts of receivables correspond to the fair values.

Trade receivables generally have a term of up to one year. Credit default rates in a range of between 0.5% and 10% were applied in order to calculate the total lifetime ECL. Total lifetime ECLs of €75 thousand (previous year: €49 thousand) were recognized on the portfolio as at the 30 September 2022 reporting date, which are recorded in a separate allowance account.

The following table shows the past due structure of trade receivables as at 30 September 2022.

€ thousand	Trade receivables	of which: not overdue as at the balance sheet date	of which: overdue in the following reporting periods				Total lifetime ECL	Carrying amount
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
30.09.2022	8,110	6,586	1,154	101	155	114	74	8,036

The following table shows the past due structure of trade receivables as at 30 September 2021.

in Tsd. €	Trade receivables	of which: not overdue as at the balance sheet date	of which: overdue in the following reporting periods				Total lifetime ECL	Carrying amount
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
30.09.2021	6,771	5,410	1,294	31	0	35	49	6,722

The following table shows the changes in impairment losses:

€ thousand	2021/22
Carrying amount at start of period	49
Net effect of addition and reversals	25
Carrying amount at end of period	74

€ thousand	2020/21
Carrying amount at start of period	51
Net effect of addition and reversals	-2
Carrying amount at end of period	49

Further information on impairments and the credit risks pertaining to trade receivables is provided in the section "VI. Financial instruments / risks from financial instruments."

17 Other financial assets

Other financial assets consist of the following:

€ thousand	30.09.2022	30.09.2021
Loans extended up to one year	73	102
Deposits with a term up to one year	82	55
Miscellaneous other financial assets	280	50
Total	435	207

18 Other non-current and current assets

Other non-current assets consist of the following:

€ thousand	30.09.2022	30.09.2021
Expenses deferred for a period of more than one year	55	86
Loans extended	100	150
Deposits	12	15
Total	168	251

Other current assets consist of the following:

€ thousand	30.09.2022	30.09.2021
Expenses relating to the following year	331	316
VAT receivables due from the tax authorities	196	120
Receivables from the divestiture of L.A. Schmitt GmbH	3,040	0
Miscellaneous other current assets	244	180
Total	3,811	617

All current assets have a remaining term of up to one year. The portfolio of other assets was neither overdue nor impaired as at the reporting date. Default risk is regarded as low, as in the previous year.

19 Cash and cash equivalents / statement of cash flows

Cash and cash equivalents are held mainly at banks in Germany and in the UK.

In the statement of cash flows, other non-cash expenses and income include the following items:

€ thousand	2021/22	2020/21
Expenses		
Expenses from the divestiture of subsidiaries	1,653	0
Personnel expenses from share-based compensation and employee share schemes	748	512
Write-down applied to interests held in equity-accounted investments	0	164
Expense relating to the acquisition of a participating interest	0	81
Losses on receivables/change in value allowances for receivables	3	1
Net finance costs from subsequent measurement of financial liabilities	960	13
Impairment losses on inventories	0	170
Miscellaneous financial result	308	30
Miscellaneous	42	0
Total	3,714	970
Income		
Reduction in value allowances for receivables	1	4
Net finance income from subsequent measurement of financial and other liabilities	1,234	3,746
Income from dilution of interests held in equity-accounted investments	2,356	741
Write-up applied to inventories	153	26
Miscellaneous financial result	-	210
Miscellaneous	31	54
Total	3,775	4,781
Net cash expenses/income	-61	-3,810

20 Equity

Changes to the equity capital position are shown in the consolidated statement of changes in equity.

Subscribed capital

The subscribed share capital amounts to €21,847,495 (previous year: €21,847,495) and is divided into 21,847,495 ordinary shares (previous year: 21,847,495), to each of which a proportional amount of the share capital of €1.00 is attributable. The shares are fully paid-in registered shares. The shares are listed in the Prime Standard stock market segment of the Frankfurt Stock Exchange.

Authorized capital

The authorized capital of 3,972,273 (Authorized Capital 2021/I) existing as of 30 September 2020 was revoked by resolution of the Annual General Meeting on 9 March 2022.

With an AGM resolution on 9 March 2022, authorized capital of €4,369,499 was created (Authorized Capital 2022/I). Authorized Capital 2022/I was entered in the commercial register on 28 March 2022. The Management Board was authorized, with Supervisory Board assent, to increase the company's share capital in the period until 8 March 2027, once or on several occasions, albeit by a maximum of up to a nominal amount of €4,369,499 through issuing up to 4,369,499 new ordinary registered shares against cash or non-cash capital contributions, whereby shareholders' statutory subscription rights can be wholly or partly excluded. If the new shares are issued against cash capital contributions, shareholders' statutory subscription rights can be wholly or partially excluded if the new shares' issue price is not significantly less than the stock market price of the company's shares already listed on the date when the issue price is finally determined, and the total number of shares issued in this manner under exclusion of subscription rights does not exceed 10% of the share capital.

Accordingly, authorized capital of €4,369,499 was reported as at the 30 September 2022 reporting date.

Conditional capital

Pursuant to Section 5 (3), (4) and (5) of the company's bylaws, the share capital is conditionally increased by €1,986,136 through issuing up to 1,986,136 new ordinary registered shares (Conditional Capital 2021/I) and by a further €123,000 through issuing up to 123,000 new ordinary registered shares (Conditional Capital 2015/II), and through issuing up to 1,682,578 new ordinary registered shares (Conditional Capital 2019/I).

Conditional Capital 2021/I serves exclusively to grant shares to the holders of bonds with warrants and convertible bonds that the company issues based on the authorization of the Management Board by way of AGM resolution passed on 10 March 2021. The conditional capital increase is to be implemented through issuing up to 1,986,136 new ordinary registered shares only to the extent that the holders of convertible bonds and/or bonds with warrants utilize their conversion rights or warrant rights, or the holders of convertible bonds that are obligated to convert satisfy their obligation to convert, and to the extent that other forms of satisfaction are not deployed to service the bonds. An increase in the share capital from Conditional Capital 2021/I had not been implemented as at the 30 September 2022 reporting date.

Conditional Capital 2015/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 July 2015 as part of a stock option plan comprising up to 123,000 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board, members of affiliated companies' management boards, as well as managers and other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2015/II had not been implemented as at the 30 September 2022 reporting date. At the Annual General Meeting on 7 March 2019, Conditional Capital 2015/II was reduced from originally €1,272,581 to €123,000, as this capital was to remain exclusively for hedging stock options already issued. The authorization to issue further stock options from Conditional Capital 2015/II was revoked at the same Annual General Meeting and replaced by a new authorization (see following section).

By resolution of the Annual General Meeting on 7 March 2019, the share capital was conditionally increased by €1,682,578 through the issue of up to 1,682,578 new no-par-value registered shares (Conditional Capital 2019/I). The conditional capital serves exclusively to service subscription rights from stock options granted to members of the company's Management Board and other senior company managers. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2019/I had not been implemented as at the 30 September 2022 reporting date.

Stock options

An AGM resolution dated 7 March 2019 authorized the Management Board, with Supervisory Board approval, to issue as part of a stock option plan until 12 March 2027 up to 1,682,578 stock options with subscription rights to shares of BRAIN Biotech AG with a term of up to eight years, with the condition that each stock option grant the right to subscribe for one share, and according to further provisions. As far as issuing shares to members of the Management Board of BRAIN Biotech AG is concerned, this authorization is valid for the Supervisory Board alone. The AGM conditionally increased the share capital by €1,682,578 to hedge and service the stock options (Conditional Capital 2019/I).

Capital reserves

The capital reserves contain the share premium from the issuance of shares, net of transaction costs after taxes, as well as the expenses from granting stock options. For more information about share-based compensation, please refer to the remarks in Section "Share-based payment and other long-term employee benefits". The capital reserve decreased in the financial year under review mainly due to the put option agreement described in the section "Expansions of BRAIN Group". Capital reserves as per German commercial law are published in the separate financial statements for BRAIN Biotech AG prepared according to German Commercial Code (HGB) accounting policies.

Other reserves

Currency translation differences are recognized in other reserves.

Retained earnings

Retained earnings in the 2021/22 financial year reduced mainly to reflect profit or loss attributable to shareholders of BRAIN Biotech AG.

