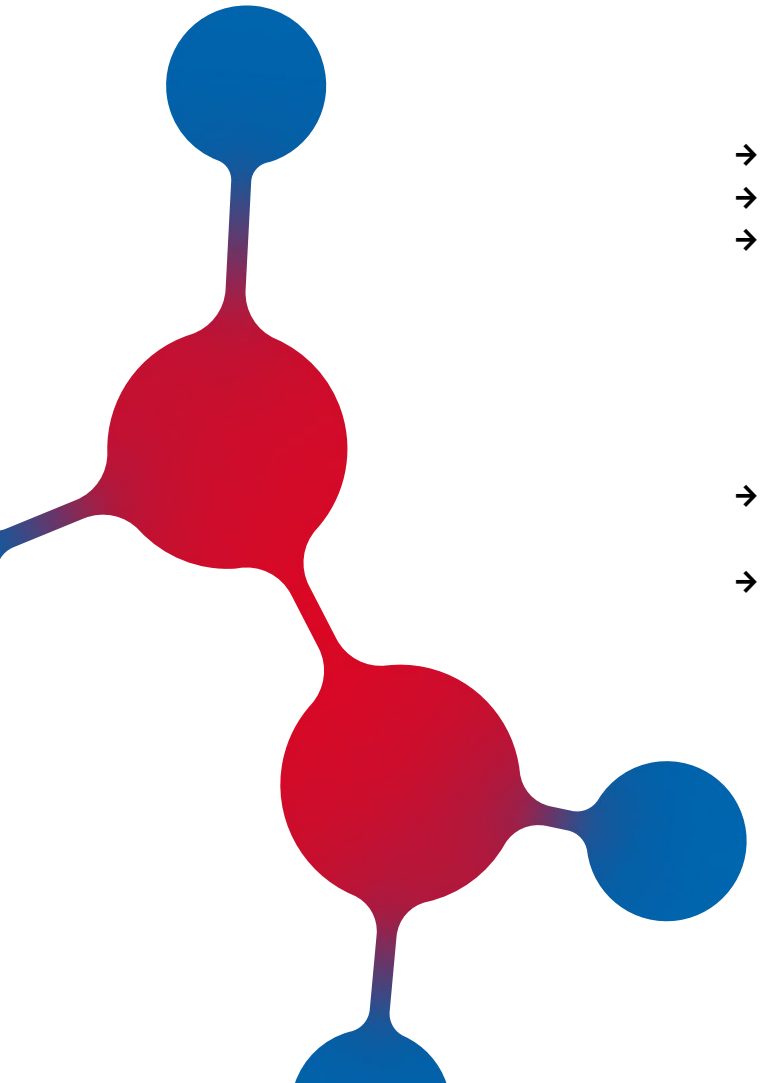
Group Management Report



Basis of the Group

GROUP BUSINESS MODEL

BRAIN Biotech AG ("BRAIN") is a European supplier of bio-based products and solutions, such as enzymes and proteins, microbial production strains, natural substances, and biotechnological solutions, for more sustainable industrial processes. The company focuses on the areas of nutrition, health, and the environment.

The Group organizes its business activities into three operating segments plus a holding entity: the BioProducts segment comprises the product business with specialized enzymes and other proteins, for the manufacture of which the Group operates fermentation plants in the UK and production facilities in continental Europe and the USA. The BioScience segment offers research-intensive customized solutions based on enzyme technology, strain development, bioprocess development, and natural product screening. In the BioIncubator segment, the company conducts both its own R&D projects as well as those initiated with partners offering high value-creation potential. In the BioScience segment, Potsdam-based AnalytiCon Discovery GmbH was merged onto BRAIN Biotech AG in Zwingenberg during the financial year under review. This legal reorganization will further optimize and simplify the structure of the BRAIN Biotech Group. The operating activities of the two business units remain unaffected by the merger and will continue unchanged at their respective locations.

BRAIN has an extensive research and development infrastructure at its Zwingenberg site and the branch operation in Potsdam, which specializes in natural compounds. Through its own R&D activities, the Group is continuously expanding its product portfolio in the area of specialty enzymes and small molecules. The latter form the starting point for screenings, such as for novel drug candidates for pharmaceutical applications. Our companies for enzyme products, microorganisms, and bioactive natural compounds offer specialized production and application expertise as well as direct market access: WeissBioTech GmbH (Ascheberg, Germany), Biocatalysts Ltd. (Cardiff, UK), Biocatalysts Inc. (Chicago, Illinois, USA), Biosun Biochemicals Inc. (Tampa, Florida, USA), and Weriol Group BV (Nieuwkuijk, Netherlands, hereafter the "Breatec Group"). Moreover, as part of the spin-off of SolasCure Ltd., which is based in Cardiff, UK, an ingredient for enzymatic wound healing is targeted for market approval.

Targets of the "bioeconomy" are to replace chemical-industrial processes with innovative, resource-conserving bio-based processes, as well as to establish new processes and products. The BRAIN Biotech Group also utilizes biotechnological processes in its own 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 sustainable earnings trend than EBITDA, as it excludes exceptional items. Adjusted EBITDA is calculated by eliminating expenses from the share-based compensation scheme of BRAIN Biotech AG, as well as extraordinary personnel expenses and other expenses in connection with the Royalty Pharma transaction. In the previous year, acquisition and integration costs from the BRAIN Biotech Group's expansion were also adjusted.

[1] EBITDA = earnings before interest, tax, depreciation, and amortization

As financial performance indicators, the company refers to milestones reached in the context of cooperation agreements and exercised options. The number of milestones reached 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 on the basis of 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 business activities of BRAIN Biotech AG. As early as 1999, BRAIN applied proprietary metagenome technologies to develop production organisms, enzyme products, and genetic libraries. Today, BRAIN's portfolio consists of various patented special technologies, as reflected in its patent portfolio. These include the genome engineering technology developed by BRAIN (G-dase E® and G-dase M®, formerly known as BEC/BMC), a molecular biology technique 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 environmental technology.

Here, BRAIN Biotech AG achieved important development progress together with its partners. The "Gold from Waste Streams" project is being further developed with an industrial partner. The active substance outlicensed to Pharvaris for the treatment of hereditary angioedema (HAE), a rare genetic disease, is continuing to exhibit promising progress in clinical development. This project is very important for BRAIN from an economic perspective. Expected future license payments have been sold in advance to Royalty Pharma as part of a royalty monetization agreement. As a consequence, the Group has already received a prepayment of € 18.41 million. This transaction could generate total payments amounting up to € 128.88 million.

BRAIN's proprietary BioArchive includes more than 50,000 comprehensively characterized microorganisms, chassis microorganism strains to develop production organisms, as well as genetic libraries encompassing new enzymes and metabolic pathways. The assets of AnalytiCon Discovery, Potsdam, include a unique collection of pure natural materials and semisynthetic substances based on natural material building blocks. These aggregated collections 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 € 6.2 million in the 2023/24 financial year, compared with € 5.0 million in the 2022/23 financial year. This corresponds to 11 % of revenue in the 2023/24 financial year, compared with 9 % in the previous financial year. In the 2023/24 financial year, investments in research and development primarily include expenses for innovative product developments (such as investments in Akribion Genomics AG in the context of developing a new genome editing technology, new sweeteners, and biological metal extraction processes from waste and by-product streams) at the Zwingenberg and Potsdam sites. Research and development expenses include € 0.1 million of third-party services (previous year: € 0.1 million).

The Group currently employs 217 people in research and development functions (previous year: 213).

Economic and business report

Macroeconomic and sector-related conditions

The financial year under review was characterized by an overall challenging and volatile global economic environment, while risks to global growth and the free movement of goods persisted. These developments also made overall conditions for industrial biotechnology more challenging in the 2023/24 financial year. Although research and product innovations in industrial biotechnology remain a mainstay of sustainable industrial production, they cannot be decoupled completely from the general economic environment. Industrial biotechnology provides solutions to the fundamental challenges of nutrition, energy, environment, and climate. Their contribution to the overarching issue of sustainability and their potential to fundamentally reshape industrial production is far from exhausted.[2] BRAIN Biotech AG is actively shaping these changes as an innovative partner with its strong solution and product expertise.

In addition to the substitution of petrochemical-based products, the industry's research and development activities also focus on biological solutions for sugar substitutes, alternative protein sources, and the utilization of by-product streams from industrial production.

Business progress

BRAIN implemented a number of key initiatives, measures, and developments in the 2023/24 financial year:

The development of genome editing activities bundled under the Akribion Genomics brand name was primarily focused on therapeutic applications, including oncology applications. The mode of action of the nuclease selected for this purpose enables both the targeted enrichment of cells and their elimination by selective destruction. This novel mode of action of nuclease G-dase E® thereby promises significant progress for therapeutic applications, particularly in the oncology area.

Our three-pillar reporting structure provides shareholders with enhanced transparency and visibility in relation to the Group's operating performance in its BioProducts, BioScience, and BioIncubator segments. The BioScience segment comprises the activities for customized customer solutions in contract research. The BioProducts segment bundles all of the Group's product-related activities for application-related fermentation and formulation with a focus on food and beverages. These also include the large-scale fermentation capacities of the Biocatalysts subsidiary. The BioIncubator comprises the pioneering research projects and the product pipeline, including Akribion Genomics, of BRAIN Biotech AG.

The BioProducts segment, managed by Biocatalysts, forms the core of the Group's ambitious growth strategy to create a global multi-specialty enzyme company.

In terms of revenue, seven milestones were reached in strategic industrial partnerships in the 2023/24 financial year (previous year: four). The milestones achieved relate to various cooperation partners and lie within the previous year's forecast.

[2] EY Biotech Report 2023

Results of operations

EXTRACT FROM THE STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2023/24	2022/23
Revenue	**54,631**	**55,335**
Research and development grant revenue	868	890
Changes in inventories	-433	144
Other income	453	771
Total operating performance	**55,520**	**57,140**
EBITDA	**-4,029**	**-826**
Adjusted EBITDA	**-420**	**402**
EBIT	**-8,852**	**-5,480**
Net financial result	-2,137	-2,010
Pretax loss for the reporting period	-10,990	-7,489
Net loss for the reporting period	-11,100	-8,114
Earnings per share (in €)	-0.51	-0.38

BRAIN Biotech Group's consolidated revenue decreased to € 54.6 million in the 2023/24 financial year. Compared with the previous year (€ 55.3 million), this represents a decline of 1.3 %. This was mainly due to a reduction in revenue in the BioScience segment. The product business, by contrast, reported slight year-on-year growth of 0.2 %.

The regional focus of revenue was on the USA (circa 25 %, previous year: circa 28 % of total revenue), the Netherlands (circa 21 %, previous year: circa 19 %), Germany (circa 12 %, previous year: c. 10 %), the UK (circa 7 %, previous year: circa 9 %) and France (circa 5 %, previous year: circa 5 %). Revenue in Germany rose to € 6.7 million (previous year: € 5.7 million). International revenue decreased year-on-year to € 48.0 million (previous year: € 49.7 million).

At € 0.9 million, research and development grant revenue remained constant compared to the previous year.

Changes in inventories amounted to € -0.4 million and were thereby clearly lower than in the previous year (€ 0.1 million). In the BioScience segment, the change in inventories reduced from € 0.3 million in the previous year to € -0.3 million. By contrast, changes in inventories in the BioProducts segment remained the same as in the previous year at € -0.2 million.

Other income was down by € 0.8 million year-on-year to € 0.5 million.

At € 55.5 million, the total operating performance resulting from the aforementioned developments was 2.8 % below the previous year (€ 57.1 million).

The cost of materials decreased by 5.9 % from € 25.4 million to € 23.9 million. The ratio of cost of materials to revenue improved clearly from 45.8 % to 43.7 %. Expenses for third-party services within the BRAIN Biotech Group were reduced from € 1.0 million to

€ 0.5 million. Third-party services were purchased mainly from universities, companies with special production expertise, and other technology firms. The volume of services procured from third parties varies depending on the respective project requirements and internal capacity utilization.

Personnel expenses in absolute terms increased year-on-year by 14.1 % from € 22.0 million to € 25.1 million. Personnel expenses include certain one-off effects in connection with the Royalty Pharma transaction amounting to € 2.5 million. The exclusion of these one-off effects would generate a 2.9 % yearly increase, which largely reflects the hiring of new production personnel as well as higher expenses deriving from share-based payment.

At € 10.6 million, other expenses remained at the previous year's level of € 10.6 million. Inflationary trends were largely offset by stringent project controlling and consistent cost management.

In summary, the effects described above led to a € 3.2 million decrease in EBITDA to € -4.0 million

As in the previous year, EBITDA was influenced by various non-operating effects, for which adjustments have been made. These include expenses for share-based payment programs as well as personnel expenses and other expenses in connection with the Royalty Pharma transaction. In the previous year, acquisition and integration costs were also adjusted.

In the past financial year, adjusted EBITDA decreased from € 0.4 million to € -0.4 million.

The following overview presents the reconciliation of reported EBITDA with adjusted EBITDA:

€ thousand	2023/24	2022/23
EBITDA, including:	**-4,029**	**-826**
Personnel expenses in connection with the Royalty Pharma transaction	-2,467	0
Other operating expenses in connection with the Royalty Pharma transaction	-248	0
Personnel expenses from share-based payment components	-894	-714
Personnel expenses in connection with M&A transactions and the integration of acquired companies	0	-234
Other operating expenses in connection with M&A transactions and the integration of acquired businesses	0	-279
Adjusted EBITDA	**-420**	**402**

Depreciation, amortization and impairment losses changed from € -4.7 million in the previous year to € -4.8 million.

This led to EBIT of € -8.9 million compared to € -5.5 million in the previous year.

The financial result deteriorated from € -2.0 million to € -2.1 million. Within the financial result, finance costs increased due to higher borrowings. Finance income includes income from the subsequent measurement of financial liabilities in connection with put option rights amounting to € 0.2 million. Compared to the previous year, however, finance income decreased from € 0.8 million to € 0.4 million. The result from equity-accounted companies improved from € -1.5 million to € -0.5 million. This reflects a lower loss incurred at SolasCure Ltd.

As a consequence, the pretax result deteriorated from € -7.5 million to € -11.0 million.

Taking taxes into account, the net result amounted to € -11.1 million (previous year: € -8.1 million). Of this amount, € -11.1 million is attributable to the shareholders of BRAIN Biotech AG.

Overall, the revenue and adjusted EBITDA trends were not in line with our original guidance (see also the detailed forecast report in this Group management report).

The operating segments report the following results:

No changes have occurred to the segmentation compared with the consolidated financial statements as at 30 September 2023.

SEGMENT SHARE OF REVENUE

	2023/24	2022/23
BioProducts	78 %	77 %
BioScience	19 %	22 %
BioIncubator	3 %	1 %

BioProducts segment

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

€ thousand	2023/24	2022/23
Revenue	**42,567**	**42,492**
Research and development grant revenue	68	149
Changes in inventories	-150	-170
Other income	101	320
Total operating performance	**42,586**	**42,791**
Cost of materials	-22,160	-22,761
Personnel expenses	-8,994	-8,648
Other expenses	-6,124	-6,203
EBITDA	**5,309**	**5,178**
Adjusted EBITDA	**5,309**	**5,485**
Depreciation, amortization and impairment	-3,594	-3,256
EBIT	**1,715**	**1,922**

Revenue in the BioProducts segment grew slightly from € 42.5 million to € 42.6 million. This segment's revenue growth stood below our original guidance. In addition to a generally weaker economic environment and the reduction of customer inventories, delays also occurred in the commissioning of the second large-scale fermenter in the UK.

The segment's total operating performance decreased by 0.5 % from € 42.8 million in the previous year to € 42.6 million, mainly due to a lower level of other income.

The segment's adjusted EBITDA decreased from € 5.5 million to € 5.3 million. The industrially scaled segment continues to show strong profitability. However, the lower momentum in the segment has resulted in adjusted EBITDA growth below the original guidance.

BioScience segment

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

€ thousand	2023/24	2022/23
Revenue	**10,694**	**12,306**
Research and development grant revenue	406	374
Changes in inventories	-283	314
Other income	421	460
Total operating performance	**11,238**	**13,454**
Cost of materials	-1,486	-2,102
Personnel expenses	-8,051	-8,626
Other expenses	-2,167	-2,283
EBITDA	**-466**	**443**
Adjusted EBITDA	**-172**	**768**
Depreciation, amortization and impairment	-1,229	-1,397
EBIT	**-1,694**	**-954**

In the BioScience segment, revenue decreased by 13.1 % from € 12.3 million to € 10.7 million. This is due to project delays in the cooperation business given a weakening business environment in contract research. Research and development grant revenue amounted to € 0.4 million and thereby stood at the previous year's level. Overall, total operating performance reduced to € 11.2 million.

Adjusted EBITDA decreased from € 0.8 million to € -0.2 million, which is mainly due to the lower revenue level. However, the reduced revenue level was partly offset by continued stringent project controlling and good overall cost control. Nevertheless, both the revenue trend and adjusted EBITDA fell short of our original guidance.

BioIncubator segment

The BioIncubator segment includes the R&D pipeline as well as the company's own R&D projects, or R&D projects initiated with partners, offering high value-creation potential.

€ thousand	2023/24	2022/23
Revenue	**1,657**	**576**
Research and development grant revenue	394	368
Changes in inventories	0	0
Other income	0	0
Total operating performance	**2,051**	**955**
Cost of materials	-468	-519
Personnel expenses	-3,025	-2,417
Other expenses	-685	-753
EBITDA	**-2,127**	**-2,734**
Adjusted EBITDA	**-2,127**	**-2,734**
Depreciation, amortization and impairment	0	0
EBIT	**-2,127**	**-2,734**

In the **BioIncubator segment,** revenue in the reporting period increased significantly from € 0.6 million in the previous year to € 1.7 million. In the second quarter of the financial year under review, a milestone was reached in the deucrictibant project (formerly PHA 121), which made a significant contribution to revenue growth. The strong revenue growth is also reflected in the segment's adjusted EBITDA, which improved from € -2.7 million in the previous year to € -2.1 million. The segment continues to be characterized by a high level of investments of € 2.6 million in the area of genome editing under the brand name Akribion Genomics. Thanks to the successful realization of a high milestone payment, segment earnings stood above our original guidance, both in terms of revenue and adjusted EBITDA.

BRAIN Biotech Holding segment

The BRAIN Biotech Holding segment comprises mainly personnel expenses and other expenses for Group administration, the further development of the BRAIN Biotech Group including strategic Group financing, stock exchange listing, and M&A activities, as well as one-off expenses in connection with the Royalty Pharma transaction in the context of strategic Group financing in the financial year under review, which can be found in the adjustments. Adjusted EBITDA for the segment amounted to € -3.3 million, which is slightly below the previous year's level but still in line with our original guidance.

