



Creating a #Biobased Future

B·R·A·I·N

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BRAIN Biotech AG Annual Report 2020/21

BRAIN Group key financials

in € million 2020/21 2019/20 2018/19

Consolidated income statement data:

Revenue	38.4	38.2	38.6
Total operating performance	40.7	39.2	41.2
EBITDA	-2.5	-3.9	-2.5
Adjusted EBITDA	-2.1	-2.0	-2.2
Net loss for the reporting period	-4.7	-9.0	-11.1

Consolidated balance sheet data:

Total equity	41.8	26.1	20.2
Equity ratio (in %)	53.8	36.2	30.5
Total assets	77.7	72.2	66.1

Consolidated cash flow data:

Cash flows from operating activities	-3.9	-4.8	-3.4
Cash flows from investing activities	-2.2	-4.5	-6.7
Cash flows from financing activities	11.6	13.1	-0.3

The BRAIN Group

The headquarter and the technology campus of the BRAIN Group is located in Zwingenberg, south of Frankfurt am Main.

The BRAIN Group consists of the following companies: AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC, Biocatalysts Ltd. (82.2%), Biocatalysts Inc., Biosun Biochemicals Inc., L.A. Schmitt GmbH, SolasCure Ltd. (41%), WeissBioTech GmbH.



BRAIN at a glance

BRAIN Biotech AG ("BRAIN") is one of Europe's leading companies in the industrial ("white") biotechnology. The company identifies previously unutilized powerful enzymes, microbial production organisms and natural substances from biological systems for industrial applications and healthcare. We optimize microbial production strains and develop efficient bioprocesses. With the BRAIN-Engineered-Cas (BEC) nuclease, we are developing a proprietary technology for genome editing and are continuously expanding it internationally into a powerful platform.

With our bio-based B2B products and solutions in the areas of nutrition, health, and the environment, we support our customers on their path to sustainable processes and products. Our own research and our partner programs address some of the most important issues to make people's lives better and healthier. Our innovative solutions are successfully deployed in the nutrition manufacturing, in healthcare and in environmental applications. Many of these serve to make products and processes more sustainable.

Since the company was founded in 1993, BRAIN Biotech AG has developed from an "R&D powerhouse" into an integrated company that covers the entire value chain from the laboratory through to production – such as for enzyme products.

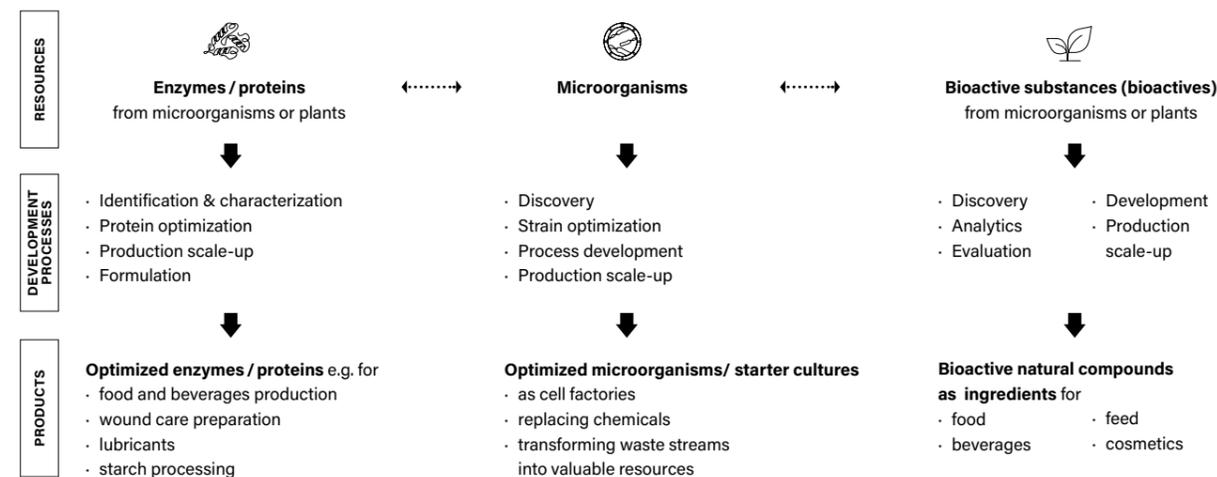
Our mission: We develop disruptive bio-based products and solutions for industry, with a focus on nutrition, health, and the environment. We thereby support companies on their path to greater sustainability, and we are helping society to move towards a bioeconomy.

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

Our business is divided into two segments: Our BioScience segment includes the R&D business with industrial partners as well as the incubator business. This area is characterized by research projects lasting one or more years with renowned global companies. Our BioIndustrial segment focuses on the specialty business in the production and refinement of enzymes, microorganisms and bioactive natural substances, as well as on related trading.

Our products are aimed at less cyclical end-markets, among others. Furthermore, natural-based products exhibit above-average market growth in line with rising consumer demand.

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



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01 Company management

01 Company management

Letter from the CEO
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BRAIN Management Board interview

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Adriaan Moelker — CEO BRAIN Biotech AG

Dear shareholders,

We completed the 2020/21 financial year in September 2021 satisfactorily and in line with our earnings and revenue forecast. In a financial year still marked overall by pandemic effects, we successfully compensated for weak revenues in some business areas with a strong products business at our subsidiaries Biocatalysts, Biosun and L.A. Schmitt. Thanks to stringent cost control, we improved our EBITDA as planned, despite continuing to realize a high level of high investments in our incubator pipeline and infrastructure.

Around two years ago, my management team and I launched a crucial transformation process at BRAIN: from its origins as a research-driven biotech network with a focus on the BRAIN BioArchive, the company has now developed into a solutions provider with strong biotechnology expertise. This transformation – from visionary pioneer into an entrepreneurial innovation partner to industry and an independent producer – is also illustrated by our new mission statement “Creating a bio-based Future”.

Vigorous pursuit of transformation

Over the past few months, we have also vigorously pursued this important transformation process within our company. I would like to illustrate this with a few examples presented below.

Together within the BRAIN Group, we are increasingly succeeding in our goal of covering the entire value chain through to finished enzyme products and process solutions. To this end, it was important for us to increase the interest we hold in enzyme producer Biocatalysts Ltd. to around 81%, thereby realizing further investment in the large-scale production of enzymes and our scaling expertise. With the acquisition of US distributor Biosun Biochemicals Inc., a company that is well established within the sector, we have taken an important step towards further expanding the BRAIN Group's product business and distribution structures in North America.

Good progress with integration of subsidiaries

The complete integration of the subsidiaries into the BRAIN Group is an important task, which I was pleased to take on personally. Regular communication at management level, as well as operational cooperation among the respective experts, have brought us a big step forward in this process. As the coronavirus pandemic has made travel difficult, we have successfully digitalized related processes.

In controlling, we have introduced extended guidelines and standards that ensure that processes within the Group are now fundamentally standardized and coordinated, which save resources, harmonize processes and also form the basis for efficient internal controlling.

Last autumn, we introduced "BRAINway", a modular training program specially tailored to our requirements. All employees within the BRAIN Group can benefit from this program. It will accompany our transformation and the culture change this entails, and provide a deeper understanding of our company's common objectives. The program will also serve the personal development of each individual, strengthen their core competencies and spark a new team spirit within the Group.

The results of a survey of customers who have utilized our technology services have strengthened our resolve to position ourselves as a sought-after solutions provider. Our industrial customers particularly value our expertise in the development of microbial production strains and in process development. However, our application know-how also plays an important role in their decision to select us as their technology developer. For this reason, we intend to continue to focus on these core competencies with great energy – both at Zwingenberg as well as within the entire BRAIN Group.

It is also very pleasing that the additionally created production capacities at Biocatalysts are already fully utilized with our own products as well as through customer orders. This has now led us to initiate the accelerated expansion of additional capacities.

Two new projects in our incubator pipeline

Thanks to our scientists' creativity, we added two new projects with significant commercial potential to the BRAIN incubator during the past financial year: BEC and PHA121.

The use of advanced CRISPR-based genome editing tools will be essential to a biotech company's operations in the future. With BRAIN-Engineered-Cas – also referred to in brief as "BEC" technology – we have a tool in our hands that not only offers us freedom in the application of genome editing in both our own and our customers' development projects. We also have the opportunity to build up our own genome editing platform. This platform offers such far-reaching commercial potential that we are preparing to establish a separate corporate entity for BEC.

As a second very promising project, we added pharmaceutical drug candidate PHA121, developed by our subsidiary AnalytiCon Discovery, to our incubator. In the event of a successful market launch, the BRAIN Group will receive milestone payments from development partner Pharvaris as well as substantial license fees.

Outlook for the coming months

Since June 2021, we have supported the UN Global Compact, one of the world's most important sustainability initiatives for the corporate sector. This underscores our commitment to pursuing a sustainable and socially responsible corporate policy. I personally accompany our ESG initiatives at Management Board level and we are already planning to publish our first sustainability report for the BRAIN Group this year. This report will also document our overall sustainability goals and their implementation within the framework of the UN Global Compact.

Every reason exists to be confident when looking ahead to the 2021/22 financial year of BRAIN Biotech AG. We are about to launch two products from our incubator for the first time, we expect positive results from the clinical trials of our two pharmaceutical projects, we aim to achieve further milestones with our sugar substitute Brazzein, and we are vigorously devel-

oping our BRAIN-Engineered-Cas nuclease into a genome editing platform. As usual, we will keep you informed about related progress and the commercial implications as part of our investor relations communications.

I would like to thank our customers as well as our partners in industry and academia for our positive and trusting collaboration. I wish to express my special thanks to our employees for their tireless efforts, including under the special conditions of the pandemic.

I would like to thank you, our shareholders, for your loyalty and confidence in us and in the future of BRAIN Biotech AG. We appreciate your loyalty – as we continue our commitment to the biologization of the economy and to more sustainable and healthier products.



Adriaan Moelker – CEO BRAIN Biotech AG

Dear shareholders,

BRAIN Biotech AG successfully continued to develop its defined growth strategy during the 2020/21 financial year, despite the still ongoing negative effects of the pandemic.

As part of the third Capital Markets Day (CMD), the Management Board and the scientific management of the BRAIN-Engineered-Cas (BEC) program presented details of their development and growth plans for this promising genome editing technology. The Supervisory Board expressly accompanies and supports the accelerated development of BEC technology, as it anticipates significant positive commercial effects for the company. The company's medium-term targets, which were published at last year's CMD, remain unchanged: the company continues to aim for a doubling of revenue and an EBITDA margin of 15 % (± 5 pp). The company is consistently pursuing an expansion of its products business in the BioIndustrial area, and has consequently also acquired a further minority interest in Biocatalysts Ltd. In January 2021, BRAIN Biotech AG acquired the entirety of Biosun Biochemicals Inc., USA, thereby strengthening its production and distribution network in the important North American market. In addition to targeted organic growth, further value-enhancing acquisitions are also being considered. The integration of the subsidiaries into the BRAIN Group is progressing successfully, which is enabling an increasing level of cost and revenue synergies to be leveraged. At the spin-off company SolasCure Ltd., United Kingdom, the first clinical trials on patients have now commenced. These clinical trials were unfortunately delayed by the pandemic, as the trial centers were closed to non-COVID patients. BRAIN Biotech AG continues to support SolasCure Ltd. both financially and scientifically in its development. We are convinced that BRAIN Biotech AG, with its fast-growing products business, its successful market position in contract research, its investment in SolasCure Ltd., as well as product innovations from the incubator, enjoys a wide range of positive development potentials.

The Supervisory Board continued to play a consultative role in these developments during the past financial year.

The following report provides information about the Supervisory Board's work in the 2020/21 financial year, in other words, from 1 October 2020 until 30 September 2021. During this period, we fulfilled all of the tasks and duties incumbent upon us pursuant to the law, the company's bylaws and the rules of business procedure for the Supervisory Board.

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

Collaboration between the Supervisory and Management boards

The Management Board informed the Supervisory Board regularly, promptly and comprehensively in the form of detailed written and verbal reports on all matters relating to strategy, planning, business development, the risk position, risk trends and compliance that are of importance for the company and the Group, and consequently fully met its reporting duties to the Supervisory Board in the relevant period. The Supervisory Board and its committees were involved in all important business transactions and decisions of fundamental significance for the company. Collaboration with the Management Board was characterized in all aspects by responsible and purposeful action.

Personnel matters

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

The Supervisory Board consisted of four members as of the start of the period under review. As part of a replacement appointment pursuant to Section 104 (2) Clause 1 of the German Stock Corporation Act (AktG), Prof. Dr. Wiltrud Treffenfeldt and Mr. Stephen Catling were appointed as members of the Supervisory Board with effect from 14 October 2020 until the next Annual General Meeting on 10 March 2021. On 10 March 2021, the Annual General Meeting elected Prof. Dr. Wiltrud Treffenfeldt and Mr. Stephen Catling to the Supervisory Board for a regular term of office. Also at the Annual General Meeting in March, Dr. Anna C. Eichhorn, Deputy Chair of the Supervisory Board, was elected to the Supervisory Board for a further term of office.

No changes occurred within the Management Board in the year under review.

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

Supervisory Board meetings

In the 2020/21 financial year, a total of two Supervisory Board meetings were held on a face-to-face basis, ten by way of video conference and one as a telephone conference. The committees held eight meetings by way of video conference. The Supervisory Board members always had sufficient time to engage critically with the information submitted by the

“The company's medium-term targets ... remain unchanged: the company continues to aim for a doubling of revenue and an EBITDA margin of 15 % (± 5 pp).”

Dr. Georg Kellinghusen — Supervisory Board Chairman



Management Board, and to contribute its own views. As part of the meetings, the information was discussed in detail with the Management Board, and examined as to its plausibility. The Supervisory Board also met regularly without the Management Board. The Supervisory Board issued its approval of specific business transactions as required by law, the company's bylaws, and the rules of business procedure for the Supervisory or Management boards.

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

TABLE 01.1

OVERVIEW OF SUPERVISORY BOARD MEETINGS IN THE 2020/21 FINANCIAL YEAR

Name	Meetings attended ¹	Meetings attended ²	Remarks
Dr. Georg Kellinghusen	13/13	8/8	Chair
Dr. Anna C. Eichhorn	13/13	2/2	Deputy Chair
Stephen Catling	13/13	5/5	Member of the Audit Committee until 11 December 2020
Prof. Dr. Bernhard Hauer	13/13	0/0	
Dr. Michael Majerus	13/13	8/8	
Prof. Dr. Wiltrud Treffenfeldt	12/13	1/1	Non-participation excused

Moreover, outside the scope of meetings, the Supervisory Board members, especially myself as Supervisory Board Chairman and Committee Chairman as well as the respective Chairs of the committees, were in regular communication both with each other as well as with the Management Board. This particularly entailed consultations on questions relating to the company's strategy, planning, business development, risk position, risk management, corporate governance and

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

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

compliance. The Supervisory Board members were informed about important information at the latest as of the following plenary or committee meetings.

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

Focus consultation areas in the plenary Supervisory Board

During the 2020/21 financial year, we in the plenary Supervisory Board concerned ourselves especially with the following topics:

- Annual financial statements for the 2019/20 financial year,
- The statement of conformity and the declaration on corporate governance,
- Reaching the corporate targets for the 2019/20 financial year relating to developing the BiIndustrial and BioScience operating segments,
- Introduction of the new members of the Supervisory Board,
- Risk management and internal controlling systems,
- Strategy development and adapting the strategy for the company,
- Planning and implementation of the Annual General Meeting on 10 March 2021,
- The impact of the COVID-19 pandemic,
- Supervision of the capital increase on 15 September 2021,
- Supervision of cost containment,
- Acquisition of Biosun Biochemicals, Inc.,
- Current and future research projects,
- Strategic alliances and planned partnerships,
- Supervision of the company's Capital Markets Day 2021,
- Budget for the 2021/22 financial year, and planning for the next five years.

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

In addition, the following topics and resolutions were presented:

On 20 December 2020, the Supervisory Board approved the financial statements documents for the 2019/20 financial year and concurred with the Management Board's proposal relating to the application of unappropriated profit, after having previously clarified and discussed in depth the financial statements at its face-to-face meetings.

Following the Annual General Meeting on 10 March 2021, the constituent meeting of the Supervisory Board was held on the same day. At the constituent meeting, Dr. Georg Kellinghusen was elected Chairman of the Supervisory Board following his re-election to the Supervisory Board.

Committees

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

Audit Committee

The Audit Committee concerns itself especially with the supervising of financial accounting, the financial accounting process, the efficacy of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, as

well as compliance. The Audit Committee submits a substantiated recommendation for the election of the auditor to the Supervisory Board, which comprises at least two candidates if the audit mandate is to be put out to tender. The Audit Committee supervises the auditor's independence and concerns itself with services to be rendered additionally by the auditor, the award of the audit mandate to the auditor, the setting of focus audit areas, as well as arranging the auditor's fee.

Pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), the audit committee must include at least one supervisory board member with expertise in the financial accounting or financial auditing areas. The Audit Committee Chairman, Dr. Michael Majerus, meets the statutory conditions pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), and also possesses specialist knowledge as a previous head of financial accounting and CFO, including at three listed companies. His activities focus on controlling, financial questions and financial accounting, among other areas. Moreover, he commands a broad spectrum of knowledge in compliance topics as well as in the investor relations area. Besides the Committee Chair, the members of the Audit Committee are Dr. Georg Kellinghusen, Dr. Anna C. Eichhorn (until 11 December 2020) and Stephen Catling (since 11 December 2020).

Furthermore, the Audit Committee has granted its approval that Ernst & Young GmbH, as well as management consultancy firms within the group association of Ernst & Young GmbH, should render further services besides audit services for the company, having assured itself in this context of the continued independence of Ernst & Young GmbH for the audit mandate.

Six Audit Committee meetings were held as video conferences during the 2020/21 financial year.

Nomination Committee

The Nomination Committee did not hold any meetings during the 2020/21 financial year. Besides the Committee Chair, Dr. Anna C. Eichhorn (since 11 December 2020), the committee includes Dr. Georg Kell-

inghusen and Prof. Dr. Bernhard Hauer (since 11 December 2020).

Personnel Committee

The Personnel Committee prepares personnel decisions for the Supervisory Board, especially the selection, appointment and recall from office of Management Board members, the conclusion and amendment of service contracts and pension arrangements, the compensation scheme including its implementation as part of the service contracts, target setting for variable compensation, setting and reviewing appropriate total compensation for each Management Board member, and approving the annual compensation report. In addition, the Personnel Committee passes resolutions concerning the representation of the company vis-à-vis Management Board members pursuant to Section 112 AktG, the approval of Management Board members' other business activities pursuant to Section 88 AktG (prohibition of competition), and other ancillary activities, especially assuming supervisory board posts or positions on comparable controlling bodies outside the BRAIN Group. Dr. Georg Kellinghusen chairs the Personnel Committee. Besides the Committee Chair, Dr. Georg Kellinghusen, the committee also includes the Supervisory Board members Dr. Michael Majerus and Prof. Dr. Wiltrud Treffenfeldt (since 11 December 2020).

The Personnel Committee held two video meetings during the 2020/21 financial year. The Personnel Committee dealt, in particular, with the preparation of a compensation scheme in accordance with Sections 87, 87a AktG. The Annual General Meeting on 10 March 2021 approved the compensation scheme in the form submitted to it.

Corporate governance and the statement of conformity

→ Declaration on Corporate Governance, page 60

At its meetings, the Supervisory Board consulted on several occasions concerning the company's

corporate governance, including requirements deriving from the German Corporate Governance Code (DCGK).

The Supervisory Board approved the current statement of conformity in December 2021, after the end of the 2020/21 financial year. The Code's recommendations were, and are, complied with, apart from the exceptions explained in the statement of conformity. The full text of the statement of conformity as well as the corporate governance declaration by the Management and Supervisory boards of BRAIN Biotech AG are published on the company's website at www.brain-biotech.com/investors/corporate-governance.

Regarding the provisions of Section 111 (5) AktG, the Supervisory Board has set itself the target of taking women into appropriate consideration in its future composition. At its meeting on 28 September 2017, the Supervisory Board of BRAIN Biotech AG re-confirmed its objective that the Supervisory Board should include one woman, corresponding to a 17 % ratio. The target included a deadline of 30 June 2022. The ratio was exceeded with the appointment of Prof. Dr. Wiltrud Treffenfeldt in the course of the subsequent appointment as requested in accordance with Section 104 (2) Clause 1 AktG. With the re-election of Dr. Anna C. Eichhorn and the election of Prof. Dr. Wiltrud Treffenfeldt for a full mandate, the current ratio stands at 33.3%.

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

Audit of the separate and consolidated annual financial statements

Auditor

The Annual General Meeting on 10 March 2021 determined that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart, should be the auditor

for the financial year ending 30 September 2021. This engagement also includes engaging the auditor for the consolidated financial statements for the financial year ending 30 September 2021. Helge-Thomas Grathwol, Diplom-Kaufmann, Wirtschaftsprüfer, Certified Public Accountant (CPA), has signed as auditor responsible for the audit since the 2016/17 financial year, and Michael Hällmeyer, Diplom-Kaufmann, Wirtschaftsprüfer, as auditor, also since the 2016/17 financial year. EY audited the separate annual financial statements for the financial year from 1 October 2020 to 30 September 2021, prepared according to the financial accounting regulations of the German Commercial Code (HGB), as well as the management report for BRAIN Biotech AG. The auditor EY awarded an unqualified audit certificate. Pursuant to Section 315e HGB, the consolidated financial statements of BRAIN Biotech AG for the financial year from 1 October 2020 to 30 September 2021 and the Group management report were prepared on the basis of International Financial Reporting Standards (IFRS), as applicable in the European Union. Both the consolidated financial statements and the Group management report were also awarded an unqualified audit certificate. Moreover, the auditor found that the Management Board has set up an appropriate information and supervision system that is suitable in its design and utilization to identify developments at an early juncture that jeopardize the company as a going concern.

Review by the Supervisory Board

The documents for the financial statements and the audit reports were discussed extensively at the Audit Committee meeting on 9 December 2021 and at the Supervisory Board meeting on 10 December 2021. The auditor EY reported on the main results of its audit. It also provided information about its findings on internal control and risk management in relation to the financial accounting process, and was available to respond to additional queries as well as to provide further information. The review of

the separate and consolidated financial statements by the Audit Committee was reported upon in detail by its chair at the plenary meeting. Following in-depth review and discussion of the separate financial statements, the consolidated financial statements and the management report, the Supervisory Board raised no objections against the submitted documents. The Supervisory Board consequently concurred with the Audit Committee's recommendation and approved the result of the audit by the auditor. By way of resolution on 10 December 2021, the Supervisory Board then approved the separate and consolidated annual financial statements of BRAIN Biotech AG for the 2020/21 financial year. The separate annual financial statements of BRAIN Biotech AG have been adopted as a consequence.

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

Furthermore, the Supervisory Board reviewed the report prepared by the Management Board on relationships with affiliates pursuant to Section 312 (1) AktG for the period of dependency between 1 October 2020 and 30 September 2021 ("dependent companies report"), and discussed it extensively with the Management Board as well as with the auditor that additionally audits the dependent companies report.

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

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

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

1. the actual disclosures presented in the report are correct,
2. and that for the legal transactions listed in

the report, the consideration rendered by the company was not inappropriately high.”

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

Thank you from the Supervisory Board

The Supervisory Board would like to thank the members of the Management Board as well as all employees of the BRAIN Group for their commitment and outstanding personal contribution during the 2020/21 financial year. We look forward to further advancing the profitable growth with you with renewed vigor.

Zwingenberg, 10 December 2021



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

Members of the Supervisory Board and Supervisory Board committees

	Further board mandates in 2019/20	Audit Committee
Dr. Georg Kellinghusen Chairman Member since 9 March 2017. Appointed until the AGM 2022/23.	<ul style="list-style-type: none"> Member of the Advisory Board of NWB Verlag GmbH & Co. KG, Herne Member of the Advisory Board of Advyce GmbH, Munich Member of the Advisory Board of Simplifa GmbH, Berlin Member of the Bavaria Advisory Board of Deutsche Bank AG, Frankfurt am Main (listed company) 	Dr. Michael Majerus , Chairman Dr. Georg Kellinghusen , Member Dr. Anna C. Eichhorn, until 11 December 2020 , Member Stephen Catling, since 11 December 2020 , Member
Dr. Anna C. Eichhorn Deputy Chair, until 23 February 2020 Member since 9 March 2017. Appointed until the AGM 2024/25.	<ul style="list-style-type: none"> CEO of humatrix AG, Pfungstadt Management Board member (Deputy Chair) of Initiative gesundheitswirtschaft-rhein-main e.V. Member of the Supervisory Board of Frankfurter Innovationszentrum Biotechnologie (FIZ), Frankfurt am Main Member of the Management Board of House of Pharma & Healthcare e.V. 	Nomination Committee Dr. Anna C. Eichhorn, since 11 December 2020 , Chair Dr. Georg Kellinghusen , Chairman Prof. Dr. Bernhard Hauer, since 11 December 2020 , Member
Stephen Catling Supervisory Board member Member since 14 October 2020. Appointed until the AGM 2024/25.		Personnel Committee Dr. Georg Kellinghusen , Chairman Dr. Michael Majerus , Member Prof. Dr. Wiltrud Treffenfeldt, since 11 December 2020 , Member
Prof. Dr. Bernhard Hauer Supervisory Board member Member since 7 March 2019. Appointed until the AGM 2022/23.	<ul style="list-style-type: none"> Member of the Scientific Advisory Board of Biosyntia ApS Member of the Scientific Advisory Board of Provivi, Inc. Member of the Scientific Advisory Board of Arzeda Corporation 	
Dr. Michael Majerus Supervisory Board member Member since 7 March 2019. Appointed until the AGM 2022/23.	<ul style="list-style-type: none"> Member of the Management Board of SGL Carbon SE (mandate ended in FY 2020/21) Member of the Supervisory Board of SGL CARBON LLC, Charlotte, USA (mandate ended in FY 2020/21) Non-executive director on the Management Board of Deutsches Aktieninstitut e.V., Frankfurt am Main 	
Prof. Dr. Wiltrud Treffenfeldt Supervisory Board member Member since 14 October 2020. Appointed until the AGM 2024/25.	<ul style="list-style-type: none"> Member of the Supervisory Board of ProBio-Gen AG, Berlin Member of the Senate of the Fraunhofer Gesellschaft 	

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



UV light brings it to light: Did the company's own BEC nuclease perform its task in the experimental approach? CEO Adriaan Moelker and CFO Lukas Linnig listen to Dr. Paul Scholz explaining the details of genome editing with BEC.

Adriaan Moelker (CEO) and Lukas Linnig (CFO) in an interview

Adriaan, Lukas - in a positive sense, a lot has happened at BRAIN Biotech in the past twelve months. One topic in particular stands out - the new BEC technology, an in-house development for which the company has high hopes. What does BEC stand for?

ADRIAAN MOELKER

BEC stands for BRAIN-Engineered-Cas, and refers to a DNA cutting enzyme, colloquially often referred to as "gene scissors". As such, it belongs to the enzyme group of nucleases. With the BEC nuclease, we have developed our own variant of the CRISPR-Cas scissors in order to be able to make changes to the genome quickly, and in a targeted and cost-optimized manner. This enables us, for example, to rapidly optimize the metabolic performance of microbial production strains.

Strictly speaking, we plan to develop a technology platform with our CRISPR nuclease, as it can serve as a basis for development in a wide variety of application areas. Developing this technology further and securing it with patents is currently a high priority for the company. To this end, we aim to build up a portfolio of further nucleases of different types and thereby produce a toolkit adapted to the respective applications.

Why are these cutting nucleases so interesting for BRAIN?

LUKAS LINNIG

The possibility of efficient and targeted genome editing will change all our lives, with many benefits for society.

And as a biotech company, you can no longer afford not to have access to CRISPR-Cas technology for genome editing in the future. The technology simply offers too many opportunities for future medical and bioeconomy solutions. I'm thinking, for example, of the food market and the trend towards alternative proteins - or how crops can be adapted to global warming.

The invention of CRISPR-Cas9 technology around a decade ago has led to a revolution in genome editing. It has opened up new possibilities, as it not only accelerates a selection process enormously, but also - and above all - enables it to be targeted and precise. Molecular biologists can use it to selectively insert, remove or modify individual DNA segments in living organisms. This was not possible with all previous methods - and in such a simple, efficient and cost-effective manner.

ADRIAAN MOELKER

In our view, BEC is part of this CRISPR revolution. As we have already mentioned, we are using BEC today in the development of common production strains, as well as for microbial protein expression and process optimization - these are three business areas where we perform very well. We are pleased that our customers also confirmed this in a recent survey.

The topic of "BEC" has become public as a surprisingly new topic for BRAIN. What was the trigger for communicating it to the outside world for the first time last spring?

“With targeted genome editing, we achieve higher yields in the fermentation process or more stability in microbial protein secretion under specific environmental conditions.”

Adriaan Moelker — CEO BRAIN Biotech AG

LUKAS LINNIG

To the outside world, it may have looked like this – but our genome editing specialists have already been working on this technology in the lab for several years – initially with the aim of using it for our own R&D projects, because the CRISPR-Cas9 patent situation is complicated and licenses for the Cas9 nuclease to work with it in day-to-day operations are simply not economical for medium-sized biotech companies such as BRAIN Biotech.

However, it’s always a big step from the lab to commercialization. We made a conscious decision not to communicate publicly until we had sufficient evidence of scientific success and an initial assessment of market potential, in contrast to what may have been past practice at BRAIN.

In the case of BEC, with the successful editing in microorganisms in Zwingenberg, and after feedback from our international partner in the agricultural sector about activity in plants, the considerable economic potential this technology could have for BRAIN Biotech AG was immediately clear. For this reason, we had to inform the capital market by way of an ad-hoc announcement.

We firmly expect that we will continue to be able to use this system freely in the future – in other words, that we will have so-called freedom-to-operate. Our BEC nuclease differs from the well-known Cas9 and Cpf1 nucleases because we have specifically searched for nucleases in nature by way of metagenome sequencing which differ significantly from those already patent-

pending. We have used protein engineering to further optimize this natural nuclease. For this reason, it exhibits low sequence homology compared to other CRISPR nucleases, and targets DNA with a different molecular mechanism.

Could you provide some examples of where BRAIN is already deploying BEC technology?

ADRIAAN MOELKER

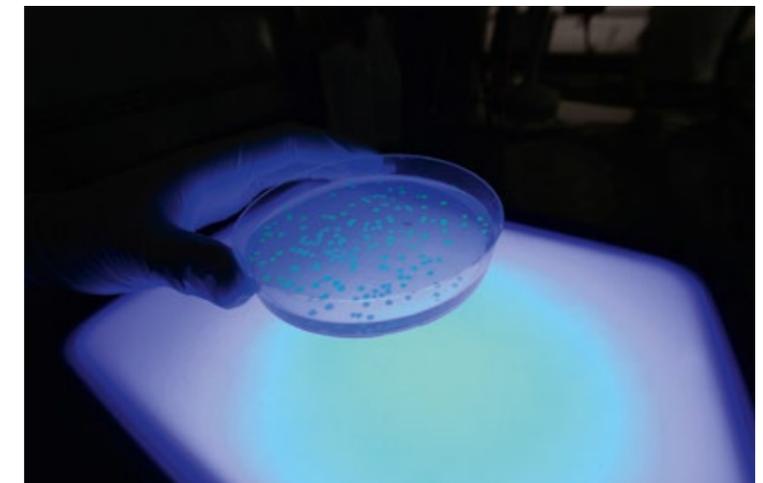
With targeted genome editing, we achieve higher yields in the fermentation process as well as greater stability in microbial protein secretion under specific environmental conditions. Alternatively, a microorganism strain is modified in order to utilize a different substrate to its natural substrate, because the customer wishes to use a certain organic waste product as the substrate.

We have also set up partnering programs for the BEC nuclease in the agricultural, biopharmaceutical and marine biology sectors, and made corresponding announcements. We are currently working hard on many other application areas and partnerships.