The following table shows the non-controlling interests during the 2021/22 financial year:

€ thousand	Interest in net assets not held by BRAIN Biotech AG	Addition of non-controlling interests in net assets as part of the acquisition of fully consolidated Group companies	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Attributable share of total comprehensive income	Carrying amount of interest at end of financial year
Biocatalysts Ltd. ⁶	19.35 %	0	0	317	3,407
BRAIN UK Ltd.	11.03 %	0	0	-5	-51
Breatac B.V.	38.00 %	1,335	0	-80	1,254
Total		1,335	0	232	4,610

The previous year's non-controlling interests are shown in the following table:

€ thousand	Interest in net assets not held by BRAIN Biotech AG	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Attributable share of total comprehensive income	Carrying amount of interest at end of financial year
Biocatalysts Ltd. ⁶	19.35 %	-2,662	344	3,090
BRAIN UK Ltd.	11.03 %	8	-5	-46
Total		-2,654	340	3,044

The changes in the non-controlling interests are as follows:

Biocatalysts Ltd.⁶

€ thousand	30.09.2022	30.09.2021
Value at start of financial year	3,090	5,408
Increase/decrease in interest in net assets not held by BRAIN Biotech AG	0	-2,662
Attributable share of profit or loss for the period	334	297
Attributable share of other comprehensive income (currency differences)	-17	47
Value at end of financial year	3,407	3,090

BRAIN UK Ltd.

€ thousand	30.09.2022	30.09.2021
Value at start of financial year	-46	-49
Increase/decrease in interest in net assets not held by BRAIN Biotech AG	0	8
Attributable share of profit or loss for the period	-5	-5
Value at end of financial year	-51	-46

⁶ Including the subsidiary Biocatalysts Inc. and taking into consideration the amortization of disclosed hidden reserves.

Breatec Group

€ thousand	30.09.2022
Value at start of financial year	0
Addition of non-controlling interests in net assets as part of the acquisition of fully consolidated Group companies	1,335
Attributable share of profit or loss for the period	-80
Attributable share of other comprehensive income (currency differences)	0
Value at end of financial year	1,254

The following section presents summarized financial information for subsidiaries with non-controlling interests of significance to the Group.

Summarized balance sheet data € thousand	BRAIN UK Ltd./Biocatalysts Ltd. ⁷	
	30.09.2022	30.09.2021
Non-current assets	29,236	25,335
<i>of which proportionate goodwill from the acquisition by BRAIN</i>	3,948	4,026
<i>of which hidden reserves less deferred tax from the acquisition by BRAIN</i>	4,514	5,271
Current assets	8,382	8,553
Non-current liabilities	4,587	4,114
Current liabilities	5,797	3,738
Net assets	22,658	26,036

Summarized statement of comprehensive income € thousand	BRAIN UK Ltd./Biocatalysts Ltd. ⁷	
	2021/22	2020/21
Revenue	22,281	17,835
Result before taxes	1,914	1,027
Result after taxes	1,645	728
<i>of which the result from the amortization of hidden reserves less deferred tax from the acquisition by BRAIN</i>	-677	-657
Total comprehensive income or loss	655	1,562
Result attributable to non-controlling interests	312	340
Dividends paid to non-controlling interests	0	0

Summarized statement of cash flows € thousand	BRAIN UK Ltd./Biocatalysts Ltd. ⁷	
	2021/22	2020/21
Gross cash flow	3,866	2,524
Cash flow from operating activities	4,385	3,278
Cash flow from investing activities	-6,084	-480
Cash flow from financing activities	-360	-451

⁷ Including the Biocatalysts Inc. subsidiary. The financial data are presented on an aggregated basis as BRAIN UK Ltd. does not conduct any business activities of its own in addition to its function as an intermediate holding company.

Summarized balance sheet data € thousand	Breatec Group
	30.09.2022
Non-current assets	4,696
<i>of which proportionate goodwill from the acquisition by BRAIN</i>	1,960
<i>of which hidden reserves less deferred tax from the acquisition by BRAIN</i>	1,710
Current assets	2,918
Non-current liabilities	994
Current liabilities	1,360
Net assets	5,260

Summarized statement of comprehensive income € thousand	Breatec Group
	2021/22
Revenue	4,942
Result before taxes	-267
Result after taxes	-212
<i>of which the result from the amortization of hidden reserves less deferred tax from the acquisition by BRAIN</i>	-130
Total comprehensive income or loss	-212
Result attributable to non-controlling interests	-80
Dividends paid to non-controlling interests	0

Apart from legal restrictions, BRAIN Biotech AG is not subject to any restrictions limiting its access to the subsidiaries' assets, to utilize such assets or to settle the subsidiaries' liabilities.

21 Financial liabilities

The financial liabilities consist of the following:

€ thousand	30.09.2022	30.09.2021
Loans	4,053	4,721
Liabilities from put option rights for the potential acquisition of non-controlling interests	8,431	4,401
Non-controlling shareholders' exercised put option rights	0	6
Contributions by silent partners	4,200	4,526
Lease liabilities	6,685	6,655
Derivatives	297	0
Subsequent purchase price obligation	200	0
Other	6	9
Total	23,872	20,318

As at the 30 September 2022 reporting date, contributions by silent partners include a €1,200 thousand (previous year: €1,500 thousand) contribution by Hessen Kapital I, Wiesbaden, and a €3,000 thousand (previous year: €3,000 thousand) contribution by Hessen Kapital II GmbH. The contribution of Hessen Kapital I GmbH was repaid as planned in the financial year at 20% as of 30 June 2022. An additional 20% falls due on 30 June 2023 and 60% falls due on 30 June 2024. Of the contribution by Hessen Kapital II GmbH, 20% is repayable on 31 March 2026, a further 20% on 31 March 2027 and 60% on 31 March 2028.

The company pays fixed remuneration equivalent to nominal 7.0% p. a. (previous year: 7.0%) on the contribution of Hessen Kapital I GmbH and a profit participation equivalent to the ratio between the nominal level of the silent partnership and the nominal level of the equity of BRAIN Biotech AG, albeit to a maximum of 2.5% of the contribution and not more than 50% of the profit for the year.

The company pays fixed remuneration equivalent to nominal 6.0% p. a. (previous year: 6.0%) on the contribution of Hessen Kapital II GmbH and a profit participation equivalent to the ratio between the nominal level of the silent partnership and the nominal level of the equity of BRAIN Biotech AG, albeit to a maximum of 1.5% of the contribution and not more than 50% of the profit for the year.

BRAIN Biotech AG is entitled to call the silent partner contributions rendered by Hessen Kapital I GmbH and Hessen Kapital II GmbH before the agreed dates. However, due to the negative consequences this would have for the company (prepayment penalties), effectively this option has no economic value for the company. The silent partnerships do not participate in any losses. No obligation exists to provide additional funding.

Land charges exist with compulsory enforcement clauses on land owned by BRAIN Biotech AG with a notional value of €2.5 million (previous year: €2.5 million). All land charges serve to secure bank borrowings, which amounted to €875 thousand at the end of the reporting period (previous year: €1,375 thousand). The land charges rank behind an unassigned land charge in favor of the owner amounting to €0.5 million (previous year: €0.5 million).

At the Biocatalysts Ltd. subsidiary, €1,778 thousand (previous year: €1,951 thousand) of financial liabilities are secured by €2,521 thousand (previous year: €2,633 thousand) of land charges on operating property.

Other than standard retention of title from individual contracts, no other liabilities are secured by liens or similar rights. The carrying amount of the collateral furnished at the end of the reporting period stood at €5,367 thousand (€6,027 thousand as of 30 September 2021).

The nominal interest rate on the fixed interest loans lies between 1.15% (previous year: 1.15%) and 6.10% (previous year: 6.10%) p.a. The Group has no significant variable interest liabilities.