Net assets and financial position

€ thousand	30.09.2024	30.09.2023
Non-current assets		
Intangible assets	14,185	15,215
Property, plant and equipment	27,855	28,720
Other non-current assets	1,038	1,526
	43,078	**45,462**
Current assets		
Other current assets	18,249	19,946
Other financial assets	238	178
Cash and cash equivalents	27,171	5,352
	45,658	**25,476**
ASSETS	**88,737**	**70,937**
Equity	**13,886**	**23,013**
Non-current liabilities		
Non-current financial liabilities	21,175	24,265
Convertible bonds	4,151	0
Financial liability to Royalty Pharma	18,406	0
Other non-current liabilities	6,113	6,180
	49,845	**30,445**
Current liabilities		
Current financial liabilities	11,888	4,741
Convertible bonds	326	0
Other current liabilities	12,792	12,738
	25,006	**17,479**
EQUITY AND LIABILITIES	**88,737**	**70,937**

The changes in the net assets and capital structure in the 2023/24 financial year are mainly due to the negative net result for the year and the Royalty Pharma transaction.

Non-current assets decreased from € 45.5 million in the previous year to € 43.1 million. This was due to both amortization and depreciation as well as a reduction in equity-accounted investments.

Current assets increased from € 25.5 million to € 45.7 million. This is especially due to the increase in cash and cash equivalents, which is mainly attributable to the advance payment received in connection with the Royalty Pharma transaction, the convertible bonds issued, and the raising of additional financing. This was offset by a reduction in trade receivables from € 9.4 million to € 7.8 million. This is primarily due to the successful active working capital management. Equity decreased from € 23.0 million to € 13.9 million. The main reasons for this are the negative result for the year (€ -11.1 million) on the one hand and an increase in the Capital reserves due to issuing convertible bonds in the amount of € 5.0 million (of which the

allocated equity share is € 0.6 million) and the periodic recognition of the current employee participation programmes schemes (€ 0.9 million) on the other hand.

As at the 30 September 2024 reporting date, the company reports authorized capital of € 4,369,499 and conditional capital of € 2,184,749 (conditional capital to fulfil option or conversion rights from the issue of bonds with warrants and/or convertible bonds) and € 2,184,748 (conditional capital to fulfil option rights from the issue of share options).

Non-current liabilities increased from € 30.4 million in the previous year to € 49.8 million in the year under review. This is due mainly to the higher level of financial liabilities. Non-current financial liabilities include liabilities from the Royalty Pharma transaction (€ 18.4 million), the debt component of the convertible bonds (€ 4.2 million), and silent partnerships (€ 8.0 million).

Current financial liabilities increased from € 4.7 million to € 11.9 million. The increase is due to reclassifications from non-current liabilities in line with their maturities as well as the raising of additional financing. This is offset by scheduled repayments. Other liabilities increased by € 2.2 million to € 5.4 million. This is due to payment obligations for specific remunerations in connection with the Royalty Pharma transaction. Deferred income decreased from € 2.9 million in the previous year to € 0.7 million due to a lower level of advance payments from research and development projects. Overall, the aforementioned items led to an increase in current liabilities from € 17.5 million to € 25.0 million.

Financial management at BRAIN mainly entails securing the necessary liquidity to achieve the company's objectives and to meet payment obligations at all times. Various financing instruments are utilized, such as loans, silent partnerships, the sale of future license income, leasing, and hybrid instruments.

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 7.87 %, as well as liabilities for the potential acquisition of company shares from the exercise of put options. Of the interest-bearing loans, € 7.1 million have a remaining term up to one year and € 6.6 million a remaining term of more than one year.

The equity ratio stood at 15.6 % as at the reporting date, down on the previous year (32.4 %). The debt-to-equity ratio rose from 67.6 % in the previous year to 84.4 % as at 30 September 2024 in the context of the aforementioned parameters. Total assets increased from € 70.9 million as at 30 September 2023 to € 88.7 million as at 30 September 2024.

INVESTMENTS

Investments focused on property, plant and equipment amounted to circa € 1.6 million, mainly due to the expansion of production capacity at Biocatalysts in the BioProducts segment as well as new and replacement investments in laboratory equipment.

LIQUIDITY

Extract from the cash flow statement

€ thousand	2023/24	2022/23
Gross cash flow	-9,024	-4,356
Cash flow from operating activities	-3,583	-4,218
Cash flow from investing activities	-1,689	562
Cash flow from financing activities	26,991	459
Net change in cash and cash equivalents	21,718	-3,196

The BRAIN Biotech Group's gross cash flow deteriorated from € -4.4 million in the previous year to € -9.0 million in the 2023/2024 financial year.

By contrast, cash flow from operating activities improved from € -4.2 million to € -3.6 million in the financial year under review. This was due to an improvement in operating working capital as a consequence of improved collection of trade receivables, as well as a lower level of inventories. This was offset by a year-on-year lower level of cash inflows from deferred income.

Cash flow from investing activities amounted to € -1.7 million in the financial year under review, compared with € 0.6 million in the previous year. Cash flow from investing activities is largely characterized by investments in property, plant and equipment amounting to € -1.6 million. The previous year was positively impacted by the receipt of the sales price for the divestment of L. A. Schmitt GmbH (€ +3.0 million).

Cash flow from financing activities amounted to € 27.0 million and reflects the debt capital measures in the financial year under review, such as the Royalty Pharma transaction (€ 18.4 million), the issuing of convertible bonds (€ 5.0 million), and the payment of silent participations (€ 5.0 million). This is offset by scheduled repayments of financial liabilities (€ 5.5 million).

The individual cash flows results in an overall increase in cash and cash equivalents of € 21.7 million compared with € -3.2 million in the previous year.

Cash and cash equivalents of € 27.1 million as at the 30 September 2024 reporting date were offset by current financial liabilities of € 11.9 million and non-current financial liabilities of € 21.2 million. In addition, there is a partially utilized credit line of € 7.0 million, which gives it the flexibility to meet the aforementioned payment obligations. Of the credit line, € 5.0 million had been utilized as at the reporting date. The credit line has a term until 30 June 2025.

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

Employees

The number of employees shows the following development:

	2023/24	2022/23
Total employees	**307**	**309**
of whom		
Salaried employees	301	301
Industrial employees	6	8

The BRAIN Biotech Group also employs scholarships/grant holders (4, previous year: 4), temporary employees (7, previous year: 12) and trainees (7, previous year: 5).

Overall statement on business progress

The Management Board is of the opinion that in the past financial year BRAIN achieved significant successes in terms of the company's business and strategic development. Although the Group's revenue growth fell short of the original planning in a challenging economic environment, two projects of the great strategic significance were successfully launched or completed: 1) The spin-off of genome editing activities in the human environment to Akribion Therapeutics GmbH was prepared. In addition, this should lead to considerable cost savings in the low single-digit-million euro range in the BioIncubator segment in the coming financial year. The transaction has been successfully finalized after the end of the financial year in December 2024 (see the report on "Events after the reporting date"). 2) The company has concluded a monetization agreement with Royalty Pharma for future royalty payments for the therapeutic agent deucrictibant. Proceeds of € 18.41 million immediately converted into cash for BRAIN as a consequence. This transaction may lead to total milestone payments amounting to up to € 128.88 million.

The instruments for managing the Group, the subsidiaries, and the projects were further developed and expanded on a business-related basis. An optimized risk management system enables us to take account of the expanding revenue level and the increasing complexity of exogenous factors. Each business unit continues to report personally to the Management Board and to the company's central finance department on a monthly basis. Current business performance, adherence to budgets, and changes to the risk profile are reviewed. In addition to risks, we also identify opportunities for the company. Our Group-wide BRAINway training program to strengthen the corporate culture, to focus on commercial success, and to promote the personal development of our employees was continued and supplemented with new elements in "BRAINway 2". We are continuing to systematically implement further steps in our sustainability strategy. In our annual ESG Data Sheet we provide updates on the related progress.

Strategically, the BRAIN Biotech Group is developing consistently into a focused product company with a concentration on enzymes. We draw our strength in product development from deeply rooted biotechnological solution expertise from more than thirty years of entrepreneurial development. As the largest segment with attractive profitability, the BioProducts segment has a prominent position within the BRAIN Biotech Group.

In the BioScience segment, we experienced a difficult service business overall. This is where the slowdown in economic growth was most noticeable due to the postponement of some larger-scale projects. BRAIN successfully advanced some of its own development projects in the BioIncubator during the financial year under review. Particularly noteworthy is the early monetization of future licensing income in the deucrictibant program and the initiation of the spin-out of the genome editing activities with therapeutic application at Akribion Therapeutics.

The economic environment remains significantly characterized by uncertainty – including in relation to armed conflicts, price inflation, political bloc formation, as well as upheavals. The BRAIN Biotech Group was also affected by the negative economic effects in this context. Some customers have reduced their planned volumes, supply chain constraints remain in some cases, and a high level of price volatility exists for some raw materials and consumables. In addition, it was not always possible to pass on price increases for primary products and rising labor costs to customers in full and immediately. Nevertheless, some subsidiaries reported positive revenue and earnings growth this year.

In relation to the trend in the financial position and performance, the Management Board is of the opinion that the overall picture is satisfactory, as the Group posted revenue and adjusted EBITDA at approximately the previous year's level despite the generally weak economic environment. In particular, the cash position, which is important, was strengthened considerably.

We pushed ahead with further measures to strengthen our business activities with the aim of achieving sustainable and profitable revenue growth. This includes leveraging cost and revenue synergies within the Group to a greater extent, 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.

Furthermore, 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 cash and cash equivalents position of € 27.1 million as at 30 September 2024, and reports a 15.6 % equity ratio. In the Management Board's opinion, this signifies that the prerequisites to participate in the potential offered by growing bioeconomy markets are in place. Further sources of financing in the area of debt or hybrid capital have been and are being examined on an ongoing basis.

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 at the reporting date.

Events after the reporting date

BRAIN Biotech AG has signed an exclusive technology license agreement with Akribion Therapeutics GmbH for the genome editing nuclease G-dase E® for the pharmaceutical sector. BRAIN Biotech can receive up to € 92.3 million in R&D and commercial milestone payments from Akribion for granting these exclusive rights for use in the pharmaceutical area. Moreover, BRAIN Biotech is entitled to license fees from future net revenues. The payment structure is based on progress in clinical development and future commercialization successes. BRAIN staff who were assigned to the business unit managed as Akribion Genomics will be transferred to Akribion Therapeutics GmbH as part of a transfer of operations.

The genome editing nuclease G-dase E® forms part of the proprietary CRISPR-Cas genome editing nuclease portfolio of BRAIN Biotech AG, and was developed as part of the company's BioIncubator pipeline for highly innovative projects. BRAIN Biotech will continue to develop this portfolio of nucleases outside the pharmaceutical sector on its own initiative, harness it as a technological differentiator in customer projects, and offer it to external parties for licensing.

Prof. Dr. Wiltrud Treffenfeldt stepped down from her position as an ordinary member of the Supervisory Board of BRAIN Biotech AG for personal reasons with effect from 3 October 2024. Prof. Dr. Treffenfeldt had been a member of the Supervisory Board of BRAIN Biotech AG since October 2020.

No further significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2024 balance sheet date.

Outlook

Due to the overall high significance of biotechnological products, processes, and services for sustainable industrial processes, nutrition, health, and the environment, BRAIN anticipates a positive environment for the future of the sector as a whole. As a technology company active in the industrial biotechnology sector, BRAIN continues to regards itself in a position to be able 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 financial year under review with dynamic revenue growth and a further improvement in adjusted EBITDA was not met in the past financial year. Revenue decreased by 1.3 %. Adjusted EBITDA of € -0.4 million was also down compared with the previous year's € 0.4 million.

For the 2024/25 financial year, the Management Board expects a continuation of the dynamic business trend with further significant revenue growth and at least the same growth in adjusted EBITDA at Group level. For this indication, we assume that business activities will remain largely unchanged and that the scope of consolidation will remain as it is at present.

For the operating units in the BioProducts and BioScience segments, in addition to revenue growth in the mid to high single-digit percentage range, a further improvement in positive adjusted EBITDA is forecast to at least the same extent. Thanks to the increasing realization of economies of scale and positive contributions from central purchasing, we expect an improvement in the EBITDA margin, particularly in the BioProducts segment. It is expected that the percentage increase in adjusted EBITDA can be realized at least in line with the percentage rate of growth in revenue. In the BioIncubator segment, costs in relation to the new business development pipeline are expected to be significantly reduced in the low single-digit million-euro range, with very low revenue at most, as well as a resulting negative adjusted EBITDA of approximately the same magnitude. This arises from the transfer of the genome editing activities in the pharmaceutical sector to independent licensee Akribion Therapeutics GmbH. Holding segment costs and the associated negative impact on adjusted EBITDA will remain at around the previous year's level as planned.

BRAIN expects to continue to successfully realize milestones in important projects during the next financial year. This concerns both milestone payments and published progress reports on individual projects. A total of seven milestones were reached in the financial year. The € 1.5 million milestone payment for the deucrictibant pharmaceutical program deserves special mention in this context. In the coming financial year, a similar volume, although lower value, of milestone payments is anticipated.

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, thereby further strengthening the company's future potential.

As in the previous year, these forecasts are based on the assumption that the macroeconomic trends and sector-specific conditions for industrial biotechnology will continue to unfold further in the next financial year as described in the section "Macroeconomic and sector-specific conditions", that existing projects will not be cancelled unexpectedly, and that further cooperation partners can be acquired for new projects. This forecast is also based on the assumptions that the effects of war and political actions will not have a significant impact on BRAIN's planned revenue growth and associated earnings improvements, and that the general public will continue to exhibit an interest in sustainable products. The forecasts are also based on a permanently stable supply of natural gas, oil, and electricity at normal market prices. We expect inflationary pressure to remain in the area of labor costs, and that we will be able to pass such cost increases on to our customers as far as possible. We also assume that the company will continue to succeed in retaining and motivating employees and in successfully recruiting new talent in the future. For the EUR/GBP, USD/GBP and EUR/USD exchange rates, which are important for the Group, we assume that their average exchange rates will stand at the same levels as in the previous financial year.

Report on risks and opportunities

1 Risk management at BRAIN Biotech AG

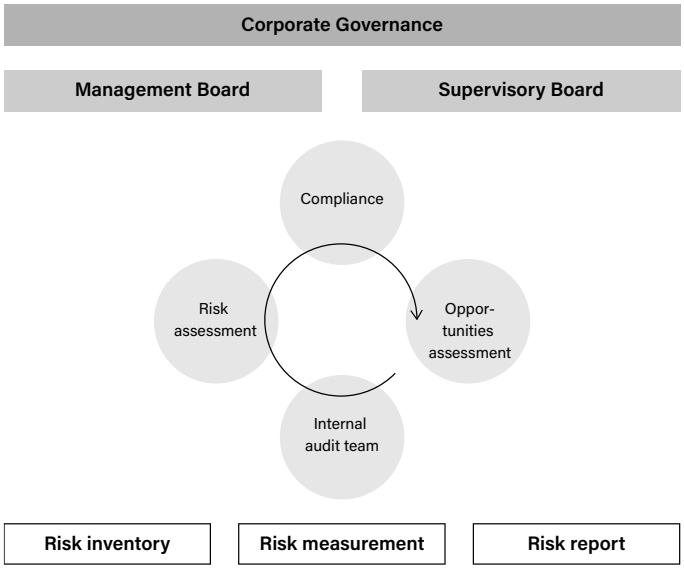
Seizing opportunities as well as identifying and avoiding risks at an early stage are the determinants of any corporate strategy. BRAIN Biotech AG endeavors to identify new opportunities and to exploit them consistently for its business performance. At the same time, business success is impossible without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

The overriding objective 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 accordingly 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 Biotech AG and its subsidiaries.

2 Risks and opportunities

2.1 RISK MANAGEMENT SYSTEM (RMS)

2.1.1 Features of the RMS



The focus of the RMS that is presented here is on business risks, and does not include opportunities. The operating segments, projects, 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 is fully integrated into the corporate processes of BRAIN Biotech AG.

Risks are also presented using the net presentation method. In other words, the risks are presented in such a way that they are analyzed taking into consideration countermeasures already taken. 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 Group-wide basis at minimum in accordance with statutory regulations in order to ensure the corresponding responsible handling of risks and counterstrategies accordingly.

The RMS focuses on ascertaining 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. Opportunities are categorized and presented based on the probability of occurrence and the contribution to the company's net present value (rNPV).

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 2024 reporting date, and was prepared based on an assessment in the relevant areas conducted shortly before the reporting date.

2.1.2 A new risk management system was introduced in the reporting year

The new RMS primarily focuses on the realization of the Group's internal targets. This makes the results directly more relevant for the management of all areas of the company. The steps from the existing RMS were retained but have been organized differently.

In the new RMS, the Management Board defines a risk tolerance as a threshold for taking risks that are relevant to the achievement of the company's objectives. This is based on the BRAIN Biotech Group's risk-bearing capacity, which takes EBITDA as well as equity and market capitalization as a basis. As a consequence, the diversity of the BRAIN Biotech Group's various business units (production- and research-orientated) is taken into adequate consideration.

As previously, risks are identified on a regular basis and subjected to initial assessment. In addition to a "typical" potential loss, a "high" potential loss[3] is also taken into account in order to enable better consideration of risk events entailing a high potential loss volume and low probability of occurrence. Such risks are often more likely to comprise going concern risks.

The risks that potentially exceed the defined threshold (i.e. € 500 thousand effect on EBITDA) are analyzed in greater detail. As part of this simulation, probability drivers and the extent of losses are identified and quantified. Such drivers also form the basis for risk indicators, especially if risk-mitigating measures cannot be implemented. In addition, a risk distribution is prepared on the basis of the probability assessment and the estimated loss amount, which helps to determine risk management measures at individual risk level and, together with the other risks analyzed, forms the risk profile of the entire BRAIN Biotech Group.

This comprehensive analysis is conducted annually. The risk profile is updated quarterly or on an ad-hoc basis.

2.1.3 Risk identification

Risks are surveyed Group-wide as part of risk identification involving all key decision-makers and experts. This iterative process first models all risks before aggregating them within a Group-wide risk inventory, and evaluating them.

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

2.1.4 Risk evaluation

Risks identified as part of a risk analysis are evaluated in terms of their frequency of occurrence and impact on the basis of the following scale.

Frequency within the coming year

Frequency score	Note
Frequent	≥ once per month; probability around 100 %
Regular	once per year; probability around 100 %
Irregular	once in five years; probability around 20 %
Seldom	once in ten years; probability around 10 %
Very seldom	once in twenty-five years; probability around ≥ 4 %

[3] A typical loss is the loss that occurs most frequently (this is equated with the mode). A high loss is a loss that is exceeded once in 20 times (this is equated with a 95 % quantile).