Genetically modifying organisms is an issue that divides societies. How does BRAIN deal with the issue of ethics and genome editing?

ADRIAAN MOELKER

In our view, the attitude towards genetically modified organisms in Germany and Europe has shifted in



Cell colonies deriving from the multiplication of single, pretreated microorganisms become visible to the naked eye in UV light by “switching on” fluorescent molecules, thereby confirming the success of a genome editing experiment.



Dr. Michael Krohn, Vice President and F&E Head (center) in discussion with the Management Board

recent years. The medical profession has been open to the topic for some time. For example, such rapid development of a COVID-19 vaccine would never have been possible without genetic engineering. In the agricultural sector, a change can now be seen in some interest groups. It is now becoming increasingly difficult to just say "no", because targeted genome editing would, for example, help to overcome many of the challenges to crop yields posed by climate change. In addition, a new generation of consumers is growing up who wish to eat more consciously as well as more sustainably and are consequently more open to such things as alternative protein sources. This is where precision fermentation comes in, and it's also where genome editing will play an important role.

Nevertheless, further discussions will have to be held on the topic in order to convince policymakers and society of the benefits. At BRAIN, we are already developing an internal code of conduct on genome editing, which our employees will commit to and which we will then also share with the public.

LUKAS LINNIG

An important part of the discussion is also that we need to look critically at individual applications, rather than just at the technology itself. If more vegetarian burgers are eaten because the burger patty has a color like minced meat, and this color substance is produced by genetically optimized microorganisms, then the application has a positive effect. And if, for example, people with cystic fibrosis or sickle cell anemia can be

cured by gene therapy, then this is also a positive application. But aside from such examples – the technology is coming, one way or another, and it is coming with or without Germany and Europe. Some futurologists are already talking about an age of biologization, or synthetic biology, based on genetic engineering. And in terms of a vision – advanced tools in genetic engineering could make the programming of cells as simple and efficient as modern programming languages already function in IT applications.

From responsible working to responsible investing: in September, BRAIN Biotech AG successfully placed a capital increase of around EUR 19 million in order to finance its further growth. Where exactly will the money go?

LUKAS LINNIG

We aim to invest specifically in the development of BEC technology, in its IP protection and in its expansion into a platform technology. This also enables us to promote the development of our entire product pipeline indirectly, because we can accelerate developments in other projects. In addition, we aim to boost the company's growth through acquisitions in the products business, accelerate organic growth – such as with expanded production capacities at Biocatalysts Ltd. – and we aim to continue to acquire outstanding minority interests in Group subsidiaries.

ADRIAAN MOELKER

We have always had to, and still have to, weigh up our investments wisely – in order to find the right balance between the areas where we are focusing and those where we are realizing new investments. This is one of our primary tasks at the moment. Our shareholders expect the same from us.

When does BRAIN plan to generate sales with BEC technology? And in which markets?**LUKAS LINNIG**

We are already generating initial small revenue volumes with BEC technology in contract research. Too many questions remain unanswered at present to be able to make a specific forecast as to how revenues will trend in the future. This is perfectly normal at this early stage of the project, and at the Capital Markets Day we provided a deep insight into the processes and strategic thinking we will be using to drive the BEC project forward. Of course, the patent situation also plays an important role. However, we are very confident that we can build up an extensive IP portfolio to generate attractive licensing income from our genome editing platform.

Commercializing a technology platform is more complicated than doing so with a single technology, but it offers many more options. For example, we can tailor our business model to each individual application, or end market.

ADRIAAN MOELKER

As for target markets – we have explored the potential markets and decided to concentrate on our core competency at BRAIN for the time being. This is the industrial biotechnology area, where we are at home and where we are already using BEC technology in response to customer requests. Here, our technology platform enjoys good prospects of contributing to dynamic revenue growth in the services business (TMS) over the next few years. We call this our “We CRISPR for you” service.

In order to be successful in further market segments, we need expert partners with the appropriate application know-how, good market knowledge and the willingness to invest. For this reason, we have entered into a partnership with the life sciences group Sartorius, for example. Together, we are now exploring and adapting novel CRISPR-Cas genome editing nucleases for specific applications in the life sciences area. We intend to rapidly expand these partner networks in order to quickly capture as many lucrative market segments as possible.

We’ve talked a lot about BEC now. Let’s also take a look at the other pipeline projects that BRAIN is currently “incubating”. How are these progressing?**ADRIAAN MOELKER**

Yes, BEC is a dominant topic for us at the moment, of course, because we identify considerable business potential there. However, other projects from the incu-



“We have always had to, and still have to, weigh up our investments wisely – in order to find the right balance between the areas where we are focusing and those where we are realizing new investments.”

Adriaan Moelker — CEO BRAIN Biotech AG



bator are also performing in a very pleasing manner. After all, from a risk diversification perspective it is also desirable to push ahead with a portfolio of promising future projects. We are very fortunate in this regard.

LUKAS LINNIG

If I may add something at this point: last autumn, we concentrated all work on BEC in the form of a separate small organizational unit within BRAIN, and we will transfer this unit to a newly founded subsidiary within the next twelve months. The clear separation within the company should lead to even more focus on, and even greater flexibility for, the BEC project, while allowing sufficient attention for all other incubator projects within BRAIN.

ADRIAAN MOELKER

Yes, focus is important. At BRAIN Biotech, we are naturally continuing to focus on the development of enzymes for our focus sectors of food, health and the environment. And the development of our bioactives also continues to play an important role. We are, and will remain, a product developer and technology enabler. We enable industry to create bio-based processes and products that allow our customers to

replace their traditional production processes and products, and make them more sustainable.

As to our pipeline projects: we see the greatest progress in our food projects: the "Brazzein Natural Sweet Solution" and "Natural Fermented Beverage" projects are two of our future growth champions. Here we work together with global food companies. The Brazzein protein can be used in the future to replace sugar in beverages and thereby reduce sugar consumption. In the development of natural beverage components for global consumer goods manufacturers, one product is already in the pre-launch phase, and we are working on the commercialization concept for a further product. Aurase, an enzyme for wound management, is now also developing well since the start of Phase II clinical trials, which had been delayed due to the coronavirus pandemic.

We have added two development projects to the incubator pipeline in 2021: BEC and the active pharmaceutical ingredient PHA121. PHA121 is a specific and orally bioavailable competitive antagonist of the bradykinin B2 receptor, and is being developed for the treatment of all subtypes of hereditary angioedema. The bioactive substance PHA121 was developed at our subsidiary AnalytiCon Discovery and is being taken through



"The clear separation within the company should lead to even more focus on, and even greater flexibility for, the BEC project, while allowing sufficient attention for all other incubator projects within BRAIN."

Lukas Linnig – CFO BRAIN Biotech AG

the necessary clinical trials by our partner company Phavaris. PHA121 has already passed Phase I of clinical development and is currently in Phase II. This R&D project is already providing us with initial milestone payments in the early project phase and promises substantial licensing income in the future. As a consequence, the value of our incubator pipeline has increased considerably over the past financial year.

Finally, a brief look ahead to 2022. What's coming?

ADRIAAN MOELKER

BRAIN will continue to develop significantly in its corporate culture and orientation. In support of this, our joint training program "BRAINway" will bring our divisions and subsidiaries together, foster team spirit and promote our most important asset, our employees. Our clear intention is to be an established, focused industrial biotech company that creates structural growth based on its proprietary technology platforms within the BRAIN Group community. On this basis, we will be an even more reliable partner for our shareholders, customers and employees.

LUKAS LINNIG

We are achieving much greater technological independence thanks to our BEC genome editing tool, and are thereby becoming a sought-after partner for industry and science. We will also get the first answers to the question as to where BEC technology can be applied. The results of the ongoing laboratory work on mammalian cells and on so-called mode-of-action are playing a major role in this respect. It will definitely be a very exciting year for the BRAIN Group. I'm looking forward to it!

*Interview conducted by Dr. Stephanie Konle



02 The company

02 The company

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The BRAIN Group in figures

54

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

28

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

318

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

~ 150

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

38.4

is the amount of revenue in millions of euros that the BRAIN Group generated in the 2020/21 financial year.

13,000

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

~ 2,000

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

~ 230

products from the BRAIN Group are special products for B2B.

200

is the number of scholarships BRAIN has awarded in recent years to support young scientists.

> 50

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

53,000

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

Why invest in BRAIN?

With our pioneering bio-based products and solutions in the areas of nutrition, health and the environment, we support the development of business and the economy towards a greater level of bioeconomic activity. We already directly address five of the UN Sustainable Development Goals and bioeconomic support the UN Global Compact. Since the company was founded in 1993, BRAIN Biotech AG has developed from a sought-after specialist in research and development into an integrated company that covers the entire value chain from the laboratory through to production. Our focus is on the B2B business.

1 With our solutions and products, we serve the societal trend towards greater health and sustainability, and we address the UN's sustainability goals

BRAIN's research and development (R&D) as well as our products are aimed at solutions that make our industrial customers' processes more efficient and environmentally compatible. Some solutions or products lead to consumer goods offering greater nutritional and health value at the end of the value chain. Unfortunately, we are not able to publicize all our R&D programs due to non-disclosure agreements. Here we present some examples:

Solutions for the food manufacturing industry

Alternative sweeteners: BRAIN has been active in the area of taste research for several years and has developed a cell-based technology to identify and evaluate alternative natural sweeteners and sweetener enhancers in the laboratory. Our "sweet box" now contains over 100 potential substance candidates. We offer these substances to our industrial customers, who can test them in their foodstuffs for optimum sweetening power and optimal taste experiences. We then work with our industrial partners to develop healthy, natural and sustainably produced sugar substitutes, such as Brazzein, which we have developed together with Roquette.

Low-salt food products: The aim of the "Salt Taste Enhancer" program is to create foods with reduced sodium content while retaining the same taste experience. In addition to plant-based natural compounds that are being developed into alternative flavor carriers, a cell-based test system from BRAIN is also utilized for in vitro flavor testing.

Tastier, healthier drinks: Natural-based substances can make non-alcoholic beverages

tastier and healthier than conventional drinks: BRAIN supplies microorganisms as starter cultures for natural fermentation.

Food preservation: We identify plant-based antimicrobial candidates to naturally preserve food and animal feed, such as in our "Perillic Acid" program.

Alternative proteins: The market for vegan and vegetarian food is a growth area where alternative proteins are playing an important role. BRAIN optimizes microbial production organisms and enables precision fermentations for the production of alternative proteins.

Solutions for more sustainability in industrial processes

Gold recycling from e-scrap and similar: Our microbial gold recovery replaces conventional recycling processes, thereby reducing the utilization of aggressive and toxic chemicals. In addition, the biological process requires less energy, which significantly reduces the carbon footprint of biological metal recovery processes. Besides gold, other precious metals can be recovered in this way from computer scrap, slag and other waste of mineral origin ("urban mining").

Gold mining in ores: Biological solutions based on specialized microorganisms also contribute to greater sustainability in metal extraction from primary sources. In so-called "green mining", biological extraction replaces chemical extraction and reduces the use of problematic cyanides.

CO₂ as a raw material for high-quality chemicals: Microorganisms that use CO₂ as their sole carbon source for their metabolisms can be used to form from CO₂ "building blocks" for chemical compounds.

Solutions for health

Supporting wound healing: The Aurase® enzyme promotes the wound healing process. BRAIN produces this biological agent – which was originally found in larvae of the common green bottle fly – biotechnologically with microorganisms as producers, to a high level of purity. SolasCure Ltd., which was founded with investment from BRAIN, is currently dedicated to its development, CE certification and marketing as a medical product for the enzymatic cleansing of chronic wounds.

TMS business - finding bioactive ingredients for cosmetics: BRAIN has developed a cell-based test system that enables the identification of bioactive substances that have an effect on skin cells. The test system is used to find bioactive substances for industrial customers or for their respective applications from the company's own extensive collection of natural substances.

With these and other solutions we serve the concept of bioeconomy and can actively contribute to more sustainable industrial production

2 Our incubator pipeline includes promising business options for the future

BRAIN is working on several breakthrough innovations that can make a significant contribution to some of the most pressing societal issues in the areas of nutrition, health and the environment. These projects form the BRAIN incubator, and promise significant value enhancement potential.

In 2021, we were able to add two particularly promising projects to the incubator – our proprietary nuclease for gene editing (BRAIN-Engineered-Cas, BEC) and the pharmaceutical agent PHA121.

Two projects from our incubator pipeline are close to market launch and will consequently leave the pipeline within the near future. With the market launch of a salt booster and a novel starter culture for beverage fermentation, we are underscoring our expertise as a sought-after innovation partner to industry in the healthy nutrition area.

3 We are active in defensive end markets that offer structural growth

Our BioScience segment is characterized by service agreements with some of the world's most respected companies. These agreements may run for one or more years. Our tailor-made innovative solutions with high added value (Tailor-Made Solutions, TMS) as well as our business in relation to substance libraries (part of the BRAIN BioArchive) exhibit a low correlation with business cycles, and offer the possibility of structural growth.

Our BioIndustrial segment focuses primarily on the specialty business, with the production of enzymes, microorganisms and bioactive natural substances. We mainly produce for end markets that are less dependent on cyclical fluctuations, and which are related to nutrition, health and the environment.

Natural products are reporting above-average growth rates, with consumers increasingly focusing on them.

4 We combine a unique technology portfolio with enzymes, microorganisms and bioactive natural substances

BRAIN Biotech AG has more than one enzyme. We possess extensive and well-founded knowledge concerning enzymes, microorganisms, cell-based test systems and bioactive natural products. Our interdisciplinary approach drives our thinking and the development of novel products and services.

Based on the BRAIN BioArchive, innovative products and solutions are created within the context of our research work, and as part of partnership programs. Research work usually begins with the search for product candidates for specific industrial applications. From there we push ahead with product development and optimization.

We develop our solutions from laboratory scale through to both pre-industrial and industrial scale. A solution-oriented, creative way of thinking characterizes our R&D activities. We do not limit ourselves to individual technologies and methods, but instead leverage our broad technology portfolio.

5 We have a recognized partner network

BRAIN Biotech AG has successfully completed more than 150 R&D-driven cooperation projects, and regards itself both as a service provider and as a partner to industry. "BRAIN Inside" relates to many everyday products. Due to confidentiality agreements, we cannot disclose all such projects.

Some highlights include:

- Henkel ("Persil" detergent): enzymes that are effective at low temperatures
- Südzucker ("Airwaves" chewing gum): microbial optimization of biotechnological isomalt production
- Symrise / Beiersdorf ("Eucerin" cream): "Symsitive 1609", an active ingredient for sensitive skin
- Enzymes for the companies Clariant, BASF, DSM, DuPont, Evonik, Fuchs Petrolub, Henkel, etc.
- Microorganisms for Bayer, Madaus, Roquette, Sandoz, Schering, Suntory, among others
- Bioactive natural products for BASF, Cognis, General Mills, Merck, Symrise, Wella, among others

6 We are active in markets with high barriers to market entry

Our innovative products and solutions with unique selling points are based on:

- the proprietary BRAIN BioArchive,
- an extensive patent portfolio (50 active patent families with varying numbers of individual patents),
- profound and extensive technological expertise in relation to enzymes, microorganisms and bioactive natural products,
- the mapping of the complete process – from the laboratory through to production,
- a strong network of industrial partners with over 130 successfully concluded and, in some cases, long-standing
- partnerships,
- strategic alliances for "New Business Development",
- a strong scientific and university network
- trade secrets,
- a "state of the art" technology portfolio,
- our first-class scientists and process engineers.

Value Creation: Four clearly identified drivers

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

firstly, dynamic growth and higher margins in our "BioIndustrial" products business; secondly, the further strengthening of our successful market position in contract research (Tailor Made Solutions, TMS business) through our recognized scientific solutions expertise; thirdly, successful product launches as well as new projects from our incubator (incubator products); and fourthly, advancing clinical development within the spin-off SolasCure, based on the Aurase enzyme for chronic wound cleansing.

Synergies within the Group derive from an integrated value chain – "from the laboratory to production" – and also promote upscaling processes and application expertise. The entire Group both leverages and cultivates the industrial partner network.

1. BioIndustrial: Dynamic growth and higher margins in our products business

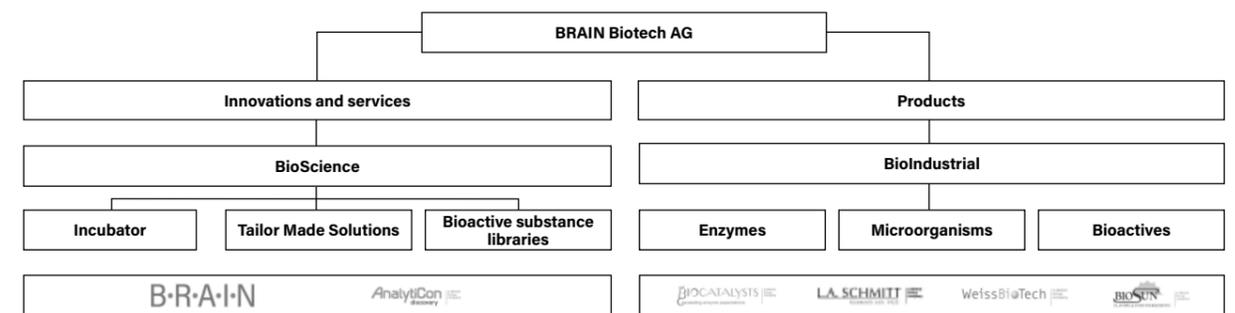
The products business of BRAIN Biotech AG, accounting for approximately EUR 29.8 million of revenue and an adjusted EBITDA margin of around -6.6%, forms a key element of our current corporate value. We continue to plan for solid innovation-driven organic growth in this area, as well as complementary value-enhancing acquisitions. With a stronger focus on in-house production and fermentation, we are concentrating on high-growth, high-margin niches. We will continue to expand the internal value chain and leverage additional margin potential. We have created the technical prerequisites for this with the high level of our investments in production capacities at our subsidiaries Biocatalysts Ltd. and WeissBioTech GmbH. We have thereby transformed what was originally an exclusively research and network-oriented company into a company with its own production model. We identify strong target markets offering structural revenue and margin growth in the areas of food & beverages, health, and the environment.

2. Contract research: Further strengthening of our successful market position in research for customers

Since its foundation, BRAIN Biotech AG has commanded a strong market position in contract research for customers. Today, this area accounts for profitable revenue of approximately EUR 7.6 million. Here we provide our partners with research services and access to our Bioactive substance libraries. The scientific expertise at BRAIN in Zwingenberg as well as at AnalytiCon Discovery in Potsdam as well as the extensive substance libraries form the basis in this context, as evidenced by well over 150 successfully completed partner projects, including long-term contract research programs.

We are planning for further growth in contract research in the future. The area benefits from a strong network with international industrial partners and is characterized by a low level of correlation with macroeconomic cycles. The main customers for our solutions expertise in biotechnological contract research comprise companies from the food, animal feed, chemical, pharmaceutical, diagnostics and cosmetics sectors.

FIGURE 02.1 VALUE CREATION & SYNERGIES IN THE BRAIN GROUP



3. Incubator products: Successful product launches and new projects from our incubator

BRAIN Biotech AG invests a considerable amount of its own resources in "New Business Development" (NBD). This area is our incubator for highly innovative products and solutions where we aim not only for scientific breakthroughs but also a high level of societal impact. Together with our partners from industry and academia, we develop solutions for the nutrition, health and environmental areas. Topics such as "reduction of sugar and salt in food", "natural flavors and preservatives" and "innovative genome editing solutions" form the focus of our research.

Our NBD pipeline is dynamic and currently includes nine promising projects. Two of these are in the pre-launch phase and are set to leave the pipeline in the near future. In 2021, we added two new R&D projects with considerable upside potential to our pipeline: the BEC nuclease and the PHA121 pharmaceutical compound. Based on our researchers' innovative strengths, we expect to continue adding new projects to the NBD pipeline in the future.

4. SolasCure: Progressive development of our novel enzymatic wound cleansing solution

With investment from BRAIN Biotech AG, SolasCure Ltd. was founded in 2018 as a specialized and agile unit to develop our novel wound cleansing enzyme Aurase® in order to prepare it for market launch. BRAIN Biotech AG is the owner of the IP for this enzyme. SolasCure specializes in the certification, approval and marketing of products for the biological management of chronic wounds.

The first human trial has started in the UK and is being conducted in centers in the UK, the USA and Hungary. This is a Phase IIa trial following an extensive preclinical research program conducted between 2018 and 2020. As testing progresses successfully, the financial value of the investment in SolasCure grows in line with the greater probability of a successful market launch. BRAIN Biotech AG held an approximately 41% interest in SolasCure Ltd. as of the end of the financial year under review.

ESG: Environment – Social – Governance

Six years ago the United Nations published its “Sustainable Development Goals” – goals for a better and more sustainable life for people of all ages. BRAIN products and solutions directly address at least five of these goals.

Socially, economically and ecologically sustainable: this is how the United Nations aims to see the world developing. In 2015, this led the UN to announce its “Sustainable Development Goals” (SDGs) action plan. This plan is to serve as the basis for creating a better and more sustainable future for all people. The SDGs take social, economic and environmental aspects into account accordingly, and are addressed to governments worldwide, civil society, the economy and also the private sector, as companies can do a lot to help achieve sustainability goals. Investors evaluate companies and their commitment to greater sustainability in the form of the ESG criteria: environmental aspects, social aspects and sustainable corporate governance are included.

Companies’ business models, products and services can also contribute to sustainable development. Industrial biotechnology, to which BRAIN Biotech AG is committed, enables the efficient harnessing of natural resources. Based on industrial biotechnology, industrial manufacturing processes can be made more efficient and sustainable, and bio-based products can be used in consumer goods. Examples of BRAIN’s contributions include natural ingredients from the company’s own substance libraries that make consumer products more effective and healthier.

From the outset, BRAIN’s aim has always been to play an active pioneering role in the move away from fossil fuels towards biological resources that are produced and utilized on a sustainable basis. Since June 2021, the company has actively supported the UN Global Compact, a voluntary initiative based on companies’ voluntary commitment to implement universal sustainability principles and to advance UN goals such as the Sustainable Development Goals (SDGs). By joining the UN Global Compact, we are committing ourselves to the values of the world’s largest initiative for corporate social responsibility, and thereby to the ten universal principles in the areas of human rights, labor standards, the environment and climate, as well as corruption prevention.

We are currently preparing a sustainability report within the BRAIN Group in order to document our goals and their implementation, including within the UN Global Compact framework. We aim to publish our first sustainability report in spring 2022.



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



BRAIN solutions and products address the United Nations’ Sustainable Development Goals (SDGs)

2

Zero Hunger

Natural antimicrobial substances for the treatment of food help to avoid waste.

3

Good Health and Well-Being

Reduction of calorie density in food by means of natural sweeteners, while at the same time maintaining taste profiles; reduction of salt content in food; functional probiotics; natural raw materials as substitutes for chemicals in cosmetics; enzymatic cleansing of chronic wounds – these products and solutions contribute to improved health and well-being.

6

Clean Water and Sanitation

In “green mining”, biological extraction replaces the chemical extraction of precious metals from ore, and reduces the utilization of problematic cyanides that can end up in water.

9

Industry, Innovation and Infrastructure

Organic production, production efficiency enhancement, and byproduct flows for fermented food contribute to more sustainable industrial processes. CO₂ can be used as a raw material – for example, with specialized microorganisms using CO₂ in their metabolism, which convert it into compounds that serve as building blocks for basic chemical substances.

12

Responsible Consumption and Production

Microbial precious metal recovery from e-scrap, slag etc. can replace conventional recycling processes, thereby reducing the utilization of aggressive and toxic chemicals (urban mining).

Incubator Pipeline

Our incubator pipeline contains disruptive projects that offer significant potential for new business, which we are advancing together with strong partners from the sector. This selection shows only the most important projects and their current status as of the end of the 2020/21 business year. Additional projects are at an earlier stage of development and will only be added to the incubator if their business models are successfully validated. Overall, our incubator pipeline performed well during the past business year, and two new projects promising considerable business potential were added.

PIPELINE	PARTNER	R&D → MARKET			RNPV MARKET POTENTIAL ***	CURRENT PROJECT STATUS
		3-5 YEARS	1-3 YEARS	PRE-LAUNCH		
Natural fermented beverages 1*					Small	
Salt taste enhancer 1.0*	US Consumer Packaged Goods Company (CPGC.)				Small	
Natural fermented beverages 2	Japanese consumer goods and beverages group (JP Bev)				Large	
Perillic Active, Anti-Microbial	Not publicly named (non-disclosure agreement)				Medium	
Gold from waste streams	Ongoing search for industrial partner				Medium	
Brazzein Natural Sweet Solutions					Large	
Aurase Wound Debridement					Large	
PHA121, HAE Pharma Compound **					Medium	
BRAIN-Engineered-Cas (BEC) **	Several partners, depending on the application area	Projects I-...	Projects D-H	Projects A-C	Large	

Legend



Progress since August 2021

*

Leaving the pipeline with the launch

**

New additions in fiscal year 2020/21

BRAIN Group rNPV: Net present value (risk-adjusted free cash flows + terminal value); Small: €5 million / Medium: €5 – 15 million / Large: €15+ million



Programs without contracted partners are marked red by default



Contractual, technology or registration hurdles still need attention



Phase 1 successfully completed; contract negotiations for next project phase still ongoing



Project running according to plan

Partnerships in detail

Natural fermented beverages 1

BRAIN and Suntory Beverage & Food Europe (SBFE) are working together to develop new natural beverage components to be utilized in selected categories of the SBFE product range. These address growing demand for new varieties of natural ingredients in beverages.

www.brain-biotech.com/press/20181126-suntory-beverage-food-and-brain-start-joint-development-program

Salt taste enhancer 1.0

Based on special cell-based test systems, BRAIN Biotech in its in "salt taste enhancer" programs is dedicated to reducing salt in industrially processed foods. The product candidate from the SALT-1 program is exclusively partnered with a leading US consumer goods company. According to our partner, the first products are about to enter the market.

Natural fermented beverages 2

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

Perilic Active, Anti-Microbial

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

Gold from waste streams

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

www.brain-biotech.com/bioextractor

Brazzein Natural Sweet Solutions

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

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

Aurase Wound Debridement

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

www.brain-biotech.com/aurase

PHA121, HAE Pharma Compound

PHA121 is a bradykinin B2 receptor antagonist and is intended to be used as an oral therapeutic agent for the treatment as well as prophylaxis of hereditary angioedema (HAE). The bioactive substance was discovered and prepared for clinical development by BRAIN's subsidiary AnalytiCon Discovery. Pharvaris is a Nasdaq (USA) listed development company for this new HAE drug and has already begun conducting initial clinical trials. Pharvaris holds an exclusive license to the drug candidate PHA121 developed by AnalytiCon Discovery and will render both milestone payments and royalties to the BRAIN Group upon continued successful development.

BRAIN-Engineered-Cas (BEC)

BRAIN has used metagenome sequencing to identify approximately 2,000 previously unutilized additional Class 2 CRISPR nucleases that could be deployed for genome editing. For the lead candidate, the so-called BRAIN-Engineered-Cas (BEC) nuclease, the company has already successfully demonstrated both activity and genome editing properties in microorganisms. Activity in plants is currently being validated. The first industrial partnerships have already been successfully arranged. Further discussions about partnership are being actively pursued and the intention is to develop BEC into an established genome editing platform internationally.

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

Important events in the 2020/21 financial year



14 October 2020

Two new experts join the Supervisory Board of BRAIN

Prof. Dr.-Ing. Wiltrud Treffenfeldt and Stephen Catling were appointed as new members of the Supervisory Board by court approval as of 14 October and elected to the Supervisory Board by the Annual General Meeting on 10 March 2021. They contribute to the Supervisory Board their many years of professional experience in the food manufacturing, biotechnology and specialty chemicals sectors.

7 January 2021

The BRAIN Group acquires Biosun Biochemicals

Biosun Biochemicals Inc. is a distributor, formulator and blender offering a full range of ingredients including flavors, enzymes, natural colors and specialty food ingredients. The company is the selected US distributor for Givaudan's flavors. This acquisition gives BRAIN improved access to the large and important US market, brings many established customer relationships into the Group and supports BRAIN's growth trajectory in North America.



13 January 2021

Roquette and BRAIN Group agree on scale-up for production of protein sweetener Brazzein

As part of their contractually agreed partnership, Roquette and BRAIN intend to advance the approval of the protein sweetener in the food and beverage sector. Both companies believe that the substance enjoys excellent sales prospects, especially in the beverage industry.

10 March 2021

AGM for the 2019/20 financial year

The Annual General Meeting approved by a large majority the Management and Supervisory boards' conduct in office and approved all motions submitted, including anticipatory resolutions relating to conditional and authorized capital as well as the motion to amend the company's name to BRAIN Biotech AG.



6 May 2021

BEC: Successful enzyme development for genome editing

BRAIN Biotech announces for the first time that an enzyme has been developed within the company for its own CRISPR-Cas genome scissors. These can be utilized in order to bypass patents and royalty payments for existing CRISPR-Cas methods. The company has validated the novel CRISPR-associated nuclease both internally and with partners and has demonstrated DNA targeting activity in selected bacteria, fungi and yeast. Activity in plants has also been demonstrated. Genome editing tests for further applications such as mammalian cell lines have been started. BRAIN has filed a first IP application to protect the nuclease sequence.



12 May 2021

BRAIN acquires further shares in Biocatalysts

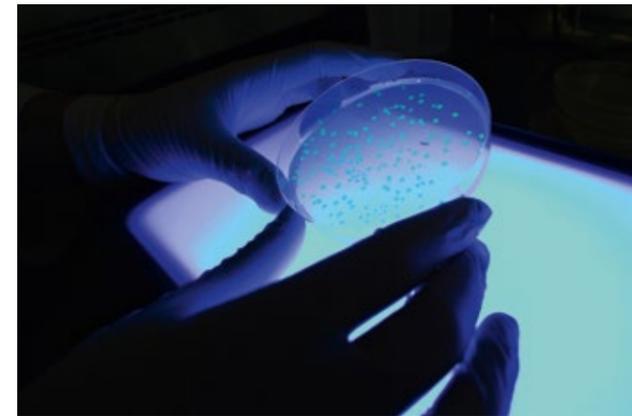
BRAIN expanded its interest in enzyme producer Biocatalysts Ltd. in Wales by acquiring further shares from minority shareholders. BRAIN Biotech AG now holds a total interest of 80.65 % in the subsidiary. BRAIN had previously invested in an initial expansion phase of Biocatalysts' large-scale fermentation capacities to pave the way for future growth and even stronger profitability. Thanks to strong business growth at Biocatalysts and the high level of utilization of existing production capacities, the plan is to bring forward the second expansion phase.



8 June 2021

BRAIN actively supports UN Global Compact

BRAIN Biotech becomes an active supporter of the United Nations Global Compact initiative. By joining, the company is now formally committing to the values of the world's largest corporate social responsibility initiative, and is thereby obligating itself to ten universal principles in the areas of human rights, labor standards, the environment and climate, as well as corruption prevention.



15 July 2021

Further CRISPR nucleases for genome editing identified

BRAIN announced that – in addition to its lead candidate BEC – the company has identified approximately 2,000 previously unutilized additional Class 2 CRISPR nucleases that could be harnessed for genome editing. The company has had initial discussions with partners to further develop such CRISPR nucleases, and is open to further partnerships to accelerate the detailed screening of the other promising CRISPR nuclease candidates.

28 July 2021

Sartorius and BRAIN jointly research and adapt novel CRISPR-Cas nucleases

Life sciences group Sartorius and BRAIN Biotech announce that they are jointly researching and adapting novel CRISPR-Cas genome editing nucleases for specific applications in the life sciences area. Sartorius is testing novel CRISPR-Cas genome-editing nucleases in a series of cell lines in order to advance their use for a specific application area. The partnership also aims to accelerate the development and establishment of a valuable joint IP portfolio.