The following table shows the undiscounted nominal amounts due at the financial liabilities' terms:

30.09.2022 € thousand	Remaining term up to 1 year	Remaining term 1 - 5 years	Remaining term more than 5 years
Contributions by silent partners	300	2,100	1,800
Liabilities from put option rights for the acquisition of non-controlling interests	5,103	3,598	0
Leasing	1,272	3,522	1,892
Financial derivatives	297	0	0
Loans	1,434	2,619	0
Other	31	175	0
	8,437	12,014	3,692

30.09.2021 € thousand	Remaining term up to 1 year	Remaining term 1 - 5 years	Remaining term more than 5 years
Contributions by silent partners	326	1,500	2,700
Liabilities from put option rights for the acquisition of non-controlling interests	0	4,485	0
Leasing	1,076	3,115	2,464
Liabilities from exercised put option rights for the acquisition of non-controlling interests	6	0	0
Loans	1,241	2,245	1,236
Other	0	9	0
	2,649	11,354	6,399

The contractually agreed due dates for principal and interest payments and for profit-related payments are shown in the following overview:

30.09.2022 € thousand	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32 ff.
Principal repayments	8,437	2,881	4,899	1,712	2,522	2,467	675	272	278	0
Interest payments	449	385	327	240	180	76	14	6	3	0
Profit-related payments	93	89	75	60	45	0	0	0	0	0
Total excluding profit-related payments	8,887	3,266	5,226	1,952	2,702	2,542	689	278	281	0
Total including profit-related payments	8,980	3,355	5,301	2,012	2,747	2,542	689	278	281	0

30.09.2021 i€ thousand	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31 ff.
Principal repayments	2,649	2,171	6,288	1,955	940	2,180	1,247	2,458	254	260
Interest payments	433	370	325	276	213	208	147	67	6	3
Profit-related payments	74	73	64	56	36	41	32	14	0	0
Total excluding profit-related payments	3,082	2,541	6,613	2,230	1,154	2,388	1,394	2,525	260	263
Total including profit-related payments	3,155	2,614	6,677	2,287	1,190	2,429	1,426	2,539	260	263

The following table shows the change in financial liabilities analyzed by cash and non-cash changes:

€ thousand	Loans	Liabilities for the potential acquisition of non-controlling interests	Liabilities for the acquisition of non-controlling shareholders	Contributions by silent partners	Derivatives	Lease liabilities	Other	Total
Amount at 30 September 2021	4,721	4,401	6	4,526	0	6,655	9	20,318
Cash inflow/outflow from financing activities	-604	0	-6	-327	0	-1,029	0	-1,966
Subsequent measurement	0	166	0	0	297	0	-443	20
Change in the scope of consolidation	-132	3,978	0	0	0	946	640	5,431
Currency translation	68	-114	0	0	0	-9	0	-55
Additions to leases	0	0	0	0	0	122	0	122
Amount at 30 September 2022	4,053	8,431	0	4,200	297	6,685	206	23,872

€ thousand	Loans	Liabilities for the potential acquisition of non-controlling interests	Liabilities for the acquisition of non-controlling shareholders	Contributions by silent partners	Derivatives	Lease liabilities	Other	Total
Amount at 30 September 2020	5,474	12,052	838	4,500	112	7,613	9	30,598
Cash inflow/outflow from financing activities	-870	-4,576	-839	0	0	-1,120	0	-7,406
Subsequent measurement	0	-3,746	7	26	-112	-24	0	-3,849
Change in the scope of consolidation	0	0	0	0	0	0	0	0
Currency translation	117	672	0	0	0	92	0	881
Additions to leases	0	0	0	0	0	95	0	95
Amount at 30 September 2021	4,721	4,401	6	4,526	0	6,655	9	20,318

22 Other liabilities

Non-current other liabilities include €1,335 thousand for the growth equity program of Biocatalysts Ltd. (previous year: €712 thousand).

Current other liabilities consist of the following:

€ thousand	2021/22	2020/21
Wage and salary liabilities	889	625
Current share of liabilities from put option rights exercised in connection with the employee share scheme at AnalytiCon Discovery GmbH	0	3
Accrued vacation pay	451	525
Wage and church tax, social security	517	352
Supervisory Board compensation	257	254
Special payments to subsidiaries' managements and employees	110	89
VAT	6	74
Miscellaneous other liabilities	1,120	762
Total current other liabilities	3,350	2,684

Miscellaneous other liabilities include customer credits of €181 thousand (previous year: €25 thousand).

23 Deferred income

Deferred income consists of current deferred income of € 1,990 thousand (compared with € 1,572 thousand in the previous year) and non-current deferred income of € 766 thousand (compared with € 1,109 thousand in the previous year).

Deferred income of € 472 thousand arises from transactions with SolasCure Ltd (previous year: € 760 thousand). Deferred income partly includes prepayments received from customers for service obligations not yet performed as at the balance sheet date. These are shown separately in section (25) "Prepayments received". A contribution of € 2,103 thousand is attributable to benefit obligations that have not yet been fulfilled (previous year: € 2,005 thousand). It is expected that a contribution of € 1,764 thousand of this amount can be recognized in revenue within one year. Deferred income of € 2,792 thousand (previous year: € 1,373 thousand) was fully recognized in revenue in the 2021/22 financial year.

24 Provisions

This item relates mainly to estimated expenses for the preparation auditing of the financial statements and consulting expenses. Utilization is anticipated mainly within the following financial year.

The following table provides an overview of related changes:

€ thousand	30.09.2021	Utilization	Release	Addition	Disposal arising from divestiture	Currency differences	30.09.2022
Archiving costs	25	0	0	0	-3	0	21
Costs for financial statements, auditing and consulting	310	-249	0	374	-12	-2	422
Decommissioning and dismantling	66	0	0	0	0	0	66
Other	3	0	0	145	0	-2	146
Total	404	-249	0	519	-15	-4	654

25 Prepayments received

Prepayments received relate to primarily research and development services and future supplies and have a maturity of up to one year. The total amount of € 13 thousand (previous year: € 79 thousand) is attributable to current benefit obligations not yet rendered.

26 Trade payables

Trade payables have a term of up to one year.

VI. FINANCIAL INSTRUMENTS / RISKS FROM FINANCIAL INSTRUMENTS

The following overview presents recognized financial instruments based on their IFRS 9 measurement categories. To improve the presentation of the financial instruments relevant to the company in terms of their comparable measurement uncertainties and risks, cash and cash equivalents are presented separately in the following.

The following abbreviations are used for the measurement categories:

Abbreviation	IFRS 9 measurement categories	
AC	Amortized cost	Financial assets and liabilities measured at amortized cost
FVTPL	Fair value through profit and loss	Financial assets and liabilities measured at fair value through profit or loss
FVTOCI	Fair value through other comprehensive income (FVTOCI) for debt instruments	Fair value (market value) changes recognized directly in other comprehensive income (with recycling)
FVTOCI	Fair value through other comprehensive income (FVTOCI) for equity instruments	Fair value (market value) changes recognized directly in other comprehensive income (without recycling)

Financial assets and liabilities are as follows on a summarized basis:

Category	Category	Carrying amount	Fair value		
			Amortized cost	Cost IFRS 16	Fair value through profit or loss
€ thousand	IFRS 9	30.09.2022 (30.09.2021)			30.09.2022 (30.09.2021)
Assets					
Trade receivables	AC	8,036 (6,722)	8,036 (6,722)		
Other current and non-current assets	AC	134 (184)	134 (184)		
Other financial assets	AC	435 (207)	435 (207)		
Cash and cash equivalents	AC	8,443 (24,545)	8,443 (24,545)		
Total		17,048 (31,658)	17,048 (31,658)		

Category	Category	Carrying amount	Fair value			
			Amortized cost	Cost IFRS 16	Fair value through profit or loss	
€ thousand	IFRS 9	30.09.2022 (30.09.2021)			30.09.2022 (30.09.2021)	
Liabilities						
Trade payables	AC	6,754 (3,834)	6,754 (3,834)			
Financial liabilities	AC	15,144 (15,911)	8,459 (9,256)	6,685 (6,655)	15,144 (15,911)	
Financial liabilities	FVTPL	8,728 (4,401)			8,728 (4,401)	
Other liabilities	AC	317 (84)	317 (84)			
Total		30,943 (24,230)	15,530 (13,174)	6,685 (6,655)	8,728 (4,401)	23,872 (20,312)

No financial instruments exist that are to be classified in the FVTOCI category.

Cash and cash equivalents, other current assets, trade receivables, and trade payables mainly have short terms remaining. As a consequence, their carrying amounts at the end of the reporting period approximate their fair values. Non-current financial assets consist of deposits and loans extended whose rates of interest mainly correspond to current market interest-rate levels.

Liabilities to banks and other lenders, as well as to silent partners, reported in current and non-current financial liabilities, are measured at amortized cost. The fair values of financial liabilities are determined by discounting, applying current discount rates that match the maturity and risk of the liabilities. The fair values mainly correspond to the carrying amounts due to regular refinancing measures at market interest rates. The terms are presented in detail in Section 21 "Financial liabilities".