Degree of impact

Impact score	Note	Typical EBITDA impact	High EBITDA impact
Minor	Minor negative impact on next year's forecast results of operations	< EUR 20 thousand	< € 100 thousand
Moderate	Moderate negative impact on next year's forecast results of operations	up to EUR 100 thousand	< € 500 thousand
Significant	Significant negative impact on next year's forecast results of operations	up to EUR 500 thousand	up to € 2 million
Considerable	Considerable negative impact on next year's forecast results of operations	up to € 1 million	up to € 5 million
Critical	Critical negative impact on next year's forecast results of operations	> € 1 million	> € 5 million

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

The potential annual losses per risk are determined using a simulation of the product of the potential frequency of occurrence and loss amounts. The Management Board has set a risk tolerance of € 500 thousand per risk per year, assuming that the individual risks are at most weakly correlated. This volume may be exceeded once in twenty years. This value is determined and categorized for each risk. The categorized value is shown in the overviews for each segment. The evaluation was carried out before the existing insurance cover was taken into consideration. For many risks, however, BRAIN utilizes insurance solutions for risk transfer purposes.

The potential annual EBITDA losses per risk are categorized as follows in this report:

Loss for the year score	Note
Low	Up to € 500 thousand of potential loss for the year
Medium	From € 500 thousand up to € 1.5 million of potential loss for the year
High	More than €1.5 million of potential loss for the year

Risks beyond the 95 % quantile are monitored where it is appropriate to do so. Such monitoring is realized with the help of risk indicators, among other things, which are measured regularly and will be monitored and discussed in future at quarterly meetings between the Management Board and division heads.

2.1.5 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 and activities 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, changes in identified risks at BRAIN are reported in the internal quarterly reports and discussed by the Management Board with the division heads. This enables specific countermeasures to be taken if necessary.

2.1.6 Reporting

The Management Board is informed at least on a half-yearly basis not only about medium and high opportunities and risks, but also about important changes in relation to their impacts and probabilities of occurrence. The Management Board also receives internal ad-hoc reports on significant risks that unexpectedly arise or are discovered. Information is submitted to the Supervisory Board as required via the Management Board during quarterly meetings or, if necessary, on an ad-hoc basis.

2.2 INTERNAL CONTROL SYSTEM (ICS)

All BRAIN Biotech Group units are included in our ICS. The level of maturity of the ICS depends on the size and materiality of the units for the Group.

In addition to the accounting-related internal control system, the following controls should be emphasized:

1. Decisions that originate obligations for BRAIN must always be executed in accordance with the four-eye principle. This principle is waived only for certain processes.
2. Quality controls are applied continuously in production operations in order to ensure compliance with production processes. Where necessary, this is realized within the framework of internationally recognized quality systems and quality standards.

The instruments for managing the Group, the subsidiaries, and the projects were developed further and expanded on a business-related basis. With an optimized internal control and risk management system, we are taking account of the expanding revenue level and the increasing complexity of exogenous factors.

As part of the management-based control system, the company's Management Board and Head of Group Finance discuss identified control weaknesses and inefficiencies in the managing directors' monthly report. If action is required as a consequence, measures are developed and taken together with the Management Board and Head of Group Finance to mitigate existing control weaknesses.

2.3 ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RMS

The overriding objective of our accounting-related ICS and RMS is to ensure the correctness of financial reporting in terms of compliance of the consolidated financial statements and the management report with all relevant regulations.

Accounting-related risk identification is also conducted by means of a survey of Group-wide risks, whereby all relevant decision-makers and experts are involved. This iterative process first surveys all risks before aggregating and evaluating them within a Group-wide risk inventory.

Please refer to the general procedure in sections 2.1.5 and 2.1.6 for information about the risk management and monitoring of accounting-related risks and their reporting.

The accounting-related internal control system 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 four-eye 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 four-eye 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 BRAIN US LLC (Rockville, MD, USA), BRAIN UK Ltd. (Cardiff, UK), BRAIN UK II Ltd. (Cardiff, UK), and Akribion Genomics AG (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.

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.

All heads of business areas report personally to the Management Board and to the company's central finance department on a monthly basis. Current business performance, adherence to budgets, and changes to the risk profile are reviewed. In addition to risks, we also identify opportunities for the company.

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).

2.4 OVERALL ASSESSMENT OF THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

At the time of this report, in all material respects no indications existed that the internal control and risk management system as a whole was inadequate or ineffective.

3 Assessment of opportunities and risks in overall presentation

The current risk identification and assessment has been conducted in all areas of BRAIN. This section discusses the risks that have reached a potential loss amount of € 500 thousand at Group level. The Management Board is informed of all identified risks as part of regular reporting.

The assessment of risks was consolidated at Group level and the individual risks with a loss potential in excess of € 500 thousand were assessed in detail.

This report follows the segmentation of the BRAIN Biotech Group:

- The BioProducts segment mainly consists of its industrially scalable products business focusing on specialized enzymes and proteins.
- The BioScience segment mainly includes research and development business with industrial partners, and the company's own research and development. This segment also includes the commercialization of our own products and developments with external partners.

The analysis of the BioIncubator segment also includes an event after the balance sheet date: BRAIN Biotech AG signed an exclusive technology license agreement with Akribion Therapeutics GmbH for the genome editing nuclease G-dase E® for the pharmaceutical sector. The risks associated with this segment are assessed on the basis of the new business model. The BRAIN Biotech Group's risk profile has improved significantly due to this transaction.

BRAIN evaluated a total of 92 risks. Of these, 21 risks are classified as having a loss potential of in excess of € 500 thousand. The risks relate to the BioProducts and BioScience segments and the holding company. The risks in the BioIncubator segment are included within the assessment of the BioScience segment. The financial risks for the entire BRAIN Biotech Group are assessed at the level of the Holding company.

As the risk assessment in the new risk model has been conducted for the first time, it is not yet possible to provide information about any year-on-year changes. In addition, due to the new risk assessment methodology, it is not possible to present the scoring of the previous financial year on the same basis as this financial year. However, in order to maintain the link to the risks of the previous financial year, under "3.4 Pro memoria risks" we report again on the risks that are not indirectly assessed within the top risks.

The risks per business segment are explained in the course of this section.

3.1 BIOPRODUCTS

The following risks are rated as top risks for the "BioProducts" segment. The potential annual EBITDA losses per risk are categorized as follows:

Risk overview BioProducts	Description	Risk category
Business-related risks		
Growth risk	The risk that growth is planned within a three-year horizon for which no customers can yet be named. This can lead to a shortfall compared to the planning that cannot be rectified. In addition, the risk that growth in the Fermentation division is weaker than expected is also taken into consideration.	high
Raw materials supply chain risk	The risk that limitations in supplies of important raw materials could lead to a loss of revenue or margins because alternative raw materials have to be purchased at high cost.	high
Risks of legal changes	The risk that legislative and regulatory changes leads to business restrictions (both sales and purchases) or higher costs.	high
Product compliance	The risk of costly compliance violations, loss of reputation, loss of customers, or claims for damages.	medium
Catastrophe risk	The risk of buildings, production facilities and storage facilities being destroyed.	low
IT security risk	The risk of information being stolen by employees or third parties, encrypted, or lost.	low
Infringement of IP rights	The risk that confidential information from the sector, the company's business or the company's commercial activities is not adequately protected and thereby enters the public domain.	low
Competition risk	The risk that competitors' products or activities lead to a forced price reduction or loss of customers.	low
Risk of lack of market acceptance	The risk that market acceptance of industrially manufactured biotechnology products diminishes as a consequence of changes in customer trends.	low
Pandemic risk	The risk that a pandemic triggers a global production disruption that affects the supply of raw materials and customer revenues, and leads to employee capacity losses that limit both production and sales capabilities.	low
Physical safety risks (HSE)	The risk that the safety regulations in the working environment are not fully complied with and lead to physical injury (Health, Safety, Environment).	low

The following section describes in greater detail the risks that could lead to a potential annual EBITDA loss of in excess of € 500 thousand ("high" and "medium" risk categories).

Business-related risks

The quantitative risk assessment that is conducted enables a direct comparison of risks. In the BioProducts segment, the growth risk ("high" risk level), the raw material supply chain risk ("high" risk category), and the legal change risk ("high" risk level) are categorized as the most significant business-related risks.

Growth risk and raw material supply chain 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. A risk exists that fewer customers and cooperation partners than planned are found. Macroeconomic trends or relationships with existing customers could also deteriorate and the markets to be served could reduce in 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 growing the positive operating results might be achieved later than planned.

The risk of a major impact on EBITDA due to unexpected customer losses is countered by further diversifying customer contribution margins.

Supply chain risk stabilized further in the reporting year, although the uncertain geopolitical situation is continuing to cause increased uncertainty with regard to the future development of this risk. The inflation rate in Europe is continuing to decrease and is considered sufficiently stable by the ECB. However, divergence in terms of inflation and growth rates is evident within Europe. Hardly any growth is expected for Germany, while at the same time this is accompanied by relatively low inflation. In France and other Southern European countries, higher growth is coupled with higher government debt, which could lead to a rise in inflation.

Core euro inflation (inflation rate corrected for energy and food price trends) remains at a level of between 2.7 % and 3 %. This level lies structurally above the central bank's target, which makes a continued cycle of interest rate cuts less likely for the time being. This indicates a risk of a longer-term effect that will manifest itself in further demands for wage increases. This risk affects the entire BRAIN Biotech Group.

Risks of legal changes

Legal change risks relate to restrictions that can have an impact on both revenue and costs. One example could be a ban on certain production methods that makes the further processing of organic products into food impossible.

As different legal and regulatory situations exist worldwide, BRAIN's customers may be confronted with new requirements that could lead to revenue losses or cost increases due to the procurement of more expensive raw materials.

Product compliance risks

The BioProducts segment supplies products to customers that require certain quality characteristics in order to fulfil various requirements in different legal systems. This requires that precautions be taken during production. Although the BioProducts segment has largely reduced the risk of non-compliance through processes and controls, a risk still exists that a non-compliant product will be produced or supplied inadvertently. As such risk events can also imply customer losses in addition to claims for damages, this risk is assigned a "medium" risk level.

3.2 BIOSCIENCE

The following risks are rated as top risks for the "BioScience" segment. The potential annual EBITDA losses per risk are categorized as follows:

Risk overview BioScience	Description	Risk category
Business-related risks		
Personnel risk 2	Loss of key personnel or inadequate supplementation with highly qualified personnel in the development/sales business area.	high
Economic risk 1	Risk that demand for BRAIN's services or products will diminish due to a deterioration in the economic situation in general or in individual sectors.	high
Personnel risk 1	Loss or absence of key personnel or inadequate supplementation with highly qualified personnel in the areas of research, development, and production, including the risk of specific expertise migrating to competitors.	medium
IT risk 2	Unlawful acts by third parties such as illegal copying, blocking, or destruction of data.	medium
Legal risk 5	IP infringement of another party by BRAIN Biotech (example CRISPR-Cas, BEC/BMC), genetic modification of strains, utilization of strains	medium
Economic risk 2	Risk that BRAIN's services or products no longer meet customer requirements (reasons: technology offering or equipment fleet no longer meet market requirements)	low
Material damage 3	Device failures due to device obsolescence	low
IT risk 1	IT faults or outdated IT infrastructure (such as servers) hinder operations	low

The following section describes in greater detail the respective risks that could lead to a potential annual EBTIDA loss of in excess of € 500 thousand ("high" and "medium" risk categories).

Personnel risks

The BioScience segment requires in-depth knowledge and skills in all areas, most of which must be acquired within the company. This also applies to staff who work in business development and advance BioScience initiatives with customers. This risk is rated as "high" (personnel 2, both for the Potsdam and Zwingenberg sites).

Overall, BRAIN employs well-trained staff 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 our 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. This risk is assigned a "medium" risk level.

The risk of losing key knowledge holders is rated relatively higher than in previous years. Other risks are assigned significantly lower risk level due to the exclusive technology license agreement with Akribion Therapeutics GmbH for the genome editing nuclease G-dase E® for the pharmaceutical sector.

Economic risk 1

The economic situation changed in this financial year. In particular, growth rates are slowing in most economic zones. The geopolitical situation has also altered and this is leading to increased caution among (potential) cooperation partners.

We counter this risk with a diversified sales approach in order to spread the risk across the various sectors, as they are not all affected by the economic situation in the same manner. In addition, the sales pipeline is being intensively processed and optimized, taking into consideration the chances of success. This risk is assigned a "high" risk level.

IT risk 2

IT risks exist in relation to the availability of systems and data as well as the integrity and exclusivity of data. Such risks can manifest themselves due to both errors and deliberate actions. The latter are allocated to the area of cyber risks. In addition, cybercrime attacks have increased significantly in recent years.

BRAIN has implemented adequate measures to manage IT risks as well as possible. Such measures mainly consist of ongoing staff training, IT security measures such as firewalls, virus scanners, network protection, data encryption, prompt updating of software used, authentication with multiple factors, and the implementation of regular data backups. As far as data exclusivity is concerned, a data protection officer has been appointed to ensure compliance with the General Data Protection Regulation (GDPR) within BRAIN. For both the Potsdam and the Zwingenberg sites, this risk is assigned a "medium" risk level.

Legal risk 5

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 direct 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 is assigned to the "medium" risk category.

3.3 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 responsible managers. Depending on the extent of divergences in relation to planning,

BRAIN managerial functions have sufficient time to implement countermeasures. The Group-wide reporting document for all Group areas has continued to be further developed and improved this year.

Financing risks at subsidiaries

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

This concerns the BioScience and BioProducts operating segments. This risk is rated as "low".

Goodwill impairment / valuation of investments

This financial risk relates to the BioScience and BioProducts operating segments. Unfavorable future developments could potentially entail the application of impairment losses to acquired goodwill and other intangible assets deriving from corporate acquisitions. This risk is assigned to the "low" risk category.

Further information about this topic is presented in the section entitled "Impairment tests" in the notes to the consolidated financial statements.

Financing risk

At present, the company is increasingly raising debt and hybrid capital at the holding company level as an alternative to equity financing.

Due to the continued growth of the operating business in the BioProducts and BioScience segments, a need for capital will continue to exist in the next two years to cover the negative operating cash flows. The financing risk consists of competitive disadvantages due to a higher debt-to-equity ratio as well as potentially rising interest rates and requirements for loan collateralization. The company has already taken appropriate measures to secure liquidity for the coming year, such as the provision of additional financing at holding company level. Moreover, a significant volume of liquidity, amounting to € 18.41 gross, was received by the company as part of the Royalty Pharma transaction. These measures will enable the company to meet its planned payment obligations beyond the end of the 2024/25 financial year.

This risk affects all operating segments as well as the holding company and is rated as "medium".

Financing of option liabilities

As at 30 September 2024, BRAIN holds € 27.2 million of cash. In addition, BRAIN has access to a € 7.0 million loan facility which has been partially utilized (€ 5.0 million utilized as at the 30 September 2024 reporting date). The credit line has a term until 30 June 2025. We assume that the put options for the remaining shares in Weriol/Breatec will be exercised by the non-controlling shareholders in the first possible period (1 January to 31 March 2025). This would impact liquidity by up to € 3.2 million in the 2024/25 financial year.

For this reason, this risk is categorized overall as a "low" risk and relates to the BioProducts segment.

Currency risk

The currency risk consists of a negative exchange rate trend in relation to the currency positions that BRAIN holds. These mainly comprise USD and GBP risks. This risk is assessed as "low" and relates to the BioProducts segment. The risk is increasingly mitigated by reducing the USD position by shifting to EU suppliers and through natural hedging strategies. The latter is realized through growth in USD revenue.

Moreover, options to expand production capacity within the EU are planned in order to further reduce the GBP cost risk. This risk is assigned a "low" risk level.

Interest rate risk

The interest rate risk consists of a rising market interest rate trend that makes it more expensive for BRAIN to procure liquidity. In the previous reporting year, the ECB significantly raised its reference interest rate, which led to tangibly higher liquidity procurement costs. The situation eased somewhat in the reporting year thanks to a reduction in interest rates. Overall, the consequences for BRAIN remain manageable, as the existing loans were further reduced and restructured into longer-term liabilities. Although the advance payment received from Royalty Pharma is recognized under liabilities, it does not itself bear any interest rate risk. This risk is assigned a "low" risk level.

Risk reporting on the deployment of financial instruments

At BRAIN, financial instruments[4] are deployed only to an extent that is not relevant 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.

[4] 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.

3.4 PRO MEMORIA RISKS

This section presents the risks from the previous year that were not considered to be top risks in the current assessment and as a consequence were not analyzed in detail. These risks are highlighted once again in order to maintain the link to the risks described last year.

Legal risks

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

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.

Compliance risks

BRAIN is subject to many legal and regulatory requirements in an international context. These requirements are recorded, and relevant training courses are organized within BRAIN. In addition, regular checks are conducted in order to ensure compliance with regulations.

Specific individuals have been appointed for the areas of occupational health and safety as well as data protection. This risk is categorized as a pro memoria risk and affects all three operating segments as well as the holding company. Separately from this, the physical safety risk (HSE) for the BioProducts segment is categorized among the 11 top risks (see table in 3.1 BioProducts).

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 the BRAIN Biotech 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.

The situation in the energy market stabilized further in the reporting year. However, concerns over elevated price volatility remain, and prices could easily rise again if the geopolitical situation were to deteriorate.

Material damage to the BioArchive or research results

The Group's bioarchives are physically present mainly at BRAIN Biotech AG in Zwingenberg and Potsdam. Physical loss of the archives is minimized through various 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 interruption-free emergency power supplies. Various measures to safeguard the BioArchive continued to be implemented during the past financial year. Due to the reduction in risk as a consequence of the measures taken, this risk is now assessed as "low".

3.5 SUSTAINABILITY AND ESG

Sustainability forms a central element of our corporate strategy. With our bio-based products and services, we contribute to more sustainable growth for our customers and cooperation partners. For this reason, BRAIN also identifies the politically-led transformation of the economy towards sustainable economic cycles as a clear opportunity for the company to generate accelerated growth. This accelerated growth prospect applies to all business areas. BRAIN itself also regularly reviews its own business activities in relation to its own sustainability targets.

BRAIN Biotech AG voluntarily published its first sustainability report in 2022. Accordingly, we defined ambitious sustainability targets for 2032 and 2050. With the approval of the Annual General Meeting in 2023, these sustainability targets have also been directly incorporated into the new compensation scheme for the Management Board. On the Management Board, the CFO is directly responsible for the implementation of the ESG strategy. At operational level, an ESG manager as well as further officers at the respective Group companies bear related responsibility. The entire Supervisory Board is jointly responsible for the further development and implementation of the ESG strategy. BRAIN Biotech AG publishes an annual ESG Data Sheet with important key figures relating to corporate sustainability development. BRAIN also publishes an annual declaration as part of the German Sustainability Code (DNK) and the United Nations Global Compact. In order to fully comply with future statutory sustainability reporting obligations, BRAIN has already invested in a software-assisted solution for the systematic collection of non-financial data and will launch a company-wide CSRD reporting project at the beginning of 2025. From the company's perspective, this leads to more opportunities than risks on an overall basis.

