B·R·A·I·N

Biotechnology Research
And Information Network AG

Prospectus

for the public offering

of

3,500,000 newly issued ordinary registered shares with no–par value (*Stückaktien*)

from a capital increase against contribution in cash expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I, as resolved by a Shareholders' Meeting on July 8, 2015,

and

525,000 ordinary registered shares with no–par value (*Stückaktien*) from the holdings of MP Beteiligungs-GmbH in connection with a potential over–allotment

and at the same time for the

admission to trading on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with simultaneous admission to the sub–segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange

of

up to 3,500,000 ordinary registered shares with no–par value (*Stückaktien*) from a capital increase against contributions in cash expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I as resolved by a Shareholders' Meeting on July 8, 2015

and

12,914,348 existing ordinary registered shares with no–par value (*Stückaktien*) (existing share capital)

– each such share with a notional interest in the share capital of € 1.00
and full dividend rights from October 1, 2015 –

of

B.R.A.I.N. Biotechnology Research and Information Network AG

Zwingenberg

Price Range: € 9.00 – € 12.00

International Securities Identification Number (ISIN): DE0005203947

German Securities Code (WKN): 520394

Ticker Symbol: BNN

Prospectus dated January 20, 2016

Sole Global Coordinator

Sole Bookrunner

ODDO SEYDLER BANK AG

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1. SUMMARY

*Summaries are made up of disclosure requirements known as elements ("**Elements**"). These Elements are numbered in Sections A-E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In such cases, the summary includes a short description of the Element with the words "not applicable".*

SECTION A - INTRODUCTION AND WARNINGS		
A.1	**Warnings.**	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating the Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area. B.R.A.I.N. Biotechnology Research and Information Network AG, Zwingenberg (the "**Company**", "**BRAIN AG**" or the "**Issuer**" and together with its subsidiaries "**BRAIN**"), together with ODDO SEYDLER BANK AG, Frankfurt am Main ("**ODDO SEYDLER**" or the "**Sole Bookrunner**"), have assumed responsibility for the content of this summary and its German translation pursuant to section 5 para. 2b no. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). Those persons, who are responsible for the summary and any translations thereof, or for the issuing (*Erlass*), can be held liable but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, all necessary key information.
A.2	**Information regarding the subsequent use of the Prospectus.**	Not applicable. Consent regarding the use of the Prospectus for a subsequent resale or placement of the shares has not been granted.
SECTION B - ISSUER		
B.1	**Legal and commercial name.**	The Company's legal name is B.R.A.I.N. Biotechnology Research and Information Network AG. It primarily operates under the commercial name "BRAIN".
B.2	**Domicile, legal form, legislation under which the issuer operates, country of incorporation.**	The Company has its registered office at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany, and is registered with the commercial register of the local court (*Amtsgericht*) of Darmstadt (the "**Commercial Register**"), under number HRB 24758. The Company is a German stock corporation incorporated in Germany and governed by German law.
B.3	**Current operations and principal business activities and principal markets in which the issuer competes.**	BRAIN is an industrial biotechnology company which was founded in 1993. It develops customised solutions based on the biodiversity of nature for bioindustrial applications and thereby, works on the biologisation of industries. BRAIN uses its extensive proprietary collection of natural resources to identify and develop enzymes, performance microorganisms and BioActive compounds for its collaboration business with industrial partners (BioScience) and the development and commercialisation of its own products and active product components (BioIndustrial). Industrial biotechnology involves using natural resources in the form of organisms or individual biomolecules in industrial production processes (e.g. for the chemical, consumer goods, food and feed markets) to achieve significant improvements in the production process or the production results, in comparison to conventional processes or products (such as resource–conserving processes, more energy–efficient processes, more natural products). Industrial biotechnology is expected by both, industry and politics, globally to make a key contribution to the transition from an economy that is frequently based on fossil energy resources towards a sustainable, resource efficient and biology–based economy, through the provision of key technologies in the area of sustainable use of biological resources and processes. The Company

believes that this view is gaining increasing acceptance in politics and business and that industrial biotechnology has the potential to herald a new age of innovation, particularly for large parts of the chemical industry. Hence BRAIN sees considerable growth opportunities for its business.

In Germany, industrial biotechnology is also known as white biotechnology to distinguish it from red biotechnology (medical/pharmaceutical biotechnology) and green biotechnology (agricultural biotechnology).

Since industrial biotechnology primarily focuses on identifying and harnessing existing natural resources rather than modifying them, BRAIN has assembled an extensive proprietary collection of natural resources consisting of enzymes, microorganisms and natural substances, forming BRAIN's "**BioArchive**". The BioArchive provides industrial access to a comprehensive extract of nature's biological diversity. BRAIN uses its BioArchive, its so-called "**toolbox of nature**", by way of screening it for suitable active product components with specific features and characteristics e.g. enzymatic activities which have the necessary positive effect for industrial processes. For the identification and development of biotechnology solutions the Company uses its three core technology platforms, (i) Enzyme Technology to identify and isolate novel enzymes, (ii) Microbial Strains to identify and isolate performance microorganisms and (iii) BioActives to identify and isolate BioActive compounds. Thereby, BRAIN is able to identify and develop solutions and products for a wide range of industrial applications for various product segments and industries. As biotechnology solutions can often be used in completely different areas and for various different applications, BRAIN's research results constantly generate new commercialisation options so that BRAIN can be labelled as a "multi–product opportunity company". To secure its technologies and its product candidates BRAIN holds approximately 350 patents and patent applications divided in 48 patent families.

The Company considers the most important markets to be the biotech sub-sectors within the speciality chemicals market and consumer chemicals market with the main focus on the German market, but also with a focus on the European market. In the speciality chemicals markets the Company focuses on the enzymes, nutrition (food and feed), woundcare and bio–substitutes product segments. In the consumer chemicals markets the Company focusses on cosmetics and care products.

BRAIN's business is based on two pillars – "BioScience" and "BioIndustrial".

- "**BioScience**" comprises the Company's collaboration business with industrial partners ("**Exclusive Partner Collaborations (EPC)**"). Since incorporation, BRAIN AG has successfully entered into more than 100 industrial partnerships. As an EPC partner, BRAIN provides research and development collaboration programmes aiming at developing the desired industrial biotechnology solutions for third parties. BRAIN's collaboration programmes range from identifying suitable biological product components to pilot production and the development of the associated production methods on an industrial scale. BRAIN's remuneration under such EPCs generally comprises a number of different components, including upfront payments, FTE (full–time equivalent) payments for research work, milestone payments as well as success payments and royalties. BRAIN's strategy is to reserve the rights to the discovered solutions and products outside the contractual scope of use defined with the EPC partner for its own business ("**Alternative Solutions**"). Thereby, BRAIN retains the additional option to use the Alternative Solutions in its BioIndustrial pillar for its own products or for licensing them to third parties.

  BioScience services are offered by BRAIN AG itself and its subsidiaries AnalytiCon Discovery GmbH and AnalytiCon Discovery, LLC (AnalytiCon Discovery GmbH and its subsidiary AnalytiCon Discovery, LLC together "**AnalytiCon**"). AnalytiCon, in which BRAIN acquired a majority interest in 2013, focuses on the development of active natural compounds as ingredients for novel pharmaceutical applications, as well as applications in the cosmetics, feed and food industry.

- "**BioIndustrial**" comprises the development and commercialisation of BRAIN's own products and active product components, i.e. developments on BRAIN's own behalf or based on BRAIN's retained rights for Alternative Solutions with a focus on market access points to relevant B2B markets. The aforementioned products and active product components are commercialised either through granting licences to third parties or by the acquisition of companies which are already active in the relevant markets. In 2010 the Company acquired L.A. Schmitt GmbH Chem. Kosm. Fabrik ("**L.A. Schmitt**") which acts as a contract manufacturer of cosmetic products. BRAIN's focus has been to optimise L.A. Schmitt's product quality on the basis of novel ingredients and to enhance its formulation expertise. As a consequence, L.A. Schmitt has continuously expanded its customer base including a prominent partner in the area of hair care products. In the same year, BRAIN acquired Mekon GmbH, a small cosmetics brand company. In addition, in 2012 BRAIN acquired a majority interest in Monteil Cosmetics International GmbH ("**Monteil**") which is also active in the cosmetic industry. Monteil focuses on the sale and distribution of premium anti-aging skincare products containing ingredients with a variety of biologically active substances from BRAIN, as well as fragrances and supplementary products. Monteil's production is to a certain extent outsourced to L.A. Schmitt. Since 2014, WeissBioTech GmbH and its subsidiary WeissBioTech France S.A.R.L. (WeissBioTech GmbH and WeissBioTech France S.A.R.L. together "**WeissBioTech**") belong to BRAIN AG. WeissBioTech develops, produces and sells enzymes, especially for the food and beverage industry as well as the starch processing industry. WeissBioTech's portfolio increasingly includes performance microorganisms and enzymes identified by BRAIN.

Over the past, BRAIN has established robust contacts to the industry, the scientific and academic community, and political bodies. BRAIN believes that it is therefore well positioned to stand in the forefront of future biotechnological developments and the transformation towards a bio-based economy.

BRAIN's established position in the field of industrial biotechnology is also based on the qualifications and skills of its employees. BRAIN had 215 employees on average in fiscal year 2014/2015, 118 of whom work for BRAIN AG. More than 61 % of BRAIN AG's employees hold university degrees in natural sciences or engineering and 25 % of the employees of BRAIN AG have been awarded doctorates. According to the Company the time period of more than seven years for which BRAIN employees have on average worked for the Company reflects the high level of employee identification with the Company.

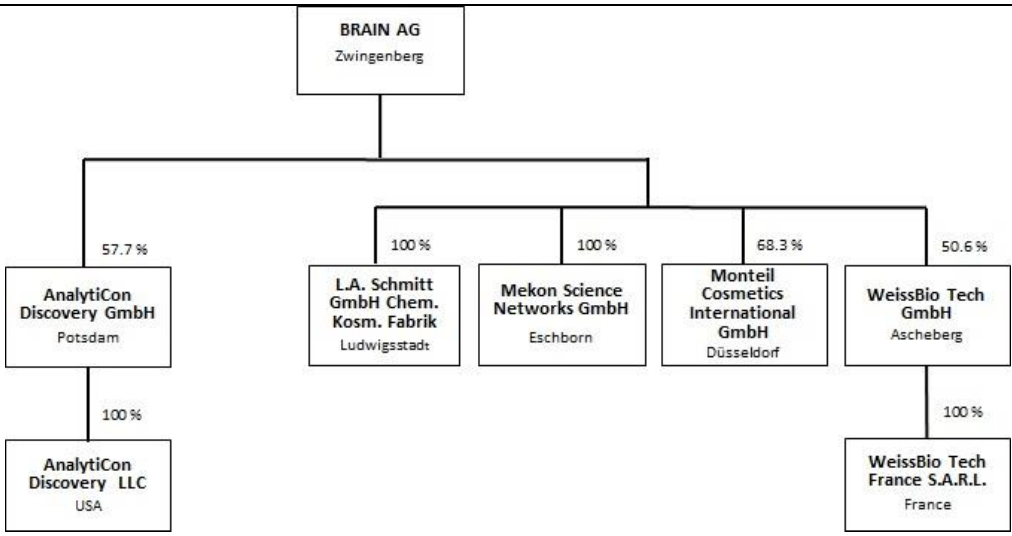
BRAIN's strategy is to commercialise its BioArchive and to drive forward the industrialisation of BRAIN's own products and solutions, i.e. to implement a value accretive growth strategy. Here BRAIN targets to grow both internally (e.g. development and launch of new products and solutions, organic growth of its existing business) and externally on a selected basis (e.g. through targeted acquisitions).

BRAIN's growth potential from new products and solutions is fostered by the fact that a single biotechnology solution can often be used in completely different areas and for various different applications, i.e. often multiple markets exist in parallel for one newly developed product or solution. BRAIN's intention is to exploit these options as a multi–product opportunity company.

In order to successfully deliver on its value accretive growth strategy, BRAIN targets to continuously (i) enlarge its proprietary BioArchive and to secure related rights to use and exploit found biotechnology solutions, (ii) expand its existing business, i.e. BRAIN's EPC business and the activities of its subsidiaries, as well as (iii) develop its pipeline and the marketing of its own product candidates either through industrial partners or own market entry points.

The Company's fiscal year starts on October 1 and ends on September 30 of the following year. BRAIN generated revenue of € 21.1 million and EBIT of €-4.6 million in fiscal year 2014/2015, revenue of € 10.4 million and EBIT of € -4.8 million in fiscal year 2013/2014, and revenue of € 8.8 million and EBIT of € -4.4 million in fiscal year

		2012/2013, (based in each case on the audited Consolidated Financial Statements 2014/2015, 2013/2014 and 2012/2013).
B.4a	**Most significant recent trends affecting the issuer and the industry in which it operates.**	From the point of view of the Company the current political developments in EU and the USA show a trend towards a decarbonisation of the global economy. For example, in June 2015 the G7 countries have committed themselves to the long term goal of transforming the energy sectors by 2050. This aim shall be reached by developing and deploying innovative technologies so that, by the end of the century, carbon dioxide emissions produced from the combustion of fossil fuels such as coal, oil and natural gas can be completely avoided. US president Barack Obama also unveiled a Clean Power Plan in August 2015. The aim of the revised Clean Power Plan is to cut greenhouse gas emissions from US power stations by nearly a third within 15 years. BRAIN sees these developments as indicators for the upcoming rise in demand for renewable resources and biological products and thereby as an opportunity for its collaboration projects to harness biomass from wastewater or to produce biomass or products with industrial uses such as bioplastics from carbon dioxide. From an operational perspective during fiscal year 2014/2015 BRAIN was able to advance its current collaboration activities with its industrial partners, which form the first pillar of its business called "BioScience". For example, in April 2015 BRAIN AG entered into a strategic partnership with DIANA Pet Food, a member of the Symrise group. The partners will work on different programmes to study the mechanism related to taste perception of cats. Here the knowledge of BRAIN AG from its recently patented and published BRAIN AG Human Taste Cell technology ("**HTC Technology**") is used in the field of taste mechanisms of pets for the first time. Moreover, during the 2014/2015 fiscal year BRAIN further expanded the second pillar of its business called"BioIndustrial" by acquiring a 50.6 % stake in WeissBioTech GmbH, which specialises in technical enzyme solutions for niche industries and is active in production, marketing and sales of enzyme products for industrial use. In the current 2015/2016 financial year BRAIN works in particular on the development of different products and product candidates for the speciality chemicals and the consumer chemicals market. The majority of these products and product candidates are planned to be launched within the next two to four years, a smaller part is planned to be launched within the next one to two years and another smaller part is planned to be launched within the next five to nine years. In detail BRAIN works on the development of two product candidates for the enzymes sector, two sweet taste modulators and one salt taste modulator for the nutrition sector, an enzyme, which is planned to be used in the European and the American woundcare sector, two organisms for an ecological mining of metals like gold, silver or copper (so–called green mining), two anti-microbial BioActives (bioactive compounds, which inhibits the growth of microorganisms), biolubricants, renewable bio–plastics for the bio–substitutes sector and two biocosmetics for the cosmetics and care sector. By developing these products and product candidates BRAIN aims to gain further market accesses or to enter into new collaborations. A focus of BRAIN AG lies on the development of sweeteners. Here, the Company has already signed three letters of intent with two big consumer goods companies and one converting company. Provided that the further negotiations are successful, the Company currently assumes that the collaboration programme could possibly commence in the first quarter of 2016. However, the Company wishes to draw attention to the fact that BRAIN AG is still in the negotiation phase and that, as a result, at the date of this Prospectus it is still uncertain whether the above–mentioned collaboration projects will in fact materialise and be implemented. Moreover, the development of a product and its launch depends on a number of factors, which are in some cases beyond the Company's control. Hence, the development and the launch of a product may generally fail in every stage of the process and it is possible that none of the mentioned products will be successfully launched on the market and that no future revenues may be generated.
B.5	**Description of the Group and the issuer's position within the Group.**	The Company is the parent company of BRAIN. The Company’s business is conducted by the Company as well as its subsidiaries. The following chart provides an overview regarding the group structure of BRAIN* as of the date of this Prospectus:



* The only not illustrated subsidiary of BRAIN AG is B.R.A.I.N Capital GmbH, Zwingenberg, in which BRAIN AG has a 100 % shareholding. B.R.A.I.N. Capital GmbH provides corporate finance services.

B.6 | **Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital and voting rights.**

The following table sets forth the shareholders of the Company as of the date of the Prospectus:

		Shareholding	
Direct Shareholder	**Indirect Shareholder****	**(in number of shares)**	**(in %)**
MP Beteiligungs-GmbH	Martin Putsch[1]	6,541,509	50.65 %
MIG GmbH & Co. Fonds 3 KG[2]	MIG Komplementär GmbH[11], MIG Verwaltungs AG[11] Michael Motschmann[11] Jürgen Kosch[11]	1,623,500	12.57 %
Green Industries Group GmbH & Co. KG	GI Management GmbH[3] Holger Zinke[3]	1,350,000	10.45 %
Dr. Gabriele Sachse[4]		900,000	6.97 %
Dr. Jürgen Eck[5]		750,000	5.81 %
MIG GmbH & Co. Fonds 5 KG[2]	MIG Komplementär GmbH[11]	674,289	5.22 %

	MIG Verwaltungs AG[11]		
	Michael Motschmann[11]		
	Jürgen Kosch[11]		
GC Global Chance Fund GmbH & Co. KG[7]	Markus Fischer[12]	333,350	2.58 %
Ulrich Putsch[6]		300,000	2.32 %
MIG GmbH & Co. Fonds 4 KG[8]	MIG Komplementär GmbH[11]	154,250	1.19 %
	MIG Verwaltungs AG[11]		
	Michael Motschmann[11]		
	Jürgen Kosch [11]		
GA Asset Fund GmbH & Co. KG.....................	Markus Fischer[12]	111,100	0.86 %
MIG GmbH & Co. Fonds 13 geschlossene Investment-KG[8]	MIG Verwaltungs AG[11] Michael Motschmann[11]	76,350	0.59 %
Dr. Guido Meurer[9]		50,000	0.39 %
Dr. Michael Krohn[10]...............		50,000	0.39 %
Total		**12,914,348**	**100 %***

* The figures in the column "Shareholding (in %)" have been rounded according to established commercial standards. Therefore, these rounded figures do not add up exactly to 100 %.

** Indirect shareholders are persons, to which the voting rights of a direct shareholder are attributed pursuant to section 22 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

1 The largest shareholder of MP Beteiligungs-GmbH in terms of voting rights is Mr. Martin Putsch, the son of the Co–Founder of BRAIN AG Ulrich Putsch. Therefore, the voting rights in the Company held by MP Beteiligungs–GmbH are attributed to Mr. Martin Putsch pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

2 A minority shareholder of MIG GmbH & Co. Fonds 3 KG and MIG GmbH & Co. Fonds 5 KG is MIG Verwaltungs AG. Dr. Kromayer, the member of the Supervisory Board of BRAIN AG, is member of the Management Board of MIG Verwaltungs AG.

