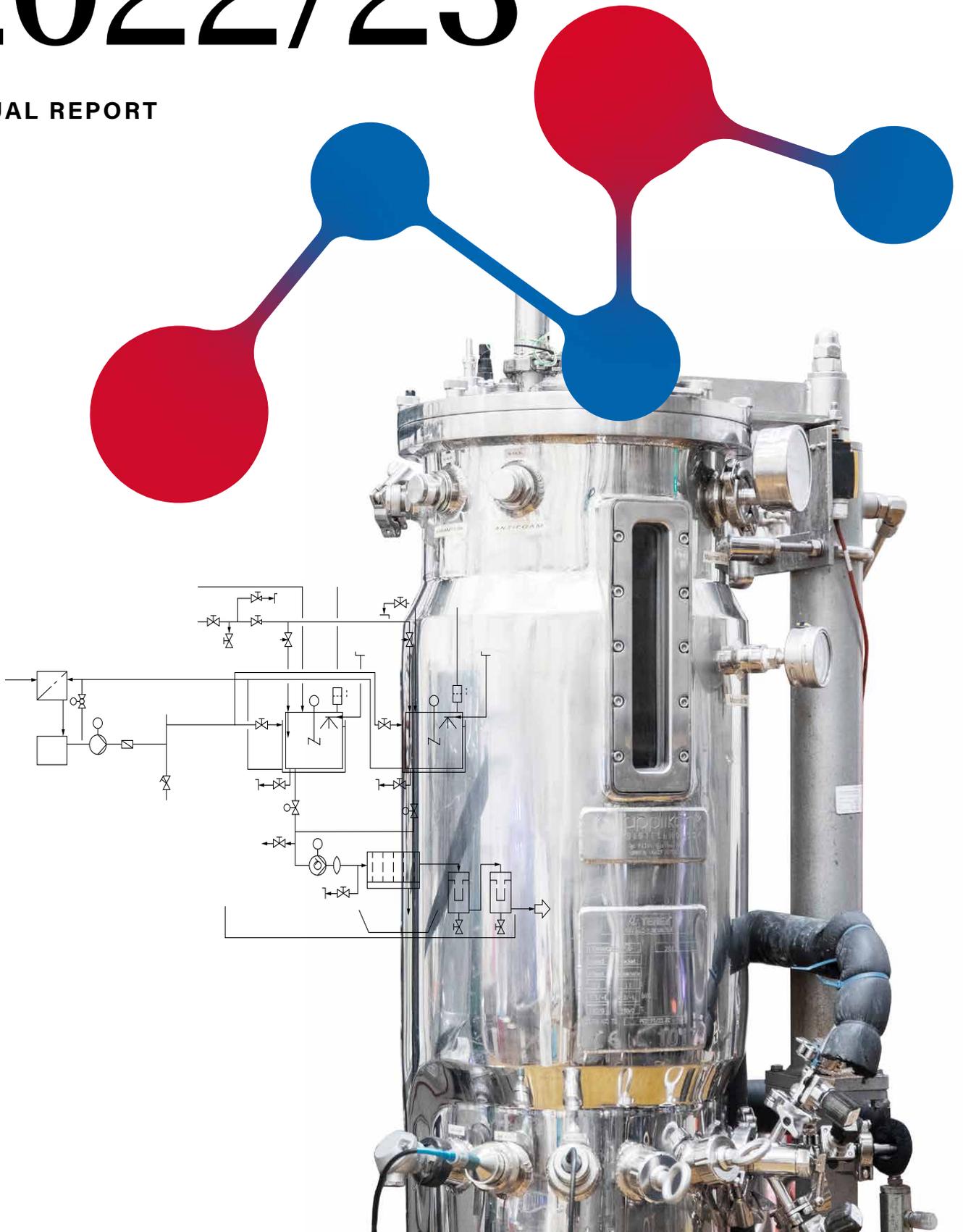

BRAIN Biotech AG

2022/23

ANNUAL REPORT



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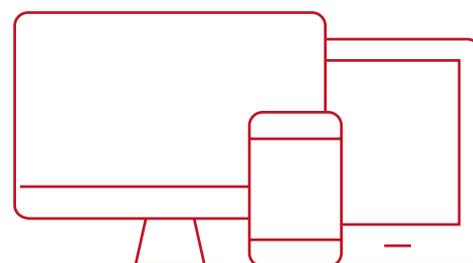
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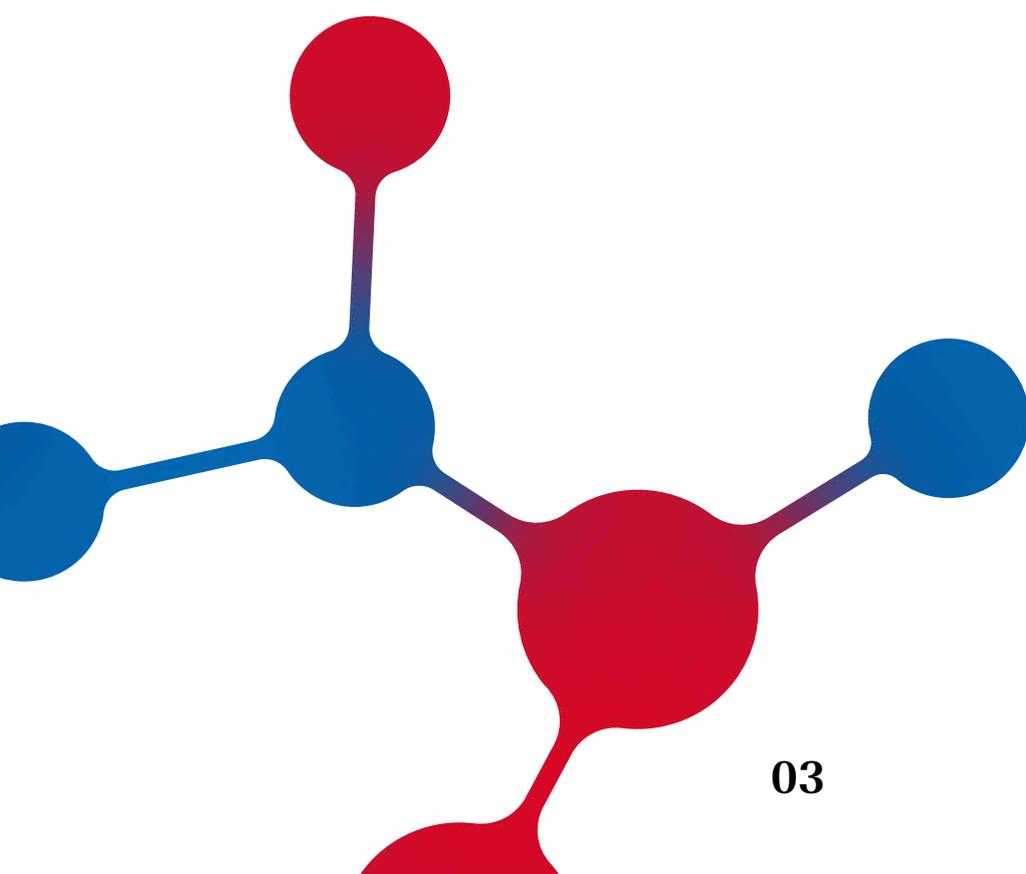
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Letter from the CEO

»We fully met the financial targets we set for 2022/23 financial year while facing strong headwinds«

Adriaan Moelker
CEO BRAIN Biotech AG



DEAR SHAREHOLDERS,

“Biotech the Future” was the motto under which we started our anniversary year in January 2023, which celebrates thirty years of BRAIN Biotech. The biotechnology industry is increasingly in the public spotlight as the provider of a technology that is crucial to solving some of society’s greatest challenges in the areas of food, health, and the environment – which was the reason that led us to choose this motto. As part of an image campaign, employees from across the Group also shared their thoughts about this motto, describing in entertaining videos what “Biotech the Future” means to them. Overall, the event we held to commemorate our 30th anniversary went well – according to both my own observations as well as feedback from our guests.

The past financial year was successful in many respects. Despite the many macroeconomic challenges we faced, we remained true to our corporate strategy and consistently pursued the path on which we set out four years ago to becoming a profitable growth company.

We fully met the financial targets we set for 2022/23 financial year while facing strong headwinds: These included high inflation that drove our input costs up, tight labor markets and higher labor costs, ongoing supply chain disruptions, an increasingly multipolar political environment and sharply rising interest rates.

More than ever, clear focus and accountability on the part of both the Management Board and our employees were crucial in making this financial year a successful one:

- The Biocatalysts business proved to be very robust overall, with a strong end-of-year spurt, despite initial technical problems with the commissioning of the second large-scale fermenter.
- Our recent acquisition, Breatec, delivered strong growth and rising margins throughout the year.
- WeissBioTech continues its recovery in terms of revenue and earnings following its successful repositioning.
- The BioScience segment performed well overall with solid “TMS” business and a continuation of strong partnerships.

- Our Akribion genomics team made significant scientific progress and generated its first commercial royalty income.
- With the successful integration of the BioProducts segment under the leadership and banner of Biocatalysts, we have begun to accelerate the realization of revenue and cost synergies in the products business.

Ambitious new mid-term goals

Over the past few months, we at BRAIN Biotech Group have again taken many steps to position our company for a strong future. We have translated our ambitious growth strategy into new, challenging medium-term goals for the Group. We communicated these new targets and our One-BioProducts strategy, which forms an important basis for achieving these ambitious goals, for the first time at our Capital Markets Day in February 2023.

As the core of our One-BioProducts strategy we have combined our enzyme product companies under the umbrella of Biocatalysts Ltd. in order to develop the Group into a leading international specialty enzymes and food ingredients company. The acquisition of the remaining minority shares in Biocatalysts Ltd. in May 2023 was a prerequisite for this measure, and in the subsequent months we focused on integrating the businesses.

In addition to an overall more efficient organization, we expect the reorganization to raise Biocatalysts' profile in the global markets for specialty enzymes and food ingredients. The company has strong brand recognition as it has been established in the market for forty years and enjoys an excellent reputation, particularly in the food and pharmaceutical industries.

Focus on specialty enzymes

Enzymes play a central role in the bioeconomy. They can make production processes more sustainable and more environmentally compatible. They enable the more efficient utilization of renewable resources such as plant biomass. They can replace traditional chemical methods in industrial processes, reducing the use of pollutants. They can reduce the energy consumption of an industrial process. They can also help remove pollutants and contaminants and recycle valuable metals without the use of harsh chemicals. Enzymes are a key to the recycling of (organic) residual streams and thereby form an important building block in the bio-based circular economy.

The enzyme product range under the Biocatalysts umbrella comprises around 350 specialty enzymes, in other words, enzymes that are tailored to specific tasks in industrial processes. For example, they are adapted to specific process conditions such as temperature, pH, and substrate specificity to make processes more efficient.

Enzymes and other microbially produced proteins, such as so-called alternative proteins, will be in even greater demand from the food industry in the future. The food and beverages industry is our most important target market, which was another reason for us to bundle our enzyme businesses and further integrate our R&D capabilities.

Research campus as a driver of innovation

Our shareholders from the region around our research campus in Zwingenberg may ask themselves: What role will the “nucleus” of BRAIN Biotech play in the Group in the future? The answer is: It will remain the engine for new bioprocesses, innovative products, and optimized production organisms within the Group. Already today, research and development services for the entire Group are increasingly being performed in Zwingenberg. When it comes to optimizing production strains for large-scale production at Biocatalysts or a contract manufacturer, or establishing new bioprocesses, the employees in Zwingenberg make an important contribution with their expertise.

A few examples:

- For the R&D activities of Akribion Genomics, our colleagues at the *Bioprocess Development* technology unit act as a kind of service provider: They produce the important ribonucleoproteins (RNPs), which are the forms of Akribion’s nucleases that are active in cells.
- The *Enzyme Engineering* technology unit adds new specialty enzymes to the BioProducts product portfolio.
- The *Enzyme Engineering* technology unit also develops custom specialty enzymes on behalf of customers, using our bioinformatics-based discovery and engineering methods. The enzymes are engineered to have the desired properties, such as increased stability, enhanced activity, or optimized substrate specificity. The genes encoding the desired enzymes are introduced into engineered microbial production organisms using, among other things, our proprietary genome editing tools, so that the microorganisms can subsequently produce the desired enzyme in large quantities. The corresponding bioprocess is developed to pre-industrial scale in Zwingenberg and then transferred, for example, to Biocatalysts Ltd. in Cardiff.

With our outstanding enzyme expertise, our application know-how in various niche markets and last year’s production capacity expansion at Biocatalysts Ltd., we are well positioned to meet industry requirements.

Development of Akribion Genomics activities

In the 2022/23 financial year, our Akribion Genomics team continued to prepare for the company’s spin-off. The team has already received initial awards for its innovations and business plans in start-up competitions, including first place in a life sciences award bestowed by a distinguished panel of judges from the pharmaceutical industry.

The technology involves cytotoxic nucleases, which the scientists hope to develop into a new class of precision cancer therapies and advanced genome editing tools. The proprietary nuclease G-dase E® is unique because of its novel mechanism of action, which distinguishes it from existing CRISPR nucleases. The European Patent Office has granted a new patent for BRAIN Biotech’s G-dase E® nucleases as a substance patent in September 2023.

New three-pillar reporting structure

With the consolidation of the product businesses, we changed our reporting structure to a new three-pillar reporting structure for the first half-year. We thereby aim to make the Group’s operating performance in the

three business segments even more transparent – including for you, our shareholders. We are also aligning our external reporting with our internal management model.

Apart from the divestiture of L.A. Schmitt GmbH, the composition of the BioIndustrial segment remains unchanged and has been renamed “BioProducts.” The BioProducts segment combines all of the Group’s product-related activities in the area of application-oriented fermentation and formulation. The focus is on the food, beverage, and pharmaceutical industries. The large-scale fermentation capacities of Biocatalysts logically also form part of this segment.

We have removed the “BioIncubator” and “BRAIN Biotech Holding business units” from the BioScience segment and instead we now report these separately. The BioScience segment now only comprises the Tailor-Made Solutions (TMS) activities of BRAIN Biotech Zwingenberg and the activities of AnalytiCon Discovery.

Uniting for the home straight

People outside the company repeatedly ask us two questions: When will we break even, and what about our low share price?

As far as breakeven is concerned, we are on a very good track despite the high investments in our genome editing platform. In fact, I am proud to remind you that the EBITDA breakeven point (excluding Akribion) has been reached, as announced three years ago. The next logical goals are to become EBIT positive and generate a positive operating cashflow.

Regarding the company’s low valuation on the stock market, I can assure you that we are all working hard to create the foundation for a much higher valuation. This means staying on course towards our strategic objectives such as building the BioProducts business and monetizing the Incubator projects. It also means staying true to our mission, “Biotech the Future,” because we are a biotechnology company at heart. However, it also means delivering results on a day-to-day basis, in terms of revenue growth and profitability. This should lead to a sustainably higher share price. I firmly believe that the share price will follow the company’s positive growth, performance, and fundamentals in the medium term.

I would like to take this opportunity to thank the approximately 330 employees of the BRAIN Biotech Group for their outstanding commitment over the past year: For their reliability in dealing with our customers, for their perseverance in solving challenging tasks, for their courage in implementing unconventional ideas, for their solution-oriented thinking, and for their flexibility in the face of rapidly changing conditions. They all contribute to the fact that we enjoy an excellent reputation among our customers not only as a solution provider but also as a product supplier.

The motto “Biotech the Future” quoted at the beginning of this letter describes what drives us and the business activities of the BRAIN Biotech Group, including beyond our anniversary year: We aim to continue to contribute to the biologization of industrial production processes, in other words, the replacement of conventional processes with biological processes or process steps, and the development of new processes or products based on microorganisms and enzymes.

Tackling climate change and the loss of biodiversity is an urgent task for industry and the economy as a whole, as well as for policymakers and society. Our contribution is to make our biotechnological expertise available, which we have continuously expanded over three decades, so that positive environmental effects can be achieved in industrial production. We will continue to make our contribution with vigor and passion, while always keeping in mind our financial goal of becoming a sustainably profitable company.

We are well on our way to becoming one of the leading suppliers of specialty enzymes in both Europe and beyond. We will continue to need your support. The management and all employees appreciate your continued patience, which some of you have already exercised over extended periods, and the confidence you share with us in the company's development and growth. We would be all the more pleased if you would continue to place your trust in us and remain associated with us as shareholders.

Adriaan Moelker

CEO BRAIN Biotech AG

Report from the Supervisory Board

»The company is consistently pursuing the expansion of its product business in the BioProducts segment through organic growth and value-enhancing acquisitions.«

Dr. Michael Majerus

Supervisory Board Chairman BRAIN Biotech AG



DEAR SHAREHOLDERS,

For the first time in my role as Chairman of the Supervisory Board of BRAIN Biotech AG, I am pleased to report to you on the activities of the Supervisory Board in the 2022/23 financial year.

Following the Annual General Meeting on 8 March 2023, there was not only a change in the chair of the Supervisory Board, but we also welcomed two new members to the Supervisory Board, Christine Uekert and Dr. Florian Schnabel. After the Supervisory Board consisted of five members in the 2021/22 financial year following the departure of Prof. Dr. Bernhard Hauer, we now have six members again due to these two new additions and the departure of Supervisory Board Chairman Dr. Georg Kellinghusen, who reached the age limit. For the first time, the new Supervisory Board reflects a composition of half women and half men and its members complement each other in their areas of expertise, particularly biotechnology expertise, sector expertise as well as capital market and financial expertise.

The Supervisory Board closely supported the Management Board over the course of the past financial year. Overall, BRAIN Biotech AG continued to develop successfully in the 2022/23 financial year despite the ongoing negative effects of the war of aggression in Ukraine as well as general economic and geopolitical challenges. The revenue growth and the EBITDA targets for the year which had been communicated to the capital market were achieved. With revenue of around € 55 million, BRAIN Biotech AG exceeded the € 50 million revenue level for the first time and, excluding the costs of establishing the innovative genome editing activities (Akribion Genomics), generated positive EBITDA before exceptional items in the low single-digit-million-euro range.

The company's medium-term targets, which were first announced to coincide with the Capital Markets Day in 2020, remain unchanged: the aim is still to double revenue and achieve an EBITDA margin of 15 % (± 5 PP). The company is consistently pursuing the expansion of its product business in the BioProducts segment through organic growth and value-enhancing acquisitions. In implementing this strategy, BRAIN Biotech AG transferred the subsidiaries WeissBiotech GmbH, Biosun Biochemicals Inc. and the majority interest in Weriol Group B.V. (which is the holding company of Breatec B.V.) to the subsidiary Biocatalysts Ltd. and thereby

created a uniform legal structure for the enzyme business within the BRAIN Biotech Group, which now constitutes the BioProducts segment. The focus in this area is on leveraging further synergies and on integration activities to create organic growth. The company will continue to consider further value-enhancing acquisitions in the future, insofar as they can be realized within the financial framework of BRAIN Biotech AG.

We are convinced that BRAIN Biotech AG, with its fast-growing products business, its successful market position in contract research, its investment in SolasCure Ltd., the planned spin-off of the G-dase E and G-dase M technology business under the name Akribion, as well as product innovations from the incubator, enjoys a wide range of positive development potentials.

For BRAIN Biotech AG as an industrial biotechnology company, sustainability has always played a central role – both as a basis of its business as well as in its corporate strategy and management. Accordingly, as part of its activities the Supervisory Board also deals with sustainability issues that are relevant to the company. In the previous 2021/22 financial year, its plenary meetings included detailed consultations and discussions about the company's first ESG report. During the 2022/23 financial year, the Supervisory Board continued to advise on the further development of the report and anchored the company's ESG objectives within the Management Board's long-term compensation scheme.

The following report provides detailed information about the Supervisory Board's work in the 2022/23 financial year, in other words, from 1 October 2022 until 30 September 2023. 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

As already mentioned, the following changes occurred to the composition of the Supervisory Board in the reporting period:

The Annual General Meeting on 8 March 2023 was required to newly elect a total of three Supervisory Board members. Dr. Georg Kellinghusen, who had been a member of the Supervisory Board of BRAIN Biotech AG since 9 March 2017 as well as its Chairman since 7 March 2019, was no longer available for re-election as he had reached the age limit for Supervisory Board members.

Christine Uekert and Dr. Florian Schnabel were elected as new members of the Supervisory Board by the shareholders and Dr. Michael Majerus was re-elected to the Supervisory Board for a second term of office. These Supervisory Board members were elected with effect from the end of the Annual General Meeting on 8 March 2023 until the end of the Annual General Meeting that will ratify the actions of the Supervisory Board for the financial year from 1 October 2025 to 30 September 2026.

Following the Annual General Meeting, the constituent meeting of the Supervisory Board of BRAIN Biotech AG elected Dr. Michael Majerus as its new Chairman. Dr. Anna Carina Eichhorn will continue to be available as Deputy Chair.

No changes occurred within the Management Board during the year under review. As of the beginning of the financial year, Michael Schneiders was appointed Chief Financial Officer for a three-year term. During the reporting year, the contract with Adriaan Moelker was extended until 2027, as planned.

The company supports new members of the Supervisory Board, especially by providing information and advice about the company, its structures, and processes, and offers support 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 2022/23 financial year, the Supervisory Board held a total of seven face-to-face meetings and seven video conferences. The committees held four face-to-face meetings, six video conferences and one conference call. The Supervisory Board members always had sufficient time to engage critically with the information submitted by the Management Board, and to contribute its own views. As part of the meetings, the information was discussed in detail with the Management Board and examined as to its plausibility. The Supervisory Board also met 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.

OVERVIEW OF SUPERVISORY BOARD MEETINGS IN THE 2022/23 FINANCIAL YEAR

Name	Meetings attended ¹	Meetings attended ²	Remarks
Dr. Georg Kellinghusen	7/7	4/4	Chairman Personnel Committee (Chair) Member of the Audit Committee and Nomination Committee (in each case until 8 March 2023)
Dr. Michael Majerus	14/14	11/11	Chairman (since 8 March 2023) Member of the Audit Committee (Chair until 8 March 2023) Personnel Committee (Chair since 8 March 2023) Member of the Nomination Committee
Dr. Anna C. Eichhorn	14/14	3/3	Deputy Chair Nomination Committee (Chair)
Stephen Catling	14/14	6/6	Member of the Audit Committee (until 8 March 2023) Personnel Committee (since 8 March 2023)
Dr. Florian Schnabel	7/7	2/3	Member of the Audit Committee Non-participation excused (since 8 March 2023)
Prof. Dr. Wiltrud Treffenfeldt	13/14	4/4	Member of the Personnel Committee Non-participation excused
Christine Uekert	7/7	3/3	Audit Committee (Chair since 8 March 2023)

1 Plenum; based on relevant meetings during the respective mandate period

2 Committee meetings; based on relevant meetings during the respective mandate period

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

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

FOCUS CONSULTATION AREAS IN THE PLENARY SUPERVISORY BOARD

During the 2022/23 financial year, we on the plenary Supervisory Board concerned ourselves especially with the following topics:

- Annual financial statements for the 2021/22 financial year
- The statement of conformity and the corporate governance declaration
- Reaching the corporate targets for the 2021/22 financial year relating to developing the BioIndustrial, BioScience and BioIncubator operating segments
- Risk management and internal controlling systems
- New Management Board compensation scheme taking into consideration the recommendations of the German Corporate Governance Commission (GCGC)
- Proposal for a new Supervisory Board compensation scheme to the Annual General Meeting
- Recommendation for the election of the auditor at the 2023 AGM
- Further development of the company's strategy
- Planning and implementation of the Annual General Meeting on 8 March 2023
- Merger of WeissBiotech GmbH, Biosun Biochemicals Inc. and Breatec BV (via the majority interest in Weriol Group BV) under the management of Biocatalysts Ltd.
- Assessing and limiting impacts from the Covid-19 pandemic
- Overseeing cost optimization measures
- ESG report and sustainability topics
- Evaluation of current and future research projects
- Strategic alliances and planned partnerships
- Budget planning for the 2023/24 financial year and long-term planning for the next five years
- Accelerated development of genome editing activities including consideration of spin-off of activities
- Personnel changes at subsidiaries
- Implementation of the Supervisory Board's self-assessment

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

In addition, the following topics and resolutions were presented:

On 21 December 2022, the Supervisory Board approved the financial statements documents for the 2021/22 financial year and concurred with the Management Board's proposal relating to the application of unappropriated profit, after having previously clarified and discussed in depth the financial statements at its face-to-face meetings.

COMMITTEES

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

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

Audit Committee

The Audit Committee concerns itself especially with the supervising of financial accounting, the financial accounting process, the efficacy of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, sustainability topics as well as compliance. The Audit Committee submits a substantiated recommendation for the election of the auditor to the Supervisory Board, which comprises of at least two candidates if the audit mandate is to be put out to tender. The Audit Committee supervises the auditor's independence and concerns itself with services to be rendered additionally by the auditor, the award of the audit mandate to the auditor, the setting of focus audit areas, as well as arranging the auditor's fee. The Audit Committee regularly liaises with the auditor during the preparation and execution of the audit without the Management Board's involvement.

Pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), the audit committee must include at least one supervisory board member with expertise in the financial accounting area. The Audit Committee Chair, Christine Uekert, meets the statutory conditions pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG) and also possesses specialist knowledge in the area of financial auditing. In addition, she has many years of experience in the areas of finance and controlling and has held management positions, including at listed companies. In addition, a further member of the Audit Committee must have expertise in the area of auditing.

Supervisory Board Chairman Dr. Michael Majerus, also a member of the Audit Committee, has knowledge in the field of auditing as a former head of accounting and CFO at three listed companies, among others. His main areas of expertise are controlling and risk management, corporate finance, and capital markets as well as financial accounting. Moreover, he commands a broad spectrum of knowledge in compliance topics as well as in the investor relations area. In addition to the committee chair and the Supervisory Board Chairman, the Audit Committee includes Supervisory Board member Dr. Florian Schnabel.

The Audit Committee will decide concerning the approval of non-audit services by the auditing company appointed on 8 March 2023, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Düsseldorf), Düsseldorf ("Baker Tilly"), or management consulting firms in group association with Baker Tilly GmbH, in relation to the maintenance of independence for the audit mandate.

In the 2022/23 financial year, the Audit Committee dealt, in particular, with the recommendation to the Supervisory Board concerning the election of the auditor.

In the 2022/23 financial year, the Audit Committee held three face-to-face meetings, one video conference and one conference call.

Nomination Committee

The Nomination Committee has the task of seeking suitable candidates for the Supervisory Board. As a consequence, the committee's functions include the identification, evaluation, and nomination of individuals

qualified for this office. This includes guaranteeing diversity, expertise, and independence on the Supervisory Board in order to ensure that its work is effective.

Due to the resignation of Supervisory Board Chairman Dr. Georg Kellinghusen and Supervisory Board member Prof. Dr. Bernhard Hauer, two new candidates had to be found in order to propose them for election at the Annual General Meeting on 8 March 2023.

Given this, a total of 13 people were identified for replacement or new appointments, of whom the Nomination Committee ultimately shortlisted six. Committee chair Dr. Anna C. Eichhorn then conducted interviews with these six people between August and October 2022 and subsequently presented the results to her committee colleagues. After extensive consultation, the Nomination Committee finally proposed Dr. Florian Schnabel and Christine Uekert. This proposal was welcomed and accepted by our colleagues on the Supervisory Board.

The Nomination Committee held one video conference during and one face-to-face meeting in the 2022/23 financial year. In addition to committee chair Dr. Anna C. Eichhorn, the committee also includes Dr. Georg Kellinghusen (until 8 March 2023) and Dr. Michael Majerus (since 8 March 2023).

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 Biotech Group. The Chair of the Personnel Committee is Dr. Michael Majerus (since 8 March 2023). Dr. Georg Kellinghusen had been the previous chair (until 8 March 2023). Besides the committee chair, Dr. Michael Majerus, the committee also includes Supervisory Board members Stephen Catling and Prof. Dr. Wiltrud Treffenfeldt.

The Personnel Committee held four video conferences during the 2022/23 financial year. In particular, the Personnel Committee held consultation concerning the further development of the Management Board compensation scheme, especially in relation to the recommendations of the German Corporate Governance Code (DCKG). The new Management Board compensation scheme proposed by the Personnel Committee was approved by the Supervisory Board at its meeting on 19 January 2023 and approved by the Annual General Meeting on 8 March 2023. Subsequently, the Personnel Committee submitted to the Supervisory Board proposals for amendments to the two Management Board members' existing employment contracts to reflect the new Management Board compensation scheme. Following approval by the Supervisory Board, the amended agreements were concluded with the Management Board members with effect from 1 October 2023.