In the 2022/23 financial year, we started with specific projects to implement the ESG strategy, and continued to pursue them consistently in the 2023/24 financial year. These include several measures such as the commissioning of photovoltaic systems at the Zwingenberg and Cardiff sites, as well as the partial switch to external procurement of green electricity and a number of further measures to improve energy savings, labor productivity, work flexibility, and work ergonomics.

4 Report on opportunities

BioScience segment

The BioScience segment comprises knowledge- and research-intensive contract research for customers. We are continuing to expand our range of products and services as a service provider in industrial biotechnology. Here we provide our partners with research services, solutions expertise, and access to our resource libraries. BRAIN Biotech AG has an established industrial network in this area, which it is continuously expanding. This industrial network is complemented by an established research and university network.

The BioScience segment focuses on the areas of nutrition, health, and the environment.

BioIncubator segment

Our incubator for highly innovative solutions and products is supplied by the New Business Development area. Here, BRAIN deploys its innovations in order to tap new markets in the areas of nutrition, health, and the environment. This is performed both on our own account and/or with industrial partners.

The opportunities arising from research and development in the BioIncubator segment can be assessed as follows:

Opportunity	Year-on-year change	rNPV market potential
Fermented beverages & ingredients	→	medium
Perillic Active, anti-microbial	↓	small
Gold from waste streams	→	medium
Aurase wound debridement	→	high
Deucrictibant (PHA121), HAE Pharma Compound	↑	very high
Akribion Genomics (G-dase E / G-dase M)	→	very high

Some examples include:

Fermented food

Fermented foods are more than just another "superfood" trend. They rightly form the focus of health-conscious consumers, as they score highly in many areas: no preservatives, enhancement/digestibility of plant-based staple foods, the discovery of ever new health-promoting ingredients, and a virtually unlimited wealth of new flavor experiences. Thanks to its biological and technological resources, BRAIN can meet market demand for new starter cultures. The BRAIN Biotech Group has the opportunity to act as both an innovator and a manufacturing company, and not only participate in an attractive market (volume forecast for 2032: USD 989 billion), but also develop completely new product categories.

Perillic Active, anti-microbial

As a consequence of the tougher competitive environment for natural antimicrobial agents and the entry into the market of alternative products, the market potential was downgraded from "medium" to "small".

Gold from waste streams, urban mining

Our microbial gold recovery replaces conventional recycling processes, whereby chemicals are replaced by biological metal extractions. This reduces the use of aggressive and sometimes toxic chemicals. Furthermore, the biological process requires less energy and thereby significantly reduces the carbon footprint of the metal extraction process. In addition to gold, other precious metals, and metals such as lithium and cobalt, can also be recovered in this way from e-waste, incinerator slag, EV batteries, and other waste of mineral origin ("urban mining").

Aurase wound debridement

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 to SolasCure Ltd. and Phase 2a of the clinical trial was completed. Forms of financing for further clinical development are currently being investigated. Product development and smaller study projects will continue in the meantime.

Deucrictibant (PHA121), HAE Pharma Compound

AnalytiCon Discovery, a division of BRAIN Biotech AG, 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. BRAIN Biotech has sold most of the expected license income in advance to Royalty Pharma in return for milestone payments of up to € 128.88 million. This does not affect regulatory milestones of up to € 9.0 million that BRAIN may receive directly from Pharvaris. BRAIN has received an upfront payment of € 18.41 million. Additional potential regulatory milestone payments of up to € 18.42 million, and additional potential long-term revenue-based milestone payments of up to € 92.05 million are part of the contract with Royalty Pharma.

The start of the clinical Phase III trial for the active ingredient Deucrictibant by Pharvaris has significantly reduced the project risk and thereby increased the probability of market entry. This has increased the risk-adjusted market potential to "very high".

Akribion Genomics (G-dase E / G-dase M) and genome editing in industrial biotechnology

Genome editing is a molecular biology technology for the targeted and precise modification of DNA. For this purpose, nucleases (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.

BRAIN Biotech has successfully completed further development phases for both classic and novel genome editing systems with the proprietary enzymes G-dase® M and G-dase® E. In the industrial biotechnology area, BRAIN Biotech deploys such systems to specifically modify or improve microorganisms. BRAIN Biotech can thereby enable microorganisms to form valuable products. These include microbial production systems that can produce proteins and enzymes for industrial use. G-dase® M and G-dase® E have already been successfully utilized in numerous microorganisms in the context of both in-house development projects and customer projects. Various patent applications have been filed to protect the nuclease sequences. The first G-dase® E patent has already been successfully issued in Europe and is being further internationalized.

The G-dase® E nuclease offers promising application potential in human medicine thanks to its novel mode of action, which differs greatly from other genome editing tools. The utilization of the technology for therapeutic applications will be further developed in the future through licensing outside BRAIN Biotech by Akribion Therapeutics GmbH (see the section 'Events after the reporting Date').

BUSINESS-RELATED OPPORTUNITIES

BioProducts segment

In the BioProducts segment, we are continuing along the path of forward integration 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 revenue over the entire life cycle of the products. Here, BRAIN will continue over the coming years to have the opportunity to continue along this path and successfully improve its revenues and results. This represents a consistent step from being a research-driven company to becoming an industrial company. This forward 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, should also 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. To this end, BRAIN merged the Group's entire industrial business under the management of Biocatalysts Ltd. in both organizational and legal terms.

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

The following information reflects the circumstances as at the 30 September 2024 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 45.5 % interest in the company's share capital as at 30 September 2024. As of 30 September 2024, 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 exist for employees who are shareholders 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

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 nominal amount of € 4,369,499, through issuing up to 4,369,499 new ordinary registered shares against cash capital contributions and/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 2024 reporting date.

Conditional capital

Pursuant to Section 5 (3), (4), (5) and (6) of the company's bylaws, the share capital is conditionally increased by € 2,184,749 through issuing up to 2,184,749 new ordinary registered shares (Contingent Capital 2023/I) as well as by a further € 63,000 through issuing up to 63,000 new ordinary registered shares (Contingent Capital 2015/II), by issuing up to 1,233,600 new ordinary registered shares (Contingent Capital 2019/I) and by issuing up to 888,148 new ordinary registered shares (Contingent Capital 2023/II).

Conditional Capital 2023/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 8

March 2023. The conditional capital increase is to be implemented through issuing up to 2,184,749 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. In the 2023/24 financial year, a convertible bond with a nominal value of € 5.0 million was issued by way of a private placement, in partial utilization of Conditional Capital 2023/I. An increase in the share capital from Conditional Capital 2023/I had not been implemented as at the 30 September 2024 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 63,000 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 2024 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. At the Annual General Meeting on 8 March 2023, the conditional capital was reduced by a further € 60,000 to € 63,000. 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 ordinary registered shares (Conditional Capital 2019/I). At the Annual General Meeting on 8 March 2023, Conditional Capital 2019/I was reduced by € 448,978 from the original € 1,682,578 to € 1,233,600. 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 2024 reporting date.

Conditional Capital 2023/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 March 2023 as part of a stock option plan comprising up to 888,148 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to six years – to the members of the company's Management Board as well as 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 2023/II had not been implemented as at the 30 September 2024 reporting date.

Stock options

An AGM resolution dated 8 March 2023 authorized the Management Board, with Supervisory Board approval, to issue, as part of a stock option plan until 7 March 2028, up to 888,148 stock options with subscription rights to shares of BRAIN Biotech AG with a term of up to six 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 € 888,148 to hedge and service the stock options (Conditional Capital 2023/II).

SIGNIFICANT AGREEMENTS FOR THE INSTANCE OF A CHANGE OF CONTROL DUE TO A TAKEOVER OFFER (NUMBER 8) AND COMPENSATION AGREEMENTS IN THE CASE OF A TAKEOVER OFFER (NUMBER 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)

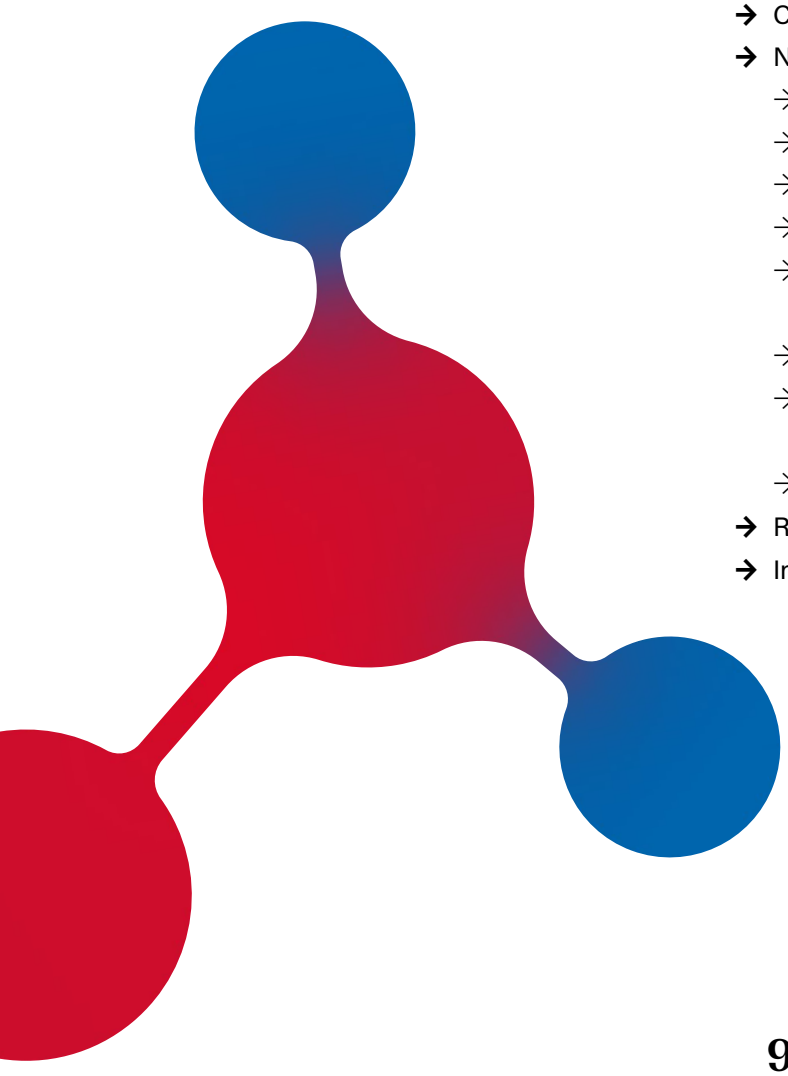
The corporate governance statement of conformity of BRAIN Biotech AG pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) is published on the website at:
https://www.brain-biotech-group.com/en/investors/corporate-governance/

Zwingenberg, 13 January 2025

Adriaan Moelker
Chief Executive Officer

Michael Schneiders
Chief Financial Officer

Consolidated Financial Statements



Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2024

€ thousand	Note	30.09.2024	30.09.2023
Non-current assets			
Intangible assets and goodwill	(12)	14,185	15,215
Property, plant and equipment	(13)	27,855	28,720
Equity-accounted investments	(14)	971	1,456
Other non-current assets	(18)	67	70
		43,078	**45,462**
Current assets			
Inventories	(15)	9,420	9,756
Trade receivables	(16)	7,798	9,442
Other current assets	(18)	818	691
Current tax assets	(10)	214	56
Other financial assets	(17)	238	178
Cash and cash equivalents	(19)	27,171	5,352
		45,658	**25,476**
ASSETS		**88,737**	**70,937**

€ thousand	Note	30.09.2024	30.09.2023
Equity	**(20)**		
Subscribed capital		21,847	21,847
Capital reserves		94,951	93,457
Retained earnings		-105,494	-94,161
Other reserves		1,313	627
		12,617	**21,771**
Non-controlling interests		1,269	1,243
Total equity		**13,886**	**23,013**
Non-current liabilities			
Deferred tax	(10)	3,881	3,768
Provisions for post-employment benefits for employees	(5)	930	928
Financial liabilities	(21)	21,175	24,265
Convertible bonds	(22)	4,151	0
Financial liability to Royalty Pharma	(23)	18,406	0
Other liabilities	(24)	179	966
Deferred income	(25)	1,124	518
		49,845	**30,445**
Current liabilities			
Provisions	(26)	1,106	895
Tax liabilities	(10)	24	44
Financial liabilities	(21)	11,888	4,741
Convertible bonds	(22)	326	0
Trade payables	(27)	5,611	5,617
Other liabilities	(24)	5,431	3,251
Deferred income	(25)	620	2,932
		25,006	**17,479**
EQUITY AND LIABILITIES		**88,737**	**70,937**

Consolidated Statement of Comprehensive Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01.10.2023 TO 30.09.2024

€ thousand	Note	12M 23/24 01.10.2023 – 30.09.2024	12M 22/23 01.10.2022 – 30.09.2023
Revenue	(1)	54,631	55,335
Research and development grant revenue	(2)	868	890
Change in inventories of unfinished and finished goods and work in progress		-433	144
Other income	(3)	453	771
Total operating performance		**55,520**	**57,140**
Cost of materials	**(4)**		
Cost of raw materials, consumables and supplies, and purchased merchandise		-23,403	-24,380
Cost of purchased services		-467	-977
		-23,870	**-25,357**
Personnel expenses	**(5)**		
Wages and salaries		-20,792	-18,010
Share-based employee compensation		-894	-714
Social security and post-employment benefit costs		-3,417	-3,276
		-25,104	**-22,000**
Other expenses	(7)	-10,576	-10,609
EBITDA		**-4,029**	**-826**
Depreciation, amortization and impairment	(6)	-4,823	-4,654
Operating result (EBIT)		**-8,852**	**-5,480**
Share of profit or loss from equity-accounted investments	(14)	-498	-1,492
Finance income	(8)	395	789
Finance costs	(9)	-2,035	-1,307
Net financial result		**-2,137**	**-2,010**
Pretax loss for the reporting period		**-10,990**	**-7,489**

€ thousand	Note	12M 23/24 01.10.2023 – 30.09.2024	12M 22/23 01.10.2022 – 30.09.2023
Income tax expense/income	**(10)**		
a) Current tax expense/income		-96	-168
b) Deferred tax expense/ income		-15	-457
		-110	**-625**
Net loss for the reporting period		**-11,100**	**-8,114**
of which attributable to non-controlling interests		27	165
of which attributable to the shareholders of BRAIN Biotech AG		-11,127	-8,279
Earnings per share	**(11)**		
Earnings per share, basic undiluted (in €)		-0.51	-0.38
Number of shares taken as basis		21,847,495	21,847,495
Earnings per share, diluted (in €)		-0.51	-0.38
Number of shares taken as basis		21,847,495	21,847,495
Net loss for the reporting period		**-11,100**	**-8,114**
of which attributable to non-controlling interests		27	165
of which attributable to the shareholders of BRAIN Biotech AG		-11,127	-8,279
Other comprehensive income			
Net gain or loss from revaluing obligations from post-employment employee benefits*	(5)	-207	25
Currency translation		686	290
Other comprehensive income, net		479	315
Consolidated total comprehensive income (loss)		**-10,621**	**-7,799**
of which attributable to non-controlling interests		27	156
of which attributable to the shareholders of BRAIN Biotech AG		-10,648	-7,956

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

Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01.10.2023 TO 30.09.2024

Note (20)	Interests of shareholders of BRAIN Biotech AG					Non-controlling interests	
€ thousand	Subscribed capital	Capital reserves	Retained earnings	Other reserves Currency translation	Total	Total	Total
Balance as at 30 September 2021/ 1 October 2022	**21,847**	**92,660**	**-85,198**	**328**	**29,638**	**4,610**	**34,248**
Net result for the reporting period	*0*	*0*	*-8,279*	*0*	*-8,279*	*165*	*-8,114*
Other comprehensive income	*0*	*0*	*25*	*299*	*324*	*-9*	*315*
Total comprehensive income (loss)	0	0	-8,255	299	-7,956	156	-7,799
Exercise of put/call agreements for the acquisition of non-controlling interests in fully consolidated Group companies	0	0	1,795	0	1,795	-1,795	0
Acquisition of shares of non-controlling shareholders	0	0	-2,504	0	-2,504	-1,728	-4,232
Transfers due to employee share scheme	0	797	0	0	797	0	797
Balance as at 30 September 2022/ 1 October 2023	**21,847**	**93,457**	**-94,161**	**627**	**21,770**	**1,243**	**23,013**
Net result for the reporting period	*0*	*0*	*-11,127*	*0*	*-11,127*	*27*	*-11,100*
Other comprehensive income	*0*	*0*	*-207*	*686*	*479*	*0*	*479*
Total comprehensive income (loss)	0	0	-11,334	686	-10,648	27	-10,621
Allocation to capital reserves from convertible bond issue less issuance costs	0	600	0	0	600	0	600
Transfers due to employee share scheme	0	894	0	0	894	0	894
Balance as at 30 September 2024	**21,847**	**94,951**	**-105,494**	**1,313**	**12,617**	**1,269**	**13,886**

Consolidated Statement of Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01.10.2023 TO 30.09.2024

Note (19) € thousand	12M 23/24 01.10.2023 – 30.09.2024	12M 22/23 01.10.2022 – 30.09.2023
Net profit (/loss) for the period, after tax	-11,100	-8,114
Depreciation, amortization and impairment	4,823	4,654
Deferred tax expense/ income	15	457
Conversion of deferred income into revenue	-4,113	-3,125
Income from release of provisions and liabilities	-49	-135
Share of profit or loss from equity-accounted investments	498	1,492
Change in net pension provisions recognized in profit or loss	38	42
Other non-cash expenses and income	869	376
Losses on disposals of intangible assets and property, plant and equipment	-5	-4
Gross cash flow	**-9,024**	**-4,356**
Change in trade receivables	1,802	-1,325
Change in inventories	411	-41
Change in tax assets and liabilities	-130	-201
Change in other assets and financial assets	-361	95
Change in trade payables	-114	-1,166
Change in prepayments	-2	-12
Change in provisions and other liabilities	1,472	-703
Additions from deferred income	2,363	3,492
Cash flows from operating activities	**-3,583**	**-4,218**
Net payments from disposals of companies (less cash and cash equivalents divested)	0	3,040
Payments to acquire intangible assets	-177	-19
Payments to acquire property, plant and equipment	-1,552	-2,619
Net cash flows relating to other non-current assets	23	85
Investments in equity-accounted investments	0	-114
Proceeds from disposal of current financial assets	0	6
Proceeds from disposal of property, plant and equipment	18	182
Cash flows from investing activities	**-1,689**	**562**
Proceeds from borrowings	27,547	13,004
Repayments of borrowings	-5,481	-2,958
Proceeds from convertible bond issue	4,325	0
Payments of the Put-Option liabilities for Biocatalysts Ltd.	0	-9,587
Contributions to equity, less related capital raising costs	600	0
Cash flows from financing activities	**26,991**	**459**
Net change in cash and cash equivalents	**21,718**	**-3,196**
Cash and cash equivalents at start of financial year	5,352	8,443
Exchange-rate-related change in cash	100	106
Cash and cash equivalents at end of financial year	**27,171**	**5,352**
Cash flows from operating activities include:		
Interest paid	-1,637	-784
Interest received	54	15
Income taxes paid	-38	-235
Income taxes received	1	31

Notes to the consolidated financial statements

I. General information

GENERAL INFORMATION ABOUT THE COMPANY

BRAIN Biotech Aktiengesellschaft (also referred to below as "BRAIN Biotech AG", "BRAIN" 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 company that operates in the industrial biotechnology sector. The BRAIN Biotech Group (hereinafter referred to as "BRAIN" or "the Group" or the "BRAIN Biotech 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 **BioProducts** segment comprises mainly the industrially scalable business with a focus on the production of enzymes, microorganisms, and bioactive natural compounds. By investing in its own fermentation capacities, the BRAIN Biotech Group has significantly expanded its value chain in the BioProducts segment.