3 Sole limited partner of Green Industries Group GmbH & Co. KG is Dr. Holger Zinke, the Deputy Chairman of the Supervisory Board and Co–Founder of BRAIN AG. General partner of Green Industries Group GmbH & Co. KG is GI Management GmbH, Zwingenberg. Managing director and sole shareholder of GI Management GmbH is also the Deputy Chairman of the Supervisory Board and Co–Founder of BRAIN AG Dr. Holger Zinke. Therefore, the voting rights in the Company held by Green Industries Group GmbH & Co. KG are attributed to both GI Management GmbH and Dr. Holger Zinke pursuant to section

B.7		22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). [4] Dr. Gabriele Sachse is Co–Founder of BRAIN AG. [5] Dr. Jürgen Eck is the Chief Executive Officer of BRAIN AG and holds a share in BRAIN AG (formerly BRAIN GmbH) since 1994. [6] Mr. Ulrich Putsch is Co–Founder of BRAIN AG. [7] GC Global Chance Fund GmbH & Co. KG is in the process of liquidation. [8] External capital management company is MIG Verwaltungs AG. [9] Dr. Guido Meurer is member of the Senior Management of BRAIN AG. [10] Dr. Michael Krohn is member of the Senior Management of BRAIN AG. [11] General partner of MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG with sole power of representation is MIG Komplementär GmbH. Sole shareholder of MIG Komplementär GmbH is MIG Verwaltungs AG. Mr. Michael Motschmann owns more than 50 % of the shares of MIG Verwaltungs AG. Therefore, the voting rights in the Company held by MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG und MIG GmbH & Co. Fonds 5 KG are attributed to each of MIG Komplementär GmbH, MIG Verwaltungs AG and Mr. Michael Motschmann pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Furthermore, MIG Verwaltungs AG is granted a power of attorney to exercise the voting rights of MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 13 geschlossene Investment-KG. Thus, the voting rights of MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 13 geschlossene Investment-KG are also attributed to MIG Verwaltungs AG and Mr. Michael Motschmann pursuant to section 22 para.1 No. 6 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Hence, a total of 19.27 % of the voting rights of the Company are attributed to MIG Komplementär GmbH (12.76 % by MIG GmbH & Co. Fonds 3 KG, 1.21 % by MIG GmbH & Co. Fonds 4 KG and 5.3 % by MIG GmbH & Co. Fonds 5 KG) and a total of 19.87 % of the voting rights of the Company are attributed to MIG Verwaltungs AG and Mr. Michael Motschmann (12.76 % by MIG GmbH & Co. Fonds 3 KG, 1.21 % by MIG GmbH & Co. Fonds 4 KG, 5.30 % by MIG GmbH & Co. Fonds 5 KG, 0.6 % of MIG GmbH & Co. Fonds 13 geschlossene Investment-KG). Moreover, Mr. Jürgen Kosch is limited partner of MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG with sole power of representation. Therefore, the voting rights in the Company held by MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG in a total of 19.27 % are attributed to Mr. Jürgen Kosch pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). [12] Mr. Markus Fischer is managing limited partner of GC Global Chance Fund GmbH & Co. KG and GA Asset Fund GmbH & Co. KG with sole power of representation and further liquidator of GC Global Chance Fund GmbH & Co. KG. Therefore, the voting rights in the Company held by GC Global Chance Fund GmbH & Co. KG and GA Asset Fund GmbH & Co. KG in a total of 3.49 % are attributed to Mr. Markus Fischer pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The aforementioned information about the attribution of voting rights is based on the current assessment of the existing shareholders of BRAIN AG. As of the date of this Prospectus no voting rights notifications pursuant to section 21 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) were published by these shareholders. Therefore, it cannot be ruled out that the information contained in the aforementioned table and the actual voting rights notifications published after the listing of the Company might differ.
	Voting rights.	Each share in the Company carries one vote at the Company´s shareholders' meeting. The Company´s existing shareholders do not have different voting rights.
	Direct or indirect control over the issuer and nature of such control.	MP Beteiligungs-GmbH, Kaiserslautern, owns more than 30 % of the voting rights in the Company and is, therefore, considered to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). Assuming (i) a placement of all New Shares (as defined below in E.3) and (ii) full exercise of the Greenshoe Option (as defined below in E.3), MP Beteiligungs–GmbH will continue to hold approximately 36.65 % of the Company´s share capital. As a result, MP Beteiligungs-GmbH will continue to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).
B.7	**Selected key historical financial information.**	The financial information as of and for the fiscal ended September 30, 2013 contained in the following tables is taken from the Company's consolidated financial

statements as of and for the fiscal years ended September 30, 2013 (the "**Consolidated Financial Statements 2012/2013**"), the financial information as of and for the fiscal ended September 30, 2014 contained in the following tables is taken from the comparable figures in the Company's consolidated financial statements as of and for the fiscal years September 30, 2015 (the "**Consolidated Financial Statements 2014/2015**"), which in parts have been corrected according to IAS 8 due to accounting errors compared to the financial information shown in the Company's Consolidated Financial Statements as of and for the fiscal year ended September 30, 2014 (the "**Consolidated Financial Statements 2013/2014**") and the financial information as of and for the fiscal ended September 30, 2015 contained in the following tables is taken from the Consolidated Financial Statements 2014/2015. The Consolidated Financial Statements 2012/2013, 2013/2014 and 2014/2015 have been prepared in accordance with International Reporting Standards as adopted by the European Union ("**IFRS**").

The adjustments according to IAS 8 for fiscal year 2013/2014 are due to the fact that in the course of the reporting of the acquisition of AnalytiCon Discovery GmbH contractual termination rights of the non-controlling shareholders and the correlating compensation obligations as well as claims from a share-based employee compensation scheme were ignored. In particular, this has an effect on the items "non-controlling interest" and "Financial liabilities".

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany ("**PwC**"), has audited the Consolidated Financial Statements 2012/2013, 2013/2014 and 2014/2015 of the Company and in each case issued an unqualified auditor's report. These financial statements are included in the Prospectus.

Certain selected financial information in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts in the following tables may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in the Prospectus. Furthermore these rounded figures may not add up exactly to the totals contained in the tables. A slash ("**/**") signifies that the relevant figure is not available or equals zero, while a zero ("**0**") signifies that the relevant figure is available but has been rounded to zero.

Selected Data from the Consolidated Statement of Comprehensive Income

	For the fiscal year ended September 30,		
	2013	**2014***	**2015**
	(audited) in T € (unless otherwise stated)		
Revenue	8,755	10,371	21,132
Research and development grant revenue	739	2,616	2,786
Increase in finished goods inventories and work in progress	75	437	311
Other income	641	359	1,465
	10,209	**13,783**	**25,694**
Cost of materials	-4,195	-5,223	-11,295
Personnel expenses	-6,227	-8,343[3]	-11,063
Depreciation and amortisation	-671	-1,006	-1,469
Other expenses	-3,505	-4,029	-6,440
Operating loss/ EBIT[1, 2]	**-4,389**	**-4,817[4]**	**-4,573**

Share of profit or loss of equity-accounted investments	-22	-170	/
Finance income	27	14	32
Finance costs	-258	-753[5]	-961
Loss for the period before taxes...	**-4,641**	**-5,726[6]**	**-5,502**
Income tax expense/ income	124	260	-452
Loss for the period.....................	**-4,518**	**-5,466[7]**	**-5,954**
Total consolidated comprehensive income	**-4,518**	**-5,466[8]**	**-6,673**
of which attributable to non-controlling interests...................	**-422**	**-165[9]**	**-239**
of which attributable to shareholders of BRAIN AG.........	**-4,095**	**-5,301[10]**	**-6,433**
Earnings per share.....................			
Basic earnings per share (in €)	-0.35	-0.42[11]	-0.45
Diluted earnings per share (in €)...	-0.35	-0.42[12]	-0.45

* The figures as of and for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/2015. In the case, that the comparable figures differ from the figures in the Consolidated Financial Statements 2013/2014, this fact is identified by a footnote.

1 Earnings before interest and taxes

2 EBIT is not required by, defined by or presented in accordance with IFRS or other generally accepted accounting practices. The definition of this financial measure may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company´s operating results as reported under IFRS

3 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Personnel expenses" in the amount of € -8,321 thousand.

4 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Operating loss/ EBIT" in the amount of € -4,795 thousand.

5 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Finance costs" in the amount of € -711 thousand.

6 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Loss for the period before taxes" in the amount of € -5,661 thousand.

7 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Loss for the period" in the amount of € -5,401 thousand.

8 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total consolidated comprehensive income" in the amount of € -5,401 thousand.

9 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total consolidated comprehensive income of which attributable to noncontrolling interests" in the amount of € -357 thousand.

10 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total consolidated comprehensive income of which attributable to shareholders of BRAIN AG" in the amount of € -5,044 thousand.

11 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Basic earnings per share" in the amount of € -0.40.

12 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Diluted earnings per share" in the amount of € -0.40.

Selected Data from the Consolidated Statement of Financial Position

	As of September 30,		
	2013	**2014***	**2015**
		(audited) in T €	
Noncurrent assets			
Shares in unconsolidated affiliated companies	5	/	/
Intangible assets	2,289	5,884[2]	8,035
Property, plant, and equipment	6,732	6,881	6,878
Shares in equity-accounted investments............................	170	0	0
Deferred tax assets	1	114	275
Available-for-sale financial assets	532	159	0
Other noncurrent assets	61	91	149
	9,789	**13,128**[3]	**15,336**
Current assets			
Inventories	2,051	4,569	6,517
Trade receivables	1,549	2,647	3,934
Other current assets	351	455	1,349
Current tax assets..................	98	32	23
Other financial assets	2,000	/	/
Cash and cash equivalents.....	9,259	4,459	3,247
	15,308	**12,163**	**15,071**
Total assets	**25,097**	**25,291**[4]	**30,407**
Equity			
Subscribed capital..................	12,726	12,726	12,726
Capital reserves	16,883	16,883	16,883
Retained earnings..................	-12,309	-17,610[5]	-23,439
Other reserves	/	/	-719
Noncontrolling interests	293	128[6]	304
Total equity	**17,592**	**12,126**[7]	**5,755**
Noncurrent liabilities			
Deferred tax liabilities.............	15	664	1,443
Pension provisions	/	/	1,014
Financial liabilities	3,893	7,174[8]	14,251

Other liabilities	/	22[9]	196
Deferred income	41	8	20
	3,949	**7,869[10]**	**16,924**
Current liabilities			
Other provisions1	165	215	289
Current tax liabilities	/	43	87
Financial liabilities	1,036	2,152	2,106
Prepayments received	341	323	282
Trade payables	1,119	1,351	3,082
Other liabilities	827	1,083	1,493
Deferred income	68	128	388
	3,556	**5,296**	**7,727**
Total equity and liabilities	**25,097**	**25,291[11]**	**30,407**

* The figures as of and for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/2015. In the case, that the comparable figures differ from the figures in the Consolidated Financial Statements 2013/2014, this fact is identified by a footnote.

1 In consolidated financial statements as of September 30, 2014 and September 30, 2013 referred to as "Provisions"

2 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Intangible assets" in the amount of € 5,664 thousand.

3 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Noncurrent assets" in the amount of € 12,909 thousand.

4 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total assets" in the amount of € 25,072 thousand.

5 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Retained earnings" in the amount of € -17,353 thousand.

6 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Noncontrolling interests" in the amount of € 1,593 thousand.

7 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total equity" in the amount of € 13,848 thousand.

8 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Financial liabilities" in the amount of € 5,255 thousand.

9 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain no "Other liabilities".

10 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Non-current liabilities" in the amount of € 5,928 thousand.

11 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total equity and liabilities" in the amount of € 25,072 thousand.

Selected Data from the Consolidated Statement of Cash Flows

	For the fiscal year ended September 30,		
	2013	**2014***	**2015**
		(audited) in T €	
Gross cash flow	**-4,943**	**-4,043**	**-3,821**
Cash flows from operating activities	-4,849	-3,903	-4,113
Cash flows from investing activities	1,518	-1,518	-539
Cash flows from financing activities	10,057	621	3,441
Net change in cash and cash equivalents....	**6,726**	**-4,801**	**-1,212**
Cash and cash from equivalents at the end of the fiscal year.............	9,259	4,459	3,247

* The figures as of and for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/2015.

Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information.

In the past three fiscal years BRAIN has completed a number of acquisitions which substantially affected its financial position and results of operation due to the consolidation of the acquired businesses. These transactions mainly comprised:

- the acquisition of a 57.7 % stake in AnalytiCon Discovery GmbH as per December 20, 2013 (the "**AnalytiCon Acquisition**") which was fully consolidated for the first time as per September 30, 2014; and
- the acquisition of a 50.6 % stake in WeissBiotech Beteiligungs GmbH (the "**WeissBioTech Acquisition**") as per November 1, 2014 which was fully consolidated for the first time as per September 30, 2015.

Due to the consolidation of the revenues of the acquired businesses, acquisitions result in an increase of group revenues. The acquisitions affect BRAIN's revenues from product sales (BioIndustrial) and BRAIN's revenues from R&D collaborations (EPCs, BioScience). The consolidation also affects other items of the statement of comprehensive income, in particular cost positions.

The following changes in BRAIN's financial condition and results of operations, as shown on the basis of revenues and operating profit or loss (EBIT) occurred in the fiscal years 2012/2013, 2013/2014 and 2014/2015:

Revenues

Revenues increased from € 8.8 million in fiscal year 2012/13 by 18.5 % to € 10.4 million in fiscal year 2013/14 and by a further 103.8 % to € 21.1 million in fiscal year 2014/15. The increase in fiscal year 2013/14 was mainly caused by the AnalytiCon Acquisition. The main reason for the increase in fiscal year 2014/15 was the WeissBioTech Acquisition.

BRAIN primarily generates revenues from two segments: BioScience and BioIndustrial.

BRAIN's revenues from the BioScience segment (mainly R&D collaborations) increased from € 4.2 million in fiscal year 2012/13 by 38.9 % to € 5.9 million in fiscal year 2013/14 (as if the segmentation would have already been implemented commencing in fiscal year 2012/13). The R&D collaborations revenues of the fiscal year

		2012/13 were in part generated by the exchange of services for equity (barter transaction involving R&D collaborations milestone results for shares of the respective collaboration partner). The growth in fiscal year 2013/14 includes an acquisition related increase due to the AnalytiCon Acquisition. AnalytiCon mainly generates R&D collaborations revenues. Fiscal year 2014/15 showed another increase in the BioScience–segment from € 5.9 million in fiscal year 2013/14 by 49.1 % to € 8.8 million. This development mainly resulted from strong demand from domestic and foreign industrial partners. BRAIN's revenues from the BioIndustrial-segment (mainly product sales) increased from € 4.5 million in fiscal year 2012/13 to € 4.6 million in fiscal year 2013/14 which mainly resulted from an increase in cosmetics product revenues (as if the segmentation would have already been implemented commencing in fiscal year 2012/13). In fiscal year 2014/15, revenues from the BioIndustrial-segment further increased from € 4.6 million in fiscal year 2013/14 by 173.3 % to € 12.4 million. This was mainly due to the WeissBioTech Akquisition. **Operating loss (EBIT)** Operating loss increased from € -4.4 million in fiscal year 2012/13 by 9.8 % to € -4.8 million in fiscal year 2013/14. In Fiscal year 2014/15 operating loss (EBIT) decreased by 5.1 % to € -4.6 million from € -4.8 million in fiscal year 2013/14. Operating results in fiscal years 2012/13, 2013/14, and 2014/15 continue to be driven by high research and development costs. R&D costs mainly encompass personnel costs, cost of materials and other costs. **Recent Developments** On October 20, 2015, the General Shareholders' Meeting of the Company resolved to increase the share capital from € 12,725,818 by € 188,530 to € 12,914,348 by issuing 188,530 new no–par value registered shares with a notional interest in the share capital of € 1.00 per share and an issue price of € 1.00 per share against cash contributions. The shareholder of BRAIN AG MP Beteiligungs-GmbH subscribed for the 188,530 newly issued no–par value registered shares against the payment of a total amount of € 188,530. In connection with the aforementioned capital increase MP Beteiligungs-GmbH assumed an obligation towards the other shareholders to contribute its claims against the Company in the amount of € 1,811,470 arising from a shareholder loan agreement into the capital reserve in accordance with Article 272 subsection 2 no. 4 of the German Commercial Code (*HGB*). The contribution was made by concluding an agreement relating to the partial waiver of the repayment of the outstanding amount under a loan agreement between MP Beteiligungs-GmbH and BRAIN AG on November 13, 2015. Except for the capital increase and the contribution into the capital reserve mentioned above, no significant change in the BRAIN's financial or trading position has occurred since September 30, 2015.
B.8	**Selected key pro forma financial information.**	BRAIN AG effective November 4, 2014, acquired 50.6 % of the shares of WeissBioTech GmbH, Ascheberg (formerly WeissBioTech Beteiligungs GmbH) via a cash capital increase in the nominal amount of € 102,500. At the date of the acquisition WeissBioTech GmbH held 100 % of the shares of WeissBioTech France S.A.R.L., Chanteloup-en-Brie, France (WeissBioTech GmbH und WeissBioTech France S.A.R.L. together "**WeissBioTech**"). Due to the fact that this acquisition has a material impact on BRAIN's financial statements, in order to provide clear information on BRAIN's financial position and to facilitate comparability for readers of the IFRS consolidated financial statements for the period from October 1, 2014 to September 30, 2015, a pro forma consolidated income statement for BRAIN is presented covering the period from October 1, 2014 to September 30, 2015 and accompanying explanatory notes (together the "**Pro forma financial information**"). The purpose of the Pro forma financial information is to present the main influences the acquisition of the shares of WeissBio Tech would have had on BRAIN's consoli-

dated financial statements for the period from October 1, 2014 to September 30, 2015 if BRAIN would have existed in the form created by the acquisition already since October 1, 2014.

The Pro forma financial information contained in the following table is taken from the pro forma financial information for the period from October 1, 2014 to September 30, 2015. The guidelines of Regulation (EC) No. 809/2004 of April 29, 2004 in connection with Annex I, 20.2 in combination with Annex II and the requirements of the Insitut der Wirtschaftsprüfer e.V. (Institute of Public Auditors in Germany) ("**IDW**") issued within the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) were applied in preparing the Pro forma financial information.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany ("**PwC**"), has audited the Pro forma financial information for the period from October 1, 2014 to September 30, 2015 in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1) and issued an auditors' report (Bescheinigung). This Pro forma financial information is included in the Prospectus.

The preparation of the Pro forma financial information was conducted only for illustrative purposes. Because of its nature, the Pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

The provided Pro forma financial information is based upon assumptions and bears uncertainties and, thus, does not represent the actual performance of the financial development of BRAIN and the results of its operations and its cash flows as if the described acquisition had occurred already on October 1, 2014. Furthermore, the Pro forma financial information should not be considered as an indicator for the future performance of the financial position of BRAIN and the results of its operations and its cash flows post completion of the acquisition.

The Pro forma financial information is to be considered only in combination with the audited consolidated financial statements of BRAIN AG as of September 30, 2015. It is not meaningful on a stand–alone basis.

The preparation of the Pro forma financial information is based upon the following underlying information:

- The figures in the first column are taken from BRAIN's consolidated income statement for the year October 1, 2014 to September 30, 2015. The statement is prepared according to IFRS Standards as applied in the EU and audited according to the principles of the German commercial law.
- The figures in the second column are taken from the income statement of WeissBio Tech for the period from October 1, 2014 to October 31, 2014. The figures are based on the accounting records prepared by WeissBioTech on its respective local GAAP. To achieve figures in line with BRAIN's accounting policies according to IFRS as adopted in the EU, one adjustment has been made with the recognition of a finance lease according to IAS 17 rather than a treatment as operating lease according to local GAAP. As result of this amendment, the other expenses decreased by € 5,439, the depreciation increased by € 3,648 and interest expenses increased by € 639.

The pro forma adjustments are shown in the fourth column, after a column containing the aggregate base values from the first two columns. The pro forma adjustments consist primarily of amortisation and the resulting deferred tax effects as well as finance costs which would have occurred in the first month of fiscal year 2014/15, if the acquisition of WeissBioTech had occurred effective October 1, 2014. These figures are derived from the accounting records of WeissBioTech.

Certain selected financial information in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts in the following tables may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in the Prospectus. Furthermore these rounded figures may not add up exactly to the totals contained in the tables.