CORPORATE GOVERNANCE AND THE STATEMENT OF CONFORMITY

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 2023, after the end of the 2022/23 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 Zwingenberg published on the company's website at www.brain-biotech.de/investor-relations/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 23 September 2016, the Supervisory Board of BRAIN Biotech AG resolved that the Supervisory Board should include one woman, corresponding to a 17 % ratio. The implementation deadline for this was set at June 30, 2017. With the election of Dr. Anna C. Eichhorn to the Supervisory Board of BRAIN Biotech AG on 9 March 2017, the objective was implemented accordingly. The retention of this objective was confirmed at the meeting on 28 September 2017 for the period until 30 June 2022. 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. With the re-election of Dr. Anna C. Eichhorn and the election of Prof. Dr. Wiltrud Treffenfeldt, the set ratio was exceeded on 10 March 2021.

On 15 December 2022, the Supervisory Board increased the target for the composition of the Supervisory Board to 33 %, with an implementation deadline of 30 June 2027. With the election of Christine Uekert at the Annual General Meeting on 8 March 2023, the ratio now stands at 50.0 %.

On 15 December 2022, the target for the composition of the Management Board was retained at 0 %, with an implementation deadline of 30 June 2027. This target was maintained on the basis that the medium to long-term planning for the Management Board assumes that the Management Board members currently in office are each scheduled for an extension when the ratio is set. Setting a different ratio would stand at variance with this medium- to long-term planning. In the event of an increase in the number of members of the Management Board, this objective would require review, as would be the case if the Management Board members in office in the 2022/23 financial year did not renew their service contracts.

AUDIT OF THE SEPARATE AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Auditor

The AGM on 8 March 2023 appointed Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Düsseldorf) Düsseldorf ("Baker Tilly") as auditors for the financial year ending 30 September 2023. This engagement also includes engaging the auditor for the consolidated financial statements for the financial

year ending 30 September 2023. Mr. Andreas Weissinger, Diplom-Kaufmann, Wirtschaftsprüfer, has signed as the auditor responsible for the audit since the 2021/22 financial year and Ms. Marina Stumpp, M. Sc., Wirtschaftsprüfer, has signed as the auditor responsible for the audit since the 2022/23 financial year.

Baker Tilly audited the separate annual financial statements for the financial year from 1 October 2022 to 30 September 2023, prepared by the Management Board in accordance with the financial accounting regulations of the German Commercial Code (HGB), the management report of BRAIN Biotech AG, and the compensation report in accordance with Section 162 AktG. The auditor Baker Tilly awarded an unqualified audit certificate. Pursuant to Section 315e HGB, the consolidated financial statements of BRAIN Biotech AG for the financial year from 1 October 2022 to 30 September 2023 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 also received unqualified audit opinions. The compensation report received an unqualified audit opinion for its formal audit. 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 13 December 2023 and at the Supervisory Board meeting on 14 December 2023. The auditors Baker Tilly reported on the main findings of their audit. It also provided information about its findings on internal control and risk management in relation to the financial accounting process and was available to respond to additional queries as well as to provide further information. The review of the separate and consolidated financial statements by the Audit Committee was reported upon in detail by the Chairman of the Supervisory Board on behalf of the Chairwoman of the Audit Committee 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 14 December 2023, the Supervisory Board then approved the separate and consolidated annual financial statements of BRAIN Biotech AG for the 2022/23 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 2022 and 30 September 2023 ("dependent companies report") and discussed it extensively with the Management Board as well as with the auditor which 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,
3. there are no circumstances in the measures listed in the report that indicate a significantly different assessment than that of the Management Board."

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 which follows the report concerning relationships with affiliates (concluding statement pursuant to Section 312 (3) Clause 1 AktG).

THANK YOU FROM THE SUPERVISORY BOARD

Personally, as well as on behalf of the Supervisory Board and the company, I would first like to thank my predecessor in office, Dr. Georg Kellinghusen, for his many years of service to BRAIN Biotech AG in various functions, as a member of the Management Board and as CFO during the IPO phase, and as a member and Chairman of the Supervisory Board. Dr. Kellinghusen has made a significant contribution to the transformation process at BRAIN Biotech AG, not least by appointing a new member to the Management Board and by supporting the Management Board in developing the profitable growth strategy.

In particular, the Supervisory Board would like to thank the members of the Management Board as well as all employees of the BRAIN Biotech Group for their further commitment and outstanding personal contribution during the 2022/23 financial year. We look forward to working with you as we continue on our path of profitable growth.

Zwingenberg, 14 December 2023

BRAIN Biotech AG
The Supervisory Board

Dr. Michael Majerus
Supervisory Board Chairman

Composition of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD AND SUPERVISORY BOARD COMMITTEES

	Further board mandates in 2022/23
<p>Dr. Georg Kellinghusen Chairman</p> <p>Member since 9 March 2017 Appointed until the AGM 2023 (stepped down as of 8 March 2023)</p>	<ul style="list-style-type: none"> • 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)
<p>Dr. Michael Majerus Chairman since 8 March 2023</p> <p>Appointed until the AGM 2027</p>	
<p>Dr. Anna C. Eichhorn Deputy Chair since 23 February 2020</p> <p>Member since 9 March 2017 Appointed until the AGM 2025</p>	<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 GmbH, Frankfurt am Main • Member of the Management Board of House of Pharma & Healthcare e. V., Frankfurt am Main
<p>Stephen Catling Supervisory Board member</p> <p>Member since 14 October 2020 Appointed until the AGM 2025</p>	<ul style="list-style-type: none"> • Chairman of the Board of Directors of the Cambridgeshire Community Foundation, UK • Chairman of the Board of Trustees of FoodCycle, UK
<p>Dr. Florian Schnabel Supervisory Board member</p> <p>Member since 8 March 2023 Appointed until the AGM 2027</p>	<ul style="list-style-type: none"> • Managing Director of MP Beteiligungs-GmbH, Kaiserslautern • Managing Director of BSN GmbH, Kaiserslautern
<p>Prof. Dr. Wiltrud Treffenfeldt Supervisory Board member</p> <p>Member since 14 October 2020 Appointed until the AGM 2025</p>	<ul style="list-style-type: none"> • Member of the Supervisory Board of ProBioGen AG, Berlin • Member of the Board of Trustees of the Fraunhofer Institute for Systems and Innovation Research ISI, Karlsruhe • Member of the Board of Trustees of the Fraunhofer Institute for Interfacial Engineering and Biotechnology IGB, Stuttgart
<p>Christine Uekert Supervisory Board member</p> <p>Member since 8 March 2023 Appointed until the AGM 2027</p>	<ul style="list-style-type: none"> • Managing Director nSight Consulting GmbH • Member of the Supervisory Board of Titanium Textiles AG, Rostock (until July 2023) • Managing Director of Evolve Partners – Biofin Consulting GmbH

Audit Committee	Nomination Committee	Personnel Committee
Christine Uekert Chair (since 8 March 2023)	Dr. Anna C. Eichhorn Chair	Dr. Michael Majerus Chair (since 8 March 2023)
Dr. Michael Majerus Member (Chair until 8 March 2023)	Dr. Georg Kellinghusen Member (until 8 March 2023)	Dr. Georg Kellinghusen Chair (until 8 March 2023)
Dr. Georg Kellinghusen Member (until 8 March 2023)	Dr. Michael Majerus Member (since 8 March 2023)	Prof. Dr. Wiltrud Treffenfeldt Member
Stephen Catling Member (until 8 March 2023)		Stephen Catling Member (since 8 March 2023)
Dr. Florian Schnabel Member (since 8 March 2023)		

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.

Corporate Governance Declaration

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

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

The Management Board and the Supervisory Board of BRAIN Biotech AG declare that, since the last statement of conformity was issued on 20 December 2022, BRAIN Biotech AG has complied and will continue to comply with the recommendations of the “Government Commission on the German Corporate Governance Code” in the version dated 27 June 2022 (“GCGC”), with the following exceptions.

F.2: The consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period.

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

The publication of all financial information during the course of the year occurs regularly within two months. The Management and Supervisory Board regard this as appropriate.

Furthermore, in light of various unlisted subsidiaries and participating interests held abroad, publication of the consolidated financial statements and the Group management report as well as mandatory interim financial information within shorter periods would necessitate the deployment of considerable financial and personnel resources that would not be commensu-

rate with the information that shareholders require for a company of the size of BRAIN Biotech AG. As a consequence, the periods required in the German Corporate Governance Code are not complied with.

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

G.6: The share of variable remuneration achieved as a result of reaching long-term targets shall exceed the share from short-term targets.

Note relating to G.6: In accordance the previous remuneration system, the variable remuneration was paid out annually in cash in accordance with the achievement of performance targets. Based on the underlying fair values, the share options taken into account in the previous remuneration system have a lower value than the variable remuneration paid out in cash for the achievement of annual (interim) targets. The revised Management Board remuneration system approved by the Annual General Meeting on 8 March 2023 stipulates that the value of the long-term variable remuneration exceeds that of the short-term variable remuneration in the event of 100 % target achievement. This revised Management Board remuneration system is effective from the 2023/24 financial year through amendment agreements to the Management Board contracts concluded with the Management Board members.

G.10: Taking the respective tax burden into consideration, variable remuneration amounts of Management Board members shall be invested predominantly in company shares by the respective Management Board member, or shall be granted as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years.

Note relating to G.10, first sentence: It should be noted that, in accordance with the remuneration scheme and the specific contracts, the short-term variable remuneration for the annually defined targets is paid out in cash after they have been reviewed and that no provision is made for share-based payment. The revised Management Board remuneration system approved by the Annual General Meeting on 8 March 2023 stipulates that the value of the share-based long-term variable remuneration exceeds the value of the short-term variable remuneration paid out in cash if 100 % of the targets are achieved. In addition, the Management Board members can only access the long-term variable remuneration amounts after four years. The revised Management Board remuneration system is effective from the 2023/24 financial year via amendment agreements to the Management Board contracts concluded with the Management Board members. In this respect, recommendation G.10 of the GCGC will be complied with from the 2023/24 financial year.

G.11: The Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent. It shall be permitted to retain or reclaim variable remuneration, if justified.

Note relating to G.11, second sentence: The previous Management Board contracts did not include any provision for claw-back of variable remuneration. The revised Management Board remuneration system approved at the Annual General Meeting on 8 March 2023 now provides for such claw-back clauses. Due to the amendment agreements to the Management Board contracts concluded with the members of the Management Board to adjust these contracts to the revised Management Board remuneration system, these claw-back clauses will be part of the contracts from the 2023/24 financial year. This means that recommendation G.11 sentence 2 of the GCGC will be complied with from the 2023/24 financial year.

Zwingenberg, December 2023

For the Supervisory Board of BRAIN Biotech AG:

Dr. Michael Majerus, Supervisory Board Chairman

For the Management Board of BRAIN Biotech AG:

Adriaan Moelker, Management Board Chairman (CEO)

Relevant information about corporate governance practices

CORPORATE GOVERNANCE AT BRAIN BIOTECH AG

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

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

As part of compliance, a whistleblower system for potential misconduct on the part of its own employees has been arranged. Employees can notify the whistleblower system of potential misconduct, either anonymously or openly. A whistleblower system from an external provider is used in order to ensure anonymity. After initial allocation, and depending on the corporate areas involved, the whistleblower system forwards such notifications to the Management Board and/or Super-

visory Board to instigate countermeasures in the instance of actual misconduct, or for archiving at the whistleblower system if it is established that no misconduct has occurred.

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

The purpose of BRAIN Biotech AG and of the BRAIN Biotech 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 the production of foodstuffs and animal feed, cosmetics, and medical products, for industrial applications in chemical companies, for the disposal of waste and hazardous materials, as well as to produce energy and raw materials, including the development, production, and marketing of such processes and products that contain bioactive components, are based on biotechnical mechanisms, exhibit bioactive effects, or enable biotechnology applications. Within BRAIN Biotech 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 past financial year,
- interim financial report as of the first half of the financial year (6M),
- quarterly statements as of the first quarter (3M) and after the first nine months of the financial year (9M),
- quarterly analyst telephone conferences,
- corporate presentations,
- publication of corporate and IR announcements,
- publication of notifications of shareholding threshold levels,
- publication of ad hoc statements,
- publication of PR, IR and marketing releases,
- presentations at investor conferences,
- multimedia investor communication formats,
- the company's Capital Markets Day,
- ESG reporting (ESG report and annual ESG fact sheet).

Corporate responsibility and ESG

As corporate responsibility and ESG issues become more important, the Supervisory Board, the Management Board, and employees are paying more attention than ever to the resultant aspects. In 2021, BRAIN Biotech AG joined the UN Global Compact as an active member. The company has now formally committed itself to the values of the world's largest initiative for corporate social responsibility and is thereby committed to ten universal principles in the areas of human rights, labor standards, the environment, and climate, as well as the prevention of corruption. Moreover, the company supports the German Sustainability Code (DNK) as guidelines for sustainable corporate governance. BRAIN Biotech AG published its first ESG report in June 2022 (www.brain-biotech.com/investors/esg). The data relevant to the BRAIN Biotech Group were identified for the report and short- and medium-term targets were developed on this basis. As a consequence, these data and targets are now also used in the context of the Management Board compensation scheme. The ESG report was also discussed and approved by the Supervisory Board prior to publication. Since the 2022/23 financial year, Michael Schneiders has been responsible on the Management Board for all ESG issues. The Supervisory Board supports sustainable corporate governance as part of its overall responsibility. The ESG report (ESG fact sheet) was updated for the first time in December 2023.

DESCRIPTION OF THE MANAGEMENT AND SUPERVISORY BOARDS' WORKING METHODOLOGY AS WELL AS COMPOSITION AND WORKING METHODOLOGY OF THE SUPERVISORY BOARD'S COMMITTEES

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

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

Management Board working methodology

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

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

Composition of the Management Boards

During the 2022/2023 financial year, the Management Board of BRAIN Biotech AG consisted of the following members:

Name	Role	Management Board member since	Contract end
Adriaan Moelker	Chief Executive Officer	1 February 2020	31 January 2027
Michael Schneiders	Chief Financial Officer	1 October 2022	30 September 2025

All Management Board members are individually responsible for managing the business division entrusted to them; in this context, the company's overall interest has to be taken into consideration at all times. The allocation of business areas to the individual Management Board members is derived from the business allocation plan, which 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 2022/23 financial year:

Adriaan Moelker

(Chief Executive Officer – CEO)

- Corporate strategy
- M&A
- Coordinating the individual Management Board areas and contacts with the company's boards
- Business development of the BioScience segment including Akribion Genomics
- Business development of the BioProducts segment
- Technology management, research and development, technological process optimization
- Personnel, including occupational safety
- Strategic purchasing
- Grants and academic partnerships
- Product development
- Formulation and application technology
- Quality assurance
- Production, scale-up
- Innovation management
- Registration and approval
- Patent strategy

Michael Schneiders

(Chief Financial Officer – CFO)

- Management of shareholdings
- Corporate finance
- Financial communications (IR)
- Press and public relations work (corporate communications)
- Corporate responsibility and ESG
- Accounting and controlling
- Compliance
- Risk management
- Legal, administration and organization, Group audit
- IT, digitalization
- Project: Spin-off / external financing of Akribion Genomics

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 were last updated in December 2022 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 is endeavoring to achieve a staggered duration of mandates in the future, if possible by means of mandate extensions or reappointments, thereby dispensing with the need to fill several Management Board mandates concurrently if no scheduled mandate extension occurs.

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

Management Board meetings

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

Collaboration with subsidiaries

At least once a quarter, the Management Board of BRAIN Biotech AG and the management of the subsidiaries meet in person or hold video conferences to discuss 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.

With the completion of the One-BioProducts strategy and the resultant transfer of the subsidiaries Biosun Biochemicals Inc., WeissBioTech GmbH and the majority interest in Weriol Group B.V. (holding company of Breatec B.V.) to Biocatalysts Ltd., a unified BioProducts management team was also established, which holds meetings with the Management Board at least every quarter and engages in intensive dialog and consultation with the Management Board on the development of the BioProducts segment. This reflects the special importance of the BioProducts segment for the BRAIN Biotech Group.

Management Board compensation

On 19 January 2023, the Supervisory Board approved several changes to the previously applicable compensation scheme for members of the Management Board on the recommendation of its Personnel Committee. The new compensation scheme was approved by the Annual General Meeting on 8 March 2023 and is available on the company's website at www.brain-biotech.com/investors/compensation.

Amendment agreements relating to the Management Board contracts were concluded with both of the Management Board members to adjust these contracts to reflect this revised Management Board compensation scheme, which will take effect at the start of the 2023/24 financial year.

Detailed information about the compensation structure and compensation of the individual members of the Management Board and the compensation of the members of the Supervisory Board can be found in the compensation report pursuant

to Section 162 of the German Stock Corporation Act (AktG), which can be downloaded from www.brain-biotech.com/investors/compensation.

Notifiable securities transactions

The Management and Supervisory board members, other individuals with management roles with regular access to the company's insider information and who are authorized to take important business decisions, as well as certain individuals closely related to the aforementioned, are obligated by law to disclose to BRAIN Biotech AG the purchase and sale of BRAIN shares and related financial instruments, especially derivatives, from upwards of an amount of € 20,000 in the calendar year. Notifications of corresponding transactions are also published on our website at www.brain-biotech.com/investors/financial-news. For the 2022/23 financial year, the company was notified of three such securities transactions, namely by Michael Schneiders (published on 13 October 2022), by Dr. Georg Kellinghusen (published on 13 October 2022) and by Dr. Michael Majerus (published on 20 April 2023). Michael Schneiders purchased shares in October 2023 for a total purchase price of € 30,895.60. For the sake of clarity, it should be noted that Michael Schneiders voluntarily reported all purchases on 10 October 2022 and on 11 October 2022 in order to clarify the total volume of the initial order placed. Dr. Georg Kellinghusen purchased shares in October 2022 for a total purchase price of € 4,884.80. This was preceded by a non-reportable purchase of shares, whereby shares worth a total of € 24,684.80 were purchased from Dr. Kellinghusen. Dr. Michael Majerus purchased shares in April 2023 for a total purchase price of € 142,290.60.

Supervisory Board working methodology

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

The Supervisory Board held a total of seven face-to-face meetings in the 2022/23 financial year. In addition, 13 video conferences and one conference call were held by the Supervisory Board and the committees, as well as four face-to-face meetings. The Audit Committee held three face-to-face meetings, one video conference and one conference call in the 2022/23 financial year. The Personnel Committee held three video conferences in the 2022/23 financial year. The Nomination Committee held one face-to-face meeting and one telephone conference in the 2022/23 financial year.

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

Supervisory Board resolutions are generally passed at face-to-face meetings of the Supervisory Board members. Absent Supervisory Board members can submit a written vote through another Supervisory Board member. This also applies for the

submission of the second vote of the Supervisory Board Chair. Outside the scope of attended meetings, the passing of resolutions is permissible through votes conveyed by written, telegram, telephone, telex or modern telecommunications means (by conference call or video conference or by email, for example), if so arranged for special reasons by the Supervisory Board Chair, or, if the Supervisory Board Chair is prevented from so doing, the Deputy Supervisory Board Chair. The Supervisory Board is considered quorate if all members are convened in good time via their last provided address, and at least half of the members of which it is to consist in total participate in the passing of the resolution. Supervisory Board members also participate in the passing of a resolution if they abstain from voting. Supervisory Board resolutions are passed with a simple majority of votes submitted unless other majorities are required by law. This also applies in the case of elections. Abstentions are not counted when determining the results of voting. In the case of 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 conducted a self-assessment in the 2022/23 financial year. This self-assessment was conducted in light of the fact that the last self-assessment was held in 2020 and also in view of the changes in the composition of the Supervisory Board. In order to conduct the self-assessment, the current situation was appraised on the basis of questionnaires, and the results from the questionnaires were subsequently discussed by the Supervisory Board. No external consultants were involved. After evaluating the results, the Supervisory Board notes that it performs its activities efficiently. 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 2026 calendar year.

Composition of the Supervisory Boards

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.

During the 2022/23 financial year, the Supervisory Board consisted of the following individuals:

Name, role	Member since	Appointed until the AGM in the respective FY	Further board mandates in 2022/23
Dr. Georg Kellinghusen Chairman of the Supervisory Board until 8 March 2023	9 March 2017	2022/23 (stepped down on 8 March 2023, at the end of the AGM)	<ul style="list-style-type: none"> 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 of the Supervisory Board since 8 March 2023	7 March 2019	2026/2027	
Dr. Anna C. Eichhorn Deputy Chair	9 March 2017	2024/25	<ul style="list-style-type: none"> CEO of humatrix AG, Pfungstadt Management Board member (Deputy Chair) of Initiative Gesundheitswirtschaft-rhein-main e. V. Member of the Supervisory Board of Frankfurter Innovationszentrum Biotechnologie GmbH, Frankfurt am Main Member of the Management Board of House of Pharma & Healthcare e. V., Frankfurt am Main
Stephen Catling Supervisory Board member	14 October 2020	2024/25	<ul style="list-style-type: none"> Chairman of the Board of Directors of the Cambridgeshire Community Foundation, UK Chairman of the Board of Trustees of FoodCycle, UK
Dr. Florian Schnabel Supervisory Board member	8 March 2023	2026/27	<ul style="list-style-type: none"> Managing Director of MP Beteiligungs-GmbH, Kaiserslautern Managing Director of BSN GmbH, Kaiserslautern
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 Board of Trustees of the Fraunhofer Institute for Systems and Innovation Research ISI, Karlsruhe Member of the Board of Trustees of the Fraunhofer Institute for Interfacial Engineering and Biotechnology IGB, Stuttgart
Christine Uekert Supervisory Board member	8 March 2023	2026/27	<ul style="list-style-type: none"> Managing Director nSight Consulting GmbH, Berlin Member of the Supervisory Board of Titanium Textiles AG, Rostock (until July 2023) Managing Director of Evolve Partners – Biofin Consulting GmbH, Berlin

With the exception of Dr. Florian Schnabel, who is a managing director of the anchor shareholder, all members of the Supervisory Board are independent in the meaning of Sections C.6 and C.7 DCGK. The recommendation of C.9 DCGK is complied with.

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 areas, corporate finance/capital markets and the sector, and that it fulfills all self-imposed requirements in the intended number.

Moreover, the Supervisory Board regards the recruiting of a further individual with specific knowledge of the North American market as a relevant medium-term objective for the company. The new women's quota set in 2022 was met and the last women's quota set was exceeded. The Supervisory Board has set an age limit of 75 years for newly appointed Supervisory Board members. The Supervisory Board endeavors to ensure that the average age of the entire board does not rise any further in the case of new appointments, and that the board's heterogeneity in terms of differing curricula vitae is not reduced. To date, the Supervisory Board has not set a limit for the maximum length of service. The Supervisory Board also deals extensively with sustainability issues and plans to further strengthen these competencies.

	Dr. Michael Majerus	Dr. Anna Eichhorn	Stephen Catling	Prof. Dr. Wiltrud Treffenfeldt	Christine Uekert	Dr. Florian Schnabel
Entrepreneurship (with highlighted expertise)	x	x	x			
New business areas (with highlighted expertise)		x	x	x	x	
Corporate finance/capital markets (with highlighted expertise)	x				x	x
Sector (with highlighted expertise)		x	x	x	x	
Internationality (professional experience and/or residency)	x	x	x	x	x	x
M&A	x		x	x	x	x
Controlling & risk management	x				x	x
Sustainability	x			x		

Committees

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

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

Audit Committee

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

Name	Role	Independence
Christine Uekert	Chair since 8 March 2023	yes
Dr. Michael Majerus	Member; Chair until 8 March 2023	yes
Dr. Florian Schnabel	Member since 8 March 2023	no
Dr. Georg Kellinghusen	Member until 8 March 2023	yes
Stephen Catling	Member until 8 March 2023	yes

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

Pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG), at least one member of the audit committee must possess expertise in the financial accounting area and at least one further member must possess expertise in the auditing area. The Audit Committee Chair, Christine Uekert, meets the statutory conditions pursuant to the German Stock Corporation Act (Sections 107 (4), 100 (5) AktG) and also possesses specialist knowledge in the area of financial auditing.

In addition, she has many years of experience in the areas of finance and controlling as well as in management, including at listed companies. Supervisory Board Chairman Dr. Michael Majerus, who is also a member of the Audit Committee, possesses expertise in the auditing area as a former head of accounting and CFO, including at three listed companies. His main areas of expertise are controlling and risk management, corporate finance, and capital markets, as well as financial accounting. Moreover, he commands a broad spectrum of knowledge in compliance topics as well as in the investor relations area. In addition to the committee chair and the Supervisory Board Chairman, the Audit Committee includes Supervisory Board member Dr. Florian Schnabel.

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. Michael Majerus	Chair (independent) since 8 March 2023
Dr. Georg Kellinghusen	Chair (independent) until 8 March 2023
Prof. Dr. Wiltrud Trefffeldt	Member (independent)
Stephen Catling	Member (independent) since 8 March 2023

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

Nomination Committee

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

Name	Role
Dr. Anna C. Eichhorn	Chair (independent)
Dr. Georg Kellinghusen	Member (independent) until 8 March 2023
Dr. Michael Majerus	Member (independent) since 8 March 2023

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

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

Dialog with investors

The Supervisory Board discussed the suggestion contained in Number A.6 of the German Corporate Governance Code (DCGK) and was in favor of the Supervisory Board Chairman being available to respond to 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 € 30,000.00. 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. The chairs of the Supervisory Board committees also receive an annual payment of € 15,000.00 and all committee members € 5,000.00. All Supervisory Board members receive a meeting fee of € 2,000.00 for each face-to-face meeting of the Supervisory Board and its committees they attend. The members of the Supervisory Board receive an attendance fee of € 1,000.00 for participating in a meeting of the Supervisory Board or its committees conducted as a video conference, and an attendance fee of € 500.00 for participating in a conference call of the Supervisory Board or its committees.

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

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

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

At its meeting on 23 September 2016, the Supervisory Board of BRAIN Biotech AG passed a resolution whereby the Supervisory Board should include one woman, corresponding to a 17 % ratio. The deadline for implementation was set at 30 June 2017. This objective was implemented on 9 March 2017 when Dr. Anna C. Eichhorn was elected to the Supervisory Board of BRAIN Biotech AG. The retention of this goal was confirmed at the meeting on 28 September 2017 for the period until 30 June 2022.

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.

With the re-election of Dr. Anna C. Eichhorn and the election of Prof. Dr. Wiltrud Treffenfeldt, the ratio set for the Supervisory Board was exceeded on 10 March 2021.

On 15 December 2022, the Supervisory Board increased the target for the composition of the Supervisory Board to 33 %, with an implementation deadline of 30 June 2027. With the election of Christine Uekert at the Annual General Meeting on 8 March 2023, the ratio stands at 50 % at present.

On the same date, the target for the composition of the Management Board was retained at 0 %, with an implementation deadline of 30 June 2027. This target was maintained on the basis that the medium- to long-term planning for the Management Board assumes that the members of the Management Board in office in the 2022/23 financial year are scheduled for an extension of their periods of office. Setting a different ratio would stand at variance with this medium- to long-term planning. In the event of an increase in the number of members of the Management Board, this objective would require review, as would be the case if the Management Board members in office in the 2022/23 financial year did not renew their service contracts.

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.

Taking into consideration 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 be exercised by an authorized representative of their choosing or by a company proxy. The Management Board is authorized to ensure that shareholders who 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 seventh public Annual General Meeting of BRAIN Biotech AG was held for the third time as a virtual Annual General Meeting on 8 March 2023 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 67.48 %.