The **BioScience** segment consists of our R&D 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. 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: nature-based food ingredients, health, and environmentally compatible production methods.

The **BioIncubator** segment includes the R&D pipeline as well as the company's own R&D projects or R&D projects initiated with partners that offer high value-creation potential.

BRAIN has an extensive research and development infrastructure at its Zwingenberg site and a branch specializing in natural compounds in Potsdam (formerly the subsidiary Analyticon Discovery GmbH). Our subsidiaries for enzyme products, microorganisms, and bioactive natural compounds offer specialized production expertise and market access: Biocatalysts Ltd. (Cardiff, UK), Biocatalysts Inc. (Chicago, Illinois, USA), Biosun Biochemicals Inc. (Tampa, Florida, USA), Breatec BV (Nieuwkuijk, Netherlands), and WeissBioTech GmbH (Ascheberg, Germany). Moreover, as part of the spin-off of SolasCure Ltd., which is 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 resource-conserving processes, as well as to establish new processes and products. The BRAIN Biotech 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, 12 and 13.

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 2024 (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. 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 2023 to 30 September 2024. This period corresponds to the financial year of BRAIN Biotech AG. The annual financial statements of Weriol Group BV, Nieuwkuijk, Netherlands, and of AnalytiCon Discovery LLC, Rockville, MD, USA, have historically been prepared as at the end of the calendar year. 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 7 January 2025. The review and approval by the Supervisory Board took place on 14 January 2025.

NEW ACCOUNTING REGULATIONS APPLIED

The standards and amendments to be applied for financial years beginning on or after 1 October 2023 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 IAS 12 International Tax Reform – Pillar Two Model Rules: *To be applied to financial years commencing on or after 1 January 2023.*

Amendments to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information: *To be applied to financial years commencing on or after 1 January 2023.*

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.*

Amendments to IAS 1: Disclosure of Accounting Policies: *To be applied to financial years commencing on or after 1 January 2023.*

Amendments to IAS 8: Definition of Accounting Estimates: *To be applied to financial years commencing on or after 1 January 2023.*

IFRS 17 Insurance Contracts including amendments to IFRS 17: *To be applied to financial years commencing on or after 1 January 2023*

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:

IFRS 19 Subsidiaries without Public Accountability – Disclosures: *To be applied to financial years commencing on or after 1 January 2027. Early, voluntary application of the regulations is permitted.*

IFRS 18: Presentation and Disclosure in Financial Statements: *To be applied to financial years commencing on or after 1 January 2027. Early, voluntary application of the regulations is permitted.*

Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7 – Annual Improvements Volume 11: *Adoption into EU law pending, expected to be applicable to financial years commencing on or after 1 January 2026. Early, voluntary application of the regulations is permitted.*

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments: *To be applied to financial years commencing on or after 1 January 2026. Early, voluntary application of the regulations is permitted.*

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability: *To be applied to financial years commencing on or after 1 January 2025. Early, voluntary application of the regulations is permitted.*

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements: *To be applied to financial years commencing on or after 1 January 2024. Early, voluntary application of the regulations is permitted.*

Amendments to IAS 1 regarding the Classification of Liabilities as Current or Non-current and the Classification of Non-current Liabilities with Covenants: *To be applied to financial years commencing on or after 1 January 2024. Early, voluntary application of the regulations is permitted.*

Amendments to IFRS 16 Leases: 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.*

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: *Adoption into EU law pending, first-time application postponed indefinitely.*

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 control, generally in the form of the acquisition of a direct or indirect majority of the voting rights. Control 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 the 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 corporate 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 2024:

Name and domicile of the company	Shareholdings as at 30.09.2024
Akribion Genomics AG*, Zwingenberg, Germany	100 %
AnalytiCon Discovery GmbH, Potsdam, Germany	0 %**
AnalytiCon Discovery LLC, Rockville, Maryland, USA	100 %
BRAIN Capital GmbH i.L., Zwingenberg, Germany	0 %***
BRAIN UK II Ltd., Cardiff, UK	100 %
BRAIN UK Ltd. i.L., Cardiff, UK	100 %****
Biocatalysts Ltd., Cardiff, UK	100 %****
Biocatalysts Inc., Chicago, Illinois, USA	100 %****
Biosun Biochemicals Inc., Tampa, Florida, USA	100 %****
Weriol Group BV, Nieuwkuijk, Netherlands	62 %****
Breatec BV, Nieuwkuijk, Netherlands	62 %****
WeissBioTech GmbH, Ascheberg, Germany	100 %****
BRAIN US LLC i.L., Rockville, Maryland, USA	100 %
MEKON Science Networks GmbH i.L., Zwingenberg, Germany	0 %***

* This company was renamed "RMH AG" by resolution of the Annual General Meeting on 27 September 2024. The change of name had not yet been formally implemented in the commercial register as at the 30 September 2024 balance sheet date

** From 6 June 2024 merged with BRAIN Biotech AG with effect from 1 October 2023

*** Liquidation completed during the 2023/24 financial year

**** Indirect interests

SolasCure Ltd., Cambridge, UK, was included as an equity-accounted investment in the consolidated financial statements for the period ending 30 September 2024. The 30 June reporting date diverges from the reporting date of BRAIN Biotech AG. BRAIN Biotech AG holds 34.16 % (previous year: 34.16 %) of the voting rights in SolasCure Ltd.

In addition to SolasCure Ltd., Enzymicals AG, Greifswald, was included as an equity-accounted investment in the previous year. The voting interest of 24.10 % (previous year: 24.10 %) in Enzymicals AG was divested in September 2024.

CHANGE IN THE CONSOLIDATION SCOPE

The liquidations of BRAIN Capital GmbH and MEKON Science Networks GmbH were completed during the 2023/24 financial year.

From 6 June 2024, AnalytiCon Discovery GmbH was merged with BRAIN Biotech AG, with effect from 1 October 2023.

No further changes in the scope of consolidation occurred in the 2023/24 financial year.

Changes in the previous year:
WeissBioTech France S.A.R.L., Chanteloup-en-Brie, France, was liquidated and dissolved during the financial year under review and is no longer 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, the difference is recognized as an impairment loss. If the reasons for an impairment loss that was previously recognized cease to exist, a corresponding reversal of the impairment loss is applied.

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 measurement of financial liabilities for future payments to Royalty Pharma:
  The basis for the initial measurement at fair value reflects the management planning prepared by BRAIN Biotech AG and the resulting expected future license revenue for the coming years from the agreement with Pharvaris N.V. The planning assumptions are based on estimates and mainly relate to the expected license income from deucrictibant, the initial effective interest rate, and the expected term of the cash flows. The expected revenue is influenced by estimates relating to the number of patients treated, prices achievable on the market, and Pharvaris' market share. The term of the cash flows corresponds to the estimated period over which deucrictibant will generate revenue in the future, starting from the date of market entry and ending with the expiry of the patent.

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.

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/EUR		Closing rate		Average rate	
Currency	**Country**	**2023/24**	**2022/23**	**2023/24**	**2022/23**
GBP	UK	1,1970	1,1566	1,1693	1,1488
USD	USA	0,8932	0,9439	0,9224	0,9367

REVENUE RECOGNITION

The revenue reported in the consolidated income statement relates to revenue from contracts with customers in accordance with IFRS 15. The BRAIN Biotech 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 consideration. Contractual liabilities are reported as deferred income rather than separately on the balance sheet. Separate disclosure is made in section (25) Deferred income.

INTANGIBLE ASSETS

Acquired intangible assets, with the exception of goodwill and capitalized development costs, are measured at cost less straight-line 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 straight-line 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 2024 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.

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 other comprehensive income (through reserves) (FVTOCI),
- at fair value through profit or loss (FVTPL).

All financial assets and financial liabilities were initially recognized at fair value (less directly attributable transaction costs). Trade receivables are recognized at the transaction price.

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.

All financial liabilities are recognized at AC, with the exception of financial liabilities (see Note 21 Financial liabilities and VII Financial instruments).

A debt instrument that meets the following two conditions is measured at amortized cost:
- Business model condition: The objective of the BRAIN Biotech 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 the BRAIN Biotech 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 gross domestic product) 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 flat-rate 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 the BRAIN Biotech 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, Biocatalysts Ltd., Breatec BV, 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 at 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 168,600. 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.

EMPLOYEE STOCK OWNERSHIP PROGRAM (ESOP)

The following ESOP programs are in place to incentivize and retain managers and employees of BRAIN Biotech AG over the long term:

- on 8 June 2018, an Employee Stock Ownership Program (ESOP 2017/18) for the 2017/18 financial year,
- on 12 March 2019, an Employee Stock Ownership Program (ESOP 2018/19) for the 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 financial years,
- on 8 March 2023, an Employee Stock Ownership Program (ESOP 2023).

Managers and employees as well as the Management Board members of BRAIN Biotech AG participate in all ESOPs.
As part of ESOP 2023, further options were issued as planned in the 2023/24 financial year on 14 December 2023.

- 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.
- The ESOP 2023 stock option program is based on the AGM resolution of 8 March 2023 to set up a stock option program and create Conditional Capital 2023/II.

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 an average of the share price 10 trading days before the contractual grant date for ESOP 2017/18 and ESOP 2018/19, and 30 trading days before the contractual grant date for ESOP 2023.

Along with the share price performance targets (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 for ESOP 2018/19 is four years after expiry of the four-year waiting period and for ESOP 2023 two years after expiry 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. The ESOP 2017/18 and ESOP 2023 only provide for such a cap for Management Board members.

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.

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 share position, as no obligation of any kind exists for the company to deliver shares or cash payments in connection with these programs. As the company receives the consideration in the form of work and similar service, a personnel expense for these share-based payment schemes is recognized pursuant to IFRS 2.

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 by applying the tax rates that have been enacted as at the reporting date (or are soon to be enacted) in the countries where 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, technical plant and equipment, and vehicles. The BRAIN Biotech Group does not act as a lessor.

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 straight-line 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. As a rule, the marginal borrowing rate is 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 "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. 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, three operating segments were identified, for which no further aggregation is possible due to their differing product and service orientation. Compared with the consolidated financial statements as of 30 September 2023, no changes have occurred in relation to segment reporting.

BRAIN's business activities are categorized into the BioProducts, BioScience, and BioIncubator 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. All three operating segments have a different strategic orientation and require different marketing and business development strategies.

The BioProducts segment mainly consists of its industrially scalable products business focusing on specialized enzymes and proteins.

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 BioIncubator segment mainly comprises the R&D pipeline as well as the company's own R&D projects or those initiated with partners offering high value-creation potential. One particularly promising incubator project concerns the development of a proprietary CRISPR-based gene editing technology platform. All applications outside the therapeutic area are developed and expanded within BRAIN Biotech. Pharmaceutical applications will be further developed under license by the independent company Akribion Therapeutics GmbH in the next financial year.

The BRAIN Biotech "Holding" segment mainly comprises personnel expenses and other expenses for Group administration, further development of the BRAIN Biotech Group, stock exchange listing, and M&A activities.

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.

	BioProducts		BioScience		BioIncubator		Holding		Consolidation		Group	
€ thousand	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Revenue generated with other segments	94	0	193	39	0	0	0	0	-286	-39	0	0
Revenue generated with external customers	42,473	42,492	10,501	12,267	1,657	576	0	0	0	0	54,631	55,335
Total revenue	**42,567**	**42,492**	**10,694**	**12,306**	**1,657**	**576**	**0**	**0**	**-286**	**-39**	**54,631**	**55,335**
R&D grant revenue[1]	68	149	406	374	394	368	0	0	0	0	868	890
Changes in inventories[2]	-150	-170	-283	314	0	0	0	0	0	0	-433	144
Other income	101	320	421	460	0	11	0	0	-69	-20	453	771
Total operating performance	**42,586**	**42,791**	**11,238**	**13,454**	**2,051**	**955**	**0**	**0**	**-355**	**-59**	**55,520**	**57,140**
Cost of materials	-22,160	-22,761	-1,486	-2,102	-468	-519	0	0	245	25	-23,870	-25,357
Personnel expenses	-8,994	-8,648	-8,051	-8,626	-3,025	-2,417	-5,034	-2,310	0	0	-25,104	-22,000
of which from share-based payments	0	-82	293	325	0	0	601	471	0	0	894	714
of which Royalty Pharma transaction related	0	0	0	0	0	0	2,467	0	0	0	2,467	0
of which acquisition and integration costs	0	234	0	0	0	0	0	0	0	0	0	234
Other expenses	-6,124	-6,203	-2,167	-2,283	-685	-753	-1,620	-1,406	19	36	-10,576	-10,609
of which Royalty Pharma transaction costs	0	0	0	0	0	0	248	0	0	0	248	0
of which acquisition and integration costs	0	154	0	0	0	0	0	125	0	0	0	279
EBITDA	**5,309**	**5,178**	**-466**	**443**	**-2,127**	**-2,734**	**-6,655**	**-3,716**	**-91**	**3**	**-4,029**	**-826**
Adjusted EBITDA	**5,309**	**5,485**	**-172**	**768**	**-2,127**	**-2,734**	**-3,338**	**-3,120**	**-91**	**3**	**-420**	**402**
Depreciation and amortization	-3,594	-3,256	-1,229	-1,397	0	0	0	0	0	0	-4,823	-4,654
EBIT	**1,715**	**1,922**	**-1,694**	**-954**	**-2,127**	**-2,734**	**-6,655**	**-3,716**	**-91**	**3**	**-8,852**	**-5,480**
Finance income											395	789
Result from equity-accounted investments											-498	-1,492
Finance costs											-2,035	-1,307
Result before taxes											**-10,990**	**-7,489**

[1] Research and development grant revenue

[2] Changes in inventories of finished goods and in work in progress

Revenue derived from the following revenue sources:

€ thousand	2023/24	2022/23
Enzymes & Bio-based Products	42,473	42,492
BioProducts	**42,473**	**42,492**
Research and development	8,182	9,603
Product business ('Libraries')	2,319	2,664
BioScience	**10,501**	**12,267**
Research and development	1,500	0
Licenses	157	576
BioIncubator	**1,657**	**576**
Group total	**54,631**	**55,335**

The following table presents revenue by geographic region:

€ thousand	2023/24	2022/23
Germany	6,654	5,665
Abroad	47,978	49,670
of which: USA	13,514	15,306
of which: Netherlands	11,284	10,381
of which: UK	3,681	4,770
of which: France	2,919	2,743

Revenue is allocated to countries according to the destination of the products or services. Revenue in other countries was not material in comparison to total revenue and for this reason such revenue is 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	30.09.2024	30.09.2023
Intangible assets	14,185	15,215
Property, plant and equipment	27,855	28,720
Total	**42,040**	**43,935**
of which: UK	25,046	25,168
of which: Germany	11,073	12,211
of which: Netherlands	4,540	4,893
of which: USA	1,382	1,663

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

V. Notes to the consolidated statement of comprehensive income

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	2023/24	2022/23
EBITDA, including:	**-4,029**	**-826**
Personnel expenses in connection with the Royalty Pharma transaction	-2,467	0
Other operating expenses in connection with the Royalty Pharma transaction	-248	0
Personnel expenses from share-based payment components	-894	-714
Personnel expenses related to M&A transactions and the integration of acquired businesses	0	-234
Other operating expenses related to M&A transactions and the integration of acquired businesses	0	-279
Adjusted EBITDA	**-420**	**402**

1 REVENUE

The Group's revenue includes revenue from the sale of goods and products totaling € 44,663 thousand (previous year: € 44,953 thousand), remuneration from research and development partnerships amounting to € 8,733 thousand (previous year: € 7,634 thousand), utilization fees of € 1,106 thousand (previous year: € 2,558 thousand) and other revenue of € 128 thousand (previous year: € 190 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 IV Segment reporting.

2 RESEARCH AND DEVELOPMENT GRANT REVENUE

R&D grant revenue amounting to € 868 thousand (previous year: € 890 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	2023/24	2022/23
Income from release of liabilities	53	134
Benefits in kind	143	118
Income from translating foreign currency items	39	231
Other out-of-period income	78	45
Miscellaneous other income	139	243
Total	**453**	**771**

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

Share-based payment and other long-term employee benefits

Employee Stock Ownership Program (ESOP)

The following overview shows the measurement date and the exercise price.

ESOP 2017/18	Measurement date	Options outstanding	Exercise price (€)
ESOP 2017/18	12 March 2018	63,000	20.67

ESOP 2018/19	Measurement date	Options outstanding	Exercise price (€)
ESOP 2018/19	8 June 2018	177,600	10.64
ESOP 2019/20	9 March 2020	248,000	9.11
ESOP 2020/21-Oct	2 October 2020	60,000	7.37
ESOP 2020/21-Mar	15 March 2021	312,000	9.03
ESOP 2021/22-Apr	8 April 2022	264,000	8.71
ESOP 2021/22-Sep	27 September 2022	60,000	5.43
ESOP 2022/23-Oct	1 October 2022	90,000	5.22

ESOP 2023	Measurement date	Options outstanding	Exercise price (€)
ESOP 2022/23-Sep-I	20 September 2023	122,000	4.62
ESOP 2022/23-Sep-II	27 September 2023	113,524	4.59
ESOP 2023/24-Dec	14 October 2023	245,069	3.69

When the options were issued for the ESOP 2023/24-Dec in the 2023/24 financial year, the grant date was 14 December 2023.