	Historical financial information				
	Consolidated income statement BRAIN Group for the period from October 1, 2014 to September 30, 2015	Proportionate income statement WBT Group for the period from October 1, 2014 to October 31, 2014	Total for the period of October 1, 2014 to September 30, 2015	Pro Forma Adjustment	Pro forma income statement BRAIN Group for the period of October 1, 2014 to September 30, 2015
	€	€	€	€	€
Revenue	21,132,363	737,804	21,870,167	-	21,870,167
Research and development grant revenue	2,786,042	-	2,786,042	-	2,786,042
Inventories and work in progress[1)]	310,828	177,237	488,065	-	488,065
Other income	1,465,182	84,377	1,549,559	-	1,549,559
	25,694,415	**999,418**	**26,693,833**	**-**	**26,693,833**
Cost of materials	-11,295,415	-717,126	-12,012,541	-	-12,012,541
Personnel expenses	-11,063,182	-75,582	-11,138,764	-	-11,138,764
Depreciation and amortisation	-1,468,875	-5,230	-1,474,105	-29,086	-1,503,191
Other expenses	-6,439,595	-282,691	-6,722,286		-6,722,286
Operating loss / EBIT	**-4,572,652**	**-81,212**	**-4,653,864**	**-29,086**	**-4,682,950**
Finance income	31,924	63	31,987		31,987
Finance costs	-961,295	-4.767	-966,062	-4,602	-970,664

		Loss for the period before taxes	**-5,502,023**	**-85,916**	**-5,587,939**	**-33,688**	**-5,621,627**
		Income tax expense/income	-451,873	21,831	-430,042	8,787	-421,255
		Loss for the period	**-5,953,896**	**-64,085**	**-6,017,981**	**-24,901**	**-6,042,882**
		of which attributable to noncontrolling interests	-239,341	-	-239,341	-	-239,341
		of which attributable to shareholders of BRAIN AG	-5,714,554	-64,085	-5,778,639	-24,901	-5,803,540
		Earnings per share					
		Basic earnings per share	-0.45	-0.01	-0.46	-0.00	-0.46
		Number of shares used to calculate basic earnings per share	12,725,818	12,725,818	12,725,818	12,725,818	12,725,818
		Diluted earnings per share	-0.45	-0.01	-0.46	-0.00	-0.46
		Number of shares used to calculate diluted earnings per share	12,725,818	12,725,818	12,725,818	12,725,818	12,725,818

1) Item "Increase in finished goods, inventories and work in progress" in the consolidated financial statement of BRAIN as of September 30, 2015.

B.9	**Profit forecast or estimate.**	Not applicable. No profit forecast or estimate is being presented by the Company.

B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The auditor´s reports on the audited historical financial information included in this Prospectus have been issued without qualification.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The Company is the opinion that BRAIN is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this Prospectus.
SECTION C - SECURITIES		
C.1	**Type and class of the securities being offered and/or admitted to trading.**	Ordinary registered shares with no–par value (*Stückaktien*), each with a notional interest in the share capital of € 1.00 and full dividend rights from October 1, 2015.
	Security identification number.	International Securities Identification Number (ISIN): DE0005203947 German Securities Code (WKN): 520394 Ticker Symbol: BNN
C.2	**Currency.**	Euro.
C.3	**The number of shares issued and fully paid.**	As of the date of this Prospectus, the share capital of the Company amounts to € 12,914,348. It is divided into 12,914,348 registered shares with no–par value (*auf den Namen lautende Stückaktien*), each such share with a notional value of € 1.00. The share capital of the Company has been fully paid in. In connection with and for the purpose of the Offering (as defined in E.3 below), it is expected that the Company will issue up to 3,500,000 new ordinary registered shares with no-par value (*Stückaktien*) from a capital increase against contribution in cash (the "**IPO Capital Increase**") expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day utilising the Authorised Capital 2015/I as resolved by a Shareholders' Meeting on July 8, 2015. Upon registration of the IPO Capital Increase with the Commercial Register, the Company's outstanding share capital will amount to up to € 16,414,348.00 and be divided into up to 16,414,348 ordinary registered shares with no-par value (*Stückaktien*). All Company's shares will be fully paid up.
	Notional value.	Each share of the Company represents a notional value of € 1.00 in the share capital.
C.4	**A description of the rights attached to the securities.**	**Voting Rights** Each share in the Company carries one vote at a general shareholders' meeting. There are no restrictions on voting rights. **Dividend Rights** The shares in the Company carry full dividend rights from October 1, 2015. **Rights on Liquidation Proceeds** In the event of the Company's liquidation, any liquidation proceeds remaining after discharging the Company's liabilities will be distributed to the holders of the Company's shares pursuant to the German Stock Corporation Act (*Aktiengesetz*) in proportion to their interest in the Company's share capital. **Subscription Rights** Shareholders generally have the right to subscribe for new shares issued pursuant to any future capital increases in a ratio proportionate to the respective shares they hold in the Company's share capital (subscription right) in connection with share capital increases against cash contributions. Exemptions are made with regard to conditional capital increases or the issuance of convertible bonds, income bonds, profit participation rights or bonds with warrants as well as in respect of the sale of treasury shares. Furthermore, the General Shareholders' Meeting (*Hauptversammlung*) may

		partially or completely exclude the subscription rights in specific cases.
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable. The Company's shares are freely transferable in accordance with the legal requirements for registered shares. There are no prohibitions or restrictions on disposals with respect to the transferability of the Company's shares.
C.6	**Application for admission to trading on a regulated market and identify of regulated markets where the securities are not be traded.**	The Company intends to apply for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub–segment thereof with additional post–admission obligations (Prime Standard) on or about January 21, 2016. The listing approval for the Company's shares is expected to be granted on February 5, 2016. Trading in the Company's shares on the Frankfurt Stock Exchange is also planned to commence on February 9, 2016.
C.7	**Dividend policy.**	The Company currently intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business and do not intent to pay dividends in the foreseeable future. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the results of operations, financial condition, contractual restrictions and capital requirements. The future ability of the Company to pay dividends may be limited by the terms of any existing and future debt or preferred securities.
SECTION D – RISKS		
D.1	**Key risks specific to the issuer and its industry.**	**Risks Related to the Company's Business** • BRAIN has recorded operating losses in each of the fiscal years since 2008 and it is uncertain whether, when, and in what amount it will generate profits in the future. • The players in the competitive environment in which BRAIN offers its research and development services and its products frequently include companies, especially large industrial enterprises, with superior financial strength and substantially greater research, development, sales, and marketing capacity. These partners may in the future prefer to use their own research and developments units or engage competitors of BRAIN and hence decrease or even terminate their collaboration with BRAIN. • The markets in which BRAIN's collaboration partners are developing products and the markets in which BRAIN develops and markets own products are highly competitive. There are numerous companies present in these markets that are developing products that may compete with, and could adversely affect the prices for, any products developed by BRAIN's collaborators using BRAIN's solutions. • BRAIN could be unsuccessful in its search for industrial biotechnology solutions or the search for such solutions could require more resources than expected. • BRAIN could lose its position with respect to its technological and scientific expertise or be unable to adapt its research and development services and its products in time to new developments, technologies, and input materials. • The collaboration between BRAIN and one or more of its partners could become strained or could break down completely. This could lead to BRAIN failing to generate the intended revenue and earnings, to it having to bear a certain percentage of the cost of research and development activities itself, or to it being unable to expand its own expertise in solutions development to the extent it had expected. In addition, BRAIN's reputation as an expert partner could be damaged and its ability to enter into additional collaborations in the future could be impaired. • BRAIN might not be able to negotiate additional collaboration agreements having terms satisfactory to BRAIN or at all.

- BRAIN's growth opportunities could remain limited if it is unable to increase the revenue generated from licenses and from its own products.
- The successful integration of enterprises acquired by BRAIN could fail and disputes could arise with such enterprises' senior managers or minority shareholders.
- BRAIN's industrial property rights and business and trade secrets may potentially not be adequately protected.
- BRAIN's business and trade secrets could become known to competitors, partners, or other third parties, which could adversely affect BRAIN's competitive position.
- BRAIN could infringe patents or other third–party property rights, or could be prevented by patents or third–party property rights from continuing the development of its own solutions und products.
- BRAIN is dependent on its Management Board, senior managers, and key employees.
- BRAIN's strategy of continuing its industrialisation through internal and external growth could be unsuccessful, which could lead to BRAIN missing its specified growth targets.
- BRAIN might pursue strategic acquisitions which could have an adverse impact on BRAIN's business if they prove to be unsuccessful.
- Any decline in the price of conventional fossil resources and in particular of oil could adversely affect demand for industrial biotechnology solutions and products.
- BRAIN is exposed to the risk that public grants for industrial biotechnology could be reduced or even completely cancelled, or that it might have to repay public grants already received.
- BRAIN's libraries of enzymes, microorganisms, and natural substances ("Bio-Archive") could be damaged or destroyed.
- The laboratories and production facilities operated at a number of locations within BRAIN could be damaged or destroyed by errors in operating processes or other unplanned events.
- Relations between BRAIN and universities, research institutions, associations, or other scientific, industrial, or political institutions could deteriorate.
- BRAIN could be exposed to demands for back taxes or social security payments for past assessment or settlement periods.
- There is a risk that loss carryforwards cannot be utilised.
- BRAIN might not be in a position to cover its financing requirements in the future.
- BRAIN AG entered into silent partnership agreements under which it granted profit participation rights and consent rights to external investors. In case of violation of contractual obligations and termination, BRAIN might not be able to meet the repayment obligation or to pay a premium.
- BRAIN's operational and financial planning and reporting systems may be inadequate and its management resources may be insufficient to ensure accurate financial management and reporting.
- BRAIN may not be able to improve and maintain an efficient system of internal controls over financial reporting, and BRAIN's internal reporting or risk management procedures may not be adequate to meet the needs of its growing business.
- BRAIN could be unsuccessful in managing and controlling BRAIN's future growth efficiently enough.

		• Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.
D.3	**Key risks specific to the securities.**	**Risks Related to the Company's Shares and the Offering** • Following the Offering, the existing shareholders will retain a significant interest in the Company and their interests may conflict with those of the other shareholders. • BRAIN's ability to pay dividends depends, among other things, on its financial position and results of operations. • The Company's shares have not previously been publicly traded, and there is no guarantee that an active and liquid market for the Company's shares will develop. • The Company's share price could fluctuate significantly, and investors could lose all or part of their investment. • Future offerings of debt or equity securities by BRAIN could adversely affect the market price of the Company's shares, and future capitalisation measures could substantially dilute the interests of the existing shareholders. • Future sales by the existing shareholders could depress the price of shares in the Company. • An investment in the Company's shares by an investor whose principal currency is not the Euro may be affected by exchange rate fluctuations. • The Company may invest or spend the proceeds of this offering in ways with which shareholders may not agree or in ways which may not yield a return or enhance the price of the shares.
SECTION E - OFFER		
E.1	**The total net proceeds.**	Assuming the placement of all Offer Shares (as defined below in E.3) at an Offer Price at the mid-point of the Price Range (as defined below in E.3) and the full exercise of the Greenshoe Option (as defined below in E.3), gross proceeds from the Offering (as defined below in E.3) are expected to total approximately € 42.26 million. The Company will receive the proceeds of the Offering from the sale of the New Shares (as defined below in E.3). Assuming that the maximum number of New Shares (3,500,000 shares) is sold at an Offer Price at the mid–point of the Price Range gross proceeds attributable to the Company will amount to € 36.75 million. The selling shareholder MP Beteiligungs-GmbH, Kaiserslautern, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Kaiserslautern, Germany, under the number HRB 3646 (the "**Selling Shareholder**") will receive the proceeds from the sale of the Over–Allotment Shares (as defined below in E.3). Assuming full exercise of the Greenshoe Option at an Offer Price at the mid–point of the Price Range, gross proceeds attributable to the Selling Shareholder will amount to € 5.51 million. Assuming total expenses of the Offering and listing of the Company's shares (including the commission payable to and expenses incurred by the Sole Bookrunner) in amount of € 3.51 million to be borne by the Company and the commission payable to the Sole Bookrunner in amount of € 0.3 million to be borne by the Selling Shareholder (see in detail below), the total net proceeds from the Offering are expected to total approximately € 38.45 million.
	Estimate of the total expenses of the offering and listing, including estimated expenses charged to the investor by the issuer.	The commissions payable to the Sole Bookrunner (as defined above in A.1) will be borne by the Company and the Selling Shareholder (as definded in E.1) in the proportion of the Offer Shares represented by the New Shares or the Over–Allotment Shares, as applicable. Any expenses incurred by the Sole Bookrunner will be borne exclusively by the Company. Assuming (i) a placement of all Offer Shares (as defined below in E.3) at an Offer

		Price at the mid–point of the Price Range (as defined below in E.3), (ii) full exercise of the Greenshoe Option (as defined below in E.3), (iii) payment in full of the discretionary fee of up to € 2.32 million and (iv) expenses incurred by the Sole Bookrunner in the amount of € 0.15 million, the commissions and expenses payable to the Sole Bookrunner will amount to € 2.47 million in total. Of that total, an amount of € 2.17 is attributable to the New Shares and will be borne by the Company and an amount of € 0.3 million is attributable to the Over–Allotment Shares (as defined below in E.3) and will be borne by the Selling Shareholder (as defined above in E.1). The expenses related to the Offering and listing of the Company's entire share capital (excluding commissions payable to and expenses incurred by the Sole Bookrunner) will be borne by the Company and are expected to total approximately € 1.34 million. Based on the assumptions described above, the total expenses of the Offering and listing of the Company's shares (including the commission payable to and expenses incurred by the Sole Bookrunner) to be borne by the Company are expected to amount to € 3.51 million. Under the above assumptions the Company will receive net proceeds of € 33.24 million, and the Selling Shareholder will receive net proceeds of € 5.21 million. Therefore the total net proceeds from the Offering are expected to total approximately € 38.45 million. Investors will not be charged expenses by the Company, the Selling Shareholder or the Sole Bookrunner.
E.2 a	**Reasons for the offering.**	The Company intends to (i) sell the New Shares (as defined below in E.3) to finance the growth and development of its businesses and (ii) list the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub–segment thereof with additional post–admission obligations (Prime Standard) to achieve better access to the capital markets. The Company will receive the net proceeds resulting from the sale of the New Shares after deduction of the Sole Bookrunner's (as defined above in A.1) commissions (to the extend attributable to the New Shares) and the expenses incurred by the Sole Bookrunner as well as the expenses related to the Offering and listing of the Company's entire share capital. Assuming a placement of all New Shares at mid–point of the Price Range (as defined below in E.3), the Company expects gross proceeds of approximately € 36.75 million from the sale of the New Shares; net proceeds thereof attributable to the Company will amount to approximately € 33.24 million.
	Use of proceeds, estimated net amount of the proceeds.	The Company intends to use the net proceeds of the Offering (as defined below in E.3) to strengthen the Company's capitalisation and financial position and fund value accretive pipeline projects. The Company anticipates that such use might include, but will not necessarily be limited to, the support of the implementation of the Company's strategy and, especially, the acceleration of its industrialisation strategy. In particular, the Company plans to use the net proceeds accruing to it as follows:

Purpose	Approx. T€	Approx. %
Research and Development (especially development of new products, improvement of existing products, marketing of own products) and improvement of technologies	19,944	60 %
Acquisitions and further increase of participation in subsidiaries (buy-out of minorities)	6,648	20 %
Working capital* and/or repayment of shareholder loans granted for operational purposes** and/or other normal corporate purposes	6,648	20 %

		* The Company is of the opinion that it is able to access working capital in order to meet its payment obligations as they fall due within at least the next twelve months without using the net proceeds of the offering. Such working capital is especially ensured by the Loan Agreement I with MP Beteiligungs-GmbH in the amount of up to € 8,188,530, which will terminate on December 31, 2016, and by the Loan Agreement II with MP Beteiligungs-GmbH in the amount of up to € 5,000,000 which will terminate on June 30, 2017. Nonetheless, the Company reserves the right to use also an amount of up to € 6,648 thousand to ensure sufficient working capital instead of making use of the above mentioned framework loans for such purpose. ** To finance its business operations the Company has concluded several loan agreements. If the current circumstances allow for such use and such use from the Company's viewpoint seems to be appropriate the Company possibly might also make use of an amount of up to € 6,648 thousand of the net proceeds of the offering for the (partial) repayment of outstanding loans. At the date of this Prospectus the Company has not made any definite decision whether an amount of up to € 6,648 thousand of the net proceeds shall actually be used for this purpose and if yes which of the outstanding loans shall be repaid in which amount. The amounts to be used for each of these purposes will depend on a variety of factors, which means that the actual emphasis on and order of uses of the funds may differ significantly from the intended emphasis and order. In addition, the Company will critically review the possible uses regularly and, where appropriate, adjust them to current circumstances. This means that planned uses may be postponed or replaced based on market developments.
E.3	**Offer conditions.**	The Offering relates to the offering of 4,025,000 ordinary registered shares of the Company with no–par value (*Stückaktien*), each such share representing a notional value of € 1.00 and with full dividend rights from October 1, 2015, (the "**Offering**") consisting of: - 3,500,000 newly issued ordinary registered shares with no–par value (*Stückaktien*) from a capital increase against contribution in cash expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I as resolved by a Shareholders' Meeting on July 8, 2015 (the "**New Shares**"); - 525,000 ordinary registered shares with no–par value (*Stückaktien*) from the holdings of the Selling Shareholder in connection with a potential over–allotment (the "**Over–Allotment Shares**" and, together with the New Shares, the "**Offer Shares**"). The Offering consists of an initial public offer in the Federal Republic of Germany ("**Germany**") and the Republic of Austria ("**Austria**") via the Xetra–subscription functionality (the "**Public Offer via the Xetra–Subscription Functionality**"), an initial public offer in Germany and Austria to Selected Retail Investors (as defined below in E.3) by way of subscription via the subscription portal set up on the Issuer's website (the "**Public Offer via the Subscription Portal to Selected Retail Investors**" and the Public Offer via the Xetra–Subscription Functionality and the Public Offer via the Subscription Portal to Selected Retail Investors together the "**Public Offer**"). Offer Shares which are not sold by way of the Public Offer will be offered and sold by way of private placements in Germany and Austria and certain other jurisdictions in Europe and outside the United States (the "**Private Placement**"). Outside the United States, the Offer Shares will be offered and sold only in offshore transactions in reliance on Regulation S under the Securities Act (the "**Securities Act**").
	Offer Period.	The offer period, during which investors may submit purchase orders for the Offer Shares (the "**Offer Period**") is expected to begin (i) on January 21, 2016 for the Public Offer via the Subscription Portal to Selected Retail Investors and (ii) on January 22, 2016 for the Public Offer via the Xetra–Subscription Functionality. The Offer Period is expected to end on February 3, 2016 for both the Public Offer via the Subscription Portal to Selected Retail Investors and the Public Offer via the Xetra–

		Subscription Functionality. On the last day of the Offer Period, offers to purchase may be submitted (i) until 16:00 (Central European Time) ("**CET**") by Retail Investors (as defined below in E.3) and (ii) until 17:00 (CET) by institutional investors.
	Price range and Offer Price.	The price range set for the Offering (the "**Price Range**") within which purchase orders may be placed is € 9.00 to € 12.00 per Offer Share.
	Amendments of the Term of the offering.	Subject to the publication of a supplement to this Prospectus, if required, the Company and the Sole Bookrunner reserve the right to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period. Changes in the number of Offer Shares, changes to the Price Range or the extension or shortening of the Offer Period will not invalidate any purchase orders that have already been submitted. If any such change requires the publication of a supplement to this Prospectus, investors who submitted purchase orders before the supplement is published shall have the right, under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), to withdraw these purchase orders within two business days of the publication of the supplement. Instead of withdrawing the purchase orders placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited purchase orders within two business days of the publication of the supplement. To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the German Securities Trading Act (*Wertpapierhandelsgesetz*) or the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as an ad–hoc release via an electronic information dissemination system, on the Company's website and as a supplement to this Prospectus. In such event, investors who have submitted purchase orders will not be notified individually.
	Minimum Tranche to Retail Investors and Preferential Allocation to Selected Retail Investors	No less than 10 % of the Offer Shares effectively allocated will be allocated to retail investors (the "**Minimum Allocation to Retail Investors**"). However, the proportion of Offer Shares allocated to retail investors may be increased or decreased if purchase orders received from them exceed or do not reach, respectively, 10 % of the Offer Shares effectively allocated. For the purpose of the Minimum Allocation to Retail Investors, a retail investor (the "**Retail Investor**") is (i) a natural person resident in Germany or Austria who purchases the Offer Shares for his own account or (ii) a special investment vehicle having its seat in Germany or Austria which is a legal entity established for the express and sole purpose of providing asset management and/or retirement planning services for a natural person. The Company intends to prefer the Selected Retail Investors (as defined below) in the allocation of the Minimum Tranche to Retail investors. Selected retail investors (the "**Selected Retail Investors**") are the following persons: (i) all employees of BRAIN and (ii) all retail investors of the following investment companies who are resident in Germany or Austria : • MIG GmbH & Co. Fonds 1 KG i.L. • MIG GmbH & Co. Fonds 2 KG • MIG GmbH & Co. Fonds 3 KG • MIG GmbH & Co. Fonds 4 KG • MIG GmbH & Co. Fonds 5 KG • MIG GmbH & Co. Fonds 6 KG • MIG GmbH & Co. Fonds 7 KG • MIG GmbH & Co. Fonds 8 KG • MIG GmbH & Co. Fonds 9 KG • MIG GmbH & Co, Fonds 10 KG • MIG GmbH & Co. Fonds 11 KG • MIG GmbH & Co. Fonds 12 geschlossene Investment-KG • MIG GmbH & Co. Fonds 13 geschlossene Investment-KG

		• MIG GmbH & Co. Fonds 15 geschlossene Investment-KG • GC Global Chance Fund GmbH & Co. KG • GA Asset Fund GmbH & Co. KG
	Delivery and Payment.	The delivery of the Offer Shares against payment of the Offer Price is expected to take place on February 9, 2016. The Offer shares will be made available to the shareholders as co–ownership interests in the Global Share Certificate.