The carrying amounts of the financial instruments measured at fair value are classified as follows in accordance with the IFRS fair value hierarchy: listed prices in an active market (Level 1), valuation techniques based on observable inputs (Level 2), and valuation techniques based on unobservable inputs (Level 3).

No reclassifications between the different hierarchy levels were implemented.

The carrying amount of Level 2 financial liabilities (FVTPL) at the end of the reporting period stood at € 8,728 thousand (previous year: € 4,401 thousand). These are put option liabilities to non-controlling shareholders of Biocatalysts Ltd. and of the Breatec Group as well as, in the previous year, forward exchange contracts with various terms.

The contractual undiscounted cash outflows of financial liabilities within the scope of IFRS 7 are shown in the following table:

30.09.2022 € thousand	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32 ff.
Silent partnerships (without profit-sharing)	580	1,159	227	762	726	1,854	0	0	0	0
Liabilities to lenders	1,508	814	401	323	1,235	0	0	0	0	0
Lease liabilities	1,367	1,120	999	867	741	688	689	278	281	0
Liabilities from acquiring interests in fully consolidated companies ⁹	5,103	0	3,598	0	0	0	0	0	0	0
Derivative financial instruments (forward foreign exchange transactions)	297	0	0	0	0	0	0	0	0	0
Other liabilities	31	175	0	0	0	0	0	0	0	0
Trade payables	6,754	0	0	0	0	0	0	0	0	0
Total	15,641	3,266	5,226	1,952	2,702	2,542	689	278	281	0

30.09.2021 € thousand	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31 ff.
Silent partnerships (without profit-sharing)	598	544	523	1,091	144	462	726	1,854	0	0
Liabilities to lender	1,323	917	783	402	326	1,254	0	0	0	0
Lease liabilities	1,154	1,071	822	737	684	672	668	671	260	263
Liabilities from acquiring interests in fully consolidated companies ¹⁰	6	0	4,485	0	0	0	0	0	0	0
Other liabilities	0	9	0	0	0	0	0	0	0	0
Trade payables	3,834	0	0	0	0	0	0	0	0	0
Total	6,916	2,541	6,613	2,230	1,154	2,388	1,394	2,525	260	263

⁹ The exercise of the Breatec Group put option as of the latest possible date would lead to a cash outflow of € 4.8 million in the 2026/27 financial year.

¹⁰ The exercise of the put option as of the next possible date would lead to a cash outflow of € 3.8 million in the 2021/22 financial year.

The following table shows the net gains or losses on financial instruments by measurement category:

€ thousand 2021/22 (2020/21)	From interest and dividends	From subsequent fair value measurement/ impairment	From disposals	Net gains/losses
Loans and receivables	17 (25)	3 (4)	-230 (-1)	-210 (28)
Financial liabilities measured at (amortized) cost	-454 (-442)	0 (0)	578 (0)	125 (-442)
Leasing	-118 (-111)	0 (0)	0 (0)	-118 (-111)
Financial liabilities measured at fair value through profit or loss	0 (0)	-333 (3,858)	0 (0)	-333 (3,858)
Summe	-555 (-528)	-330 (3,862)	348 (-1)	-536 (3,333)

Interest income and expenses relating to financial instruments are reported under "finance income" and "finance costs" in the consolidated statement of comprehensive income. The total interest expense relating to financial liabilities that are not measured at fair value through profit or loss amounted to € 454 thousand (previous year: € 442 thousand).

Risk management/risks from financial instruments

The Group's business activities expose it to various financial risks: credit risk, currency risk, interest rate risk, market risk and liquidity risk.

The Management Board has implemented a risk management system to identify and avoid risks. This system is based inter alia on rigorous supervision of business transactions, comprehensive exchange of information with the employees responsible, and regular – mostly quarterly – analyses of key performance indicators for the business.

The risk management system was implemented to be able to identify adverse developments at an early stage and launch countermeasures as quickly as possible.

With regard to the financial instruments the Group deploys, the objective of the risk management function at BRAIN is to minimize the risk exposure arising from financial instruments. The company does not enter into derivative financial instrument transactions without a corresponding underlying basis transaction. In both the reporting period and the prior-year period, liquid funds were mainly invested with financial institutions in Germany and the UK.

The financial instruments that are recognized on the balance sheet can as a matter of principle generate the following risks for the Group:

Credit risk

Credit risk describes the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk consists of both counterparty credit risk and the risk of a deterioration in credit quality, along with cluster risk. The maximum exposure to counterparty credit risk is equal to the carrying amounts of the financial instruments on the balance sheet date. The counterparty credit risk relevant

to the Group's operating activities is represented by the risk that business partners will fail to discharge their payment obligations. Risk concentration is not identifiable in the customer receivables area of the BioScience segment insofar as the claims exist in relation to a group of customers exhibiting above-average creditworthiness. Receivables in the BioIndustrial area exist in relation to many different contractual partners. The credit quality of the contracting parties is assessed to mitigate the counterparty credit risk exposure of customer receivables. The factors assessed include financial position, past experience and other factors. The corresponding financial transactions are mostly entered into only with counterparties with excellent credit ratings. Liquid funds are invested mainly in accounts with financial institutions on Germany and the UK.

Currency risk

In addition, BRAIN is exposed to foreign currency risks. Income of € 633 thousand from currency differences (previous year: € 171 thousand) is offset by € 515 thousand of expenses from currency differences (previous year: € 202 thousand), so the resultant effects in both the 2021/22 and 2020/21 financial years largely offset each other, with only a small net expense remaining. Foreign currency positions are generally of minor importance within BRAIN Group. An IFRS 7 sensitivity analysis of foreign currency risks is not relevant for the financial statements due to their subordinate significance.

Interest rate risk

Interest rate risk describes the risk of fluctuations in the value of a financial instrument because of changes in market interest rates. The largest portion of the loan has a fixed-interest period matching its maturity. The Management Board consequently believes that it is not exposed to material direct interest rate risk.

The risk exposures of the loans that match their maturities are limited to the risk that BRAIN cannot benefit from any potentially lower lending rates that may be obtained during the terms of the deposits and loans.

Negative rates of interest cannot be excluded. Significant effects on the company's financial position or performance are not anticipated. Risk for significant cash positions is countered through investing them in short-term deposits.

The Group benefited to only a limited extent from lower market borrowing rates due to the high proportion of fixed interest arrangements for its financial liabilities (> 95%; previous year: > 95%).

Further interest rate risks are detailed in the section "Valuation risks connected with foreign currency put option agreements".

Capital management/liquidity risk

The capital management function of BRAIN Biotech AG pursues the objective of financing the company's planned growth and of securing corresponding resources for short-term financing requirements. The company consequently sets a minimum 50 % target equity ratio. This was exceeded due to the IPO and supported by the capital increases in September 2017, June 2020 and September 2021. The equity ratio amounted to 44 % as at 30 September 2022 (previous year: 54 %), and consequently below the target figure. The capital under management includes all current and non-current liability items as well as equity components. Financial terminology as presented in the financial statements is also utilized for debt and equity management purposes.

BRAIN Biotech AG and its subsidiaries are not subject to any capital adequacy requirements above and beyond those in the German Stock Corporation Act (AktG) and the German Limited Liability Company Act (GmbHG).

Valuation risks connected with put option agreements

Due to a put option arrangement with non-controlling interests in a subsidiary in the Netherlands which was acquired in the FY 2021/22 year, various valuation risks arise which are presented below. Significant inputs for inclusion in the Group include the relevant EBITDA included in the calculation, the relevant discounting rate as well as the imputed exercise date.

The actual obligation depends on the relevant EBITDA on the exercise date. Given 10% higher relevant EBITDA on the imputed exercise date of the put option rights, a € 280 thousand higher liability would arise as at 30 September 2022. Given 10% lower relevant EBITDA on the imputed exercise date of the put option rights, a € 279 thousand lower liability would arise as at 30 September 2022. Accordingly, the change was reported in profit or loss in the statement of comprehensive income.

Furthermore, the respective interest rate exerts an influence on the fair value recognized on the balance sheet. Given a one percentage point lower relevant interest rate for the put option rights, a € 46 thousand higher liability would arise as at 30 September 2022. Given a one percentage point higher relevant interest rate for the put option rights, a € 39 thousand lower liability would arise as at 30 September 2022. Accordingly, the change was reported in profit or loss in the statement of comprehensive income.