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 30.09.2023	**857,600**	**673,524**
Granted in the financial year	0	245,069
Expired in the financial year	21,000	0
Forfeited in the financial year	0	0
Exercised in the financial year	0	0
Outstanding as at 30.09.2024	**836,600**	**918,593**
Exercisable as at 30.09.2024	328,600	160,000

The following parameters were applied as at the measurement date:

Parameter	Options for Management Board members (ESOP 2023/24-Dec): issued in FY 2023/24
Measurement date	14 December 2023
Remaining term (in years)	6
Share price on the measurement date (€)	3.55
Exercise price (€)	3.69
Expected dividend yield (%)	0.0
Expected volatility of the BRAIN share (%)	69.40
Expected volatility of the HDAX 110 Index (%)	21.89
Expected volatility of NASDAQ Biotechnology Index (%)	25.71
Risk-free interest rate (%)	2.19
Model applied	Monte Carlo
Value cap per option (€)	n/a
Fair value per option (€)	1.86

As the company receives the consideration in the form of work and similar service, pursuant to IFRS 2 an amount of € 894 thousand (previous year: € 797 thousand) for these share-based payment schemes is recognized at BRAIN Biotech AG. Of this amount, € 340 thousand relates to Management Board members (previous year: € 242 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 Ltd., 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.

The program was settled in the previous financial year. In the financial year under review, corresponding personnel expenses of € 0 thousand (previous year: income of € 82 thousand) were expensed. The resulting liability of € 658 thousand (previous year: € 1,273 thousand) is recognized under other liabilities [24].

"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 the BRAIN Biotech Group's revenue in the respective financial year. The second factor is the change in BRAIN Biotech 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.

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

The periodic expense from this program amounted to € 0 thousand for the 2023/24 financial year. A liability of € 0 thousand was formed as at 30 September 2024. An obligation of € 0 thousand arose for the 2022/23 financial year.

Pension commitments

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	2023/24	2022/23
Service cost	0	0
Interest cost from the DBO/pension obligation	124	116
Return on plan assets	-87	-74
Expenses recognized in the operating result	**38**	**42**
Remeasurement effects	207	-24
Net effect: other comprehensive income	**207**	**-24**
Total expenses	**245**	**18**

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	2023/24	2022/23
Value on 1 October	**3,070**	**3,179**
Interest cost	124	116
Service cost	0	0
Remeasurement due to changes to demographic assumptions	0	0
Actuarial gains (-) and losses (+) from changes in financial assumptions	360	-219
Remeasurement due to experience-based adjustments	-3	-6
Value on 30 September	**3,551**	**3,070**

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	2023/24	2022/23
Value on 1 October	**2,142**	**2,026**
Return on plan assets	87	74
Contributions paid	243	243
Remeasurement effects	149	-201
Value on 30 September	**2,621**	**2,142**

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	2023/24	2022/23
Defined benefit obligation	3,551	3,070
Plan assets	-2,621	-2,142
Provision for pension schemes	**930**	**928**

€ thousand	2023/24	2022/23
Value on 1 October	**928**	**1,153**
Net interest costs	38	42
Service cost	0	0
Contributions paid	-243	-243
Remeasurement effects	207	-24
Value on 30 September	**930**	**928**

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 2024.

When measuring the pension obligation, an actuarial interest rate of 3.40 % (previous year: 4.05 %) and a pension trend of 1.00 % (previous year: 1.00 %) was applied. The cashflow-weighted duration of the payment obligation scope amounts to 17.4 years (previous year: 17.7 years).

The significant valuation assumptions show the following sensitivities with regard to changes in the defined benefit obligation:

€ thousand	30.09.2024	30.09.2023
Change in interest rates -0.25 %	154	134
Change in interest rates +0.25 %	-145	-126
Increase in pension trend p.a. +0.25 %	126	104
Life expectancy – 1 year	-91	-73
Life expectancy + 1 year	89	71

The expected contributions to plan assets in the 2024/25 financial year amount to approximately € 243 thousand. No pension payments are expected for the 2024/25 financial year.

These include € 521 thousand (previous year: € 438 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 € 1,557 thousand in the financial year under review (prior year: € 1,417 thousand).

Post-employment benefit costs of approximately € 535 thousand and employer contributions to the statutory pension insurance scheme (defined contribution benefit pension plan) of approximately € 1,612 thousand are expected in the 2024/25 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	2023/24	2022/23
Advertising and travel expenses	1,042	1,168
Occupancy costs	1,261	1,341
Distribution, sales, and logistics expenses	1,453	1,639
Legal and consulting expenses	1,433	1,496
Repair and maintenance expenses	634	591
Office and business supplies	472	462
Costs of financial statements and auditing	478	543
Insurance	568	534
Services	677	447
Supervisory Board compensation	429	345
Currency translation expenses	148	292
Other levies and license fees	532	370
Training costs	207	175
Miscellaneous other expenses	1,242	1,206
Other expenses, total	**10,576**	**10,609**

8 FINANCE INCOME

Finance income consists of the following:

€ thousand	2023/24	2022/23
Income from dilution of interests held in equity-accounted investments	0	541
Income from the (subsequent) measurement of financial derivatives	139	219
Income from subsequent measurement of financial liabilities	204	0
Miscellaneous finance income	52	29
Finance income, total	**395**	**789**

Income from the subsequent measurement of financial liabilities derives mainly from the change in measurement of put option rights relating to non-controlling interests of the Breatec Group in an amount of € 204 thousand (previous year: € 0 thousand).

9 FINANCE COSTS

Finance costs consist of the following:

€ thousand	2023/24	2022/23
Interest cost for loans	915	437
Interest cost for silent partnerships	377	259
Interest cost for leases	333	162
Interest cost for convertible bond	314	0
Amortization effect from the effective interest method for the Royalty Pharma liability	85	0
Expenses from the subsequent measurement of financial liabilities for the potential acquisition of non-controlling interests (put options)	0	365
Miscellaneous finance costs	11	84
Finance costs, total	**2,035**	**1,307**

The expense 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: € 235 thousand) and of the Breatec Group in an amount of € 0 thousand (previous year: € 130 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	2023/24	2022/23
BRAIN Biotech AG	13.30 %	13.30 %
AnalytiCon Discovery GmbH	-*	15.93 %
WeissBioTech GmbH	14.53 %	14.53 %

Combined tax rate	2023/24	2022/23
BRAIN Biotech AG	29.13 %	29.13 %
AnalytiCon Discovery GmbH	-*	31.75 %
AnalytiCon Discovery LLC	23.90 %	21.00 %
BRAIN US LLC	23.90 %	21.00 %
Biocatalysts Ltd.	25.00 %	25.00 %
Biocatalysts Inc.	21.00 %	21.00 %
Biosun Biochemicals Inc.	21.00 %	21.00 %
Weriol Group BV	25.80 %	25.80 %
Breatec BV	25.80 %	25.80 %
WeissBioTech GmbH	30.28 %	30.35 %

* In the financial year under review, AnalytiCon Discovery GmbH was merged with BRAIN Biotech AG, Zwingenberg, with tax effect from 1 October 2023

Of the income tax assets of € 214 thousand (previous year: € 56 thousand), € 214 thousand (previous year: € 39 thousand) relate to corporation tax and the solidarity surcharge, and € 0 thousand (previous year: € 17 thousand) relate to trade tax. Of the income tax liabilities of € 24 thousand (previous year: € 44 thousand), € 0 thousand (previous year: € 35 thousand) relate to corporation tax and the solidarity surcharge, and € 24 thousand (previous year: € 9 thousand) relate to trade tax.

Deferred tax assets and liabilities and their changes in the financial year are as follows:

	30.09.2024		30.09.2023	
€ thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	1,685	0	1,791
Tax loss carryforwards/ carrybacks	197	0	315	0
Property, plant and equipment	61	2,501	58	2,390
Trade receivables	2	2	2	3
Pension liabilities	23	0	12	0
Financial liabilities	30	22	20	0
Provisions and liabilities	21	4	14	7
Total	**333**	**4,214**	**422**	**4,190**
Offset	**-333**	**-333**	**-422**	**-422**
Total	**0**	**3,881**	**0**	**3,768**

€ thousand		2023/24
Net deferred tax liabilities at start of financial year (1 October 2023)		**3,768**
Additions to deferred tax assets/liabilities due to changes in the scope of consolidation	0	0
Change in deferred taxes due to exchange rate differences	98	98
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)	-123	
Deferred tax expense from the reversal of deferred tax assets from tax loss carryforwards	138	
Deferred tax expense reported in the statement of comprehensive income	15	15
Net deferred tax liabilities at end of financial year (30 September 2024)		**3,881**

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	2023/24	2022/23
Consolidated net profit/loss for the period before taxes	**-10,990**	**-7,489**
Expected tax income	-3,201	-2,181
Different tax rates applicable to consolidated subsidiaries	-27	-129
Effects of changes in tax rates	109	86
Permanent differences from consolidation adjustments	131	746
Permanent differences from subsequent measurement of financial assets and liabilities	-65	106
Permanent differences from equity-settled share-based compensation	260	232
Tax-free income / non-deductible expenses	48	-62
Utilization of tax loss carryforwards from previous periods	0	-3
Non-capitalized tax loss carryforwards	3,028	1,774
Out-of-period taxes and other differences	-173	37
Reported current or deferred income tax income (-)/ expense (+)	**110**	**625**

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	2023/24	2022/23
Current deferred tax assets	212	328
Non-current deferred tax assets	121	94
Current deferred tax liabilities	379	679
Non-current deferred tax liabilities	3,836	3,511
Net current deferred tax	-166	-351
Net non-current deferred tax	-3,714	-3,417

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 2023/24 and prior financial years amounting to € 93,843 thousand (corporation tax; previous year: € 84,299 thousand) and € 92,450 thousand (trade tax; previous year: € 82,696 thousand). The potential tax benefits that have consequently not been recognized amount to € 27,280 thousand (prior year: € 24,503 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 € -11,126,649 as reported in the consolidated income statement (previous year: € -8,279,463).

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 2023/24 amounted to 21,847,495 no-par value shares (previous year: 21,847,495 no-par value shares).

No dilutive effects arise at present.

VI. 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 2023/24 Cost at 1 October 2023	**6,666**	**17,890**	**24,556**
Additions	0	180	180
Disposals	0	0	0
Currency translation	140	265	405
at 30 September 2024	**6,806**	**18,335**	**25,141**
Amortization and impairment at 1 October 2023	0	9,341	9,341
Amortization for the financial year	0	1,452	1,452
Disposals	0	0	0
Currency translation	0	162	162
at 30 September 2024	**0**	**10,955**	**10,955**
Net carrying amount at 30 September 2024	**6,806**	**7,379**	**14,185**
at 30 September 2023	6,666	8,549	15,215

€ thousand	Goodwill	Other intangible assets	Total intangible assets
FY 2022/23 Cost at 1 October 2022	**6,606**	**20,448**	**27,054**
Additions	0	19	19
Disposals	0	-2,612	-2,612
Currency translation	60	34	94
at 30 September 2023	**6,666**	**17,890**	**24,556**
Amortization and impairment at 1 October 2022	0	10,289	10,289
Amortization for the financial year	0	1,602	1,602
Disposals	0	-2,597	-2,597
Currency translation	0	47	47
at 30 September 2023	**0**	**9,341**	**9,341**
Net carrying amount at 30 September 2023	**6,666**	**8,549**	**15,215**
at 30 September 2022	6,606	10,158	16,765

The goodwill reported as at 30 September 2024 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 Breatec Group (Weriol Group BV, Breatec BV and Panei BV) in the 2021/22 financial year.

Impairment tests

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

	30.09.2024		30.09.2023	
Cash-generating unit	Goodwill € thousand	Pre-tax cost of capital (WACC)[3]	Goodwill € thousand	Pre-tax cost of capital (WACC)[3]
Biocatalysts	4,147	9.28 %	4,008	10.25 %
Breatec	1,960	8.40 %	1,960	9.24 %
Natural Products Chemistry	699	18.85 %	699	16.37 %

[3] Weighted average total cost of capital rate before tax

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

The "Breatec" CGU comprises the goodwill from the acquisition of Weriol Group BV, including its subsidiary Breatec BV, and is attributable to the BioProducts 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 2024. Planning is based on significant revenue growth 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 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 2024.

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 again as at 30 September 2024. Planning is based on significant revenue growth 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 %, 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 2024.

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

For the Natural Products Chemistry unit, an IAS 36 impairment test was performed again as at 30 September 2024. Planning is based on constant revenue growth and successive margin improvements. 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 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: 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 2024.

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.

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.

€ thousand	30.09.2024	30.09.2023	Remaining useful life[4] as at 30.09.2024
Technology of AnalytiCon Discovery GmbH	0	61	0
Technology of Biocatalysts Ltd.	2,211	2,532	6
Technology of Breatec Group	280	365	3
Customer relationships of Biocatalysts Group	2,053	2,429	5
Customer relationships of Biosun Biochemicals Inc.	849	1,020	7
Customer relationships of Breatec Group	1,410	1,633	6

[4] Remaining useful life in years

In accordance with the accounting policies presented above, no development costs were capitalized in the 2023/24 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 € 6,244 thousand (previous year: € 4,979 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 2023/24 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	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
FY 2023/24 Cost at 1 October 2023	**10,423**	**7,488**	**21,549**	**5,912**	**45,372**
Additions	84	86	1,490	307	**1,968**
Disposals	0	0	-171	-58	**-229**
Reclassifications	0	0	-1,050	1,050	**0**
Currency translation	150	0	557	109	**815**
at 30 September 2024	**10,657**	**7,573**	**22,375**	**7,320**	**47,925**

€ thousand	Land and buildings	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
Depreciation and impairment at 1 October 2023	3,385	2,807	9,271	1,189	**16,651**
Depreciation for the financial year	247	852	1,585	686	**3,370**
Disposals	0	0	-158	-58	**-216**
Currency translation	13	-2	248	6	**265**
at 30 September 2024	**3,645**	**3,656**	**10,946**	**1,823**	**20,070**
Net carrying amount at 30 September 2024	**7,012**	**3,917**	**11,429**	**5,497**	**27,855**
at 30 September 2023	7,038	4,681	12,278	4,723	28,720

€ thousand	Land and buildings	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
FY 2022/23 Cost at 1 October 2022	**10,327**	**7,570**	**22,676**	**2,356**	**42,930**
Additions	33	92	1,982	866	**2,972**
Disposals	-1	-166	-480	-35	**-683**
Reclassifications	0	0	-2,709	2,709	**0**
Currency translation	64	-8	80	17	**153**
at 30 September 2023	**10,423**	**7,488**	**21,549**	**5,912**	**45,372**

€ thousand	Land and buildings	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
Depreciation and impairment at 1 October 2022	3,139	2,140	8,316	598	**14,192**
Depreciation for the financial year	240	841	1,334	638	**3,053**
Disposals	0	-166	-315	-35	**-517**
Currency translation	5	-7	-62	-10	**-75**
at 30 September 2023	**3,385**	**2,807**	**9,271**	**1,189**	**16,651**
Net carrying amount at 30 September 2023	**7,038**	**4,681**	**12,278**	**4,723**	**28,720**
at 30 September 2022	7,188	5,431	14,361	1,758	28,737

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 the section (21) Financial liabilities.

Information about lease liabilities is provided in section (21) Financial liabilities.

The following table presents the total cash outflows for leases.

€ thousand	2023/24	2022/23
Cash outflows for leases		
Repayments of lease liabilities	1,466	1,455
Interest payments for lease liabilities	333	162
Total	**1,799**	**1,617**

14 EQUITY-ACCOUNTED INVESTMENTS

Enzymicals AG

The carrying amount of the interest in the associated company Enzymicals AG[5] reports the following changes:

€ thousand	
Carrying amount at 30.09.2022	**0**
Share of profit or loss after taxes in 2022/23	75
Reversal of an impairment loss	8
Carrying amount at 30.09.2023	83
Share of profit or loss after taxes in 2023/24	4
Disposal: divestment	-87
Carrying amount as at 30.09.2024	**0**

[5] Financial year = calendar year; the difference arises from the historical difference between the financial year of BRAIN Biotech AG and the calendar year

In the 2023/24 financial year, the 24.10 % voting rights interest in Enzymicals AG was divested (in September 2024). As a consequence, the pro rata equity as at 30 September 2024 amounts to € 0 thousand (previous year: € 83 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 (24.10 %). 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	2023/24	2022/23
Revenue	1,874	2,079
Total comprehensive income	16	312
Share of profit or loss after taxes	4	75

SolasCure Ltd.

The carrying amount of the interest in the associated company SolasCure Ltd. reports the following changes:

€ thousand	
Carrying amount at 30.09.2022	**1,938**
Share of profit or loss after taxes in 2022/23	-1,560
Reversal of elimination of unrealized results of intra-group transactions	46
Capital increase 22/02/2023	369
Gain from dilution of interest	541
Currency translation	39
Carrying amount at 30.09.2023	**1,373**

€ thousand	
Carrying amount at 30.09.2023	**1.373**
Share of profit or loss after taxes in 2023/24	-442
Currency translation	39
Carrying amount at 30.09.2024	**971**

This participating interest is allocated to the BioScience segment. There were no unrecognized losses 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 34.16 % interest (34.16 % on 30 September 2023). The disclosures reflect the financial statements of SolasCure Ltd. prepared in accordance with IFRS as adopted by the European Union.

€ thousand	**2023/24**	**2022/23**
Revenue	0	0
Total comprehensive income	-1,293	-7,486
Share of profit or loss after taxes	-442	-1,560

€ thousand	**30.09.2024**	**30.09.2023**
Non-current assets	4,190	4,049
Current assets	1,223	2,759
Non-current liabilities	0	0
Current liabilities	166	460
Equity	5,247	6,344
Interest in equity	1,792	2,167

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	**30.09.2024**	**30.09.2023**
Finished goods	6,263	6,392
Raw materials, consumables and supplies	2,828	2,995
Work in progress	277	339
Prepayments on inventories	52	30
Total	**9,420**	**9,756**

Inventories included impairment losses on raw materials and supplies of € 88 thousand (prior year: € 54 thousand), and work in progress and finished goods of € 545 thousand (prior year: € 441 thousand).

16 TRADE RECEIVABLES

Trade receivables consist of the following:

€ thousand	30.09.2024	30.09.2023
Trade receivables	7,074	8,835
Receivables from research and development grant revenue	724	607
Total	**7,798**	**9,442**

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 € 95 thousand (previous year: € 52 thousand) were recognized on the portfolio as at the 30 September 2024 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 2024.

€ thousand	Trade receivables	of which: not overdue at 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		
30.09.2024	7,893	6,787	716	168	43	180	95	7,798

The following table shows the past due structure of trade receivables as at 30 September 2023..