1 September 2021

BRAIN and Leiden University jointly develop *Aspergillus*-based production strain

BRAIN has selected the Netherlands' Leiden University as its partner for the development of a highly efficient microbial production strain. Leiden University is internationally renowned for its expertise in biotechnology, especially in *Aspergillus*-based biological production processes. BRAIN's BEC technology will be utilized in the joint development project. Microbial production strains play an important role in industrial biotechnology in the mass production of proteins and enzymes. Microbial production enables the environmentally compatible production of enzymes for industrial processes.



3 September 2021

BEC technology forms the focus of the "Capital Markets Day"

At its "Capital Markets Day", BRAIN provided investors with information about important developments within the company. The focus was on BEC technology and its potential for the company. The management also communicated its intention to press ahead with the further development and partnering of genome editing technology, initially in the form of a flexible unit within BRAIN Biotech AG, and then, in a second step, with aim of spinning the technology off into a separate company. Such research agility and funding flexibility should enable the range of applications to be extended.

15 September 2021

BRAIN places cash capital increase from authorized capital

The Management Board of BRAIN Biotech AG, with Supervisory Board approval, concludes the issue of approximately 1.99 million new shares (equivalent to around 10% of the share capital) as part of a cash capital increase from authorized capital with exclusion of subscription rights. BRAIN aims to utilize the net proceeds from the capital increase to further boost efficiency as well as enzyme production capacity, to accelerate the research and development of products from the incubator (especially BEC technology), to acquire certain additional outstanding minority interests in Group companies and to realize acquisitions.



Corporate culture

With a training program tailored to the BRAIN Group, we continue to develop our corporate culture and meet the challenges that arise with the merging of a group of companies.

Striving for continuous improvement and greater professionalism forms an important element of the corporate culture at BRAIN. Corporate culture must not be static, as companies themselves also undergo change and transformation. For this reason, one of the five elements of our corporate strategy is the continuous development of our culture – and prominently linked to this, the competencies and further training of our employees.

Modular development program

We developed a modular training program in our 2020/2021 business year in partnership with an external consultant, and trained a small internal team of trainers accordingly. This “cross-group” training team is currently successively imparting to all BRAIN Group employees the contents of the 20-module program in the context of workshops. With “BRAINway”, we are realizing a significant investment in the BRAIN Group’s future in terms of time and personnel, and at the same time expressing our high regard for our employees.

We adapt BRAINway individually to match the requirements of the respective business areas and companies. As part of this development program, professional management processes and tools are imparted that will make the daily work of each individual more efficient and collaboration easier, such as in teams from different business areas working together. We will consistently expand this “toolbox” over the coming years and make the development process sustainable.

BRAIN Group employees

The COVID-19 pandemic has shown how all our staff within the BRAIN Group are continuing to come to terms with this exceptional situation with exemplary discipline, a high level of motivation and, what is more, business foresight. As far as legally possible, staff were again able to attend more face-to-face meetings in the autumn, or to communicate by way of spontaneous meetings within the company. The first actual visits to Cardiff (UK) as well as colleagues from Tampa (USA) and Cardiff paying visits to Zwingenberg were also possible.

The inclusion of our latest BRAIN Group member company, Florida-based BioSun FFI, went smoothly thanks to good planning and the allocation of tasks among several individuals across the Group. After exclusively virtual meetings, the first personal contacts occurred during the BRAINway Trainer Workshop. Building on a strong foundation laid by Mark Messersmith, Biosun’s founder and longstanding Managing Director, BioSun FFI will now develop and expand our business in North America under the leadership of new Managing Director John Monks. He joined BioSun a few months after the acquisition.



Reflect and discuss: BRAIN Group employees at the BRAINway workshop.

The BRAIN Group employed a total of 318 staff as of the end of its financial year in September 2021, including 123 at BRAIN Biotech AG, 67 at AnalytiCon Discovery GmbH, 79 at Biocatalysts, 18 at WeissBioTech, 25 at L.A. Schmitt, and 6 at BioSun FFI.

Health promotion

Just in time for the start of the vaccination campaign by company doctors in Germany, we were also able to offer our employees and their families the first COVID-19 vaccination in June. As of August 2021, almost our entire workforce enjoyed full vaccination cover.

Many employees at the Zwingenberg site continue to take part in the sports program that has been sponsored by the company for more than ten years at an external health and fitness studio, which now also offers online courses due to coronavirus.



To protect against coronavirus, BRAIN at its Zwingenberg headquarters organized first and second vaccinations against the COVID-19 virus for employees and family members.

In the meantime, 25 employees are participating in the "JobRad" ("job bike") program in Zwingenberg. Since the introduction of the company bike leasing offer at the end of 2019, a quarter of the workforce at the Zwingenberg site has now obtained a new bike as part of the program. Many employees use their "JobRad" regularly – to get to work, to take their children to childcare facilities, or for private journeys. We are pleased that with this offer we are both promoting the health of our workforce and making a contribution to the environment.

Networks and communication

The idea of networking and open innovation as it is practiced in academic research forms part our DNA at BRAIN. Under the conditions during the COVID-19 pandemic, however, continuing the otherwise usual lively and real communication and dialog between BRAIN researchers and scientists from international research groups, universities and institutes continued to pose a particular challenge.

Our Business Development Team also had to continue to come to terms with travel restrictions and largely digital conference and trade fair events, even though real events (with reduced numbers of attendees present) were held again for the first time at the end of the summer. As a consequence, personal meetings with partners and customers to cultivate academic and industrial networks, to sound out the market and customer needs, to research new trends and to present our own products and partnership offerings were inevitably largely continued in virtual space.

For this reason, attending virtual trade fairs, online presentations and talks, a greater social media presence and live streaming of our own internal events represent just some of the digital activities that have now become almost routine for us.

Student research projects and training

Due to the necessary distancing regulations, including in the laboratory, we had to continue to keep the number of student projects at a reduced level. In principle, we continue to support the implementation and supervision of practical semester and final theses (Bachelor's/Master's).

This year, after successfully completing their three-year training period, we took on three of our trainees as permanent employees. Biology laboratory technician training resumed in 2018 in partnership with Merck KGaA, Darmstadt. In Zwingenberg, we have been conducting our office management training program on our own since 2016. Looking back, BRAIN has been contributing to the training of young people in the Rhine-Main-Neckar metropolitan region since 1996, thereby also securing its own intake of up-and-coming young managers.

The BRAIN share and the capital market

- BRAIN Biotech AG is a growth company in the up-and-coming industrial biotechnology area, and remains the only listed company of its type in the German equity market.
- We significantly expanded our investor relations activities during the past financial year, and provided particularly extensive information on the positioning and development of the BRAIN-Engineered-Cas (BEC) project at our third Capital Markets Day.
- Analysts assess the value appreciation potential of the BRAIN incubator pipeline very positively, especially the BEC project.
- A capital increase to finance growth was successfully placed; our shareholder base was further internationalized.

Capital market environment

The 2020/2021 financial year continued to be affected by the coronavirus crisis and associated general economic uncertainty, as well as a latent reluctance to invest in new scientific projects on the part of our industrial customers. In contrast, the capital markets were largely very positive, driven by continued expansionary monetary and fiscal policy as well as the incipient economic recovery. The success of vaccination in the Western world led to a partial normalization of business activity. Disruptions in global supply and logistics chains as well as burgeoning fears of stagflation led to higher stock market volatility over the summer. In Germany's leading index, the DAX, a strong rally at the beginning of the year was followed by a more volatile summer and autumn, including a correction phase. The DAX started the BRAIN financial year at 12,812 points and marked its high for the year at 15,977 points.

The SDAX Small Cap Index, which is more relevant for BRAIN, outperformed its large cap counterpart, the DAX, over the same period. The Specialty Chemicals sector index underperformed the SDAX slightly. With a gain of around 42%, the BRAIN Biotech AG share outperformed the DAX, SDAX and chemicals sector reference indices in the reporting period.

The continuing low interest rate environment, ultra-loose monetary policy and massive government stimulus to counter the effects of the pandemic are favoring technology stocks, growth stocks and, over the course of the year, increasingly cyclical stocks again, in the equity market. In the biotechnology sector, selective companies related to vaccine and drug development for COVID-19 continued to record a remarkably positive share price performance. In the USA, in particular, the market for biotech IPOs and SPACS was highly dynamic, with valuation

¹ In each case based on the XETRA closing price.

multiples expanding significantly in some cases. US biotech indices recorded very strong price performance into the summer. Companies in the genetic engineering area were particularly sought after.

The BRAIN share

BRAIN Biotech AG is a growth company with a focus on industrial biotechnology. In addition to the general capital market environment, the future outlook and growth prospects of BRAIN Biotech AG are the main drivers of its share price. In particular, the share responds with increased volatility to news concerning progress made in projects from the BRAIN Incubator, which contains BRAIN's key future projects.

With the projects BRAIN-Engineered-Cas (BEC) and the active pharmaceutical ingredient PHA121, two new projects with considerable commercial potential were added to the incubator during the financial year. This was accompanied by positive comments from analysts, upgrades to price targets, and research studies especially highlighting BEC's commercial potential. The share price also responded positively to such analyst coverage.

On 15 September 2020, BRAIN Biotech AG successfully placed 1,986,135 new shares from its authorized capital at € 9.85 with institutional investors as part of an accelerated placement process. This increased the number of shares of BRAIN Biotech AG in issue in the 2020/21 financial year from 19,861,360 to 21,847,495 shares. The placement enabled us to further internationalize our shareholder base. None of the new shareholders exceeded the reporting threshold of 3% in the context of the placement. The newly raised funds will now enable BRAIN Biotech AG to accelerate its growth programs, screen for potential takeover candidates, and optimize and expand infrastructure within its production facilities.

Share price performance

Price at the beginning of the financial year	Price at the end of the financial year	High for the financial year	Low for the financial year	12M share price performance
€ 7.12	€ 10.10	€ 10.90	€ 6.80	~42%
01.10.2020	30.09.2021	24.08.2021	04.11.2020	

On 3 September 2021 BRAIN Biotech AG held its third Capital Markets Day (CMD) with a sole focus on the BRAIN-Engineered-Cas (BEC) project. As an innovative event format, all contributions from the management were broadcast via our YouTube channel. Afterwards, the Management Board and the scientific management team of the BEC project answered questions from analysts and investors in a live online Q&A session. All presentations, the Q&A and videos of the CMD can be viewed online at www.brain-biotech.com/investors/capital-markets-day.

FIGURE 02.2 PERFORMANCE OF THE BRAIN SHARE IN THE 2020/21 FINANCIAL YEAR (INDEXED)

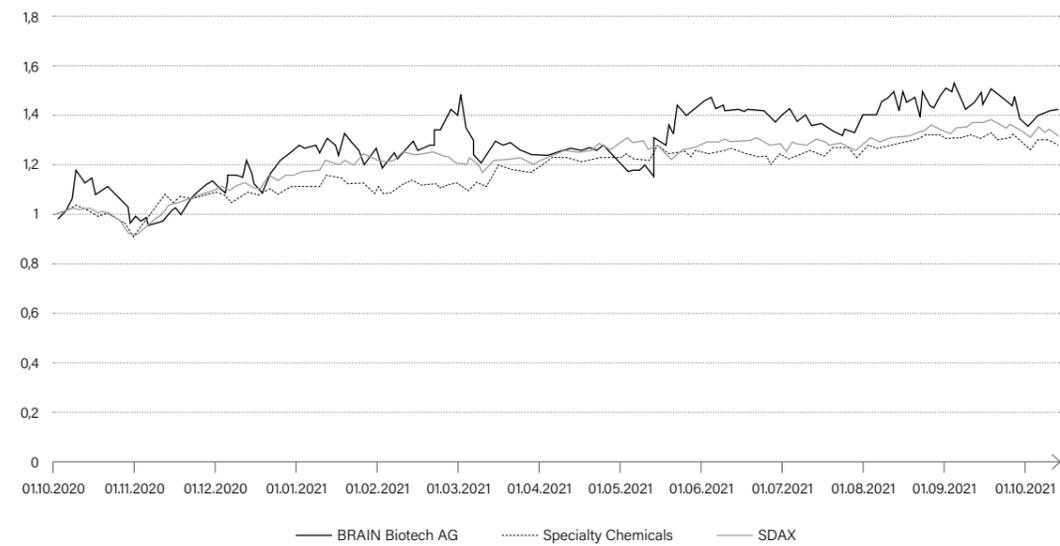


FIGURE 02.1 KEY SHARE DATA

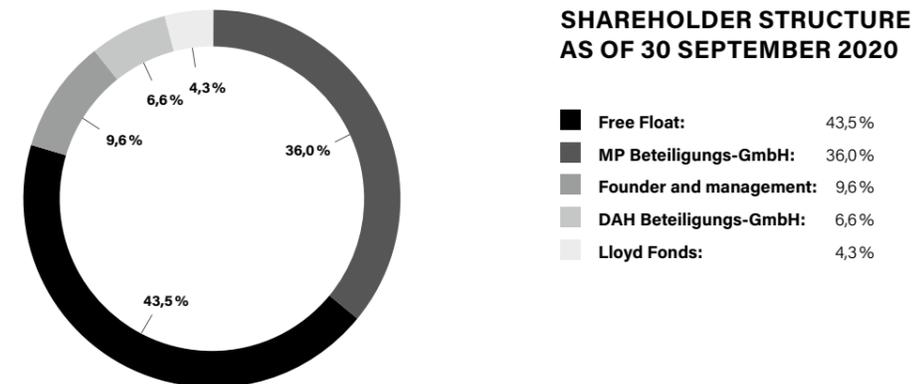
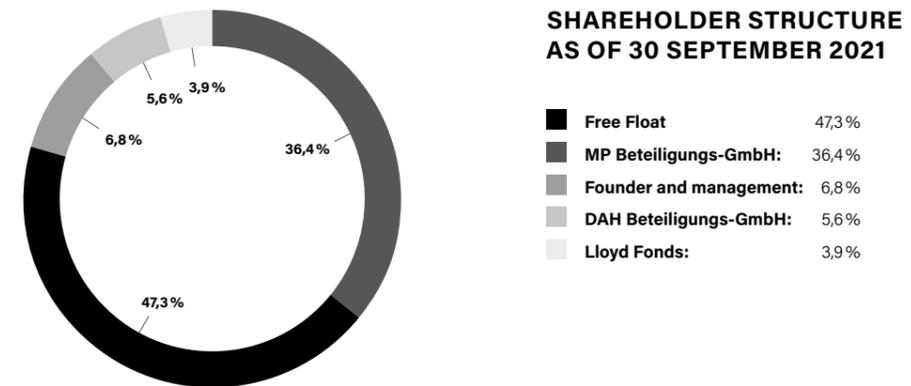
Share class	No-par-value registered shares
Stock exchanges	XETRA, Frankfurt, Berlin, Düsseldorf, Munich, Stuttgart, Tradegate
Transparency level	Prime Standard
Number of shares	21,847,495
Share capital	€ 21,847,495
ISIN	DE0005203947
WKN	520394
Ticker symbol	BNN
Specialist	Baader Bank AG
Designated Sponsor	Baader Bank AG
Paying agent	Bankhaus Gebr. Martin
Share price on 30.09.2021²	€ 10.10
52-week high	€ 10.90
52-week low	€ 6.80
Market capitalization on 30.09.2021²	€ 221 million
Average daily trading volume (52 weeks as of 30.09.2021²)	10,950 shares/day

² Last trading day of the 2020/21 financial year.

Shareholder structure

The free float stood at 47.4 % as of 30 September 2021. The shareholder structure of BRAIN Biotech AG as of 30 September 2021 (and as of the previous year's reporting date) was as follows:

FIGURE 02.3 SHAREHOLDER STRUCTURE



Analysts

Estimates and recommendations relating to BRAIN Biotech AG are published by the following research houses³:

Company	Analyst
Baader Helvea Equity Research	Markus Mayer
Deutsche Bank AG	Falko Friedrichs / Jan Koch
DZ Bank	Peter Spengler
FMR Research AG	Dr. Mohamad Vaseghi
Kepler Cheuvreux	Damien Choplain
M.M. Warburg & Co. Bank	Dr. Christian Ehmann

Financial communication

BRAIN Biotech AG is listed on the Frankfurt Stock Exchange in the Prime Standard segment of the Regulated Market, the stock exchange segment entailing the highest transparency requirements. Along with corresponding mandatory publications including quarterly statements and the half-year financial report, BRAIN informed investors, analysts and other interested capital market participants in a total of three ad hoc announcements, 16 press and investor relations announcements, as well as through telephone conferences and numerous individual meetings, about the company's further development and about the bioeconomy's global growth potential. In addition, we published three issues of our "BRAIN Shareholder Information".

Company representatives were also consistently available for discussions at individual roadshows and relevant conferences such as the virtual ODDO-BHF Finance Conference in January, the Baader Investment Conference in Munich, the German Autumn Conference, as well as the Equity Capital Forum in Frankfurt/Main. The focus was on presenting the company and its future prospects to both new and existing investors. As part of its third Capital Markets Day on 3 September 2021, BRAIN Biotech AG provided analysts and institutional investors with particularly comprehensive information about the BEC project. Financial announcements and publications as well as all other publications of relevance to the capital market are permanently available on the company's website at www.brain-biotech.com/investors.

Annual General Meeting

The fifth Annual General Meeting of BRAIN Biotech AG was held in virtual format on 10 March 2021 – due to the pandemic. In total, between 57.23 % and 68.00 % of the share capital of BRAIN Biotech AG, which is divided into 19,861,360 shares, was represented during the voting, depending on the agenda item. The voting results are published on the Internet at www.brain-biotech.com/investors/annual-general-meetings.

³ as at 30.09.2021

The following items were submitted to the vote: the approval of the conduct in office of the members of the Management and Supervisory boards for the 2019/20 financial year, the election of the auditor, the extension of the Supervisory Board mandate of Dr. Eichhorn, and the ordinary election of Prof. Dr. Treffenfeldt and of Mr. Catling to the Supervisory Board. The shareholders also voted on the resolution to cancel an existing authorized capital framework and to authorize the issuance of a new authorized capital framework, as well as the resolution on the authorization of a new conditional capital together with an amendment to the company's bylaws. Additional items on the agenda included the resolution on the approval of the compensation scheme for the members of the Management Board and the adjustment to the compensation of the Supervisory Board. Furthermore, the amendment of the company's name and an amendment to the bylaws to authorize future virtual General Meetings were submitted the vote.

03 Declaration on Corporate Governance



Declaration on Corporate Governance

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

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

The Management and Supervisory boards of BRAIN Biotech AG declare that since the last statement of conformity was issued on 19 December 2020, BRAIN Biotech AG has complied with the recommendations of the "Government Commission German Corporate Governance Code" in the version dated 20 March 2020 ("DCGK 2020"), and will continue to comply with them in the future, with the following exceptions.

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

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

The publication of all financial information during the course of the year occurs regularly within two months. The Management and Supervisory boards regard this as appropriate. Furthermore, in light of various unlisted subsidiaries and participating interests held abroad, publication of the consolidated financial statements and the Group management report as well as mandatory interim financial information within shorter periods would necessitate the deployment of considerable financial and personnel resources that would not be appropriately related to the information that shareholders require for a company of the size of BRAIN Biotech AG. As a consequence, the periods required by the Corporate Governance Code are not met.

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

- **G.1:** In particular, the compensation scheme is to specify,
 - how the target total compensation is determined for the individual members of the Management Board and what amount the total compensation may not exceed (maximum compensation),
 - the relative share of fixed compensation on the one hand, and short-term variable and long-term variable compensation components on the other, in relation to the target total compensation,
 - which financial and non-financial performance criteria are decisive for the granting of variable compensation components,
 - the nature of the link between the achievement of the previously agreed performance criteria and the variable compensation,
 - in what form and when the Management Board member can dispose of the variable compensation amounts granted.

Note relating to the third indent under G.1: As a precautionary measure, the company declares that, in the compensation scheme as approved by the Annual General Meeting on 10 March 2021, the financial performance criteria were identified explicitly; non-financial performance criteria, to the extent that they are understood as ESG objectives, were not explicitly listed in this compensation scheme, as the company did not have a measurable system for reviewing ESG objectives at the time when the resolution was proposed. However, an objective of the company is to establish an ESG system that allows for the review of ESG targets. The Supervisory Board plans to take non-financial performance criteria (in the sense of the ESG criteria) into consideration in the future when setting targets for variable, performance-related compensation on the basis of an ESG system that will then have been established.

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

Note relating to G.6: The variable compensation is geared to medium-term, sustainable targets and is paid out annually in line with performance. The stock options included in the compensation scheme encourage the pursuit of long-term objectives. Taking into consideration the fair values from 2020 for the stock options, these have a lower value than the variable compensation paid out in cash for the achievement of annual (interim) targets. The compensation achievable through stock options can exceed the value of the variable compensation paid out annually in cash if the value of the company increases in the long term.

- **G.10:** The variable compensation amounts granted to the member of the Management

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

Note relating to G.10, first sentence: It should be noted that, in accordance with the compensation scheme and the specific contracts, the variable compensation for the annually defined targets is paid out in cash after they have been reviewed, and no share-based granting is provided for. The Supervisory Board is examining the possibility of paying out the variable compensation for the annually defined targets on a pro rata share basis in the future in the event of a further development of the compensation scheme.

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

Note relating to G.11, sentence 2: The Supervisory Board has not made any provision for the clawback of variable compensation. The Supervisory Board is examining the possibility of taking into account so-called claw-back clauses in future developments of the compensation scheme.

Zwingenberg, December 2021

For the Supervisory Board
of BRAIN Biotech AG:



Dr. Georg Kellinghusen
Supervisory Board Chairman

For the Management Board
of BRAIN Biotech AG:



Adriaan Moelker
Chief Executive Officer

Relevant information about corporate governance practices

Corporate governance at BRAIN Biotech AG

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

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

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

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

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

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

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

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

Transparency

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

- annual financial report for the financial year,
- interim financial report as of the first half of the financial year (6M),
- quarterly statements as of the first quarter (3M) and after the first nine months of the financial year (9M),
- quarterly analyst conference calls,
- corporate presentations,
- publication of insider information, corporate announcements and IR announcements,
- publication of notifications of shareholding threshold levels,
- publication of ad hoc statements,
- publication of PR, IR and marketing releases,
- Capital Markets Day.

Corporate responsibility and ESG

As corporate responsibility and ESG issues become more important, the Supervisory Board, the Management Board and employees are paying more attention than ever to the resultant aspects. In 2021, BRAIN Biotech AG joined the UN Global Compact as an active member. The company has now formally committed itself to the values of the world's largest initiative for corporate social responsibility and has thereby obligated itself to ten universal principles in the areas of human rights, labor standards, the environment and climate, and the prevention of corruption. Furthermore, BRAIN Biotech AG intends to publish its first corporate responsibility report in the first calendar quarter of 2022. Adriaan Moelker holds Management Board responsibility for Corporate Responsibility and ESG. At the operational level, Michael Schneiders is responsible for the implementation of the ESG strategy as Head of Investor Relations & Sustainability.

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

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

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

Management Board working methodology

The Management Board manages the company's business according to statutory regulations, the company's bylaws and the rules of business procedure for the Management and Supervisory boards. It is subject in this context to the restrictions that the company's bylaws or the Management and Supervisory boards' rules of business procedure have established in relation to the power to manage the business, or which the

Supervisory Board or the AGM determine within the scope of their powers. It informs the Supervisory Board regularly, promptly and comprehensively in the form of detailed written and verbal reports on all questions of relevance to the company relating to strategy, planning, business development, the risk position, risk management and compliance. The Management Board prepares the separate and consolidated annual financial statements.

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

Composition of the Management Board

During the 2020/2021 financial year, the Management Board of BRAIN Biotech AG consisted of the following members:

TABLE 03.1 **COMPOSITION OF THE MANAGEMENT BOARD**

Name	Role	Management Board member since	Contract end
Adriaan Moelker	Chief Executive Officer	1 February 2020	31 January 2024
Lukas Linnig	Chief Financial Officer	1 October 2020	30 September 2023

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

The business allocation plan included the following allocations during the 2020/21 financial year:

Adriaan Moelker (Chief Executive Officer - CEO)

- Corporate strategy
- Coordinating the individual Management Board areas and contacts with the company's boards
- Business development of the BioScience segment
- Business development of the BioIndustrial segment
- Press and public relations work (corporate communications)
- Technology management, research and development, technological process optimization
- Personnel, purchasing
- Grants and academic partnerships
- IT, digitalization
- Product development
- Formulation and application technology
- Quality assurance
- Production, scale-up
- Innovation management
- Corporate responsibility and ESG
- Registration and approval
- Patent strategy

Lukas Linnig (Chief Financial Officer - CFO)

- Management of shareholdings
- M&A
- Corporate finance
- Financial communications (IR)
- Accounting and controlling
- Compliance
- Risk management
- Legal, administration and organization, Group audit
- Occupational safety
- Business development of L.A. Schmitt
- BRAIN-Engineered-Cas (BEC) platform

The Management Board has a set of rules of business procedure. The rules of business procedure for the Management Board were approved by the Supervisory Board and the allocation of business responsibilities was last updated in their entirety in December 2020 in accordance with the Management Board's proposal. These particularly include regulations about the working methodology of the Management Board and the allocation of responsibilities between the Management Board members, as well as relating to collaboration with the Supervisory Board. They include a catalog of actions and legal transactions requiring Supervisory Board assent.

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

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

Management Board meetings

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

Collaboration with subsidiaries

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

Management Board compensation

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

Detailed information on the compensation structure and compensation of the individual members of the Management Board and the compensation of the members of the Supervisory Board can be found in the compensation report as part of the company's Group management report and in the notes to the consolidated financial statements.

Notifiable securities transactions

The Management and Supervisory board members, other individuals with management regularly access to the company's insider information and who are authorized to take important business decisions, as well as certain individuals closely related to the aforementioned, are obligated by law to disclose to BRAIN Biotech AG the purchase and sale of BRAIN shares and related financial instruments, especially derivatives, from upwards of an amount of € 20,000 in the calendar year. Notifications of corresponding transactions are also published on our website at www.brain-biotech.com/investors/financial-news. For the 2020/21 financial year, the company has been notified of three such securities transactions, namely by Lukas Linnig (published on 5 October 2020 and on 31 May 2021) and by Dr. Georg Kellinghusen (published on 31 March 2021). Lukas Linnig purchased shares in October 2020 for a total purchase price of € 30,656.66 and in May 2021 shares for a total purchase price of € 31,425.00. Dr. Georg Kellinghusen purchased shares in March 2021 for a total purchase price of € 89,824.66.

Supervisory Board working methodology

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

The Supervisory Board met for a total of two face-to-face meetings in the 2020/21 financial year. In addition, eighteen video conferences were held by the Supervisory Board and the committees, as well as one conference call. The Audit Committee held six video conferences during the 2020/21 financial year. The Personnel Committee met for two video conferences during the 2020/21 financial year. The Nomination Committee did not hold any face-to-face meetings in the 2020/21 financial year.

At the request of the Supervisory Board Chair, the Management Board participates in all ordinary Supervisory Board meetings, reports both in writing and verbally on all agenda items and proposed resolutions, and responds to questions from individual Supervisory Board members. The Supervisory Board Chair has the Management Board provide regular information concerning current business, forwarding such information in an appropriate form to the entire Supervisory Board.

Supervisory Board resolutions are generally passed at face-to-face meetings of the Supervisory Board members. Absent Supervisory Board members can submit a written vote through another Supervisory Board member. This also applies for the submission of the second vote of the Supervisory Board Chair. Outside the scope of attended meetings, the passing of resolutions is permissible through votes conveyed by written, telegram, telephone, telex or modern telecommunications means (by conference call or video conference or by email, for example), if so arranged for special reasons by the Supervisory Board Chair, or, if the Supervisory

Board Chair is prevented from so doing, the Deputy Supervisory Board Chair. The Supervisory Board is considered quorate if all members are convened in good time via their last provided address, and at least half of the members of which it is to consist in total participate in the passing of the resolution. Supervisory Board members also participate in the passing of a resolution if they abstain from voting. Supervisory Board resolutions are passed with a simple majority of votes submitted, unless other majorities are required by law. This is also applicable in the case of elections. Abstentions are not counted when determining the results of voting. Given an equal number of votes, the Supervisory Board Chair – or if the Supervisory Board Chair is prevented from so doing, the Deputy Supervisory Board Chair – decides whether a further vote is to be held at the same meeting. Given a further vote on the same matter, the Supervisory Board Chair has two votes; the Deputy Supervisory Board Chair does not have this right to a second vote.

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

The Supervisory Board completed a self-assessment in August 2020. In order to conduct the self-assessment, the current situation was appraised based on questionnaires, and the results of the questionnaires were discussed by the Supervisory Board. After evaluating the results, the Supervisory Board notes that it performs its activities efficiently overall. Potential improvements identified as part of the audit are taken into consideration for the future. The Supervisory Board plans to conduct the next self-assessment in the 2022 calendar year.

Composition of the Supervisory Board

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

The Supervisory Board comprised four members at the start of the financial year; in the context of a replacement appointment pursuant to Section 104 (2) Sentence 1 AktG, Prof. Dr. Wiltrud Treffenfeldt and Mr. Stephen Catling were appointed as members of the Supervisory Board with effect from 14 October 2020 until the next Annual General Meeting on 10 March 2021. On 10 March 2021, the Annual General Meeting elected Prof. Dr. Wiltrud Treffenfeldt and Mr. Stephen Catling to the Supervisory Board for a regular term of office. Also at the Annual General Meeting in March, the mandate for Dr. Eichhorn, Deputy Chair of the Supervisory Board, was extended for a further term of office on the Supervisory Board.

During the 2020/21 financial year, the Supervisory Board consisted of the following individuals:

TABLE 03.2 MEMBER OF THE SUPERVISORY BOARD

Name, Role	Member since	Appointed until the AGM in the respective FY	Further board mandates in 2020/21
Dr. Georg Kellinghusen Chairman of the Supervisory Board	9 March 2017	2022/23	<ul style="list-style-type: none"> Member of the Advisory Board of NWB Verlag GmbH & Co. KG, Herne Member of the Advisory Board of Advyce GmbH, Munich Member of the Advisory Board of Simplifa GmbH, Berlin Member of the Bavaria Advisory Board of Deutsche Bank AG, Frankfurt am Main (listed company)
Dr. Anna C. Eichhorn Deputy Chair	9 March 2017	2024/25	<ul style="list-style-type: none"> CEO of humatrix AG, Pfungstadt Member of the Management Board (Deputy Chair) of Initiative gesundheitswirtschaft-rhein-main e. V. Member of the Supervisory Board of Frankfurter Innovationszentrum Biotechnologie (FIZ), Frankfurt am Main Member of the Management Board of House of Pharma & Healthcare e. V.
Stephen Catling Supervisory Board member	14 October 2020	2024/25	
Prof. Dr. Bernhard Hauer Supervisory Board member	7 March 2019	2022/23	<ul style="list-style-type: none"> Member of the Scientific Advisory Board of Biosyntia ApS, Member of the Scientific Advisory Board of Provivi, Inc., Member of the Scientific Advisory Board of Arzeda Corporation
Dr. Michael Majerus Supervisory Board member	7 March 2019	2022/23	<ul style="list-style-type: none"> Member of the Management Board of SGL Carbon SE (mandate ended in FY 2020/21) Member of the Supervisory Board of SGL CARBON LLC, Charlotte, USA (mandate ended in FY 2020/21) Non-executive director on the Management Board of Deutsches Aktieninstitut e.V., Frankfurt am Main
Prof. Dr. Wiltrud Treffenfeldt Supervisory Board member	14 October 2020	2024/25	<ul style="list-style-type: none"> Member of the Supervisory Board of ProBioGen AG, Berlin Member of the Senate of the Fraunhofer Gesellschaft

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

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

The Supervisory Board's competency profile and objectives are composed as follows: the Supervisory Board is of the opinion that one third of its members should cover with particular expertise the areas of entrepreneurship/new business as well as corporate finance/capital markets and the sector, and that it fulfills all self-imposed requirements in the intended number, taking into account the members of the Supervisory Board reappointed in October. Moreover, the Supervisory Board regards as a medium-term objective the recruiting of a further individual with knowledge of the North American market of relevance to the company. The set ratio for women will be reviewed at the end of the set rotation in June 2022. This ratio of women is exceeded at present. The Supervisory Board has set an age limit of 75 years for newly appointed Supervisory Board members. The Supervisory Board endeavors to ensure that the average age of the entire board does not rise any further in the case of new appointments, and that the board's heterogeneity in terms of differing curricula vitae is not reduced. To date, the Supervisory Board has not set a limit for the maximum length of service.