The exercise date forms a further significant influencing factor. Due to the expected EBITDA growth and rising EBITDA multiples, the measurement of the liability is based on the exercise of the option rights in the next possible period (1 January to 31 March 2025), and the liability is reported under non-current financial liabilities. If, for example, the option holders were to exercise their options as of the last possible period (1 January to 31 March 2027), the liability would be € 1,224 thousand higher, which would already entail a cash outflow in the 2026/27 financial year.

Due to a put option arrangement with non-controlling interests in a UK subsidiary which was acquired in the FY 2017/18 year, a valuation risks arises at the relevant exchange rate for translation into euros.

Here, the respective exchange rate exerts an influence on the fair value recognized on the consolidated balance sheet. Given a 5% stronger (weaker) pound sterling in relation to the euro, the liability would be € 255 thousand higher (lower). Accordingly, the change was carried directly to equity under other comprehensive income.

A detailed listing of opportunities and risks is also presented in the Group management report of BRAIN Biotech AG.

VII. OTHER INFORMATION

Auditor's fees

The fees paid to or accrued for the auditors of BRAIN Group engaged for the financial year in question consist of the following items:

€ thousand	2021/22	2020/21
Audit services	214	262
of which relating to the previous year	0	59
Other services	0	0
	214	262

Related party disclosures

The Management Board and the Supervisory Board of BRAIN Biotech AG form the key management bodies of BRAIN Group.

The company's Management Board consisted of the following members in the financial year under review:

Adriaan Moelker, Bad Homburg, CEO (Management Board Chairman)
Master of Business Administration (MBA)

Lukas Linnig, Frankfurt am Main, CFO (until 30 September 2022)
Chartered Financial Analyst (CFA)

The Management Board members are entitled to represent the company either jointly or individually with a company officer. If only one Management Board Member has been appointed, this Management Board member is entitled to represent the company alone.

For the 2021/22 financial year, the Management Board was granted total compensation of € 1,378 thousand, as calculated based on the German Commercial Code (HGB). The corresponding figure for the previous year stood at € 1,575 thousand.

Management Board compensation, in accordance with IAS 24, in the year under review amounted to:

€ thousand	2021/22	2020/21
Fixed compensation ¹¹	680	655
Performance-related remuneration ¹²	465	280
Share-based compensation	193	127
	1,338	1,062

Pension provisions of € 1,153 thousand (previous year: € 2,271 thousand) have been formed for former Management Board members.

¹¹ Including contribution to pension plan in the amount of € 105 thousand (previous year: € 105 thousand).

¹² Payments due short-term.

The Management Board members are members of the following supervisory boards or comparable supervisory bodies:

Adriaan Moelker, Bad Homburg, CEO (Management Board Chairman)
 BRAIN UK II Ltd., Cardiff, UK (Director)
 BRAIN UK Ltd., Cardiff, UK (Director)
 Biocatalysts Ltd., Cardiff, UK (Director)
 SolasCure Ltd., Cambridge, UK (Director)
 Biosun Biochemicals Inc., Tampa, FL, USA (Board member)

Lukas Linnig, Frankfurt am Main, CFO (until 30 September 2022)
 BRAIN UK II Ltd., Cardiff, UK (Director)
 BRAIN UK Ltd., Cardiff, UK (Director)
 Biocatalysts Ltd., Cardiff, UK (Director)
 BRAIN US LLC, Rockville, MD, USA (Director)
 Biosun Biochemicals Inc., Tampa, FL, USA (Board member)

The Management Board directly holds 23,000 shares as at the reporting date.

The company's Supervisory Board included the following members in the financial year under review:

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair)
 Mediator Consultant

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
 CEO, humatrix AG, Pfungstadt

Prof. Dr. Bernhard Hauer, Fußgönheim (until 31 May 2022)
 University Professor

Dr. Michael Majerus, Ottobrunn
 Consultant

Stephen Catling, Cambridge, UK
 Managing Director, SJ Catling Ltd., Cambridge, UK

Prof. Dr.-Ing. Wiltrud Treffenfeldt, Oberrieden, CH
 Independent consultant

The **Audit Committee** of the company's Supervisory Board included the following members in the financial year under review:

Dr. Michael Majerus, Ottobrunn (Chair)
 Consultant

Dr. Georg Kellinghusen, Kreuth-Oberhof
 Mediator Consultant

Stephen Catling, Cambridge, UK
 Managing Director, SJ Catling Ltd., Cambridge, UK

The **Personnel Committee** of the company's Supervisory Board included the following members in the financial year under review::

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair)
 Mediator Consultant

Dr. Michael Majerus, Ottobrunn
 Consultant

Prof. Dr.-Ing. Wiltrud Treffenfeldt, Switzerland
 Independent consultant

The **Nomination Committee** of the company's Supervisory Board included the following members in the financial year under review:

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
 CEO, humatrix AG, Pfungstadt

Dr. Georg Kellinghusen, Kreuth-Oberhof
 Mediator Consultant

Prof. Dr. Bernhard Hauer, Fußgönheim (until 31 May 2022)
 University Professor

Dr. Michael Majerus, Ottobrunn (from 1 June 2022)
 Consultant

The Supervisory Board members are members of the following **supervisory boards or comparable supervisory bodies**:

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair)
 Advyce GmbH, Munich (Advisory Board member)
 Deutsche Bank AG, Frankfurt am Main (Regional Advisory Board member, Bavaria)
 Simplifa GmbH, Berlin (Advisory Board member)

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
 Frankfurt Biotechnology Innovation Center, Frankfurt am Main
 (Supervisory Board member)

Dr. Michael Majerus, Ottobrunn
 None

Prof. Dr. Bernhard Hauer, Fußgönheim (until 31 May 2022)
 None

Stephen Catling, Cambridge, UK
Cambridge Community Foundation, Cambridge UK (Chairman of the Board of Trustees)

Prof. Dr.-Ing. Wiltrud Treffenfeldt, Switzerland
ProBioGen AG, Berlin (Supervisory Board member)

The compensation of the Supervisory Board in the financial year under review was as follows:

€ thousand	2021/22	2020/21
Fixed compensation*	153	156
of which allowance for special functions	45	45
Attendance fees*	106	101
Total compensation	259	256

* Payments due short-term.

The Supervisory Board indirectly holds 20,000 shares in the company as at the reporting date. Further information is presented in the compensation report.

Other relationships with related parties

In the 2021/22 and 2020/21 financial years, the following supplies or purchases of goods and services occurred between the members of the governing bodies (Management and Supervisory board members) and their related parties and associated companies of BRAIN Group and entities with significant influence over BRAIN Biotech AG.

Enzymicals AG is an associated company pursuant to IAS 28.2 and is therefore categorized as a related party pursuant to IAS 24.9. As of the reporting date, BRAIN Biotech AG was owed €72 thousand (previous year: €102 thousand) of loan and interest receivables by Enzymicals AG. The interest income for this 6.0% loan amounted to €4 thousand in the 2021/22 financial year (previous year: €6 thousand).

A license agreement was concluded with SolasCure Ltd. in the 2017/18 financial year as part of the investment, for which BRAIN Biotech AG was paid with shares in the company equivalent to an amount of €3,919 thousand. These have been deferred and will be recognized as revenue until September 2024 in the amount of the other shareholders' interests, as BRAIN Biotech AG will be closely involved in the approval process until then and will render further services. Unrealized results of intra-group transactions are eliminated in the consolidated financial statements as part of consolidation, resulting in the recognition in the current financial statements of an amount of €472 thousand (previous year: €760 thousand). In connection with the license, a service agreement was also concluded with an anticipated total volume of around €5.3 million. In the 2021/22 financial year, revenue was generated with the company in the context of the transaction described above in the amount of €1,047 thousand (previous year: €905 thousand).

A loan facility of €7.0 million exists with MP-Beteiligungs-GmbH, Kaiserslautern, a company with a shareholding of more than 25%. The agreement has a term until 30 June 2025. The loan bears interest at a rate of 3.5%. As of the balance sheet date, the company had not utilized this option. In the 2021/22 financial year, the interest cost amounted to €28 thousand (previous year: €32 thousand). Interest liabilities amounted to €7 thousand as at the balance sheet date (previous year: €11 thousand).