€ thousand	Trade receivables	of which: not overdue at 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		
30.09.2023	9,495	8,651	671	83	67	23	52	9,442

The following table shows the changes in impairment losses:

€ thousand	2023/24
Carrying amount at start of period	52
Net effect of addition and reversals	43
Carrying amount at end of period	**95**

€ thousand	2022/23
Carrying amount at start of period	74
Net effect of addition and reversals	-22
Carrying amount at end of period	**52**

The impairment rate amounted to 1.2 % in the 2023/24 financial year (previous year: 0.5 %).

Further information on impairments and the credit risks pertaining to trade receivables is provided in section VII. Financial instruments / risks from financial instruments.

17 OTHER FINANCIAL ASSETS

Other financial assets consist of the following:

€ thousand	30.09.2024	30.09.2023
Loans extended up to one year	123	123
Deposits with a term up to one year	58	55
Other	57	0
Total	**238**	**178**

18 OTHER NON-CURRENT AND CURRENT ASSETS

Other non-current assets consist of the following:

€ thousand	30.09.2024	30.09.2023
Expenses deferred for a period of more than one year	67	20
Loans extended	0	50
Total	**67**	**70**

Other current assets consist of the following:

€ thousand	30.09.2024	30.09.2023
Expenses relating to the following year	601	393
VAT receivables due from the tax authorities	106	213
Miscellaneous other current assets	111	86
Total	**818**	**691**

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	2023/24	2022/23
Expenses		
Personnel expenses from share-based compensation and employee share schemes	894	797
Losses on receivables/change in value allowances for receivables	3	2
Net finance costs from subsequent measurement of financial liabilities	230	426
Write-down applied to inventories	21	0
Miscellaneous	87	8
Total	**1,235**	**1,233**
Income		
Reduction in value allowances for receivables	0	21
Net finance income from subsequent measurement of financial and other liabilities	203	0
Income from the reversal of impairments applied to equity-accounted investments	0	8
Income from dilution of interests held in equity-accounted investments	0	541
Income from the divestment of subsidiaries	4	0
Write-up applied to inventories	0	21
Other financial result, from (subsequent) measurement of financial derivatives	139	219
Miscellaneous	20	47
Total	**366**	**857**
Net cash expenses/income	**869**	**376**

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

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 nominal amount of € 4,369,499 through issuing up to 4,369,499 new ordinary registered shares against cash capital contributions and/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 2024 reporting date.

Conditional capital

Pursuant to Section 5 (3), (4), (5) and (6) of the company's bylaws, the share capital is conditionally increased by € 2,184,749 through the issue of up to 2,184,749 new ordinary registered shares (Conditional Capital 2023/I) and by a further € 63,000 through the issue of up to 63,000 new ordinary registered shares (Conditional Capital 2015/II), by issuing up to 1,233,600 new ordinary registered shares (Conditional Capital 2019/I) and by issuing up to 888,148 new ordinary registered shares (Conditional Capital 2023/II).

Conditional Capital 2023/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 8 March 2023. The conditional capital increase is to be implemented through issuing up to 2,184,749 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. In the 2023/24 financial year, a convertible bond with a nominal value of € 5.0 million was issued by way of a private placement, in partial utilization of Conditional Capital 2023/I. An increase in the share capital from Conditional Capital 2023/I had not been implemented as at the 30 September 2024 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 63,000 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 2024 reporting date.

At the Annual General Meeting on 7 March 2019, Conditional Capital 2015/II was reduced from the original € 1,272,581 to € 123,000, as this capital was to remain exclusively for hedging stock options already issued. At the Annual General Meeting on 8 March 2023, the conditional capital was reduced by a further € 60,000 to € 63,000. 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). At the Annual General Meeting on 8 March 2023, Conditional Capital 2019/I was reduced by € 448,978 from the original € 1,682,578 to € 1,233,600. 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 2024 reporting date.

Conditional Capital 2023/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 March 2023 as part of a stock option plan comprising up to 888,148 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to six years – to the members of the company's Management Board 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 2023/II had not been implemented as at the 30 September 2024 reporting date.

Stock options

An AGM resolution dated 8 March 2023 authorized the Management Board, with Supervisory Board approval, to issue as part of a stock option plan until 7 March 2028 up to 888,148 stock options with subscription rights to shares of BRAIN Biotech AG with a term of up to six 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 € 888,148 to hedge and service the stock options (Conditional Capital 2023/II).

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". 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.

The € 600 thousand allocation to the capital reserves relates to the € 609 thousand equity component of the € 5.0 million convertible loan less € 9 thousand in transaction costs. See note (22) Convertible bonds.

Other reserves

Currency translation differences are recognized in other reserves.

Retained earnings

Retained earnings in the 2023/24 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 2023/24 financial year:

€ thousand	Interest in net assets not held by BRAIN Biotech AG as of 30 September 2024	Addition of non-controlling interests in net assets as part of acquisition of fully consolidated Group companies	Attributable share of total comprehensive income	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Carrying amounts of the interests as at 30.09.2024
Breatec BV	38.00 %	0	26	0	1,269
Total		**0**	**26**	**0**	**1,269**

The previous year's non-controlling interests are shown in the following table:

€ thousand	Interest in net assets not held by BRAIN Biotech AG as of 30 September 2024	Addition of non-controlling interests in net assets as part of acquisition of fully consolidated Group companies	Attributable share of total comprehensive income	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Carrying amounts of the interests as at 30.09.2023
Biocatalysts Ltd.[6]	0 %	0	169	-3,576	0
BRAIN UK Ltd.	0 %	0	-2	(-)53	0
Breatec BV	38.00 %	0	-11	0	1,243
Total		**0**	**156**	**-3,523**	**1,243**

[6] Including the subsidiary Biocatalysts Inc. and taking into consideration the amortization of disclosed hidden reserves

The changes in the non-controlling interests are as follows:

Breatec Group

€ thousand	30.09.2024	30.09.2023
Value at start of financial year	1,243	1,254
Attributable share of profit or loss for the period	26	-11
Attributable share of other comprehensive income (currency differences)	0	0
Value at end of financial year	**1,269**	**1,243**

The following section presents summarized financial information for subsidiaries with non-controlling interests of significance to the Group.

Summarized balance sheet data	**Breatec Group**	
€ thousand	**30.09.2024**	**30.09.2023**
Non-current assets	4,109	4,381
of which proportionate goodwill from the acquisition by BRAIN	*1,960*	*1,960*
of which hidden reserves less deferred tax from the acquisition by BRAIN	*1,255*	*1,482*
Current assets	4,285	3,626
Non-current liabilities	587	761
Current liabilities	2,506	2,016
Net assets	**5,301**	**5,230**

Summarized statement of comprehensive income	**Breatec Group**	
€ thousand	**2023/24**	**2022/23**
Revenue	11,586	10,139
Result before taxes	62	-77
Result after taxes	70	-30
of which the result from the amortization of hidden reserves less deferred tax from the acquisition by BRAIN	*-228*	*-228*
Total comprehensive income	70	-30
Result attributable to non-controlling interests	26	-11
Dividends paid to non-controlling interests	0	0

Summarized statement of cash flows	**Breatec Group**	
€ thousand	**2023/24**	**2022/23**
Gross cash flow	682	515
Cash flow from operating activities	1,350	330
Cash flow from investing activities	-105	-60
Cash flow from financing activities	-412	-141

Apart from legal restrictions, no restrictions exist on the ability of BRAIN Biotech AG to access or utilize these subsidiaries' assets, or to fulfil these subsidiaries' liabilities.

21 FINANCIAL LIABILITIES

The financial liabilities consist of the following:

€ thousand	30.09.2024	30.09.2023
Loans	13,634	13,316
Liabilities from put option rights for the potential acquisition of non-controlling interests	3,235	3,458
Contributions by silent partners	8,000	3,961
Lease liabilities	8,188	8,184
Derivatives	0	82
Other	6	6
Total	**33,063**	**29,006**

In the financial year under review, 60 % of a contribution from Hessen Kapital I GmbH was repaid as planned on 30 June 2024. As a consequence, the original contribution of € 1,500 thousand was repaid in full.

The following contributions from silent partners existed as at the 30 September 2024 balance sheet date:

- Hessen Kapital II GmbH, Wiesbaden, in the amount of € 3,000 thousand (previous year: € 3,000 thousand)
- Hessen Kapital I GmbH (a), Wiesbaden, in the amount of € 2,000 thousand (previous year: € 0 thousand)
- Hessen Kapital I GmbH (b), Wiesbaden, in the amount of € 1,500 thousand (previous year: € 0 thousand)
- MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, Wiesbaden, in the amount of € 1,500 thousand (previous year: € 0 thousand)

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 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. Interest liabilities amounted to € 0 thousand as at 30 September 2024 (previous year: € 61 thousand).

Of the contribution by Hessen Kapital I GmbH (a), 30 % is repayable on 30 September 2032, a further 35 % on 30 September 2033 and 35 % on 30 September 2034. The company pays fixed remuneration equivalent to nominal 8.0 % p. a. on the contribution of Hessen Kapital I GmbH (a) 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. No interest liabilities existed as at 30 September 2024.

Of the contribution by Hessen Kapital I GmbH (b), 30 % is repayable on 30 September 2030, a further 35 % on 30 September 2031 and 35 % on 30 September 2032. The company pays fixed remuneration equivalent to nominal 8.0 % p. a. on the contribution of Hessen Kapital I GmbH (b) 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. No interest liabilities existed as at 30 September 2024.

Of the contribution by MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH, 30 % is repayable on 30 September 2030, a further 35 % on 30 September 2031 and 35 % on 30 September 2032. In relation to the contribution of MBG H, the company pays a fixed fee of nominally 6.5 % p.a., an annual guarantee commission of 1.5 % p.a. of the respective contribution, and a profit share in the amount of the ratio of the nominal amount of the silent participation to the nominal amount of the equity of BRAIN Biotech AG, albeit no more than 1.5 % of the contribution and no more than 50 % of the annual profit. No interest liabilities existed as at 30 September 2024.

BRAIN Biotech AG is entitled to call the aforementioned contributions 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 € 1,071 thousand at the end of the reporting period (previous year: € 1,661 thousand). The land charges rank behind an unassigned land charge in favor of the owner amounting to € 0.5 thousand (previous year: € 0.5 thousand).

At the Biocatalysts Ltd. subsidiary, € 2,699 thousand (previous year: € 2,753 thousand) of financial liabilities are secured by € 3,711 thousand (previous year: € 3,585 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 € 5,104 thousand (€ 5,212 thousand as of 30 September 2023).

The nominal interest rate on fixed-interest loans lies between 1.15 % (previous year: 1.15 %) and 8.00 % (previous year: 8.12 %) p.a. Some of the Group's liabilities are subject to variable interest rates depending on the Bank of England's base rate.

The following table shows the undiscounted nominal amounts due at the financial liabilities' terms:

30.09.2024 € thousand	**Remaining term up to 1 year**	**Remaining term 1 – 5 years**	**Remaining term more than 5 years**
Contributions by silent partners	0	3,000	5,000
Liabilities from put option rights for the acquisition of non-controlling interests	3,235	0	0
Leasing	1,572	5,547	1,069
Financial derivatives	0	0	0
Loans	7,079	5,707	848
Other	0	6	0
	11,887	**14,260**	**6,917**

30.09.2023 € thousand	**Remaining term up to 1 year**	**Remaining term 1 – 5 years**	**Remaining term more than 5 years**
Contributions by silent partners	961	3,000	0
Liabilities from put option rights for the acquisition of non-controlling interests	0	3,608	0
Leasing	1,441	4,897	1,845
Financial derivatives	82	0	0
Loans	2,257	9,970	1,088
Other	0	6	0
	4,741	**21,481**	**2,933**

The contractually agreed due dates for principal and interest payments and for profit- related payments are shown in the following overview:

30.09.2024 in € thousand	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35ff
Principal repayments	11,887	3,752	4,776	4,180	1,552	1,644	1,463	1,699	752	756	603
Interest payments	1,516	1,179	947	649	511	458	369	285	157	98	104
Profit-related payments	120	116	107	89	75	75	62	46	21	11	0
Total excluding profit-related payments	13,402	4,931	5,723	4,829	2,063	2,102	1,832	1,983	909	853	707
Total including profit-related payments	13,522	5,047	5,830	4,917	2,138	2,177	1,894	2,029	930	864	707

30.09.2023 in € thousand	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34ff
Principal repayments	4,741	10,431	3,164	4,171	3,715	1,331	530	322	47	50	653
Interest payments	1,254	1,027	835	712	381	102	64	53	47	44	141
Profit-related payments	89	75	60	45	0	0	0	0	0	0	0
Total excluding profit-related payments	5,995	11,458	4,000	4,883	4,096	1,433	594	375	94	94	794
Total including profit-related payments	6,084	11,533	4,060	4,928	4,096	1,433	594	375	94	94	794

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	Contributions by silent partners	Derivatives	Lease liabilities	Other	Total
Amount at 30 September 2023	**13,316**	**3,458**	**3,961**	**81**	**8,184**	**6**	**29,006**
Cash inflow/outflow from financing activities	43	0	4,039	0	-376	0	**3,706**
Subsequent measurement	54	-223	0	-81	0	0	**-249**
Currency translation	222	0	0	0	91	0	**312**
Additions to leases	0	0	0	0	289	0	**289**
Amount at 30 September 2024	**13,635**	**3,235**	**8,000**	**0**	**8,188**	**6**	**33,064**

€ thousand	Loans	Liabilities for the potential acquisition of non-controlling interests	Contributions by silent partners	Derivatives	Lease liabilities	Other	Total
Amount at 30 September 2022	**4,053**	**8,431**	**4,200**	**297**	**6,685**	**206**	**23,872**
Cash inflow/outflow from financing activities	9,204	-5,355	-300	0	1,142	-200	**4,491**
Subsequent measurement	0	365	0	-219	0	0	**146**
Change in the scope of consolidation	0	0	0	0	0	0	**0**
Currency translation	59	17	0	3	16	0	**95**
Interest added	0	0	61	0	0	0	**61**
Additions to leases	0	0	0	0	341	0	**341**
Amount at 30 September 2023	**13,316**	**3,458**	**3,961**	**81**	**8,184**	**6**	**29,006**

22 CONVERTIBLE BONDS

Convertible bonds in the amount of € 5.0 million were placed with MP Beteiligungs-GmbH on 5 March 2024 by way of a private placement. The maturity date is 5 September 2026 and the conversion price is € 5.04.

The equity component (€ 609 thousand) was calculated by comparing the contractual interest rate (6.515 %) with the standard market interest rate for the company (12.70 %).

€ thousand	2023/24	2022/23
Addition of convertible bond	5,000	-
Equity component	-609	-
Transaction costs	-66	-
Net carrying amount of convertible bond	**4,325**	**-**

The changes are as follows:

€ thousand	2023/24	2022/23
Carrying amount on 1 October	**-**	**-**
Addition of net carrying amount of convertible bond	4,325	-
Repayment	-163	-
Interest cost	314	-
Carrying amount 30 September	**4,476**	**-**
of which current	326	-

23 FINANCIAL LIABILITY FOR FUTURE PAYMENTS TO ROYALTY PHARMA

The agreement concerning the sale of future royalties from the license agreement with Pharvaris N.V. to Royalty Pharma came into force on 20 September 2024.

In accordance with this agreement, Royalty Pharma made a non-refundable pre-payment of € 18.41 million to BRAIN Biotech AG upon signing of the agreement. In addition, potential future payments from Royalty Pharma to BRAIN Biotech AG of up to € 110.47 million were agreed, which are to be paid depending on the achievement of certain contractually defined regulatory and commercial milestones for the investigative drug deucrictibant.

In return, BRAIN Biotech AG has undertaken under the agreement to pass on to a third party (i.e. Royalty Pharma) the majority of the royalties to which it will be entitled in future under the existing license agreement with Pharvaris N.V. for the successful sublicensing of deucrictibant by Pharvaris N.V.

Deucrictibant is currently still in clinical development and has not yet received market approval. For this reason, it is uncertain whether BRAIN Biotech AG will receive any royalties and generate revenue from this drug in the future. Based on the management planning prepared by BRAIN Biotech AG, however, it is expected that deucrictibant will be ready for market approval in the coming years and that royalties from net sales will be passed on to Royalty Pharma after successful market approval.

As the agreements concluded with Royalty Pharma were concluded on arm's length terms, the total consideration paid by Royalty Pharma corresponds to the fair value of the liability entered into by BRAIN Biotech AG.

The financial liabilities to Royalty Pharma are subsequently recognized at amortized cost applying the effective interest method (18.51 %). The resultant effective interest is recognized in the financial result.

€ thousand	**2023/24**	**2022/23**
Addition for payment from Royalty Pharma	18,410	-
Transaction costs	-90	-
Net carrying amount: Royalty Pharma	**18,320**	**-**

The changes are as follows:

€ thousand	**2023/24**	**2022/23**
Carrying amount on 1 October	**-**	**-**
Addition to net carrying amount of Royalty Pharma	18,320	-
Amortization effect from effective interest method	85	-
Carrying amount 30 September	***18,406***	**-**
of which current	*0*	-

Due to deucrictibant's current development stage, at present it is not expected that any liabilities to Royalty Pharma will fall due within the 12 months following the balance sheet date, as a consequence of which no current financial liability from future payments to Royalty Pharma is to be recognized.

24 OTHER LIABILITIES

Other liabilities include € 658 thousand (previous year: € 1,273 thousand) for the Biocatalysts Ltd. growth share program, of which € 658 thousand is current (previous year: € 578 thousand) and € 0 thousand non-current (previous year: € 694 thousand).

Current other liabilities consist of the following:

€ thousand	2023/24	2022/23
Wage and salary liabilities	3,074	968
Accrued vacation pay	364	375
Wage and church tax, social security	621	498
Supervisory Board compensation	424	345
Special payments to subsidiaries' managements and employees	811	706
VAT	0	105
Miscellaneous other liabilities	138	254
Total current other liabilities	**5,431**	**3,251**

Miscellaneous other liabilities include customer credits of € 27 thousand (previous year: € 45 thousand).

25 DEFERRED INCOME

Deferred income consists of current deferred income of € 620 thousand (compared with € 2,932 thousand in the previous year) and non-current deferred income of € 1,124 thousand (compared with € 518 thousand in the previous year).

Deferred income totaling € 0 thousand (previous year: € 196 thousand) arises from transactions with SolasCure Ltd. The deferred income partly includes advance payments received from customers for performance obligations not yet fulfilled as at the reporting date. A contribution of € 581 thousand is attributable to benefit obligations that have not yet been fulfilled (previous year: € 2,901 thousand). It is expected that a contribution of € 500 thousand of this amount can be recognized in revenue within one year. Deferred income of € 4,113 thousand (previous year: € 3,125 thousand) was fully recognized in revenue in the 2023/24 financial year.