	Stabilisation Measures, Over-Allotment and Greenshoe Option.	In connection with the placement of the Offer Shares ODDO SEYDLER will act as the stabilisation manager (the "**Stabilisation Manager**") and may, as Stabilisation Manager, and acting in accordance with legal requirements (section 20a para. 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with Commission Regulation (EC) No. 2273/2003 of December 22, 2003), make over-allotments and take stabilisation measures to support the market price of the Company's shares and thereby counteract any selling pressure. The Stabilisation Manager is under no obligation to take any stabilisation measures. Therefore, no assurance can be provided that any stabilisation measures will be taken. Where stabilisation measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the Company's shares are listed on the regulated market on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than the thirtieth calendar day after the first day of trading of the shares (the "**Stabilisation Period**"). These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level. Under the possible stabilisation measures, investors may, in addition to the New Shares, be allocated up to 525,000 Over–Allotment Shares as part of the allocation of the Offer Shares (the "**Over–Allotment**"). For the purpose of such a potential Over-Allotment the Stabilisation Manager will be provided with up to 525,000 shares in the Company from the holdings of the Selling Shareholder MP Beteiligungs-GmbH, Kaiserslautern, in the form of a securities loan. The total number of Over–Allotment Shares will not exceed 15 % of the number of New Shares. In addition, the Selling Shareholder will grant the Stabilisation Manager an option to acquire up to a number of Company's shares equal to the number of Over–Allotment Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"). The Greenshoe Option will terminate 30 calendar days after the commencement of the stock exchange trading of the Company's shares. The Stabilisation Manager is entitled to exercise the Greenshoe Option to the extent Over–Allotment Shares were allocated to investors in the Offering; such amount of Company's shares is to be reduced by the number of Company's shares held by the Stabilisation Manager as of the date on which the Greenshoe Option is exercised and that were acquired by the Stabilisation Manager in the context of stabilisation measures. Once the Stabilisation Period has ended, an announcement will be made within one week in various media outlets distributed across the entire EEA as to whether stabilisation measures were taken, when price stabilisation started and finished, and the price range within which stabilisation was taken. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of Company's shares concerned will also be announced promptly in the same manner.
E.4	**Interests material to the issuer/offer including conflicting interests.**	The Sole Bookrunner acts for the Company on the Offering and coordinates the structuring and execution of the Offering. The Sole Bookrunner as Underwriter has entered into an underwriting agreement (the "**Underwriting Agreement**") with the Company and besides that, into a share lending and option agreement on January 19, 2016 with the Selling Shareholder (as defined above in E.1) (the "**Share Lending and Option Agreement**") under which upon successful implementation of the Offering, the Sole Bookrunner will receive a commission. As a result of this contractual relationship, the Sole Bookrunner has a financial interest in the success of the Offer-

		ing. In addition the Sole Bookrunner may from time to time engage in business relationships with the Company also in future. It is further envisaged that after the first public listing and admission of the shares of the Company to trading at the regulated market at the Frankfurt Stock Exchange with simultaneous admission to a sub–segment of the Regulated Market with additional listing requirements (Prime Standard) at the Frankfurt Stock Exchange, ODDO SEYDLER will act as designated sponsor of the Company. Moreover, the Sole Bookrunner or its affiliates may from time to time in the future have business relations with BRAIN or may perform services for BRAIN in the ordinary course of business. Furthermore, in connection with the Offering (as defined in E.3 above), the Sole Bookrunner and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, the Sole Bookrunner or its affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Sole Bookrunner (or its affiliates) may from time to time acquire, hold or dispose of shares in the Company. The Selling Shareholder will receive proceeds of the shares from the exercise of the Greenshoe Option, if any. Assuming full exercise of the Greenshoe Option and placement at the mid-point of the Price Range after deducting fees to be paid by the Selling Shareholder in connection with the Offering, the net proceeds to the Selling Shareholder from the offering would amount to approximately €5.21 million, or 13.55 % of the total net proceeds from the Offering. The Selling Shareholder will offer its shares to ensure sufficient free float and trading liquidity in the company's shares, but he might also have a financial interest in the offer of his shares. Also the Frankfurt Stock Exchange, where the Shares of the Company are to be admitted to the Regulated Market with simultaneous admission to the sub–segment of the Regulated Market with additional listing requirements (Prime Standard), which provides its Subscription Functionality in the XETRA trading system for the collection and the settlement of subscription orders under the Public Offer (as defined in E.3 above), is interested in the completion of the Offering. Besides that, there are no further interests or conflicts of interest which might be significant for the Offering.
E.5	**Name of the person or entity offering to sell the security.**	The Offer Shares (as defined in E.3 above) are being offered for sale by ODDO SEYDLER BANK AG, Frankfurt am Main, as Sole Global Coordinator and Sole Bookrunner.
	Lock-up agreement: the parties involved; and indication of the period of the lock-up.	In the Underwriting Agreement, the Company has, subject to certain exceptions, agreed with the Sole Bookrunner that for a period of six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) (currently expected to take place on February 9, 2016) to the extent legally permissible, without the prior written consent of the Sole Bookrunner the Company will not take any action aimed at increasing the Company's share capital. For a period of twelve months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) (currently expected to take place on February 9, 2016), MP Beteiligungs-GmbH, Ulrich Putsch, MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG, MIG GmbH & Co. Fonds 5 KG, MIG GmbH & Co. Fonds 13 KG, GC Global Chance Fund GmbH & Co. KG, GA Assets Fund GmbH & Co. KG, Green Industries Group GmbH & Co. KG, and Dr. Jürgen Eck (the "**Obliged Shareholders**") have, subject to certain exceptions, undertaken to the Sole Bookrunner by way of separate lock–up agreements and in case of MP Beteiligungs–GmbH by the Share Lending and Selling Agreement (as defined under E.4) that they will not, without prior written consent of the Sole Bookrunner sell, distribute, transfer or otherwise dispose of any of its shares or securities in the Company, or take any action aimed at increasing the Company's share

		capital. Half of the shares of the shareholder Dr. Gabriele Sachse are subject to the same lock–up agreement as the lock–up agreement for the shares of the Obliged Shareholders mentioned above. The Sole Bookrunner has already declared that it will give its consent to the transfer of Company's shares by Obliged Shareholders and Dr. Sachse to the beneficiaries in connection with the Intended Post IPO Framework Agreement. After the transfer to the beneficiaries, the transfered Company's shares will not be subject to any restriction of sale.
E.6	**Amount and percentage of immediate dilution resulting from the offering.**	Assuming a placement of all New Shares at the mid-point of the Price Range (as defined below in E.3), the net book value of the Company would have been € 40,870 thousand (Company's total equity - calculated on basis of the subscribed capital, capital reserves and other reserves, in each case as of October 31, 2015, and retained earnings as of September 30, 2015 - less non controlling interest and plus the equity capital contributed via the Shareholder Loan Contribution plus the net proceeds from the issuance of all New Shares at mid-point of price range). This corresponds to approximately € 2.49 per Company's share (calculated on the basis of 16,414,348 Company's shares outstanding after the Offering (as defined below in E.3). Under the aforementioned assumptions, the Offering results in an immediate dilution of € 8.01 (76.29 %) per Company's share for persons acquiring the Offer Shares. This corresponds to an accretion of the net book value per Company's share outstanding prior to the Offering from € 0.58 by € 1.91 (329.31 %) to € 2.49 after the Offering in favour of the Existing Shareholders. Each of the New Shares will have the same voting right as the Company's Existing Shares. Each share in the Company carries one vote at the Company's shareholders' meeting. Therefore, any existing shareholder who does not subscribe New Shares from the IPO-Capital Increase will have its shareholding or voting rights, assuming placement of all New Shares in full, diluted by approximately 21.32 %.
E.7	**Estimated expenses charged to the investor by the issuer.**	Not applicable. The Company and the Sole Bookrunner will not charge any costs to investors.

2. ZUSAMMENFASSUNG

*Zusammenfassungen bestehen aus geforderten Angaben, die als Punkte ("**Punkte**") bezeichnet sind. Die Punkte sind in den Abschnitten A - E (A.1 - E.7) fortlaufend nummiert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art der Wertpapiere und des Emittenten in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art der Wertpapiere und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In diesem Fall enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis "Entfällt".*

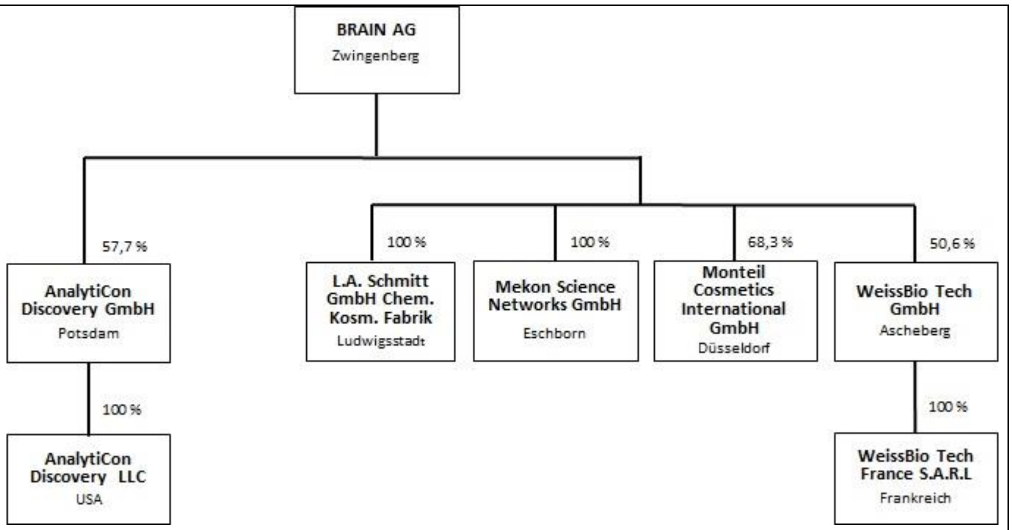
ABSCHNITT A - EINLEITUNG UND WARNHINWEISE		
A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einführung zu diesem Prospekt verstanden werden. Der Anleger sollte jede Entscheidung zur Anlage in die betreffenden Wertpapiere auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des europäischen Wirtschaftsraumes die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. B.R.A.I.N. Biotechnology Research and Information Network AG, Zwingenberg (die "**Gesellschaft**", "**BRAIN AG**" oder die "**Emittentin**" und gemeinsam mit ihren Tochtergesellschaften "**BRAIN**"), zusammen mit ODDO SEYDLER BANK AG, Frankfurt am Main, ("**ODDO SEYDLER**" oder der "**Sole Bookrunner**") haben nach § 5 Absatz 2b Nr. 4 Wertpapierprospektgesetz die Verantwortung für den Inhalt dieser Zusammenfassung und ihrer deutschen Übersetzung übernommen. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen hiervon übernommen haben oder von denen der Erlass ausgeht, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit anderen Teilen dieses Prospekts gelesen wird, oder sie, wenn sie mit anderen Teilen des Prospekts zusammen gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2	**Verwendung des Prospekts durch Finanzintermediäre.**	Entfällt. Eine Zustimmung zur Verwendung des Prospekts für eine spätere Weiterveräußerung oder Platzierung der Aktien wurde nicht erteilt.
ABSCHNITT B - EMITTENT		
B.1	**Juristische und kommerzielle Bezeichnung.**	Die juristische Bezeichnung der Gesellschaft lautet B.R.A.I.N. Biotechnology Research and Information Network AG. Sie operiert im Wesentlichen unter der Geschäftsbezeichnung "BRAIN".
B.2	**Sitz und Rechtsform des Emittenten, geltendes Recht, Land der Gründung.**	Die Gesellschaft hat ihren Sitz in der Darmstädter Straße 34-36, 64673 Zwingenberg, Deutschland, und ist im Handelsregister des Amtsgerichts Darmstadt ("**Handelsregister**") unter HRB 24758 eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in Deutschland gegründet wurde und deutschem Recht unterliegt.
B.3	**Derzeitige Geschäfts- und Haupttätigkeiten des Emittenten sowie die Hauptmärkte, auf denen der Emittent vertreten ist.**	BRAIN ist ein Unternehmen der industriellen Biotechnologie, welches 1993 gegründet wurde. Sie entwickelt kundenspezifische Lösungen für bioindustrielle Anwendungen basierend auf der Vielfalt der Natur und arbeitet auf diese Weise an einer Biologisierung der Industrie. BRAIN setzt seine umfangreiche geschützte Sammlung von natürlichen Ressourcen ein, um Enzyme, "Performance Mikroorganismen" und bioaktive Wirkstoffe für sein Kollaborationsgeschäft mit industriellen Partnern (BioScience) und die Entwicklung und Kommerzialisierung von eigenen Produkten und aktiven Produktkomponenten (BioIndustrial) zu identifizieren und zu entwickeln. Bei der industriellen Biotechnologie geht es darum, Ressourcen aus der Natur in Gestalt von Organismen und einzelnen Biomolekülen in der industriellen Produktion (z.B. für den Chemiemarkt, den Markt für Konsumgüter, den Lebensmittel- und Futtermittelmarkt) zu nutzen und dadurch wesentliche Verbesserungen des Produktionsprozesses oder der Produktionsergebnisse gegenüber herkömmlichen Produk-

		tionsprozessen oder Produkten zu erreichen (wie z.B. ressourcenschonende Prozesse, energieeffizientere Prozesse, natürlichere Produkte). Es wird daher sowohl von der Industrie als auch von der weltweiten Politik angenommen, dass die industrielle Biotechnologie durch die Bereitstellung von Kerntechnologien im Bereich der nachhaltigen Nutzung biologischer Ressourcen und Prozesse Innovationen hervorbringen kann, die maßgeblich zu einem Wandel von einer auf fossilen Rohstoffen basierten hin zu einer nachhaltigen, ressourceneffizenten und biologiebasierten Wirtschaft beitragen. Die Gesellschaft ist der Ansicht, dass diese Sichtweise auch in Politik und Wirtschaft zunehmend an Akzeptanz gewinnt und dass die industrielle Biotechnologie das Potential hat, insbesondere für weite Teile der chemischen Industrie ein neues Innovationszeitalter einzuläuten. Daher sieht BRAIN beachtliche Wachtsumschancen für ihr Geschäft. In Deutschland ist die industrielle Biotechnologie - in Abgrenzung zur roten Biotechnologie (medizinische/pharmazeutische Biotechnologie) und zur grünen Biotechnologie (Agrobiotechnologie) - auch als weiße Biotechnologie bekannt. Da es bei der industriellen Biotechnologie in erster Linie um die Identifikation und Nutzbarmachung vorhandener natürlicher Ressourcen geht und nicht um deren Veränderung, hat die BRAIN AG in der Vergangenheit eine umfangreiche geschützte Sammlung natürlicher Ressourcen bestehend aus Enzymen, Mikroorganismen und natürlichen Substanzen aufgebaut, welche BRAINs "**BioArchiv**" bilden. Das BioArchiv bietet einen Zugang zu einem umfassenden Auszug der natürlichen biologischen Vielfalt, um diese industriell nutzbar zu machen. BRAIN nutzt ihr BioArchiv, ihren sogenannten "**Werkzeugkasten der Natur**", indem sie dieses auf geeignete aktive Produktkomponenten, welche spezifische Merkmale und Eigenschaften aufweisen, durchmustert, z.B. auf Enzymaktivitäten, die die notwendige positive Wirkung für industrielle Prozesse aufweisen. Zur Identifizierung und Entwicklung von biologischen Lösungen verwendet die Gesellschaft ihre drei Kerntechnologieplattformen: (i) die Enzymtechnologie, um neue Enzyme zu identifizieren und zu isolieren, (ii) Stammkulturen, um "Performance Mikroorganismen" zu identifizieren und zu isolieren sowie (iii) bioaktive Stoffe, um bioaktive Wirkstoffe zu identifizieren und zu isolieren. Auf diese Weise ist BRAIN in der Lage, Lösungen und Produkte für viele industrielle Anwendungsbereiche und verschiedene Produktsegmente zu identifizieren und zu entwickeln. Da biotechnologische Lösungen oft in völlig unterschiedlichen Gebieten und für verschiedene Anwendungsbereiche eingesetzt werden können, bieten die Forschungsergebnisse der BRAIN stetig neue Möglichkeiten zu einer Kommerzialisierung, weshalb die BRAIN auch als ein Multi-Produkt-Opportunitäten-Unternehmen ("Multi-Product Opportunity Company") bezeichnet werden kann. Zur Sicherung ihrer Technologien und Produktkandidaten verfügt BRAIN über circa 350 Patente und Patentanmeldungen eingeteilt in 48 Patentfamilien. Die Gesellschaft sieht die biotechnologischen Teilsegmente innerhalb des Marktes für Feinchemikalien und des Marktes für Verbrauchsgüter mit Schwerpunkt auf Deutschland, aber auch mit Fokus auf Europa als die wichtigsten Märkte an. Innerhalb des Marktes für Feinchemikalien fokussiert sich die Gesellschaft auf die Bereiche Enzyme, Ernährung (Lebensmittel und Futter), Wundversorgung und das "Bio-Substitutes"-Produktsegment. Innerhalb des Marktes für Verbrauchsgüter fokussiert sich die Gesellschaft auf die Bereiche Kosmetik- und Pflegeprodukte. Die Geschäftstätigkeit von BRAIN wird von zwei Säulen getragen - "BioScience" und "BioIndustrial". • Die Säule "**BioScience**" umfasst das Kollaborationsgeschäft der Gesellschaft mit industriellen Partnern ("**Exclusive Partner Collaborations (EPC)**"). Seit ihrer Gründung hat die BRAIN AG mehr als 100 solcher industrieller Kollaborationen abgeschlossen. In ihrer Eigenschaft als EPC-Partner bietet BRAIN Forschungs- und Entwicklungskollaborationsprogramme an, die darauf abzielen, die begehrte Lösung mit den Mitteln der industriellen Biotechnologie für Dritte zu entwickeln. Die Kollaborationsprogramme von BRAIN reichen dabei von der Identifikation geeigneter biologischer Produktkomponenten bis hin zur Pilotproduktion und der Entwicklung entsprechender Produktionsmethoden auf industrieller Ebene. Die Vergütung von BRAIN