Committees

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

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

Audit Committee

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

Name	Role	Independence
Dr. Michael Majerus	Chair	yes
Dr. Georg Kellinghusen	Member	yes
Dr. Anna C. Eichhorn, until 11 December 2020	Member	yes
Stephen Catling, since 11 December 2020	Member	yes

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

Pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), the audit committee must include at least one supervisory board member with expertise in the financial accounting or financial auditing areas. The Audit Committee Chairman, Dr. Michael Majerus, meets the statutory conditions pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), and also possesses specialist knowledge as head of financial accounting and CFO, including at three listed companies. His activities focus on controlling, financial questions and financial accounting, among other areas. Moreover, he commands a broad spectrum of knowledge in compliance topics as well as in the investor relations area.

Personnel Committee

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

Name	Role
Dr. Georg Kellinghusen	Chair (independent in the meaning of Section C.10 DCGK in force since 20 March 2020)
Dr. Michael Majerus	Member
Prof. Dr. Wiltrud Treffenfeldt, since 11 December 2020	Member

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

Nomination Committee

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

Name	Role
Dr. Anna C. Eichhorn,	Chair, since 11 December 2020
Dr. Georg Kellinghusen	Member
Prof. Dr. Bernhard Hauer, since 11 December 2020	Member

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

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

Dialog with investors

The Supervisory Board discussed the suggestion contained in Number A.3 of the German Corporate Governance Code (DCGK), and was in favor of the Supervisory Board Chairman being available to respond to investors' questions relating specifically to the Supervisory Board. The Management Board of BRAIN Biotech AG also welcomes this move.

Supervisory Board compensation

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

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

Precise information about the compensation of the Supervisory Board members is presented in the compensation report, which forms part of the company's Group management report, as well as in the notes to the consolidated financial statements.

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

At its meeting on 23 September 2016, the Supervisory Board of BRAIN Biotech AG passed a resolution that the Supervisory Board should include one woman, corresponding to a 17% ratio. The deadline for implementation was set at 30 June 2017. This objective was implemented on 9 March 2017 when Dr. Anna C. Eichhorn was elected to the Supervisory Board of BRAIN Biotech AG. The retention of this goal was confirmed at the meeting on 28 September 2017 for the period until 30 June 2022. In the context of the replacement of Supervisory Board members in accordance with Section 104 (2) Clause 1 AktG, the proportion of women on the Supervisory Board increased to 33% with the appointment of Prof. Dr. Treffenfeldt; Dr. Eichhorn and Prof. Dr. Treffenfeldt were (re-) elected for a full term of office on 10 March 2021. Also on 28 September 2017, the Supervisory Board passed a resolution to leave the ratio for women on the Management Board of BRAIN Biotech AG unchanged at 0% until 30 June 2022.

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

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

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

Shareholders and the AGM

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

The fifth public Annual General Meeting of BRAIN Biotech AG was held for the first time as a virtual Annual General Meeting on 10 March 2021, in Offenbach. The invitation for the AGM was published in good time in the German Federal Gazette (Bundesanzeiger) pursuant to statutory regulations, including the agenda with the proposed resolutions of the management and of the Supervisory Board as well as the terms for participating in the AGM and the exercising of voting rights, among other matters. All reports and documents required by law were available on the website of BRAIN Biotech AG from the date when the AGM was convened. Directly following the AGM, BRAIN Biotech AG published the attendance and voting results on its website. Ten out of eleven items on the agenda were submitted to the vote at the AGM. All of the proposed resolutions were accepted given an attendance of the share capital of BRAIN Biotech AG of 68.15%.

Financial accounting and auditing

The unaudited quarterly financial statements as of 31 December 2020 (3M) and 30 June 2021 (9M) as well as the unaudited half-year financial report (6M) as of 31 March 2021 and the consolidated financial statements for the financial year ending 30 September 2021 were prepared in accordance with Section 315e (1) of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS). The separate financial statements of BRAIN Biotech AG for the 2020/21 financial year were prepared in accordance with the regulations of the German Commercial Code (HGB), and the German Stock Corporation Act (AktG).

Zwingenberg, December 2021

Management Board and Supervisory Board

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Basis of the Group

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

Group business model

BRAIN Biotech AG (formerly B-R-A-I-N Biotechnology Research and Information Network Aktiengesellschaft) is a growth company in the industrial biotechnology area with a focus on business activities in the areas of nutrition, health and the environment. A science-based product business forms the core of our strategic orientation.

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

The targets in terms of a "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 Group utilizes biotechnological processes in its production.

Management system

BRAIN's financial control parameters include revenue and adjusted EBITDA¹. In the company's view, revenue appropriately reflects the Group's overall financial performance during the respective reporting period. Adjusted EBITDA appears to better reflect the Group's sustainable earnings than EBITDA, as it excludes exceptional items. Adjusted EBITDA is calculated by eliminating expenses from the share-based payments of BRAIN Biotech AG, acquisition and integration costs from the BRAIN Group's expansion and other income from the gain on a bargain purchase. In the previous year, expenses from the realignment of the Management Board as well as one-time employee benefits to mitigate the additional burden from the coronavirus crisis were also eliminated.

As key non-financial indicators, the company refers to milestones achieved in the context of cooperation agreements and option exercises. The number of milestones reached and exclusive options exercised serves as an important measure of the technological targets achieved in the

¹ Earnings before interest, tax, depreciation and amortization.

strategic industrial partnerships, and consequently of BRAIN's technology expertise. The management metrics underlying the planning and steering are calculated based on International Financial Reporting Standards (IFRS).

Research and development

Biotechnology research and the development of biotechnology processes and products represent an important expertise, and form the foundation of the Group's business activities. As early as 1999, BRAIN applied proprietary metagenome technologies in order to develop production organisms, enzyme products and genetic libraries. BRAIN's portfolio today consists of various patented special technologies, as reflected in the patent portfolio. This includes the BRAIN-Engineered-Cas (BEC), a molecular biology technology developed and submitted for Patent by BRAIN for the targeted and precise modification of DNA. For this purpose, nucleases (special enzymes) are utilized as so-called "gene scissors." BRAIN is also active in the areas of wound healing as well as green and urban mining. Here, BRAIN, together with its partners, reached an important milestone, such as entering the clinical trials phase with the wound debridement enzyme Aurase.

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

Expenses for research and development amounted to €5.4 million in the 2020/21 financial year, compared with €5.8 million in the 2019/20 financial year. This corresponds to 14% of revenue in the 2020/21 financial year, after 15% in the previous financial year. Investments in research and development in the 2020/21 financial year mainly include expenses to develop various products (such as new sweeteners and processes to extract biological metal from waste and byproduct flows, as well as the new BEC genome editing technology) at the sites in Zwingenberg and Potsdam. Research and development expenses include €0.5 million of third-party services (previous year: €1.3 million).

The Group currently employs 184 people in research and development functions (previous year: 180).

Economic and business report

- BRAIN Group revenues increased to €38.4 million in the financial year 2020/21.
- EBITDA and net loss were significantly reduced.

1 Macroeconomic and sector-related conditions

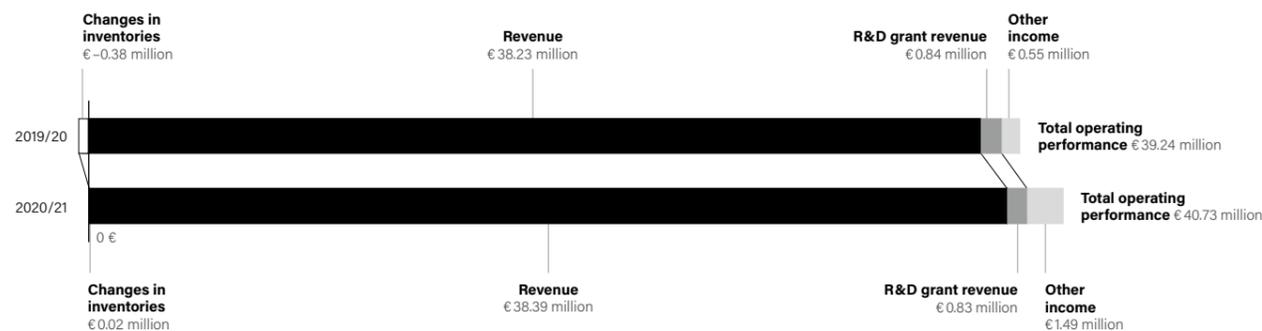
In a global economic environment that proved to be challenging and volatile overall, where risks to global economic growth intensified due to the challenges posed by the continued spread of the coronavirus pandemic as well as supply chain constraints, overall conditions for industrial biotechnology continued to be positive in the 2020/21 financial year, which was partly reflected in a higher level of financing volumes for biotech companies in Germany in 2020.

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

While sales growth in the therapies and diagnostics sector is high in absolute terms, industrial biotechnology also recorded growth. Along with substituting petrochemical-based products, sector research and development activities focus on biological solutions for sugar and salt substitutes as well as alternative protein sources.

2 Deutscher Biotechnologie Report 2021, EY.
 3 Cf. Nature.com, "Financing breaks all records in 2020".
 4 Bio Deutschland survey 2021 of 20 April 2021 "Germany's biotech sector experiences record growth".
 5 Biotechnologie Jahrbuch 2021, Biocom.

FIGURE 04.1 COMPOSITION OF TOTAL OPERATING PERFORMANCE



2 Business progress

TABELLE 04.1 EXTRACT FROM THE STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2020/21	2019/20
Revenue	38,389	38,225
Research and development grant revenue	833	839
Changes in inventories	23	-378
Other income	1,486	552
Total operating performance	40,731	39,238
EBITDA	-2,533	-3,876
Adjusted EBITDA	-2,089	-2,018
EBIT	-6,548	-8,229
Net financial result	2,271	-1,715
Pretax loss for the reporting period	-4,276	-9,944
Net loss for the reporting period	-4,680	-9,017
Earnings per share (in €)	-0.25	-0.52

The revenue of the BRAIN Group grew to €38.4 million in the 2020/21 financial year. Compared with the previous year (€38.2 million), this represents an increase of 0.4%. On an organic basis – in other words, excluding the acquisition of Biosun Biochemicals Inc., Tampa, USA – revenue decreased by 5.2%. This decline reflects both a lower level of project business in the BioScience segment, which was down by 22.1%, as well as organic growth in BioIndustrial segment's product business.

The focus of revenue was on Germany (c. 18%, previous year: c. 23% of total revenue), the USA (c. 23%, previous year: c. 19%), the Netherlands (c. 13%, previous year: c. 7%), the UK (c. 10%, previous year: c. 11%) as well as France (c. 8%, previous year: c. 13%). Revenue in Germany decreased to €8.9 million (previous year: €9.1 million). International revenue remained constant compared to the previous year (€29.3 million).

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

Changes in inventories (€0.0 million) were higher than in the previous year (€ -0.4 million). In the BioScience segment, the change in inventories decreased from € -0.2 million in the previous year to € -0.1 million. The change in inventories in the BioIndustrial segment increased from € -0.2 million in the previous year to € 0.1 million. The increase in inventories in the BioIndustrial segment is mainly due to the revenue growth. Other income increased by €0.9 million year-on-year to €1.5 million. This includes €0.9 million from a gain on a bargain purchase.

At €40.7 million, the total operating performance deriving from the aforementioned developments was 3.8% up on the previous year (€39.2 million). In the 2020/21 financial year, a total of ten milestones were achieved and exclusivity options exercised (previous year: 13). The milestones reached and exclusivity options exercised relate to different cooperation partners.

3 Results of operations

In the past financial year, adjusted EBITDA remained stable at € -2.1 million compared to € -2.0 million in the previous year.

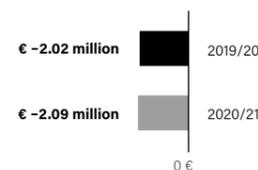
As in the previous year, EBITDA was influenced by various non-operating effects, for which adjustments have been made. These include acquisition and integration costs, expenses for share-based compensation schemes and other income from a gain on a bargain purchase. In the previous year, additional costs were adjusted in connection with the realignment of the Management Board as well as a one-off support paid to employees to mitigate the additional burden of the coronavirus crisis.

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

TABLE 04.2 RECONCILIATION OF REPORTED EBITDA TO ADJUSTED EBITDA

€ thousand	2020/21	2019/20
EBITDA, including:	-2,533	-3,876
Gain on bargain purchase	858	0
Personnel expenses from share-based payment components	-989	-629
Other operating expenses related to M&A transactions and the integration of acquired businesses	-313	-222
Personnel expenses in connection with the realignment of the Management Board, as well as coronavirus	0	-692
One-off support payment to employees to mitigate additional burdens caused by the coronavirus crisis	0	-138
Other expenses in connection with the realignment of the Management Board	0	-177
Adjusted EBITDA	-2,089	-2,018

FIGURE 04.2 ADJUSTED EBITDA



The adjustments relate to personnel expenses as well as other expenses and other income.

In line with the higher revenue, the cost of materials also increased by 1.2% from €16.6 million to €16.8 million. As a consequence, the ratio of cost of materials to revenue rose slightly from 43.6% to 43.9%. Third-party services within the BRAIN Group decreased by 38.1% to €1.6 million. Third-party services were purchased mainly from universities, companies with production expertise, and other technology firms.

Compared to the previous year, personnel expenses increased by 2.3% from €19.1 million to €19.5 million. This was mainly due to higher wages and salaries, as well as the BRAIN Group's share-based compensation. The personnel expense ratio increased from 50.1% to 50.8%.

At €6.9 million (previous year: €7.3 million), other expenses were below the previous year's level, which was partly due to a decrease in travel expenses as a result of the pandemic. Savings were also achieved, particularly in relation to legal and consulting costs.

As a consequence of the aforementioned effects, unadjusted EBITDA improved from € -3.9 million to € -2.5 million.

EBIT also increased year-on-year from € -8.2 million to € -6.5 million.

The net financial result improved from € -1.7 million to €2.3 million following the positive effect of the subsequent revaluation of the financial liabilities in connection with put option rights relating to the Biocatalysts Group. This was offset by a budgeted negative result from the equity accounted interest in SolasCure Ltd, Cardiff, UK.

As a consequence, the pretax result improved from € -9.9 million to € -4.3 million.

The loss after taxes amounted to € -4.7 million (previous year: € -9.0 million). Of this amount, € -5.0 million is attributable to the shareholders of BRAIN Biotech AG.

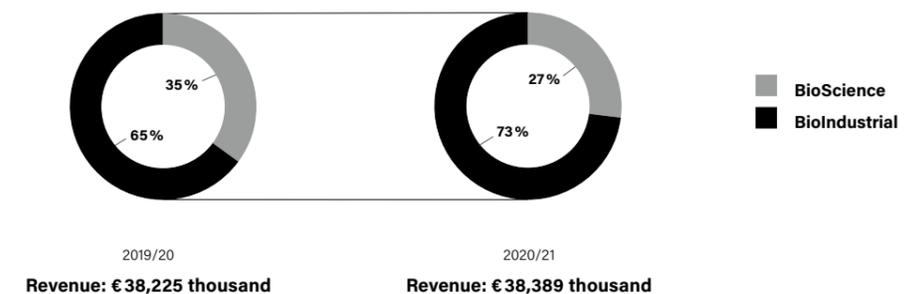
Overall, the revenue and adjusted EBITDA trends were not fully in line with our forecast (see also the detailed forecast report in this Group management report).

The operating segments report the following results:

TABLE 04.3 SEGMENT SHARE OF REVENUE

	2020/21	2019/20
BioScience	27 %	35 %
BioIndustrial	73 %	65 %

FIGURE 04.3 SEGMENT SHARE OF REVENUE



BioScience segment

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

TABLE 04.4 **BIO SCIENCE SEGMENT**

€ thousand	2020/21	2019/20
Revenue	10,313	13,230
Research and development grant revenue	772	687
Changes in inventories	-114	-222
Other income	574	267
Total operating performance	11,545	13,962
Cost of materials	-2,431	-3,521
Personnel expenses	-12,123	-13,011
Other expenses	-3,193	-3,650
EBITDA	-6,202	-6,219
Adjusted EBITDA	-5,377	-4,541
Depreciation, amortization and impairment	-1,287	-1,344
EBIT	-7,489	-7,564

Revenue in the BioScience segment was down by 22.1%, from €13.2 million to €10.3 million. This decrease is mainly due to some larger projects reaching their planned end-phase as well as delays in the completion of new and follow-up projects in the Tailor-Made Solutions area (research and development partnerships). Research and development grant revenue remained constant at €0.8 million compared to €0.7 million in the previous year. As a consequence, total operating performance reduced by €2.4 million year-on-year to €11.5 million.

Segment adjusted EBITDA decreased from € -4.5 million to € -5.4 million. The reduction is due to the effects described above, although cost savings partially counteracted the lower revenue level.

BioIndustrial segment

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

TABLE 04.5 **BIO INDUSTRIAL SEGMENT**

€ thousand	2020/21	2019/20
Revenue	28,236	25,081
Research and development grant revenue	61	152
Changes in inventories	137	-157
Other income	939	294
Total operating performance	29,373	25,371
Cost of materials	-14,565	-13,184
Personnel expenses	-7,388	-6,136
Other expenses	-3,745	-3,702
EBITDA	3,676	2,348
Adjusted EBITDA	3,295	2,528
Depreciation, amortization and impairment	-2,727	-3,008
EBIT	948	-660

Revenue in the BioIndustrial segment grew from €25.1 million to €28.2 million. On an organic basis - in other words, excluding Biosun Biochemicals Inc., Tampa, USA - revenue also increased by €1.0 million, or 3.9%.

In line with revenue growth, the segment's total operating performance also reported growth of 15.8%, from €25.4 million in the previous year to €29.4 million. Other income includes €0.9 million income from a gain on a bargain purchase.

Segment adjusted EBITDA grew from €2.5 million to €3.3 million. This is mainly due to the higher revenue level.

4 Net assets and financial position

TABLE 04.6 EXTRACT FROM THE BALANCE SHEET

€ thousand	30.09.2021	30.09.2020
Non-current assets		
Intangible assets	13,531	13,271
Property, plant and equipment	24,291	24,470
Other non-current assets	801	1,326
	38,623	39,067
Current assets		
Other current assets	14,362	13,808
Other financial assets	207	332
Cash and cash equivalents	24,545	18,943
	39,114	33,083
ASSETS	77,737	72,150
Equity	41,828	26,143
Non-current liabilities		
Non-current financial liabilities	17,669	27,320
Other non-current liabilities	6,907	6,330
	24,575	33,650
Current liabilities		
Current financial liabilities	2,649	3,277
Other current liabilities	8,686	9,079
	11,335	12,357
EQUITY AND LIABILITIES	77,737	72,150

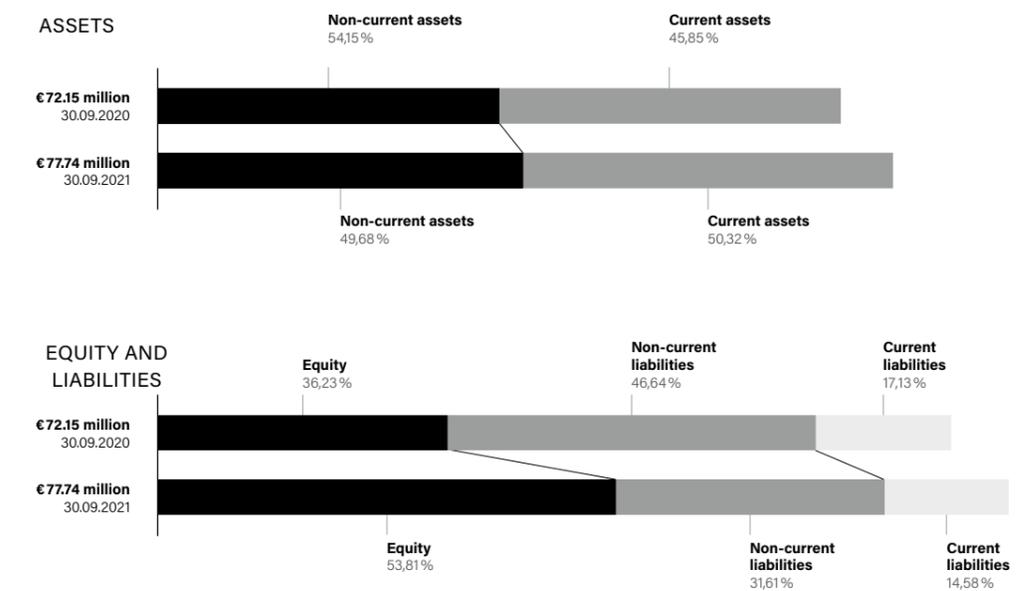
The changes in the net assets and capital structure in the 2020/21 financial year are mainly due to a capital increase from authorized capital in September 2021 and the negative net result for the year.

Non-current assets decreased from € 39.1 million to € 38.6 million.

Current assets increased from € 33.1 million to € 39.1 million. This was due, in particular, to the increase in cash and cash equivalents from € 18.9 million to € 24.5 million.

Equity increased from € 26.1 million to € 41.8 million. This increase of € 15.7 million reflects the net effect of the capital increase from authorized capital of € 19.1 million and the negative total comprehensive income. The equity ratio stood at 53.8% as of the end of the financial year (previous year: 36.2%).

FIGURE 04.4 BALANCE SHEET STRUCTURE



As at the 30 September 2021 balance sheet date, the company reports authorized capital of € 3,972,273 and conditional capital of € 1,986,136 (conditional capital to satisfy warrant and conversion rights when issuing bonds with warrants and/or convertible bonds), as well as an amount of € 1,805,578 (conditional capital to satisfy option rights from issuing stock options).

Non-current liabilities decreased by € 9.1 million to € 24.6 million as at 30 September 2021. This reduction is mainly due to the payment of put option liabilities in the amount of € 4.6 million to non-controlling shareholders of Biocatalysts Ltd. as well as finance income from a positive re-valuation effect from the liability, which is presented in the financial result.

Current liabilities decreased from € 12.4 million to € 11.3 million, whereby the change is mainly due to the scheduled repayment of put option liabilities relating to AnalytiCon Discovery GmbH, Potsdam. This is offset by an increase in trade payables of € 0.7 million.

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

The financial liabilities are predominantly denominated in euros and pounds sterling. In addition to silent partnerships, the interest-bearing financial liabilities mainly consist of loans from financial institutions with a fixed nominal interest rate of between 1.15% and 6.10%, as well as liabilities for the potential acquisition of company shares from the exercise of put options. Of the interest-bearing loans, € 1.2 million have a remaining term of up to one year, € 2.2 million a remaining term of more than one year and up to five years, and € 1.2 million a remaining term of more than five years.

The debt-to-equity ratio decreased from 63.8% in the previous year to 46.2% as at 30 September 2021 in the context of the aforementioned parameters. Total assets increased from €72.2 million as at 30 September 2020 to €77.7 million as at 30 September 2021.

Investments

The focus of investments in the current financial year was on the expansion of production capacities in the UK. Accordingly, capital expenditure concentrated on property, plant and equipment at €1.2 million, compared with €2.8 million in the previous year.

Liquidity

TABLE 04.7 EXTRACT FROM THE CASH FLOW STATEMENT

€ thousand	2020/21	2019/20
Gross cash flow	-5,327	-6,056
Cash flow from operating activities	-3,906	-4,767
Cash flow from investing activities	-2,180	-4,469
Cash flow from financing activities	11,572	13,093
Net change in cash and cash equivalents	5,485	3,857

The gross cash flow of the BRAIN Group amounted to €-5.3 million in the 2020/2021 financial year compared with €-6.1 million in the previous year. Cash flow from operating activities decreased from €-4.8 million to €-3.9 million in the current financial year.

Cash flow from investing activities amounted to €-2.2 million in the current financial year compared with €-4.5 million in the previous year, and mainly reflects additions to property, plant and equipment, and a capital increase at an equity-accounted company.

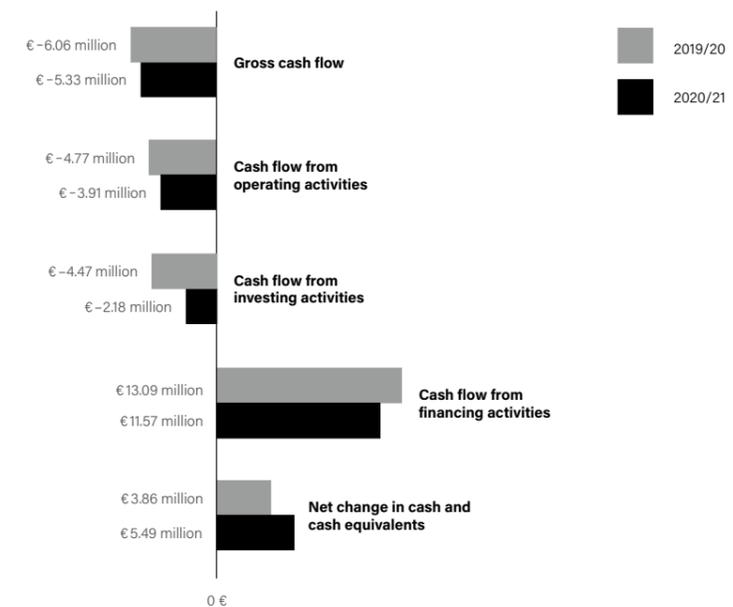
Cash flow from financing activities amounted to €11.6 million, and derives from a capital increase from authorized capital in the amount of €19.1 million, as well as the net repayment of financial liabilities.

The individual cash flows led to an increase in cash and cash equivalents of €5.5 million compared with €3.9 million in the previous year.

Cash and cash equivalents of €24.5 million as at 30 September 2021 were offset by current financial liabilities of €2.7 million and non-current financial liabilities of €17.7 million, with the majority of non-current financial liabilities relating to potential payments from the exercise of put options. Undrawn credit lines of €7.0 million also existed.

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

FIGURE 04.5 PRESENTATION OF THE CASH FLOW STATEMENT



5 Employees

The number of employees reports the following changes:

TABLE 04.8 NUMBER OF EMPLOYEES

	2020/21	2019/20
Total employees, of which	288	279
Salaried employees	264	253
Industrial employees	25	25

The BRAIN Group also employs scholarships/grant holders (3, previous year: 6), temporary employees (12, previous year: 14) and trainees (8, previous year: 7).

6 Overall statement on business progress

In the Management Board's view, in the past financial year BRAIN achieved some important successes in terms of the development of the company and progress in the incubator pipeline.

The instruments for managing the Group, the subsidiaries and the projects were considerably strengthened and expanded on a business-related basis. A Groupwide training program, the BRAINway program, was introduced to strengthen the corporate culture, the focus on commercial success, and the personal development of the employees.

In terms of research, BRAIN successfully advanced some of its own development projects in the current financial year. The Salt Taste 1.0 and Natural Fermented Beverage 1 projects are about to be launched on the market by our partners. In the natural sugar substitutes area, we signed a commercial development agreement for Brazzein with our partner Roquette. Clinical studies have commenced in the Woundcare/Aurase area. We were particularly pleased to strengthen our incubator pipeline with two projects offering commercial potential: BRAIN-Engineered-Cas (BEC), as well as the newly discovered bradykinin receptor antagonist PHA121 as a treatment option for hereditary angioedema (HAE).

The economic environment continued to be characterized by uncertainty, including as a consequence of the ongoing coronavirus pandemic, and BRAIN also experienced declining demand in product areas such as enzymes for the production of bioethanol and for wine processing. New business acquisition in contract research also proved challenging due to restrictions on contacts. Overall, however, our products business was also above the previous year's level in organic terms. With the exception of the subsidiary WeissBioTech GmbH, Ascheberg, which is currently undergoing a reorganization, all subsidiaries in the BioIndustrial area achieved revenue growth. The acquisition of a further non-controlling interest of 16.67 percentage points in Biocatalysts Ltd. further strengthened our influence over this commercially very important subsidiary. With the acquisition of Biosun Biochemicals Inc., the BRAIN Group expanded its activities in the US market.

As far as the Group's financial position and performance is concerned, the Management Board is of the opinion that the overall picture is positive, as the Group achieved a stable revenue level, as well as improved, albeit still negative, EBITDA, despite the generally weak economic environment.

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

Above and beyond this, for the Management Board the continued high level of investments in research and development in relation to revenue represents an indicator and basis for BRAIN's future potentials. The Group holds a position of cash and cash equivalents of €24.5 million as at 30 September 2021, and reports a 53.8% equity ratio. A successful capital increase in September 2021 led to a net cash inflow of approximately €19 million and strengthened our financial flexibility. In the Management Board's opinion, this signifies that the prerequisites to participate in the potential offered by growing bioeconomy markets remain in place.

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

Compensation report

The compensation report has been prepared according to the statutory regulations of the German Commercial Code (HGB), and taking into consideration the recommendations listed in the German Corporate Governance Code (DCGK). The following sections present the basic elements of the compensation scheme for the Management and Supervisory board members, explain the structure of the compensation and salaries of individual Management and Supervisory board members, and report the level of compensation paid to Management and Supervisory board members.

The compensation scheme was approved by the Annual General Meeting on 10 March 2021.

1 Management Board compensation

Compensation scheme

The compensation scheme for the Management Board is oriented towards the company's positive overall financial and business performance in the medium to long term. The Management Board members' overall compensation consequently includes various elements, and consists at present of fixed basic compensation, a performance-based bonus, long-term incentives through an equity option program as well as individually agreed pension commitments, expenses of a provident nature, insurance contributions, and other ancillary benefits.

When setting overall compensation and the individual compensation elements, the Supervisory Board has taken into consideration the company's financial position and business prospects, as well as its compensation structure. For the individual Management Board members, the Supervisory Board has differentiated according to function, areas of responsibility, qualification and personal performance. Where such data and information was available, information about compensation at other companies within the same sector, or competing with the company, was taken into consideration as a further criterion.

The agreements relating to compensation are included in the Management Board members' service contracts. The contractual duration corresponds in each case to the period of office for which the respective Management Board members have been appointed. The service contracts are fixed for this period and cannot be terminated on an ordinary basis.

Notes concerning individual compensation components

Fixed compensation

Each Management Board member receives a basic fixed salary that is agreed as fixed cash compensation drawn in relation to the financial year, and paid out in twelve equal monthly instalments.

Basic compensation for the Management Board Chair amounts to 68% of target compensation (€957 thousand) taking into consideration a capped performance-related bonus for 100% target attainment, and for the remaining Management Board members 75% of target compensation (€618 thousand) taking into consideration a capped performance-related bonus for 100% target attainment.

Current variable performance-related remuneration (profit shares)

The variable, performance-related compensation is granted in cash and is related to one financial year in each case if the Management Board member has achieved the respective predefined targets (parameters of performance-related compensation include both financial and strategic performance targets) in the respective financial year. The financial performance targets relate to an improvement in (i) organic growth, (ii) EBITDA and (iii) cash flow, in each case in relation to the Group; the strategic performance targets are defined as (i) projects for the Group's strategic further development and (ii) the successful commercialization of the project development pipeline. The annual bonus level is contractually arranged for each Management Board member for the duration of their service contract. All five performance targets are initially considered individually and then weighted equally in relation to each other (20% each) when measuring the variable compensation. In the event of target achievement from 100% to 200%, the share of the variable compensation for the respective performance target increases in accordance with the contractual provisions to the corresponding extent up to a maximum of 200% of the agreed pro rata compensation amount. If the defined performance targets are not met or not met in full, the share of the variable compensation for the respective performance target is reduced to 0% if necessary.

If the fixed amount bonus is awarded, variable cash compensation for the Management Board Chair (CEO) reaches an amount equivalent to 32% of target total compensation, and for the remaining Management Board members an amount equivalent to 25% of target total compensation. If the Supervisory Board increases the fixed amount bonus at its discretion, variable cash compensation for the Management Board Chair (CEO) reaches a maximum of 65% of target total compensation, and for the other Management Board members a maximum of 51% of target total compensation.