No receivables were due from directors of BRAIN Biotech AG or individuals related to these directors as of 30 September 2022. As at the 30 September 2022 reporting date, the following outstanding balances existed in relation to the aforementioned parties, which are reported under other liabilities, and aforementioned compensation elements:

- Supervisory Board compensation: €257 thousand (previous year: €254 thousand),
- Management Board compensation: €465 thousand (previous year: €280 thousand),
- Deferrals for outstanding vacation (Management Board): €30 thousand (previous year: €45 thousand).

No other obligations exist in relation to the key management personnel of BRAIN Biotech AG.

Contingencies and other financial commitments

As in the previous year, as of the 30 September 2022 balance sheet date no obligations exist from contracts entered into for third-party work in the area of research and development contracts.

As was the case at the end of the previous financial year, as at 30 September 2022 no obligations exist arising from investment projects that have been commenced.

Contingent purchase price obligations exist for intangible assets that depend on the achievement of specific future revenue using these intangible assets up to a maximum amount of €160 thousand (previous year: €160 thousand).

The Management Board is not aware of other facts or circumstances that could lead to material additional financial commitments.

Employees

The number of employees reports the following changes:

	2021/22	2020/21
Total employees, of whom	309	288
Salaried employees	284	264
Industrial employees	24	25

BRAIN Group also employs scholarships/grant holders (1, previous year: 3), temporary employees (12, previous year: 12) and trainees (6, previous year: 8).

Statement of conformity to the German Corporate Governance Code

The statement of conformity to the German Corporate Governance Code as required by Section 161 of the German Stock Corporation Act (AktG) was issued by the Management and Supervisory boards and published on the company's website.

Events after the reporting date

On 1 October 2022, Michael Schneiders assumed the position of Chief Financial Officer at BRAIN Biotech AG. In September 2022, the company had announced that CFO Lukas Linnig would step down from the Management Board with effect as of 30 September 2022. At the same time, the company had announced that Michael Schneiders had been appointed to the Management Board with effect from 1 October 2022 and had been appointed as the future Chief Financial Officer (CFO).

No further significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2022 balance sheet date.

Zwingenberg, 21 December 2022



Adriaan Moelker
Chief Executive Officer



Michael Schneiders
Chief Financial Officer

Responsibility statement

We hereby declare that, to the best of our knowledge, the consolidated financial statements convey a true and fair view of the Group's financial position and performance in accordance with applicable accounting principles, the progress of business including the business results and the Group's position are presented in the Group management report so as to convey a true and fair view, and the significant opportunities and risks pertaining to the Group's prospective development are described.

Independent auditor's report

To BRAIN Biotech AG, Zwingenberg, Germany

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of BRAIN Biotech AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2021 to September 30, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of BRAIN Biotech AG for the financial year from October 1, 2021 to September 30, 2022. In accordance with German legal requirements, we have not audited the content of the internet site for the published Group declaration on corporate governance, which forms part of the Group management report, as stated in Section VIII "Corporate Governance Statement pursuant to § 289f and § 315d of the German Commercial Code".

In our opinion, on the basis of the knowledge obtained in the audit:

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2022, and of its financial performance for the financial year from October 1, 2021 to September 30, 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Our audit opinion on the group management report does not cover the content of the above Group declaration on corporate governance.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statement

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from October 1, 2021 to September 30, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our opinion, the following issues were most important in our audit:

- Impairment of goodwill
- Changes in the scope of consolidation

We have structured our presentation of these key audit matters as follows:

- Facts and problem definition
- Audit procedures and findings
- Reference to further information

In the following we present the key audit matters:

Impairment of goodwill

1. In the consolidated financial statements of BRAIN Biotech AG, a total of kEUR 6,606 (previous year: kEUR 4,725) of goodwill is reported under the balance sheet item "intangible assets and goodwill". Goodwill therefore represents a significant component of total assets.

In the context of the preparation of the consolidated financial statements, the impairment testing of goodwill is of major importance. The legal representatives carry out an annual impairment test based on a valuation model using the discounted cash flow method. This model is based on data from corporate planning for the future development of the company, which are influenced by general market and economic developments. In addition, the value of goodwill depends to a large extent on the discount rates and growth rates applied. These factors are subject to the decision of the legal representatives and therefore subject to discretion. Due to the existing scope of discretion, there is a risk that changes will have a material impact on goodwill. Therefore, this fact is of particular importance in the context of our audit.

2. As part of our audit, we obtained an understanding of the evaluation process for goodwill. Particularly, we reproduced the valuation models used with regard to the correct calculations and checked that the valuation models meet the basic requirements of the relevant valuation standards. Furthermore, we have checked the underlying valuation parameters by comparing them with market data.

In addition, we understood the assumptions of the legal representatives regarding the future developments of the companies based on planning and compared them with general market expectations.

Furthermore, we have methodically and mathematically assessed the company's sensitivity analyses to be able to assess a possible impairment risk of goodwill in the event of

changes in key assumptions. We consider the evaluation process and the assumptions and parameters used therein to be an appropriate and sufficient basis for the impairment test of the goodwill recognised in the balance sheet.

3. Regarding the accounting and valuation principles applied, we refer to the disclosures in the notes under section "Impairment test".

Changes in the scope of consolidation

1. In the financial year 2021/2022, there were changes in the Group's consolidation scope because of the acquisition of Weriol Group B.V., Nieuwkuijk/Netherlands, effective February 1, 2022, and the sale of L.A. Schmitt Chem. Kosm. Fabrik GmbH, Ludwigsstadt, Germany, effective September 30, 2022.

In connection with the acquisition of Weriol Group B.V., the purchase price allocation is of major importance. The purchase price allocation allocates the purchase price paid to the acquired assets and liabilities. The purchase price allocation is based on corporate planning data on the future development of the company. This process therefore has a material impact on the value of assets to be recognised and is subject to significant estimation uncertainties.

Because of the sale of L.A. Schmitt Chem. Kosm. Fabrik GmbH a deconsolidation of this company was to be performed in the consolidated financial statements. To correctly present the deconsolidation gain, the date of deconsolidation must be determined correctly.

2. As part of our audit, we obtained an understanding of the processes for identifying the consolidation scope. In particular, it was critically discussed with the legal representatives at which time control of Weriol Group B.V. was acquired and at which time no decisive influence on L.A. Schmitt Chem. Kosm. Fabrik GmbH was exercised. We have therefore checked whether the legal representatives have correctly identified the date for the first-time consolidation of Weriol Group B.V. and the date for the deconsolidation of L.A. Schmitt Chem. Kosm. Fabrik GmbH.

In addition, regarding Weriol Group B.V., we checked whether the first-time consolidation was correctly reflected in the consolidated financial statements. To this end, we critically assessed the company's purchase price allocation, in particular, and checked the plausibility of the assumptions and parameters used.

Regarding the sale of L.A. Schmitt Chem. Kosm. Fabrik GmbH, we checked whether the deconsolidation process was presented correctly.

3. For the changes in the scope of consolidation we refer to the information in the notes under the section "Changes to the consolidation scope".

Other Information

The Supervisory Board is responsible for the Report of the Supervisory Board. Apart from that, the legal representatives are responsible for the other information.

The other information comprises the corporate governance statement mentioned above. In addition, the other information comprises the following sections intended for the annual report, the version of which we obtained prior to the issuance of the audit opinion:

- Key figures and BRAIN Biotech at a glance,
- Company management,
- Company,
- Responsibility statement of legal representatives,
- Further information.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit, we have a responsibility to read the above other information and to assess whether the other information

- have material discrepancies with the consolidated financial statements, the audited Group Management Report information or our knowledge acquired during the audit, or
- otherwise appear materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement

Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the

disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for the purposes of disclosure pursuant to § 317 (3a) HGB

Audit opinion

In accordance with § 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the data contained in the provided file KA-KLB-2022-09-30.zip(SHA2563ae8fb9fbbab0c3587d6111d3048681a7a4393039eb57883f0d6868902cf0254) and prepared for the purpose of publication of the consolidated financial statements and the group management report (hereinafter referred to as the "ESEF-documents") comply in all material respects with the electronic reporting format ("ESEF format") pursuant to § 328 (1) HGB. In accordance with German legal requirements, this audit covers only the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore does not extend to the information contained in these reproductions or to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the provided file referred to above and prepared for disclosure purposes comply, in all material respects, with the requirements of § 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this opinion and our opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from October 1, 2021 to September 30, 2022 contained in the preceding "Report on the audit of the consolidated financial statements and group management report".