		im Rahmen solcher EPCs besteht in der Regel aus mehreren Bestandteilen, zu denen neben Vorauszahlungen, der vollständigen Deckung des anfallenden Forschungsaufwands (FTEs) und Meilensteinzahlungen auch Erfolgszahlungen und Lizenzgebühren zählen. BRAIN sichert sich regelmäßig die Rechte an entwickelten Lösungen und Produkten, die außerhalb des zugunsten des industriellen Partners vertraglich definierten Anwendungsbereichs liegen, für ihr eigenes Geschäft ("**Alternative Lösungen**"). Auf diese Weise behält sich BRAIN die zusätzliche Möglichkeit vor, die Alternativen Lösungen im Rahmen der Säule "BioIndustrial" für eigene Produkte oder zum Zwecke der Lizensierung an Dritte zu verwenden. Die Leistungen im Bereich BioScience werden von BRAIN AG selbst und ihren Tochtergesellschaften AnalytiCon Discovery GmbH und AnalytiCon Discovery,LLC (AnalytiCon Discovery GmbH und ihre Tochtergesellschaft AnalytiCon Discovery, LLC zusammen "**AnalytiCon**") angeboten. AnalytiCon, an welcher BRAIN im Jahr 2013 eine Mehrheitsbeteiligung erworben hat, hat sich auf die Entwicklung aktiver natürlicher Wirkstoffe als Inhaltsstoffe für neue pharmazeutische Anwendungen sowie auf Anwendungen in der Kosmetik-, Futter- und Lebensmittelindustrie spezialisiert. • Die Säule "**BioIndustrial**" umfasst die Entwicklung und Kommerzialisierung von eigenen Produkten und aktiven Produktkomponenten der BRAIN AG, z.B. eigene Entwicklungen der BRAIN oder Entwicklungen auf der Grundlage von Rechten, die sich BRAIN AG für Alternative Lösungen zurückbehalten hat, wobei der Fokus darauf liegt, Marktzugänge für relevante B2B-Märkte zu schaffen. Die vorstehend genannten Produkte und aktiven Produktkomponenten werden entweder durch die Erteilung von Lizenzen an Dritte oder durch die Akquisition von Gesellschaften, die in den relevanten Märkten bereits aktiv sind, kommerzialisiert. Im Jahr 2010 erwarb die Gesellschaft die L.A. Schmitt GmbH Chem. Kosm. Fabrik ("**L.A. Schmitt**"), die als Lohnfertiger für kosmetische Produkte tätig ist. BRAIN AG hat ihren Fokus darauf gelegt, die Qualität der von der L.A. Schmitt hergestellten Produkte auf der Basis neuer Inhaltsstoffe zu verbessern und deren Expertise bei der Rezeptur zu vergrößern. Als Folge hat die L.A. Schmitt kontinuierlich ihren Kundenstamm vergrößert, zu dem nunmehr insbesondere ein bekannter Partner im Bereich von Haarpflegeprodukten zählt. Im selben Jahr hat BRAIN die Mekon GmbH erworben, eine kleine Kosmetikmarkengesellschaft. Darüber hinaus hat die Gesellschaft im Geschäftsjahr 2012 eine Mehrheitsbeteiligung an der Monteil Cosmetics International GmbH ("**Monteil**") erworben, die ebenfalls auf dem Gebiet der Kosmetikindustrie tätig ist. Der Fokus der Geschäftstätigkeit der Monteil liegt dabei auf dem Gebiet des Marketings und des Vertriebs von Premium Anti-Aging Hautpflegeprodukten, deren Zutaten insbesondere auch eine Vielzahl von durch BRAIN entwickelten biologisch aktiven Stoffen beinhalten, ebenso wie auf dem Gebiet der Parfums und ergänzenden Produkte. Die Produktion der Monteil ist in einem gewissen Umfang auf die L.A. Schmitt ausgelagert. Seit 2014 gehören auch die WeissBioTech GmbH sowie ihre Tochtergesellschaft WeissBioTech France S.A.R.L. (WeissBioTech GmbH und WeissBioTech France S.A.R.L. zusammen "**WeissBioTech**"), zu der BRAIN AG. WeissBioTech entwickelt, produziert und verkauft Enzyme, insbesondere für die Lebensmittel- und Getränkeindustrie und die stärkeverarbeitende Industrie. Mittlerweile umfasst das Portfolio der WeissBioTech zunehmend auch "Performance Mikroorganismen" und Enzyme, welche von BRAIN identifiziert wurden. In den vergangenen Jahren hat BRAIN gute Kontakte zu Industrie, Wissenschaftsgemeinde und der akademischen Welt sowie auch zur Politik aufgebaut. Nach Einschätzung der Gesellschaft ist BRAIN damit gut aufgestellt, um auf dem Gebiet zukünftiger biotechnologischer Entwicklungen und im Bereich des Wandels zu einer biobasierten Wirtschaft einen Platz an der Spitze einzunehmen. BRAINs etablierte Position auf dem Gebiet der industriellen Biotechnologie basiert auch auf der Qualifikation und den Kompetenzen ihrer Mitarbeiter. BRAIN beschäftigte im Geschäftsjahr 2014/1015 durchschnittlich 215 Mitarbeiter, von denen 118

		bei der BRAIN AG angestellt sind. Mehr als 61 % der Mitarbeiter der BRAIN AG haben einen naturwissenschaftlichen oder ingenieurwissenschaftlichen Hochschulabschluss, 25 % der Mitarbeiter der BRAIN AG haben einen Doktortitel. Nach Einschätzung der Gesellschaft lässt sich die große Identifikation der Mitarbeiter mit der Gesellschaft auch an der durchschnittlichen Beschäftigungsdauer ihrer Mitarbeiter von mehr als sieben Jahren ablesen. BRAIN verfolgt die Strategie, ihr BioArchiv zu kommerzialisieren und die Industrialisierung der eigenen Produkte und Lösungen der BRAIN voranzutreiben, d.h. eine wertsteigernde Wachstumsstrategie umzusetzen. Dabei ist es BRAINs Ziel, sowohl intern (d.h. die Entwicklung und Markteinführung neuer Produkte und Lösungen, organisches Wachstum des existierenden Geschäfts) als auch auf ausgewählter Basis extern (d.h. durch gezielte Akquisitionen) zu wachsen. BRAINs Wachstumspotential aufgrund von neuen Produkten und Lösungen wird dadurch begünstigt, dass eine einzelne biotechnologische Lösung oftmals auf völlig unterschiedlichen Gebieten und für eine Vielzahl verschiedener Anwendungsbereiche verwendet werden kann, d.h. es existieren oftmals gleichzeitig verschiedene Märkte für ein neuentwickeltes Produkt oder eine neuentwickelte Lösung. BRAIN hat die Absicht, diese Möglichkeiten im Sinne eines Multi-Produkt-Opportunitäten-Unternehmen ("Multi-Product Opportunity Company") auszunutzen. Um die wertsteigernde Wachstumsstrategie umzusetzen, beabsichtigt die BRAIN, fortlaufend (i) ihr BioArchiv zu vergrößern und sich die Rechte für die Nutzung und Vermarktung gefundener biotechnologischer Lösungen zu sichern, (ii) das bestehende Geschäft auszubauen, d.h. BRAINs EPC Geschäft und die Geschäftstätigkeit ihrer Tochtergesellschaften, sowie (iii) die Pipeline und das Marketing ihrer eigenen Produktkandidaten entweder durch industrielle Partner oder eigene Marktzugänge zu entwickeln. Das Geschäftsjahr der Gesellschaft beginnt jeweils am 1. Oktober eines Jahres und endet am 30. September des Folgejahres. BRAIN erzielte im Geschäftsjahr 2014/2015 Umsatzerlöse in Höhe von € 21,1 Millionen und ein EBIT in Höhe von € -4,6 Millionen, im Geschäftsjahr 2013/2014 Umsatzerlöse in Höhe von € 10,4 Millionen und ein EBIT in Höhe von € -4,8 Millionen und im Geschäftsjahr 2012/2013 Umsatzerlöse in Höhe von € 8,8 Millionen und ein EBIT von € -4,4 Millionen (Grundlage jeweils: geprüfter Konzernabschluss 2014/2015, 2013/2014 und 2012/2013).
B.4a	**Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.**	Aus Sicht der Gesellschaft zeichnet sich in den aktuellen poltischen Entwicklungen in der EU und den USA ein Trend zur Kohlenstoffdioxidreduzierung der Weltwirtschaft ab. So haben sich die G7-Staaten beispielweise im Juni 2015 das Ziel gesetzt, den Energiesektor durch die Entwicklung und den Einsatz neuester Technologien bis 2050 umzuwandeln. Dieses Ziel soll durch die Entwicklung und den Einsatz von neuen Technologien erreicht werden, so dass bis Ende des Jahrhunderts der Ausstoß von Kohlendioxid, welcher beim Verbrennen fossiler Brennstoffe wie Kohle, Öl und Erdgas anfällt, vollständig vermeidet werden kann. Der US-Präsident Barack Obama hat im August 2015 zudem einen so genannten "Clean Power Plan" bekannt gegeben. Das Ziel des überarbeiteten "Clean Power Plan" ist, Treibhausgasemissionen amerikanischer Kraftwerke innerhalb der nächsten 15 Jahre um fast ein Drittel zu reduzieren. BRAIN sieht diese Entwicklungen als Zeichen für eine wachsende Nachfrage nach erneuerbaren Rohstoffen und biologischen Produkten und daher als Chance für ihre Kollaborationen zur Gewinnung von Biomasse aus Abwasser und zur Herstellung von Biomasse und Produkten zur industriellen Nutzung wie Bioplastik aus Kohlenstoffdioxid. Operativ war es BRAIN während des Geschäftsjahrs 2014/2015 möglich, ihre laufenden Kollaborationsaktivitäten mit industriellen Partnern, welche die erste Säule "BioScience", ihrer Geschäftstätigkeit, „BioScience" genannt, bilden, weiter voranzutreiben. So ist die BRAIN AG im April 2015 eine strategische Partnerschaft mit dem Unternehmen DIANA Pet Food eingegangen, welches zur Symrise-Gruppe gehört. Die Partner werden an verschiedenen Programmen zur Untersuchung von Verfahren in Bezug auf die Geschmackswahrnehmung von Katzen arbeiten. Dabei werden die Erkenntnisse der BRAIN AG aus ihrer zum Patent angemeldeten und wissenschaftlich publizierten BRAIN AG

		Human Taste Cell Technologie (die "**HTC-Technologie**") erstmalig auf dem Gebiet der Geschmacksmechanismen bei Tieren genutzt. Darüber hinaus hat die Gesellschaft während des Geschäftsjahres 2014/2015 die zweite Säule ihrer Geschäftstätigkeit, "BioIndustrial" genannt dadurch weiter ausgebaut, dass sie durch den Erwerb von Aktien eine Beteiligung in Höhe von 50,6 % an der WeissBioTech GmbH, erworben hat, welche auf die Entwicklung von Lösungen auf dem Gebiet der technischen Enzyme für Nischenindustrien und in der Produktion, dem Vertrieb und dem Verkauf von Enzymprodukten für den industriellen Gebrauch tätig ist. Im laufenden Geschäftsjahr 2015/2016 arbeitet BRAIN insbesondere an der Entwicklung von Produkten und Produktkandidaten für den Feinchemikalienmarkt und den Markt für Chemikalien für Verbraucher. Ein Großteil dieser Produkte und Produktkandidaten soll innerhalb der nächsten zwei bis vier Jahre, ein geringerer Teil soll innerhalb der nächsten ein bis zwei und ein weiterer geringerer Teil innerhalb der nächsten fünf bis neun Jahre an den Markt gebracht werden. Im Einzelnen arbeitet BRAIN an der Entwicklung von zwei Produktkandidaten für den Enzymsektor, zwei Modulatoren für süßlichen Geschmack und einem Modulator für salzigen Geschmack für den Lebenmittelsektor, einem Enzym, welches sowohl auf dem europäischen als auch auf dem amerikanischen Wundheilsektor verwendet werden soll, zwei Organismen zur ökologischen Gewinnung von Metallen wie Gold, Silber oder Kupfer (sogenanntes Green Mining), zwei anti-mikrobiellen Naturstoffen (Naturstoffe, die die Vermehrungsfähigkeit von Mikroorganismen hemmen), Bioschmierstoffen sowie erneuerbarem Bioplastik für den Bio-Substitutsektor und zwei Biokosmetika für den Kometik- und Pflegebereich. Durch die Entwicklung dieser Produkte und Produktkandidaten beabsichtigt BRAIN, sich weitere Marktzugänge zu erschließen oder neue Kollaborationen einzugehen. Ein Fokus der BRAIN AG liegt auf der Entwicklung von Zuckerersatzstoffen. Hierzu hat die Gesellschaft bereits drei entsprechende Letter of Intent mit zwei großen Konsumgüterunternehmen und einem Hersteller (converting company) abgeschlossen. Die Gesellschaft geht derzeit davon aus, dass - sofern die weiteren Verhandlungen erfolgreich verlaufen - das Kooperationsprogramm möglicherweise im ersten Quartal 2016 starten könnte. Die Gesellschaft weist jedoch daraufhin, dass sich die BRAIN AG zurzeit noch in der Verhandlungsphase befindet und dass daher das tatsächliche Zustandekommen und die Durchführung der genannten Kollaborationen zum Datum dieses Prospekts noch offen sind. Zudem hängen die Entwicklung eines Produkts und dessen Markteintritt von einer Vielzahl von Faktoren ab, auf welche die Gesellschaft teilweise keinen Einfluss hat. Daher können die Entwicklung und der Markteintritt eines Produkts in jeder Phase des Prozesses scheitern und es ist möglich, dass keines der genannten Produkte auf den Markt kommt und damit auch keine Umsätze hieraus generiert werden können.
B.5	**Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe.**	Die Gesellschaft ist die Obergesellschaft von BRAIN. Die Geschäftstätigkeit der Gesellschaft wird von der Gesellschaft sowie ihren Tochtergesellschaften durchgeführt. Das nachfolgende Diagramm gibt einen Überblick über die BRAIN AG und ihre Tochtergesellschaften* zum Datum des Prospekts:



* Einzige nicht abgebildete Tochtergesellschaft der BRAIN AG ist die BRAIN Capital GmbH, Zwingenberg, an welcher die BRAIN AG zu 100 % beteiligt ist. Die BRAIN Capital GmbH erbringt Corporate-Finance-Leistungen.

B.6 **Personen, die eine (meldepflichtige) direkte oder indirekte Beteiligung am Eigenkapital und den Stimmrechten des Emittenten halten.**

Die folgende Tabelle zeigt die Aktionäre der Gesellschaft zum Datum dieses Prospekts:

		Aktienbesitz	
Direkter Aktionär	**Indirekter Aktionär****	**(in Stück)**	**(in %)**
MP Beteiligungs-GmbH	Martin Putsch[1]	6.541.509	50,65 %
MIG GmbH & Co. Fonds 3 KG[2]	MIG Komplementär GmbH[11], MIG Verwaltungs AG[11] Michael Motschmann[11] Jürgen Kosch[11]	1.623.500	12,57 %
Green Industries Group GmbH & Co. KG....................	GI Management GmbH[3] Holger Zinke[3]	1.350.000	10,45 %
Dr. Gabriele Sachse[4]		900.000	6,97 %
Dr. Jürgen Eck[5]..................		750.000	5,81 %
MIG GmbH & Co. Fonds 5 KG[2]	MIG Komplementär GmbH[11] MIG Verwaltungs AG[11] Michael Motschmann[11] Jürgen Kosch[11]	674.289	5,22 %

GC Global Chance Fund GmbH & Co. KG[7]	Markus Fischer[12]	333.350	2,58 %
Ulrich Putsch[6] ..		300.000	2,32 %
MIG GmbH & Co. Fonds 4 KG[8]	MIG Komplementär GmbH[11] MIG Verwaltungs AG[11] Michael Motschmann[11] Jürgen Kosch [11]	154.250	1,19 %
GA Asset Fund GmbH & Co. KG..........	Markus Fischer[12]	111.100	0,86 %
MIG GmbH & Co. Fonds 13 geschlossene Investment-KG[8]	MIG Verwaltungs AG[11] Michael Motschmann[11]	76.350	0,59 %
Dr. Guido Meurer[9]		50.000	0,39 %
Dr. Michael Krohn[10]		50.000	0,39 %
Total		**12.914.348**	**100 %***

* Die Prozentangaben in der Spalte "Aktienbesitz (in %)" wurden in Übereinstimmung mit anerkannten kaufmännischen Grundsätzen gerundet. Diese gerundeten Prozentangaben ergeben in ihrer Summe daher nicht exakt 100 %.

** Indirekte Aktionäre sind Personen, denen die Stimmrechte eines direkten Aktionärs nach § 22 WpHG zugerechnet werden.

1 Gesellschafter der MP Beteiligungs-GmbH mit den meisten Stimmrechten ist Herr Martin Putsch, der Sohn des Mitgründers der BRAIN AG Ulrich Putsch. Demzufolge werden Herrn Martin Putsch die Stimmrechte der MP Beteiligungs-GmbH an der Gesellschaft nach § 22 Absatz 1 Nr. 1 Wertpapierhandelsgesetz zugerechnet.

2 Minderheitsgesellschafter sowohl der MIG GmbH & Co. Fonds 3 KG als auch der MIG GmbH & Co. Fonds 5 KG ist die MIG Verwaltungs AG, dessen Vorstandsmitglied das Aufsichtsratsmitglied der BRAIN AG, Herr Dr. Kromayer, ist.

3 Einziger Kommanditist der Green Industries Group GmbH & Co. KG ist der stellvertretende Aufsichtsratsvorsitzende und Mitgründer der BRAIN AG Dr. Holger Zinke. Komplementärin der Green Industries Group GmbH & Co. KG ist die GI Management GmbH, Zwingenberg. Geschäftsführer und alleiniger Gesellschafter der GI Management GmbH ist ebenfalls der stellvertretende Aufsichtsratsvorsitzende und Mitgründer der BRAIN AG Dr. Holger Zinke. Demzufolge werden sowohl der GI Management GmbH als auch Herrn Dr. Holger Zinke die Stimmrechte der Green Industries Group GmbH & Co. KG an der Gesellschaft nach § 22 Absatz 1 Nr. 1 Wertpapierhandelsgesetz zugerechnet.

4 Frau Dr. Gabriele Sachse ist Mitgründerin der BRAIN AG.

5 Herr Dr. Jürgen Eck ist Vorstandsvorsitzender der BRAIN AG und seit 1994 an der BRAIN AG (vormals BRAIN GmbH) beteiligt.