Share-based compensation (stock options)

For information on share-based compensation, please refer to the relevant section in the notes to the consolidated financial statements.

Pension commitments, expenses of a provident nature and insurance contributions

The Management Board members' service contracts include the following regulations in relation to pensions and surviving dependents' benefits. The company pays amounts into a pension fund or private pension insurance for its Management Board members. Instead of paying into a pension fund or private pension insurance, these amounts can also be paid out as a salary at the request of the Management Board members. In the case of death, the relatives of a deceased Management Board member receive a one-off payment equivalent to 50% of total compensation granted to the deceased Management Board member in the current financial year at the time of death, pursuant to related standard contractual regulations.

The company has concluded invalidity insurance policies for the Management Board members for the duration of their service contracts, with the related premiums being paid by the company. The company also grants Management Board members allowances for private health insurance and social security.

Discontinued employment commitments

In the event of the early termination of their Management Board activities, Management

Board members do not receive any payments and/or ancillary benefits that exceed the value of two years' compensation (severance payment cap) or that compensate more than the remaining term of the employment contract. If the employment contract is terminated for an exceptional reason for which the Management Board member concerned is responsible, the Management Board member will not receive any payments. The severance payment cap is calculated on the basis of the total compensation for the past financial year and, if applicable, the expected total compensation for the current financial year.

No benefits were promised or granted by a third party to any member of the Management Board for their activities.

Further information about the compensation scheme and Section 120a (4) of the German Stock Corporation Act (AktG)

The compensation scheme and the currently applicable Management Board contracts do not include any so-called claw-back provisions.

The maximum compensation provided for in the compensation scheme for the members of the Management Board was complied with.

The company is not obligated to vote on the approval of a compensation report until the Annual General Meeting in the 2022/23 financial year, as a consequence of which no resolution pursuant to Section 120a (4) AktG has been submitted to date.

Future structure of the compensation scheme

The Supervisory Board is considering further developing the compensation scheme. The focus is on the instances of divergence from the German Corporate Governance Code (DCGK) published in the statement of conformity (December 2021).

Scope of Management Board compensation

For the 2020/21 financial year, the Management Board was granted total compensation of €1,575 thousand, as calculated based on the German Commercial Code (HGB). The corresponding figure for the previous year stood at €1,335 thousand.

The compensation granted for the 2020/21 financial year based on commercial law regulations is summarized in the following overview.

TABLE 04.9 **MANAGEMENT BOARD COMPENSATION BASED ON COMMERCIAL LAW REGULATIONS**

€ thousand	Adriaan Moelker	Lukas Linnig	Total
Performance-based components			
Fixed salary	420 ⁶	235 ⁷	655
Performance-based components without long-term incentive effect			
Profit share and bonus	200	80	280
Performance-based components with long-term incentive effect			
Share-based compensation (ESOP)	337	303	640
Total compensation	957	618	1,575

⁶ Fixed compensation of €350 thousand plus payment of a pension contribution of €70 thousand.

⁷ Fixed compensation of €200 thousand plus payment of a pension contribution of €35 thousand.

Compensation of former members of the Management Board

For the former members of the Management Board, Dr. Holger Zinke and Dr. Jürgen Eck, defined contribution pension commitments exist which, in the event of termination of the employment relationship before the contractual retirement age is reached, effectively convert into a defined benefit commitment. No further pension commitments to other members of the Management Board exist.

The present value of the total obligation from pension commitments, calculated in accordance with International Financial Reporting Standards (IFRS), for both former members of the Management Board amounted to € 5,250 thousand as at the reporting date (previous year: € 5,557 thousand).

The pension value (present value of the overall obligation) according to the accounting regulations of the German Commercial Code (HGB) amounted to € 4,330 thousand (previous year: € 3,867 thousand).

Reporting compensation in accordance with the recommendations of the German Corporate Governance Code

The following overview shows which benefit contributions were granted or accrued to the members of the Management Board of BRAIN Biotech AG for 2020/21 and for the previous year.

TABLE 04.10 MANAGEMENT BOARD COMPENSATION

€ thousand	Adriaan Moelker, CEO					
	Received		Granted			
	2020/21	2019/20	2020/21	2019/20	2020/21 (max.)	2020/21 (min.)
Fixed compensation	420	280	420	280	420	420
Total	420	280	420	280	420	420
Variable compensation (one-year)	200	233	200	233	400	0
Share-based compensation (ESOP 2018/2019)	0	0	337	279	3,000	0
Total	620	513	957	792	3,820	420
Pension expense	0	0	0	0	0	0
Total compensation	620	513	957	792	3,820	420

€ thousand	Lukas Linnig, CFO (since 1 October 2020)					
	Received		Granted			
	2020/21	2019/20	2020/21	2019/20	2020/21 (max.)	2020/21 (min.)
Fixed compensation	235	-	235	-	235	235
Total	235	-	235	-	235	235
Variable compensation (one-year)	0	-	80	-	80	0
Share-based compensation (ESOP 2018/2019)	0	-	303	-	3,000	0
Total	235	-	618	-	3,315	235
Pension expense	0	-	0	-	0	0
Total compensation	235	-	618	-	3,315	235

Supervisory Board compensation

Pursuant to the company's bylaws, the Supervisory Board members receive annual compensation of € 15,000. The Supervisory Board Chair receives twice this amount, and the Deputy Supervisory Board Chair receives one and a half times this amount. Committee chairs also receive further annual compensation of € 15,000. All Supervisory Board members receive a meeting fee of € 1,000 for each meeting of the Supervisory Board and Committees they attend.

The Supervisory Board members are included in the D&O (directors & officers) insurance cover (asset loss liability insurance) which the company has taken out for its directors, and whose premiums the company pays. Above and beyond this, the company has taken out asset loss liability insurance cover for securities issues ("IPO insurance") without deductibles for the Supervisory Board members as part of the IPO, whose costs the company bears.

The following table shows the cash compensation of the Supervisory Board for the 2020/21 financial year:

TABLE 04.11 CASH COMPENSATION OF THE SUPERVISORY BOARD

€ thousand				
Supervisory Board members	Fixed compensation	Allowance for special functions	Meeting fees	Total compensation
Dr. Georg Kellinghusen	30	15	21	66
Dr. Anna C. Eichhorn	23	15	15	52
Dr. Michael Majerus	15	15	21	51
Prof. Dr. Bernhard Hauer	15	0	13	28
Stephen Catling ⁸	14	0	17	31
Prof. Dr. Wiltrud Treffenfeldt ⁹	14	0	14	28
Total	111	45	101	256

Shares held by the Management and Supervisory boards

As at 30 September 2021, the Management Board members held 13,000 ordinary shares of BRAIN Biotech AG and the Supervisory Board members held 20,000 ordinary shares of BRAIN Biotech AG.

For the information about authorization of the Management Board to issue shares, please refer to the remarks about "Authorized Capital" and "Conditional Capital" in the section "Takeover-relevant information pursuant to Section 315a HGB".

⁸ Since 14 October 2020
⁹ Since 14 October 2020

Events after the reporting date

No significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2021 balance sheet date.

Outlook

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

The original expectation of a positive business trend during the current financial year, including growth in revenue and a continued negative, albeit better, adjusted EBITDA, was achieved in full in the past financial year. Revenue increased by 0.4%. On an organic basis, however, revenue was down by 5.2%. Adjusted EBITDA reduced by €0.2 million year-on-year to €-2.1 million.

For the 2021/22 financial year, the Management Board anticipates a business trend reflecting significant revenue growth and also considerably further improved, albeit continued negative, adjusted EBITDA result at Group level. Investments in the area of the novel genome editing tool (BRAIN-Engineered-CAS) are shown separately in this forecast and do not form part of this forecast. In the area of the novel genome editing tool, the company forecasts R&D expenses in the mid seven-figure range, without significant revenues in the first year. A further improved, positive EBITDA result is expected for the BioIndustrial segment, and a continued negative adjusted EBITDA result for the BioScience segment. In the BioIndustrial segment, the company is confident that it will remain its revenue growth path with continued rising, positive adjusted EBITDA in connection with the expansion of the product business. In the BioScience segment, a maximum of single-digit percentage revenue growth is expected thanks to the new business development pipeline and the cooperation business, as described above.

Milestones and option drawings were realized as expected although below last year's level (10 in the current financial year; 13 in the previous year). An unchanged number of milestones is anticipated for the following year. Research and development expenses in the current financial year were below the previous year's level. A similarly high level of research and development expenses is expected for the coming financial year.

As in the previous year, these forecasts are based on the assumption that macroeconomic and sector-related conditions for industrial biotechnology in 2021/22 develop further as described in the section entitled "Macroeconomic and sector-related conditions", that potential projects are not discontinued on an unscheduled basis, and that new cooperation partners can be acquired for new projects. This forecast is also based on the assumptions that the continuing spread of the coronavirus pandemic will not have a significant impact on BRAIN's planned revenue growth and associated earnings improvements, and that an increasing interest in sustainable products will continue to prevail among the general public.

Report on risks and opportunities

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

1 Risk management at BRAIN Biotech AG

Introduction

Identifying opportunities and avoiding risks are the determinants of any corporate business strategy. BRAIN Biotech AG ("BRAIN") endeavors to identify new opportunities and exploit them successfully for its business. At the same time, business success is impossible without consciously assuming risks.

The aim is to sustainably grow the company's value through tapping opportunities, while considering the risks entailed. The systematic handling of risks and opportunities with the help of the risk management system forms part of corporate activity and an element of management steering. BRAIN Biotech AG forms part of a growth industry characterized by constant change and progress, hence our 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. 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 delay. Risk and opportunities management forms part of all planning processes within BRAIN and its subsidiaries.

2 Report on risks and opportunities

Risk Management System (RMS)

Features of the RMS

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

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

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

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

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

The RMS, which undergoes constant further development, has integrated previous years' experience in its identification and management of risks. The effects of the risks as presented in the following risk and opportunities report are reported as annual risks. The evaluation of the presented risks relates to the 30 September 2021 reporting date, and was prepared from a survey in the divisions shortly before the reporting date.

No relevant changes occurred after the balance sheet date.

Risk identification

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

Risk evaluation

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

TABLE 04.12 LIKELIHOOD OF OCCURRING WITHIN THE NEXT TWO YEARS

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

TABLE 04.13 DEGREE OF IMPACT

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

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

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

TABLE 04.14 **RISK SCORE**

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

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

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

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

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

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

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

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

Risk management and monitoring

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

Identified risks are reviewed and discussed at BRAIN twice a year, enabling specific countermeasures to be implemented if required.

Reporting

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

Accounting-related internal control system

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

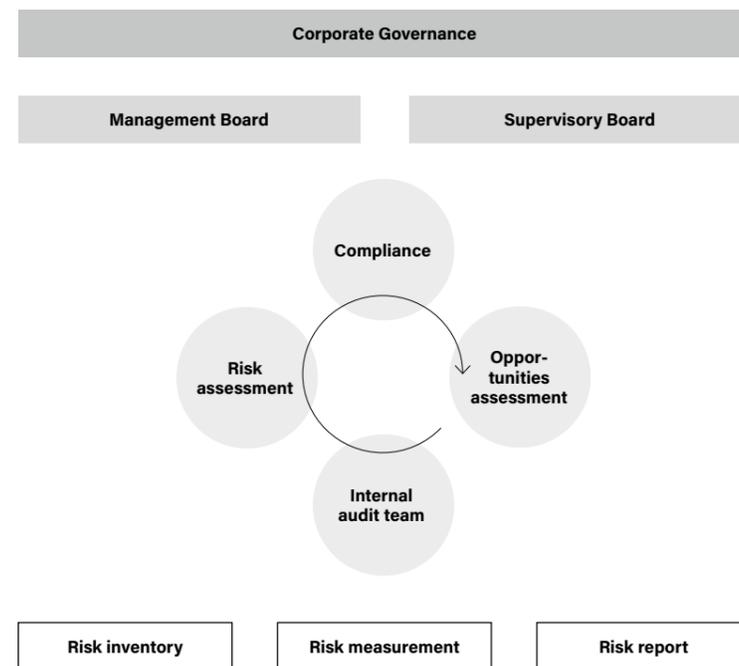
The accounting-related appraisal and recording of business transactions is implemented by the respective Group companies where such transactions occur, as a matter of principle. As an exception to this principle, BRAIN Biotech AG evaluates and records the transactions of the subsidiaries Mekon Science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

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

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

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

FIGURE 04.6 RISK MANAGEMENT SYSTEM



3 Assessment of opportunities and risks in overall presentation

Business-related risks

Growth risk

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

Compared to the previous year, the risk is estimated to be unchanged due to the continued spread of the coronavirus pandemic. This risk concerns both of BRAIN's operating segments, BioScience and BioIndustrial. This characteristic is classified as a "medium risk", as in the previous year.

Risks from research and development

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

The same applies when concluding contracts with collaboration partners. Here, too, feasibility and timeframes are evaluated in detail in diversified and cross-disciplinary teams before contracts are concluded.

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

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

Material damage to the BioArchive or research results

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

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

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

Product liability

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

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

Financial risks

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

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

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

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

Goodwill impairment/valuation of investments

This financial risk relates to both segments. Given unfavorable future trends, financial risks to be categorized as "medium risk" might entail impairment losses on acquired goodwill and

other intangible assets deriving from corporate acquisitions. Compared to the previous year, the risk is unchanged. Further information on this topic is presented in the section entitled "Impairment tests" in the notes to the consolidated financial statements.

Financing of option liabilities

As at 30 September 2021, BRAIN holds € 24.5 million of cash. BRAIN also has a € 7.0 million loan facility at its disposal. The exercise date of the put options by the non-controlling shareholders of the Biocatalysts Group has a significant bearing on liquidity planning. Based on the incentivization of the non-controlling shareholders through rising EBITDA multiples and on the basis of the expected EBITDA growth, it is assumed that the exercise of the remaining shares will occur in the last possible period (1 January to 31 March 2023), so that liquidity measures must be implemented at this point in time at the latest. For example, the exercise of all option holders at the earliest possible date (1 January to 31 March 2022) would reduce liquidity by around € 3.8 million in the 2021/22 financial year. However, the cash outflow would be approximately € 0.6 million less than at the assumed exercise date. Based on the aforementioned incentivization of the non-controlling shareholders, the earlier exercise of the option rights would be uneconomical, and thereby unlikely under the assumption of rational behavior on the part of the option holder.

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

Legal risks

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

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

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

IP risks

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

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

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

General legal risks

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

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

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

Risks from acquiring and integrating companies and parts of companies, as well as from Brexit

Due to the past acquisition of the Biocatalysts Group, and of Biosun Chemicals Inc. in the current financial year, opportunities and risks from the acquired companies' business operations transferred to BRAIN. This risk is classified as a "low risk", as in the previous year.

The impact of Brexit was minor for BRAIN. The main effect at Biocatalysts Ltd consisted of the delayed delivery of products for export markets and delays at the customs processing. Over the course of the 2020/21 financial year, this situation improved as Biocatalysts Ltd. have been proactively informing their customers how to accelerate customs clearance, and the overall situation at the UK border has stabilized.

To date, no significant impact has arisen in relation to Brexit and none of the risks have materialized.

Other risks**Personnel**

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

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

Environment

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

This risk relates to both segments and continues to be categorized as a 'medium risk'.

Risks related to COVID-19

BRAIN has been able to largely contain negative impacts caused by the coronavirus pandemic. However, travel restrictions and social distancing make it difficult for BRAIN to visit clients in order to acquire new projects. This can lead to delays in the acquisition of new customers and in the conclusion of new contracts. BRAIN's business development team is endeavoring to pursue the signing of new contracts. The subsidiary SolasCure Ltd. was affected by the pandemic insofar as clinic closures led to delays in the processing of clinical trials. Further negative impacts beyond this cannot be ruled out.

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

TABLE 04.15 PRESENTATION OF THE MOST SIGNIFICANT SHORT- AND MEDIUM-TERM RISKS AT BRAIN

Risks	Resultant two-year estimate of impact	Segment mainly affected
Business-related risks		
Growth risk	medium	BioScience and BioIndustrial
Risk with R&D projects	medium	BioScience
Risk of loss of bioarchives	medium	BioScience
Product liability risk	low	BioIndustrial
Financial risks		
Devaluation of inventories/assets	medium	BioScience and BioIndustrial
Goodwill impairment/valuation of investments	medium	BioScience and BioIndustrial
Financing of option liabilities	medium	BioScience
Legal risks		
IP risks	medium	BioScience and BioIndustrial
General legal risks	medium	BioScience and BioIndustrial
Risks from acquiring and integrating companies and parts of companies, as well as from Brexit		
Risks from acquiring and integrating companies and parts of companies, as well as from Brexit	low	BioIndustrial
Other risks		
Personnel	medium	BioScience and BioIndustrial
Environmental risk	medium	BioScience and BioIndustrial
COVID risk	medium	BioScience and BioIndustrial

BRAIN evaluated a total of 48 risks. Of these risks, 32 risks are to be categorized as “medium risks,” and are aggregated in the 12 risk classes listed above (BioScience and BioIndustrial). A total of 16 risks were appraised as “low risk.” No risk was evaluated as a “high risk” or as a “going concern risk” for BRAIN.

¹⁰ 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.

Risk reporting on the deployment of financial instruments

At BRAIN, financial instruments¹⁰ are either not deployed, or deployed only to an extent that is insignificant in order to assess the Group's financial position and performance, or its prospective development. For further information, please refer to the “Risk management” section in the notes to the consolidated financial statements.

Report on opportunities

Opportunities arising from research and development

BioScience segment

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

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

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

Genome editing

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

Innovative active ingredients for the pharmaceutical industry

As part of a self-financed research project, BRAIN has discovered an enzyme, isolated from fly maggots which is utilized in the context of the maggot therapy for wound debridement and has developed a related biotechnology production process. The cleaning of chronic wounds is the first step in therapy, and is often responsible for the extended treatment time. The project was spun off into SolasCure Ltd. and is currently in early-stage clinical trials.

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

Plant-based sweeteners without the calorie burden

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

Fermented food

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

Business-related opportunities**BioIndustrial segment:**

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

Corporate governance:

The Management Board is working on realizing cost and revenue synergies within the Group. This requires good networking among the subsidiaries, as well as centralized performance and target controlling. In this context, we acquired a further part (16.67 percentage points) of the outstanding non-controlling interest in Biocatalysts Ltd.

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

The following information reflects the circumstances as at the 30 September 2021 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 38.2% interest in the company's share capital as at 30 September 2021. This includes voting shares that were initially held by the bank engaged by MP Beteiligungs-GmbH. As at 30 September 2021, no further shareholders existed with interests of more than 10% in the voting rights.

Holders of shares with special rights (No. 4)

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

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

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

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

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

votes. If the Supervisory Board has appointed a Management Board Chair, and if the Management Board consists of three members, the vote of the Management Board Chair decides given an equal number of votes.

Rules concerning amendments to the bylaws (No. 6)

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

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

BRAIN Biotech AG has the following authorized and conditional capital:

Authorized capital

With an AGM resolution on 10 March 2021, authorized capital of € 5,958,408 was created (Authorized Capital 2021/I). Authorized Capital 2021/I was entered in the commercial register on 15 April 2021. The Management Board was authorized, with Supervisory Board assent, to increase the company's share capital in the period until 9 March 2026, once or on several occasions, albeit by up to 5,958,408 new ordinary registered shares against cash or non-cash capital contributions, whereby shareholders' statutory subscription rights can be wholly or partly excluded. If the new shares are issued against cash capital contributions, shareholders' statutory subscription rights can be wholly or partially excluded if the new shares' issue price is not significantly less than the stock market price of the company's shares already listed on the date when the issue price is finally determined, and the total number of shares issued in this manner under exclusion of subscription rights does not exceed 10% of the share capital. By resolution of the Management Board on 15 September 2021, and with the approval of the Supervisory Board on the same date, the authorized capital was partially utilized for a capital increase, excluding statutory subscription rights, in the amount of € 1,986,135. The capital increase from authorized capital was entered in the commercial register on 16 September 2021.

Accordingly, authorized capital of € 3,972,273 was reported as at the 30 September 2021 reporting date.

Conditional capital

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

Conditional Capital 2015/I for the issue of up to 5,090,328 new ordinary registered shares was withdrawn by resolution of the Annual General Meeting of 10 March 2021 and replaced by Conditional Capital 2021/I.

Conditional Capital 2021/I serves exclusively to grant shares to the holders of bonds with warrants and convertible bonds that the company issues based on the authorization of the Management Board by way of an AGM resolution passed on 10 March 2021. The conditional capital

increase is to be implemented through issuing up to 1,986,136 new ordinary registered shares only to the extent that the holders of convertible bonds and/or bonds with warrants utilize their conversion rights or warrant rights, or the holders of convertible bonds that are obligated to convert satisfy their obligation to convert, and to the extent that other forms of satisfaction are not deployed to service the bonds. An increase in the share capital from Conditional Capital 2021/I had not been implemented as at the 30 September 2021 reporting date.

Conditional Capital 2015/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 July 2015 as part of a stock option plan comprising up to 123,000 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board, members of affiliated companies' management boards, as well as managers and other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2015/II had not been implemented as at the 30 September 2021 reporting date. At the Annual General Meeting on 7 March 2019, Conditional Capital 2015/II was reduced from originally € 1,272,581 to € 123,000, as this capital was to remain exclusively for hedging stock options already issued. The authorization to issue further stock options from Conditional Capital 2015/II was revoked at the same Annual General Meeting and replaced by a new authorization (see following section).

By resolution of the Annual General Meeting on 7 March 2019, the share capital was conditionally increased by € 1,682,578 through the issue of up to 1,682,578 new no-par-value registered shares (Conditional Capital 2019/I). The conditional capital serves exclusively to service subscription rights from stock options granted to members of the company's Management Board and other senior company managers. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2019/I had not been implemented as at the 30 September 2021 reporting date.

Stock options

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

Significant agreements for the instance of a change of control due to a takeover offer (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 www.brain-biotech.com/investors/corporate-governance.

Zwingenberg, 10 December 2021



Adriaan Moelker
Chief Executive Officer



Lukas Linnig
Chief Financial Officer

Responsibility statement

We hereby declare that, to the best of our knowledge, the consolidated financial statements convey a true and fair view of the Group's financial position and performance in accordance with applicable accounting principles, the progress of business including the business results and the Group's position are presented in the Group management report so as to convey a true and fair view, and the significant opportunities and risks pertaining to the Group's prospective development are described.



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TABLE 05.1 CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2021

€ thousand	Note	30.09.2021	30.09.2020
Non-current assets			
Intangible assets and Goodwill	[12]	13,531	13,271
Property, plant and equipment	[13]	24,291	24,470
Equity-accounted investments	[14]	550	997
Other non-current assets	[18]	251	329
		38,623	39,067
Current assets			
Inventories	[15]	7,015	6,964
Trade receivables	[16]	6,722	6,166
Other current assets	[18]	617	585
Current tax assets	[10]	9	93
Other financial assets	[17]	207	332
Cash and cash equivalents	[19]	24,545	18,943
		39,114	33,083
ASSETS		77,737	72,150
Equity [20]			
Subscribed capital		21,847	19,861
Capital reserves		95,890	78,386
Retained earnings		-79,509	-77,497
Other reserves		555	35
		38,783	20,785
Non-controlling interests		3,044	5,358
Total equity		41,828	26,143
Non-current liabilities			
Deferred tax	[10]	2,790	2,155
Provisions for post-employment benefits for employees	[5]	2,271	2,803
Financial liabilities	[21]	17,669	27,320
Other liabilities	[22]	736	3
Deferred income	[23]	1,109	1,369
		24,575	33,650
Current liabilities			
Provisions	[24]	404	387
Tax liabilities	[10]	116	325
Financial liabilities	[21]	2,649	3,277
Prepayments received	[25]	79	70
Trade payables	[26]	3,831	3,171
Other liabilities	[22]	2,684	4,266
Deferred income	[23]	1,572	861
		11,335	12,357
EQUITY AND LIABILITIES		77,737	72,150

TABLE 05.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD 1 OCTOBER 2020 - 30 SEPTEMBER 2021

€ thousand	Note	12M 20/21 01.10.2020 – 30.09.2021	12M 19/20 01.10.2019 – 30.09.2020
Revenue	[1]	38,389	38,225
Research and development grant revenue	[2]	833	839
Change in inventories of unfinished and finished goods and work in progress		23	-378
Other income*	[3]	1,486	552
Total operating performance		40,731	39,238
Cost of materials	[4]		
Cost of raw materials, consumables and supplies, and purchased merchandise		-15,274	-14,115
Cost of purchased services		-1,568	-2,532
		-16,842	-16,647
Personnel expenses	[5]		
Wages and salaries		-15,618	-15,584
Share-based employee compensation		-989	-629
Social security and post-employment benefit costs		-2,903	-2,935
		-19,510	-19,147
Other expenses	[7]	-6,912	-7,320
EBITDA		-2,533	-3,876
Depreciation, amortization and impairment	[6]	-4,014	-4,353
Operating result (EBIT)		-6,548	-8,229
Share of profit or loss from equity-accounted investments	[14]	-1,723	-2,389
Finance income	[8]	4,722	1,546
Finance costs	[9]	-727	-872
Net financial result		2,271	-1,715
Pretax loss for the reporting period		-4,276	-9,944
Income tax expense/income	[10]		
a) Current tax expense/income		-169	533
b) Deferred tax expense/income		-234	394
		-404	927
Net loss for the reporting period		-4,680	-9,017
of which attributable to non-controlling interests		292	667
of which attributable to the shareholders of BRAIN Biotech AG		-4,972	-9,684
Earnings per share	[11]		
Earnings per share, basic undiluted (in €)		-0.25	-0.52
Number of shares taken as basis		19,942,982	18,657,641
Earnings per share, diluted (in €)		-0.25	-0.52
Number of shares taken as basis		19,942,982	18,657,641

€ thousand	Note	12M 20/21 01.10.2020 – 30.09.2021	12M 19/20 01.10.2019 – 30.09.2020
Net loss for the reporting period		-4,680	-9,017
of which attributable to non-controlling interests		292	667
of which attributable to the shareholders of BRAIN Biotech AG		-4,972	-9,684
Other comprehensive income			
Net gain or loss from revaluating obligations from post-employment employee benefits**	[5]	306	44
Currency translation		568	-139
Other comprehensive income, net		874	-96
Consolidated total comprehensive income (loss)		-3,805	-9,113
of which attributable to non-controlling interests		340	502
of which attributable to the shareholders of BRAIN Biotech AG		-4,145	-9,614

* Other income in 12M 2020/21 includes € 858 thousand Gain on Bargain Purchase.
 ** Items that will not be subsequently reclassified to profit or loss.

TABLE 05.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 01.10.2020 - 30.09.2021

Note (20)	Interests of shareholders of BRAIN Biotech AG				Non-controlling interests		
	Subscribed capital	Capital reserves	Retained earnings	Other reserves Currency translation	Total	Total	Total
€ thousand							
Balance at 30 September 2019	18,056	65,170	-67,919	9	15,316	4,857	20,173
Effects from first-time application of IFRS 16	0	0	62	0	62	0	62
Balance at 1 October 2019	18,056	65,170	-67,857	9	15,377	4,857	20,234
Cash capital increase from authorized capital, less capital raising costs	1,806	12,768	0	0	14,573	0	14,573
<i>Net loss for the reporting period</i>	<i>0</i>	<i>0</i>	<i>-9,684</i>	<i>0</i>	<i>-9,684</i>	<i>667</i>	<i>-9,017</i>
<i>Other comprehensive income</i>	<i>0</i>	<i>0</i>	<i>44</i>	<i>26</i>	<i>69</i>	<i>-165</i>	<i>-96</i>
Total comprehensive income (loss)	0	0	-9,640	26	-9,614	502	-9,113
Transfers due to employee share scheme	0	449	0	0	449	0	449
Balance at 30 September 2020	19,861	78,386	-77,497	35	20,785	5,358	26,143
Cash capital increase from authorized capital, less capital raising costs	1,986	16,992	0	0	18,978	0	18,978
<i>Net loss for the reporting period</i>	<i>0</i>	<i>0</i>	<i>-4,972</i>	<i>0</i>	<i>-4,972</i>	<i>292</i>	<i>-4,680</i>
<i>Other comprehensive income</i>	<i>0</i>	<i>0</i>	<i>306</i>	<i>521</i>	<i>827</i>	<i>48</i>	<i>874</i>
Total comprehensive income (loss)	0	0	-4,666	521	-4,145	340	-3,805
<i>Acquisition of shares of non-controlling shareholders</i>	<i>0</i>	<i>0</i>	<i>2,654</i>	<i>0</i>	<i>2,654</i>	<i>-2,654</i>	<i>0</i>
Transfers due to employee share scheme	0	512	0	0	512	0	512
Balance at 30 September 2021	21,847	95,890	-79,509	555	38,783	3,044	41,828

TABLE 05.4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 OCTOBER 2020 - 30 SEPTEMBER 2021

Note (19)	12M 20/21	12M 19/20
€ thousand	01.10.2020 - 30.09.2021	01.10.2019 - 30.09.2020
Net profit (/loss) for the period, after tax	-4,680	-9,017
Depreciation, amortization and impairment	4,014	4,353
Deferred tax expense/income	234	-394
Conversion of deferred income into revenue	-1,373	-3,057
Income from the acquisition of fully consolidated companies (Bargain Purchase)	-798	0
Income from release of provisions and liabilities	-343	-84
Share of profit or loss from equity-accounted investments	1,723	2,389
Change in net pension provisions recognized in profit or loss	-225	11
Other non-cash expenses and income	-3,810	-304
Losses on disposals of intangible assets and property, plant and equipment	7	47
Gross cash flow	-5,250	-6,056
Change in trade receivables	-143	56
Change in inventories	-17	730
Change in tax assets and liabilities	-121	-555
Change in other assets and financial assets	126	457
Change in trade payables	313	-1,261
Change in prepayments	9	-100
Change in provisions and other liabilities	-537	707
Additions from deferred income	1,715	1,255
Cash flows from operating activities	-3,906	-4,767
Net cash inflows from disposals of companies (less cash and cash equivalents divested)	-436	0
Payments to acquire intangible assets	-11	-39
Payments to acquire property, plant and equipment	-1,251	-2,820
Net cash flows relating to other non-current assets	81	240
Investments in equity-accounted investments	-564	-1,874
Proceeds from disposal of property, plant and equipment	1	24
Cash flows from investing activities	-2,180	-4,469
Proceeds from borrowings	55	1,254
Repayments of borrowings	-2,875	-2,733
Payments of the Put-Option liabilities for Biocatalysts Ltd.	-4,586	0
Contributions to equity, less related capital raising costs	18,978	14,573
Cash flows from financing activities	11,572	13,093
Net change in cash and cash equivalents	5,485	3,857
Cash and cash equivalents at start of financial year	18,943	15,160
Exchange-rate-related change in cash	116	-74
Cash and cash equivalents at end of financial year	24,545	18,943
Cash flows from operating activities include:		
Interest paid	-431	-486
Interest received	26	28
Income taxes paid	-387	-29
Income taxes received	55	73

Notes

I. GENERAL INFORMATION

General information about the company

BRAIN Biotech Aktiengesellschaft (until April 2021 B·R·A·I·N Biotechnology Research and Information Network AG and also referred to below as "BRAIN Biotech AG" or the "Company") is entered in the commercial register of the Darmstadt District Court under commercial sheet register number 24758. The company's registered offices are located at Darmstädter Strasse 34-36 in 64673 Zwingenberg, Germany.

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

The BioScience segment comprises 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. The BioScience segment is also home to our incubator. Here, deploying both our own research funds and working together with partners, we aim for breakthroughs in biotechnologically produced solutions that address a number of society's most pressing issues: nature-based food, health, and environmentally compatible production methods.

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

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

The 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 Group utilizes biotechnology processes in order to manufacture sustainable products. Our products and services directly address the following UN Sustainable Development Goals: 2, 3, 6, 9 and 12.