Financial accounting and auditing

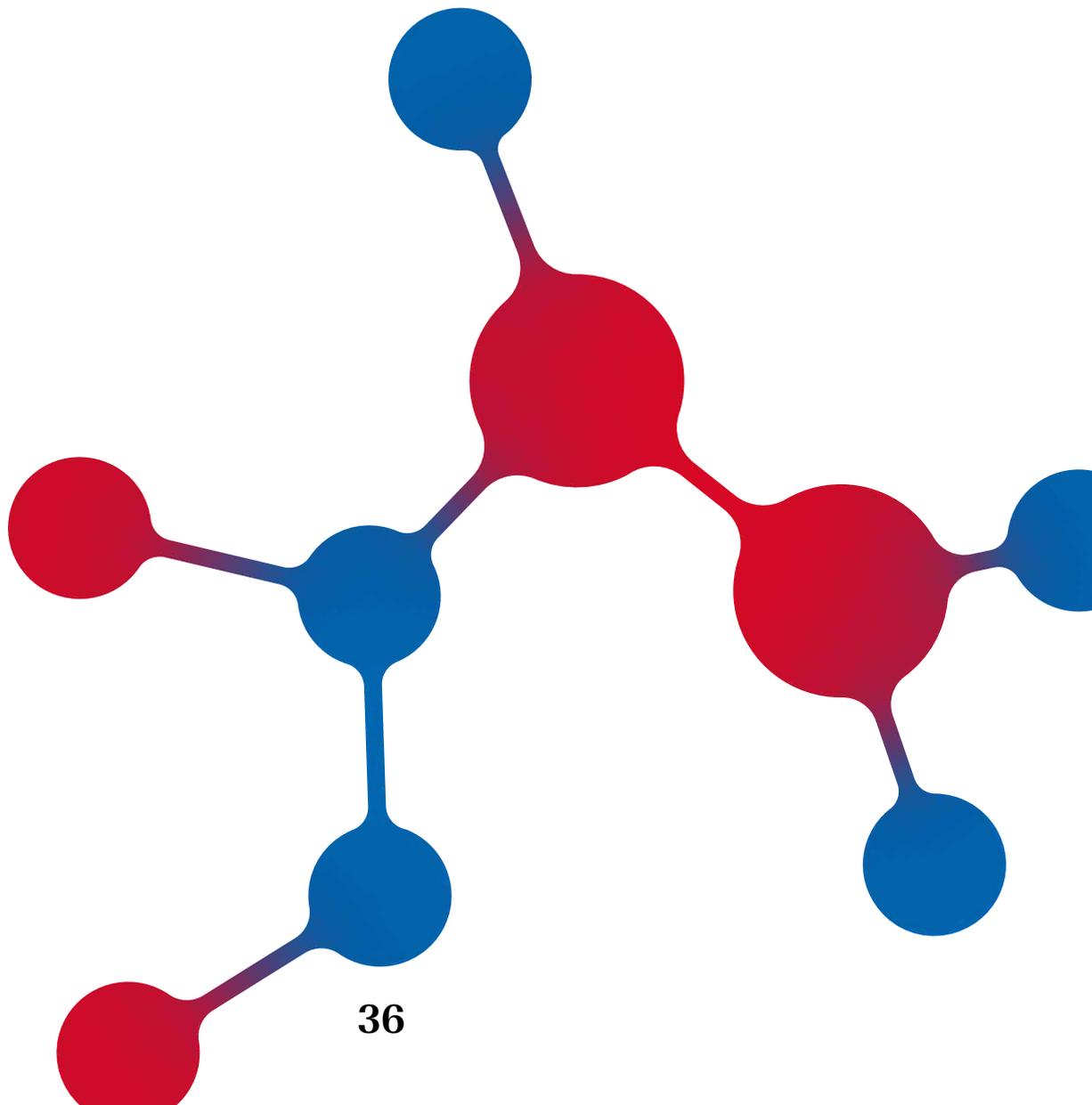
The unaudited quarterly financial statements as of 31 December 2022 (3M) and 30 June 2023 (9M) as well as the unaudited half-year financial report (6M) as of 31 March 2023 and the consolidated financial statements for the financial year ending 30 September 2023 were prepared in accordance with Section 315e (1) of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS). The separate financial statements of BRAIN Biotech AG for the 2022/23 financial year were prepared in accordance with the regulations of the German Commercial Code (HGB), and the German Stock Corporation Act (AktG).

Zwingenberg, December 2023

Management Board and Supervisory Board

Company

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- Important Events in FY 2022/23 _____ p. 40
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- Share and Capital Market _____ p. 45



BRAIN Biotech at a Glance

We are industrial biotechnology specialists

As industrial biotechnology specialists, we develop and produce enzymes, proteins, microbial production strains and bioactive natural products for industrial applications. In addition, our innovative bio-based solutions help make industrial processes more sustainable. Our focus is on nutrition, health, and the environment

Mission

We provide biological solutions and products based on microorganisms and enzymes that enable industry to make their processes and products more sustainable.

Vision

We are the sought-after specialist in industrial biotechnology.

With our service and product businesses, we successfully occupy niches with products that offer our customers high added value. We are more flexible than our competitors.

We produce our innovative enzymes and proteins ourselves or together with our partners.

The BRAIN Biotech Group's business comprises three operating segments:

- BioProducts,
- BioScience and
- BioIncubator.

The **BioProducts** segment comprises the product business with enzymes and other proteins. We operate fermentation facilities in the UK and production facilities in continental Europe and the USA for the manufacture of these products. Our product portfolio currently comprises around 600 products, mainly enzyme products for specific segments of the food industry.

In the **BioScience** segment, we offer research-intensive, customized solutions. We apply our expertise and many years of experience in enzyme technology, strain development, bioprocess development, and natural product chemistry and screening.

The **BioIncubator** segment includes promising R&D projects with high value-added potential. We carry out these developments either in-house or together with partners.

Examples from our product pipeline

G-dase E[®] / G-dase M[®]

These enzymes are proprietary CRISPR nucleases developed by BRAIN Biotech's Akribion Genomics team to build a genome editing technology platform. The development of G-dase E[®] is aimed at a novel cancer therapy. Both nucleases can also be utilized for gene editing in industrial biotechnology.

Aurase

Aurase[®] is an enzymatic active ingredient developed by BRAIN Biotech for the cleansing of chronic wounds. SolasCure Ltd., which was founded with the participation of BRAIN Biotech, is working on the registration of the medical ingredient. Initial clinical development has shown promising data demonstrating the great potential of the enzyme as a clinically effective agent for debridement (removal of infected and non-viable tissue) and its safe use. The active substance has successfully completed Phase 2a clinical trials. SolasCure is currently preparing for Phase 2b/3 clinical development and is in the process of financing further business activities.

Scientific publication: Preliminary evidence supporting a new enzymatic debridement product for use in chronic wounds (2022).
<https://doi.org/10.1111/lwj.14079>

Deucricitabant

Deucricitabant (former active ingredient name: PHA121), which was identified and characterized by our natural product specialist AnalytiCon Discovery, has been licensed to Pharvaris N.V. (Nasdaq: PHVS) and is being developed into a drug in clinical trials.

Through our own research and development, we are continuously adding specialty enzymes to our product portfolio. New natural products are expanding our substance libraries, including small molecules, which serve as starting points for screening, such as for drug candidates for pharmaceutical applications.

Scientific publication: Preliminary evidence supporting a new enzymatic debridement product for use in chronic wounds (2022).
<https://doi.org/10.1111/lwj.14079>

Subsidiaries and shareholdings

The parent company of the BRAIN Biotech Group is BRAIN Biotech AG, headquartered in Zwingenberg, in Germany's Hesse region. BRAIN Biotech AG has been listed on the Prime Standard of the Frankfurt Stock Exchange since 9 February 2016 (ticker symbol: BNN; securities identification numbers: ISIN DE0005203947 / WKN 520394). The Group has approximately 330 employees and generated revenue of € 55.3 Million in the 2022/23 financial year.

At the end of the reporting year, the BRAIN Biotech Group comprised the companies AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC, Biocatalysts Ltd., Biocatalysts Inc., Biosun Biochemicals Inc., WeissBioTech GmbH, as well as a 62.0% interest in Breatec B.V. The companies Biocatalysts Inc., Biosun Biochemicals Inc., WeissBioTech GmbH and the 62.0% interest in Breatec B.V. are allocated to Biocatalysts Ltd. as of 1 October 2023.

The BRAIN Biotech Group also holds a minority interest in SolasCure Ltd. and in Enzymicals AG, which is equity accounted in the consolidated financial statements.

Important Events



25 October 2022

BRAIN BIOTECH AND BONUMOSE COLLABORATE ON ENZYME OPTIMIZATION



BRAIN Biotech and Bonumose are working together to improve the performance of various enzymes used in reaction cascades for the continuous production of low-calorie, naturally occurring rare sugars. [→ Read more](#)

9 January 2023

IMPORTANT MANAGEMENT POSITIONS AT BRAIN BIOTECH ZWINGENBERG NEWLY FILLED

Dr. Alexander Pelzer succeeds Dr. Michael Krohn as Head of Research & Development. Dr. Martin Langer takes on additional responsibility as Managing Director BioScience Operations, Zwingenberg. [→ Read more](#)

8 February 2023

BRAIN BIOTECH AND AMSILK PARTNER TO DEVELOP HIGH PERFORMANCE BIO-BASED PROTEIN FIBERS

AMSilk will use BRAIN Biotech's expertise to expand its protein technology platform into new markets and applications. Specific properties of AMSilk's structural proteins will be further optimized for various high performance textile applications. [→ Read more](#)



22 February 2023

BRAIN BIOTECH AND TRANSCODE THERAPEUTICS JOIN FORCES

BRAIN Biotech AG announces a development collaboration with the RNA oncology company TransCode Therapeutics Inc. The companies intend to jointly develop a delivery platform for Akribion's CRISPR nucleases. [→ Read more](#)

27 February 2023

BRAIN BIOTECH COMMUNICATES NEW GROWTH STRATEGY

At its fourth Capital Markets Day, BRAIN Biotech's Management Board informed investors about the company's future strategy. The core of the growth strategy, called "One-BioProducts", is to become the international market leader in niche markets in the field of specialty enzymes and food ingredients.

→ [Read more](#)

8 March 2023

DR. MICHAEL MAJERUS APPOINTED NEW CHAIRMAN OF THE SUPERVISORY BOARD

The Supervisory Board of BRAIN Biotech AG elected Dr. Michael Majerus as its new Chairman in its constituent meeting following the Annual General Meeting for the financial year 2021/22.

→ [Read more](#)



24 May 2023

BRAIN BIOTECH AG GAINS FULL OWNERSHIP OF BIOCATALYSTS LTD

BRAIN Biotech AG has acquired the last two minority stakes in Biocatalysts Ltd, Wales.

In the future, Biocatalysts will form the core of the Group's ambitious growth strategy to create a global champion in the multi-niche specialty enzyme business.

→ [Read more](#)



15 June 2023

BRAIN BIOTECH CELEBRATES ITS 30TH ANNIVERSARY

From a pioneer to a provider of integrated solutions: BRAIN Biotech AG celebrated its 30th anniversary at its Zwingenberg site together with shareholders, business partners, employees and guests from industry, associations and local politics.

→ [Read more](#)



28 June 2023

AKRIBION GENOMICS TEAM SUCCESSFULLY COMPETES IN SCIENCE4LIFE VENTURE CUP COMPETITION

The Akribion Genomics team has won second place in the Science4Life Venture Cup competition. The prize was awarded for the team's concept and business plan for its CRISPR-based tools for targeted cell killing for therapeutic applications. These molecular biology tools will be established under the brand Akribion Genomics. Science4Life is the largest German business plan competition for start-ups in the fields of life sciences, chemistry and energy.

→ [Read more](#)



26 July 2023

BIOCATALYSTS TURNS 40

Biocatalysts Ltd. celebrated its 40th anniversary at its Cardiff site with the official opening of a state-of-the-art production facility and the installation of a second 10 m³ fermenter.

→ [Read more](#)



12 September 2023

SCIENTIST RECEIVES INNOVATION AWARD FOR DISCOVERY OF NOVEL CRISPR NUCLEASE FAMILY

Dr. Paul Scholz has been awarded the VAAM Innovation Award 2023 for the discovery of a novel family of CRISPR nucleases. The bioinformatician received the award for his groundbreaking research on a novel family of CRISPR nucleases. Due to their targeted and programmable mechanism of action, these

enzymes open up immense potential for therapeutic applications, including the targeted killing of cells such as cancer cells.

→ [Read more](#)



14 September 2023

PATENT GRANT FOR G-DASE E[®] NUCLEASE GENOME EDITING TECHNOLOGY

The European Patent Office has granted a new substance patent for the G-dase E[®] nucleases. The nucleases were developed by BRAIN Biotech's Akribion genomics team. The enzymatic mechanism of G-dase E[®] differs significantly from previously known CRISPR systems and due to its targeted and programmable mode of action, G-dase E[®] has great potential for various application areas, including therapeutic applications via selective cell destruction.

→ [Read more](#)

Why invest in BRAIN Biotech?

FIVE REASONS TO INVEST IN BRAIN BIOTECH AG:



1. By investing in BRAIN Biotech AG, you are investing in sustainable growth in the dawning age of biology

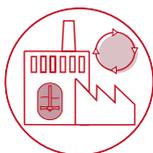
Since the company was founded in 1993, BRAIN Biotech AG has developed from a sought-after specialist in biotechnological research and development into an integrated company that covers the entire value chain from laboratory through to production. With our disruptive bio-based products and solutions with a focus on nutrition, health, and the environment, we support the development of the economy towards a bioeconomy. We focus entirely on customers in the B2B segment.



2. With our solutions, we address some of the megatopics for a better, healthier, and more sustainable life

Our own R&D as well as the research programs we conduct together with our partners aim to develop solutions that lead to a better, healthier, and more sustainable life. Non-disclosure agreements prevent us from presenting all R&D programs publicly, but some highlights include:

- **Natural-based sweeteners:** The identification and development of new natural-based sweeteners and sweetness enhancers.
- **Gold recycling from waste streams:** Computer scrap, slag, and other waste of mineral origin: Biological extraction processes replace conventional chemical processes.
- **Battery recycling:** Biological processes for recycling precious metals and lithium, together with our industrial partners.
- **Enzymatic cleansing of chronic wounds (Aurase):** Painful and risky methods can be avoided; SolasCure spin-out in 2018 to implement the pharmaceutical approval process.
- **Nature-based substances:** For tastier and healthier non-alcoholic drinks on a natural basis.
- **Circular economy in which waste is turned into raw materials:** Carbon dioxide as a raw material for chemicals.
- **Identify plant-based antimicrobial candidates for food preservation:** Can also be used for other industrial applications.
- **Active ingredient for the treatment of hereditary angioedema (rare hereditary disease):** PHA121 in clinical development by our cooperation partner Pharvaris.



3. We actively contribute to more sustainable industrial production and entry into the circular economy

BRAIN Biotech is a leading company in the service of the bioeconomy. In this type of economy, biotechnological processes are harnessed for sustainable production on a natural basis. Our focus is on industrial biotechnology ("white biotechnology").

Among other projects, we are striving to replace petrochemical processes with biotechnological processes on the basis of our proprietary collection of resources, the BRAIN BioArchive.

We improve industrial processes and develop new products and services by not limiting ourselves to individual analytical or molecular biological technologies. Our products and solutions directly address the following United Nations Sustainable Development Goals (UN SDGs): 2, 3, 6, 9, 12 and 13. More information and specific examples are presented in in our ESG and Sustainability Report: [→ https://t1p.de/vq7r0](https://t1p.de/vq7r0).



4. We have an attractive portfolio of biotechnology solutions and processes

We possess extensive and well-founded knowledge concerning enzymes, microorganisms, cell-based test systems, and bioactive natural compounds. An interdisciplinary approach enables us to conceive and develop completely new products and services for our customers.

We do not limit ourselves to individual technologies and methods, but instead leverage our broad technology portfolio.

Bioinformatics forms a central element of our R&D expertise for faster and better solutions. In addition to our employees' experience, we rely here on state-of-the-art technologies in the machine learning and artificial intelligence areas.

The targeted modification and programming of cells is one of BRAIN Biotech's core competencies. In this context, we deploy all commercially available technologies as well as our proprietary nucleases G-dase M® and G-dase E® for genome editing.

We are an expert solution provider for industry – from research and the scaling up of industrial biological processes to the production of enzymes and proteins.

More than thirty years of experience, around 600 available products for our B2B customers, and over 200 successfully completed industrial cooperation projects are strong testimony to our success.



5. We have embarked on a clear path towards profitable growth

We have been on a clear growth track again for the last two years. We aim to double the Group's revenue in the medium term while at the same time increasing the adjusted EBITDA margin. The BioProducts area is the Group's primary growth segment. We have already invested heavily in expanding production capacity at our sites in recent years.

Our growth strategy is geographically focused on Europe and North America.

We offer highly innovative solutions and products for our customers through the close integration of our biotechnological research and production expertise.

The BRAIN Biotech Share and the Capital Market

Capital market environment

In the 2022/2023 financial year, capital markets continued to be characterized by the after-effects of the coronavirus crisis as well as the war in Ukraine and associated general economic uncertainty. In particular, sharp hikes in interest rates, deteriorating financing conditions for growth companies, persistent product cost inflation and tight labor markets led to higher volatility in global equity markets.

Germany's leading equity index, the DAX, started BRAIN Biotech's financial year at 12,114.36 points and marked its high for the year on 28 July 2023 at 16,469.75 points. As of the end of BRAIN Biotech's financial year, it stood at 15,386.58 points, reflecting an increase of 26 %.

The small cap index SDAX, which is more important for BRAIN Biotech, performed almost in line with its larger counterpart, the DAX, with a gain of 22 % over the same financial-year period. The Specialty Chemicals Sector Index significantly underperformed with a gain of 0.8 %. With a share price appreciation of 3.9 %, the BRAIN Biotech AG share also significantly underperformed both the DAX and SDAX benchmark indices during the reporting period, but outperformed the speciality chemicals sector.¹

The BRAIN Biotech Share

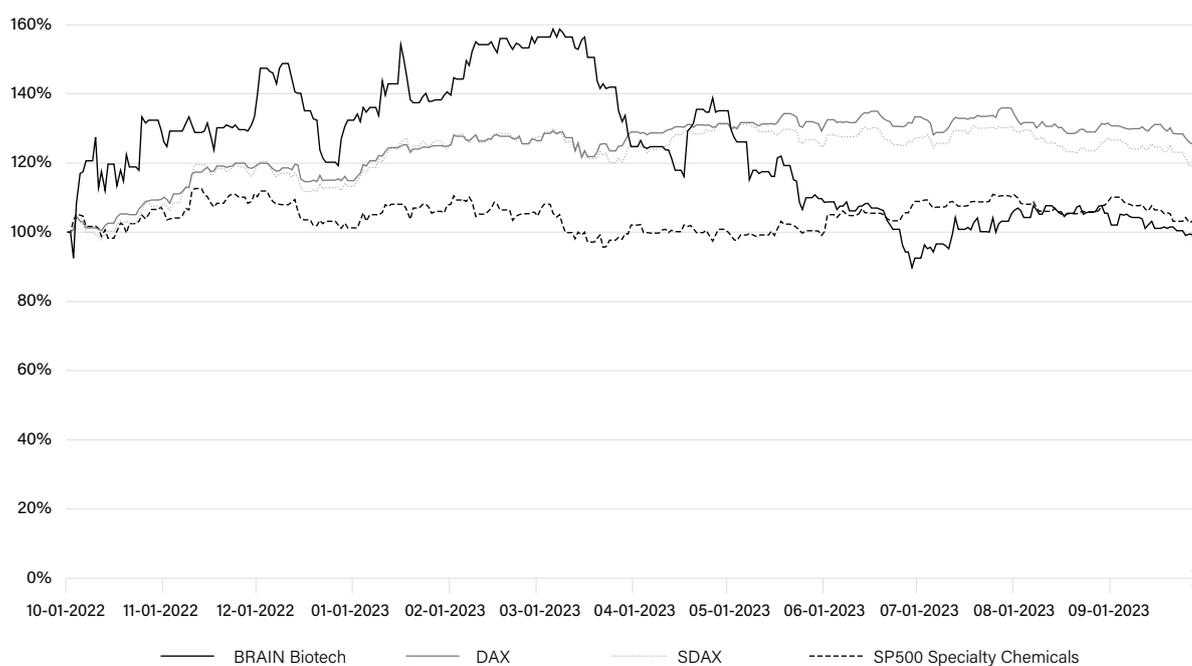
BRAIN Biotech AG is a growth company with a focus on industrial biotechnology. In addition to the general capital market environment, sector-specific conditions and investors' risk appetite, the main share price drivers are the future and growth prospects of BRAIN Biotech AG. In particular, the share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

SHARE PRICE PERFORMANCE¹

Price at the start of the financial year	Price at the end of the financial year	High for the financial year	Low for the financial year	12M share price performance
€ 4.08	€ 4.24	€ 7.00	€ 3.96	+3.92 %
01.10.2022 (first trading day 03.10.2022)	30.09.2023 (last trading day 29.09.2023)	06. & 08.03.2023	29.06.2023	

¹ In each case based on the XETRA closing price

Performance of the BRAIN Biotech share in the 2022/23 financial year (indexed)



Key share data¹

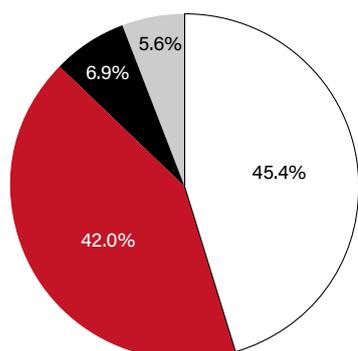
Share class	No-par-value registered shares
Stock exchanges	All stock exchanges
Transparency level	Prime Standard
Number of shares	21,847,495
Share capital	€ 21,847,495
ISIN	DE0005203947
WKN	520394
Ticker symbol	BNN
Specialist	Baader Bank AG
Designated Sponsor	Baader Bank AG
Paying agent	Bankhaus Gebr. Martin
Share price on 29.09. 2023 ²	€ 4.24
52-week high	€ 7.00
52-week low	€ 3.96
Market capitalization on 29.09. 2023 ²	€ 93 million
Average daily trading volume (52 weeks as of 29.09. 2023 ²)	8,403 shares/day

¹ In each case based on the XETRA closing price

² Last trading day of the 2022/23 financial year

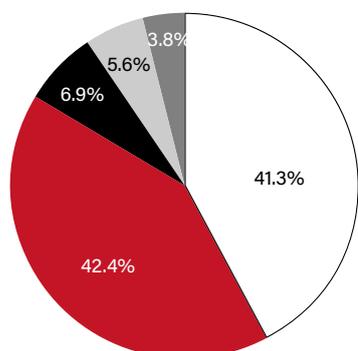
SHAREHOLDER STRUCTURE

The free float stood at 42.0 % as of 30 September 2023. The shareholder structure of BRAIN Biotech AG as of 30 September 2023 (and as of the previous year's reporting date) was as follows:



SHAREHOLDER STRUCTURE AS OF 30 SEPTEMBER 2023

■ Free Float	42.0%
 MP Beteiligungs-GmbH	45.4%
 Founders/Management	6.9%
 DAH Beteiligungs-GmbH	5.6%



SHAREHOLDER STRUCTURE AS OF 30 SEPTEMBER 2022

■ Free Float	42.4%
 MP Beteiligungs-GmbH	41.3%
 Founders/Management	6.9%
 DAH Beteiligungs-GmbH	5.6%
 Lloyd Fonds	3.8%

ANALYSTS

Estimates and recommendations relating to BRAIN Biotech AG are published by the following research houses (as of 30 September 2023):

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

FINANCIAL COMMUNICATION

BRAIN Biotech AG is listed on the Frankfurt Stock Exchange in the Prime Standard segment of the Regulated Market, the stock exchange segment entailing the highest transparency requirements. Along with corresponding mandatory publications including quarterly statements and the half-year financial report, BRAIN Biotech informed investors, analysts, and other interested capital market participants in a total of two 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. The future corporate structure was presented and explained at the company's fourth Capital Markets Day at the end of February. The Management Board and the Head of Investor Relations were repeatedly available for discussions at individual roadshows and relevant conferences such as the Equity Forum, the Unicredit/Kepler Cheuvreux German Corporate Conference in Frankfurt in January, and the Baader Investment Conference in Munich. The focus was on explaining the new three-pillar corporate structure and the continued strong growth prospects. The declared objective is to position BRAIN Biotech in the top 10 companies of the global enzyme market in the medium term by doubling its revenue generated with industrial products. BRAIN Biotech operates in this area as a global multi-niche enzyme company. The genome editing activities bundled under the Akribion Genomics brand are to be transferred to a separate company in order to raise additional funds to finance these activities. 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

On 8 March 2023, the seventh Annual General Meeting of BRAIN Biotech AG was held for the third time as a virtual event. Of the share capital of BRAIN Biotech AG of € 21,847,495.00, divided into 21,847,495 no par value registered shares, 14,742,619 shares with the same number of votes (including postal votes) were represented at the AGM. Depending on the agenda item, the shareholding at the time of voting was between 60.00 % and 67.46 % of the share capital of BRAIN Biotech AG. The voting results are published on the Internet at → <https://www.brain-biotech.com/investors/annual-general-meetings/agm-fy-2021-22>.

Votes were held on the ratification of the actions of the Management and Supervisory boards for the 2021/22 financial year, the re-election of one member and the election of two new members to the Supervisory Board, and the approval of a new compensation scheme for the Management Board, which links Management Board compensation more closely with the company's long-term performance. The election of the auditor of the annual separate and consolidated financial statements, new capital resolutions and an amendment to the company's bylaws were also voted on.

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Basis of the Group

GROUP BUSINESS MODEL

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

The Group organizes its business activities into three operating segments plus a holding entity: the BioProducts segment comprises the product business with specialized enzymes and other proteins, for the manufacture of which the Group operates fermentation plants in the UK and production facilities in continental Europe and the USA. The BioScience segment offers research-intensive customized solutions based on enzyme technology, strain development, bioprocess development, and natural product screening. In the BioIncubator segment, the company conducts its own R&D projects or those initiated with partners offering high value-creation potential.

Through its own R&D activities, the Group is continuously expanding its product portfolio in the area of speciality enzymes and small molecules. The latter form the starting point for screenings, such as for novel drug candidates for pharmaceutical applications. Our subsidiaries for enzyme products, microorganisms, and bioactive natural compounds offer specialized production and application expertise and market access: WeissBioTech GmbH (Ascheberg, Germany), Biocatalysts Ltd. (Cardiff, UK), Biosun Biochemicals Inc. (Tampa, Florida, USA), and Weriol Group B.V. (Nieuwkuijk, Netherlands, hereafter the "Breatec Group"). Moreover, as part of the spin-off of 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 chemical-industrial processes with innovative, resource-conserving bio-based processes, as well as to establish new processes and products. The BRAIN Biotech Group utilizes biotechnological processes in its production.

MANAGEMENT SYSTEM

BRAIN's financial control parameters include revenue and adjusted EBITDA.¹ In the company's view, revenue appropriately reflects the Group's overall financial performance during the respective reporting period. Adjusted EBITDA better reflects the Group's sustainable earnings trend than EBITDA, as it excludes exceptional items. Adjusted EBITDA is calculated by eliminating expenses from the share-based payments of BRAIN Biotech AG, as well as acquisition and integration costs from BRAIN Biotech Group's expansion. In the previous year, an adjustment was also made for other income from the divestment of L.A. Schmitt GmbH, Ludwigsstadt.

¹ EBITDA = Earnings before interest, tax, depreciation and amortization

As financial performance indicators, the company refers to milestones reached in the context of cooperation agreements and option exercises. The number of milestones reached serves as an important measure of the technological targets achieved in the strategic industrial partnerships, and consequently of BRAIN's technology expertise. The management metrics underlying the planning and steering are calculated 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 business activities of BRAIN Biotech AG. As early as 1999, BRAIN applied proprietary metagenome technologies to develop production organisms, enzyme products, and genetic libraries. Today, BRAIN's portfolio consists of various patented special technologies, as reflected in the patent portfolio. These include the genome engineering technology developed by BRAIN (G-dase E and G-dase M, formerly known as BEC/BMC), a molecular biology technique for the targeted and precise modification of DNA. For this purpose, nucleases (special enzymes) are utilized as so-called "gene scissors". BRAIN is also active in the areas of wound healing as well as green and urban mining.

Here, BRAIN Biotech AG achieved important milestones together with its partners. In the area of wound healing, clinical trial Phase 2a was successfully completed. The "Gold from Waste Streams" project is being continued with an industrial partner. The active substance outlicensed to Pharvaris for the treatment of hereditary angioedema (HAE), a rare genetic disease, is showing promising progress in clinical development.