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned provided file in accordance with

§ 317 (3a) of the German Commercial Code (HGB) and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with § 317 (3a) HGB (IDW PS 410 (10.2021)). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the markup of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

Furthermore, the legal representatives are responsible for the internal controls they have considered necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of § 328 (1) HGB. The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of § 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documentation, i.e., whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as applicable at the reporting date, regarding the technical specification for that file.
- We assess whether the ESEF documents allow for a content identical XHTML reproduction of the audited consolidated financial statements and the audited group management report.
- Assess whether the markup of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 as applicable at the reporting date enables an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on March 9, 2022. We were engaged by the supervisory board on April 25, 2022. We will act as auditors of the consolidated financial statements of BRAIN Biotech AG for the first time in the financial year 2021/2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Facts - use of the audit report

Our audit report must always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and group management report converted into ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Andreas Weissinger.

Frankfurt am Main, December 21, 2022

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Roos

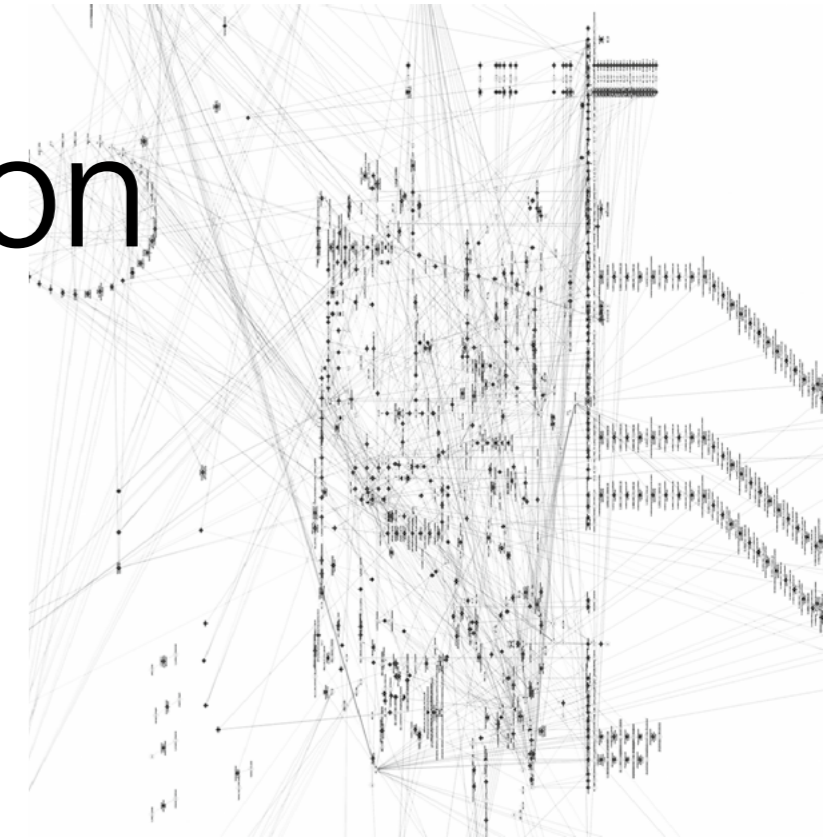
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06 Further information



06 Further information

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Glossary

A

Akribion Genomics

Registered trademark of BRAIN Biotech AG. The genome editing platforms based on the CRISPR-associated nucleases BEC and BMC are further developed and marketed under the brand. The founding of a separate economic entity is planned under this name.

Alternative proteins

Protein alternatives to animal proteins traditionally derived from meat or milk of higher farm animals; can be derived from plant sources (e.g. pea protein) and from microbial biomass (e.g. yeast) or obtained by targeted microbial fermentation (precision fermentation); are also obtained from protein-rich edible insects or from meat-like tissues cultivated in the laboratory ("clean meat"). The goal of producing alternative proteins is to avoid factory farming and associated environmental devastation and reduce carbon emissions.

Proteins of animal origin that are produced by microorganisms while retaining their biochemical structure and functionality are also referred to as "animal-identical proteins." Examples include milk proteins, egg proteins, and proteins used in the production of meat substitutes. For other proteins (e.g. enzymes, structural proteins), the protein structure is often purposefully altered in the bioprocess to improve (e.g. enzyme activity) or eliminate (e.g. instability) properties for later use.

Aurase®

Enzymatic active ingredient as part of an innovative drug gel for the biotherapeutic treatment of chronic wounds.

SolasCure Ltd., founded in 2018 with the participation of BRAIN Biotech AG, is responsible for the development, CE certification and marketing of the drug product for the biological conditioning of chronic wounds based on Aurase®.

B

BEC (BRAIN-Engineered-Cas)

BRAIN-Engineered-Cas (BEC) is an enzyme identified and developed at BRAIN Biotech. It is a CRISPR-associated nuclease that can be used to selectively insert, remove or modify individual DNA segments in living organisms (genome editing). With CRISPR-Cas technology, not only can the selection process be accelerated enormously; above all, it can be targeted and precise.

BRAIN Biotech aims to build a patent family around the genome editing tools BEC and BMC. The genome editing platforms will be further developed under the Akribion Genomics brand.

Bioactive natural compounds

Used to develop products for the food, beverage, skin care, cosmetics and chemical industries; BRAIN Biotech's subsidiary AnalytiCon Discovery is an expert in the natural product chemistry area and performs active substance screening. Over the years, the company has built up an extensive library of bioactive substances (including "small molecules").

Bio-based products

Bio-based products are goods manufactured from renewable raw materials

Biocatalysts Ltd. and Biocatalysts Inc. BRAIN Group companies based in UK (headquarters in Cardiff, Wales) and in US (Illinois); global distributor network e.g. Korea, Australia, New Zealand. Key player in the specialty enzyme business.

Biocatalysts

A BRAIN Group company based in the UK (headquartered in Cardiff, Wales) with a subsidiary in the USA (Illinois); developer and manufacturer of industrial-scale specialty enzymes; has a global distribution network, including Korea, Australia, New Zealand.

BioIndustrial

One of the two operating segments of BRAIN Biotech AG: responsible for development and marketing of the company's own products along the value chain

Biologization of industry

Application of biological processes in an industrial setting with the aim of creating a more sustainable economy

Bioeconomy

Concept for a bio-based, sustainable economy; promotes increased use of organic waste and recycling of biological resource.

Biorefinery

Technology for the sustainable processing of biomass into marketable products (e.g. food, feed, materials and chemicals) and energy (fuels, electricity and heating); integrated biorefineries combine various such technologies with the aim of greater flexibility and cost reduction. Integrated biorefineries facilitate the use of byproducts and waste, and enable the production of high-quality products (e.g. fine chemicals) combined

with products from side streams (e.g. bioenergy).

BioScience

One of the two operating segments of BRAIN Biotech AG, focusing on the development-intensive contract business and in-house developments.

Biotechnology

Application-oriented sub-sector of biology; includes insights and methods from microbiology, genetics, biochemistry, bioinformatics, technical chemistry and process engineering; utilizes biological processes, e.g. for industrial applications

BioXtractor

BRAIN Biotech demonstration plant at the Zwingenberg site for next-generation metal extraction in the areas of green and urban mining based on microorganisms

BRAIN libraries

BRAIN Group collections, consisting of enzymes, DNA sequences or natural substances; part of the BRAIN BioArchive: Enzyme library: up to 500 isolated and precharacterized enzymes and DNA coding for enzymes introduced into expression vectors; Metagenome library: screenable DNA library with metagenomes (see "metagenome") from different habitats; collection serves to identify previously uncharacterized enzymes and metabolic pathways; Substance library: collection of natural substances with sub-libraries of specific, well-characterized groups of substances

BRAIN BioArchive

In-house collection consisting of around 53,000 comprehensively char-

acterized microorganisms (including "chassis microorganism" strains for the development of production organisms) and the BRAIN libraries: an enzyme library, a metagenome library and a substance library with numerous isolated natural compounds (see also "BRAIN libraries")

Brazzein

Sweet protein with an exceptional sweetening potential. It combines a good flavor profile with the benefits of being sugar-free. In nature the African plant *Pentadiplandra brazzeana* produces the protein in its berries. The ingredient can be obtained by extraction or by fermentation of the plant material; BRAIN follows the latter approach.