6 Herr Ulrich Putsch ist Mitgründer der BRAIN AG.

7 Der GC Global Chance Fund GmbH & Co. KG befindet sich in Liquidation.

8 Externe Kapitalverwaltungsgesellschaft ist die MIG Verwaltungs AG.

9 Herr Dr.Guido Meurer ist Mitglied des oberen Managements der BRAIN AG.

10 Herr Dr. Michael Krohn ist Mitglied des oberen Managements der BRAIN AG.

11 Einzelvertretungsberechtigte Komplementärin der MIG GmbH & Co. Fonds 3 KG, der MIG GmbH & Co. Fonds 4 KG und der MIG GmbH & Co. Fonds 5 KG ist die MIG Komplementär GmbH. Einzige Gesellschafterin der MIG Komplementär GmbH ist die MIG

		Verwaltungs AG. Herr Michael Motschmann hält wiederrum mehr als 50 % der Anteile an der MIG Verwaltungs AG. Demzufolge werden der MIG Komplementär GmbH, der MIG Verwaltungs AG und Herrn Motschmann jeweils die Stimmrechte der MIG GmbH & Co. Fonds 3 KG, der MIG GmbH & Co. Fonds 4 KG und der MIG GmbH & Co. Fonds 5 KG an der Gesellschaft nach § 22 Absatz 1 Nr. 1 Wertpapierhandelsgesetz zurechnet. Darüber hinaus besitzt die MIG Verwaltungs AG eine rechtgeschäftsliche Vollmacht zur Ausübung der Stimmrechte der MIG GmbH & Co. Fonds 4 KG und der MIG GmbH & Co. Fonds 13 geschlossene Investment-KG. Daher werden der MIG Verwaltungs AG und Herrn Michael Motschmann die Stimmrechte der MIG GmbH & Co. Fonds 4 KG und der MIG GmbH & Co. Fonds 13 geschlossene Investment-KG ebenfalls nach § 22 Absatz 1 Nr. 6 Wertpapierhandelsgesetz zugerechnet. Im Ergebnis werden der MIG Komplementär GmbH also insgesamt 19,27 % der Stimmrechte an der Gesellschaft (12,76 % von der MIG GmbH & Co. Fomds 3 KG, 1,21 % von der MIG GmbH & Co. Fonds 4 KG und 5,3 % von der MIG GmbH & Co. Fonds 5 KG) und der MIG Verwaltungs AG und Herrn Michael Motschmann jeweils insgesamt 19,87 % der Stimmrechte an der Gesellschaft (12,76 % von der MIG GmbH & Co. Fomds 3 KG, 1,21 % von der MIG GmbH & Co. Fonds 4 KG, 5,3 % von der MIG GmbH & Co. Fonds 5 KG und 0,6 % von der MIG GmbH & Co. Fonds 13 geschlossene Investment-KG) zugerechnet. Darüber hinaus ist Herr Jürgen Kosch einzelvertretungsberechtigter Kommanditist der MIG GmbH & Co. Fonds 3 KG, der MIG GmbH & Co. Fonds 4 KG und der MIG GmbH & Co. Fonds 5 KG. Demzufolge werden Herrn Jürgen Kosch die Stimmrechte der MIG GmbH & Co. Fonds 3 KG, der MIG GmbH & Co. Fonds 4 KG und der MIG GmbH & Co. Fonds 5 KG an der Gesellschaft in Höhe von insgesamt 19,27 % nach § 22 Absatz 1 Nr. 1 Wertpapierhandelsgesetz zugerechnet. [12] Herr Markus Fischer ist geschäftsführender Kommanditist der GC Global Chance Fund GmbH & Co. KG und der GA Asset Fund GmbH & Co. KG, jeweils mit Einzelvertretungsbefugnis, und zudem Liquidator der GC Global Chance Fund GmbH & Co. KG. Demzufolge werden Herrn Markus Fischer die Stimmrechte der GC Global Chance Fund GmbH & Co. KG und der GA Asset Fund GmbH & Co. KG an der Gesellschaft in Höhe von insgesamt 3,49 % nach § 22 Absatz 1 Nr. 1 Wertpapierhandelsgesetz zugerechnet. Die vorstehenden Informationen zu den Zurechnungen der Stimmrechte basieren auf den derzeitigen Annahmen der bestehenden Aktionäre der BRAIN AG. Zum Datum dieses Prospekts wurde keine Stimmrechtmitteilungen von diesen Aktionären nach § 21 Wertpapierhandelsgesetz veröffentlicht. Daher kann es nicht ausgeschlossen werden, dass die Informationen in der vorstehenden Tabelle gegebenenfalls von den aktuellen Stimmrechtsmitteilungen, welche nach Börsenzulassung der Gesellschaft veröffentlicht werden, abweichen.
	Stimmrechte.	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Die bestehenden Aktionäre verfügen über keine unterschiedlichen Stimmrechte.
	Unmittelbare oder mittelbare Beherrschung des Emittenten und Art der Beherrschung.	Die MP Beteiligungs-GmbH, Kaiserslautern, hält mehr als 30 % der Stimmrechte der Gesellschaft und übt damit gemäß dem Wertpapiererwerbs- und Übernahmegesetz ("**WpÜG**") einen beherrschenden Einfluss auf die Gesellschaft aus. Unter der Annahme (i) einer Platzierung aller Neuen Aktien (wie in E.3 definiert) und (ii) der vollständigen Ausübung der Greenshoe-Option (wie in E.3 definiert) wird die MP Beteiligungs-GmbH weiterhin etwa 36,65 % des Grundkapitals der Gesellschaft halten. Somit wird die MP Beteiligungs-GmbH weiterhin eine beherrschende Beteiligung an der Gesellschaft gemäß dem Wertpapiererwerbs- und Übernahmegesetz ("**WpÜG**") halten.
B.7	**Ausgewählte wesentliche historische Finanzinformationen.**	Die in den nachstehenden Tabellen enthaltenen Finanzinformationen für das zum 30.September 2013 endende Geschäftsjahr sind dem geprüften Konzernabschluss der Gesellschaft für das zum 30. September 2013 endende Geschäftsjahr ("**Konzernabschluss 2012/2013**") entnommen, die in den nachstehenden Tabellen enthaltenen Finanzinformationen für das zum 30.September 2014 endende Geschäftsjahr sind den Vergleichszahlen in dem geprüften Konzernabschluss der Gesellschaft für das zum 30. September 2015 endende Geschäftsjahr ("**Konzernabschluss 2014/2015**") entnommen, welche teilweise gemäß IAS 8 aufgrund des Vorliegens von Bilanzierungsfehlern gegenüber den im Konzernabschluss zum 30. September 2014 (der "**Konzernabschluss 2013/2014**") dargestellten Werten korrigiert wurden, und die in den nachstehenden Tabellen enthaltenen Finanzinformationen für das zum 30.September 2015 endende Geschäftsjahr sind dem Konzernabschluss 2014/2015 entnommen. Die Konzernabschlüsse 2012/2013,

2013/2014 und 2014/2015 wurden in Übereinstimmung mit den Internationalen Rechnungslegungsvorschriften ("**IFRS**"), wie sie in der Europäischen Union anzuwenden sind, erstellt.

Die Anpassungen für das Geschäftsjahr 2013/2014 nach IAS 8 basieren auf dem Umstand, dass im Zuge der Abbildung des Erwerbs der AnalytiCon Discovery GmbH vertragliche Kündigungsrechte der nicht beherrschenden Gesellschafter und die korrelierenden Abfindungsverpflichtungen sowie Ansprüche aus einem anteilsbasierten Mitarbeitervergütungsprogramm nicht berücksichtigt wurden. Dies hat insbesondere Auswirkungen auf die Posten "Nicht beherrschende Anteile" und "Finanzverbindlichkeiten".

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Deutschland ("**PwC**"), hat die Konzernabschlüsse 2012/2013, 2013/2014 und 2014/2015 geprüft und jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen. Die vorgenannten geprüften Konzernabschlüsse der Gesellschaft sind in diesem Prospekt wiedergegeben.

Bestimmte Finanzdaten in den folgenden Tabellen sind in Übereinstimmung mit anerkannten kaufmännischen Grundsätzen gerundet worden. Dementsprechend könnten die Gesamtbeträge in den nachstehenden Tabellen nicht in allen Fällen den Gesamtbeträgen der zugrundeliegenden (ungerundeten) Zahlen entsprechen, die an anderer Stelle im Prospekt genannt werden. Darüber hinaus könnten sich diese gerundeten Zahlen in den nachfolgenden Tabellen nicht immer auf exakt die Summen aufaddieren lassen, die in diesen Tabellen enthalten sind. Ein Schrägstrich ("**/**") bedeutet, dass die betreffende Finanzinformation nicht verfügbar ist oder null entspricht, während eine Null ("**0**") bedeutet, dass die betreffende Finanzinformation verfügbar ist, aber auf null gerundet wurde.

Ausgewählte Daten zur Konzern-Gesamtergebnisrechnung

	Geschäftsjahr zum 30. September		
	2013	**2014***	**2015**
	(geprüft) in T € (soweit nicht anders angegeben)		
Umsatzerlöse	8.755	10.371	21.132
Erlöse aus Forschungs- und Entwicklungsförderung	739	2.616	2.786
Erhöhungen des Bestands an fertigen und unfertigen Erzeugnissen	75	437	311
Sonstige Erträge	641	359	1.465
	10.209	**13.783**	**25.694**
Materialaufwand	-4.195	-5.223	-11.295
Personalaufwand	-6.227	-8.343[3]	-11.063
Abschreibungen	-671	-1.006	-1.469
Sonstige Aufwendungen	-3.505	-4.029	-6.440
Betriebsergebnis/EBIT [1, 2]	**-4.389**	**-4.817[4]**	**4.573**
Ergebnis aus at-equity bewerteten Beteiligungen	-22	-170	/
Finanzerträge	27	14	32
Finanzaufwendungen	-258	-753[5]	-961
Verlust der Periode vor Steuern	**-4.641**	**-5.726[6]**	**-5.502**

Steuern vom Einkommen und vom Ertrag	124	260	-452
Verlust der Periode	**-4.518**	**-5.466**[7]	**-5.954**
Konzerngesamtergebnis	**-4.518**	**-5.466**[8]	**-6.673**
Davon auf nicht beherrschende Anteile entfallendes Ergebnis	**-422**	**-165**[9]	**-239**
Davon auf die Aktionäre der BRAIN AG entfallendes Ergebnis	**-4.095**	**-5.301**[10]	**-6.433**
Ergebnis je Aktie			
Ergebnis unverwässert (in €)	-0,35	-0,42[11]	-0,45
Ergebnis verwässert (in €)	-0,35	-0,42[12]	-0,45

* Die Werte für das zum 30. September 2014 endende Geschäftsjahr sind den Vergleichszahlen im Konzernabschluss 2014/2015 entnommen. Soweit die Vergleichszahlen von den Werten im Konzernabschluss 2013/2014 abweichen, ist dies durch eine Fußnote kenntlich gemacht.

1 EBIT is definiert als Ergebnis vor Finanzergebnis und Steuern

2 EBIT ist weder gefordert noch definiert oder erstellt in Übereinstimmungen mit IFRS oder anderen allgemein anerkannten Rechnungslegungspraktiken. Die Definition dieser finanziellen Kennzahl ist möglicherweise mit ähnlich bezeichneten Kennzahlen anderer Gesellschaften nicht vergleichbar und hat möglicherweise nur eine beschränkte Aussagekraft und sollte nicht alleine oder als Ersatz für eine Analyse der nach IFRS ausgewiesenen Betriebsergebnisse der Gesellschaft betrachtet werden.

3 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Personalaufwand” in in Höhe von T€ -8.321.

4 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet ein “Betriebsergebnis/ EBIT” in Höhe von T€ -4.795.

5 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Finanzaufwendungen” in Höhe von T€ -711.

6 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet einen “Verlust der Periode vor Steuern” in Höhe von T€ -5.661.

7 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet einen “Verlust der Periode” in Höhe von T€ -5.401.

8 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet ein “Gesamtkonzernergebnis” in Höhe von T€ -5.401.

9 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet ein “ Gesamtkonzernergebnis, davon auf nicht beherrschende Anteile entfallendes Ergebnis” in Höhe von € -357.

10 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “ Gesamtkonzernergebnis, davon auf die Aktionäre der BRAIN AG entfallendes Ergbenis” in Höhe von T€ -5.044.

11 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet ein “Ergebnis unverwässert” in Höhe von € -0,40.

12 Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet ein “Ergebnis verwässert” in Höhe von € -0,40.

Ausgewählte Daten zur Konzernbilanz

	Zum 30. September		
	2013	2014*	2015
		(geprüft) in T €	
Langfristige Vermögenswerte			
Anteile an nicht vollkonsolidierten Unternehmen	5	/	/
Immaterielle Vermögenswerte	2.289	5.884[2]	8.035
Sachanlagen	6.732	6.881	6.878
Anteile an at-equity bewerteten Beteiligungen	170	0	0
Latente Steuern	1	114	275
Available-for-Sale Finanzielle Vermögenswerte	532	159	0
Sonstige langfristige Vermögenswerte	61	91	149
	9.789	**13.128**[3]	**15.336**
Kurzfristige Vermögenswerte			
Vorräte	2.051	4.569	6.517
Forderungen aus Lieferung und Leistung	1.549	2.647	3.934
Sonstige kurzfristige Vermögenswerte	351	455	1.349
Ertragssteueransprüche	98	32	23
Sonstige finanzielle Vermögenswerte	2.000	/	/
Zahlungsmittel und Zahlungsmitteläquivalente	9.259	4.459	3.247
	15.308	**12.163**	**15.071**
AKTIVA	**25.097**	**25.291**[4]	**30.407**
Eigenkapital			
Gezeichnetes Kapital	12.726	12.726	12.726
Kapitalrücklage	16.883	16.883	16.883
Einbehaltene Ergebnisse	-12.309	-17.610[5]	-23.439
Sonstige Rückstellungen	/	/	-719
Nicht beherrschende Anteile	293	128[6]	304
Eigenkapital gesamt	**17.592**	**12.126**[7]	**5.755**
Langfristige Schulden			
Latente Steuern	15	664	1.443
Pensionsrückstellungen	/	/	1.014

Finanzverbindlichkeiten	3.893	7.174[8]	14.251
Sonstige Verbindlichkeiten	/	22[9]	196
Abgegrenzte Erträge	41	8	20
	3.949	**7.869[10]**	**16.924**
Kurzfristige Schulden			
Sonstige Rückstellungen[1]............	165	215	289
Ertragssteuerverbindlichkeiten	/	43	87
Finanzverbindlichkeiten	1.036	2.152	2.106
Erhaltene Anzahlungen	341	323	282
Verbindlichkeiten aus Lieferung und Leistung	1.119	1.351	3.082
Sonstige Verbindlichkeiten	827	1.083	1.493
Abgegrenzte Erträge	68	128	388
	3.556	**5.296**	**7.727**
PASSIVA.....................................	**25.097**	**25.291[11]**	**30.407**

* Die Werte für das zum 30. September 2014 endende Geschäftsjahr sind den Vergleichszahlen im Konzernabschluss 2014/2015 entnommen. Soweit die Vergleichszahlen von den Werten im Konzernabschluss 2013/2014 abweichen, ist dies durch eine Fußnote kenntlich gemacht.

[1] Im Konzernabschluss 2013/2014 und im Konzernabschluss 2012/2013 als „Rückstellungen“ gekennzeichnet.

[2] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Immaterielle Vermögenswerte” in Höhe von T€ 5.664.

[3] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Langfristige Vermögenswerte” in Höhe von T€ 12.909.

[4] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Aktiva” in Höhe von T€ 25.072.

[5] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Einbehaltene Ergebnisse” in Höhe von T€ -17.353.

[6] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Nicht beherrschende Anteile” in Höhe von T€ 1.593.

[7] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet ein “Eigenkapital” in Höhe von T€ 13.848.

[8] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Finanzverbindlichkeiten” in Höhe von T€ 5.255.

[9] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet keine “Sonstigen Verbindlichkeiten”.

[10] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Langfristige Schulden” in Höhe von T€ 5.928.

[11] Angepasster Wert für das Geschäftsjahr 2013/2014. Der Konzernabschluss 2013/2014 beinhaltet “Passiva” in Höhe von T€ 25.072.

Ausgewählte Daten zur Konzern-Kapitalflussrechnung

	Geschäftsjahr zum 30. September		
	2013	2014	2015
		(geprüft) in T €	
Brutto Cashflow	**-4.943**	**-4.043**	**-3.821**
Cashflow aus operativer Tätigkeit	-4.849	-3.903	-4.113
Cashflow aus der Investitionstätigkeit	1.518	-1.518	-539
Cashflow aus der Finanzierungstätigkeit	10.057	621	3.441
Zahlungswirksame Veränderung des Finanzmittelbestandes	**6.726**	**-4.801**	**-1.212**
Zahlungsmittel und Zahlungsäquivalente am Ende des Geschäftsjahres	9.259	4.459	3.247

* Die Werte für das zum 30. September 2014 endende Geschäftsjahr sind den Vergleichszahlen im Konzernabschluss 2014/2015 entnommen.

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten in dem oder nach dem von den wesentlichen historischen Finanzinformationen abgedeckten Zeitraum.

In den vergangenen drei Geschäftsjahren hat die BRAIN verschiedene Akquisitionen vorgenommen, welche - aufgrund der Konsolidierung der erworbenen Gesellschaften - die Finanzlage und das Betriebsergebnis der BRAIN wesentlich beeinflusst haben. Dabei handelte es sich um die folgenden Akquisitionen:

- Die Akquisition einer Beteiligung in Höhe von 57,7 % an der AnalytiCon Discovery GmbH zum 20. Dezember 2013 (die "**AnalytiCon Akquisition**"), die zum 30. September 2014 zum ersten Mal konsolidiert wurde und
- die Akquisition einer Beteiligung in Höhe von 50,6 % an der WeissBioTech Beteiligungs GmbH (die "**WeissBioTech Akquisition**") zum 1. November 2014, die zum 30. September 2015 zum ersten Mal konsolidiert wurde.

Aufgrund der Konsolidierung der Umsätze der erworbenen Gesellschaften, führen die Akquisitionen zu einem Anstieg der Gruppenumsätze. Die Akquisitionen wirken sich auf BRAIN's Umsätze aus Produktverkäufen (BioIndustrial) sowie BRAIN's Umsätze aus F&E Kollaborationen (EPCs, BioScience) aus. Die Konsolidierung betrifft zudem andere Positionen der Gesamtergebnisrechnung, insbesondere die Kostenpositionen.

Aufgezeigt am Beispiel der Umsatzerlöse sowie des Betriebsergebnisses sind in den Geschäftsjahren 2012/2013, 2013/2014 und 2014/2015 die nachstehenden wesentlichen Veränderungen der Finanzlage und des Betriebsergebnisses der BRAIN eingetreten:

Umsatzerlöse

Die Umsatzerlöse sind von € 8,8 Mio. im Geschäftsjahr 2012/2013 um 18,5 % auf € 10,4 Mio. im Geschäftsjahr 2013/2014 und im Geschäftsjahr 2014/2015 um weitere 103,8 % auf € 21,1 Mio. angestiegen. Der Anstieg im Geschäftsjahr 2013/2014 ist im Wesentlichen auf die AnalytiCon Akquisition zurückzuführen. Der Hauptgrund für den Anstieg im Geschäftsjahr 2014/15 war die WeissBioTech Akquisition.

BRAIN erzielt vorrangig Umsätze aus zwei Segmenten: BioScience und BioIndustrial.