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

Expenses for research and development amounted to € 5.0 million in the 2022/23 financial year, compared with € 4.9 million in the 2021/22 financial year. This corresponds to 9 % of revenue in the 2022/23 financial year, compared with 10 % in the previous financial year. In the 2022/23 financial year, investments in research and development primarily include expenses for innovative product developments (such as investments in Akribion Genomics AG in the context of developing a new genome editing technology, new sweeteners, and biological metal extraction processes from waste and by-product streams) at the Zwingenberg and Potsdam sites. Research and development expenses include € 0.1 million of third-party services (previous year: € 0.4 million).

The Group currently employs 213 people in research and development functions (previous year: 195).

Economic and business report

Macroeconomic and sector-related conditions

In an overall challenging and volatile global economic environment entailing ongoing risks to global economic growth, the general conditions for industrial biotechnology remained positive in the 2022/23 financial year. Biotechnological research and development is being conducted very actively in all areas of the sector, an "innovation renaissance" in new products and technology platforms is underway, and the sector is playing a strategically vital role in the patient-centered healthcare system of the future. This also applies to the solution of fundamental challenges for nutrition, energy, the environment, and climate under the overarching theme of sustainability, and this potential is far from exhausted.¹ This development is highly relevant for BRAIN Biotech AG.

¹ EY Biotech Report 2023

² Biotechnologie Jahrbuch 2022, Biocom

While revenue growth in the area of therapies and diagnostics is high in absolute terms, industrial biotechnology also recorded an increase.² In addition to the substitution of petrochemical-based products, the industry's research and development activities also focus on biological solutions for sugar and salt substitutes as well as alternative protein sources.

Business progress

BRAIN implemented a number of key initiatives, measures, and developments in the 2022/23 financial year:

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

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

In May 2023, an important step was also taken towards implementing the "One-BioProducts" strategy. The last two minority interests in Biocatalysts Ltd. were acquired. Biocatalysts is now wholly owned by BRAIN Biotech AG – the parent company of the BRAIN Biotech Group – and will form the core of the Group's ambitious growth strategy to create a global multi-specialty enzymes company.

In terms of revenue, four milestones were reached in strategic industrial partnerships in the 2022/23 financial year (previous year: five). The milestones achieved relate to various cooperation partners and fall slightly short of the previous year's forecast due to delays.

Results of operations

EXTRACT FROM THE STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2022/23	2021/22
Revenue	55,335	49,509
Research and development grant revenue	890	786
Changes in inventories	144	932
Other income	771	1,845
Total operating performance	57,140	53,072
EBITDA	-826	-1,309
Adjusted EBITDA	402	-98
EBIT	-5,480	-5,648
Net financial result	-2,010	-516
Pretax loss for the reporting period	-7,489	-6,165
Net loss for the reporting period	-8,114	-6,341
Earnings per share (in €)	-0.38	-0.30

BRAIN Biotech Group's consolidated revenue increased to € 55.3 million in the 2022/23 financial year. Compared with the previous year (€ 49.5 million), this represents growth of 11.8 %. In organic terms, in other words, excluding the Breatec Group in the first four months of the current financial year as well as L.A. Schmitt in the previous year, growth was dynamic, amounting to a total of € 4.6 million, or 9.8 %.

This organic growth was driven mainly by the expanding enzymes business in the BioProducts segment.

The regional focus of revenue was on the USA (circa 28 %, previous year: circa 28 % of total revenue), Germany (c. 10 %, previous year: circa 16 %), the Netherlands (circa 19 %, previous year: circa 13 %), the UK (circa 9 %, previous year: circa 7 %) and France (circa 5 %, previous year: circa 8 %). Revenue in Germany decreased to € 5.7 million (previous year: € 7.9 million). International revenue was up year-on-year to reach € 49.7 million (previous year: € 41.6 million).

Research and development grant revenue increased slightly by € 0.1 million from € 0.8 million to € 0.9 million.

Changes in inventories totaled € 0.1 million and were thereby significantly lower than in the previous year (€ 0.9 million). In the BioScience segment, the change in inventories increased from € 0.1 million in the previous year to € 0.3 million. By contrast, changes in inventories in the BioProducts segment decreased from € 0.8 million in the previous year to € -0.2 million. The decrease in the BioProducts segment is due mainly to the high initial level as a result of timing effects on the previous year's reporting date and an active reduction in inventories. Other income was down by € 1.8 million year-on-year to € 0.8 million. The previous year was influenced by income of € 0.7 million from the divestment of L.A. Schmitt GmbH.

At € 57.1 million, the total operating performance deriving from the aforementioned developments was 7.7 % up on the previous year (€ 53.1 million).

In line with the higher revenue, the cost of materials increased by 10.3 % from € 23.0 million to € 25.4 million. By contrast, the ratio of cost of materials to revenue improved from 46.4 % to 45.8 %. Third-party services within the BRAIN Biotech Group were reduced by 26.2 % to € 1.0 million. Third-party services were purchased mainly from universities, companies with special production expertise, and other technology firms.

Personnel expenses in absolute terms increased slightly year-on-year by 1.5 % from € 21.7 million to € 22.0 million. This was due mainly to rising wages and salaries. However, the personnel expense ratio decreased from 43.8 % to 39.8 %. Within personnel expenses, expenses for share-based payments decreased compared with the previous year, as a share-based payment program at one company expired during the course of the financial year under review.

At € 10.6 million (previous year: € 9.7 million), other expenses were above the previous year's level. This increase is due mainly to higher advertising and travel expenses as well as costs for the distribution of goods and logistics services, reflecting the revenue growth. Inflationary trends were largely offset by consistent cost management.

As a consequence of the aforementioned effects, unadjusted EBITDA improved from € -1.3 million to € -0.8 million.

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 as well as expenses for share-based payment programs. In the previous year, an adjustment was also made for other income from the divestment of L.A. Schmitt GmbH.

In the past financial year, adjusted EBITDA improved from € -0.1 million to € 0.4 million.

The following overview shows the reconciliation of reported EBITDA to adjusted EBITDA:

€ thousand	2022/23	2021/22
EBITDA, including:	-826	-1,309
Personnel expenses from share-based payment components	-714	-1,384
Other operating expenses in connection with M&A transactions and the integration of acquired businesses	-279	-476
Personnel expenses in connection with M&A transactions and the integration of acquired companies	-234	0
Other income from the divestment of L.A. Schmitt GmbH	0	650
Adjusted EBITDA	402	-98

EBIT improved slightly year-on-year from € -5.6 million to € -5.5 million.

The net financial result deteriorated from € -0.5 million to € -2.0 million due to negative subsequent valuation effects from financial liabilities in connection with put option rights and a higher level of interest expenses for loans. In addition, a planned negative result from the equity accounted interest in SolasCure Ltd. contributed to a lower net financial result. This is offset by a gain from share dilution relating to the interest in SolasCure Ltd.

As a consequence, the pretax result deteriorated from € -6.2 million to € -7.5 million.

The loss after taxes amounted to € -8.1 million (previous year: € -6.3 million). Of this amount, € -8.3 million is attributable to the shareholders of BRAIN Biotech AG.

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

The operating segments report the following results:

The following changes have occurred in the segmentation compared with the consolidated financial statements as of 30 September 2022. The BioIndustrial segment remained unchanged in its composition, with the exception of the divestment of L.A. Schmitt GmbH as of 30 September 2022, and was renamed **"BioProducts"**. The **"BioIncubator"** and **"BRAIN Biotech Holding"** segments have been excluded from the BioScience segment. The BioScience segment now includes the activities of BRAIN Biotech Zwingenberg (excluding the holding company and the share of the BioIncubator) as well as AnalytiCon Discovery. The previous year's figures have been adjusted accordingly.

SEGMENT SHARE OF REVENUE

	2022/23	2021/22
BioProducts	77 %	76 %
BioScience	22 %	24 %
BioIncubator	1 %	0 %

BioProducts segment

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

€ thousand	2022/23	2021/22
Revenue	42,492	37,548
Research and development grant revenue	149	154
Changes in inventories	-170	824
Other income	320	1,284
Total operating performance	42,791	39,811
Cost of materials	-22,761	-20,402
Personnel expenses	-8,648	-8,929
Other expenses	-6,203	-5,562
EBITDA	5,178	4,918
Adjusted EBITDA	5,485	4,904
Depreciation, amortization and impairment	-3,256	-2,987
EBIT	1,922	1,931

Revenue in the BioProducts segment grew from € 37.6 million to € 42.5 million. The 13.2 % increase in the segment is due mainly to revenue generated in the area of enzyme sales. In particular, the Breatec Group, which was newly acquired in the previous year, is posting dynamic growth.

The segment's total operating performance also reported growth of 7.5 %, from € 39.8 million in the previous year to € 42.8 million.

The segment's adjusted EBITDA grew from € 4.9 million to € 5.5 million, underlining the importance of the industrially scaled segment, which operates profitably. This strong performance is the result of higher revenue and an improvement in the cost/income ratio.

BioScience segment

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

€ thousand	2022/23	2021/22
Revenue	12,306	12,079
Research and development grant revenue	374	521
Changes in inventories	314	108
Other income	460	727
Total operating performance	13,454	13,434
Cost of materials	-2,102	-2,357
Personnel expenses	-8,626	-8,207
Other expenses	-2,283	-2,357
EBITDA	443	513
Adjusted EBITDA	768	907
Depreciation, amortization and impairment	-1,397	-1,353
EBIT	-954	-840

In the BioScience segment, revenue increased by 1.9 % from € 12.1 million to € 12.3 million. This is due to the growth in the project business. New cooperation partners were acquired in the financial year under review and existing relationships with cooperation partners were expanded. Research and development grant revenue decreased slightly by € 0.1 million, from € 0.5 million to € 0.4 million. As a consequence, total operating performance was up by € 0.1 million to € 13.4 million.

The segment's adjusted EBITDA decreased from € 0.9 million in the previous year to € 0.8 million.

BioIncubator segment

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

€ thousand	2022/23	2021/22
Revenue	576	0
Research and development grant revenue	368	111
Changes in inventories	0	0
Other income	0	0
Total operating performance	955	111
Cost of materials	-519	-337
Personnel expenses	-2,417	-1,968
Other expenses	-753	-386
EBITDA	-2,734	-2,580
Adjusted EBITDA	-2,734	-2,580
Depreciation, amortization and impairment	0	0
EBIT	-2,734	-2,580

The BioIncubator segment generated revenue of € 0.6 million in the reporting period. This revenue was generated primarily from license income in the genome editing area. Research and development grant revenue increased significantly from € 0.1 million to € 0.4 million.

The segment's adjusted EBITDA is characterized mainly by investments in the area of genome editing under the brand name Akribion Genomics, and amounted to € -2.7 million in the financial year, thereby standing below the previous year's adjusted EBITDA of € -2.6 million.

BRAIN Biotech Holding segment

The BRAIN Biotech "Holding" segment primarily comprises personnel expenses and other expenses for Group administration, the further development of the BRAIN Biotech Group, stock exchange listing, and M&A activities. Adjusted EBITDA for the segment totaled € -3.2 million and thereby remained at the previous year's level. Inflationary trends were offset by consistent cost management.

Net assets and financial position

€ thousand	30.09.2023	30.09.2022
Non-current assets		
Intangible assets	15,215	16,764
Property, plant and equipment	28,720	28,737
Other non-current assets	1,526	2,106
	45,462	47,608
Current assets		
Other current assets	19,946	21,507
Other financial assets	178	435
Cash and cash equivalents	5,352	8,443
	25,476	30,384
ASSETS	70,937	77,992
Equity	23,013	34,248
Non-current liabilities		
Non-current financial liabilities	24,265	15,435
Other non-current liabilities	6,180	6,920
	30,445	22,356
Current liabilities		
Current financial liabilities	4,741	8,437
Other current liabilities	12,738	12,951
	17,479	21,388
EQUITY AND LIABILITIES	70,937	77,992

The changes in the net asset position and capital structure in the 2022/23 financial year are due mainly to operating effects and the negative result for the year.

Non-current assets decreased from € 47.6 million in the previous year to € 45.5 million. This was due to both amortization and depreciation as well as a reduction in equity-accounted investments.

Current assets decreased from € 30.4 million to € 25.5 million. This was due, in particular, to the lower level of cash and cash equivalents, which is attributable mainly to the acquisition of the minority interests in Biocatalysts Ltd. This was offset by an increase in trade receivables from € 8.0 million to € 9.4 million, reflecting the higher revenue level.

Equity decreased from € 34.2 million to € 23.0 million. The main reasons for this are the negative result for the year and the effect on retained earnings from the acquisition of the two remaining minority interests in Biocatalysts Ltd. No capital measures were implemented at Group level in the reporting period.

As at the 30 September 2023 reporting date, the company reports authorized capital of € 4,369,499 and conditional capital of € 2,184,749 (conditional capital to fulfil option or conversion rights from the issue of bonds with warrants and/or convertible bonds) and € 2,184,748 (conditional capital to fulfil option rights from the issue of share options).

Non-current liabilities increased from € 22.4 million in the previous year to € 30.4 million in the year under review. This is due mainly to the higher level of financial liabilities. In the financial year under review, € 4.0 million of a credit line was utilized and further loans were taken out from banks in order to further advance the strategic development of the BioProducts segment.

Current liabilities were reduced from € 21.4 million to € 17.5 million. This was due mainly to scheduled repayments of financial liabilities and a lower level of trade payables.

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

The financial liabilities are predominantly denominated in euros and pounds sterling. In addition to silent partnerships, the interest-bearing financial liabilities mainly consist of loans from financial institutions with a fixed nominal interest rate of between 1.15 % and 8.12 %, as well as liabilities for the potential acquisition of company shares from the exercise of put options. Of the interest-bearing loans, € 6.3 million have a remaining term up to one year and € 6.0 million a remaining term of between more than one year.

The equity ratio stood at 32.4 % as of the reporting date, down on the previous year (43.9 %). The debt-to-equity ratio increased from 56.1 % in the previous year to 67.6 % as of 30 September 2023 in the context of the aforementioned parameters. Total assets decreased from € 78.0 million as of 30 September 2022 to € 70.9 million as of 30 September 2023.

INVESTMENTS

Investments in the financial year under review focused on the acquisition of minority interests in Biocatalysts Ltd. in order to advance the strategic restructuring and further development of the BioProducts segment, as well as investment in the development pipeline of BRAIN Biotech AG. A further focus of capital expenditures was on property, plant and equipment, which amounted to € 2.0 million, due mainly to the expansion of production capacity at Biocatalysts.

LIQUIDITY

Extract from the cash flow statement

€ thousand	2022/23	2021/22
Gross cash flow	-4,356	-5,120
Cash flow from operating activities	-4,218	-1,485
Cash flow from investing activities	562	-12,686
Cash flow from financing activities	459	-1,966
Net change in cash and cash equivalents	-3,196	-16,137

The BRAIN Biotech Group's gross cash flow amounted to € -4.4 million in the 2022/2023 financial year compared with € -5.1 million in the previous year.

Cash flow from operating activities deteriorated from € -1.5 million to € -4.2 million in the financial year under review. This was due to the negative comprehensive income and a higher cash outflow from changes in trade payables and other liabilities. This was offset by a year-on-year higher level of cash inflows from deferred income.

Cash flow from investing activities totaled € 0.6 million in the financial year under review compared with € -12.7 million in the previous year. The cash flow from investing activities is positively characterized by the payment of the purchase price from the divestment of L.A. Schmitt GmbH. This was offset by investments in property, plant and equipment. These were lower than in the previous year. The previous year was also significantly characterized by the acquisition of the Breatec Group.

Cash flow from financing activities totaled € 0.5 million and reflects the proceeds from the assumption of financial liabilities (€ 13.0 million) on the one hand and the payments for the acquisition of minority interests in Biocatalysts Ltd. (€ 9.6 million) and the scheduled repayment of financial liabilities (€ 3.0 million) on the other.

The individual cash flows led to an overall reduction in cash and cash equivalents of € 3.2 million compared with € 16.1 million in the previous year.

Cash and cash equivalents of € 5.4 million as of the 30 September 2023 reporting date were offset by current financial liabilities of € 4.7 million and non-current financial liabilities of € 24.3 million. In addition, the company has unused credit lines of € 3.0 million, which give it the flexibility to meet the aforementioned payment obligations.

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

Employees

The number of employees reports the following changes:

	2022/23	2021/22
Total employees, of whom	309	309
Salaried employees	301	284
Industrial employees	8	25

The BRAIN Biotech Group also employs scholarships/grant holders (4, previous year: 1), temporary employees (12, previous year: 12) and trainees (5, previous year: 6).

Overall statement on business progress

In the past financial year, the Management Board is of the opinion that BRAIN achieved considerable successes in all key areas of the company's business and strategic development. The Group's revenue growth continued on a positive course despite the challenging economic environment. The acquisition of all outstanding minority interests in Biocatalysts Ltd. has enabled the Group's product business to be aggregated under the management of Biocatalysts. This has further strengthened the profitable product business. The new segment reporting with the three operating segments BioProducts, BioScience, and BioIncubator has further enhanced transparency for our shareholders.

The instruments for managing the Group, the subsidiaries, and the projects were developed further and expanded on a business-related basis. With an optimized internal control and risk management system, we are taking account of the expanding revenue level and the increasing complexity of exogenous factors. Each corporate activity reports personally to the Management Board and to the company's central finance department on a monthly basis. Current business performance, adherence to budgets, and changes to the risk profile are reviewed. In addition to risks, we also identify opportunities for the company. Our Group-wide BRAINway training program to strengthen the corporate culture, to focus on commercial success, and to promote the personal development of our employees was continued and supplemented with new elements. Following the publication of our first ESG and sustainability report in the last financial year, we have now begun the concrete implementation steps of our sustainability strategy.

Strategically, the BRAIN Biotech Group is developing into a focused product company with a focus on enzymes. We draw our strength in product development from deeply rooted biotechnological solution expertise from more than thirty years of entrepreneurial development. The BioProducts segment made a very pleasing contribution to the Group's growth with a double-digit increase in revenue. Since its acquisition last year, the Breatec Group has enjoyed particularly dynamic revenue growth and rising profitability.

In the BioScience segment, we recorded stable service business overall. BRAIN successfully advanced some of its own development projects in the BioIncubator during the financial year under review. In the genome editing project, Akribion

Genomics, we are continuing to make pleasing scientific progress and have received the basic patent for our nuclease G-dase E[®] from the European Patent Office. The spin-off and independent financing of these activities are still planned for the next financial year. In the area of wound management/Aurase, the Phase 2a study on patients has been successfully completed. The “Gold from Waste Streams” project is being continued with an industrial partner. The active substance out-licensed to Pharvaris for the treatment of hereditary angioedema is currently undergoing promising clinical development.

The economic environment remains characterized to a significant extent by uncertainty – including relating to armed conflicts, price inflation, political bloc formation, and an environment of sharply rising interest rates. The BRAIN Biotech Group was also affected by the negative economic effects in this context. Supply chains remain constrained in some cases and prices for raw materials and consumables are proving to be highly volatile. In addition, it was not always possible to pass on price increases for primary products and rising labor costs to customers in full and immediately. Nevertheless, most of the subsidiaries continued to contribute to the positive revenue and earnings growth during the year under review.

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

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

Furthermore, for the Management Board the continued high level of investments in research and development in relation to revenue represents an indicator and basis for BRAIN's future potentials. The Group holds a position of cash and cash equivalents of € 5.4 million as of 30 September 2023, and reports a 32.4 % equity ratio. In the Management Board's opinion, this signifies that the prerequisites to participate in the potential offered by growing bioeconomy markets remain in place. Further sources of financing in the area of debt or hybrid capital have been and are being tapped.

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

Events after the reporting Date

After the financial year-end, the company received further firm financing commitments in the form of loans and silent partnerships totaling up to € 6.5 million.

No further significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2023 balance sheet date.

Outlook

Due to the overall high significance of biotechnological products, processes, and services for sustainable industrial processes, nutrition, health, and the environment, BRAIN anticipates a positive environment for the future of the sector as a whole. As a technology company active in the industrial biotechnology sector, BRAIN regards itself as in a position to contribute significant added value for industrial partners, as well as in the context of its own research and development, and as a product provider.

The original expectation of a positive business trend in the financial year under review with dynamic revenue growth and a further improvement in adjusted EBITDA was fully met in the past financial year. Revenue increased by 11.8 %. In organic terms, too, revenue posted growth. Adjusted EBITDA improved by € 0.5 million year-on-year, from € -0.1 million to € 0.4 million, despite the higher level of investments in genome editing activities.

For the 2023/24 financial year, the Management Board expects business growth with a further considerable increase in revenue and at least the same increase in adjusted EBITDA at Group level. For this indication, we assume that business activities will remain largely unchanged.

For the BioProducts and BioScience segments, in addition to revenue growth in the mid to high single-digit percentage range, a further improvement in positive adjusted EBITDA is forecast to at least the same extent. It is expected that the percentage increase in adjusted EBITDA can be realized at least in line with the percentage rate of growth in revenue. In the BioIncubator segment, R&D expenses in the mid seven-figure range are expected in relation to the new business development pipeline and the novel genome editing tool, with continued low revenue levels and a resultant negative adjusted EBITDA of approximately the same magnitude. Holding segment costs and the associated negative impact on adjusted EBITDA will remain at around the previous year's level as planned.

BRAIN expects to continue to successfully realize milestones in important projects during the next financial year. This concerns both milestone payments and published progress reports on individual projects. Four milestones were reached in the financial year under review and the number is expected to remain the same or increase slightly during the next financial year.

Research and development expenses in the financial year under review remained at a high level. For the coming financial year, we will continue to invest heavily in research and development, further strengthening the company's future potential.

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

Report on Risks and Opportunities

1 Risk management at BRAIN Biotech AG

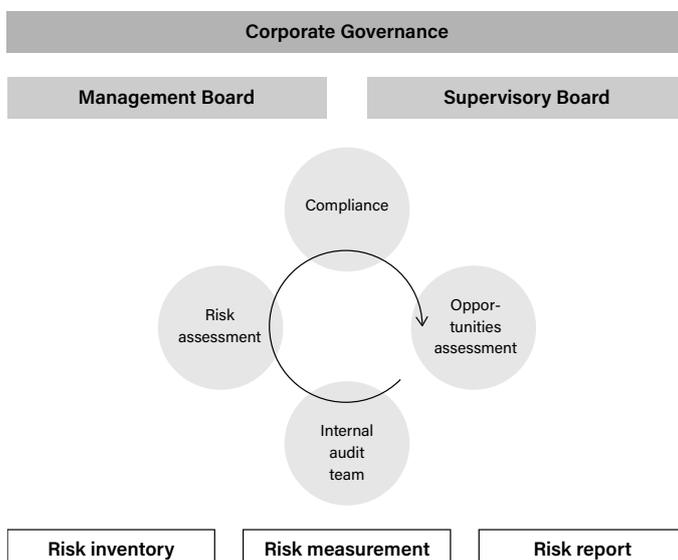
Seizing opportunities as well as identifying and avoiding risks at an early stage are the determinants of any corporate strategy. BRAIN Biotech AG endeavors to identify new opportunities and to exploit them consistently for its business performance. At the same time, business success is impossible without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

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

2 Report on risks and opportunities

2.1 RISK MANAGEMENT SYSTEM (RMS)

2.1.1 Features of the RMS



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

BRAIN's RMS includes the systematic identification, documentation, evaluation, management, and reporting as well as constant monitoring of all identified and relevant risks. The management thereby ensures that the targets that are set are not jeopardized by risks, and creates risk awareness within the entire Group in accordance with statutory regulations. The RMS is fully integrated into BRAIN's corporate processes.

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

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

The RMS focuses on ascertaining risks within BRAIN. Opportunities are weighed and considered based on the corporate strategy, which forms a process that is integrated into planning processes. Potential opportunities are evaluated within strategy and planning processes, and compared with potential risks. Opportunities are categorized and presented based on the probability of occurrence and the contribution to the company's net present value (rNPV).

The RMS, which undergoes constant further development, has integrated previous years' experience in its identification and management of risks. The effects of the risks as presented in the following risk and opportunities report are reported as annual risks. The evaluation of the presented risks relates to the 30 September 2023 reporting date, and was prepared from a survey in the relevant areas conducted shortly before the reporting date.

The Management Board conducted a review of risk management in the 2022/23 financial year, in particular in relation to further improvements and to adapt to further legislative developments (see point 5 below). Control self-assessments and the establishment of risk indicators are planned as part of the new RMS.

2.1.2 Risk identification

Risks are surveyed Group-wide 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 Group-wide risk inventory and evaluating them.

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

2.1.3 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").

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 %)

Degree of impact

Likelihood 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.

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

"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.

2.1.4 Risk management and monitoring

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

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

2.1.5 Reporting

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

2.2 INTERNAL CONTROL SYSTEM ("ICS")

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

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

1. Decisions that originate obligations for BRAIN are executed on a binding basis in accordance with the four-eye principle. This principle is only waived if the business units are too small.
2. Quality controls are applied continuously in production operations in order to ensure compliance with production processes. Where necessary, this is realized within the framework of internationally recognized quality systems and quality standards.

The reorganization into One-BioProducts leads to a larger, cohesive business unit, which favors the formalization and professionalization of processes and controls.

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

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

2.3 ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RMS

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

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

Similar to the procedure for general risks, the identified accounting-related risks are also assessed based on their likelihood of occurrence and their 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"). Details of the risk classification are explained in section 2.1.3.

Please refer to the general procedure in sections 2.1.4 and 2.1.5 for information on risk management and monitoring of accounting-related risks and their reporting.

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

The accounting-related appraisal and recording of business transactions is implemented by the respective Group companies where such transactions occur, as a matter of principle. As an exception to this principle, BRAIN Biotech AG evaluates and records the transactions of the subsidiaries 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.

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

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

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

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

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

3 Assessment of opportunities and risks in overall presentation

The current risk identification and assessment has been conducted in all areas of BRAIN. This section discusses the risks that have achieved a risk score of at least "medium" at Group level. The Management Board is informed of all identified risks as part of regular reporting.

The assessment of risks was consolidated at Group level and the individual risks were weighted according to their relevance for (adjusted) EBITDA.

BRAIN evaluated a total of 49 risks. Of these, 19 risks are to be categorized as "medium risks" and are aggregated in the risk classes listed below. A total of 30 risks were appraised as "low risk". No risk was evaluated as a "high risk" or as a "going concern risk" for BRAIN. The risks relate to the BioProducts, BioScience, and BioIncubator operating segments and the holding company.

Risks	Impact	Change compared with the previous year	Segment
Business-related risks			
Growth risk	medium	↑	BioScience and BioProducts
Risk from cooperation partners	medium	↑	BioScience and BioProducts
Planning risk	medium	↑	BioScience and BioProducts
R&D risk	medium	→	BioProducts, BioScience, and BioIncubator
Material damage	medium	→	BioScience
Competition risk	medium	→	BioProducts
Financial risks			
Impairment of inventories / assets / financing risks at subsidiaries	medium	→	BioScience and BioProducts
Goodwill impairment / valuation of investments	medium	→	BioScience and BioProducts
Financing risk / financing of option liabilities	medium	↑	BioProducts, BioScience, BioIncubator and the holding company
Currency risk	medium	→	BioProducts
Interest rate risk	medium	→	BioScience and BioProducts
Legal risks			
Legislative changes	medium	↑	BioProducts, BioScience, and BioIncubator
Compliance risks	medium	→	BioProducts, BioScience, BioIncubator and the holding company
Risk from industrial property rights / intellectual property	medium	→	BioProducts, BioScience, and BioIncubator
Other risks			
IT risk: Risk of IT malfunctions hindering operations and confidential information being published as a consequence	medium	↑	BioProducts, BioScience, BioIncubator and the holding company
IT risk: Risk of data loss due to destruction of IT servers	medium	↑	BioProducts, BioScience, BioIncubator and the holding company
Personnel	medium	→	BioProducts, BioScience, and BioIncubator
Supply chain risk	medium	↓	BioScience and BioProducts
Inflation and energy supplies	medium	→	BioScience and BioProducts

3.1 BUSINESS-RELATED RISKS

Growth risk, risk from cooperation partners, and planning risk

Given BRAIN's planned growth and its need to hold resources ready for such growth, risks exist in relation to a lower growth rate, and consequently potential negative effects on the operating result. A risk exists of finding fewer customers and cooperation partners than planned. Macroeconomic trends or relationships with existing customers could also deteriorate and the markets to be served could reduce in volume or attractiveness. This could lead to BRAIN achieving lower growth long-term or to reduced earnings. In addition, the risk exists that costs are higher than budgeted, or that developments require more time. As a consequence, BRAIN's growth could be delayed and positive operating results might not be achieved until later than planned. A further risk arising from this relates to higher liquidity requirements and the potential need to implement capital measures. Planning risk is summarised under growth risk and is assessed in a comparable manner. The same applies to risks associated with cooperation partners in the context of a deteriorating economic situation.