General basis of financial accounting

BRAIN Biotech AG has been listed on the stock market since 9 February 2016 and is oriented to the capital market. As a consequence, the regulations of Section 315e (1) of the German Commercial Code (HGB) are applicable when preparing the consolidated financial statements. The consolidated financial statements prepared by the parent company BRAIN Biotech AG for the year ending 30 September 2021 (the "consolidated financial statements"

or "financial statements") were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. The financial statements of BRAIN Biotech AG are included in the consolidated financial statements of MP Beteiligungs-GmbH, Kaiserslautern, by way of equity accounting. The consolidated financial statements of MP Beteiligungs-GmbH are published in the German Federal Gazette (Bundesanzeiger).

The reporting period comprises the period from 1 October 2020 to 30 September 2021. This period corresponds to the financial year of BRAIN Biotech AG. For historical reasons, the annual financial statements of WeissBioTech GmbH, Ascheberg, WeissBioTech S.A.R.L., Chanteloup-en-Brie, France, and AnalytiCon Discovery LLC, Rockville, MD, USA, are prepared based on a calendar year-end reporting date. Where a financial year differs, annual figures based on the Group's financial year are calculated for the consolidated financial statements, and included in the financial statements on this basis.

These consolidated financial statements of BRAIN Biotech AG were approved by the Management Board for submission to the Supervisory Board on 3 December 2021. The review and approval by the Supervisory Board took place on 10 December 2021.

New accounting regulations applied

The standards and amendments to be applied for financial years beginning on or after 1 October 2020 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.

Accounting regulations published but not yet applied

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

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

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

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

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

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

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

Annual improvements IFRS 2018-2020:

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

Amendments to IAS 1: Disclosure of Accounting Policies:

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

Amendments to IAS 8: Definition of Accounting Estimates:

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

Amendments to IFRS 3: Reference to the Conceptual Framework.

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

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

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

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

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

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

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

The effects of the aforementioned new accounting regulations that are not yet applied are currently being investigated. At present, however, the company does not expect these to generate significant effects.

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 financial statements are presented in thousands of euros, unless stated otherwise, for ease of readability. Rounding differences can arise due to commercial rounding.

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

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

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

Identifiable assets and liabilities are recognized at fair value. For each 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 2021:

Name and domicile of the company	30.09.2021	30.09.2020
AnalytiCon Discovery GmbH, Potsdam, Germany	100 %	100 %
AnalytiCon Discovery LLC, Rockville, Maryland, USA	100 %*	100 %*
BRAIN Capital GmbH i.L., Zwingenberg, Germany	100 %	100 %
L.A. Schmitt Chem. Kosm. Fabrik GmbH, Ludwigsstadt, Germany	100 %	100 %
MEKON Science Networks GmbH i.L., Zwingenberg, Germany	100 %	100 %
WeissBioTech GmbH, Ascheberg, Germany	100 %	100 %
WeissBioTech France S.A.R.L., Chanteloup-en-Brie, France	100 %*	100 %*
BRAIN US LLC, Rockville, Maryland, USA	100 %	100 %
BRAIN UK II Ltd., Cardiff, UK	100 %	100 %
BRAIN UK Ltd., Cardiff, UK	88.97 %**,**	72.31 %*
Biocatalysts Ltd., Cardiff, UK	80.65 %**,**	65.55 %*
Biocatalysts Inc., Chicago, Illinois, USA	80.65 %**,**	65.55 %*
Biosun Biochemicals Inc., Tampa, Florida, USA	100 %***	-

The shares in BRAIN UK Ltd., Biocatalysts Ltd. and Biocatalysts Inc. increased with effect from 1 June 2021 as a consequence of the acquisition of part of the outstanding non-controlling interests in BRAIN UK Ltd. (16.66%). Financial liabilities were already formed in the past for the put options, and the exercise of the put option had no effect on the full consolidation.

* Indirect interests.
 ** Increase due to the acquisition of part of the outstanding non-controlling interests in BRAIN UK Ltd. (16.66%).
 *** Acquisition of 100% of the shares in Biosun Biochemicals Inc. as of 1 January 2021.

Change in the consolidation scope

Expansions of the BRAIN Group

On 1 January 2021, BRAIN Biotech AG acquired 100% of the shares in Biosun Biochemicals Inc. (Biosun), based in Tampa, Florida, USA. Biosun is a distributor, formulator and blender of enzymes, flavors, food ingredients and natural colors in the US market and is a selected US distributor for the flavors of Givaudan Flavors Corporation. The acquisition of Biosun provides BRAIN Biotech AG establishes improved access to the US market, brings many established customer relationships to the Group and supports the growth course of BRAIN Biotech AG in North America.

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

€ thousand	Fair value recognized on acquisition
Assets	
Intangible assets (customer relationships)	1,178
Property, plant and equipment	63
Inventories	96
Trade receivables	262
Other current assets	5
Cash and cash equivalents	149
Total assets	1,753
Liabilities	
Trade payables	-108
Current liabilities (interest-bearing)	-3
Deferred tax liabilities	-273
Total liabilities	-384
Net assets at fair value	1,369
Gain on bargain purchase	-858
Purchase price	511
Cash flow on acquisition	
Cash and cash equivalents acquired with the subsidiary	149
Purchase price paid	-511
Net cash flow on acquisition	-362

The gain on bargain purchase is largely due to the seller's wish to divest the business within a tight timeframe for personal reasons. The gain on bargain purchase was recorded in other income.

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

Since the acquisition date, Biosun has contributed €2.2 million to the revenue and €0.1 million to the net result of the BRAIN Group. If the acquisition had occurred at the start of the financial year, consolidated revenue would have amounted to €38.9 million and the result for the period would have been € -4.5 million.

Transaction costs of € 0.1 million were expensed and are included in other expenses in the income statement, and form part of operating cash flow in the cash flow statement.

No further changes in the scope of consolidation occurred in the 2020/21 financial year.

Changes in the previous year

No changes in the scope of consolidation occurred in the 2019/20 financial year.

Equity-accounted investments

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

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

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

Enzymicals AG, Greifswald, and SolasCure Ltd. were included as equity-accounted investments in the consolidated financial statements for the period ending 30 September 2021. The balance sheet date at the end of a calendar year (Enzymicals AG) or on 30 June (SolasCure Ltd.) differs from the balance sheet date of BRAIN Biotech AG. BRAIN Biotech AG holds 24.10 % (previous year: 24.10 %) of the voting rights in Enzymicals AG, and 41.27 % (previous year: 45.58 %) of the voting rights in SolasCure Ltd. On 19 January 2021, BRAIN Biotech AG participated in a capital increase at SolasCure Limited. The capital increase amounted to € 3.1 million (in which BRAIN participated in an amount of € 0.6 million) and led to the aforementioned change in the interest held.

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:

- valuating 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;
- the recoverability of recognized goodwill;
- 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 key assumptions and inputs for the estimates made by management are explained in the disclosures on the respective line items. The resulting amounts may differ from the actual amounts.

Adjustments to earnings

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

€ thousand	2020/21	2019/20
EBITDA, including:	-2,533	-3,876
Gain on bargain purchase	858	0
Personnel expenses from share-based payment components	-989	-629
Other operating expenses related to M&A transactions and the integration of acquired businesses	-313	-222
Personnel expenses in connection with the realignment of the Management Board	-	-692
One-off support payment to employees to mitigate additional burdens caused by the coronavirus crisis	-	-138
Other operating expenses in connection with the realignment of the Management Board	-	-177
Adjusted EBITDA	-2,089	-2,018

Segment reporting

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

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

The business activities at BRAIN are defined according to the operating segments "BioScience" and "BioIndustrial". The BioIndustrial segment mainly consists of its industrially scaled products business which focuses on enzyme and cosmetic products. At Management Board level, the individual segments' business performance is measured on the basis of revenue, and their profitability is measured based on adjusted EBITDA. The Management Board performs and approves planning at this level. Both areas have a different strategic orientation and require different marketing and business development strategies.

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

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

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

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

The following overview presents the segment results:

€ thousand	BioScience		BioIndustrial		Sum segments		Consolidation		Group	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Revenue generated with other segments	37	35	122	50	159	86	-159	-86	0	0
Revenue generated with external customers	10,275	13,195	28,114	25,030	38,389	38,225	0	0	38,389	38,225
Total revenue	10,313	13,230	28,236	25,081	38,549	38,311	-159	-86	38,389	38,225
R&D grant revenue ¹	772	687	61	152	833	839	0	0	833	839
Changes in inventories ²	-114	-222	137	-157	23	-378	0	0	23	-378
Other income	574	267	939	294	1,513	561	-27	-9	1,486	552
of which: gain on bargain purchase	0	0	-858	0	-858	0	0	0	-858	0
Total operating performance	11,545	13,962	29,373	25,371	40,918	39,333	-186	-95	40,731	39,238
Cost of materials	-2,431	-3,521	-14,565	-13,184	-16,995	-16,705	153	58	-16,842	-16,647
Personnel expenses	-12,123	-13,011	-7,388	-6,136	-19,510	-19,147	0	0	-19,510	-19,147
of which from share-based payments	512	449	477	180	989	629	0	0	989	629
of which costs in connection with the realignment of the Management Board	0	692	0	0	0	692	0	0	0	692
of which: one-off support payment to employees to mitigate additional burdens caused by the coronavirus crisis	0	138	0	0	0	138	0	0	0	138
Other expenses	-3,196	-3,650	-3,745	-3,702	-6,941	-7,352	26	32	-6,915	-7,320
of which acquisition and integration costs	313	222	0	0	313	222	0	0	313	222
of which costs in connection with the realignment of the Management Board	0	177	0	0	0	177	0	0	0	177
EBITDA	-6,202	-6,219	3,676	2,348	-2,526	-3,871	-7	-5	-2,533	-3,876
Adjusted EBITDA	-5,377	-4,541	3,295	2,528	-2,082	-2,013	-7	-5	-2,089	-2,018
Depreciation and amortization	-1,287	-1,344	-2,727	-3,008	-4,014	-4,353	0	0	-4,014	-4,353
EBIT	-7,489	-7,564	948	-660	-6,540	-8,224	-7	-5	-6,548	-8,229
Finance income									4,722	1,546
Result from equity-accounted investments									-1,723	-2,389
Finance costs									-727	-872
Result before taxes									-4,276	-9,944

¹ Research and development grant revenue.

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

Revenue derived from the following revenue sources:

€ thousand	2020/21	2019/20
Collaborative Business	10,275	13,195
BioScience	10,275	13,195
Enzymes & Bio-based Products	25,361	22,679
Cosmetics	2,753	2,352
BioIndustrial	28,114	25,030
Group total	38,389	38,225

The following table presents revenue by geographic region:

€ thousand	2020/21	2019/20
Germany	7,069	8,905
Abroad	31,320	29,321
of which: USA	8,862	6,881
of which: Netherlands	4,981	2,778
of which: UK	3,700	4,534
of which: France	3,079	4,946

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

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

€ thousand	30.09.2021	30.09.2020
Intangible assets	13,531	13,271
Property, plant and equipment	24,291	24,470
Total	37,822	37,741
of which: UK	21,342	21,034
of which: Germany	14,513	15,868
of which: USA	1,967	838

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

Currency translation

Translation of foreign currency transactions

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

Translation of foreign Group companies' financial statements

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

The exchange rates against the euro report the following changes:

Rate/€1	Country	Closing rate		Average rate	
		2020/21	2019/20	2020/21	2019/20
GBP	UK	1.1621	1.0961	1.1456	1.1389
USD	USA	0.8636	0.8541	0.8366	0.8933

Revenue recognition

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

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

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

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

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

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

Sale of goods/products

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

Rendering of services

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

Royalties and license fees

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

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

Intangible assets

Purchased intangible assets are recognized at cost and amortized straight-line over their economic useful life. 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

In the case of assets that are manufactured or otherwise made ready for their intended use or sale over a longer period of time ("qualifying assets"), borrowing costs are capitalized if they can be attributed directly to the asset. No qualifying assets existed in either the reporting period or the prior-year period.

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 2021 is its value-in-use, calculated as the present value of the future net cash flows expected to be generated from the CGU. The estimate is based on the current five-year planning of the relevant company. The last planning year is generally also applied for cash flows beyond the planning period and modified considering further assumptions for the perpetual return, to the extent that specific related indications exist. These plans are based on Management Board estimates about future trends that are described further in the description of the individual cash-generating units. Past data and expected

market performance are utilized to calculate values-in-use for the cash-generating units. The values allocated to the significant assumptions are generally in line with external information sources in this context.

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

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

Cash-generating unit	30.09.2021		30.09.2020	
	Goodwill € thousand	Pre-tax cost of capital (WACC) ³	Goodwill € thousand	Pre-tax cost of capital (WACC) ³
Biocatalysts	4,026	7.08 %	3,785	7.82 %
Natural Products Chemistry	699	7.50 %	699	8.08 %

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

Biocatalysts

For the Biocatalysts unit, an IAS 36 impairment test was performed again as at 30 September 2021. Planning is based on a significant rise in sales revenues and successive margin improvements. As planned, this would be in line with the significant increases in recent years as well as in the 2020/21 financial year. Continued strong growth is to be achieved by further expanding business relationships with both existing and new customers. Furthermore, an even stronger focus on customer-specific enzymes and proprietary product developments is planned, which should contribute to a further improvement in revenue as well as to a margin improvement. Net cash flows beyond the detailed planning phase were modelled on a terminal growth rate that reflects growth rates derived from current market information (financial year under review: 1.00 %, previous year: 1.00 %). A value-in-use applying discounted cash flows was calculated based on five-year planning. No impairment was determined in the impairment test on 30 September 2021.

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

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

Natural Products Chemistry

Thanks to positive market feedback and its successful performance in recent financial years, the "Natural Products Chemistry" unit in its planning assumes significant revenue growth and a positive trend in its EBITDA margin. The expected trend in revenue and earnings is mainly driven by the growth potential in the area of projects/services (including the project

³ Weighted average cost of capital before tax.

of AnalytiCon Discovery GmbH with Pharvaris N.V. regarding the novel oral bradykinin B2 receptor antagonists (PHA1211) as well as the resultant positive effects on the personnel expense ratio. Net cash flows beyond the detailed planning phase were modelled on a terminal growth rate that reflects growth rates derived from current market information (financial year under review and the previous year: 1.00%). A value-in-use applying discounted cash flows was calculated based on five-year planning. No impairment was determined in the impairment test on 30 September 2021.

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.

Inventories

Raw materials, consumables and supplies as well as unfinished goods and services, are measured at cost. In this context, the weighted average cost method is essentially applied at the lower of cost or market value. In addition to direct costs, production costs include appropriate portions of materials and production overheads. Borrowing costs are not capitalized. Write-downs to a lower net realizable value are applied if necessary.

Financial instruments

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

Financial instruments are classified into three categories on initial recognition:

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

Otherwise, the impairment losses are determined solely on the basis of the expected losses that would result from a loss event occurring within 12 months of the reporting date. In this case, loss events that may occur later than 12 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 Group.

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

Equity

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

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

Provisions

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

Occupational pension scheme/employee benefits

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

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

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

A defined contribution plan exists in Germany for all employees in the Group companies within the framework of the German statutory pension insurance into which the employer must pay. The amount to be paid is determined according to the current applicable contribution rate of 9.30% (employer contribution) with regard to the employee compensation subject to compulsory pension insurance. In the USA, the employer contribution to social security is 6.2% in relation to annual employee compensation of €127,200. In addition, BRAIN offers a company pension scheme in the form of deferred compensation without topping-up contributions by the employer.

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

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

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

“CoPerBo” Corporate Performance Bonus for employees of BRAIN Biotech AG

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

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

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

The periodic expense for the 2020/21 financial year amounted to €160 thousand. A liability of €160 thousand was formed as at 30 September 2021. No obligation existed for the 2019/20 financial year.

Share-based payment and other long-term employee benefits

In the 2020/21 financial year, the following share-based employee compensation existed:

Employee Stock Ownership Program (ESOP)

In order to provide incentives and to retain managers and employees of BRAIN Biotech AG long-term, an employee stock ownership program (ESOP 2017/18) for the 2017/18 came into effect on 8 June 2018, and an employee stock ownership program (ESOP 2018/19) for the 2017/18 financial year came into effect on 12 March 2019. Under the latter, further options were issued in the 2020/21 financial year on 2 October 2020 by way of exception (in particular due to the change of Chief Financial Officer), and on 15 March 2021 as scheduled. Managers and employees as well as the Management Board members of BRAIN Biotech AG participate in all ESOPs.

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

As part of exercise, one option entitles to the purchase of one share in the company at the so-called exercise price. The exercise price corresponds to the average of the share price 10 trading days prior to the contractual grant date. The following overview shows the measurement date and the exercise price.

	Measurement date	Exercise price (€)
ESOP 2017/2018	08 June 2018	20.67
ESOP 2018/2019	12 March 2019	10.64
ESOP 2019/2020	09 March 2020	9.11
ESOP 2020/2021-Oct	02 October 2020	7.37
ESOP 2020/2021-Mar	15 March 2021	9.03

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

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

	Options for managers and employees	Options for Management Board members
Outstanding as at 30.09.2020	362,600	160,000
Granted in the financial year	179,000	200,000
Expired in the financial year	0	0
Forfeited in the financial year	28,000	0
Exercised in the financial year	0	0
Outstanding as at 30.09.2021	513,600	360,000
Exercisable as at 30.09.2021	0	0

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

As a matter of principle, the fair value of the options is measured once at the grant date using a Monte Carlo simulation, and taking into consideration the terms and conditions upon which the options were granted. When the options were issued in the 2020/21 financial year for the 2020/21-Oct ESOP, the grant date fell on 2 October 2020, and for the 2020/21-Mar ESOP, the grant date fell on 15 March 2021.

The following parameters were applied as at the measurement date:

Parameter	Options for Management Board members, managers and employees (ESOP 2020/21-Oct): Issued in the 2020/21 financial year	Options for Management Board members, managers and employees (ESOP 2020/21-Mar): Issued in the 2020/21 financial year
Measurement date	2.10.2020	15.03.2021
Remaining term (in years)	8	8
Share price on the measurement date (€)	7.00	9.16
Exercise price (€)	7.37	9.03
Expected dividend yield (%)	0.0	0.0
Expected volatility (%)	47.85%	50.30%
Risk-free interest rate (%)	-0.72%	-0.70%
Model applied	Monte Carlo	Monte Carlo
Value cap per option (€)	30.00	30.00
Fair value per option (€)	2.68	3.37

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

For BRAIN Biotech AG, exercise of the subscription rights entails no effect on its cash position or treasury stock position, as no obligation of any kind exists for the company to deliver shares or cash payments in connection with this program. As the company receives the consideration in the form of work and similar service, pursuant to IFRS 2 an amount of € 512 thousand (previous year: € 449 thousand) for these share-based payment schemes is recognized at BRAIN Biotech AG. Of this amount, € 127 thousand relates to members of the Management Board (previous year: € 27 thousand).

Growth equity program at Biocatalysts Ltd.

In the 2018/19 financial year, a share-based compensation scheme was established to incentivize and retain managers at Biocatalysts, which was acquired in the 2017/18 financial year, in which managers at local company level participate. In the 2018/19 financial year, the managers acquired 50,197 shares at a nominal price of GBP 0.1, in other words, at a total amount of GBP 5,020. The shares carry neither voting rights nor profit participation rights. At the same time, a put option agreement was concluded, which enables the beneficiaries to sell the shares back to the company on the basis of the financial statements as at 30 September 2022. The management may also demand the exercise of the put option on the basis of the financial statements as at 30 September 2022 or, in the event of poor business performance, refrain from or postpone such exercise. The amount paid out is calculated on the basis of the

growth in the company's value based on a predefined EBITDA multiple and on the achievement of the budgeted figures for the 2022/23 financial year (previous year: budgeted figures for the 2021/22 financial year). The options were valued at € 26.39 per option as at 30 September 2021 (previous year: € 13.53). The resulting personnel expenses are distributed over the vesting period until 30 September 2023. As this represents cash-settled share-based payment, a re-valuation is performed on each balance sheet date on the basis of the company's current planning. An expense of € 477 thousand was recognized in the financial year under review and a corresponding provision was formed (previous year: € 180 thousand).

Employee share scheme of AnalytiCon Discovery GmbH

Put/call options with BRAIN Biotech AG were agreed for all non-controlling interests in the 2014/15 financial year. In accordance with the contractual terms, employees and managers were able to exercise the put options until February 2020. In the 2019/20 financial year, almost all holders of options still outstanding exercised their put options and transferred their shares to BRAIN Biotech AG. As a consequence, the interest held in AnalytiCon Discovery GmbH increased from 99.7% to 100%. In the financial year under review, a further tranche of the payment for the transferred shares amounting to € 1,557 thousand was rendered. This reduced financial liabilities to € 3 thousand (previous year: € 838 thousand) and other liabilities to € 6 thousand (previous year: € 716 thousand).

Current and deferred taxes

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

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

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

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

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

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

Leases

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

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

- BRAIN Biotech AG utilizes the option not to recognize leases for intangible assets as part of IFRS 16.
- BRAIN Biotech AG applies the exemptions in connection with lease agreements with a maximum term of twelve months from the date of delivery of the asset, as well as low-value assets. Leased assets with a maximum value of €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. The marginal borrowing rate is generally used because the interest rate underlying the lease cannot be readily determined. BRAIN Biotech AG applies the repayment model in order to determine the current portion of the lease liability. The current portion of the lease liabilities corresponds to the repayment portion of the next 12 months.
- On the date of addition, the right-of-use is generally capitalized in the same amount as the lease liability. Differences may arise if, for example, demolition/restoration obligations exist.
- Subsequently, the right-of-use is generally depreciated on a straight-line basis over the lease term. However, if an existing call option has been assessed as sufficiently certain in relation to the probability of exercise, or if an automatic transfer of ownership occurs at the end of the contract term, depreciation is applied over the same period as is otherwise applied to corresponding assets of property, plant and equipment (see note "Property, plant and equipment").
- If an existing lease is subsequently adjusted, the lease liability and the right-of-use asset must be remeasured if the contractual adjustment modifies the payment profile (in accordance with the interest and repayment schedule) or the scope of the right-of-use asset in terms of quantity or time.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, credit balances payable on demand, and term deposits with an original maturity of up to three months.

Statement of cash flows

The statement of cash flows is classified into cash flows from operating activities, investing activities and financing activities. Where appropriate, any mixed transactions may be allocated to more than one activity. Overall, income taxes are included in cash flows from operating activities.

Cash flows from operating activities are presented applying the indirect method, under which profit for the period after taxes is adjusted for non-cash results components as well as deferrals of past or future inflows and outflows (including provisions), as well as items of income and expense that are attributable to investing activities.

IV. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 Revenue

The Group's revenue consists primarily of revenue from the sale of goods and products amounting to €29,783 thousand (previous year: €26,447 thousand), fees from research and development partnerships of €7,598 (previous year: €10,302 thousand) and royalties of €1,008 thousand (previous year: €1,476 thousand).

Fees from research and development partnerships consist of one-off fees, ongoing research and development fees, and performance-related fees from milestones and project success points.

The composition of revenue by segments and regions is presented in the section "Segment reporting".

2 Research and development grant revenue

R&D grant revenue amounting to €833 thousand (previous year: €839 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	2020/21	2019/20
Gain on bargain purchase	858	0
Income from release of liabilities and provisions	279	97
Income from translating foreign currency items	167	171
Benefits in kind and rental income	130	125
Other out-of-period income	52	159
Total	1,486	552

4 Cost of materials

The cost of materials contains the cost of raw materials, consumables, and supplies, the cost of purchased merchandise, and the cost of services, in particular for third-party research and development expenses relating to R&D partnerships with universities and with other technology companies.

5 Personnel expenses

Personnel expenses include, among other items, expenses of € 511 thousand from allocation to the capital reserves of share-based employee compensation at BRAIN Biotech AG (previous year: € 449 thousand). At Biocatalysts Ltd., further liabilities were recognized for the share-based compensation scheme, and a corresponding personnel expense of € 477 thousand (previous year: € 180 thousand) was recognized.

These include € 379 thousand (previous year: € 363 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 € 1,222 thousand in the financial year under review (prior year: € 1,133 thousand).

Post-employment benefit costs of approximately € 387 thousand and employer contributions to the statutory pension insurance scheme (defined contribution benefit pension plan) of approximately € 1,250 thousand are expected in the 2021/22 financial year.

The effects from measuring defined benefit pension commitments for two former Management Board members, which are included in the statement of comprehensive income, consist of the following:

€ thousand	2020/21	2019/20
Service cost	-	120
Interest cost from the DBO/pension obligation	47	49
Return on plan assets	-23	-23
Expenses recognized in the operating result	24	146
Remeasurement effects	-306	-44
Net effect: other comprehensive income	-306	-44
Total expenses	-282	102

In the previous year, expenses of € 50 thousand are also recognized in the statement of comprehensive income from defined contribution commitments to one former Management Board member and one Management Board member who left the company in the previous year.

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	2020/21	2019/20
Value on 1 October	5,557	5,330
Interest cost	47	49
Service cost	0	120
Remeasurement due to changes to demographic assumptions	0	0
Actuarial gains (-) and losses (+) from changes in financial assumptions	-342	95
Remeasurement due to experience-based adjustments	-12	-37
Value on 30 September	5,250	5,557

The obligation was covered by reinsurance. Plan assets report the following changes:

€ thousand	2020/21	2019/20
Value on 1 October	2,755	2,473
Return on plan assets	23	23
Contributions paid	249	158
Remeasurement effects	-48	101
Value on 30 September	2,979	2,755

The plan assets arise exclusively from claims from reinsurance in the form of life insurance policies. To this extent, the fair value cannot be derived from a price in an active market and for this reason is also calculated actuarially.

After offsetting the obligation with the assigned plan assets, the amounts recognized on the balance sheet are as follows:

€ thousand	30.09.2021	30.09.2020
Defined benefit obligation	5,250	5,557
Plan assets	-2,979	-2,755
Provision for pension schemes	2,271	2,803

€ thousand	2020/21	2019/20
Value on 1 October	2,803	2,858
Net interest costs	23	26
Service cost	0	120
Contributions paid	-249	-158
Remeasurement effects	-306	-44
Value on 30 September	2,271	2,803

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 2021.

When measuring the pension obligation, an actuarial interest rate of 1.12 % (previous year: 0.85 %) and a pension trend of 1.00 % (previous year: 1.00 %) was applied. The cashflow-weighted duration of the payment obligation scope amounts to 23.4 years (previous year: 24.8 years).

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

€ thousand	30.09.2021	30.09.2020
Change in interest rates +0.25 %	-292	-328
Change in interest rates -0.25 %	316	355
Increase in pension trend p.a. +0.25 %	231	252
Life expectancy +1 year	183	202
Life expectancy -1 year	-183	-201

The expected contributions to plan assets in the 2021/22 financial year amount to € 248 thousand. No pension payments are expected for the 2021/22 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. In the previous year, depreciation, amortization and impairment included an impairment charge of € 408 thousand on other intangible assets (production organisms) that were no longer utilized.

7 Other expenses

Other expenses consist of the following:

€ thousand	2020/21	2019/20
Advertising and travel expenses	541	786
Occupancy costs	993	946
Distribution, sales and logistics expenses	830	792
Legal and consulting expenses	574	914
Repair and maintenance expenses	585	434
Office and business supplies	478	291
Costs of financial statements and auditing	428	495
Insurance	345	340
Services	128	178

€ thousand	2020/21	2019/20
Supervisory Board compensation	255	225
Currency translation expenses	202	232
Other levies and license fees	226	227
Training costs	193	178
Miscellaneous other expenses	1,134	1,282
Other expenses, total	6,912	7,320

8 Finance income

Finance income consists of the following:

€ thousand	2020/21	2019/20
Income from subsequent measurement of financial liabilities	3,746	460
Income from the derecognition of financial liabilities	0	671
Income from dilution of interests held in equity-accounted investments	741	0
Interest income from loans to equity-accounted investments	11	14
Income from the (subsequent) measurement of financial derivatives	117	384
Miscellaneous finance income	106	16
Finance income, total	4,721	1,546

Income from the subsequent measurement of financial liabilities derives mainly from the change in measurement and exercise of put option rights relating to non-controlling interests of Biocatalysts Ltd. in an amount of € 3,746 thousand (previous year: € 356 thousand).

9 Finance costs

Finance costs consist of the following:

€ thousand	2020/21	2019/20
Payments for silent partnerships	285	285
Payments for loans	138	289
Interest costs for leases	98	99
Income from dilution of interests held in equity-accounted investments	164	0
Expenses from the subsequent measurement of financial liabilities for the potential acquisition of non-controlling interests (put options)	10	27
Miscellaneous finance costs	32	172
Finance costs, total	727	872

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	2020/21	2019/20
BRAIN Biotech AG	13.30%	13.30%
BRAIN Capital GmbH	13.30%	13.30%
AnalytiCon Discovery GmbH	15.93%	15.93%
Mekon Science Networks GmbH	13.30%	11.55%
L.A. Schmitt GmbH	11.76%	11.76%
WeissBioTech GmbH	14.53%	14.53%

Combined tax rate	2020/21	2019/20
BRAIN Biotech AG	29.13%	29.13%
BRAIN Capital GmbH	29.13%	29.13%
BRAIN US LLC	23.90%	23.90%
AnalytiCon Discovery GmbH	31.75%	31.75%
AnalytiCon Discovery LLC	23.90%	23.90%
Mekon Science Networks GmbH	29.13%	27.63%
L.A. Schmitt GmbH	27.03%	27.59%
Biocatalysts Ltd.	19.00%	19.00%
Biocatalysts Inc.	21.00%	21.00%
Biosun Biochemicals Inc.	21.00%	-
WeissBioTech GmbH	30.35%	30.35%
WeissBioTech France S.A.R.L.	26.50%	28.00%

Of the tax assets of €9 thousand (previous year: €93 thousand), €9 thousand (previous year: €93 thousand) relate to corporation tax and the solidarity surcharge, and €0 thousand (previous year: €0 thousand) relate to trade tax. Of the tax liabilities of €116 thousand (previous year: €325 thousand), €52 thousand (previous year: €132 thousand) relate to trade tax, and €64 thousand (previous year: €193 thousand) relate to corporation tax.

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

€ thousand	30.09.2021		30.09.2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	1,830	0	1,873
Tax loss carryforwards/carrybacks	1	0	197	0
Property, plant and equipment	28	1,002	27	453
Inventories	0	0	0	74
Trade receivables	2	4	4	2
Provisions and liabilities	19	4	17	2
Deferred income	0	0	6	0
Total	50	2,840	250	2,405
Offset	-50	-50	-250	-250
Total	0	2,790	0	2,155

€ thousand	2020/21
Net deferred tax liabilities at start of financial year (1 October 2020)	2,155
Additions to deferred tax assets/liabilities due to changes in the scope of consolidation	273
Change in deferred taxes due to exchange rate differences	128
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)	-431
Deferred tax expense from the reversal of deferred tax assets from tax loss carryforwards.	196
Deferred tax expense reported in the statement of comprehensive income	-234
Net deferred tax liabilities at end of financial year (30 September 2021)	2,790

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	2020/21	2019/20
Consolidated net profit/loss for the period before taxes	-4,276	-9,944
Expected tax income	-1,245	-2,896
Different tax rates applicable to consolidated subsidiaries	-149	-178
Effects of changes in tax rates	129	7
Permanent differences from consolidation adjustments	-22	550
Permanent differences from equity transactions	-171	0
Permanent differences from subsequent measurement of financial assets and liabilities	-1,088	-30
Permanent differences from equity-settled share-based compensation	149	131
Tax-exempt income	0	-24
Release of deferred tax assets from prior periods' loss carryforwards	190	-252
Non-capitalized tax loss carryforwards	2,554	2,435
Out-of-period taxes and other differences	58	-670
Reported current or deferred income tax income (-)/ expense (+)	404	-927

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	2020/21	2019/20
Current deferred tax assets	16	135
Non-current deferred tax assets	33	115
Current deferred tax liabilities	305	474
Non-current deferred tax liabilities	2,535	1,930
Net current deferred tax	-289	-339
Net non-current deferred tax	-2,502	-1,815

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 2020/21 and prior financial years amounting to €69,650 thousand (corporation tax; previous year: €60,277 thousand) and €69,576 thousand (trade tax; previous year: €60,246 thousand). The potential tax benefits that have consequently not been recognized amount to €20,305 thousand (prior year: €17,552 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 € -4,971,777 as reported in the consolidated income statement (previous year: € -9,683,848).