		Die Umsatzerlöse aus dem BioScience-Segment (vorwiegend F&E Kollaborationen) erhöhten sich von € 4,2 Millionen im Geschäftsjahr 2012/13 um 38,9 % auf € 5,9 Millionen im Geschäftsjahr 2013/14 (unterstellt die Segmentierung wäre bereits beginnend ab dem Geschäftsjahr 2012/13 vorgenommen worden). Die Umsatzerlöse aus F&E Kollaborationen im Geschäftsjahr 2012/2013 wurden zum Teil durch den Austausch von Dienstleistungen gegen Eigenkapital erwirtschaftet (Tauschgeschäft, bei dem Geschäftsanteile an den entsprechenden Kollaborationspartnern ausgegeben werden, wenn die im Rahmen der Forschungs- und Entwicklungskollaborationen festgelegten Meilensteine erreicht werden). Das Umsatzwachstum im Geschäftsjahr 2013/14 ist zum Teil auf einen akquisitionsbedingten Anstieg aufgrund der AnalytiCon Akquisition zurückzuführen. AnalytiCon erzielt im Wesentlichen Umsatzerlöse aus F&E Kollaborationen. Das Geschäftsjahr 2014/15 zeigte einen weiteren Anstieg im BioScience-Segment von € 5,9 Mio. im Geschäftsjahr 2013/14 um 49,1 % auf € 8,8 Mio. Diese Entwicklung ergibt sich im Wesentlichen aus einer starken Nachfrage von inländischen und ausländischen Partnern. BRAIN‘s Umsatzerlöse aus dem BioIndustrial-Segment (vorwiegend Produktverkäufe) erhöhten sich von € 4,5 Mio. im Geschäftsjahr 2012/13 auf € 4,6 Mio. im Geschäftsjahr 2013/14, was im Wesentlichen auf einen Anstieg der Umsatzerlöse mit Kosmetikprodukten zurückzuführen ist (unterstellt die Segmentierung wäre bereits beginnend ab dem Geschäftsjahr 2012/13 vorgenommen worden). Im Geschäftsjahr 2014/15 erhöhten sich die Umsatzerlöse aus dem BioIndustrial-Segment weiter von € 4,6 Mio. im Geschäftsjahr 2013/14 um 173,3 % auf € 12,4 Mio. Dies ist im Wesentlichen auf die WeissBiotech-Akquisition zurückzuführen. *Betriebsergebnis (EBIT)* Das Betriebsergebnis verschlechterte sich von € -4,4 Mio. im Geschäftsjahr 2012/13 um 9,8 % auf € -4,8 Mio. im Geschäftsjahr 2013/14. Im Geschäftsjahr 2014/15 verbesserte sich das Betriebsergebnis (EBIT) auf € -4,6 Mio.um 5,1 % von € -4,8 Mio. im Geschäftsjahr 2013/14. Die Betriebsergebnisse in den Geschäftsjahren 2012/13, 2013/14 und 2014/15 sind weiterhin durch hohe Forschungs- und Entwicklungskosten geprägt. F&E-Kosten umfassen überwiegend Personalkosten, Materialkosten und sonstige Kosten. *Jüngste Entwicklung* Am 20. Oktober 2015 hat die Hauptversammlung der Gesellschaft beschlossen, das Grundkapital von € 12.725.818 um € 188.530 auf € 12.914.348 durch die Ausgabe von 188.530 neuer auf den Namen lautender Stückaktien mit einem rechnerischen Anteil am Grundkapital von € 1,00 je Aktie und einem Ausgabebetrag von € 1,00 je Aktie gegen Bareinlagen zu erhöhen. Die neu ausgegebenen 188.530 Aktien wurden von der Aktionärin der BRAIN MP Beteiligungs-GmbH gegen Zahlung eines Gesamtbetrags von € 188.530 gezeichnet. Im Zusammenhang mit der vorstehenden Kapitalerhöhung hat die MP Beteiligungs-GmbH gegenüber den anderen Aktionären der Gesellschaft die Verpflichtung übernommen, ihre Ansprüche gegen die Gesellschaft aus einem Gesellschafterdarlehensvertrag in Höhe von € 1.811.470 in die Kapitalrücklage gemäß § 272 Absatz 2 Nr. 4 HGB einzubringen. Die Einbringung in die Kapitalrücklage wurde am 13. November 2015 durch Abschluss eines Vertrags über den teilweisen Verzicht auf den ausstehenden Betrag aus dem Gesellschafterdarlehensvertrag vorgenommen. Mit Ausnahme der vorstehend genannten Kapitalerhöhung und der Einbringung in die Kapitalrücklage ist keine wesentliche Veränderung der Finanzlage oder Handelsposition der BRAIN seit dem 30. September 2015 eingetreten.
B.8	**Ausgewählte wesentliche Pro-forma-Finanzinformationen.**	BRAIN AG hat mit Wirkung zum 4. November 2014 eine Beteiligung in Höhe von 50,6 % an der WeissBioTech GmbH, Ascheberg, (ehemals WeissBioTech Beteiligungs GmbH) durch den Erwerb von Aktien aus einer Bar-Kapitalerhöhung zum Nominalbetrag in Höhe von € 102.500 erworben. Zum Zeitpunkt des Erwerbs hielt die WeissBioTech GmbH 100% der Anteile an der WeissBioTech France S.A.R.L. (WeissBioTech GmbH und WeissBioTech France S.A.R.L. zusammen "**WeissBioTech**").

		Aufgrund der Tatsache, dass diese Akquisition wesentlichen Einfluss auf BRAINs Abschlüsse hat, wurden, um klare Angaben zu BRAINs Finanzlage zu machen und um die Vergleichbarkeit für Leser der IFRS Konzernabschlüsse für den Zeitaum 1. Oktober 2014 bis 30.September 2015 zu erleichtern, eine Pro-Forma Gewinn- und Verlustrechnung von BRAIN erstellt, welche den Zeitraum vom 1. Oktober 2014 bis 30. September 2015 abdeckt sowie begleitende Erläuterungen enthält (zusammen "**Pro-forma-Finanzinformationen**"). Der Zweck der Pro-forma-Finanzinformationen ist es darzustellen, welche wesentlichen Auswirkungen der Erwerb der Beteiliung an WeissBioTech auf BRAINs Konzernabschluss für den Zeitraum vom 1. Oktober 2014 bis 30.September 2015 gehabt hätte, wenn BRAIN bereits seit dem 1. Oktober 2014 in der durch den Erwerb geschaffenen Strukur bestanden hätte. Die in den nachstehenden Tabellen enthaltenen pro forma Finanzinformationen sind den Pro-forma-Finanzinformationen für den Zeitraum vom 1. Oktober 2014 bis zum 30. September 2015 entnommen. Die Pro-Forma-Finanzinformationen wurden unter Beachtung der Vorgaben der Verordnung (EU) Nr. 809/2004 vom 29. April 2004 in Verbindung mit Anhang I, 20.2 zusammen mit Anhang Annex II und der Anforderungen des Instituts der Deutschen Wirtschaftsprüfer e.V. ("IDW") festgelegt im IDW Rechnungslegungsstandard: Erstellung von Pro-Forma Finanzinformationen (IDW AcPS AAB 1.004) erstellt. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Deutschland ("**PwC**"), hat die Pro-forma-Finanzinformationen für den Zeitraum vom 1. Oktober 2014 bis zum 30. September 2015 unter Beachtung des IDW Prüfungshinweis: Prüfung von Pro Forma Finanzinformationen (IDW AuPS 9.960.1) geprüft und hierüber eine Bescheinigung erteilt. Diese Pro-forma-Finanzinformationen sind in diesem Prospekt wiedergegeben. **Die Erstellung der Pro-forma-Finanzinformationen erfolgte ausschließlich zu illustrativen Zwecken. Die Proforma-Finanzinformationen beschreiben aufgrund ihrer Wesensart eine lediglich hypothetische Situation und spiegeln daher nicht die tatsächliche Finanzlage oder die tatsächlichen Ergebnisse der Gesellschaft wider.** Da die Pro-forma-Finanzinformationen auf Annahmen basieren und Unsicherheiten unterworfen sind, sind sie nicht respräsentativ dafür, wie die tatsächliche Entwicklung der Vermö-gens-, Finanz- und Ertragslage der BRAIN gewesen wäre, wenn die beschriebene Akquisition tatsächlich zum 1. Oktober 2014 stattgefunden hätte. Sie sind auch kein Indikator dafür, wie sich die Vermögens-, Finanz- und Ertragslage der BRAIN nach der Vollzug der Akquisition entwickeln wird. Die Pro-forma-Finanzinformationen sind im Zusammenhang mit dem geprüften Konzernabschluss der BRAIN zum 30. September 2015 zu betrachten. Sie sind allein nicht aussagekräftig. Bei der Erstellung der Pro-forma-Finanzinformationen werden die folgenden Finanzinformationen zugrunde gelegt: • Die Zahlen in der ersten Spalte sind der konsolidierten Gewinn- und Verlustrechnung von BRAIN für den Zeitraum vom 1. Oktober 2014 bis 30. September 2015 entnommen. Der Abschluss wurde in Übereinstimmung mit den Internationalen Rechnungslegungsvorschriften ("**IFRS**"), wie sie in der Europäischen Union anzuwenden sind, erstellt und entsprechend den Vorschriften des Handelsgesetzbuches von einem Wirtschaftsprüfer überprüft. • Die Zahlen in der zweiten Spalte sind der Gewinn- und Verlustrechnung der WeissBioTech für den Zeitraum 1. Oktober 2014 bis 31. Oktober 2014 entnommen. Die Werte basieren auf den Rechnungslegungsunterlagen, die die WeissBioTech entsprechend den jeweiligen lokalen GAAP aufgestellt hat. Um Werte in Einklang mit den Bewertungsmethoden von BRAIN in Übereinstimmung mit IFRS, wie sie in der Europäischen Union anzuwenden sind, zu erhalten, wurde eine Anpassung durch die Ankennung eines Finanzleasings nach IAS 17 statt der Behandlung als Operating Leasing nach dem Lokalen GAAP

vorgenommen. Aufgrund der Anpassung sind die sonstigen Aufwendungen um € 5.439 gesunken, die Abschreibung um € 3.648 gestiegen und die Zinsaufwendungen um € 639 gestiegen.

Die Pro-forma-Anpassungen werden in der vierten Spalte abgebildet, nach einer Spalte, welche die Summe der Werte der ersten beiden Spalten enthält. Die Pro-forma-Anpassungen bestehen im Wesentlichen aus Abschreibungen und den daraus resultierenden latenten Steuerwirkungen sowie aus Finanzierungskosten, die im ersten Monat des Geschäftsjahres 2014/2015 eingetreten wären, wenn die Akquistion der WeissBio Tech GmbH mit Wirkung zum 1. Oktober 2014 erfolgt wäre. Diese Werte sind abgeleitet aus den Buchungsunterlagen der WeissBioTech

Bestimmte Finanzdaten in den folgenden Tabellen sind in Übereinstimmung mit anerkannten kaufmännischen Grundsätzen gerundet worden. Dementsprechend könnten die Gesamtbeträge in den nachstehenden Tabellen nicht in allen Fällen den Gesamtbeträgen der zugrundeliegenden (ungerundeten) Zahlen entsprechen, die an anderer Stelle im Prospekt genannt werden. Darüber hinaus könnten sich diese gerundeten Zahlen in den nachfolgenden Tabellen nicht immer auf exakt die Summen aufaddieren lassen, die in diesen Tabellen enthalten sind.

	Historische Finanzinformationen				
	konsolidierte Gewinn- und Verlustrechnung BRAIN Gruppe für den Zeitraum vom 1. Oktober 2014 bis zum 30. September 2015	Anteilige Gewinn- und Verlustrechnung WBT Gruppe für den Zeitraum vom 1. Oktober 2014 bis zum 31. Oktober 2014	Summe für den Zeitraum vom 1. Oktober 2014 bis zum 30. September 2015	Pro Forma Anpassung	Pro Forma Gewinn- und Verlustrechnung BRAIN Gruppe für den Zeitraum vom 1. Oktober 2014 bis zum 30. September 2015
	€	€	€	€	€
Umsatzerlöse	21.132.363	737.804	21.870.167	-	21.870.167
Erlöse auf Forschungs-Entwicklungsförderungen	2.786.042	-	2.786.042	-	2.786.042
Vorräte und unfertige Erzeugnisse[1)]	310.828	177.237	488.065	-	488.065
Sonstige Erträge	1.465.182	84.377	1.549.559	-	1.549.559
	25.694.415	**999.418**	**26.693.833**	**-**	**26.693.833**
Materialaufwand	-11.295.415	-717.126	-12.012.541	-	-12.012.541

		Personalaufwand	-11.063.182	-75.582	-11.138.764	-	-11.138.764
		Abschreibung	-1.468.875	-5.230	-1.474.105	-29,086	-1.503.191
		Sonstige Aufwendungen	-6.439.595	-282.691	-6.722.286		-6.722.286
		Betriebsergebnis / EBIT	**-4.572.652**	**-81.212**	**-4.653.864**	**-29.086**	**-4.682.950**
		Finanzerträge	31.924	63	31.987		31.987
		Finanzaufwendungen	-961.295	-4.767	-966.062	-4.602	-970.664
		Verlust der Periode vor Steuern	**-5.502.023**	**-85.916**	**-5.587.939**	**-33.688**	**-5.621.627**
		Steuern vom Einkommen und vom Ertrag	-451.873	21.831	-430.042	8.787	-421.255
		Verlust der Periode	**-5.953.896**	**-64.085**	**-6.017.981**	**-24,901**	**-6.042.882**
		Davon auf nicht beherrschende anteile entfallendes Ergebnis	-239.341	-	-239.341	-	-239.341
		Davon auf die Aktionäre der BRAIN AG entfallendes Ergebnis	-5.714.554	-64.085	-5.778.639	-24,901	-5.803.540
		Ergebnis je Aktie					
		Ergebnis unverwässert	-0,45	-0,01	-0,46	-0,00	-0,46
		Anzahl der zugrunde gelegten Aktien	12.725.818	12.725.818	12.725.818	12.725.818	12.725.818
		Ergebnis verwässert	-0,45	-0,01	-0,46	-0,00	-0,46
		Anzahl der zugrundegelegten Aktien	12.725.818	12.725.818	12.725.818	12.725.818	12.725.818
		1) Position „Erhöhung des Bestands an fertigen und unfertigen Erzeugnisse“ im Konzernabschluss der BRAIN zum 30. September 2015.					
B.9	**Gewinnprognosen oder -schätzungen.**	Entfällt. Die Emittentin zeigt keine Gewinnprognose oder Gewinnschätzung auf.					

B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die in diesem Prospekt enthaltenen geprüften historischen Finanzinformationen wurden jeweils mit uneingeschränkten Bestätigungsvermerken versehen.
B.11	**Nichtausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Die Gesellschaft ist der Ansicht, dass der Konzern in der Lage ist, alle zumindest in den kommenden zwölf Monaten ab Datum des Prospekts fällig werdenden Finanzverbindlichkeiten zu erfüllen.
ABSCHNITT C - WERTPAPIERE		
C.1	**Art und Gattung der angebotenen und/oder zum Handel zuzulassenden Wertpapiere.**	Auf den Namen lautende Stammaktien ohne Nennbetrag (*Stückaktien*), jeweils mit einem anteiligen Betrag am Grundkapital von € 1,00 und voller Dividendenberechtigung ab dem 1. Oktober 2015.
	Wertpapierkennung	International Securities Identification Number (ISIN): DE0005203947 Wertpapierkennnummer (WKN): 520394 Ticker Symbol: BNN
C.2	**Währung.**	Euro.
C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien.**	Das Grundkapital der Gesellschaft beträgt zum Datum des Prospekts € 12.914.348. Es ist eingeteilt in 12.914.348 auf den Namen lautende Stückaktien, jede der Aktien mit einem anteiligen Betrag am Grundkapital von € 1,00. Das Grundkapital der Gesellschaft ist vollständig eingezahlt. In Zusammenhang und zum Zwecke des Angebots (wie unter E.3 definiert) wird die Gesellschaft vorrausichtlich 3.500.000 neue auf den Namen lautende Stammaktien ohne Nennbetrag (*Stückaktien*) im Wege einer Kapitalerhöhung gegen Bareinlage (die "**IPO-Kapitalerhöhung**"), wie voraussichtlich vom Vorstand am 3. Februar 2016 mit Zustimmung des Aufsichtsrats vom selben Tag beschlossen, unter Ausnutzung des von der Hauptversammlung am 8. Juli 2015 beschlossenen **Genehmigten Kapitals 2015/I** ausgeben. Mit der Eintragung der IPO-Kapitalerhöhung ins Handelsregister wird sich das ausstehende Grundkapital der Gesellschaft auf bis zu € 16.414.348,00 belaufen und in bis zu 16.414.348 auf den Namen lautende Stammaktien ohne Nennbetrag (*Stückaktien*) eingeteilt sein. Alle Aktien der Gesellschaft werden vollständig eingezahlt sein.
	Nennwert.	Jede Aktie der Gesellschaft hat einen anteiligen Betrag am Grundkapital von € 1,00.
C.4	**Beschreibung der mit den Wertpapieren verbundenen Rechte.**	**Stimmrechte** Jede Aktie berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Beschränkungen der Stimmrechte bestehen nicht. **Dividendenrechte** Die Aktien der Gesellschaft sind ab dem 1. Oktober 2015 voll dividendenberechtigt. **Rechte am Liquidationserlös** Sollte die Gesellschaft aufgelöst werden, wird nach Erfüllung der Verbindlichkeiten der Gesellschaft der gesamte Liquidationserlös den Aktionären nach dem Aktiengesetz im Verhältnis zu der von ihnen gehaltenen Beteiligung am Grundkapital der Gesellschaft ausgeschüttet. **Bezugsrechte** Aktionäre haben grundsätzlich das Recht, neue Aktien im Falle einer zukünftigen Kapitalerhöhung im Verhältnis zu den bereits von ihnen gehaltenen Aktien am Grundkapital der Gesellschaft (Bezugsrecht) gegen eine Bareinlage zu zeichnen. Ausnahmen sind in Bezug auf bedingte Kapitalerhöhungen oder die Ausgabe von Wandelschuldverschreibungen, Gewinnschuldverschreibungen, Genussrechte oder Optionsschuldverschreibungen sowie in Bezug auf den Verkauf von eigenen Aktien

		zu machen. Darüber hinaus kann die Hauptversammlung dieses Bezugsrecht in bestimmten Fällen teilweise oder komplett ausschließen.
C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Entfällt. Die Aktien der Gesellschaft sind nach den gesetzlichen Regelungen für Namensaktien frei übertragbar. Es bestehen keine Verfügungsverbote oder -beschränkungen hinsichtlich der Übertragbarkeit der Aktien der Gesellschaft.
C.6	**Antrag auf Zulassung der Wertpapiere zum Handel an einem geregelten Markt und Nennung der geregelten Märkte, an denen die Wertpapiere gehandelt werden sollen.**	Die Gesellschaft beabsichtigt, die Zulassung der Aktien der Gesellschaft zum Handel am Regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) am oder um den 21. Januar 2016 zu beantragen. Der Zulassungsbeschluss für die Aktien der Gesellschaft wird voraussichtlich am 5. Februar 2016 erteilt. Der Handel in den Aktien der Gesellschaft an der Frankfurter Wertpapierbörse wird voraussichtlich am 9. Februar 2016 aufgenommen.
C.7	**Dividendenpolitik.**	Die Gesellschaft beabsichtigt derzeit, alle verfügbaren Mittel und zukünftigen Erträge zurückzubehalten, um ihre Geschäftstätigkeit zu unterstützen und das Wachstum und die Entwicklung ihres Geschäfts zu finanzieren, und beabsichtigt nicht, in absehbarer Zukunft Dividenden auszuzahlen. Jede zukünftige Festsetzung von Dividendenzahlungen wird in Übereinstimmung mit dem anwendbaren Recht getroffen und wird unter anderem vom Ergebnis der Geschäftstätigkeit, der finanziellen Lage, vertraglichen Beschränkungen und dem Kapitalbedarf abhängen. Die zukünftige Fähigkeit der Gesellschaft, Dividenden zahlen zu können, kann durch die Bedingungen bereits ausgegebener oder zukünftig ausgegebener Fremdkapitalinstrumente oder durch die Ausgabe von Wertpapieren mit Vorzug beschränkt sein.
ABSCHNITT D – RISIKEN		
D.1	**Zentrale Risiken, die dem Emittenten oder seiner Branche eigen sind.**	
		Geschäftsbezogene Risiken • BRAIN hat in sämtlichen zurückliegenden Geschäftsjahren seit ihrem Geschäftsjahr 2008 operativ jeweils Verluste erwirtschaftet und es ist ungewiss, ob, wann und in welcher Höhe sie künftig Gewinne erzielen wird. • BRAIN bietet ihre Forschungs- und Entwicklungsdienstleistungen sowie auch ihre Produkte in einem Wettbewerbsumfeld an, in dem häufig auch Unternehmen, insbesondere große Industrieunternehmen, aktiv sind, die über eine überlegene Finanzkraft sowie über deutlich größere Forschungs- und Entwicklungs- sowie Vertriebs- und Marketingkapazitäten verfügen. Diese Partner könnten es zukünftig vorziehen, ihre eigenen Forschungs- und Entwicklungsabteilungen zu benutzen oder Wettbewerber von BRAIN beauftragen und daher ihre Kollaboration mit BRAIN beenden. • Die Märkte, in denen die Kollaborationspartner von BRAIN Produkte entwickeln, und die Märkte, in denen BRAIN eigene Produkte entwickelt und vermarktet, sind wettbewerbsintensive Märkte. In diesen Märkten gibt es eine Vielzahl von Wettbewerbern, die Produkte entwickeln, die mit irgendwelchen Produkten, die von BRAINs Kooperationspartnern unter Nutzung der von BRAIN entwickelten Lösungen entwickelt werden, konkurrieren und deren Preis negativ beeinflussen könnten. • BRAIN könnte bei der Suche nach Lösungen der industriellen Biotechnologie nicht erfolgreich sein oder die Suche nach einer solchen Lösung könnte mehr Ressourcen erfordern als angenommen. • BRAIN könnte ihre Position bei ihrer technologischen und wissenschaftlichen Kompetenz einbüßen oder außerstande sein, ihre Forschungs- und Entwicklungsdienstleistungen sowie ihre Produkte rechtzeitig an neue Entwicklun-

gen, Technologien oder Einsatzstoffe anzupassen.