Compared to the previous year, this risk is estimated to be slightly higher due to the ongoing geopolitical and weak economic situation. However, the overall assessment remains "medium risk" as the threshold for high risk is not exceeded. Supply chain risk decreased significantly in the reporting year, but the uncertain geopolitical situation is continuing to lead to greater uncertainty about the future trend in risk. The inflation rate in Europe is falling, but only compared with a high starting level in the previous year. Core inflation (the inflation rate excluding energy and food price inflation) remains elevated. This indicates a risk of a longer-term effect that will manifest itself in further demands for wage increases. This risk concerns the BioScience and BioProducts operating segments.

Risks from research and development

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

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

The resultant risk in the Tailor-Made Solutions area would at most involve a default on an outstanding milestone payment, a budget overrun, or the cancellation 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 relates especially to the BioScience and BioIncubator segments. This indirectly affects the BioProducts segment to the extent that products developed in the BioScience segment are also to be produced and/or distributed by companies in the BioProducts 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 various measures. A redundant setup exists at various locations, as well as a security concept, and staff are trained in archive handling and management.

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

It remains the case that individual research results could also be destroyed by external circumstances. However, these are sufficiently covered by various measures such as 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.

Competition risks

Competition risk for BRAIN consists of a potential price war in markets where BRAIN offers its products. This risk was categorized as a “medium risk”, similar to the previous reporting year, and relates to the BioProducts division. This risk is monitored through ongoing analyses of competitors and the market. In addition, ongoing product innovation and product optimization offer opportunities for mitigation.

3.2 FINANCIAL RISKS

Financial risks are reviewed regularly. The Group has internal guidelines to identify, investigate, and evaluate financial risks at an early stage. Simultaneous comparison with planning is facilitated through monthly and quarterly written reports as well as ongoing communication with the responsible managers. Depending on the extent of divergences in relation to planning, BRAIN managerial functions have sufficient time to implement countermeasures. The Group-wide reporting document for all Group areas has 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 BioProducts. The risk has remained the same as in the previous year and is categorized as a “medium risk”.

Goodwill impairment / valuation of investments

This financial risk relates to both operating segments, BioScience and BioProducts. 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, this 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 risk

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

Due to the continued growth of the operating business in the BioProducts and BioScience segments, a need for capital will continue to exist in the next two years to cover the negative operating cash flows. The financing risk consists of competitive disadvantages due to a higher debt-to-equity ratio as well as potentially rising interest rates and requirements for loan collateralization. The company has already taken appropriate measures to secure liquidity for the coming year, such as the provisioning of additional debt capital at holding company level. These measures will enable the company to meet its planned payment obligations beyond the end of the 2023/24 financial year.

This risk affects all three operating segments and the holding company and is still categorized as a "medium risk". Within this category, however, the risk score has risen.

Financing of option liabilities

As at 30 September 2023, BRAIN holds € 5.4 million of cash. In addition, BRAIN has access to a € 70 million loan facility which has only been partially utilized (€ 4.0 million had already been utilized as of 30 September 2023). We assume that the put options for the remaining shares will be exercised by the non-controlling shareholders in the first possible period (1 January to 31 March 2025). This would impact liquidity by around € 3.6 million in the 2024/25 financial year.

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

Currency risk

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

Interest rate risk

The interest rate risk consists of a rising market interest rate trend that makes it more expensive for BRAIN to procure liquidity. In the reporting year, the ECB significantly raised its reference interest rate, which led to tangibly higher liquidity procurement costs. Overall, the consequences for BRAIN remain manageable, as the existing loans were further reduced and re-structured into longer-term liabilities.

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

3.3 LEGAL RISKS

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

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

Legislative changes

Moreover, the risk always exists that legislation is amended in coming years (such as in fiscal, capital market or other legal regulations). The likelihood that legislation within an area changes is very high. On the other hand, the effects on business results cannot be estimated, although they would affect the entire industry.

This risk of legislative changes can lead to restrictions in business activities as well as higher costs. Such risk is countered by regularly monitoring regulations relevant to BRAIN so that the necessary measures can be initiated in good time in order to minimize direct and indirect consequences as far as possible. This risk continues to be categorized as a "medium risk" and relates to the BioScience, BioProducts, and BioIncubator segments. Within this category, however, the risk score has risen.

Compliance risks

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

Specific individuals have been appointed for the areas of occupational health and safety as well as data protection. As in the previous year, this risk is categorized as a "medium risk" and affects all three operating segments as well as the holding company.

Risks relating to industrial property rights / intellectual property

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

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

This risk concerns the BioScience, BioIncubator, and BioProducts operating segments. This risk is classified as a "medium risk", as in the previous year.

3.4 OTHER RISKS

IT risks

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

As digitalization progresses in general as well as of BRAIN, dependence on IT systems is growing. As a consequence, this risk has been raised from a "low risk" to a "medium risk" and affects all three operating segments as well as the holding company.

BRAIN has implemented adequate measures to manage IT risks as good as possible. These measures mainly consist of IT security measures such as firewalls, virus scanners, network protection, data encryption, prompt updating of software used, authentication with multiple factors, and the implementation of regular data backups. As far as data exclusivity is concerned, a data protection officer has been appointed to ensure compliance with the General Data Protection Regulation (GDPR) within BRAIN.

Personnel

Overall, BRAIN employs well-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 our financial and non-financial incentives were to prove inadequate. A bonus program for BRAIN Biotech AG staff was already established in the 2015/16 financial year in order to provide adequate incentivization. This program is subject to annual approval by the Management Board.

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 all the operating segments, although mainly the BioScience and BioIncubator segments.

Risks in connection with the global supply chain

Supply chains have proved largely stable despite constraints on global logistics, although long delivery times for certain products are already exerted hampered even more dynamic growth in the BioProducts segment due to the tight supply situation. This situation eased significantly in the reporting year. However, it remains as a potential factor given current geopolitical risks.

This risk affects both the BioScience and BioProducts segments. This risk continues to be rated as a "medium risk" overall. Within this category, however, the risk score has decreased.

Inflation and energy supplies

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

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

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

Overall, this risk continues to be categorized as a "medium risk" and relates particularly to the BioScience and BioProducts segments.

3.5 SUSTAINABILITY AND ESG

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

BRAIN Biotech AG voluntarily published its first sustainability report in 2022. Accordingly, we defined ambitious sustainability targets for 2032 and 2050. With the approval of the Annual General Meeting in 2023, these sustainability targets have also been directly incorporated into the new compensation scheme for the Management Board. On the Management Board, the CFO is directly responsible for the implementation of the ESG strategy. At operational level, an ESG manager has been appointed. The entire Supervisory Board is jointly responsible for the further development and implementation of the ESG strategy. In the 2022/23 financial year, we started with specific projects to implement the ESG strategy. These include several measures such as a photovoltaic project to save energy as well as a number of measures to improve labor productivity, working flexibility, and work ergonomics. We inform our stakeholders about the BRAIN Biotech Group's current ESG key figures in an annually updated factsheet. BRAIN also publishes an annual declaration as part of the German Sustainability Code (DNK) and the United Nations Sustainability Code (UN Global Compact). In order to fully comply with future sustainability reporting obligations such as CSRD reporting, BRAIN has already invested in a software-assisted solution to systematically record non-financial data. From the company's perspective, this leads to more opportunities than risks on an overall basis.

RISK REPORTING ON THE DEPLOYMENT OF FINANCIAL INSTRUMENTS

At BRAIN, financial instruments¹ are either not deployed, or are 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.

¹ 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.

4 Report on opportunities

OPPORTUNITIES ARISING FROM RESEARCH AND DEVELOPMENT

BioScience segment

The BioScience segment comprises knowledge- and research-intensive contract research for customers.

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

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

BioIncubator segment

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

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

Opportunity	rNPV market potential
Fermented beverages & ingredients	medium
Perillic Active, anti-microbial	medium
Gold from waste streams	medium
Aurase wound debridement	high
PHA121, HAE pharmaceutical compound	high
Akribion Genomics (G-dase E / G-dase M)	very high

Some examples include:

Genome editing in industrial biotechnology

Genome editing is a molecular biology technology for the targeted and precise modification of DNA. For this purpose, nucleases (enzymes) are utilized as so-called "gene scissors." This technology forms the basis for many innovations, such as in the areas of industrial production, plant-based nutrition, circular economy, and medicine.

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

Genome editing as a therapeutic agent

The G-dase® E nuclease offers enormous application potential in human medicine thanks to its novel mode of action, which differs greatly from other genome editing tools. In order to realize this potential, BRAIN Biotech plans to spin off its therapeutics technology under the Akribion Genomics brand in order to drive the targeted development of a new class of genetically-based, flexibly programmable cancer therapies. Beyond oncology, G dase® E offers a wide range of applications, such as in the development and production of cell therapeutics and the treatment of infectious diseases.

Innovative active ingredients for the pharmaceutical industry

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

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

Plant-based sweeteners

BRAIN is dedicated to meeting growing demand for plant-based sweeteners for healthier foods. BRAIN has a selection of plant-based sweeteners and sweetness enhancers that have been identified through screening in natural substances utilizing its patented "Human Taste Cell" technology (HTC technology). From the substances identified in this manner, we develop natural sweeteners for various applications, markets and consumer groups. A pleasant taste profile is crucial for acceptance by consumers. BRAIN is currently investigating which industrial partner will be involved in the next stages of the market launch.

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 Biotech 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 2032: USD 989 billion), but also develop completely new product categories.

Gold from waste streams, urban mining

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

BUSINESS-RELATED OPPORTUNITIES

BioProducts segment

In the BioProducts 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 revenue 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 successfully improve its revenues and results. This represents a consistent step from being a research-driven company to becoming an industrial company. This forward integration offers the company the possibility to act not only as an innovator but also as a manufacturing firm. Furthermore, an active M&A strategy with a focus on industrially profitable companies in adjacent areas or markets, essentially in the enzymes business, also deserves to be mentioned as an opportunity.

Corporate governance

The Management Board is working continuously on realizing cost and revenue synergies within the Group. This requires good networking among the subsidiaries, as well as centralized performance and target controlling. To this end, BRAIN restructured the Group's entire industrial business under the management of Biocatalysts Ltd. in both organizational and legal terms at the end of the financial year under review.

UPDATES TO THE RISK AND OPPORTUNITY MANAGEMENT SYSTEM IN 2023/2024

Introduction

In January 2023, the Management Board decided to revise the risk and opportunity management system. This revision was motivated by two factors:

1. The existing risk and opportunity management system was only accepted to a limited extent by the business areas for the active management of their business operations, and as a consequence was unable to unleash its full potential.
2. Legislation has evolved and an early warning system for material risks must be implemented as part of the German Corporate Stabilization and Restructuring Framework Act (StaRUG).

Significant changes

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

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

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

Risks above a defined threshold level are analyzed in greater detail. During this investigation, probability drivers and the extent of losses are identified and quantified. Such drivers also form the basis for risk indicators, especially if risk-mitigating measures cannot be implemented. In addition, a risk distribution is prepared on the basis of the probability assessment and the estimated loss amount, which helps to determine risk management measures at individual risk level and, together with the other risks analyzed, forms the risk profile of the entire BRAIN Biotech Group.

The intention is to conduct a comprehensive analysis once a year and to update the risk profile every quarter or on an ad-hoc basis.

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

The following information reflects the circumstances as of the 30 September 2023 reporting date.

COMPOSITION OF SUBSCRIBED SHARE CAPITAL (NO. 1)

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

RESTRICTIONS AFFECTING VOTING RIGHTS OR TRANSFER OF SHARES (NO. 2)

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

SHAREHOLDINGS WITH MORE THAN 10 % OF THE VOTING RIGHTS (NO. 3)

MP Beteiligungs-GmbH, Kaiserslautern, holds a 45.4 % interest in the company's share capital as of 30 September 2023. As of 30 September 2023, 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 9 March 2022, authorized capital of € 4,369,499 was created (Authorized Capital 2022/I). Authorized Capital 2022/I was entered in the commercial register on 28 March 2022. The Management Board was authorized, with Supervisory Board assent, to increase the company's share capital in the period until 8 March 2027, once or on several occasions, albeit by a maximum of up to a nominal amount of € 4,369,499 through issuing up to 4,369,499 new ordinary registered shares against either cash capital contributions and/or non-cash capital contributions, whereby shareholders' statutory subscription rights can be wholly or partly excluded. If the new shares are issued against cash capital contributions, shareholders' statutory subscription rights can be wholly or partially excluded if the new shares' issue price is not significantly less than the stock market price of the company's shares already listed on the date when the issue price is finally determined, and the total number of shares issued in this manner under exclusion of subscription rights does not exceed 10 % of the share capital.

Accordingly, authorized capital of € 4,369,499 was reported as of the 30 September 2023 reporting date.

Conditional capital

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

The conditional capital of 1,986,136 existing as of 30 September 2022 (Conditional Capital 2021/I) was revoked by resolution of the Annual General Meeting on 8 March 2023.

Conditional Capital 2023/I serves exclusively to grant shares to the holders of bonds with warrants and convertible bonds that the company issues based on the authorization of the Management Board by way of AGM resolution passed on 8 March 2023. The conditional capital increase is to be implemented through issuing up to 2,184,749 new ordinary registered shares only to the extent that the holders of convertible bonds and/or bonds with warrants utilize their conversion rights or warrant rights, or the holders of convertible bonds that are obligated to convert satisfy their obligation to convert, and to the extent that other forms of satisfaction are not deployed to service the bonds. An increase in the share capital from Conditional Capital 2023/I had not been implemented as of the 30 September 2023 reporting date.

Conditional Capital 2015/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 July 2015 as part of a stock option plan comprising up to 63,000 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board, members of affiliated companies' management boards, as well as managers and other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2015/II had not been implemented as of the 30 September 2023 reporting date.

At the Annual General Meeting on 7 March 2019, Conditional Capital 2015/II was reduced from originally € 1,272,581 to € 123,000, as this capital was to remain exclusively for hedging stock options already issued. At the Annual General Meeting on 8 March 2023, the conditional capital was reduced by a further € 60,000 to € 63,000. The authorization to issue further stock options from Conditional Capital 2015/II was revoked at the same Annual General Meeting and replaced by a new authorization (see following section).

By resolution of the Annual General Meeting on 7 March 2019, the share capital was conditionally increased by € 1,682,578 through the issue of up to 1,682,578 new ordinary registered shares (Conditional Capital 2019/I). At the Annual General Meeting on 8 March 2023, Conditional Capital 2019/I was reduced by € 448,978 from the original € 1,682,578 to € 1,233,600. The conditional capital serves exclusively to service subscription rights from stock options granted to members of the company's Management Board and other senior company managers. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2019/I had not been implemented as of the 30 September 2023 reporting date.

Conditional Capital 2023/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 March 2023 as part of a stock option plan comprising up to 888,148 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board as well as other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2023/II had not been implemented as of the 30 September 2023 reporting date.

Stock options

An AGM resolution dated 8 March 2023 authorized the Management Board, with Supervisory Board approval, to issue as part of a stock option plan until 7 March 2028 up to 888,148 stock options with subscription rights to shares of BRAIN Biotech AG with a term of up to six years, with the condition that each stock option grant the right to subscribe for one share, and according to further provisions. As far as issuing shares to members of the Management Board of BRAIN Biotech AG is concerned, this authorization is valid for the Supervisory Board alone. The AGM conditionally increased the share capital by € 888,148 to hedge and service the stock options (Conditional Capital 2023/II).

SIGNIFICANT AGREEMENTS FOR THE INSTANCE OF A CHANGE OF CONTROL DUE TO A TAKEOVER OFFER (NUMBER 8) AND COMPENSATION AGREEMENTS IN THE CASE OF A TAKEOVER OFFER (NUMBER 9)

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

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

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

Zwingenberg, 12 December 2023

Adriaan Moelker

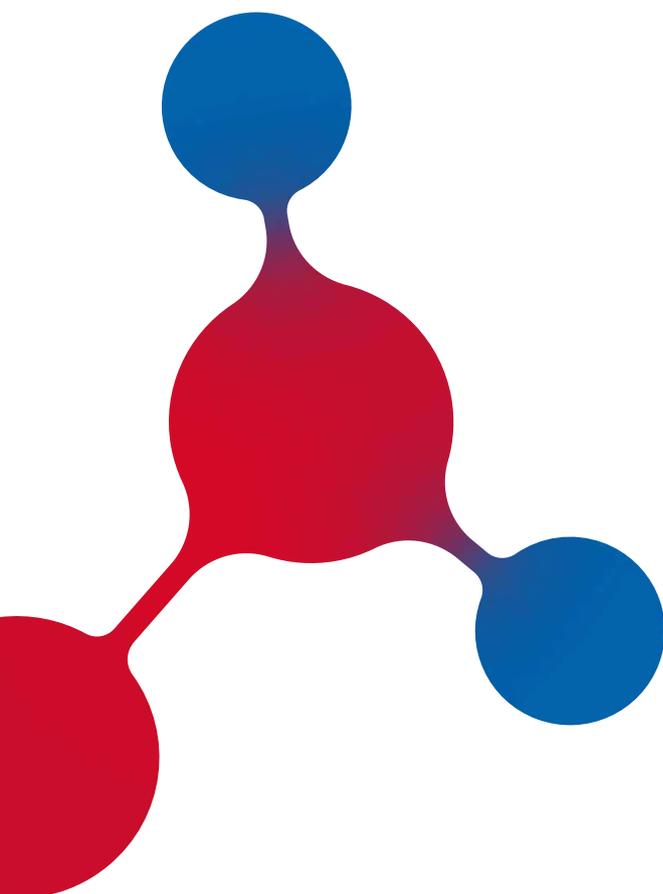
Chief Executive Officer

Michael Schneiders

Chief Financial Officer

Consolidated Financial Statements

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Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2023

€ thousand	Note	30.09.2023	30.09.2022
Non-current assets			
Intangible assets and Goodwill	(12)	15,215	16,764
Property, plant and equipment	(13)	28,720	28,737
Equity-accounted investments	(14)	1,456	1,938
Other non-current assets	(18)	70	168
		45,462	47,608
Current assets			
Inventories	(15)	9,756	9,661
Trade receivables	(16)	9,442	8,036
Other current assets	(18)	691	3,811
Current tax assets	(10)	56	0
Other financial assets	(17)	178	435
Cash and cash equivalents	(19)	5,352	8,443
		25,476	30,384
ASSETS		70,937	77,992

€ thousand	Note	30.09.2023	30.09.2022
Equity	(20)		
Subscribed capital		21,847	21,847
Capital reserves		93,457	92,660
Retained earnings		-94,161	-85,197
Other reserves		627	328
		21,771	29,638
Non-controlling interests		1,243	4,610
Total equity		23,013	34,248
Non-current liabilities			
Deferred tax	(10)	3,768	3,292
Provisions for post-employment benefits for employees	(5)	928	1,153
Financial liabilities	(21)	24,265	15,435
Other liabilities	(22)	966	1,709
Deferred income	(23)	518	766
		30,445	22,356
Current liabilities			
Provisions	(24)	895	654
Tax liabilities	(10)	44	190
Financial liabilities	(21)	4,741	8,437
Prepayments received	(25)	0	13
Trade payables	(26)	5,617	6,754
Other liabilities	(22)	3,251	3,350
Deferred income	(23)	2,932	1,990
		17,479	21,388
EQUITY AND LIABILITIES		70,937	77,992

Consolidated Statement of comprehensive Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 01.10.2022 - 30.09.2023

€ thousand	Note	12M 22/23 01.10.2022 - 30.09.2023	12M 21/22 01.10.2021 - 30.09.2022
Revenue	(1)	55,335	49,509
Research and development grant revenue	(2)	890	786
Change in inventories of unfinished and finished goods and work in progress		144	932
Other income	(3)	771	1,845
Total operating performance		57,140	53,072
Cost of materials	(4)		
Cost of raw materials, consumables and supplies, and purchased merchandise		-24,380	-21,671
Cost of purchased services		-977	-1,323
		-25,357	-22,994
Personnel expenses	(5)		
Wages and salaries		-18,010	-17,301
Share-based employee compensation		-714	-1,384
Social security and post-employment benefit costs		-3,276	-2,995
		-22,000	-21,681
Other expenses	(7)	-10,609	-9,706
EBITDA		-826	-1,309
Depreciation, amortization and impairment	(6)	-4,654	-4,340
Operating result (EBIT)		-5,480	-5,648
Share of profit or loss from equity-accounted investments	(14)	-1,492	-2,426
Finance income	(8)	789	3,606
Finance costs	(9)	-1,307	-1,696
Net financial result		-2,010	-516
Pretax loss for the reporting period		-7,489	-6,165

€ thousand	Note	12M 22/23 01.10.2022 - 30.09.2023	12M 21/22 01.10.2021 - 30.09.2022
Income tax expense/income			
	(10)		
a) Current tax expense/income		-168	-226
b) Deferred tax expense/income		-457	50
		-625	-176
Net loss for the reporting period			
of which attributable to non-controlling interests		165	249
of which attributable to the shareholders of BRAIN Biotech AG		-8,279	-6,590
Earnings per share			
	(11)		
Earnings per share, basic undiluted (in €)		-0.38	-0.30
Number of shares taken as basis		21,847,495	21,847,495
Earnings per share, diluted (in €)		-0.38	-0.30
Number of shares taken as basis		21,847,495	21,847,495
Net loss for the reporting period			
of which attributable to non-controlling interests		165	249
of which attributable to the shareholders of BRAIN Biotech AG		-8,279	-6,590
Other comprehensive income			
Net gain or loss from revaluing obligations from post-employment employee benefits*	(5)	25	901
Currency translation		290	-245
Other comprehensive income, net		315	656
Consolidated total comprehensive income (loss)			
of which attributable to non-controlling interests		156	231
of which attributable to the shareholders of BRAIN Biotech AG		-7,956	-5,916

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

Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 01.10.2022 - 30.09.2023

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 as at 30 September 2021/ 1 October 2021	21,847	95,890	-79,509	555	38,783	3,044	41,828
<i>Net loss for the reporting period</i>	0	0	-6,590	0	-6,590	249	-6,341
<i>Other comprehensive income</i>	0	0	901	-227	674	-17	656
Total comprehensive income (loss)	0	0	-5,689	-227	-5,916	231	-5,685
Acquisition of shares of non-controlling shareholders	0	0	0	0	0	1,335	1,335
Addition of liability from put/call agreement relating to the acquisition of non-controlling interests in fully consolidated Group companies	0	-3,978	0	0	-3,978	0	-3,978
Transfers due to employee share scheme	0	748	0	0	748	0	748
Balance as at 30 September 2022/ 1 October 2022	21,847	92,660	-85,198	328	29,638	4,610	34,248
<i>Net loss for the reporting period</i>	0	0	-8,279	0	-8,279	165	-8,114
<i>Other comprehensive income</i>	0	0	25	299	324	-9	315
Total comprehensive income (loss)	0	0	-8,255	299	-7,956	156	-7,799
Exercise of put/call agreements for the acquisition of non-controlling interests in fully consolidated Group companies	0	0	1,795	0	1,795	-1,795	0
Acquisition of shares of non-controlling shareholders	0	0	-2,504	0	-2,504	-1,728	-4,232
Transfers due to employee share scheme	0	797	0	0	797	0	797
Balance as at 30 September 2023	21,847	93,457	-94,161	627	21,770	1,243	23,013

Consolidated Statement of Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 01.10.2022 - 30.09.2023

Note (19) € thousand	12M 22/23 01.10.2022 - 30.09.2023	12M 21/22 01.10.2021 - 30.09.2022
Net profit (/loss) for the period, after tax	-8,114	-6,341
Depreciation, amortization and impairment	4,654	4,340
Deferred tax expense/income	457	-50
Conversion of deferred income into revenue	-3,125	-2,792
Income from release of provisions and liabilities	-135	-231
Share of profit or loss from equity-accounted investments	1,492	2,426
Change in net pension provisions recognized in profit or loss	42	-217
Other non-cash expenses and income	376	-61
Income from the sale of consolidated entities	0	-2,167
Losses on disposals of intangible assets and property, plant and equipment	-4	-28
Gross cash flow	-4,356	-5,120
Change in trade receivables	-1,325	-231
Change in inventories	-41	-2,412
Change in tax assets and liabilities	-201	6
Change in other assets and financial assets	95	-352
Change in trade payables	-1,166	2,529
Change in prepayments	-12	3
Change in provisions and other liabilities	-703	1,587
Additions from deferred income	3,492	2,505
Cash flows from operating activities	-4,218	-1,485
Net cash inflows from disposals of companies (less cash and cash equivalents divested)	0	-3,096
Net payments from disposals of companies (less cash and cash equivalents disposed of)	3,040	-1,071
Payments to acquire intangible assets	-19	-282
Payments to acquire property, plant and equipment	-2,619	-5,800
Net cash flows relating to other non-current assets	85	-1,401
Investments in equity-accounted investments	-114	-1,173
Proceeds from disposal of current financial assets	6	0
Proceeds from disposal of property, plant and equipment	182	137
Cash flows from investing activities	562	-12,686
Proceeds from borrowings	13,004	352
Repayments of borrowings	-2,958	-2,318
Payments of the Put-Option liabilities for Biocatalysts Ltd	-9,587	0
Cash flows from financing activities	459	-1,966
Net change in cash and cash equivalents	-3,196	-16,137
Cash and cash equivalents at start of financial year	8,443	24,545
Exchange-rate-related change in cash	106	35
Cash and cash equivalents at end of financial year	5,352	8,443
Cash flows from operating activities include:		
Interest paid	-784	-503
Interest received	15	16
Income taxes paid	-235	-259
Income taxes received	31	0

Notes to the Consolidated Financial Statements

I. General information

GENERAL INFORMATION ABOUT THE COMPANY

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

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

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

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

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

BRAIN has a comprehensive research and development infrastructure at the location in Zwingenberg, as well as at the site of the subsidiary AnalytiCon Discovery GmbH in Potsdam, with the latter focusing on natural compounds. Special production expertise and market access is offered by our subsidiaries in relation to enzyme products, microorganisms, and bioactive natural compounds: WeissBioTech GmbH (Ascheberg, Germany), Biocatalysts Ltd. (Cardiff, UK), Breatec BV (Nieuwkuijk, Netherlands), and Biosun Biochemicals Inc. (Tampa, USA). Moreover, as part of the spin-off of 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 Biotech Group utilizes biotechnology processes to manufacture sustainable products. Our products and services directly address the following UN Sustainable Development Goals: 2, 3, 6, 9, 12 and 13.

GENERAL BASIS OF FINANCIAL ACCOUNTING

BRAIN Biotech AG has been listed on the stock market since 9 February 2016 and is oriented to the capital market. As a consequence, the regulations of Section 315e (1) of the German Commercial Code (HGB) are applicable when preparing the consolidated financial statements. The consolidated financial statements prepared by the parent company BRAIN Biotech AG for the year ending 30 September 2023 (the "consolidated financial statements" or the "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 2022 to 30 September 2023. This period corresponds to the financial year of BRAIN Biotech AG. The annual financial statements of Weriol Group BV, Nieuwkuijk, Netherlands, and of AnalytiCon Discovery LLC, Rockville, MD, USA, have historically been prepared as at the end of the calendar year. Where a financial year differs, annual figures based on the Group's financial year are calculated for the consolidated financial statements, and included in the financial statements on this basis.

These consolidated financial statements of BRAIN Biotech AG were approved by the Management Board for submission to the Supervisory Board on 7 December 2023. The review and approval by the Supervisory Board took place on 14 December 2023.

NEW ACCOUNTING REGULATIONS APPLIED

The standards and amendments to be applied for financial years beginning on or after 1 October 2022 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.