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 2020/21 amounted to 19,942,982 no-par value shares (previous year: 18,657,641 no-par value shares).

No dilutive effects arise at present.

V. NOTES TO THE BALANCE SHEET

12 Intangible assets

The following table shows the composition and changes:

€ thousand	Goodwill	Other intangible assets	Total intangible assets
FY 2020/21	4,484	15,908	20,392
Cost Balance at 1 October 2020			
Additions from acquisition	0	1,178	1,178
Additions	0	49	49
Disposals	0	-13	-13
Currency translation	241	617	858
Balance at 30 September 2021	4,725	17,739	22,464
Amortization and impairment	0	7,121	7,121
Balance at 1 October 2020			
Amortization for the financial year	0	1,688	1,688
Disposals	0	-13	-13
Currency translation	0	138	138
Balance at 30 September 2021	0	8,933	8,933
Net carrying amount	4,725	8,806	13,531
Balance at 30 September 2021			
Balance at 30 September 2020	4,484	8,786	13,270

€ thousand	Goodwill	Other intangible assets	Total intangible assets
FY 2019/20	4,586	16,083	20,669
Cost Balance at 1 October 2019			
Additions	0	44	44
Disposals	-11	0	-11
Currency translation	-91	-220	-311
Balance at 30 September 2020	4,484	15,908	20,392
Amortization and impairment	0	4,875	4,875
Balance at 1 October 2019			
Amortization for the financial year	0	1,899	1,899
Impairment for the financial year	11	408	419
Disposals	-11	0	-11
Currency translation	0	-61	-61
Balance at 30 September 2020	0	7,121	7,121
Net carrying amount	4,484	8,786	13,270
Balance at 30 September 2020			
Balance at 30 September 2019	4,586	11,208	15,794

The goodwill reported as at 30 September 2021 arises from the acquisition of the AnalytiCon Group (AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC) in the 2013/14 financial year, and the acquisition of the Biocatalysts Group (Biocatalysts Ltd., Biocatalysts Inc.) in the 2017/18 financial year.

The other intangible assets that are material to the consolidated financial statements consist of the intangible assets identified as part of the purchase price allocation, as shown in the following table.

€ thousand	30.09.2021	30.09.2020	Remaining useful life ⁴ as at 30.09.2021
Technology of AnalytiCon Discovery GmbH	545	787	2
Technology of WeissBioTech GmbH	-	411	-
Technology of Biocatalysts Ltd.	3,337	3,522	9
Customer relationships of the Biocatalysts Group	3,335	3,567	8
Customer relationships of Biosun Biochemicals Inc	1,160	-	10

In accordance with the accounting policies presented above, no development costs were capitalized in the 2020/21 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 € 5,384 thousand (previous year: € 5,789 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.

⁴ Remaining useful life in years.

13 Property, plant and equipment

Investments in property, plant and equipment in the 2020/21 financial year were attributable primarily to the technical expansion of research, development, and manufacturing infrastructure. The following table shows the composition and changes of property, plant and equipment:

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2020/21	16,026	18,879	34,905
Cost Balance at 1 October 2020			
Additions from acquisition	0	63	63
Additions	93	1,458	1,550
Reclassifications	-1	1	0
Disposals	-22	-348	-370
Currency translation	163	534	696
Balance at 30 September 2021	16,258	20,587	36,845

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
Depreciation and impairment	3,611	6,825	10,436
Balance at 1 October 2020			
Depreciation for the financial year	931	1,395	2,326
Disposals	0	-249	-249
Currency translation	10	30	41
Balance at 30 September 2021	4,552	8,002	12,554
Net carrying amount	11,706	12,585	24,291
Balance at 30 September 2021			
Balance at 30 September 2020	12,416	12,054	24,470

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2019/20	9,256	16,726	25,982
Cost Balance at 1 October 2019			
Additions from (first-time application of) IFRS 16	3,010	54	3,064
Additions	3,825	2,764	6,589
Disposals	0	-453	-453
Currency translation	-64	-212	-276
Balance at 30 September 2020	16,026	18,879	34,905

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
Depreciation and impairment	2,690	6,148	8,838
Balance at 1 October 2019			
Depreciation for the financial year	925	1,109	2,034
Disposals	0	-383	-383
Currency translation	-4	-50	-54
Balance at 30 September 2020	3,611	6,825	10,435
Net carrying amount	12,416	12,054	24,470
Balance at 30 September 2020			
Balance at 30 September 2019	6,566	10,578	17,144

Land and buildings serve partly as collateral for bank loans. Not all of the land and buildings of BRAIN Biotech AG that are included in this item were assigned as collateral. More detail can be found in Section "(21) Financial liabilities".

Rights-of-use

The right-of-use assets reported under property, plant and equipment derive from leases accounted for in accordance with IFRS 16. The following table presents the changes in the rights-of-use.

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2020/21	6,141	1,711	7,852
Balance at 1 October 2020			
Additions	70	54	124
Depreciation	690	36	726
Disposals	-22	0	-22
Currency translation	0	0	0
Balance at 30 September 2021	6,879	1,801	8,680

€ thousand	Land and buildings	Operating and office equipment	Total property, plant and equipment
FY 2019/20	3,010	998	4,008
First-time application of IFRS 16			
Additions	3,810	904	4,714
Depreciation	679	182	861
Currency translation	0	-9	-9
Balance at 30 September 2020	6,141	1,711	7,852

Information on lease liabilities is provided in the section "(21) Financial liabilities".

The following table presents the total cash outflows for leases.

€ thousand	2020/21	2019/20
Cash outflows for leases		
Repayments of lease liabilities	1,120	617
Interest payments for lease liabilities	111	82
Leases of low-value assets	0	17
Total	1,231	716

14 Equity-accounted investments

Enzymicals AG

The carrying amount of the interest in the associated company Enzymicals AG⁵ reports the following changes:

€ thousand	
Carrying amount at 30.09.2019	191
Share of profit or loss after taxes in 2019/20	-58
Carrying amount at 30.09.2020	133
Share of profit or loss after taxes in 2020/21	31
Impairment	-164
Carrying amount at 30.09.2021	0

The interest held by BRAIN Biotech AG continued to amount to 24.095 % in the 2020/21 financial year. This participating interest is allocated to the BioScience segment. No losses were recognized in current financial year (previous year: € 0 thousand).

The following tables show the aggregated results and balance sheet data of Enzymicals AG and the amounts of profit or loss for the period and equity attributable to BRAIN Biotech AG in line with its interest (24.095 %). The figures for Enzymicals AG were calculated based on the accounting principles of the German Commercial Code (HGB), as the Management Board is of the opinion that no material valuation differences exist in relation to IFRS.

€ thousand	2020/21	2019/20
Revenue	1,093	1,185
Total comprehensive income or loss	129	-241
Share of profit or loss after taxes	31	-58

€ thousand	30.09.2021	30.09.2020
Non-current assets	406	388
Current assets	886	502
Non-current liabilities	419	39
Current liabilities	881	987
Equity	-8	-137
Interest in equity	-2	-33

The difference in prior periods between the recognized valuation of the participating interest and the proportional equity attributable to BRAIN Biotech AG of € 164 thousand reflected goodwill. As part of the impairment test as of 30 September 2021, the interest in Enzymicals AG was completely written down.

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

SolasCure Ltd.

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

€ thousand	
Carrying amount at 30.09.2019	1,247
Share of profit or loss after taxes in 2019/20	-2,362
Reversal of elimination of unrealized results of intra-group transactions	31
Capital increase 20.03.2020	1,874
Currency translation	74
Carrying amount at 30.09.2020	864

€ thousand	
Carrying amount at 30.09.2020	864
Share of profit or loss after taxes in 2020/21	-1,754
Reversal of elimination of unrealized results of intra-group transactions	99
Capital increase 19.01.2021	564
Gain from dilution of interest	741
Currency translation	36
Carrying amount at 30.09.2021	550

The interest held by BRAIN Biotech AG continued to amount to 41.27% in the 2020/21 financial year (45.58% until 19 January 2021). This participating interest is allocated to the BioScience segment. No losses were recognized in the current financial year (previous year: € 0 thousand).

The following tables show the aggregated results and balance sheet data of SolasCure Ltd. and the amounts of profit or loss for the period and equity attributable to BRAIN Biotech AG in line with its 41.27% interest (45.58% until 19 January 2021). The disclosures reflect the financial statements of SolasCure Ltd. prepared in accordance with IFRS as adopted by the European Union.

€ thousand	2020/21	2019/20
Revenue	0	0
Total comprehensive income or loss	-4,094	-5,182
Share of profit or loss after taxes	-1,754	-2,362

€ thousand	30.09.2021	30.09.2020
Non-current assets	4,067	3,837
Current assets	556	2,581
Non-current liabilities	0	0
Current liabilities	181	1,395
Equity	4,442	5,023
Interest in equity	1,833	2,289

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	30.09.2021	30.09.2020
Finished goods	4,638	4,240
Raw materials, consumables and supplies	2,006	2,280
Work in progress	367	444
Prepayments on inventories	4	0
Total	7,015	6,964

Inventories included impairment losses on raw materials and supplies of € 170 thousand (prior year: € 306 thousand), and work in progress and finished goods of € 0 thousand (prior year: € 0 thousand). Reversals of impairment losses of € 26 thousand were applied (previous year: € 0 thousand).

16 Trade receivables

Trade receivables consist of the following:

€ thousand	30.09.2021	30.09.2020
Trade receivables	6,473	5,899
Receivables from research and development grant revenue	249	266
Total	6,722	6,166

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 0.5% - 10% were applied in order to calculate the total lifetime ECL. Total lifetime ECLs of € 14 thousand (previous year: € 13 thousand) and specific valuation allowances of € 35 thousand (previous year: € 38 thousand) were recognized for receivables as at the 30 September 2021 reporting date. These are recorded in a separate allowance account. In the previous year, receivables from contingent premium payments were derecognized in the amount of € 125 thousand with an effect on profit and loss.

The following table shows the past due structure of trade receivables as of 30 September 2021.

€ thousand	Trade receivables	of which: not overdue as at the balance sheet date	of which: overdue in the following reporting periods				Total lifetime ECL	Carrying amount
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
30.09.2021	6,771	5,410	1,294	31	0	35	49	6,722

The following table shows the past due structure of trade receivables as of 30 September 2020.

€ thousand	Trade receivables	of which: not overdue as at the balance sheet date	of which: overdue in the following reporting periods				Total lifetime ECL	Carrying amount
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
30.09.2020	6,217	5,764	303	117	13	20	51	6,166

The following table shows the changes in impairment losses:

€ thousand	2020/21
Carrying amount at start of period	51
Net effect of addition and reversals	-2
Carrying amount at end of period	49
€ thousand	2019/20
Carrying amount at start of period	253
Net effect of addition and reversals	-202
Carrying amount at end of period	51

Trade receivables in the total amount of € 0 thousand were derecognized through profit or loss in the 2020/21 financial year (previous year: € 125 thousand), having not already been expensed in previous years. No impairment losses were reversed in relation to impaired receivables.

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

17 Other financial assets

Other financial assets consist of the following:

€ thousand	30.09.2021	30.09.2020
Loans extended up to one year	102	229
Deposits with a term up to one year	55	53
Miscellaneous other financial assets	50	50
Total	207	332

18 Other non-current and current assets

Other non-current assets consist of the following:

€ thousand	30.09.2021	30.09.2020
Expenses deferred for a period of more than one year	86	113
Loans extended	150	200
Deposits	15	16
Total	251	329

Other current assets consist of the following:

€ thousand	30.09.2021	30.09.2020
Expenses relating to the following year	316	280
Receivables from insurance compensation	0	31
VAT receivables due from the tax authorities	120	47
Miscellaneous other current assets	180	228
Total	617	585

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	2020/21	2019/20
Expenses		
Personnel expenses from share-based compensation and employee share schemes	512	449
Write-down applied to interests held in equity-accounted investments	164	0
Impairment losses on non-current financial assets	0	155
Expense relating to the acquisition of a participating interest	81	0
Losses on receivables/change in value allowances for receivables	1	125
Net finance costs from subsequent measurement of financial liabilities	13	43
Impairment losses on inventories	170	306
Miscellaneous	30	35
Total	970	1,113
Income		
Reduction in value allowances for receivables	4	34
Net finance income from subsequent measurement of financial and other liabilities	3,746	460
Income from dilution of interests held in equity-accounted investments	741	0
Write-up applied to inventories	26	0
Loan waivers	0	477
Miscellaneous financial result	210	384
Miscellaneous	54	62
Total	4,781	1,417
Net cash expenses/income	-3,810	-304

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: €19,861,360) and is divided into 21,847,495 ordinary shares (previous year: 19,861,360), 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 10 March 2021, authorized capital of €5,958,408 was created (Authorized Capital 2021/I). Authorized Capital 2021/I was entered in the commercial register on 15 April 2021. The Management Board was authorized, with Supervisory Board assent, to increase the company's share capital in the period until 9 March 2026, once or on several occasions, albeit by a maximum of up to a nominal amount of €5,958,408 through issuing up to 5,958,408 new ordinary registered shares against cash or non-cash capital contributions, whereby shareholders' statutory subscription rights can be wholly or partly excluded. If the new shares are issued against cash capital contributions, shareholders' statutory subscription rights can be wholly or partially excluded if the new shares' issue price is not significantly less than the stock market price of the company's shares already listed on the date when the issue price is finally determined, and the total number of shares issued in this manner under exclusion of subscription rights does not exceed 10% of the share capital. By resolution of the Management Board on 15 September 2021, and with the approval of the Supervisory Board on the same date, the authorized capital was partially utilized for a capital increase, excluding statutory subscription rights, in the amount of €1,986,135. The capital increase from authorized capital was entered in the commercial register on 16 September 2021.

Accordingly, authorized capital of €3,972,273 was reported as at the 30 September 2021 reporting date.

Conditional capital

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

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

Conditional Capital 2015/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 July 2015 as part of a stock option plan comprising up to 123,000 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board, members of affiliated companies' management boards, as well as managers and other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2015/II had not been implemented as at

the 30 September 2021 reporting date. At the Annual General Meeting on 7 March 2019, Conditional Capital 2015/II was reduced from originally €1,272,581 to €123,000, as this capital was to remain exclusively for hedging stock options already issued. The authorization to issue further stock options from Conditional Capital 2015/II was revoked at the same Annual General Meeting and replaced by a new authorization (see following section).

By resolution of the Annual General Meeting on 7 March 2019, the share capital was conditionally increased by €1,682,578 through the issue of up to 1,682,578 new no-par-value registered shares (Conditional Capital 2019/I). The conditional capital serves exclusively to service subscription rights from stock options granted to members of the company's Management Board and other senior company managers. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2019/I had not been implemented as at the 30 September 2021 reporting date.

Stock options

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

Capital reserves

The capital reserves contain the share premium from the issuance of shares, net of transaction costs after taxes, as well as the expenses from granting stock options. For more information about share-based compensation, please refer to the remarks in Section "Share-based payment and other long-term employee benefits". Capital reserves as per German commercial law are published in the separate financial statements for BRAIN Biotech AG prepared according to German Commercial Code (HGB) accounting policies.

Other reserves

Currency translation differences are recognized in other reserves.

Retained earnings

Retained earnings in the 2020/21 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 2020/21 financial year:

€ thousand	Interest in net assets not held by BRAIN Biotech AG	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Attributable share of total comprehensive income	Carrying amount of interest at end of financial year
Biocatalysts Ltd. ⁶	19.35 %	-2,662	344	3,090
BRAIN UK Ltd.	11.03 %	8	-5	-46
Total		-2,654	340	3,044

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

€ thousand	Interest in net assets not held by BRAIN Biotech AG	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Attributable share of total comprehensive income	Carrying amount of interest at end of financial year
Biocatalysts Ltd. ⁶	34.45 %	0	510	5,408
BRAIN UK Ltd.	27.69 %	0	-9	-49
Total		0	502	5,358

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

Biocatalysts Ltd.⁶

€ thousand	30.09.2021	30.09.2020
Value at start of financial year	5,408	4,898
Increase/decrease in interest in net assets not held by BRAIN Biotech AG	-2,662	0
Attributable share of profit or loss for the period	297	674
Attributable share of other comprehensive income (currency differences)	47	-164
Value at end of financial year	3,090	5,408

BRAIN UK Ltd.

€ thousand	30.09.2021	30.09.2020
Value at start of financial year	-49	-41
Increase/decrease in interest in net assets not held by BRAIN Biotech AG	8	0
Attributable share of profit or loss for the period	-5	-8
Value at end of financial year	-46	-49

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

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

Summarized balance sheet data € thousand	BRAIN UK Ltd./Biocatalysts Ltd. ⁷	
	30.09.2021	30.09.2020
Non-current assets	25,335	20,431
<i>of which proportionate goodwill from the acquisition by BRAIN</i>	4,026	3,785
<i>of which hidden reserves less deferred tax from the acquisition by BRAIN</i>	5,271	5,600
Current assets	8,553	4,856
Non-current liabilities	4,114	3,099
Current liabilities	3,738	2,657
Net assets	26,036	19,531

Summarized statement of comprehensive income € thousand	BRAIN UK Ltd./Biocatalysts Ltd. ⁷	
	2020/21	2019/20
Revenue	17,835	15,323
Result before taxes	1,027	1,389
Result after taxes	728	1,929
<i>of which the result from the amortization of hidden reserves less deferred tax from the acquisition by BRAIN</i>	-657	-653
Total comprehensive income or loss	1,562	1,359
Result attributable to non-controlling interests	340	502
Dividends paid to non-controlling interests	0	0

Summarized statement of cash flows € thousand	BRAIN UK Ltd./Biocatalysts Ltd. ⁷	
	2020/21	2019/20
Gross cash flow	2,524	2,844
Cash flow from operating activities	3,278	1,928
Cash flow from investing activities	-480	-1,554
Cash flow from financing activities	-451	-31

Apart from legal restrictions, BRAIN Biotech AG is not subject to any restrictions limiting its access to the subsidiaries' assets, to utilize such assets or to settle the subsidiaries' liabilities.

⁷ Including the Biocatalysts Inc. subsidiary. The financial data are presented on an aggregated basis as BRAIN UK Ltd. does not conduct any business activities of its own in addition to its function as an intermediate holding company.

21 Financial liabilities

The financial liabilities consist of the following:

€ thousand	30.09.2021	30.09.2020
Loans	4,721	5,474
Liabilities from put option rights for the potential acquisition of non-controlling interests	4,401	12,052
Non-controlling shareholders' exercised put option rights	6	838
Contributions by silent partners	4,526	4,500
Lease liabilities	6,655	7,614
Derivatives	-	112
Other	9	9
Total	20,318	30,598

As at the 30 September 2021 reporting date, contributions by silent partners include a €1,500 thousand (previous year: €1,500 thousand) contribution by Hessen Kapital I, Wiesbaden, and a €3,000 thousand (previous year: €3,000 thousand) contribution by Hessen Kapital II GmbH. In relation to the contribution of Hessen Kapital I, interest liabilities also existed of €26 thousand as at the reporting date (previous year: €0 thousand). Of the contribution by Hessen Kapital I GmbH, 20% is repayable on 30 June 2022, a further 20% on 30 June 2023 and 60% on 30 June 2024. Of the contribution by Hessen Kapital II GmbH, 20% is repayable on 31 March 2026, a further 20% on 31 March 2027 and 60% on 31 March 2028.

The company pays fixed remuneration equivalent to nominal 7.0% p.a. (previous year: 7.0%) on the contribution of Hessen Kapital I GmbH and a profit participation equivalent to the ratio between the nominal level of the silent partnership and the nominal level of the equity of BRAIN Biotech AG, albeit to a maximum of 2.5% of the contribution and not more than 50% of the profit for the year.

The company pays fixed remuneration equivalent to nominal 6.0% p.a. (previous year: 6.0%) on the contribution of Hessen Kapital II GmbH and a profit participation equivalent to the ratio between the nominal level of the silent partnership and the nominal level of the equity of BRAIN Biotech AG, albeit to a maximum of 1.5% of the contribution and not more than 50% of the profit for the year.

BRAIN Biotech AG is entitled to call the silent partner contributions rendered by Hessen Kapital I GmbH and Hessen Kapital II GmbH before the agreed dates. However, due to the negative consequences this would have for the company (prepayment penalties), effectively this option has no economic value for the company. The silent partnerships do not participate in any losses. No obligation exists to provide additional funding.

Land charges exist with compulsory enforcement clauses on land owned by BRAIN Biotech AG with a notional value of €2.5 million (previous year: €2.5 million). All land charges serve to secure bank borrowings, which amounted to €1,375 thousand at the end of the reporting period (previous year: €1,875 thousand). The land charges rank behind an unassigned land charge in favor of the owner amounting to €0.5 million (previous year: €0.5 million).

At the Biocatalysts Ltd. subsidiary, €1,951 thousand (previous year: €1,982 thousand) of financial liabilities are secured by €2,633 thousand (previous year: €2,765 thousand) of land charges on operating property.

In the case of the L.A. Schmitt GmbH subsidiary, the financial liabilities (€0 thousand as at 30 September 2021, €0 thousand as of 30 September 2020) are secured by land charges on its business property amounting to €400 thousand (previous year: €400 thousand). As the existing land charges are not matched by any corresponding financial liabilities, the land charge could be cancelled at any time, although for cost reasons this has not yet occurred.

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 €6,027 thousand (€6,269 thousand as at 30 September 2020).

The nominal interest rate on the fixed interest loans lies between 1.15% (previous year: 1.15%) and 6.10% (previous year: 6.10%) p.a. The Group has no significant variable interest liabilities.

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

30.09.2021 € thousand	Remaining term up to 1 year	Remaining term 1-5 years	Remaining term more than 5 years
Contributions by silent partners	326	1,500	2,700
Liabilities from put option rights for the acquisition of non-controlling interests	0	4,485	0
Leasing	1,076	3,115	2,464
Liabilities from exercised put option rights for the acquisition of non-controlling interests	6	0	0
Loans	1,241	2,245	1,236
Other	0	9	0
	2,649	11,354	6,399

30.09.2020 € thousand	Remaining term up to 1 year	Remaining term 1- 5 years	Remaining term more than 5 years
Contributions by silent partners	0	1,500	3,000
Liabilities from put option rights for the acquisition of non-controlling interests	0	12,799	0
Leasing	1,081	3,435	3,098
Liabilities from exercised put option rights for the acquisition of non-controlling interests	839	6	0
Financial derivatives	112	0	0
Loans	1,251	2,773	1,450
Other	0	9	0
	3,282	20,521	7,549

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

30.09.2021 € thousand	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31 ff.
Principal repayments	2,649	2,171	6,288	1,955	940	2,180	1,247	2,458	254	260
Interest payments	433	370	325	276	213	208	147	67	6	3
Profit-related payments	74	73	64	56	36	41	32	14	0	0
Total excluding profit-related payments	3,082	2,541	6,613	2,230	1,154	2,388	1,394	2,525	260	263
Total including profit-related payments	3,155	2,614	6,677	2,287	1,190	2,429	1,426	2,539	260	263

30.09.2020 € thousand	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30 ff.
Principal repayments	3,282	2,200	2,121	15,169	1,032	1,524	2,403	2,447	658	517
Interest payments	497	445	389	328	262	230	172	75	13	9
Profit-related payments	83	82	73	65	45	41	32	14	0	0
Total excluding profit-related payments	3,779	2,645	2,510	15,496	1,294	1,754	2,575	2,522	671	525
Total including profit-related payments	3,862	2,727	2,583	15,562	1,339	1,795	2,607	2,536	671	525

The following table shows the change in financial liabilities analyzed by cash and non-cash changes:

€ thousand	Loans	Liabilities for the potential acquisition of non-controlling interests	Liabilities for the acquisition of non-controlling shareholders	Contributions by silent partners	Derivatives	Lease liabilities	Other	Total
Balance at 30 September 2020	5,474	12,052	838	4,500	112	7,613	9	30,598
Cash inflow/outflow from financing activities	-870	-4,576	-839	0	0	-1,120	0	-7,406
Subsequent measurement	0	-3,746	7	26	-112	-24	0	-3,849
Change in the scope of consolidation	0	0	0	0	0	0	0	0
Currency translation	117	672	0	0	0	92	0	881
Additions to leases	0	0	0	0	0	95	0	95
Balance at 30 September 2021	4,721	4,401	6	4,526	0	6,655	9	20,318

€ thousand	Loans	Liabilities for the potential acquisition of non-controlling interests	Liabilities for the acquisition of non-controlling shareholders	Contributions by silent partners	Derivatives	Lease liabilities	Other	Total
Balance at 30 September 2019	5,988	12,996	1,658	4,500	494	1,351	14	21,007
Cash inflow/outflow from financing activities	-514	-200	-843	0	0	-780	-5	-2,342
Subsequent measurement	0	-459	23	0	-382	0	0	-818
Change in the scope of consolidation	0	0	0	0	0	0	0	0
Currency translation	0	-285	0	0	0	83	0	-202
Additions from first-time application of IFRS 16	0	0	0	0	0	3,002	0	3,002
Additions to leases	0	0	0	0	0	3,957	0	3,957
Balance at 30 September 2020	5,474	12,052	838	4,500	112	7,613	9	30,598

22 Other liabilities

In the 2020/21 financial year, non-current other liabilities include €712 thousand for the growth equity program of Biocatalysts Ltd.

Current other liabilities consist of the following:

€ thousand	2020/21	2019/20
Wage and salary liabilities	625	1,801
Current share of liabilities from put option rights exercised in connection with the employee share scheme at AnalytiCon Discovery GmbH	3	712
Accrued vacation pay	525	483
Wage and church tax, social security	352	333
Supervisory Board compensation	254	220
Special payments to subsidiaries' managements and employees	89	84
VAT	74	98
Miscellaneous other liabilities	762	534
Total current other liabilities	2,684	4,266

Miscellaneous other liabilities include customer credits of €25 thousand (previous year: €274 thousand).

23 Deferred income

Deferred income consists of current deferred income of €1,572 thousand (compared with €861 thousand in the previous year) and non-current deferred income of €1,109 thousand (compared with €1,369 thousand in the previous year).

Deferred income of €760 thousand arises from transactions with SolasCure Ltd. (previous year: €958 thousand). Deferred income partly includes prepayments received from customers for service obligations not yet performed as at the balance sheet date. These are shown separately in the section "(25) Prepayments received". A contribution of €2,005 thousand is attributable to benefit obligations that have not yet been fulfilled (previous year: €1,632 thousand). It is expected that a contribution of €1,331 thousand of this amount can be recognized in revenue within one year. Deferred income of €1,373 thousand (previous year: €2,588 thousand) was fully recognized in revenue in the 2020/21 financial year.

24 Provisions

This item relates mainly to estimated expenses for the preparation auditing of the financial statements and consulting expenses. Utilization is anticipated mainly within the following financial year.

The following table provides an overview of related changes:

€ thousand	30.09.2020	Utilization	Release	Addition	30.09.2021
Archiving costs	25	-	-	-	25
Costs for financial statements, auditing and consulting	295	-260	-8	282	310
Decommissioning and dismantling	64	-	-	2	66
Other	3	-3	-	3	3
Total	387	-263	-8	287	404

25 Prepayments received

Prepayments received relate to primarily research and development services and future supplies and have a maturity of up to one year. The total amount of €79 thousand (previous year: €70 thousand) is attributable to current benefit obligations not yet rendered.

26 Trade payables

Trade payables have a term of up to one year.

VI. FINANCIAL INSTRUMENTS / RISKS FROM FINANCIAL INSTRUMENTS

The following overview presents recognized financial instruments based on their IFRS 9 measurement categories. To improve the presentation of the financial instruments relevant to the company in terms of their comparable measurement uncertainties and risks, cash and cash equivalents are presented separately in the following.

The following abbreviations are used for the measurement categories:

Abbreviation	IFRS 9 measurement categories	
AC	Amortized cost	Financial assets and liabilities measured at amortized cost
FVTPL	Fair value through profit and loss	Financial assets and liabilities measured at fair value through profit or loss
FVTOCI	Fair value through other comprehensive income (FVTOCI) for debt instruments	Fair value (market value) changes recognized directly in other comprehensive income (with recycling)
FVTOCI	Fair value through other comprehensive income (FVTOCI) for equity instruments	Fair value (market value) changes recognized directly in other comprehensive income (without recycling)

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

Category	Category	Carrying amount		Fair value		
		30.09.2021 (30.09.2020)	Amortized cost	Cost IFRS 16	Fair value through profit or loss	30.09.2021 (30.09.2020)
€ thousand	IFRS 9					
Assets						
Trade receivables	AC	6,722 (6,166)	6,722 (6,166)			
Other current and non-current assets	AC	184 (216)	184 (216)			
Other financial assets	AC	207 (332)	207 (332)			
Cash and cash equivalents	AC	24,545 (18,943)	24,545 (18,943)			
Total		31,658 (25,657)	31,658 (25,657)			

Category	Category	Carrying amount		Fair value		
		30.09.2021 (30.09.2020)	Amortized cost	Cost IFRS 16	Fair value through profit or loss	30.09.2021 (30.09.2020)
€ thousand	IFRS 9					
Liabilities						
Trade payables	AC	3,834 (3,171)	3,834 (3,171)			
Financial liabilities	AC	15,911 (17,596)	9,256 (9,982)	6,655 (7,614)	4,401 (12,052)	20,312 (29,648)
Financial liabilities	FVTPL	4,401 (12,164)			0 (112)	0 (112)
Other liabilities	AC	84 (581)	84 (581)			
Total		24,230 (33,512)	13,174 (13,734)	6,655 (7,614)	4,401 (12,164)	20,312 (29,760)

No financial instruments exist that are to be classified in the FVOCI category.

Cash and cash equivalents, other current assets, trade receivables, and trade payables mainly have short terms remaining. As a consequence, their carrying amounts at the end of the reporting period approximate their fair values. Non-current financial assets consist of deposits and loans extended whose rates of interest mainly correspond to current market interest-rate levels.

Liabilities to banks and other lenders, as well as to silent partners, reported in current and non-current financial liabilities, are measured at amortized cost. The fair values of financial liabilities are determined by discounting, applying current discount rates that match the maturity and risk of the liabilities. The fair values mainly correspond to the carrying amounts due to regular refinancing measures at market interest rates. The terms are presented in detail in Section 21 "Financial liabilities".

The carrying amounts of the financial instruments measured at fair value are classified as follows in accordance with the IFRS fair value hierarchy: listed prices in an active market (Level 1), valuation techniques based on observable inputs (Level 2), and valuation techniques based on unobservable inputs (Level 3).

No reclassifications between the different hierarchy levels were implemented.

The carrying amount of Level 2 financial liabilities (FVTPL) at the end of the reporting period stood at € 4,401 thousand (previous year: € 12,164 thousand). These are put option liabilities to non-controlling shareholders of Biocatalysts Ltd. and, in the previous year, forward exchange contracts with various terms.

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

30.09.2021 € thousand	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31 ff.
Silent partnerships (without profit-sharing)	598	544	523	1,091	144	462	726	1,854	0	0
Liabilities to lenders	1,323	917	783	402	326	1,254	0	0	0	0
Lease liabilities	1,154	1,071	822	737	684	672	668	671	260	263
Liabilities from acquiring interests in fully consolidated companies ⁸	6	0	4,485	0	0	0	0	0	0	0
Other liabilities	0	9	0	0	0	0	0	0	0	0
Trade payables	3,834	0	0	0	0	0	0	0	0	0
Total	6,916	2,541	6,613	2,230	1,154	2,388	1,394	2,525	260	263

30.09.2020 € thousand	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30 ff.
Silent partnerships (without profit-sharing)	285	580	559	1,127	180	762	726	0	0	0
Liabilities to lenders	1,344	917	908	773	393	317	1,183	0	0	0
Lease liabilities	1,199	1,136	1,040	797	722	675	666	668	671	525
Liabilities from acquiring interests in fully consolidated companies ⁹	0	0	0	12,799	0	0	0	0	0	0
Forward exchange transactions	112	0	0	0	0	0	0	0	0	0
Other liabilities	581	0	0	0	0	0	0	0	0	0
Trade payables	3,171	0	0	0	0	0	0	0	0	0
Total	6,692	2,633	2,507	15,496	1,295	1,754	2,575	668	671	525

⁸ The exercise of the put option as of the next possible date would lead to a cash outflow of € 3.8 million in the 2021/22 financial year.