C

Cellular agriculture

Controlled and sustainable production of agricultural products using cells and cell assemblies without involving animal or plant organisms.

Circular Bioeconomy

Concept for the complete utilization of utilized raw materials beyond the life cycle of a raw material to new production processes; part of the bioeconomy concept.

Clones

Genetically identical organisms, created by natural division or reproduction, or artificially created

Compliance

Alignment of companies with statutory legislation and directives, as well as voluntary codes

CRISPR

Clustered Regularly Interspaced Short Palindromic Repeats

CRISPR-Cas (CRISPR / Cas)

Name of a method used by molecular biologists to cut DNA in a targeted and precise manner. So-called "gene scissors" (for genome editing) enable the selective insertion, removal or modification of individual DNA segments in the living organism. The method enable biotechnologists to carry out targeted mutations and thereby, for example, rapidly optimize the metabolic performance of microbial production organisms.

Biochemically, the CRISPR-Cas complex consists of the CRISPR-associated protein "Cas" with the function of a DNA-cutting protein (a member of the enzyme class of nucleases), as well as a piece of RNA, the so-called guide RNA, which directs the Cas protein to the site on the DNA where it is to be cut. The acronym "CRISPR" stands for a repetitive sequence region on the genome of the bacterium where this DNA region was initially discovered and by which CRISPR systems can be recognized. CRISPR-Cas systems are derived from a natural mechanism that bacteria use to protect themselves from harmful viruses.

In basic research, CRISPR-Cas technology is already being used in a wide range of applications. However, the unclear patent situation specifically for the CRISPR / Cas9 system often prevents its use in companies, given as yet unforeseeable patent risks, as well as expensive licensing fees to be paid. For this reason, BRAIN Biotech has developed its own variant of the CRISPR-Cas scissors, BRAIN-Engineered-Cas (BEC)

Glossar

nuclease, in order to rapidly optimize the metabolic performance of microbial production strains.

D

Disruptive innovations

Innovations that can lead to business models or technologies being replaced

DNA

Deoxyribonucleic acid: biomolecule that carries genetic information (genes)

DNK

Abbreviation for the German Sustainability Code (Deutscher Nachhaltigkeitskodex); BRAIN Biotech has published a declaration in relation to the German Sustainability Code. The entry in the DNK database supports BRAIN Biotech's sustainability reporting activities and provides transparency in relation to the company's development.

DOLCE

Strategic partnership initiated by BRAIN Biotech AG for the development of natural sweeteners and sweet taste enhancers (dolce = Italian for sweet)

E

Enzymes

Proteins that accelerate biochemical reactions in their function as biocatalysts; they play an important role in the development of biobased products; BRAIN Biotech identifies and develops optimized enzymes for complex process and application requirements; so-called protein engineering is used in the development of enzymes for specific applications

F

Fermented Food

Foods and beverages that have undergone controlled contact with microorganisms and a fermentation

FRESCO

BRAIN Biotech AG development program for freshness and product stability utilizing natural bioactive substances; suitable for the food and feed industry, for medical products, paints, cleaning agents and other household products; ("fresco" = Italian for "fresh")

G

Genome editing

Targeted modification of DNA using molecular biology techniques

Giga-bp

DNA Length of a DNA sequence, indicated by the number of base pairs (1 Giga bp = 1,000,000,000 base pairs); common metagenomics measure

GMO

Genetically modified organisms

GRAS status

"Generally Regarded as Safe" status: declaration of safety for the use of substances (e.g. microorganisms) to manufacture foodstuffs; GRAS organisms can be utilized without restriction in biotechnological production

Green mining

Sustainable mining, e.g. ore processing with microorganisms instead of chemicals to extract metals such as gold, silver, copper, rare earths, etc.

H

Habitat

An organisms natural environment

High-performance microorganisms

Biotechnologically optimized microorganisms that serve as microbial "cell factories"

I

Industrial biotechnology

Includes the application of modern biotechnology in industrial production processes; chemical feedstocks are converted by enzymes (isolated or in cells, such as in bacteria or fungi) into suitable products for further processing; drives innovation for a paradigm shift in the economy – towards biological processes and bio-based products, and away from fossil raw materials and carbon emissions

Incubator pipeline

BRAIN Biotech's own disruptive development projects or partnered projects for "new business" offering high commercial potential; value creation options include spin-offs, licensing, milestone payments, production, sales. (see "disruptive Innovations")

M

Markets for bulk enzymes

Volume-driven bulk markets for enzymes sold in large quantities. In contrast, a high-margin specialty enzymes business exists. BRAIN Group focuses on this latter niche business.

Metagenome

Genomic information present in the totality of all microorganisms of a given community; BRAIN Biotech AG owns more than 50 metagenome libraries containing genomic information relating to a large number of novel enzymes and metabolic pathways from previously unculturable organisms.

Metagenomics

Analysis of the genome (whole genetic material) of a community of organisms by gene sequencing; genetic material is extracted, sequenced and analyzed directly from environmental samples, which saves the previous cultivation of microorganisms

Microorganism

Microscopically small unicellular or multicellular organisms, e.g. bacteria, algae, fungi or viruses

N

NGS

NGS stands for "Next Generation Sequencing". It describes the process of high-throughput sequencing of DNA.

P

Peptides

Linear, sometimes ring-shaped chain of molecules consisting of two or more amino acids; long polypeptide chains are referred to as proteins.

Precision fermentation

Further development of classical fermentation using molecular biology and bioinformatics; fermentable organisms such as bacteria, yeasts, or fungi are en-

gineered into production microorganisms ("cell factories") so that they produce a specific protein (or other molecule) in high quantity and purity and with specific properties. Prerequisites typically include targeted, precise changes in the microorganism's genome – e.g. using genome editing or the insertion of genetic blueprints – and the development of sophisticated fermentation processes. Proteins produced by precision fermentation and subsequently purified include enzymes, alternative proteins (see "alternative proteins") a structural proteins for different industries.

Precision probiotics

Probiotics that have been optimized for performance and/or safety using nonGMO techniques (e.g. natural evolution and targeted genome editing without the use of foreign DNA).

Product sales at BRAIN Group

Sales of products in the form of merchandise, technologies or biotechnological system solutions; can be achieved via the BRAIN Group's direct B2B business or through joint product developments with industrial partners and corresponding licensing agreements; scalable-product business option offered by the BRAIN Group.

Postbiotics

Non-viable bacterial products or metabolic by-products of probiotic microorganisms that develop biological activity in the host. Application areas include cosmetics.

Prebiotics

Food or dietary supplement containing an (indigestible) ingredient that selectively stimulates the growth and/or activity of indigenous bacteria.

Probiotics

Live microorganisms which, when used adequately, exert a health-promoting effect on humans and animals. Have been used for intestinal health in the food sector for over 50 years; new application areas include cosmetics, agricultural and household products. Precision probiotics: Probiotics optimized for performance and / or safety using non-GMO processes (e.g. natural evolution and targeted genome editing without the use of foreign DNA).

Protein engineering

In the process of protein engineering, proteins (e.g. enzymes) are constructed and optimized for specific purposes. The approach is either via so-called "rational design" (targeted mutagenesis, possible with existing knowledge of protein structure) or "directed evolution" (mimics natural evolution and requires no prior knowledge of protein structure).

R

R&D

Research and development

S

SALT-E

One of several BRAIN development programs for healthier foods through salt reduction.

SDGs-UN

United Nations Sustainable Development Goals

Single-cell proteins

Also known as microbial proteins; are

Glossary

commonly derived from microalgae, fungi or bacteria

Specialty chemicals

Specific chemical products with a broad range of activities on which a large number of other industrial sectors depend

Specialty enzymes market

Markets for high-margin specialty enzymes business

Synbiotics

Combination of probiotics and prebiotics

Synthetic Biology

Area of biology in which organisms are modified to develop new, useful abilities

T

Tailor-made solutions (TMS)

Contractual development work at BRAIN Biotech to develop customized solutions for industry

U

Urban mining

Sustainable extraction of valuable substances from secondary raw materials and waste flows in order to retain them in value chains in the long term.

W

White biotechnology

See industrial biotechnology

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Financial calendar

Publication of the quarterly report as at 31 December 2022 (3M)

27.02.2023

Annual General Meeting

08.03.2023

Publication of the interim report as at 31 March 2023 (6M)

25.05.2023

Publication of the quarterly report as at 30 June 2023 (9M)

30.08.2023

Disclaimer

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