Annual improvements IFRS 2018- 2020: *To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.*

Amendments to IFRS 3: Reference to the Conceptual Framework. *To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.*

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use: *To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.*

Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract. *To be applied to financial years commencing on or after 1 January 2022. Early, voluntary application of the regulations is permitted.*

ACCOUNTING REGULATIONS PUBLISHED BUT NOT YET APPLIED

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

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

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

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback: *To be applied to financial years commencing on or after 1 January 2024. Early, voluntary application of the regulations is permitted.*

Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules: *To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.*

Amendments to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information: *To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.*

Amendments to IAS 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.*

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.*

IFRS 17 Insurance Contracts including amendments to IFRS 17: *To be applied to financial years commencing on or after 1 January 2023. Early, voluntary application of the regulations is permitted.*

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

PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

II. Basis of the consolidated financial statements

CONSOLIDATION METHODS

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

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

The acquisition date is the date on which 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 2023:

Name and domicile of the company	Shareholdings as at 30.09.2023
Akribion Genomics AG, Zwingenberg, Germany	100 %
AnalytiCon Discovery GmbH, Potsdam, Germany	100 %
AnalytiCon Discovery LLC, Rockville, Maryland, USA	100 %*
BRAIN Capital GmbH i.L., Zwingenberg, Germany	100 %
BRAIN UK II Ltd., Cardiff, UK	100 %
BRAIN UK Ltd. i.L., Cardiff, UK	100 %*
Biocatalysts Ltd., Cardiff, UK	100 %*
Biocatalysts Inc., Chicago, Illinois, USA	100 %*
Biosun Biochemicals Inc. Tampa, Florida, USA	100 %*
Weriol Group BV, Nieuwkuijk, Netherlands	62 %*
Breatec BV, Nieuwkuijk, Netherlands	62 %*
Panei BV, Nieuwkuijk, Netherlands**	0 %*
WeissBioTech GmbH, Ascheberg, Germany	100 %
BRAIN US LLC i.L., Rockville, Maryland, USA	100 %
MEKON Science Networks GmbH i.L., Zwingenberg, Germany	100 %

* Indirect interests

** Merged with Breatec BV as of 1 November 2022

As part of an internal reorganization within the Group, the interests in WeissBioTech GmbH, Biosun Biochemicals Inc., and Weriol Group B.V. were transferred to Biocatalysts Ltd. during the financial year under review. The new structure can be seen in the above table of shareholdings.

Enzymicals AG, Greifswald, Germany, and SolasCure Ltd., Cambridge, UK, were included as equity-accounted investments in the consolidated financial statements for the year ending 30 September 2023. 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 34.16 % (previous year: 35.51 %) of the voting rights in SolasCure Ltd.

WeissBioTech France S.A.R.L., Chanteloup-en-Brie, France, was liquidated and dissolved during the financial year under review and is no longer included in the scope of consolidation.

No further changes in the scope of consolidation occurred in the 2022/23 financial year.

Changes in the previous year:

In the 2021/22 financial year, a 62 % interest in the Breatec Group was acquired, and 100 % of the interest in L.A. Schmitt, Ludwigsstadt, was divested.

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.

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

III. Accounting policies

BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

USE OF ASSUMPTIONS AND ESTIMATES

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

Assumptions and estimates relate in particular to:

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

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

CURRENCY TRANSLATION

Translation of foreign currency transactions

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

Translation of foreign Group companies' financial statements

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

The exchange rates against the euro report the following changes:

Rate/€	Country	Closing rate		Average rate	
		2022/23	2021/22	2022/23	2021/22
GBP	UK	1.1566	1.1394	1.1488	1.1799
USD	USA	0.9439	1.0202	0.9367	0.9245

REVENUE RECOGNITION

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

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

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

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

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

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

Sale of goods/products

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

Rendering of services

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

Royalties and license fees

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

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

INTANGIBLE ASSETS

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

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

RESEARCH AND DEVELOPMENT

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Depreciation charges are based mainly on the following useful lives:

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

IMPAIRMENT TESTS

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

The starting point for estimating the recoverable amount of the relevant cash-generating unit for the goodwill impairment tests as at 30 September 2023 is its value-in-use, calculated as the present value of the future net cash flows expected to be generated from the CGU. The estimate is based on the current five-year planning of the relevant company. The last planning year is generally also applied for cash flows beyond the planning period and modified considering further assumptions for the perpetual return, to the extent that specific related indications exist. These plans are based on Management Board estimates about future trends that are described further in the description of the individual cash-generating units. Past data and expected market performance are utilized to calculate values-in-use for the cash-generating units. The values allocated to the significant assumptions are generally in line with external information sources in this context.

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

INVENTORIES

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

FINANCIAL INSTRUMENTS

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

Financial instruments are classified into three categories on initial recognition:

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

All financial assets and financial liabilities were initially recognized at fair value (with the exception of trade receivables, which are recognized at the transaction price).

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

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

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

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

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

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

GOVERNMENT GRANTS

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

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

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

EQUITY

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

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

PROVISIONS

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

OCCUPATIONAL PENSION SCHEME/EMPLOYEE BENEFITS

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

In addition to the statutory pension insurance systems, occupational pensions at BRAIN Biotech AG, 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 at Group companies within the framework of the German statutory pension insurance into which the employer must pay. The amount to be paid is determined according to the current applicable contribution rate of 9.30 % (employer contribution) with regard to the employee compensation subject to compulsory pension insurance. In the USA, the employer contribution to social security is 6.2 % in relation to annual employee compensation of USD 160,200. 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.

EMPLOYEE STOCK OWNERSHIP PROGRAM (ESOP)

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

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

As part of ESOP 2018/19, further options were issued in the 2022/23 financial year on 1 October 2022 by way of exception (in particular for the newly appointed Chief Financial Officer). As part of ESOP 2023, further options were issued as planned in the 2022/23 financial year on 20 September 2023 and on 27 September 2023. 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. The ESOP 2023 stock option program is based on the AGM resolution of 8 March 2023 to set up a stock option program and create Conditional Capital 2023/II.

As part of exercise, one option entitles to the purchase of one share in the company at the so-called exercise price. The exercise price corresponds to an average of the share price ten trading days (for ESOP 2017/18 and ESOP 2018/19) or 30 trading days (for ESOP 2022/23) before the contractual grant date.

Along with the share price performance targets (performance condition), the exercising of options is also conditional upon the respective beneficiary remaining at the company (service condition). Taking fulfilment of both the service and performance conditions into consideration, the options can be exercised at the earliest at the end of four years after the grant date (waiting period). The exercise period for ESOP 2018/19 is four years after expiry of the four-year waiting period and for ESOP 2023 two years after expiry of the four-year waiting period.

From the ESOP 2018/19 onwards, a cap amount is also applied to the Management Board members' options, which limits the options' maximum value. The ESOP 2017/18 and ESOP 2023 only provide for such a cap for Management Board members.

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

As a matter of principle, the fair value of the options is measured once at the grant date using a Monte Carlo simulation, and taking into consideration the terms and conditions upon which the options were granted.

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

German government bond yields with congruent maturities. Due to the contractual structure, the management has made assumptions about expected exercise dates and payments. The actual exercise dates can differ from the assumptions that have been made.

For BRAIN Biotech AG, exercise of the subscription rights entails no effect on its cash position or treasury share position, as no obligation of any kind exists for the company to deliver shares or cash payments in connection with these programs. As the company receives the consideration in the form of work and similar service, a personnel expense for these share-based payment schemes is recognized pursuant to IFRS 2.

CURRENT AND DEFERRED TAXES

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

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

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

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

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

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

LEASES

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

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

- BRAIN Biotech AG utilizes the option not to recognize leases for intangible assets as part of IFRS 16.
- BRAIN Biotech AG applies the exemptions in connection with lease agreements with a maximum term of twelve months from the date of delivery of the asset, as well as low-value assets. Leased assets with a maximum value of USD 5,000 were defined as low-value assets. Lease payments for short-term leases and for leases for low-value assets are expensed straight-line over the lease term.
- For leases, use is generally made of the option of not separating lease and non-lease components. Lease and non-lease components are separated only for leases of land and buildings.
- In determining the term of leases, the exercise of existing renewal or termination options is estimated on a case-by-case basis, taking into consideration factors such as location strategies, leasehold improvements, and degree of specificity.
- Lease liabilities are measured at the present value of the remaining lease payments. As a rule, the marginal borrowing rate is used because the interest rate underlying the lease cannot be readily determined. BRAIN Biotech AG applies the repayment model in order to determine the current portion of the lease liability. The current portion of the lease liabilities corresponds to the repayment portion of the next twelve months.
- On the date of addition, the right-of-use is generally capitalized in the same amount as the lease liability. Differences may arise if, for example, demolition/restoration obligations exist.
- Subsequently, the right-of-use is generally depreciated on a straight-line basis over the lease term. However, if an existing call option has been assessed as sufficiently certain in relation to the probability of exercise, or if an automatic transfer of ownership occurs at the end of the contract term, depreciation is applied over the same period as is otherwise applied to corresponding assets of property, plant and equipment (see "Property, plant and equipment").
- If an existing lease is subsequently adjusted, the lease liability and the right-of-use asset must be remeasured if the contractual adjustment modifies the payment profile (in accordance with the interest and repayment schedule) or the scope of the right-of-use asset in terms of quantity or time.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and time deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

STATEMENT OF CASH FLOWS

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

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

IV. Segment reporting

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

The following changes have occurred in the segmentation compared to the consolidated financial statements as at 30 September 2022. The **BioIndustrial** segment remained unchanged in its composition, with the exception of the divestment of L.A. Schmitt GmbH as at 30 September 2022, and was renamed "**BioProducts**". The "**BioIncubator**" and "**Holding**" segments have been excluded from the **BioScience** segment. The BioScience segment now includes the activities of BRAIN Biotech Zwingenberg (excluding the holding company and the share of the BioIncubator) and AnalytiCon Discovery. The previous year's figures have been adjusted accordingly.

Based on monitoring and control by the Management Board, three operating segments were identified, for which no further aggregation is possible due to their differing product and service orientation.

BRAIN's business activities are categorized into the BioProducts, BioScience, and BioIncubator operating segments. Segmentation is according to the criterion of the existence of an industrial scale of products. At Management Board level, the individual segments' business performance is measured on the basis of revenue, and their profitability is measured based on adjusted EBITDA. The Management Board performs and approves planning at this level. All three operating segments have a different strategic orientation and require different marketing and business development strategies.

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

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

The BioIncubator segment mainly comprises the R&D pipeline as well as the company's own R&D projects or those initiated with partners offering high value-creation potential. One particularly promising BioIncubator project concerns the development of a proprietary CRISPR-based gene editing technology platform, which will be established and expanded by the subsidiary Akribion Genomics AG.

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

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

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

The following overview presents the segment results. The previous year's figures have been adjusted in line with the new segmentation.

	BioProducts		BioScience		BioIncubator		Holding		Consolidation		Group	
€ thousand	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Revenue generated with other segments	0	47	39	71	0	0	0	0	-39	-118	0	0
Revenue generated with external customers	42,492	37,501	12,267	12,007	576	0	0	0	0	0	55,335	49,509
Total revenue	42,492	37,548	12,306	12,079	576	0	0	0	-39	-118	55,335	49,509
R&D grant revenue ¹	149	154	374	521	368	111	0	0	0	0	890	786
Changes in inventories ²	-170	824	314	108	0	0	0	0	0	0	144	932
Other income	320	1,284	460	726	11	0	0	0	-20	-166	771	1,845
of which net income from divestment of L.A. Schmitt GmbH	0	-650	0	0	0	0	0	0	0	0	0	-650
Total operating performance	42,791	39,811	13,454	13,434	955	111	0	0	-59	-284	57,140	53,072
Cost of materials	-22,761	-20,402	-2,102	-2,357	-519	-337	0	0	25	101	-25,357	-22,994
Personnel expenses	-8,648	-8,929	-8,626	-8,207	-2,417	-1,968	-2,310	-2,577	0	0	-22,000	-21,681
of which from share-based payments	-82	636	325	394	0	0	471	354	0	0	714	1,384
of which acquisition and integration costs	234	0	0	0	0	0	0	0	0	0	234	0
Other expenses	-6,203	-5,562	-2,283	-2,357	-753	-386	-1,406	-1,483	36	82	-10,609	-9,706
of which acquisition and integration costs	154	0	0	0	0	0	125	476	0	0	279	476
EBITDA	5,178	4,918	443	513	-2,734	-2,580	-3,716	-4,060	3	-101	-826	-1,309
Adjusted EBITDA	5,485	4,904	768	907	-2,734	-2,580	-3,120	-3,230	3	-101	402	-98
Depreciation and amortization	-3,256	-2,987	-1,397	-1,353	0	0	0	0	0	0	-4,654	-4,340
EBIT	1,922	1,931	-954	-840	-2,734	-2,580	-3,716	-4,060	3	-101	-5,480	-5,648
Finance income											789	3,606
Result from equity-accounted investments											-1,492	-2,426
Finance costs											-1,307	-1,696
Result before taxes											-7,489	-6,165

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	2022/23	2021/22
Enzymes & Bio-based Products	42,492	35,301
Cosmetics	-	2,200
BioProducts	42,492	37,501
Research and development	12,267	12,007
BioScience	12,267	12,007
Licenses	576	0
BioIncubator	576	0
Group total	55,335	49,509

The following table presents revenue by geographic region:

€ thousand	2022/23	2021/22
Germany	5,665	7,929
Abroad	49,670	41,579
of which: USA	15,306	14,017
of which: Netherlands	10,381	6,540
of which: UK	4,770	3,643
of which: France	2,743	3,798

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

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

€ thousand	30.09.2023	30.09.2022
Intangible assets	15,215	16,764
Property, plant and equipment	28,720	28,737
Total	43,935	45,502
of which: UK	25,168	25,176
of which: Germany	12,211	13,102
of which: Netherlands	4,893	5,290
of which: USA	1,663	1,934

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

V. Notes to the consolidated statement of comprehensive income

ADJUSTMENTS TO EARNINGS

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

€ thousand	2022/23	2021/22
EBITDA, including:	-826	-1,309
Personnel expenses from share-based payment components	-714	-1,384
Personnel expenses related to M&A transactions and the integration of acquired businesses	-234	-
Other operating expenses related to M&A transactions and the integration of acquired businesses	-279	-476
Other income from the divestment of L.A. Schmitt GmbH	-	650
Adjusted EBITDA	402	-98

1 REVENUE

The Group's revenue includes revenue from the sale of goods and products totaling € 44,953 thousand (previous year: € 38,974 thousand), remuneration from research and development partnerships amounting to € 7,634 thousand (previous year: € 9,378 thousand), utilization fees of € 2,558 thousand (previous year: € 1,157 thousand) and other revenue of € 190 thousand (previous year: € 0 thousand).

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

The composition of revenue by segments and regions is presented in IV Segment reporting.

2 RESEARCH AND DEVELOPMENT GRANT REVENUE

R&D grant revenue amounting to € 890 thousand (previous year: € 786 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	2022/23	2021/22
Income from release of liabilities and provisions	134	239
Benefits in kind and rental income	118	120
Income from translating foreign currency items	231	633
Other out-of-period income	45	114
Income from the divestment of L.A. Schmitt GmbH	0	650
Miscellaneous other income	243	89
Total	771	1,845

4 COST OF MATERIALS

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

5 PERSONNEL EXPENSES

Share-based payment and other long-term employee benefits

Employee Stock Ownership Program (ESOP)

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

ESOP 2017/18	Measurement date	Options outstanding	Exercise price (€)
ESOP 2017/18	08 June 2018	63,000	20.67

ESOP 2018/19	Measurement date	Options outstanding	Exercise price (€)
ESOP 2018/19	12 March 2019	177,600	10.64
ESOP 2019/20	9 March 2020	248,000	9.11
ESOP 2020/21-Oct	2 October 2020	60,000	7.37
ESOP 2020/21-Mar	15 March 2021	316,000	9.03
ESOP 2021/22-Oct	8 April 2022	270,000	8.71
ESOP 2021/22-Oct	27 September 2022	60,000	5.43
ESOP 2022/23-Oct	1 October 2022	90,000	5.22

ESOP 2022/23	Measurement date	Options outstanding	Exercise price (€)
ESOP 2022/23-Sep-I	20 September 2023	133,000	4.62
ESOP 2022/23-Sep-II	27 September 2023	113,524	4.59

When the options were issued in the 2022/23 financial year for the ESOP 2022/23-Oct, the grant date was 1 October 2022, for the ESOP 2022/23-Sep-I the grant date was 20 September 2023, and for the ESOP 2022/23-Sep-II the grant date was 27 September 2023.

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

	Options for managers and employees	Options for Management Board members
Outstanding as at 30.09.2022	696,600	510,000
Granted in the financial year	173,000	163,524
Expired in the financial year	12,000	0
Forfeited in the financial year	0	0
Exercised in the financial year	0	0
Outstanding as at 30.09.2023	857,600	673,524
Exercisable as at 30.09.2023	180,600	60,000

The following parameters were applied as at the measurement date:

Parameter	Options for Management Board members, managers and employees (ESOP 2022/23-Oct): Issued in the 2022/23 financial year	Options for Management Board members, managers and employees (ESOP 2022/23-Sep-I): Issued in the 2022/23 financial year	Options for Management Board members, managers and employees (ESOP 2022/23-Sep II): Issued in the 2022/23 financial year
Measurement date	1 October 2022	20 September 2023	27 September 2023
Remaining term (in years)	7	6	6
Share price on the measurement date (€)	4.41	4.48	4.38
Exercise price (€)	5.22	4.62	4.59
Expected dividend yield (%)	0.0	0.0	0.0
Expected volatility of the BRAIN share (%)	55.15	57.42	57.60
Expected volatility of the HDAX 110 Index (%)	n/a	22.13	22.13
Expected volatility of NASDAQ Biotechnology Index (%)	n/a	25.90	25.83
Risk-free interest rate (%)	1.83	2.87	2.88
Model applied	Monte Carlo	Monte Carlo	Monte Carlo
Value cap per option (€)	35.22	n/a	n/a
Fair value per option (€)	2.01	2.03	2.00

As the company receives the consideration in the form of work and similar service, pursuant to IFRS 2 an amount of € 797 thousand (previous year: € 748 thousand) for these share-based payment schemes is recognized at BRAIN Biotech AG. Of this amount, € 242 thousand relates to Management Board members (previous year: € 227 thousand).

Growth equity program at Biocatalysts Ltd.

In the 2018/19 financial year, a share-based compensation scheme was established to incentivize and retain managers at Biocatalysts Ltd., which was acquired in the 2017/18 financial year, in which managers at local company level participate. In the 2018/19 financial year, the managers acquired 50,197 shares at a nominal price of GBP 0.1, in other words, at a total amount of GBP 5,020. The shares carry neither voting rights nor profit participation rights.

The program was settled in the financial year under review. In the financial year under review, a corresponding income in personnel expenses of € 82 thousand (previous year: expenses of € 636 thousand) was recognized as an adjustment to the liability. The resulting liability of € 1,273 thousand is recognized under other liabilities [22].

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

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

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

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

The periodic expense from this program amounted to € 0 thousand for the 2022/23 financial year. A liability of € 0 thousand was formed as at 30 September 2023. An obligation of € 0 thousand arose for the 2021/22 financial year.

Pension commitments

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

€ thousand	2022/23	2021/22
Service cost	0	0
Interest cost from the DBO/pension obligation	116	59
Return on plan assets	-74	-33
Expenses recognized in the operating result	42	26
Remeasurement effects	-24	-901
Net effect: other comprehensive income	-24	-901
Total expenses	18	-875

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	2022/23	2021/22
Value on 1 October	3,179	5,250
Interest cost	116	59
Service cost	0	0
Remeasurement due to changes to demographic assumptions	0	0
Actuarial gains (-) and losses (+) from changes in financial assumptions	-219	-2,121
Remeasurement due to experience-based adjustments	-6	-9
Value on 30 September	3,070	3,179

The actuarial gains arise mainly from the adjustment of the actuarial interest rate.

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

€ thousand	2022/23	2021/22
Value on 1 October	2,026	2,979
Return on plan assets	74	33
Contributions paid	243	243
Remeasurement effects	-201	-1,229
Value on 30 September	2,142	2,026

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	30.09.2023	30.09.2022
Defined benefit obligation	3,070	3,179
Plan assets	-2,142	-2,026
Provision for pension schemes	928	1,153

€ thousand	2022/23	2021/22
Value on 1 October	1,153	2,271
Net interest costs	42	26
Service cost	0	0
Contributions paid	-243	-243
Remeasurement effects	-24	-901
Value on 30 September	928	1,153

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 2023.

When measuring the pension obligation, an actuarial interest rate of 4.05 % (previous year: 3.65 %) and a pension trend of 1.00 % (previous year: 1.00 %) was applied. The cashflow-weighted duration of the payment obligation scope amounts to 17.7 years (previous year: 19.1 years).

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

€ thousand	30.09.2023	30.09.2022
Change in interest rates +0.25 %	-126	-142
Change in interest rates -0.25 %	134	151
Increase in pension trend p.a. +0.25 %	104	111
Life expectancy + 1 year	71	78
Life expectancy - 1 year	-73	-80

The expected contributions to plan assets in the 2023/24 financial year amount to approximately € 243 thousand. No pension payments are expected for the 2023/24 financial year.

These include € 438 thousand (previous year: € 405 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 € 1,417 thousand in the financial year under review (prior year: € 1,307 thousand).

Post-employment benefit costs of approximately € 448 thousand and employer contributions to the statutory pension insurance scheme (defined contribution benefit pension plan) of approximately € 1,464 thousand are expected in the 2023/24 financial year.

6 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment charges are presented in the statements of changes in intangible assets and property, plant and equipment in the notes to the balance sheet.

7 OTHER EXPENSES

Other expenses consist of the following:

€ thousand	2022/23	2021/22
Advertising and travel expenses	1,168	862
Occupancy costs	1,341	1,381
Distribution, sales, and logistics expenses	1,639	1,331
Legal and consulting expenses	1,496	1,320
Repair and maintenance expenses	591	625
Office and business supplies	462	516
Costs of financial statements and auditing	543	408
Insurance	534	376
Services	447	333
Supervisory Board compensation	345	257
Currency translation expenses	292	515
Other levies and license fees	370	231
Training costs	175	156
Miscellaneous other expenses	1,206	1,394
Other expenses, total	10,609	9,706

8 FINANCE INCOME

Finance income consists of the following:

€ thousand	2022/23	2021/22
Income from dilution of interests held in equity-accounted investments	541	2,356
Income from the (subsequent) measurement of financial derivatives	219	0
Income from subsequent measurement of financial liabilities	0	1,234
Interest income from loans to equity-accounted investments	4	4
Miscellaneous finance income	25	12
Finance income, total	789	3,606

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 the Breatec Group in an amount of € 0 thousand (previous year: € 1,234 thousand).

9 FINANCE COSTS

Finance costs consist of the following:

€ thousand	2022/23	2021/22
Expenses from subsequent measurement of financial derivatives	0	308
Interest cost for silent partnerships	259	280
Interest cost for loans	437	146
Interest costs for leases	162	103
Expenses from the subsequent measurement of financial liabilities for the potential acquisition of non-controlling interests (put options)	365	816
Miscellaneous finance costs	84	43
Finance costs, total	1,307	1,696

The expense from the subsequent measurement of financial liabilities derives mainly from the change in measurement and exercise of put option rights relating to non-controlling interests of Biocatalysts Ltd. in an amount of € 235 thousand (previous year: € 816 thousand) and of the Breatec Group in an amount of € 130 thousand (previous year: € 0 thousand).

10 CURRENT AND DEFERRED TAXES

Deferred taxes are measured using the tax rates expected to apply in the period when the asset is realized, or the liability is settled. For all German entities included in the Group, this is 15.825 % for corporate income tax, including the solidarity surcharge (previous year: 15.825 %). The trade tax rate for domestic Group companies and the combined tax rate are shown below:

Trade tax rate	2022/23	2021/22
BRAIN Biotech AG	13.30 %	13.30 %
BRAIN Capital GmbH	13.30 %	13.30 %
AnalytiCon Discovery GmbH	15.93 %	15.93 %
Mekon Science Networks GmbH	13.30 %	13.30 %
WeissBioTech GmbH	14.53 %	14.53 %

Combined tax rate	2022/23	2021/22
BRAIN Biotech AG	29.13 %	29.13 %
BRAIN Capital GmbH	29.13 %	29.13 %
BRAIN US LLC	21.00 %	23.90 %
AnalytiCon Discovery GmbH	31.75 %	31.75 %
AnalytiCon Discovery LLC	21.00 %	23.90 %
Mekon Science Networks GmbH	29.13 %	29.13 %
Biocatalysts Ltd.	25.00 %	19.00 %
Biocatalysts Inc.	21.00 %	21.00 %
Biosun Biochemicals Inc.	21.00 %	21.00 %
Weriol Group BV	25.80 %	25.80 %
Breatec BV	25.80 %	25.80 %
WeissBioTech GmbH	30.35 %	30.35 %

Of the income tax assets of € 56 thousand (previous year: € 0 thousand), € 39 thousand (previous year: € 0 thousand) relate to corporation tax and the solidarity surcharge, and € 17 thousand (previous year: € 0 thousand) relate to trade tax. Of the income tax liabilities of € 44 thousand (previous year: € 190 thousand), € 35 thousand (previous year: € 18 thousand) relate to corporation tax and the solidarity surcharge, and € 9 thousand (previous year: € 172 thousand) relate to trade tax.

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

€ thousand	30.09.2023		30.09.2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	1,791	0	2,150
Tax loss carryforwards/ carrybacks	315	0	790	0
Property, plant and equipment	58	2,390	56	2,024
Trade receivables	2	3	2	3
Pension liabilities	12	0	24	0
Financial liabilities	20	0	0	0
Provisions and liabilities	14	7	15	3
Total	422	4,190	888	4,180
Offset	-422	-422	-888	-888
Total	0	3,768	0	3,292

€ thousand		2022/23
Net deferred tax liabilities at start of financial year (1 October 2022)		3,292
Additions to deferred tax assets/liabilities due to changes in the scope of consolidation	0	0
Change in deferred taxes due to exchange rate differences	19	19
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)	-18	
Deferred tax expense from the reversal of deferred tax assets from tax loss carryforwards	475	
Net deferred tax liabilities at end of financial year (30 September 2023)		3,768

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	2022/23	2021/22
Consolidated net profit/loss for the period before taxes	-7,489	-6,165
Expected tax income	-2,181	-1,795
Different tax rates applicable to consolidated subsidiaries	-129	-141
Effects of changes in tax rates	86	69
Permanent differences from consolidation adjustments	746	612
Permanent differences from equity transactions	0	0
Permanent differences from subsequent measurement of financial assets and liabilities	106	-121
Permanent differences from equity-settled share-based compensation	232	218
Tax-free income / non-deductible expenses	-62	0
Utilization of tax loss carryforwards from previous periods	-3	0
Non-capitalized tax loss carryforwards	1,774	2,227
Out-of-period taxes and other differences	37	-892
Reported current or deferred income tax income (-)/ expense (+)	625	176

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	2022/23	2021/22
Current deferred tax assets	328	12
Non-current deferred tax assets	94	87
Current deferred tax liabilities	679	676
Non-current deferred tax liabilities	3,511	2,714
Net current deferred tax	-351	-665
Net non-current deferred tax	-3,417	-2,628

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 2022/23 and prior financial years amounting to € 84,299 thousand (corporation tax; previous year: € 77,277 thousand) and € 82,696 thousand (trade tax; previous year: € 77,007 thousand). The potential tax benefits that have consequently not been recognized amount to € 24,503 thousand (prior year: € 22,517 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 € -8,279,463 as reported in the consolidated income statement (previous year: € -6,589,514).

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 2022/23 amounted to 21,847,495 no-par value shares (previous year: 21,847,495 no-par value shares).

No dilutive effects arise at present.

VI. Notes to the consolidated balance sheet

12 INTANGIBLE ASSETS

The following table shows the composition and changes:

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

€ thousand	Goodwill	Other intangible assets	Total intangible assets
FY 2021/22	4,725	17,739	22,464
Cost at 1 October 2021			
Additions from corporate acquisition	1,960	2,486	4,446
Additions	0	280	280
Disposals arising from divestitures	0	-94	-94
Currency translation	-78	36	-42
at 30 September 2022	6,606	20,448	27,054
Amortization and impairment at 1 October 2021	0	8,933	8,933
Amortization for the financial year	0	1,511	1,511
Disposals	0	-94	-94
Currency translation	0	-60	-60
at 30 September 2022	0	10,289	10,289
Net carrying amount at 30 September 2022	6,606	10,158	16,765
at 30 September 2021	4,725	8,806	13,531

The goodwill reported as at 30 September 2023 arises from the acquisition of AnalytiCon Group (AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC) in the 2013/14 financial year, the acquisition of Biocatalysts Group (Biocatalysts Ltd., Biocatalysts Inc.) in the 2017/18 financial year, and the acquisition of Breatec Group (Weriol Group BV, Breatec BV and Panei BV) in the 2021/22 financial year.