⁹ The exercise of the put option as of the next possible date would lead to a cash outflow of € 7.8 million in the 2020/21 financial year.

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

€ thousand 2020/21 (2019/20)	From interest and dividends	From subsequent fair value measurement/ impairment	From disposals	Net gains/losses
Loans and receivables	25 (30)	4 (-500)	-1 (-5)	28 (-475)
Financial liabilities measured at (amortized) cost	-442 (-272)	0 (0)	0 (805)	-442 (533)
Leasing	-111 (-99)	0 (0)	0 (0)	-111 (-99)
Financial liabilities measured at fair value through profit or loss	0 (0)	3,858 (740)	0 (0)	3,858 (740)
Total	-528 (-341)	3,862 (240)	-1 (800)	3,333 (699)

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 € 442 thousand (previous year: € 191 thousand).

Risk management/risks from financial instruments

The Group's business activities expose it to various financial risks: credit risk, currency risk, interest rate risk, market risk and liquidity risk.

The Management Board has implemented a risk management system to identify and avoid risks. This system is based inter alia on rigorous supervision of business transactions, comprehensive exchange of information with the employees responsible, and regular – mostly quarterly – analyses of key performance indicators for the business.

The risk management system was implemented to be able to identify adverse developments at an early stage and launch countermeasures as quickly as possible.

With regard to the financial instruments the Group deploys, the objective of the risk management function at BRAIN is to minimize the risk exposure arising from financial instruments. The company does not enter into derivative financial instrument transactions without a corresponding underlying basis transaction. In both the reporting period and the prior-year period, liquid funds were mainly invested with financial institutions in Germany and the UK.

The financial instruments that are recognized on the balance sheet can as a matter of principle generate the following risks for the Group:

Credit risk

Credit risk describes the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk consists of both counterparty credit risk and the risk of a deterioration in credit quality, along with cluster risk. The maximum exposure to counterparty credit risk is equal to the carrying amounts of the financial instruments at the end of the reporting period. The counterparty credit risk relevant

to the Group's operating activities is represented by the risk that business partners will fail to discharge their payment obligations. Risk concentration is not identifiable in the customer receivables area of the BioScience segment insofar as the claims exist in relation to a group of customers exhibiting above-average creditworthiness. Receivables in the BioIndustrial area exist in relation to many different contractual partners. The credit quality of the contracting parties is assessed to mitigate the counterparty credit risk exposure of customer receivables. The factors assessed include financial position, past experience and other factors. The corresponding financial transactions are mostly entered into only with counterparties with excellent credit ratings. Liquid funds are invested mainly in accounts with financial institutions on Germany and the UK.

Currency risk

In addition, BRAIN is exposed to foreign currency risks. Income of € 167 thousand from currency differences (previous year: € 171 thousand) is offset by € 202 thousand of expenses from currency differences (previous year: € 232 thousand), so the resultant effects in both the 2020/21 and 2019/20 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. Apart from the risks set out in the section entitled "Valuation risks connected with foreign currency put option agreements", an IFRS 7 sensitivity analysis is not relevant for the financial statements due to the related subordinate importance.

Interest rate risk

Interest rate risk describes the risk of fluctuations in the value of a financial instrument because of changes in market interest rates. The largest portion of the loan has a fixed-interest period matching its maturity. The Management Board consequently believes that it is not exposed to material direct interest rate risk.

The risk exposures of the loans that match their maturities are limited to the risk that BRAIN cannot benefit from any potentially lower lending rates that may be obtained during the terms of the deposits and loans.

Negative rates of interest cannot be excluded. Significant effects on the company's financial position or performance are not anticipated. Risk for significant cash positions is countered through investing them in short-term deposits.

The Group benefited to only a limited extent from lower market borrowing rates due to the high proportion of fixed interest arrangements for its financial liabilities (> 95%; previous year: > 95%).

Further interest rate risks are detailed in the section "Valuation risks connected with foreign currency put option agreements".

Capital management/liquidity risk

The capital management function of BRAIN Biotech AG pursues the objective of financing the company's planned growth and of securing corresponding resources for short-term financing requirements. The company consequently sets a minimum 50 % target equity ratio. This was exceeded due to the IPO and supported by the capital increases in September 2017, June 2020 and September 2021. The equity ratio amounted to 54 % as at 30 September 2021 (previous year: 36 %), and consequently above the target figure. The capital under management includes all current and non-current liability items as well as equity components. Financial terminology as presented in the financial statements is also utilized for debt and equity management purposes.

BRAIN Biotech AG and its subsidiaries are not subject to any capital adequacy requirements above and beyond those in the German Stock Corporation Act (AktG) and the German Limited Liability Company Act (GmbHG).

Valuation risks connected with foreign currency put option agreements

Due to a put option arrangement with non-controlling interests in a UK subsidiary which was acquired in the FY 2017/18 year, various valuation risks arise which are presented below. Significant inputs for inclusion in the Group include the relevant EBITDA included in the calculation, the relevant discounting rate, the relevant translation exchange rate for the translation into euros, 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 € 464 thousand higher liability would arise as at 30 September 2021. Given 10% lower relevant EBITDA on the imputed exercise date of the put option rights, a € 464 thousand lower liability would arise as at 30 September 2021. Accordingly, the change was reported in profit or loss in the statement of comprehensive income.

Furthermore, the respective interest rate exerts an influence on the fair value recognized on the balance sheet. Given a one percentage point lower relevant interest rate for the put option rights, a € 66 thousand higher liability would arise as at 30 September 2021. Given a one percentage point higher relevant interest rate for the put option rights, a € 64 thousand lower liability would arise as at 30 September 2021. Accordingly, the change was reported in profit or loss in the statement of comprehensive income.

Furthermore, the respective exchange rate exerts an influence on the fair value recognized on the consolidated balance sheet. Given a 5% stronger (weaker) pound sterling in relation to the euro, the liability would be € 220 thousand higher (lower). Accordingly, the change was carried directly to equity under other comprehensive income.

The exercise date forms a further significant influencing factor. Due to the expected EBITDA growth and rising EBITDA multiples, the measurement of the liability is based on the exercise of the option rights in the last possible period (1 January to 31 March 2023), and the liability is reported under non-current financial liabilities. If, for example, the option holders were to exercise their options as of the next possible period, the liability would be € 622 thousand lower, which would already entail a cash outflow in the 2021/22 financial year.

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

VII. OTHER INFORMATION**Auditor's fees**

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

€ thousand	2020/21	2019/20
Audit services	262	240
of which relating to the previous year	59	46
Other services	0	28
	262	268

Related party disclosures

The Management Board and Supervisory Board of BRAIN Biotech AG form the key management of the BRAIN Group.

The company's Management Board consisted of the following members in the current financial year:

Adriaan Moelker, Bad Homburg, CEO (Management Board Chairman)
Master of Business Administration (MBA)

Lukas Linnig, Frankfurt am Main, CFO (from 1 October 2020)
Chartered Financial Analyst (CFA)

The Management Board members are entitled to represent the company either jointly or individually with a company officer. If only one Management Board Member has been appointed, this Management Board member is entitled to represent the company alone.

For the 2020/21 financial year, the Management Board was granted total compensation of € 1,575 thousand, as calculated based on the German Commercial Code (HGB). The corresponding figure for the previous year stood at € 1,335 thousand.

Management Board compensation, in accordance with IAS 24, in the current financial year amounted to:

€ thousand	2020/21	2019/20
Fixed compensation ¹⁰	655	822
Post-employment benefits ¹¹	0	170
Performance-related remuneration ¹²	280	233
Termination benefits	0	777
Share-based compensation	127	27
	1,062	2,029

¹⁰ Including contribution to pension plan in the amount of € 105 thousand (previous year: € 84 thousand).

¹¹ The figure includes expenses from defined contribution plans and service costs. (See also section (5) Personnel expenses).

¹² Payments due short-term.

In the previous year, post-employment benefits of € 495 thousand relate to Mr. Ludger Roedder, € 202 thousand to Dr. Jürgen Eck and € 80 thousand to Mr. Manfred Bender.

Pension provisions of € 2,271 thousand (previous year: € 2,802 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, Bad Homburg, CEO (Management Board Chairman)
 BRAIN UK II Ltd., Cardiff, UK (Director)
 BRAIN UK Ltd., Cardiff, UK (Director)
 Biocatalysts Ltd., Cardiff, UK (Director)
 SolasCure Ltd., Cambridge, UK (Director)
 Biosun Biochemicals Inc., Tampa, USA (Board member)

Lukas Linnig, Frankfurt am Main, CFO
 BRAIN UK II Ltd., Cardiff, UK (Director)
 BRAIN UK Ltd., Cardiff, UK (Director)
 Biocatalysts Ltd., Cardiff, UK (Director)
 BRAIN US LLC, Rockville, MD, USA (Director)
 Biosun Biochemicals Inc., Tampa, USA (Board member)

The Management Board directly holds 13,000 shares as at the reporting date.

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

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair)
 Independent consultant

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
 CEO, humatrix AG, Pfungstadt

Prof. Dr. Bernhard Hauer, Fußgönheim
 University Professor

Dr. Michael Majerus, Ottobrunn
 Consultant

Stephen Catling, Cambridge, UK (from 14 October 2020)
 Managing Director, SJ Catling Ltd., Cambridge, UK

Prof. Dr.-Ing. Wiltrud Trefffeldt, Oberrieden, CH (from 14 October 2020)
 Independent consultant

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

Dr. Michael Majerus, Ottobrunn (Chair)
 Consultant

Dr. Georg Kellinghusen, Kreuth-Oberhof
 Independent consultant

Dr. Anna C. Eichhorn, Frankfurt am Main (until 11 December 2020)
 CEO, humatrix AG, Pfungstadt

Stephen Catling, Cambridge, UK (from 11 December 2020)
 Managing Director, SJ Catling Ltd., Cambridge, UK

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

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair)
 Independent consultant

Dr. Michael Majerus, Ottobrunn
 Consultant

Prof. Dr.-Ing. Wiltrud Trefffeldt, Oberrieden, CH (from 11 December 2020)
 Independent consultant

The **Nomination Committee** of the company's Supervisory Board included the following members in the current financial year:

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair until 11 December 2020)
 Independent consultant

Dr. Anna C. Eichhorn, (Chair from 11 December 2020)
 CEO, humatrix AG, Pfungstadt

Prof. Dr. Bernhard Hauer, Fussgönheim (from 11 December 2020)
 University Professor

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

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair)
 Advyce GmbH, Munich (Advisory Board member)
 Neue Wirtschaftsbriefe GmbH & Co. KG, Herne (Advisory Board member)
 Deutsche Bank AG, Frankfurt am Main (Regional Advisory Board member, Bavaria)
 Simplifa GmbH, Berlin (Advisory Board member)

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
Frankfurt Biotechnology Innovation Center, Frankfurt am Main (Supervisory Board member)

Dr. Michael Majerus, Ottobrunn
Non-executive director of the Deutsches Aktieninstitut e.V., Frankfurt am Main

Prof. Dr. Bernhard Hauer, Fussgönheim
None

Stephen Catling, Cambridge, UK (from 14 October 2020)
FoodCycle UK, London UK (Chairman of the Board of Trustees)
Cambridge Community Foundation, Cambridge UK (Chairman of the Board of Trustees)

Prof. Dr.-Ing. Wiltrud Treffenfeldt, Oberrieden, CH (from 14 October 2020)
ProBioGen AG, Berlin (Supervisory Board member)

The compensation of the Supervisory Board in the current financial year was as follows:

€ thousand	2020/21	2019/20
Fixed compensation*	156	154
of which allowance for special functions	45	60
Attendance fees*	101	66
Total compensation	256	220

* Payments due short-term.

The Supervisory Board indirectly holds 20,000 shares in the company as at the reporting date. Further information is presented in the compensation report in the Group management report.

Other relationships with related parties

In the 2020/21 and 2019/20 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 Group and entities with significant influence over BRAIN Biotech AG.

Enzymicals AG is an associated company pursuant to IAS 28.2 and is therefore categorized as a related party pursuant to IAS 24.9. As of the reporting date, BRAIN Biotech AG was owed €102 thousand (previous year: €104 thousand) of loan and interest receivables by Enzymicals AG. The interest income for this 6.0% loan amounted to €6 thousand in the 2020/21 financial year (previous year: €6 thousand). As far as the term is concerned, please refer to the following section "Contingencies and other financial obligations".

SolasCure Ltd. is an associated company pursuant to IAS 28.2 and is therefore categorized as a related party pursuant to IAS 24.9. As of the reporting date, BRAIN Biotech AG was owed €0 thousand (previous year: €125 thousand) of loan and interest receivables by SolasCure Ltd. The interest income for this 7.00% loan amounted to €5 thousand in the 2020/21 financial year (previous year: €8 thousand).

A license agreement was concluded with SolasCure Ltd. in the 2017/18 financial year as part of the investment, for which BRAIN Biotech AG was paid with shares in the company equivalent to an amount of €3,919 thousand. These have been deferred and will be recognized as revenue until September 2024 in the amount of the other shareholders' interests, as BRAIN Biotech AG will be closely involved in the approval process until then and will render further services. Unrealized results of intra-group transactions are eliminated in the consolidated financial statements as part of consolidation, resulting in the recognition in the current financial statements of an amount of €760 thousand (previous year: €958 thousand). In connection with the license, a service agreement was also concluded with an anticipated total volume of around €5.3 million. In the 2020/21 financial year, revenue was generated with the company in the context of the transaction described above in the amount of €905 thousand (previous year: 2,129 thousand).

A loan facility of €7.0 million exists with MP-Beteiligung GmbH, Kaiserslautern, a company with a shareholding of more than 25%. The agreement has a term until 30 June 2023. The loan bears interest at a rate of 3.5%. As of the balance sheet date, the company had not utilized this option. In the 2020/21 financial year, the interest cost amounted to €32 thousand (previous year: €21 thousand). As of the balance sheet date, interest liabilities amounted to €11 thousand (previous year: €7 thousand).

No receivables were due from directors of BRAIN Biotech AG or individuals related to these directors as at 30 September 2021. As at the 30 September 2021 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: €254 thousand (previous year: €220 thousand);
- Management Board compensation: €280 thousand (previous year: €313 thousand);
- Deferrals for outstanding vacation (Management Board): €45 thousand (previous year: €20 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 2021 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 2021 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:

	2020/21	2019/20
Total employees, of whom	288	279
Salaried employees	264	253
Industrial employees	25	25

The BRAIN Group also employs scholarships/grant holders (3, previous year: 6), temporary employees (12, previous year: 14) and trainees (8, previous year: 7).

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

No significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2021 balance sheet date.

Zwingenberg, 10 December 2021



Adriaan Moelker
CEO



Lukas Linnig
CFO

Independent auditor's report

To BRAIN Biotech AG (formerly B.R.A.I.N. Biotechnology Research and Information Network AG)

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of BRAIN Biotech AG (formerly B.R.A.I.N. Biotechnology Research and Information Network AG), Zwingenberg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 October 2020 to 30 September 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have examined the group management report of BRAIN Biotech AG (formerly B.R.A.I.N. Biotechnology Research and Information Network AG) for the fiscal year from 1 October 2020 to 30 September 2021. In accordance with the German legal requirements, we have not audited the content of the group corporate governance statement included in section VIII. "Corporate governance statement of conformity pursuant to Section 289f and Section 315d of the German Commercial Code (HGB)" of the group management report, which is published on the website stated in the group management report and is 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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 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 30 September 2021 and of its financial performance for the fiscal year from 1 October 2020 to 30 September 2021, 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 opinion on the group management report does not cover the content of the corporate governance statement referred to above.

Pursuant to Sec. 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 opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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 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 fiscal year from 1 October

2020 to 30 September 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter

The goodwill impairment test performed annually by the Management Board is based on a valuation model that uses the discounted cash flow method. Against the background of the complexity and judgment exercised during this valuation, the goodwill impairment test was a key audit matter. The goodwill impairment test is based on assumptions that are derived from corporate planning and influenced by the expected future market and economic conditions. The recoverable amount of goodwill is mainly dependent on the estimated future net cash flows in the business plan as well as the assumed discount and growth rate. Defining these parameters is the responsibility of the executive directors and is subject to judgment. There is a risk that amendments to these judgments entail significant implications for the assessment of impairment of goodwill.

Auditor's response

We assessed the suitability of the valuation process for identifying the potential need to recognize impairment losses. During our audit, we also evaluated the valuation model used to determine the recoverable amounts with the help of our valuation experts, especially in terms of its methodical applicability and clerical accuracy.

We tested the executive directors' forecasts regarding the estimated future net cash flows by comparing the plan adopted by the Management Board and approved by the Supervisory Board for consistency with information from the management accounts as well as market expectations. In addition, the plans were compared for consistency with other internal expectations, such as the forecast information provided in the management report. We also compared the plans drawn up in the prior periods with the actual results in order to analyze the accuracy of the forecasts.

We assessed the other significant valuation assumptions, such as the discount rate and the long-term growth rate with the aid of internal valuation specialists and on the basis of our own analysis of the general market indicators. We also per-

formed sensitivity analyses in order to assess the potential impact of changes in the inputs used on the recoverable amount.

In addition, we assessed the disclosures in the notes to the financial statements.

Our procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures

With regard to impairment testing of goodwill, we refer to the disclosures in the section "Impairment testing" of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in the Annual Report 2020/2021. In all other respects, the executive directors are responsible for the other information.

The other information comprises the statement on corporate governance referred to above. Furthermore, the other information comprises the following parts to be included in the Annual Report, of which we obtained a version prior to issuing the auditor's report:

- the Report from the Supervisory Board
- the Declaration on Corporate Governance
- the Responsibility Statement

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider 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 to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the

additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and 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 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 Sec. 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and 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 assurance in accordance with Sec. 317 (3a) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file brain-KA-KLB-2021-09-30.zip (SHA-256-checksum: b6344433d8975ae8a7f3566a062f8eae13c9146be2608b60f5224a3d1dd291cb) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared

for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 October 2020 to 30 September 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (11.2021). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB.

We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 10 March 2021 and were engaged by the Supervisory Board on 28 July 2021 to audit the consolidated financial statements as at 30 September 2021. We have been the group auditor of BRAIN Biotech AG (formerly B.R.A.I.N. Biotechnology Research and Information Network AG) without interruption since fiscal year 2016/2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German public auditor responsible for the engagement is Helge-Thomas Grathwol.

Mannheim, 10 December 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grathwol
Wirtschaftsprüfer

Hällmeyer
Wirtschaftsprüfer



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Glossary

A

Alternative proteins

Proteins that are not of animal origin but are derived from other protein sources. Alternative protein sources already in use today are predominantly of plant origin. They include, for example, wheat, soy, peas, beans, lentils, cashews, jackfruit or lupins. Higher fungi and insects also already serve as protein sources. Recombinant microorganisms, which produce animal-identical proteins in fermentation processes, represent another pillar. Proteins from cell cultured meat cultivated in the laboratory could also contribute to an animal-free diet in the future.

Aurase®

Enzymatic agent as part of an innovative gel-based medical device for the bio-therapeutic treatment of chronic wounds. SolasCure Ltd., established in 2018 with the participation of BRAIN Biotech AG, is an independent company that focuses on the development, CE certification and marketing of medical products based on the Aurase® wound-cleaning enzyme.

B

BEC (BRAIN-Engineered-Cas)

BRAIN-Engineered-Cas (BEC) is an enzyme identified and developed at BRAIN Biotech. It is a nuclease, or more precisely a CRISPR-associated nuclease, which can be used to selectively insert, remove or modify individual DNA segments in living organisms. With CRISPR-Cas technology, not only can the selection process be accelerated enormously; above all,

it can be targeted and precise.

BRAIN is seeking to build a patent family around the BEC genome editing tool. The BEC nuclease is one of approximately 2000 class 2 CRISPR nucleases, identified at BRAIN Biotech and not previously exploited, that could be applied for genome editing. BRAIN is seeking partnerships to accelerate the detailed screening of its other promising CRISPR nuclease candidates.

Bioactive natural compounds

Used to develop products for the food, beverages, skin care, cosmetics and chemical industries

Bio-based products

Bio-based products are goods manufactured from renewable raw materials

Biocatalysts Ltd. and Biocatalysts Inc.

Members of the BRAIN Group based in UK (headquarters in Cardiff, Wales) and in US (Illinois); global distributor network e.g. Korea, Australia, New Zealand. Key player in the specialty enzyme business

Biocatalysts

Enzymes that act as catalysts to accelerate (bio)chemical reactions

BioIndustrial

One of BRAIN's two business segments: development and marketing of the company's own products along the value chain

Biologization of industry

Application of biological processes in an industrial setting with the aim of creating a more sustainable economy

Bioeconomy

Concept for a biobased economy;

mega-trend that encompasses the transformation from industries based on fossil raw materials to a more sustainable form of economic activity that mainly utilizes biological resources and processes

Biorefinery

Technology for the sustainable processing of biomass into marketable products (e.g. food, feed, materials, chemicals) and energy (fuels, electricity, heat). Integrated biorefineries combine various such technologies with the aim of greater flexibility and cost reduction. Integrated biorefineries facilitate the use of byproducts and waste, and enable the production of high-quality products (e.g. fine chemicals) combined with low-quality products (e.g. bioenergy).

BioScience

One of BRAIN Biotech's two business segments: cooperation business established with globally operating industrial partners

Biotechnology

Application-oriented sub-sector of biology; includes insights and methods from microbiology, genetics, biochemistry, technical chemistry and process engineering; utilizes biological processes e.g. for industrial applications

BioXtractor

BRAIN demonstration plant for next-generation metal extraction in the areas of green and urban mining based on microorganisms.

BRAIN Libraries

BRAIN Group collections of enzymes, DNA sequences or natural substances; part of the BRAIN BioArchive: *Enzyme library*: up to 500 isolated and pre-

characterized enzymes and DNA coding for enzymes introduced into expression vectors

Metagenome library: screenable DNA library with metagenomes from different habitats; collection serves to identify previously uncharacterized enzymes and metabolic pathways
Substance library: collection of natural substances with sub-libraries of specific, well-characterized groups of substances

BRAIN BioArchive

In-house collection consisting of around 53,000 comprehensively characterized microorganisms (including "chassis microorganism" strains for the development of production organisms) and the BRAIN libraries: an enzyme library, a metagenome library and a substance library with numerous isolated natural compounds (see also BRAIN libraries)

Brazzein

Sweet protein with an exceptional sweetening potential. It combines a good flavor profile with the benefits of being sugar-free. In nature the African plant *Pentadiplandra brazzeana* produces the protein in its berries. Sourcing the ingredient by extraction would not be sustainable. Therefore, BRAIN and partner company Roquette have signed a contractual agreement for the approval and production of the sweet protein by fermentation.

Bulk enzymes markets

Volume-driven mass markets for enzymes sold in large volumes. This stands in contrast with the high-margin business with specialty enzymes

Business-to-Business (B2B)

Form of the market in which the supply and rendering of services is realized by companies to companies (= business relations between at least two companies)

C

Circular Bioeconomy

Term derived from the fusion of the two concepts of the "bio-economy" and the "circular economy"; circular bio-economy focuses on the sustainable, resource-efficient utilization of biomass in integrated production chains (e.g. biorefineries) while simultaneously utilizing residual and waste materials; the sequential use (cascade use) of biomass resources for different purposes ensures value optimization.

Clone

Genetically identical organisms, created by natural division or reproduction, or artificially created

Compliance

Alignment of companies with laws and directives, as well as voluntary codes

CRISPR

Clustered Regularly Interspaced Short Palindromic Repeats

CRISPR-Cas (= CRISPR/Cas)

Name of a method with which molecular biologists can cut DNA in a targeted and precise manner. The so-called "gene scissors" (for genome editing) thus enable the selective insertion, removal or modification of individual DNA segments in the living organism. The method offers biotechnologists the possibility to carry out

targeted mutations and thus, for example, to optimize the metabolic performance of microbial production organisms within a short time.

Biochemically, the CRISPR-Cas complex consists of the CRISPR-associated protein "Cas" with the function of a DNA-cutting protein (belongs to the enzyme class of nucleases), as well as a piece of RNA, the so-called guide RNA, which directs the Cas protein to the site on the DNA to be cut. The acronym "CRISPR" stands for „Clustered Regularly Interspaced Short Palindromic Repeats“; a repetitive region on the genome of the bacterium where this DNA region was initially discovered and by which CRISPR systems can be recognized. CRISPR-Cas systems are derived from a natural mechanism that bacteria use to protect themselves from harmful viruses.

In basic research, CRISPR-Cas technology is already being used in a wide range of applications. However, the unclear patent situation specifically for the CRISPR/Cas9 system often prevents its use in companies, as there are as yet unforeseeable patent risks, as well as expensive licensing fees to be paid. For this reason, BRAIN Biotech has developed its own variant of the CRISPR-Cas scissors, BRAIN-Engineered-Cas (BEC) nuclease, in order to optimize the metabolic performance of microbial production strains within a short time. BEC is a non-Cas9 and non-Cpf1 type genome editing nuclease.

D

Development pipeline

Total number of BRAIN Group devel-

Glossary

opment projects for New Business/ Product Development; disruptive projects with significant potential that BRAIN is driving with strong industry partners are included in BRAIN's incubator pipeline.

DNA

Deoxyribonucleic acid: biomolecule that carries genetic information (genes)

DOLCE

Strategic partnership initiated by BRAIN Biotech for the development of natural sweeteners and sweet taste enhancers.

E

Enzymes

Proteins that accelerate biochemical reactions in their function as biocatalysts; play an important role in the development of biobased products; BRAIN Biotech identifies and develops optimized enzymes and biocatalysts for complex process and application requirements

F

Fermented Food

Foods and beverages that have undergone controlled microbial growth and fermentation

FRESCO

BRAIN Biotech development program for freshness and product stability utilizing natural bioactive substances; suitable for the food and feed industry, for medical products, paints, cleaning agents and other household products.

G

Genome editing

Targeted modification of DNA using molecular biology techniques

Giga-bp

DNA Length of a DNA sequence, indicated by the number of base pairs (1 Giga bp = 1,000,000,000 base pairs); common metagenomics measure

GMO

Genetically modified organisms (GMO)

GRAS status

"Generally Regarded as Safe status": declaration of safety for the use of substances (e.g. microorganisms) to manufacture foodstuffs; GRAS organisms can be utilized without restriction in biotechnological production

Green mining

Sustainable mining, e.g. ore treatment to extract gold, silver or copper using microorganisms rather than chemicals

H

Habitat

An organism's natural environment

High-performance microorganisms

Biotechnologically optimized microorganisms that serve as microbial "cell factories"

HTC technology

Human Tongue Cell Technology; in vitro test system based on human tongue cells, established and patented by BRAIN Biotech to test substances for their sweetening power

I

Industrial biotechnology

Also known as white biotechnology; drives innovation for a paradigm shift away from petroleum-based towards biological processes and bioeconomy products

M

Metagenome

All the genomic information present in all the microorganisms of a specific community

Metagenomics

Genomic analysis of a community of organisms by gene sequencing; genetic material is extracted, sequenced and analyzed directly from environmental samples, which saves the previous cultivation of microorganisms

Microorganism

Microscopically small unicellular or multicellular organisms, e.g. bacteria, algae, fungi or viruses

N

New Business Development (NBD) at BRAIN group

Systematic further development of existing and development of new business opportunities including e.g. R&D and marketing activities

New Product Development (NPD) at BRAIN Group

R&D activities that aim to develop product candidates for the BRAIN Group's own market offerings

NGS

NGS stands for "Next Generation Sequencing". It describes the process of high-throughput sequencing of DNA.

P

Peptides

Linear, sometimes ring-shaped chain of molecules consisting of two or more amino acids; long polypeptide chains are called proteins.

Precision fermentation

Process that combines what is known as precision biology with the process of fermentation. In precision fermentation, microorganisms are programmed using genome editing to produce almost any complex organic molecule. Precision fermentation plays an important role in the production of alternative proteins (alternatives to animal proteins).

Product sales at BRAIN Group

Sales of products in the form of merchandise, technologies or biotechnological system solutions; can be achieved via the BRAIN Group's direct B2B business or through joint product developments with industrial partners and corresponding licensing agreements; scalable-product business option offered by the BRAIN Group (see also R&D cooperation partnerships)

Postbiotics

Non-viable bacterial products or metabolic by-products of probiotic microorganisms that develop biological activity in the host. Are used, for example, in cosmetics.

Prebiotics

Food or dietary supplement containing an ingredient (indigestible) that selectively stimulates the growth and/or activity of indigenous bacteria.

Probiotics

Live microorganisms which, when used adequately, exert a health-promoting effect on humans and animals. Have been used for intestinal health in the food sector for over 50 years; new areas of application include cosmetics, agricultural or household products. Precision probiotics: Probiotics optimized for performance and/or safety using non-GMO processes (e.g., natural evolution and targeted genome editing without the use of foreign DNA).

Protein engineering

In the process of protein engineering, proteins (e.g. enzymes) are constructed and optimized for specific purposes. The approach is either via so-called "rational design" (targeted mutagenesis, possible with existing knowledge of protein structure) or "directed evolution" (mimics natural evolution and requires no prior knowledge of protein structure).

R

R&D

Research and development

S

SALT-E

One of several BRAIN development programs for healthier foods through salt reduction.

SDGs-UN

United Nations Sustainable Development Goals

Specialty chemicals

Specific chemical products with a broad range of activities on which a large number of other industrial sectors depend

Specialty enzymes market

Markets for high-margin specialty enzymes business

Stage-gate process

Standardized process model for developing product innovations with the aim of assuring process quality

Synbiotics

Combination of probiotics and prebiotics

Synthetic Biology

Area of biology in which organisms are modified to develop new, useful abilities

T

Tailor-made solutions (TMS)

Dedicated contract R&D programs for the development of tailor-made solutions for industry

U

Urban mining

Sustainable extraction of valuable substances from secondary raw materials and waste flows in order to retain them in value chains in the long term.

Glossary

W

White biotechnology

Includes the application of modern biotechnology in industrial production processes. Chemical starting materials are converted by enzymes and cells into products suitable for further processing. Also known as industrial biotechnology

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page 48: dimazel – stock.adobe.com
page 116: Biocatalysts

The photographs taken for this annual report were always taken in compliance with Corona safety measures. The people involved were vaccinated and tested, and the rooms were equipped with air filters or well ventilated.

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Financial calendar

Publication of the quarterly report as at 31 December 2021 (3M)

23.02.2022

Annual General Meeting, online

09.03.2022

Publication of the interim report as at 31 March 2022 (6M)

30.05.2022

Publication of the quarterly report as at 30 June 2022 (9M)

29.08.2022

Disclaimer

This report might contain certain forward-looking statements that are based on current assumptions and forecasts made by the management of the BRAIN Group and other currently available information. Various known and unknown risks and uncertainties as well as other factors can cause the company's actual results, financial position, development or performance to diverge significantly from the estimates provided here. BRAIN Biotech AG does not intend and assumes no obligation of any kind to update such forward-looking statements and adapt them to future events or developments. The report can include information that does not form part of accounting regulations. Such information is to be regarded as a supplement to, but not a substitute for, information prepared according to IFRS. Due to rounding, it is possible that some figures in this and other documents do not add up precisely to the stated sum, and that stated percentages do not reflect the absolute figures to which they relate. This document is a translation of a document prepared originally in German. Where differences occur, preference shall be given to the original German version.

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