26 PROVISIONS

€ thousand	30.09.2023	Utilization	Release	Addition	Currency differences	30.09.2024
Archiving costs	**20**	0	0	0	0	**20**
Costs for financial statements, auditing, and consulting	**493**	-447	0	495	2	**543**
Decommissioning and dismantling	**66**	0	0	1	0	**67**
Employee-related expenses	**104**	-104	0	49	0	**49**
Other	**212**	-175	-2	383	9	**427**
Total	**895**	**-726**	**-2**	**928**	**11**	**1,106**

27 TRADE PAYABLES

Trade payables have a term of up to one year.

VII. 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

Financial assets and liabilities are as follows on a summarized basis:

Category	Category	Carrying amount	Fair value			
€ thousand	IFRS 9	30.09.2024 *(30.09.2023)*	Amortized cost	Cost IFRS 16	Fair value through profit or loss	30.09.2024 *(30.09.2023)*
Assets						
Trade receivables	AC	7,798 *(9,442)*	7,798 *(9,442)*			
Other current and non-current assets	AC	18 *(111)*	18 *(111)*			
Other financial assets	FVTPL	57 (0)			57 (0)	**57** **(0)**
Other financial assets	AC	181 *(178)*	181 *(178)*			
Cash and cash equivalents	AC	27,171 *(5,352)*	27,171 *(5,352)*			
Total		35,224 *(15,083)*	35,167 *(15,083)*		57 *(0)*	**57** ***(0)***

Category	Category	Carrying amount	Fair value			
€ thousand	IFRS 9	30.09.2024 *(30.09.2023)*	Amortized cost	Cost IFRS 16	Fair value through profit or loss	30.09.2024 *(30.09.2023)*
Liabilities						
Trade payables	AC	5,611 *(5,617)*	5,611 *(5,617)*			
Bond	AC	4,476 *(0)*	4,476 *(0)*			
Royalty Pharma	AC	18,406 (0)	18,406 (0)			
Financial liabilities	AC	29,828 *(25,466)*	21,640 *(17,282)*	8,188 *(8,184)*		0 *(0)*
Financial liabilities	FVTPL	3,235 *(3,539)*			3,235 *(3,539)*	3,235 *(3,539)*
Other liabilities	AC	112 *(254)*	112 *(254)*			
Total		61,668 *(34,876)*	50,245 *(23,153)*	8,188 *(8,184)*	3,235 *(3,539)*	3,235 *(3,539)*

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).

The carrying amount of Level 3 financial liabilities (FVTPL) at the end of the reporting period stood at € 3,235 thousand (previous year: € 3,539 thousand). These are put option liabilities to minority shareholders of the Breatec Group.

The contractual undiscounted cash outflows of financial liabilities within the scope of IFRS 7 are shown in the following table:

30.09.2024 in € thousand	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35ff
Silent partnerships (without profit-sharing)	557	1,139	1,103	2,231	377	1,277	1,362	1,886	812	756	0
Liabilities to lenders	7,751	2,060	3,062	1,111	317	97	97	97	97	97	707
Lease liabilities	1,858	1,726	1,558	1,487	1,368	727	372	0	0	0	0
Liabilities from acquiring interests in fully consolidated companies[12]	3,235	0	0	0	0	0	0	0	0	0	0
Other liabilities	93	0	0	0	0	0	0	0	0	0	0
Trade payables	5,611	0	0	0	0	0	0	0	0	0	0
Financial liability to Royalty Pharma	0	0	0	0	0	0	0	0	0	0	0
Convertible bond	326	5,326									
Total	**19,432**	**10,257**	**5,723**	**4,829**	**2,063**	**2,102**	**1,832**	**1,983**	**909**	**853**	**707**

[12] The exercise of the Breatec Group put option as of the latest possible date would lead to a cash outflow of € 11.1 million in the 2026/27 financial year.

30.09.2023 in € thousand	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34ff
Silent partnerships (without profit-sharing)	1,249	180	762	726	1,854	0	0	0	0	0	0
Liabilities to lenders	2,977	6,042	1,859	2,905	1,057	314	94	94	94	94	794
Lease liabilities	1,688	1,622	1,379	1,252	1,185	1,119	500	281	0	0	0
Liabilities from acquiring interests in fully consolidated companies	0	3,608	0	0	0	0	0	0	0	0	0
Derivative financial instruments (forward foreign exchange transactions)	82	0	0	0	0	0	0	0	0	0	0
Other liabilities	254	6	0	0	0	0	0	0	0	0	0
Trade payables	5,617	0	0	0	0	0	0	0	0	0	0
Total	**11,866**	**11,458**	**4,000**	**4,883**	**4,096**	**1,433**	**594**	**375**	**94**	**94**	**794**

The following table shows the net gains or losses on financial instruments by measurement category:

€ thousand 2023/24 (2022/23)	From interest and dividends	From subsequent fair value measurement/ impairment	From disposals	Net gains/losses
Loans and receivables	6 (22)	0 (-2)	0 (36)	6 (56)
Financial liabilities measured at (amortized) cost	-1,692 (-776)	0 (0)	0 (0)	-1,692 (-776)
Financial assets measured at fair value through profit or loss	0 (0)	139 (0)	0 (0)	139 (0)
Leasing	-333 (-162)	0 (0)	0 (0)	-333 (-162)
Financial liabilities measured at fair value through profit or loss	0 (0)	204 (-146)	0 (0)	204 (-146)
Total	**-2,019** **(-916)**	**342** **(-148)**	**0** **(36)**	**-1,677** **(-1,028)**

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 € 1,692 thousand (previous year: € 776 thousand).

RISK MANAGEMENT/RISKS FROM FINANCIAL INSTRUMENTS

The Group's business activities expose it to various financial risks: credit risk, foreign currency risk, interest rate risk, put option risk and liquidity risk. For further information, please refer to the Report on Risks and Opportunities that is contained in the Group management report.

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 default risk corresponds to the carrying amounts of the financial instruments on the balance sheet date; see section (16) Trade receivables. 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 BioProducts 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 € 39 thousand from currency differences (previous year: € 231 thousand) is offset by € 148 thousand of expenses from currency differences (previous year: € 292 thousand), so the resultant effects in both the 2023/24 and 2022/23 financial years largely offset each other, with only a small net expense remaining. Foreign currency positions are generally of minor importance within the 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.

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.

For this reason, the aim is to achieve an equity ratio in line with industry standards and to ensure adequate liquidity through other suitable financial instruments such as borrowed capital and silent participations. The equity ratio amounted to 16 % as at 30 September 2024 (previous year: 32 %). 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 2021/22 financial year, various valuation risks arise which are presented below. The put option agreement is allocated to Level 3 of the fair value hierarchy. The measurement is based on an EBITDA multiple adjusted for net debt including the working capital adjustment. The carrying amount totaled € 3,235 thousand as at the balance sheet date (previous year: € 3,539 thousand).

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 € 317 thousand higher liability would arise as at 30 September 2024. Given 10 % lower relevant EBITDA on the imputed exercise date of the put option rights, a € 317 thousand lower liability would arise as at 30 September 2024. Accordingly, the change would be 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. This liability is a current liability as at 30 September 2024. A one percentage point lower or higher applicable interest rate for the put option rights would not lead to any change in the liability as at 30 September 2024.

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 current financial liabilities. If, for example, the option holders were not to exercise their options until the last possible period (1 January to 31 March 2027), this would result in a € 7,995 thousand higher cash outflow in the 2026/27 financial year.

A detailed listing of opportunities and risks is also presented in the Group management report of BRAIN Biotech AG.

VIII. Other information

AUDITOR'S FEES

The fees paid to or accrued for the auditors of the BRAIN Biotech Group engaged for the financial year in question consist of the following items:

€ thousand	2023/24	2022/23
Audit services	349	321
of which relating to the previous year	30	54
Other services	0	0
	349	**321**

RELATED PARTY DISCLOSURES

The Management Board and the Supervisory Board of BRAIN Biotech AG form the key management bodies of the BRAIN Biotech Group. The company's Management Board consisted of the following members in the financial year under review:

Adriaan Moelker, Wehrheim, CEO (Chairman)
Master of Business Administration (MBA)

Michael Schneiders, Frankfurt am Main, CFO
B.S. Economics

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 2023/24 financial year, the Management Board was granted total compensation of € 1,367 thousand, as calculated based on the German Commercial Code (HGB). The corresponding figure for the previous year stood at € 1,428 thousand.

Management Board compensation, in accordance with IAS 24, in the year under review amounted to:

€ thousand	2023/24	2022/23
Fixed compensation[13]	725	680
Fringe benefits	63	57
Performance-based compensation[14]	126	325
Share-based compensation	340	242
	1,254	**1,304**

[13] Including contribution to pension plan in the amount of € 105 thousand (previous year: € 105 thousand)

[14] Payments due short-term

Pension provisions of € 930 thousand (previous year: € 928 thousand) have been formed for former Management Board members.

The Management Board members are members of the following supervisory boards or comparable supervisory bodies:

Adriaan Moelker, Wehrheim, CEO (Chairman)
BRAIN UK II Ltd., Cardiff, UK (Director)
Biocatalysts Ltd., Cardiff, UK (Director)
SolasCure Ltd., Cambridge, UK (Director)
Biosun Biochemicals Inc., Tampa FL, USA (Board member)

Michael Schneiders, Frankfurt am Main, CFO
BRAIN UK II Ltd., Cardiff, UK (Director)
Biocatalysts Ltd., Cardiff, UK (Director)

The Management Board directly holds 20,000 shares as at the reporting date.

The company's Supervisory Board included the following members in the financial year under review:

Dr. Michael Majerus, Ottobrunn (Chairman)
Consultant

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
CEO, humatrix AG, Pfungstadt
Board (Deputy Chair) Initiative Gesundheitswirtschaft-rhein-main e.V.

Stephen Catling, Cambridge, UK
Managing Director, SJ Catling Ltd., Cambridge, UK

Prof. Dr.-Ing. Wiltrud Treffenfeldt, Oberrieden, Switzerland
Independent consultant

Dr. Florian Schnabel, Munich
Managing Director of MP Beteiligungs-GmbH
Managing Director BSN GmbH

Christine Uekert, Berlin
Managing Director, Evolve Partners – Biofin Consulting GmbH
Managing Director, nSight Consulting GmbH

The Audit Committee of the company's Supervisory Board included the following members in the financial year under review:

Christine Uekert, Berlin (Chair)
Managing Director, Evolve Partners – Biofin Consulting GmbH
Managing Director, nSight Consulting GmbH

Dr. Michael Majerus, Ottobrunn (Chair)
Consultant

Dr. Florian Schnabel, Munich
Managing Director of MP Beteiligungs-GmbH
Managing Director BSN GmbH

The Personnel Committee of the company's Supervisory Board included the following members in the financial year under review:

Dr. Michael Majerus, Ottobrunn (Chair)
Consultant

Prof. Dr.-Ing. Wiltrud Treffenfeldt, Oberrieden, Switzerland
Independent consultant

Stephen Catling, Cambridge, UK
Managing Director, SJ Catling Ltd., Cambridge, UK

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 (Chair)
CEO of humatrix AG, Pfungstadt
Board (Deputy Chair) Initiative Gesundheitswirtschaft-rhein-main e.V.

Dr. Michael Majerus, Ottobrunn (Chair)
Consultant

The Supervisory Board members are members of the following supervisory boards or comparable supervisory bodies:

Dr. Michael Majerus, Ottobrunn (Chair)
Team Neusta AG, Bremen (Deputy Supervisory Board Chairman)

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
Frankfurter Innovationszentrum Biotechnologie GmbH, Frankfurt a. M. (Supervisory Board member)
Board House of Pharma & Healthcare e.V., Frankfurt am Main

Stephen Catling, Cambridge, UK
Cambridgeshire Community Foundation, UK (Advisory Board Chairman)
Condimentum Ltd., UK (Director)
Oceanium Ltd., UK (Director)
Arborea Ltd., UK (Director)

Prof. Dr.-Ing. Wiltrud Treffenfeldt, Oberrieden, Switzerland
ProBioGen AG, Berlin, Supervisory Board member

Dr. Florian Schnabel, Munich
None

Christine Uekert, Berlin
None

The compensation of the Supervisory Board in the year under review was as follows:

€ thousand	2023/24	2022/23
Fixed compensation*	295	159
of which allowance for special functions	70	57
Attendance fees*	129	130
Total compensation	**429**	**345**

* Payments due short-term

The Supervisory Board indirectly holds 27,000 shares in the company as at the reporting date.

Further information is presented in the compensation report.

OTHER RELATIONSHIPS WITH RELATED PARTIES

In the 2023/24 and 2022/23 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 the BRAIN Biotech Group and entities with significant influence over BRAIN Biotech AG.

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 € 0 thousand (previous year: € 196 thousand). In connection with the license, a service agreement was also concluded with an anticipated total volume of around € 5.3 million. In the 2023/24 financial year, revenue was generated with the company in the context of the transaction described above in the amount of € 468 thousand (previous year: 685 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 %. The company had drawn down € 5,000 thousand of this loan as at the balance sheet date (previous year: € 4,000 thousand). In the 2023/24 financial year, the interest cost amounted to € 222 thousand (previous year: € 80 thousand). Interest liabilities amounted to € 54 thousand as at the balance sheet date (previous year: € 31 thousand).

No receivables were due from directors of BRAIN Biotech AG or individuals related to these directors as of 30 September 2024. As at the 30 September 2024 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: € 424 thousand (previous year: € 345 thousand),
- Management Board compensation: € 126 thousand (previous year: € 325 thousand),
- Deferrals for outstanding vacation (Management Board): € 14 thousand (previous year: € 21 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 2024 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 2024 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:

	2023/24	2022/23
Total employees, of whom	307	309
Salaried employees	301	301
Industrial employees	6	8

The BRAIN Biotech Group also employs grant recipients (4, previous year: 4), temporary help staff (7, previous year: 12), trainees (7, previous year: 5).

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

BRAIN Biotech AG has signed an exclusive technology license agreement with Akribion Therapeutics GmbH for the genome editing nuclease G-dase E® for the pharmaceutical sector. BRAIN Biotech can receive up to € 92.3 million in R&D and commercial milestone payments from Akribion for granting these exclusive rights for use in the pharmaceutical area. In addition, BRAIN Biotech is entitled to license fees from future net revenues. The payment structure is based on progress in clinical development and future commercialization successes. BRAIN staff who were assigned to the business unit managed as Akribion Genomics are to be transferred to Akribion Therapeutics GmbH as part of a transfer of operations.

The genome editing nuclease G-dase E® forms part the proprietary CRISPR-Cas genome editing nuclease portfolio of BRAIN Biotech AG and was developed as part of the company's BioIncubator pipeline for highly innovative projects. BRAIN Biotech will continue to develop this portfolio of nucleases outside the pharmaceutical sector on its own initiative, and harness it as a technological differentiator in customer projects as well as offer it to external parties for licensing.

Prof. Dr. Wiltrud Treffenfeldt stepped down from her position as an ordinary member of the Supervisory Board of BRAIN Biotech AG for personal reasons with effect from 3 October 2024. Prof. Dr. Treffenfeldt has been a member of the Supervisory Board of BRAIN Biotech AG since October 2020.

No further significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2024 balance sheet date.

Zwingenberg, 13 January 2025

Adriaan Moelker
Chief Executive Officer

Michael Schneiders
Chief Financial Officer

Responsibility statement

We 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

("Free Translation of the Original German Auditor's Report")

To BRAIN Biotech AG, Zwingenberg

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, 2024, 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, 2023 to September 30, 2024, and notes to the consolidated financial statements, including significant information on accounting policies. In addition, we have audited the group management report of BRAIN Biotech AG for the financial year from October 1, 2023 to September 30, 2024. In accordance with German legal requirements, we have not audited the content of the internet site for the published Group declaration on corporate governance, as stated in the group management report in chapter "Corporate Governance Statement pursuant to § 289f and § 315d of the German Commercial Code" as well as chapters 2.1. "Risk Management System ('RMS')", 2.2. "Internal Control System" ('ICS')" and 2.4. "Overall Assessment of the Risk Management System and the Internal Control System" which are part of the group management report.

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 IFRS Accounting Standards (hereinafter referred to as "IFRS Accounting Standards") issued by the International Accounting standards Board (IASB) 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, 2024, and of its financial performance for the financial year from October 1, 2023 to September 30, 2024, 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 § 289f and § 315d HGB" as well as chapters 2.1. "Risk Management System ('RMS')", 2.2. "Internal Control System" ('ICS')" and 2.4. "Overall Assessment of the Risk Management System and the Internal Control System" which form part of the group management report.

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 Statements

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, 2023 to September 30, 2024. 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 issue was most important in our audit:

- Impairment of goodwill

We have structured our presentation of this key audit matter as follows:

1.) Facts and problem
2.) Audit procedures and findings
3.) Reference to further information

In the following we present the key audit matter:

Impairment of goodwill

1.) In the consolidated financial statements of BRAIN Biotech AG, a total of kEUR 6,806 (previous year: kEUR 6,666) 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 processes relating to the relevant corporate planning and the valuation of goodwill. First of all, we have traced the planning process and the assumptions of the legal representatives with regard to the future developments of the companies concerned and compared them with general market expectations. Furthermore, we verified the valuation models used with regard to the correct calculations and checked that the valuation models meet the fundamental requirements of the relevant valuation standards. We also verified the underlying valuation parameters by comparing them with market data.

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 valuation 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".

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 above-mentioned corporate governance statement as well as chapters 2.1. "Risk Management System ('RMS')", 2.2. "Internal Control System" ('ICS')" and 2.4. "Overall Assessment of the Risk Management System and Internal Control System" which are part of the group management report.

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:

- Chapter "To our shareholders",
- Chapter "Company",
- Chapter "Responsibility statement",
- Chapter "Services".

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, our responsibility is to read the other information and assess whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears 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 IFRS Accounting Standards 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the internal controls relevant for the audit of the consolidated financial statements and of precautions and measures relevant for the audit of the group management report in order to plan audit procedures being appropriate under the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems or precautions and measures.
- 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 IFRS Accounting Standards 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 controls 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, where applicable, 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 disclosure purposes 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 file 391200JKPVHLD6JLZ107-2024-09-30-de.zip and prepared for the purpose of publication of the consolidated financial statements and the group management report (hereinafter referred to as "ESEF documents") comply in all material respects with the requirements of 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 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, 2023 to September 30, 2024 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 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 (06.2022)). 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 requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 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 such internal control as they have determined 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 process 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 a nd 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 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 12, 2024. We were engaged by the supervisory board on September 23, 2024.

We have been the group auditor of BRAIN Biotech AG without interruption since 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 Company Register – 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.

Munich, January 13, 2025

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Weissinger	Stumpp
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]