Impairment tests

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

Cash-generating unit	30.09.2023		30.09.2022	
	Goodwill € thousand	Pre-tax cost of capital (WACC) ³	Goodwill € thousand	Pre-tax cost of capital (WACC) ³
Biocatalysts	4,008	10.25 %	3,948	9.29 %
Breatec	1,960	9.24 %	1,960	8.08 %
Natural Products Chemistry	699	16.37 %	699	15.05 %

³ Weighted average total cost of capital rate before tax

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

The "Breatec" CGU comprises the goodwill from the acquisition of Weriol Group BV, including its subsidiary Breatec BV, and is attributable to the BioProducts segment.

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

Biocatalysts

For the Biocatalysts unit, an IAS 36 impairment test was performed again as at 30 September 2023. 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 2022/23 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 2023.

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

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

Breatec

For the Breatec unit, an IAS 36 impairment test was performed again as at 30 September 2023. Planning is based on significant revenue growth and successive margin improvements. Continued strong growth is to be achieved by further expanding business relationships with both existing and new customers. Furthermore, an even stronger focus on customer-specific enzymes is planned, which should contribute to a further improvement in revenue as well as to a margin improvement. Net cash flows beyond the detailed planning phase were modelled on a terminal growth rate that reflects growth rates derived from current market information (financial year under review: 1.00 %, previous year: 1.00 %). A value-in-use applying discounted cash flows was calculated based on five-year planning. No impairment was determined in the impairment test on 30 September 2023.

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

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

Natural Products Chemistry

Thanks to positive market feedback and its successful performance in recent financial years, the "Natural Products Chemistry" unit in its planning assumes significant revenue growth and a positive trend in its EBITDA margin. The expected trend in revenue and earnings is mainly driven by the growth potential in the area of projects/services (including the project of AnalytiCon Discovery GmbH with Pharvaris N.V. regarding the novel oral bradykinin B2 receptor antagonist (PHA121)) as well as the resultant positive effects on the personnel expense ratio. Net cash flows beyond the detailed planning phase were modelled on a terminal growth rate that reflects growth rates derived from current market information (financial year under re-

view 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 2023.

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

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

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

€ thousand	30.09.2023	30.09.2022	Remaining useful life ⁴ as at 30.09.2023
Technology of AnalytiCon Discovery GmbH	61	303	0.25
Technology of Biocatalysts Ltd.	2,532	2,883	7
Technology of Breatec Group	365	449	4
Customer relationships of Biocatalysts Group	2,429	2,831	6
Customer relationships of Biosun Biochemicals Inc.	1,020	1,237	8
Customer relationships of Breatec Group	1,633	1,856	7

⁴ Remaining useful life in years

In accordance with the accounting policies presented above, no development costs were capitalized in the 2022/23 financial year or in the previous year, as it is not possible to distinguish research and development phases due to the alternating process, and consequently not all of the criteria specified in IAS 38 were met.

Research and development expenses of € 4,979 thousand (previous year: € 4,870 thousand) are reported in the statement of comprehensive income mainly under the items "personnel expenses", "cost of materials", and "other expenses", as well as in amortization charges.

13 PROPERTY, PLANT AND EQUIPMENT

Investments in property, plant and equipment in the 2022/23 financial year were attributable primarily to the technical expansion of research, development, and manufacturing infrastructure. The following table shows the composition and changes of property, plant and equipment:

€ thousand	Land and buildings	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
FY 2022/23	10,327	7,570	22,676	2,356	42,930
Cost at 1 October 2022					
Additions	33	92	1,982	866	2,972
Disposals	-1	-166	-480	-35	-683
Reclassifications	0	0	-2,709	2,709	0
Currency translation	64	-8	80	17	153
at 30 September 2023	10,423	7,488	21,549	5,912	45,372
€ thousand	Land and buildings	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
Depreciation and impairment at 1 October 2022	3,139	2,140	8,316	598	14,192
Depreciation for the financial year	240	841	1,334	638	3,053
Disposals	0	-166	-315	-35	-517
Currency translation	5	-7	-62	-10	-75
at 30 September 2023	3,385	2,807	9,271	1,189	16,651
Net carrying amount at 30 September 2023	7,038	4,681	12,278	4,723	28,720
at 30 September 2022	7,188	5,431	14,361	1,758	28,737

€ thousand	Land and buildings	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
FY 2021/22	9,389	6,869	18,689	1,898	36,845
Cost at 1 October 2022					
Additions from acquisition	49	517	125	429	1,121
Additions	1,686	221	5,363	44	7,314
Disposals	0	0	-237	0	-237
Disposals arising from divestitures	-742	-45	-1,093	0	-1,880
Currency translation	-55	8	-172	-15	-233
at 30 September 2022	10,327	7,570	22,676	2,356	42,930

€ thousand	Land and buildings	Right of use, land and buildings	Operating and office equipment	Right of use, operating and office equipment	Total property, plant and equipment
Depreciation and impairment at 1 October 2021	3,181	1,371	7,832	170	12,554
Depreciation for the financial year	249	802	1,348	430	2,829
Disposals	0	0	-125	0	-125
Disposals arising from divestitures	-285	-45	-686	0	-1,016
Currency translation	-6	12	-54	-2	-50
at 30 September 2022	3,139	2,140	8,316	598	14,191
Net carrying amount at 30 September 2022	7,188	5,431	14,360	1,758	28,738
at 30 September 2021	6,207	5,499	10,857	1,728	24,291

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.

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

The following table presents the total cash outflows for leases.

€ thousand	2022/23	2021/22
Cash outflows for leases		
Repayments of lease liabilities	1,455	1,029
Interest payments for lease liabilities	162	118
Total	1,617	1,147

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 30.09.2021	0
Share of profit or loss after taxes in 2021/22	10
Impairment	-10
Carrying amount at 30.09.2022	0
Share of profit or loss after taxes in 2022/23	75
Reversing an impairment loss	8
Carrying amount as at 30.09.2023	83

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

The interest held by BRAIN Biotech AG continued to amount to 24.095 % in the 2022/23 financial year. This participating interest is allocated to the BioScience segment. There were no unrecognized losses in the current financial year (previous year: € 0 thousand).

The following tables show the aggregated results and balance sheet data of 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	2022/23	2021/22
Revenue	2,079	1,577
Total comprehensive income or loss	312	40
Share of profit or loss after taxes	75	10

€ thousand	30.09.2023	30.09.2022
Non-current assets	507	354
Current assets	817	903
Non-current liabilities	420	500
Current liabilities	560	725
Equity	344	32
Interest in equity	83	8

The difference in prior periods between the recognized valuation of the participating interest and the proportional equity attributable to BRAIN Biotech AG of € 166 thousand reflected goodwill.

SolasCure Ltd.

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

€ thousand

Carrying amount at 30.09.2021	550
Share of profit or loss after taxes in 2021/22	-2,426
Reversal of elimination of unrealized results of intra-group transactions	176
Capital increase 29.11.2021	1,497
Gain from dilution of interest	2,180
Currency translation	-39
Carrying amount at 30.09.2022	1,938

€ thousand

Carrying amount at 30.09.2022	1,938
Share of profit or loss after taxes in 2022/23	-1,560
Reversal of elimination of unrealized results of intra-group transactions	46
Capital increase 22.02.2023	369
Gain from dilution of interest	541
Currency translation	39
Carrying amount at 30.09.2023	1,373

In the 2022/23 financial year, BRAIN Biotech AG participated in a capital increase at SolasCure Ltd. The capital increase amounted to € 2.8 million (in which BRAIN participated in an amount of € 0.4 million) and led to the aforementioned change in the interest held. As a consequence, the capital increase led to a dilution of the interest held in SolasCure Ltd. This participating interest is allocated to the BioScience segment. There were no unrecognized losses in the current financial year (previous year: € 0 thousand).

The following tables show the aggregated results and balance sheet data of SolasCure Ltd. and the amounts of profit or loss for the period and equity attributable to BRAIN Biotech AG in line with its 34.16 % interest (35.51 % on 30 September 2022). The disclosures reflect the financial statements of SolasCure Ltd. prepared in accordance with IFRS as adopted by the European Union.

€ thousand	2022/23	2021/22
Revenue	0	0
Total comprehensive income or loss	-7,486	-6,117
Share of profit or loss after taxes	-1,560	-2,426

€ thousand	30.09.2023	30.09.2022
Non-current assets	4,049	3,989
Current assets	2,759	4,198
Non-current liabilities	0	0
Current liabilities	460	150
Equity	6,344	8,037
Interest in equity	2,167	2,854

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	30.09.2023	30.09.2022
Finished goods	6,392	5,950
Raw materials, consumables and supplies	2,995	3,285
Work in progress	339	389
Prepayments on inventories	30	36
Total	9,756	9,661

Inventories included impairment losses on raw materials and supplies of € 54 thousand (prior year: € 170 thousand), and work in progress and finished goods of € 441 thousand (prior year: € 83 thousand). Reversals of impairment losses of € 0 thousand were applied (previous year: € 0 thousand).

16 TRADE RECEIVABLES

Trade receivables consist of the following:

€ thousand	30.09.2023	30.09.2022
Trade receivables	8,835	7,424
Receivables from research and development grant revenue	607	612
Total	9,442	8,036

The presented carrying amounts of receivables correspond to the fair values.

Trade receivables generally have a term of up to one year. Credit default rates in a range of between 0.5 % and 10 % were applied in order to calculate the total lifetime ECL. Total lifetime ECLs of € 52 thousand (previous year: € 75 thousand) were recognized on the portfolio as at the 30 September 2023 reporting date, which are recorded in a separate allowance account.

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

€ thousand	Trade receivables	of which:	of which:				Total lifetime ECL	Carrying amount
		not overdue as at the balance sheet date	overdue in the following reporting periods					
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
30.09.2023	9,495	8,651	671	83	67	23	52	9,442

The following table shows the past due structure of trade receivables as at 30 September 2022.

€ thousand	Trade receivables	of which:	of which:				Total lifetime ECL	Carrying amount
		not overdue as at the balance sheet date	overdue in the following reporting periods					
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
30.09.2022	8,110	6,586	1,154	101	155	114	74	8,036

The following table shows the changes in impairment losses:

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

€ thousand	2021/22
Carrying amount at start of period	49
Net effect of addition and reversals	25
Carrying amount at end of period	74

The impairment rate amounted to 0.5 % in the 2022/23 financial year (previous year: 0.9 %).

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

17 OTHER FINANCIAL ASSETS

Other financial assets consist of the following:

€ thousand	30.09.2023	30.09.2022
Loans extended up to one year	123	73
Deposits with a term up to one year	55	82
Miscellaneous other financial assets	0	280
Total	178	435

18 OTHER NON-CURRENT AND CURRENT ASSETS

Other non-current assets consist of the following:

€ thousand	30.09.2023	30.09.2022
Expenses deferred for a period of more than one year	20	55
Loans extended	50	100
Deposits	0	12
Total	70	168

Other current assets consist of the following:

€ thousand	30.09.2023	30.09.2022
Expenses relating to the following year	393	331
VAT receivables due from the tax authorities	213	196
Receivables from the divestment of L.A. Schmitt GmbH	0	3,040
Miscellaneous other current assets	86	244
Total	691	3,811

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	2022/23	2021/22
Expenses		
Expenses from the divestment of subsidiaries	0	1,653
Personnel expenses from share-based compensation and employee share schemes	797	748
Losses on receivables/change in value allowances for receivables	2	3
Net finance costs from subsequent measurement of financial liabilities	426	960
Miscellaneous financial result	0	308
Miscellaneous	8	42
Total	1,233	3,714
Income		
Reduction in value allowances for receivables	21	1
Net finance income from subsequent measurement of financial and other liabilities	0	1,234
Income from the reversal of impairments applied to equity-accounted investments	8	0
Income from dilution of interests held in equity-accounted investments	541	2,356
Write-up applied to inventories	21	153
Other financial result, from the (subsequent) measurement of financial derivatives	219	-
Miscellaneous	47	31
Total	857	3,775
Net cash expenses/income	376	-61

20 EQUITY

Changes to the equity capital position are shown in the consolidated statement of changes in equity.

Subscribed capital

The subscribed share capital amounts to € 21,847,495 (previous year: € 21,847,495) and is divided into 21,847,495 ordinary shares (previous year: 21,847,495), to each of which a proportional amount of the share capital of € 1.00 is attributable. The shares are fully paid-in registered shares. The shares are listed in the Prime Standard stock market segment of the Frankfurt Stock Exchange.

Authorized capital

With an AGM resolution on 9 March 2022, authorized capital of € 4,369,499 was created (Authorized Capital 2022/I). Authorized Capital 2022/I was entered in the commercial register on 28 March 2022. The Management Board was authorized, with Supervisory Board assent, to increase the company's share capital in the period until 8 March 2027, once or on several

occasions, albeit by a maximum nominal amount of € 4,369,499 through issuing up to 4,369,499 new ordinary registered shares against either cash capital contributions and/or non-cash capital contributions, whereby shareholders' statutory subscription rights can be wholly or partly excluded. If the new shares are issued against cash capital contributions, shareholders' statutory subscription rights can be wholly or partially excluded if the new shares' issue price is not significantly less than the stock market price of the company's shares already listed on the date when the issue price is finally determined, and the total number of shares issued in this manner under exclusion of subscription rights does not exceed 10 % of the share capital.

Accordingly, authorized capital of € 4,369,499 was reported as at the 30 September 2023 reporting date.

Conditional capital

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

The conditional capital of 1,986,136 existing as at 30 September 2022 (Conditional Capital 2021/I) was cancelled by resolution of the Annual General Meeting on 8 March 2023.

Conditional Capital 2023/I serves exclusively to grant shares to the holders of bonds with warrants and convertible bonds that the company issues based on the authorization of the Management Board by way of AGM resolution passed on 8 March 2023. The conditional capital increase is to be implemented through issuing up to 2,184,749 new ordinary registered shares only to the extent that the holders of convertible bonds and/or bonds with warrants utilize their conversion rights or warrant rights, or the holders of convertible bonds that are obligated to convert satisfy their obligation to convert, and to the extent that other forms of satisfaction are not deployed to service the bonds. An increase in the share capital from Conditional Capital 2023/I had not been implemented as at the 30 September 2023 reporting date.

Conditional Capital 2015/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 July 2015 as part of a stock option plan comprising up to 63,000 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board, members of affiliated companies' management boards, as well as managers and other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2015/II had not been implemented as at the 30 September 2023 reporting date.

At the Annual General Meeting on 7 March 2019, Conditional Capital 2015/II was reduced from originally € 1,272,581 to € 123,000, as this capital was to remain exclusively for hedging stock options already issued. At the Annual General Meeting on 8 March 2023, the conditional capital was reduced by a further € 60,000 to € 63,000. The authorization to issue further stock options from Conditional Capital 2015/II was revoked at the same Annual General Meeting and replaced by a new authorization (see following section).

By resolution of the Annual General Meeting on 7 March 2019, the share capital was conditionally increased by € 1,682,578 through the issue of up to 1,682,578 new no-par-value registered shares (Conditional Capital 2019/I). Conditional Capital 2019/I was reduced by € 448,978 from the original € 1,682,578 to € 1,233,600 at the Annual General Meeting on 8 March 2023. 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 2023 reporting date.

Conditional Capital 2023/II serves exclusively to service subscription rights arising from stock options that are granted – pursuant to the AGM resolution dated 8 March 2023 as part of a stock option plan comprising up to 888,148 stock options that carry subscription rights to shares of BRAIN Biotech AG with a term of up to eight years – to the members of the company's Management Board and other company employees in senior positions. The conditional capital increase is to be implemented only to the extent that the holders of issued subscription rights utilize them, and the company does not grant treasury shares or cash settlement to satisfy these subscription rights. An increase in the share capital from Conditional Capital 2023/II had not been implemented as at the 30 September 2023 reporting date.

Stock options

An AGM resolution dated 8 March 2023 authorized the Management Board, with Supervisory Board approval, to issue as part of a stock option plan until 7 March 2028 up to 888,148 stock options with subscription rights to shares of BRAIN Biotech AG with a term of up to six years, with the condition that each stock option grant the right to subscribe for one share, and according to further provisions. As far as issuing shares to members of the Management Board of BRAIN Biotech AG is concerned, this authorization is valid for the Supervisory Board alone. The AGM conditionally increased the share capital by € 888,148 to hedge and service the stock options (Conditional Capital 2023/II).

Capital reserves

The capital reserves contain the share premium from the issuance of shares, net of transaction costs after taxes, as well as the expenses from granting stock options. For more information about share-based compensation, please refer to the remarks in Section "Share-based payment and other long-term employee benefits". Capital reserves as per German commercial law are published in the separate financial statements for BRAIN Biotech AG prepared according to German Commercial Code (HGB) accounting policies.

Other reserves

Currency translation differences are recognized in other reserves.

Retained earnings

Retained earnings in the 2022/23 financial year reduced mainly to reflect profit or loss attributable to shareholders of BRAIN Biotech AG. In addition, retained earnings changed due to a net effect from the exercise of put/call agreements and the acquisition of non-controlling interests in fully consolidated Group companies.

The following table shows the non-controlling interests during the 2022/23 financial year:

€ thousand	Interest in net assets not held by BRAIN Biotech AG as of 30 September 2023	Addition of non-controlling interests in net assets as part of the acquisition of fully consolidated Group companies	Attributable share of total comprehensive income	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Carrying amounts of the interests as at 30.09.2023
Biocatalysts Ltd ⁶	0 %	0	169	-3,576	0
BRAIN UK Ltd.	0 %	0	-2	(-)53	0
Breatec BV	38.00 %	0	-11	0	1,243
Total		0	156	-3,523	1,243

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

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

€ thousand	Interest in net assets not held by BRAIN Biotech AG as of 30 September 2022	Addition of non-controlling interests in net assets as part of the acquisition of fully consolidated Group companies	Attributable share of total comprehensive income	Increase/decrease in interest in net assets not held by BRAIN Biotech AG	Carrying amounts of the interests as at 30.09.2022
Biocatalysts Ltd. ⁷	19.35 %	0	317	0	3,407
BRAIN UK Ltd.	11.03 %	0	-5	0	-51
Breatec BV	38.00 %	1,335	-80	0	1,254
Total		1,335	232	0	4,610

7 Including the subsidiary Biocatalysts Inc. and taking into consideration the amortization of disclosed hidden reserves

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

Biocatalysts Ltd.⁸

€ thousand	30.09.2023	30.09.2022
Value at start of financial year	3,407	3,090
Attributable share of profit or loss for the period	178	334
Attributable share of other comprehensive income (currency differences)	-9	-17
Increase/decrease in interest in net assets not held by BRAIN Biotech AG	-3,576	0
Value at end of financial year	0	3,407

8 Including the subsidiary Biocatalysts Inc. and taking into consideration the amortization of disclosed hidden reserves

In May 2023, the remaining 9.35 % minority interest in Biocatalysts Ltd. was acquired as part of the purchase of treasury shares.

BRAIN UK Ltd.

€ thousand	30.09.2023	30.09.2022
Value at start of financial year	-51	-46
Attributable share of profit or loss for the period	-2	-5
Increase/decrease in interest in net assets not held by BRAIN Biotech AG	(-)53	0
Value at end of financial year	0	-51

In April 2023, the call option to acquire the 11.03 % minority interest in BRAIN UK Ltd. was exercised by BRAIN UK II Ltd.

Breatec Group

€ thousand	30.09.2023	30.09.2022
Value at start of financial year	1,254	0
Addition of non-controlling interests in net assets as part of the acquisition of fully consolidated Group companies	0	1,335
Attributable share of profit or loss for the period	-11	-80
Attributable share of other comprehensive income (currency differences)	0	0
Value at end of financial year	1,243	1,254

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

Summarized balance sheet data	BRAIN UK Ltd. / Biocatalysts Ltd.⁹	
€ thousand	30.09.2023	30.09.2022
Non-current assets	42,871	29,236
<i>of which proportionate goodwill from the acquisition by BRAIN</i>	<i>4,008</i>	<i>3,948</i>
<i>of which hidden reserves less deferred tax from the acquisition by BRAIN</i>	<i>3,919</i>	<i>4,514</i>
Current assets	11,471	8,382
Non-current liabilities	10,479	4,587
Current liabilities	19,097	5,797
Net assets	24,766	27,234

9 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.

As at 30 September 2023, non-current assets include the interests (acquired from BRAIN Biotech AG) in the consolidated companies Breatec BV, WeissBioTech GmbH and Biosun Biochemicals Inc.

Summarized statement of comprehensive income	BRAIN UK Ltd. / Biocatalysts Ltd.¹⁰	
€ thousand	2022/23	2021/22
Revenue	23,798	22,281
Result before taxes	2,209	1,914
Result after taxes	1,477	1,645
<i>of which the result from the amortization of hidden reserves less deferred tax from the acquisition by BRAIN</i>	<i>-659</i>	<i>-677</i>
Total comprehensive income or loss	1,773	655
Result attributable to non-controlling interests	167	312
Dividends paid to non-controlling interests	0	0

10 Including the Biocatalysts Inc. subsidiary. The financial data are presented on an aggregated basis as BRAIN UK Ltd. does not conduct any business activities of its own in addition to its function as an intermediate holding company.

Summarized statement of cash flows	BRAIN UK Ltd. / Biocatalysts Ltd.¹¹	
€ thousand	2022/23	2021/22
Gross cash flow	3,518	3,866
Cash flow from operating activities	6,074	4,385
Cash flow from investing activities	-1,389	-6,084
Cash flow from financing activities	-7,611	-360

11 Including the Biocatalysts Inc. subsidiary. The financial data are presented on an aggregated basis as BRAIN UK Ltd. does not conduct any business activities of its own in addition to its function as an intermediate holding company.

Summarized balance sheet data	Bretec Group	
€ thousand	30.09.2023	30.09.2022
Non-current assets	4,381	4,696
<i>of which proportionate goodwill from the acquisition by BRAIN</i>	<i>1,960</i>	<i>1,960</i>
<i>of which hidden reserves less deferred tax from the acquisition by BRAIN</i>	<i>1,482</i>	<i>1,710</i>
Current assets	3,626	2,918
Non-current liabilities	761	994
Current liabilities	2,016	1,360
Net assets	5,230	5,260

Summarized statement of comprehensive income	Bretec Group	
€ thousand	2022/23	2021/22
Revenue	10,139	4,942
Result before taxes	-77	-267
Result after taxes	-30	-212
<i>of which the result from the amortization of hidden reserves less deferred tax from the acquisition by BRAIN</i>	<i>-228</i>	<i>-130</i>
Total comprehensive income or loss	-30	-212
Result attributable to non-controlling interests	-11	-80
Dividends paid to non-controlling interests	0	0

Summarized statement of cash flows	Bretec Group	
€ thousand	2022/23	2021/22
Gross cash flow	515	122
Cash flow from operating activities	330	-344
Cash flow from investing activities	-60	-45
Cash flow from financing activities	-141	-138

Apart from legal restrictions, BRAIN Biotech AG is not subject to any restrictions limiting its access to the subsidiaries' assets, to utilize such assets or to settle the subsidiaries' liabilities.

21 FINANCIAL LIABILITIES

The financial liabilities consist of the following:

€ thousand	30.09.2023	30.09.2022
Loans	13,316	4,053
Liabilities from put option rights for the potential acquisition of non-controlling interests	3,458	8,431
Contributions by silent partners	3,961	4,200
Lease liabilities	8,184	6,685
Derivatives	82	297
Subsequent purchase price obligation	0	200
Other	6	6
Total	29,006	23,872

As at the 30 September 2023 reporting date, contributions by silent partners include a € 900 thousand (previous year: € 1,200 thousand) contribution by Hessen Kapital I, Wiesbaden, and a € 3,000 thousand (previous year: € 3,000 thousand) contribution by Hessen Kapital II GmbH. Interest liabilities amounted to € 61 thousand as at 30 September 2023 (previous year: € 0 thousand).

The contribution of Hessen Kapital I GmbH was repaid as planned in the financial year at 20 % as of 30 June 2023. The remaining 60 % is due on 30 June 2024. Of the contribution by Hessen Kapital II GmbH, 20 % is repayable on 31 March 2026, a further 20 % on 31 March 2027 and 60 % on 31 March 2028.

The company pays fixed remuneration equivalent to nominal 7.0 % p. a. (previous year: 7.0 %) on the contribution of Hessen Kapital I GmbH and a profit participation equivalent to the ratio between the nominal level of the silent partnership and the nominal level of the equity of BRAIN Biotech AG, albeit to a maximum of 2.5 % of the contribution and not more than 50 % of the profit for the year.

The company pays fixed remuneration equivalent to nominal 6.0 % p. a. (previous year: 6.0 %) on the contribution of Hessen Kapital II GmbH and a profit participation equivalent to the ratio between the nominal level of the silent partnership and the nominal level of the equity of BRAIN Biotech AG, albeit to a maximum of 1.5 % of the contribution and not more than 50 % of the profit for the year.

BRAIN Biotech AG is entitled to call the silent partner contributions rendered by Hessen Kapital I GmbH and Hessen Kapital II GmbH before the agreed dates. However, due to the negative consequences this would have for the company (prepayment penalties), effectively this option has no economic value for the company. The silent partnerships do not participate in any losses. No obligation exists to provide additional funding.

Land charges exist with compulsory enforcement clauses on land owned by BRAIN Biotech AG with a notional value of € 2.5 million (previous year: € 2.5 million). All land charges serve to secure bank borrowings, which amounted to € 1,661 thousand at the end of the reporting period (previous year: € 875 thousand). The land charges rank behind an unassigned land charge in favor of the owner amounting to € 0.5 thousand (previous year: € 0.5 thousand).

At the Biocatalysts Ltd. subsidiary, € 2,753 thousand (previous year: € 1,778 thousand) of financial liabilities are secured by € 3,585 thousand (previous year: € 2,521 thousand) of land charges on operating property.

Other than standard retention of title from individual contracts, no other liabilities are secured by liens or similar rights. The carrying amount of the collateral furnished at the end of the reporting period stood at € 5,212 thousand (€ 5,367 thousand as of 30 September 2022).

The nominal interest rate on the fixed interest loans lies between 1.15 % (previous year: 1.15 %) and 8.12 % (previous year: 6.10 %) p.a. Some of the Group's liabilities are subject to variable interest rates depending on the Bank of England's base rate.

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

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

30.09.2022 € thousand	Remaining term up to 1 year	Remaining term 1 – 5 years	Remaining term more than 5 years
Contributions by silent partners	300	2,100	1,800
Liabilities from put option rights for the acquisition of non-controlling interests	5,103	3,598	0
Leasing	1,272	3,522	1,892
Financial derivatives	297	0	0
Loans	1,434	2,619	0
Other	31	175	0
	8,437	12,014	3,692

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

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

30.09.2023 € thousand	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32ff
Principal repayments	8,437	2,881	4,899	1,712	2,522	2,467	675	272	278	0
Interest payments	449	385	327	240	180	76	14	6	3	0
Profit-related payments	93	89	75	60	45	0	0	0	0	0
Total excluding profit-related payments	8,887	3,266	5,226	1,952	2,702	2,542	689	278	281	0
Total including profit-related payments	8,980	3,355	5,301	2,012	2,747	2,542	689	278	281	0

The following table shows the change in financial liabilities analyzed by cash and non-cash changes:

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

€ thousand	Loans	Liabilities for the potential acquisition of non-controlling interests	Liabilities for the acquisition of non-controlling interests	Contributions by silent partners	Derivatives	Lease liabilities	Other	Total
Amount at 30 September 2021	4,721	4,401	6	4,526	0	6,655	9	20,318
Cash inflow/outflow from financing activities	-604	0	-6	-327	0	-1,029	0	-1,966
Subsequent measurement	0	166	0	0	297	0	-443	20
Change in the scope of consolidation	-132	3,978	0	0	0	946	640	5,431
Currency translation	68	-114	0	0	0	-9	0	-55
Additions to leases	0	0	0	0	0	122	0	122
Amount at 30 September 2022	4,053	8,431	0	4,200	297	6,685	206	23,872

22 OTHER LIABILITIES

Other liabilities include € 1,273 thousand (previous year: € 1,335 thousand) for the Biocatalysts Ltd. growth share program, of which € 578 thousand is current and € 694 thousand non-current.

Current other liabilities consist of the following:

€ thousand	2022/23	2021/22
Wage and salary liabilities	968	889
Accrued vacation pay	375	451
Wage and church tax, social security	498	517
Supervisory Board compensation	345	257
Special payments to subsidiaries' managements and employees	706	110
VAT	105	6
Miscellaneous other liabilities	254	1,120
Total current other liabilities	3,251	3,350

Miscellaneous other liabilities include customer credits of € 45 thousand (previous year: € 181 thousand).

23 DEFERRED INCOME

Deferred income consists of current deferred income of € 2,932 thousand (compared with € 1,990 thousand in the previous year) and non-current deferred income of € 518 thousand (compared with € 766 thousand in the previous year).

Deferred income totaling € 196 thousand (previous year: € 472 thousand) derives from transactions with SolasCure Ltd. Deferred income partly includes prepayments received from customers for service obligations not yet performed as at the balance sheet date. These are shown separately in section (25) Prepayments received. A contribution of € 2,901 thousand is attributable to benefit obligations that have not yet been fulfilled (previous year: € 2,103 thousand). It is expected that a contribution of € 2,786 thousand of this amount can be recognized in revenue within one year. Deferred income of € 3,125 thousand (previous year: € 2,792 thousand) was fully recognized in revenue in the 2022/23 financial year.

24 PROVISIONS

€ thousand	30.09.2022	Utilization	Release	Addition	Currency differences	30.09.2023
Archiving costs	21	0	-1	0	0	20
Costs for financial statements, auditing and consulting	422	-391	-4	466	0	493
Decommissioning and dismantling	66	0	0	0	0	66
Employee-related expenses	0	0	0	103	1	104
Other	146	-54	0	120	0	212
Total	654	-445	-5	689	1	895

25 PREPAYMENTS RECEIVED

Prepayments received relate primarily to research and development services and future supplies and have a maturity of up to one year. The total amount of € 0 thousand (previous year: € 13 thousand) is attributable to current benefit obligations not yet rendered.

26 TRADE PAYABLES

Trade payables have a term of up to one year.

VII. Financial instruments/ risks from financial instruments

The following overview presents recognized financial instruments based on their IFRS 9 measurement categories. To improve the presentation of the financial instruments relevant to the company in terms of their comparable measurement uncertainties and risks, cash and cash equivalents are presented separately in the following.

The following abbreviations are used for the measurement categories:

Abbreviation	IFRS 9 measurement categories	
AC	Amortized cost	Financial assets and liabilities measured at amortized cost
FVTPL	Fair value through profit and loss	Financial assets and liabilities measured at fair value through profit or loss

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

Category	Category	Carrying amount	Fair value			
		30.09.2023 (30.09.2022)	Amortized cost	Cost IFRS 16	Fair value through profit or loss	30.09.2023 (30.09.2022)
€ thousand	IFRS 9					
Assets						
Trade receivables	AC	9,442 (8,036)	9,442 (8,036)			
Other current and non-current assets	AC	111 (134)	111 (134)			
Other financial assets	AC	178 (435)	178 (435)			
Cash and cash equivalents	AC	5,352 (8,443)	5,352 (8,443)			
Total		15,083 (17,048)	15,083 (17,048)			

Category	Category	Carrying amount	Fair value		
			Amortized cost	Cost	Fair value through profit or loss
€ thousand	IFRS 9	30.09.2023 (30.09.2022)		IFRS 16	30.09.2023 (30.09.2022)
Liabilities					
Trade payables	AC	5,617 (6,754)	5,617 (6,754)		
Financial liabilities	AC	25,466 (15,144)	17,282 (8,459)	8,184 (6,685)	0 (15,144)
Financial liabilities	FVTPL	3,539 (8,728)			3,539 (8,728)
Other liabilities	AC	254 (317)	254 (317)		
Total		34,876 (30,943)	23,153 (15,530)	8,184 (6,685)	3,539 (8,728)

No financial instruments exist that are to be classified in the FVTOCI category.

Cash and cash equivalents, other current assets, trade receivables, and trade payables mainly have short terms remaining. As a consequence, their carrying amounts at the end of the reporting period approximate their fair values. Non-current financial assets consist of deposits and loans extended whose rates of interest mainly correspond to current market interest-rate levels.

Liabilities to banks and other lenders, as well as to silent partners, reported in current and non-current financial liabilities, are measured at amortized cost. The fair values of financial liabilities are determined by discounting, applying current discount rates that match the maturity and risk of the liabilities. The fair values mainly correspond to the carrying amounts due to regular refinancing measures at market interest rates. The terms are presented in detail in section (21) Financial liabilities.

The carrying amounts of the financial instruments measured at fair value are classified as follows in accordance with the IFRS fair value hierarchy: listed prices in an active market (Level 1), valuation techniques based on observable inputs (Level 2), and valuation techniques based on unobservable inputs (Level 3).

No reclassifications between the different hierarchy levels were implemented.

The carrying amount of Level 2 financial liabilities (FVTPL) at the end of the reporting period stood at € 3,539 thousand (previous year: € 8,728 thousand). These are put option liabilities to non-controlling shareholders of Breatec Group as well as, in the previous year, forward exchange contracts with various terms.

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

30.09.2023 € thousand	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34ff
Silent partnerships (without profit-sharing)	1,249	180	762	726	1,854	0	0	0	0	0	0
Liabilities to lenders	2,977	6,042	1,859	2,905	1,057	314	94	94	94	94	794
Lease liabilities	1,688	1,622	1,379	1,252	1,185	1,119	500	281	0	0	0
Liabilities from acquiring interests in fully consolidated companies ¹²	0	3,608	0	0	0	0	0	0	0	0	0
Derivative financial instruments (forward foreign exchange transactions)	82	0	0	0	0	0	0	0	0	0	0
Other liabilities	254	6	0	0	0	0	0	0	0	0	0
Trade payables	5,617	0	0	0	0	0	0	0	0	0	0
Total	11,866	11,458	4,000	4,883	4,096	1,433	594	375	94	94	794

12 The exercise of the Breatec Group put option as of the latest possible date would lead to a cash outflow of € 6.3 million in the 2026/27 financial year.

30.09.2022 € thousand	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32ff
Silent partnerships (without profit-sharing)	580	1,159	227	762	726	1,854	0	0	0	0
Liabilities to lenders	1,508	814	401	323	1,235	0	0	0	0	0
Lease liabilities	1,367	1,120	999	867	741	688	689	278	281	0
Liabilities from acquiring interests in fully consolidated companies	5,103	0	3,598	0	0	0	0	0	0	0
Derivative financial instruments (forward foreign exchange transactions)	297	0	0	0	0	0	0	0	0	0
Other liabilities	31	175	0	0	0	0	0	0	0	0
Trade payables	6,754	0	0	0	0	0	0	0	0	0
Total	15,641	3,266	5,226	1,952	2,702	2,542	689	278	281	0

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

€ thousand 2022/23 (2021/22)	From interest and dividends	From subsequent fair value measurement/ impairment	From disposals	Net gains/losses
Loans and receivables	22 (17)	-2 (3)	36 (-230)	56 (-210)
Financial liabilities measured at (amortized) cost	-776 (-454)	0 (0)	0 (578)	-776 (125)
Leasing	-162 (-118)	0 (0)	0 (0)	-162 (-118)
Financial liabilities measured at fair value through profit or loss	0 (0)	-146 (-333)	0 (0)	-146 (-333)
Total	-916 (-555)	-148 (-330)	36 (348)	-1,028 (-536)

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 € 776 thousand (previous year: € 454 thousand).

RISK MANAGEMENT / RISKS FROM FINANCIAL INSTRUMENTS

The Group's business activities expose it to various financial risks: credit risk, foreign currency risk, interest rate risk, put option risk and liquidity risk. Further information can be found in the Report on Risk and Opportunities in the Group management report.

The Management Board has implemented a risk management system to identify and avoid risks. This system is based inter alia on rigorous supervision of business transactions, comprehensive exchange of information with the employees responsible, and regular – mostly quarterly – analyses of key performance indicators for the business.

The risk management system was implemented to be able to identify adverse developments at an early stage and launch countermeasures as quickly as possible.

With regard to the financial instruments the Group deploys, the objective of the risk management function at BRAIN is to minimize the risk exposure arising from financial instruments. The company does not enter into derivative financial instrument transactions without a corresponding underlying basis transaction. In both the reporting period and the prior-year period, liquid funds were mainly invested with financial institutions in Germany and the UK.

The financial instruments that are recognized on the balance sheet can as a matter of principle generate the following risks for the Group:

Credit risk

Credit risk describes the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk consists of both counterparty credit risk and the risk of a deterioration in credit quality, along with cluster risk. The maximum default risk corresponds to the carrying amounts of the financial instruments on the balance sheet date; see section (16) Trade receivables. The counterparty credit risk relevant to the Group's operating activities is represented by the risk that business partners will fail to discharge their payment obligations. Risk concentration is not identifiable in the customer receivables area of the BioScience segment insofar as the claims exist in relation to a group of customers exhibiting above-average creditworthiness. Receivables in the BioProducts area exist in relation to many different contractual partners. The credit quality of the contracting parties is assessed to mitigate the counterparty credit risk exposure of customer receivables. The factors assessed include financial position, past experience and other factors. The corresponding financial transactions are mostly entered into only with counterparties with excellent credit ratings. Liquid funds are invested mainly in accounts with financial institutions on Germany and the UK.

Currency risk

In addition, BRAIN is exposed to foreign currency risks. Income of € 231 thousand from currency differences (previous year: € 633 thousand) is offset by € 292 thousand of expenses from currency differences (previous year: € 515 thousand), so the resultant effects in both the 2022/23 and 2021/22 financial years largely offset each other, with only a small net expense remaining. Foreign currency positions are generally of minor importance within the BRAIN Group. An IFRS 7 sensitivity analysis of foreign currency risks is not relevant for the financial statements due to their subordinate significance.

Interest rate risk

Interest rate risk describes the risk of fluctuations in the value of a financial instrument because of changes in market interest rates. The largest portion of the loan has a fixed-interest period matching its maturity. The Management Board consequently believes that it is not exposed to material direct interest rate risk.

The risk exposures of the loans that match their maturities are limited to the risk that BRAIN cannot benefit from any potentially lower lending rates that may be obtained during the terms of the deposits and loans.

The Group benefited to only a limited extent from lower market borrowing rates due to the high proportion of fixed interest arrangements for its financial liabilities (> 95 %; previous year: > 95 %).

Further interest rate risks are detailed in the section "Valuation risks connected with foreign currency put option agreements"

Capital management / liquidity risk

The capital management function of BRAIN Biotech AG pursues the objective of financing the company's planned growth and of securing corresponding resources for short-term financing requirements.

For this reason, the aim is to achieve an equity ratio in line with industry standards and to ensure adequate liquidity through other suitable financial instruments such as borrowed capital and silent participations. The equity ratio amounted to 32 % as at 30 September 2023 (previous year: 44 %). The capital under management includes all current and non-current liability items as well as equity components. Financial terminology as presented in the financial statements is also utilized for debt and equity management purposes.

BRAIN Biotech AG and its subsidiaries are not subject to any capital adequacy requirements above and beyond those in the German Stock Corporation Act (AktG) and the German Limited Liability Company Act (GmbHG).

Valuation risks connected with put option agreements

Due to a put option arrangement with non-controlling interests in a subsidiary in the Netherlands which was acquired in the 2021/22 financial year, various valuation risks arise which are presented below. Significant inputs for inclusion in the Group include the relevant EBITDA included in the calculation, the relevant discounting rate as well as the imputed exercise date.

The actual obligation depends on the relevant EBITDA on the exercise date. Given 10 % higher relevant EBITDA on the imputed exercise date of the put option rights, a € 325 thousand higher liability would arise as at 30 September 2023. Given 10 % lower relevant EBITDA on the imputed exercise date of the put option rights, a € 325 thousand lower liability would arise as at 30 September 2023. Accordingly, the change will be reported in profit or loss in the statement of comprehensive income.

Furthermore, the respective interest rate exerts an influence on the fair value recognized on the balance sheet. Given a one percentage point lower relevant interest rate for the put option rights, a € 15 thousand higher liability would arise as at 30 September 2023. Given a one percentage point higher relevant interest rate for the put option rights, a € 15 thousand lower liability would arise as at 30 September 2023. Accordingly, the change will be reported in profit or loss in the statement of comprehensive income.

The exercise date forms a further significant influencing factor. Due to the expected EBITDA growth and rising EBITDA multiples, the measurement of the liability is based on the exercise of the option rights in the next possible period (1 January to 31 March 2025), and the liability is reported under non-current financial liabilities. If, for example, the option holders were not to exercise their options until the last possible period (1 January to 31 March 2027), this would result in a € 1,841 thousand higher cash outflow in the 2026/27 financial year.

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

VIII. Other information

AUDITOR'S FEES

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

€ thousand	2022/23	2021/22
Audit services	267	214
of which relating to the previous year	54	0
Other services	0	0
	321	214

RELATED PARTY DISCLOSURES

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

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

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

The Management Board members are entitled to represent the company either jointly or individually with a company officer. If only one Management Board Member has been appointed, this Management Board member is entitled to represent the company alone.

For the 2022/23 financial year, the Management Board was granted total compensation of € 1,397 thousand, as calculated based on the German Commercial Code (HGB). The corresponding figure for the previous year stood at € 1,429 thousand.

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

€ thousand	2022/23	2021/22
Fixed compensation ¹³	680	680
Fringe benefits	57	51
Performance-based compensation ¹⁴	325	465
Share-based compensation	242	193
	1,304	1,389

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

¹⁴ Payments due short-term

Pension provisions of € 928 thousand (previous year: € 1,153 thousand) have been formed for former Management Board members.

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

Adriaan Moelker, Wehrheim, CEO (Chairman)

BRAIN UK II Ltd., Cardiff, UK (Director)

BRAIN UK Ltd., Cardiff, UK (Director)

Biocatalysts Ltd., Cardiff, UK (Director)

SolasCure Ltd., Cambridge, UK (Director)

Biosun Biochemicals Inc., Tampa, FL, USA (Board member)

Michael Schneiders, Frankfurt am Main, CFO

BRAIN UK II Ltd., Cardiff, UK (Director)

BRAIN UK Ltd., Cardiff, UK (Director)

Biocatalysts Ltd., Cardiff, UK (Director)

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

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

Dr. Georg Kellinghusen, Kreuth-Oberhof (until 8 March 2023; previously Chairman)

Mediator Consultant

Dr. Michael Majerus, Ottobrunn (Chairman from 8 March 2023)

Consultant

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)

CEO, humatrix AG, Pfungstadt

Stephen Catling, Cambridge, UK

Managing Director, SJ Catling Ltd., Cambridge, UK

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

Dr. Florian Schnabel, Munich (from 8 March 2023)
Managing Director of MP Beteiligungs-GmbH

Christine Uekert, Berlin (from 8 March 2023)
Managing Director of nSight Consulting GmbH

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

Dr. Michael Majerus, Ottobrunn (Chair until 8 March 2023)
Consultant

Christine Uekert, Berlin (Chair from 8 March 2023)
Managing Director of nSight Consulting GmbH

Dr. Georg Kellinghusen, Kreuth-Oberhof (until 8 March 2023)
Mediator Consultant

Dr. Florian Schnabel, Munich (from 8 March 2023)
Managing Director of MP Beteiligungs-GmbH

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

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chair until 8 March 2023)
Mediator Consultant

Dr. Michael Majerus, Ottobrunn (Chair from 8 March 2023)
Consultant

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

Stephen Catling, Cambridge, UK (from 8 March 2023)
Managing Director, SJ Catling Ltd., Cambridge, UK

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

Dr. Anna C. Eichhorn, Frankfurt am Main (Chair)
CEO, humatrix AG, Pfungstadt

Dr. Georg Kellinghusen, Kreuth-Oberhof (until 8 March 2023)
Mediator Consultant

Dr. Michael Majerus, Ottobrunn
Consultant

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

Dr. Georg Kellinghusen, Kreuth-Oberhof (Chairman until 8 March 2023)
Advyce GmbH, Munich (Advisory Board member)
Deutsche Bank AG, Frankfurt am Main (Regional Advisory Board member, Bavaria)
Simplifa GmbH, Berlin (Advisory Board member)

Dr. Michael Majerus, Ottobrunn (Advisory Board member)
None

Dr. Anna C. Eichhorn, Frankfurt am Main (Deputy Chair)
Frankfurter Innovationszentrum Biotechn. GmbH, Frankfurt a. M. (Supervisory Board member)

Stephen Catling, Cambridge, UK
Cambridgeshire Community Foundation, UK (Chairman of the Board of Directors)

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

Dr. Florian Schnabel, Munich (from 8 March 2023)
None

Christine Uekert, Berlin (from 8 March 2023)
Member of the Supervisory Board of Titanium Textiles AG, Rostock (until 7 July 2023)

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

€ thousand	2022/23	2021/22
Fixed compensation*	159	153
of which allowance for special functions	57	45
Attendance fees*	130	106
Total compensation	345	259

* Payments due short-term.

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

Further information is presented in the compensation report.

OTHER RELATIONSHIPS WITH RELATED PARTIES

In the 2022/23 and 2021/22 financial years, the following supplies or purchases of goods and services occurred between the members of the governing bodies (Management and Supervisory board members) and their related parties and associated companies of the BRAIN Biotech Group and entities with significant influence over BRAIN Biotech AG.

Enzymicals AG is an associated company pursuant to IAS 28.2 and is therefore categorized as a related party pursuant to IAS 24.9. As of the reporting date, BRAIN Biotech AG was owed € 72 thousand (previous year: € 72 thousand) of loan and interest receivables by Enzymicals AG. The interest income for this 6.0 % loan amounted to € 4 thousand in the 2022/23 financial year (previous year: € 4 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 € 196 thousand (previous year: € 472 thousand). In connection with the license, a service agreement was also concluded with an anticipated total volume of around € 5.3 million. In the 2022/23 financial year, revenue was generated with the company in the context of the transaction described above in the amount of € 685 thousand (previous year: 1,047 thousand).

A loan facility of € 7.0 million exists with MP-Beteiligungs-GmbH, Kaiserslautern, a company with a shareholding of more than 25 %. The agreement has a term until 30 June 2025. The loan bears interest at a rate of 3.5 %. The company had drawn down € 4,000 thousand of this loan as at the balance sheet date (previous year: € 0 thousand). In the 2022/23 financial year, the interest cost amounted to € 80 thousand (previous year: € 28 thousand). Interest liabilities amounted to € 31 thousand as at the balance sheet date (previous year: € 7 thousand).

No receivables were due from directors of BRAIN Biotech AG or individuals related to these directors as of 30 September 2023. As at the 30 September 2023 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: € 345 thousand (previous year: € 257 thousand),
- Management Board compensation: € 325 thousand (previous year: € 465 thousand),
- Deferrals for outstanding vacation (Management Board): € 21 thousand (previous year: € 30 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 2023 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 2023 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:

	2022/23	2021/22
Total employees, of whom	309	309
Salaried employees	301	284
Industrial employees	8	24

The BRAIN Biotech Group also employs scholarships/grant holders (4, previous year: 1), temporary help staff (12, previous year: 12), trainees (5, previous year: 6).

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

After the end of the financial year, the company received further firm financing commitments in the form of loans and silent partnerships totaling up to € 6.5 million.

No further significant events or developments of material importance to the company's financial position and performance have occurred since the 30 September 2023 balance sheet date.

Zwingenberg, 12 December 2023

Adriaan Moelker

Chief Executive Officer

Michael Schneiders

Chief Financial Officer

Responsibility statement

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

Independent auditor's report

(„FREE TRANSLATION OF THE ORIGINAL GERMAN AUDITOR'S REPORT“)

To BRAIN Biotech AG, Zwingenberg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of BRAIN Biotech AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2022 to September 30, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of BRAIN Biotech AG for the financial year from October 1, 2022 to September 30, 2023. In accordance with German legal requirements, we have not audited the content of the internet site for the published Group declaration on corporate governance, as stated in the group management report under Section VII "Corporate Governance Statement pursuant to § 289f and § 315d of the German Commercial Code" as well as chapters 2.1. "Risk Management System ('RMS')", 2.2. "Internal Control System" ('ICS')" and 2.4. "Overall Assessment of the Risk Management System and the Internal Control System" which are part of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2023, and of its financial performance for the financial year from October 1, 2022 to September 30, 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the above "Group declaration on corporate governance" pursuant to § 289f and § 315d HGB" as well as chapters 2.1. "Risk Management System ('RMS')", 2.2. "Internal Control System" ('ICS')" and 2.4. "Overall Assessment of the Risk Management System and the Internal Control System" which form part of the group management report.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are

further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from October 1, 2022 to September 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our opinion, the following issue was most important in our audit:

- Impairment of goodwill

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

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

In the following we present the key audit matter:

Impairment of goodwill

1. In the consolidated financial statements of BRAIN Biotech AG, a total of kEUR 6,666 (previous year: kEUR 6,606) of goodwill is reported under the balance sheet item "intangible assets and goodwill". Goodwill therefore represents a significant component of total assets.

In the context of the preparation of the consolidated financial statements, the impairment testing of goodwill is of major importance. The legal representatives carry out an annual impairment test based on a valuation model using the discounted cash flow method. This model is based on data from corporate planning for the future development of the Company, which are influenced by general market and economic developments. In addition, the value of goodwill depends to a large extent on the discount rates and growth rates applied. These factors are subject to the decision of the legal representatives and therefore subject to discretion. Due to the existing scope of discretion, there is a risk that changes will have a material impact on goodwill. Therefore, this fact is of particular importance in the context of our audit.

2. As part of our audit, we obtained an understanding of the valuation process for goodwill. Particularly, we reproduced the valuation models used with regard to the correct calculations and checked that the valuation models meet the basic requirements of the relevant valuation standards. Furthermore, we have checked the underlying valuation parameters by comparing them with market data.

In addition, we understood the assumptions of the legal representatives regarding the future developments of the companies based on planning and compared them with general market expectations.

Furthermore, we have methodically and mathematically assessed the Company's sensitivity analyses to be able to assess a possible impairment risk of goodwill in the event of changes in key assumptions. We consider the valuation process and the assumptions and parameters used therein to be an appropriate and sufficient basis for the impairment test of the goodwill recognised in the balance sheet.

3. Regarding the accounting and valuation principles applied, we refer to the disclosures in the notes under section "Impairment Test".

Other Information

The supervisory board is responsible for the Report of the Supervisory Board. Apart from that, the legal representatives are responsible for the other information.

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

In addition, the other information comprises the following sections intended for the annual report, the version of which we obtained prior to the issuance of the audit opinion:

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

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and assess whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for disclosure purposes pursuant to § 317 (3a) HGB

Audit opinion

In accordance with § 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the data contained in the file 391200JKPVHLD6JLZ107-2023-09-30-de.zip (SHA256 92762bcd73253870a0bbfadbb505ca15907885bdacda91f32628ea0367641667) and prepared for the purpose of publication of the consolidated financial statements and the group management report (hereinafter referred to as "ESEF documents") comply in all material respects with the requirements of the electronic reporting format ("ESEF format") pursuant to § 328 (1) HGB. In accordance with German legal requirements, this audit covers only the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore does not extend to the information contained in these reproductions or to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the file referred to above and prepared for disclosure purposes comply, in all material respects, with the requirements of § 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this opinion and our opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from October 1, 2022 to September 30, 2023 contained in the preceding "Report on the audit of the consolidated financial statements and Group management report".

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned file in accordance with § 317 (3a) of the German Commercial Code (HGB) and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with § 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the markup of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

Furthermore, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of § 328 (1) HGB.

The supervisory board is responsible for overseeing the preparation process of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of § 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documentation, i.e., whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as applicable at the reporting date, regarding the technical specification for that file.
- We assess whether the ESEF documents allow for a content identical XHTML reproduction of the audited consolidated financial statements and the audited group management report.
- Assess whether the markup of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 as applicable at the reporting date enables an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on March 8, 2023. We were engaged by the supervisory board on August 16, 2023. We have been the group auditor of BRAIN Biotech AG without interruption since the financial year 2021/2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER FACTS - USE OF THE AUDIT REPORT

Our audit report must always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and group management report converted into ESEF format – including the versions to be published in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Andreas Weissinger.

Munich, December 14, 2023

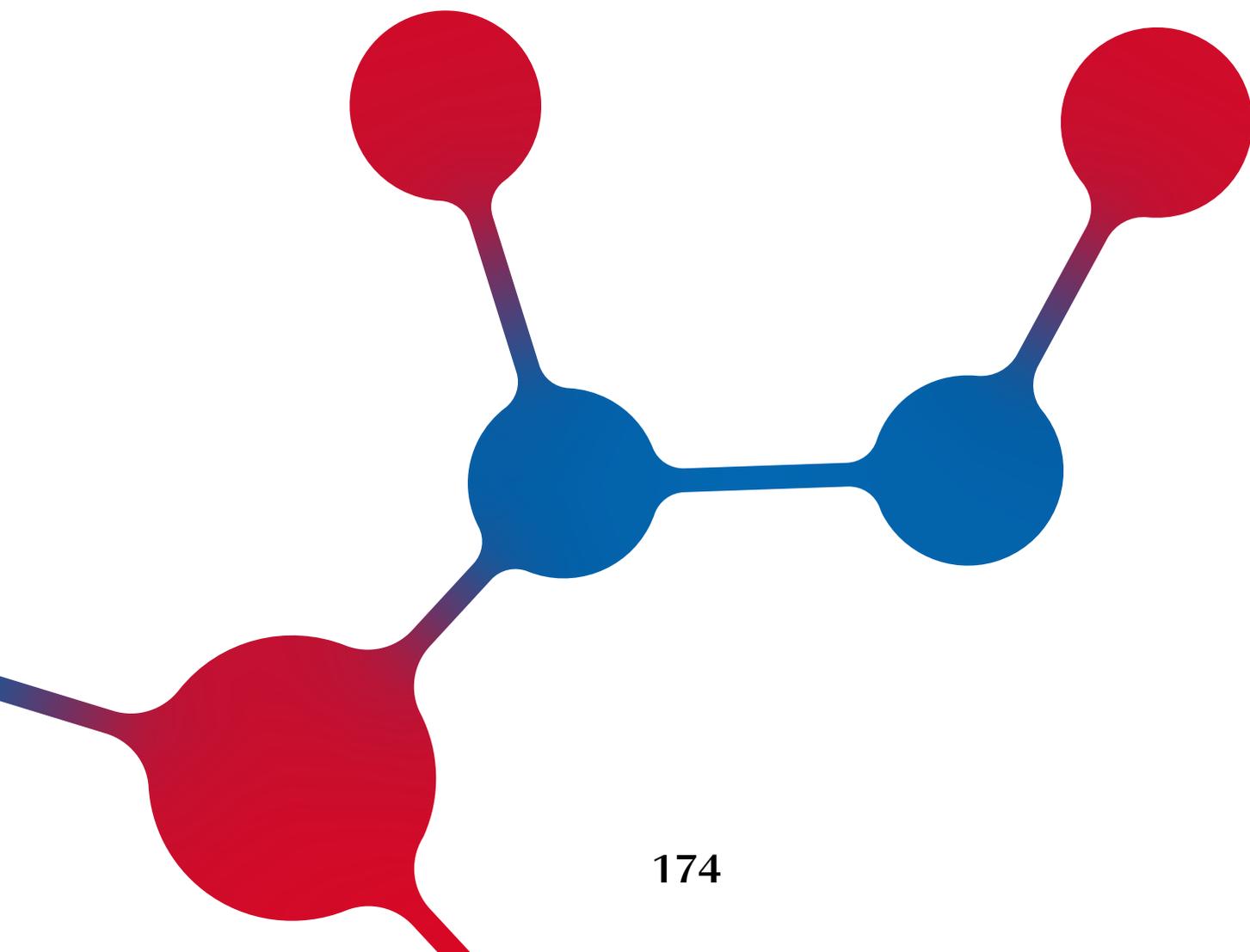
Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Weissinger
Wirtschaftsprüfer
[German Public Auditor]

Stumpp
Wirtschaftsprüferin
[German Public Auditor]

Services

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Financial Calendar

28 FEBRUARY 2024

Publication of the quarterly report as at 31.12.2023 (3M)

12 MARCH 2024

Annual General Meeting

28 MAY 2024

Publication of the interim report as at 31.03.2024 (6M)

29 AUGUST 2024

Publication of the quarterly report as at 30.06.2024 (9M)

INFORMATION

This report might contain certain forward-looking statements that are based on current assumptions and forecasts made by the management of the BRAIN Biotech 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.

PHOTO CREDITS:

Photos in „Important events in the 2023/23 financial year“:

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As of: 17 January 2024

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