- Die Zusammenarbeit von BRAIN mit einem oder mehreren ihrer Kollaborationspartner könnte Belastungen ausgesetzt sein oder vollständig scheitern. Dies könnte dazu führen, dass BRAIN nicht die angestrebten Umsätze und Ergebnisse erreicht oder dass BRAIN einen gewissen Prozentsatz der Kosten für Forschungs- und Entwicklungsleistungen selbst tragen muss oder dass es BRAIN nicht mehr möglich ist, ihre eigene Expertise in der Entwicklung von Lösungen im erwarteten Umfang zu vergrößern. Zudem könnte BRAINs Ansehen als kompetenter Partner sowie BRAINs Fähigkeit, in Zukunft weitere Kollaborationen einzugehen, beeinträchtigt werden.
- BRAIN könnte nicht in der Lage sein, weitere Kollaborationsverträge zu verhandeln oder solche, deren Bedingungen aus Sicht von BRAIN oder generell zufriedenstellend sind.
- Wachstumsmöglichkeiten von BRAIN könnten begrenzt bleiben, wenn es nicht gelingt, vermehrt Umsätze aus Lizenzen und aus eigenen Produkten zu erwirtschaften.
- Die erfolgreiche Einbindung von Gesellschaften, die von BRAIN erworben wurden, könnte misslingen und es könnte zu Auseinandersetzungen mit Führungskräften oder Minderheitsgesellschaftern von solchen Gesellschaften kommen.
- Gewerbliche Schutzrechte sowie Betriebs- und Geschäftsgeheimnisse der BRAIN sind möglicherweise nicht ausreichend geschützt.
- Betriebs- und Geschäftsgeheimnisse der BRAIN könnten Wettbewerbern, Kooperationspartnern oder anderen Dritten bekannt werden, wodurch die Wettbewerbsposition der BRAIN beeinträchtigt werden könnte.
- BRAIN könnte Patente oder andere Schutzrechte Dritter verletzen oder durch Patente oder andere Schutzrechte Dritter an der Weiterentwicklung eigener Lösungen und Produkte gehindert sein.
- BRAIN ist von ihrem Vorstand, Führungskräften und Mitarbeitern in Schlüsselpositionen abhängig.
- BRAINs Strategie der weiteren Industrialisierung durch internes und externes Wachstum könnte fehlschlagen, was zur Folge haben könnte, dass BRAIN ihre festgelegten Wachstumsziele verfehlt.
- BRAIN könnte strategische Akquisitionen verfolgen, die nachteilige Auswirkungen auf BRAINs Geschäft haben könnten, wenn sich herausstellt, dass diese nicht erfolgreich sind.
- Ein - auch nur relativer - Rückgang des Preises für konventionelle fossile Rohstoffe und insbesondere für Öl könnte die Nachfrage nach Lösungen und Produkten aus der industriellen Biotechnologie nachteilig beeinflussen.
- BRAIN ist dem Risiko ausgesetzt, dass öffentliche Förderungen auf dem Gebiet der industriellen Biotechnologie reduziert oder völlig gestrichen werden oder dass sie erhaltene öffentliche Förderungen zurückzahlen muss.
- Die bei BRAIN vorhandenen Sammlungen ("BioArchiv") von Enzymen, Mikroorganismen und Naturstoffen könnten beschädigt oder zerstört werden.
- Die an verschiedenen Standorten innerhalb von BRAIN betriebenen Labore und Produktionsanlagen könnten durch Fehler bei den betrieblichen Abläufen oder sonstige ungeplante Ereignisse beschädigt oder zerstört werden.
- Die Beziehungen von BRAIN zu Universitäten, Forschungseinrichtungen, Verbänden oder sonstigen Institutionen auf den Gebieten der Wissenschaft, der Industrie oder der Politik könnten sich verschlechtern.

		• BRAIN könnte Nachforderungen von Steuern oder Sozialabgaben für vergangene Veranlagungs- oder Abrechnungszeiträume ausgesetzt sein. • Es besteht das Risiko, dass Verlustvorträge verloren gehen. • BRAIN könnte künftig nicht in der Lage sein, ihren Finanzbedarf zu decken. • BRAIN AG hat Verträge über stille Beteiligungen abgeschlossen, nach denen sie externen Investoren Gewinnbeteiligungsrechte gewährt und Zustimmungsvorbehalte einräumt. Im Fall der Verletzung vertraglicher Verpflichtungen und einer Kündigung könnte BRAIN nicht in der Lage sein, den Rückzahlungsverpflichtungen nachzukommen sowie das Agio zu zahlen. • BRAIN's Betriebs- und Finanzplanung und ihre Reporting Systeme könnten ungeeignet sein und ihre Managementkapazitäten könnten nicht ausreichend sein, um ein präzises Finanzmanagement und –reporting sicherzustellen. • BRAIN könnte nicht in der Lage sein, ein effizientes internes Kontrollsystem für die Finanzberichterstattung zu verbessern und aufrechtzuerhalten und BRAIN's interne Berichterstattung oder Verfahren zum Risikomanagment könnten nicht geeignet sein, um den Anforderungen der wachsenden Geschäftstätigkeit gerecht zu werden. • BRAIN könnte nicht erfolgreich darin sein, das künftige Wachstum von BRAIN effizient genug zu steuern und zu kontrollieren. • Änderungen der Annahmen, die den Buchwerten bestimmter Vermögenswerte zugrundeliegen, einschließlich infolge ungünstiger Marktbedingungen, könnten zu einer Wertminderung dieser Vermögenswerte führen, einschließlich immaterieller Vermögenswerte wie Goodwill.
D.3	**Zentrale Risiken, die den Wertpapieren eigen sind.**	**Aktien- und angebotsbezogene Risiken** • Nach dem Angebot werden die Altaktionäre weiterhin einen wesentlichen Anteil an der Gesellschaft halten, und ihre Interessen könnten mit denen anderer Aktionäre der Gesellschaft kollidieren. • Die Fähigkeit von BRAIN zur Zahlung von Dividenden hängt unter anderem von ihrer Vermögens-, Finanz- und Ertragslage ab. • Die Aktien der Gesellschaft wurden bisher nicht an der Börse gehandelt und es gibt keine Garantie dafür, dass sich ein aktiver oder liquider Markt für die Aktien der Gesellschaft entwickeln wird. • Der Kurs der Aktien der Gesellschaft könnte erheblich schwanken und Anleger könnten ihre Anlage insgesamt oder teilweise verlieren. • Künftige von BRAIN angebotene Schuld- oder Eigenkapitaltitel könnten den Marktpreis der Aktien der Gesellschaft nachteilig beeinflussen, und künftige Kapitalmaßnahmen könnten die Anteile der Altaktionäre wesentlich verwässern. • Künftig Veräußerungen durch die Altaktionäre könnten den Kurs der Aktien der Gesellschaft drücken. • Eine Anlage in die Aktien der Gesellschaft durch Anleger, deren Hauptwährung nicht der Euro ist, könnte durch Wechselkursschwankungen beeinträchtigt werden. • Die Gesellschaft könnte die Erlöse aus diesem Angebot auf eine Weise investieren oder ausgeben, mit der die Aktionäre nicht einverstanden sein könnten oder die zu keiner Rendite oder Steigerung des Aktienkurses führen könnten.
ABSCHNITT E – ANGEBOT		
E.1	**Gesamtnettoerlöse.**	Bei Platzierung sämtlicher Angebotsaktien (wie unter E.3 definiert) zu einem Angebotspreis zum Mittelwert der vorgesehenen Preisspanne (wie unter E.3 definiert) und vollständiger Ausübung der Greenshoe-Option (wie unter E.3 definiert) werden

		Bruttoerlöse aus dem Angebot (wie unter E.3 definiert) im Gesamtbetrag von rund € 42,26 Millionen erwartet. Die Gesellschaft erhält die Erlöse aus dem Angebot, die aus dem Verkauf von Neuen Aktien (wie unter E.3 definiert) stammen. Unterstellt, die maximale Anzahl Neuer Aktien (3.500.000 Aktien) wird zu einem Angebotspreis zum Mittelwert der vorgesehenen Preisspanne veräußert, wird der Bruttoerlös, der der Gesellschaft zuzurechnen ist, € 36,75 Millionen betragen. Der abgebende Aktionär MP Beteiligungs-GmbH, Kaiserslautern, eingetragen im Handelsregister des Amtsgerichts Kaiserslautern unter HRB 3646 (der "**Abgebende Aktionär**") wird die Erlöse erhalten, die aus dem Verkauf der Mehrzuteilungsaktien (wie unter E.3 definiert) stammen. Bei vollständiger Ausübung der Greenshoe-Option zu einem Angebotspreis zum Mittelwert der vorgesehenen Presispanne würden sich die dem Abgebenden Aktionär zufließenden Bruttoerlöse auf € 5,51 Millionen belaufen. Unter Zugrundelegung der von der Gesellschaft zu tragenden Gesamtkosten für das Angebot und die Börsenzulassung der Aktien der Gesellschaft (einschließlich der an den Sole Bookrunner zu zahlenden Provision und den Kosten, die dem Sole Bookrunner entstehen) in Höhe von € 3,51 Millionen und den vom Abgebendenden Aktionär an den Sole Bookrunner zu zahlenden Provision in Höhe von € 0,3 Millionen (siehe Einzelheiten unten), beträgt der zu erwartende Gesamtnettoemissionserlös aus dem Angebot ca. € 38,45 Millionen.
	Geschätze Gesamtkosten des Angebots und der Börsenzulassung, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten in Rechnung gestellt werden.	Die an den Sole Bookrunner (wie oben unter A.1 definiert) zu zahlenden Provisionen werden voraussichtlich, sofern möglich, von der Gesellschaft und den Abgebenden Aktionären im Verhältnis der Neuen Aktien bzw. der Mehrzuteilungsaktien zu den Angebotsaktien getragen. Die dem Sole Bookrunner (wie oben unter A.1 definiert) anfallenden Kosten werden allein von der Gesellschaft getragen. Unter der Annahme (i) einer Platzierung sämtlicher Angebotsaktien (wie unter E.3 definiert) zu einem Angebotspreis in der Mitte der Preisspanne (wie unter E.3 definiert), (ii) der vollständigen Ausübung der Greenshoe-Option (wie untenstehend unter E.3 definiert), (iii) der weiteren vollständigen Zahlung der Ermessensgebühr von bis zu € 2,32 Millionen und (iv) von dem Sole Bookrunner entstandenen Kosten in Höhe von € 0,15 Millionen werden sich die an den Sole Bookrunner zu zahlenden Kosten und Provisionen auf insgesamt € 2,47 Millionen belaufen. Hiervon entfällt ein Betrag von € 2,17 Millionen auf die Neuen Aktien und wird daher von der Gesellschaft getragen und ein Betrag von € 0,3 Millionen geht auf die Mehrzuteilungsaktien (wie unter E.3 definiert) zurück und wird daher von dem Abgebenden Aktionär (wie unter E.1 definiert) gezahlt. Die mit dem Angebot und der Börsenzulassung des gesamten Grundkapitals der Gesellschaft verbundenen Kosten (ausgenommen der Provisionen, die an den Sole Bookrunner zu zahlen sind, und den Kosten, die dem Sole Bookrunner entstehen) werden von der Gesellschaft getragen und belaufen sich voraussichtlich auf insgesamt rund € 1,34 Millionen. Unter Zugrundelegung der vorstehend beschriebenen Annahmen werden sich die von der Gesellschaft zu tragenden Gesamtkosten für das Angebot und die Börsenzulassung der Aktien der Gesellschaft (einschließlich der an den Sole Bookrunner zu zahlenden Provision und den Kosten, die dem Sole Bookrunner entstehen) auf einen Betrag in Höhe von € 3,51 Millionen belaufen. Nach den vorstehenden Annahmen wird die Gesellschaft einen Nettoerlös in Höhe von € 33,24 Millionen und die Abgebenden Aktionäre einen Nettoerlös in Höhe von € 5,21 Millionen erhalten. Demnach beträgt der zu erwartende Gesamtnettoemissionserlös aus dem Angebot ca. € 38,45 Millionen. Weder die Gesellschaft noch der Abgebende Aktionär oder der Sole Bookrunner werden den Anlegern Kosten in Rechnung stellen.
E.2a	**Gründe für das Angebot.**	Die Gesellschaft beabsichtigt (i) den Verkauf der Neuen Aktien zur Finanzierung des Wachstums und der Entwicklung ihres Geschäfts und (ii) die Zulassung ihrer Aktien zum regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolge-

		pflichten (*Prime Standard*) an der Frankfurter Wertpapierbörse, um einen besseren Zugang zum Kapitalmarkt zu erhalten. Die Gesellschaft erhält die Nettoerlöse die sich aus dem Verkauf der Neuen Aktien nach Abzug der Provisionen des Sole Bookrunners (wie unter A.1 definiert) (in dem Umfang wie sie den Neuen Aktien zuzurechnen sind) und der Kosten des Sole Bookrunners (wie unter A.1 definiert) sowie der Kosten für das Angebot und die Börsenzulassung des gesamten Grundkapitals der Gesellschaft ergeben. Unter der Annahme, dass alle Neuen Aktien zu einem Angebotspreis zum Mittelwert der Preisspanne (wie unter E.3 definiert) platziert werden, erwartet die Gesellschaft aus dem Verkauf der Neuen Aktien Bruttoerlöse von rund € 36,75 Millionen; die der Gesellschaft daraus zufließenden Nettoerlöse werden ungefähr € 33,24 Millionen betragen.
	Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.	Die Gesellschaft beabsichtigt, den Nettoemissionserlös aus diesem Angebot (wie unter E.3 definiert) zur Stärkung ihrer Kapitalausstattung und Finanzposition sowie zur Finanzierung ihrer Pipeline-Projekte zu verwenden. Die Gesellschaft geht davon aus, dass die Verwendung möglicherweise die Förderung der Umsetzung der Strategie der Gesellschaft und insbesondere die Beschleunigung der Industrialisierungsstrategie einschließen könnte, jedoch wird die Verwendung nicht zwingend hierauf beschränkt sein. Konkret beabsichtigt die Gesellschaft, den Nettoemissionserlös wie folgt zu verwenden: **Zweck** / **Ca. T€** / **Ca. %** Forschung und Entwicklung (insbesondere Entwicklung neuer Produkte, Verbesserung bestehender Produkte und Vertrieb eigener Produkte) sowie Verbesserung der Technologien / 19.944 / 60 % Akquisitionen und Erhöhung der Beteiligung an Tochtergesellschaften (Buy-out von Minderheitsgesellschaftern) / 6.648 / 20 % Geschäftskapital (Working Capital)* und/oder Rückführung von zu operativen Zwecken gewährten Aktionärsdarlehen** und/oder allgemeine Gesellschaftszwecke / 6.648 / 20 % * Die Gesellschaft ist der Auffassung, dass sie über ausreichend Geschäftskapital verfügt, um ihre Zahlungsverpflichtungen, die innerhalb der nächsten 12 Monate fällig werden, zu erfüllen, ohne hierfür den Nettoemissionserlös zu verwenden. Dieses Geschäftskapital wird insbesondere durch den am 31. Dezember 2016 auslaufenden Darlehensvertrag I mit der MP Beteiligungs-GmbH in Höhe von bis zu € 8.188.530 sowie durch den am 30. Juni 2017 auslaufenden Darlehensvertrag II mit MP Beteiligungs-GmbH in Höhe von bis zu € 5.000.000 gewährleistet. Ungeachtet dessen behält sich die Gesellschaft jedoch das Recht vor, einen Betrag in Höhe von bis zu T€ 6,648 auch zum Zwecke der Sicherstellung ausreichenden Geschäftskapitals zu verwenden anstatt zu diesem Zweck die vorstehend genannten Rahmendarlehensverträge auszunutzen. ** Zur Finanzierung ihrer Geschäftstätigkeit hat die Gesellschaft verschiedene Darlehensverträge abgeschlossen. Wenn die aktuellen Gegebenheiten eine solche Verwendung erlauben und eine solche Verwendung aus Sicht der Gesellschaft sinnvoll erscheint, wird die Gesellschaft möglicherweise auch einen Betrag in Höhe von bis zu T€ 6,648 des Nettoemissionserlöses des Angebots für die (teilweise) Rückzahlung ausstehender Darlehen verwenden. Zum Datum des Prospekts hat die Gesellschaft noch keine konkrete Entscheidung getroffen, ob ein Betrag in Höhe von bis zu T€ 6,648 des Nettoemissionserlöses tatsächlich zu diesem Zweck verwendet werden soll und, falls ja, welches der

		ausstehenden Darlehen in welcher Höhe getilgt werden soll. Die Höhe der Beträge, die für die einzelnen Maßnahmen verwendet werden, hängt von einer Vielzahl von Faktoren ab, so dass die tatsächliche Gewichtung und Reihenfolge abweichen kann. Zudem wird die Gesellschaft die Verwendungsmöglichkeiten regelmäßig kritisch überprüfen und gegebenenfalls den aktuellen Gegebenheiten anpassen. Dies bedeutet, dass angedachte Verwendungsmöglichkeiten je nach Marktentwicklung eventuell verschoben oder ausgetauscht werden können.
E.3	**Angebotskonditionen.**	Dieses Angebot bezieht sich auf den Verkauf von 4.025..000 auf den Namen lautenden Stückaktien der Gesellschaft mit einem anteiligen Betrag am Grundkapital von jeweils € 1,00 und mit voller Dividendenberechtigung ab dem 1. Oktober 2015 (das "**Angebot**") und setzt sich zusammen aus: - 3.500.000 neu ausgegebenen, auf den Namen lautenden Stückaktien aus einer Kapitalerhöhung gegen Bareinlagen, die vom Vorstand der Gesellschaft voraussichtlich am 3. Februar 2016 beschlossen wird und am selben Tag vom Aufsichtsrat genehmigt wird, wozu das Genehmigte Kapital 2015/I, wie es von der Hauptversammlung am 8. Juli 2015 beschlossen wurde, ausgenutzt wird (die "**Neuen Aktien**"); - 525.000 auf den Namen lautenden Stückaktien aus dem Bestand des Abgebenden Aktionärs im Zusammenhang mit einer möglichen Mehrzuteilung (die "**Mehrzuteilungsaktien**" und gemeinsam mit den Neuen Aktien die "**Angebotsaktien**"). Das Angebot besteht aus einem erstmaligen öffentlichen Angebot in der Bundesrepublik Deutschland ("**Deutschland**") und der Republik Österreich ("**Österreich**) über die Xetra-Zeichnungsfunktionalität (das "**Öffentliche Angebot über die Xetra-Zeichnungsfunktionalität**"),einem erstmaligen öffentlichen Angebot in Deutschland und Österreich mittels Zeichnung über das auf der Internetseite der Gesellschaft eingerichtete Zeichnungsportal für Ausgewählte Retail Investoren (wie untenstehend definiert) (das **"Öffentliche Angebot über das Zeichnungsportal für Ausgewählte Retail Investoren**", das Öffentliche Angebot über die Xetra-Zeichnungsfunktionalität und das Öffentliche Angebot über das Zeichnungsportal zusammen das "**Öffentliche Angebot**"). Angebotsaktien, die nicht im Wege des Öffentlichen Angebots verkauft werden, werden im Wege von Privatplatzierungen in Deutschland und Österreich und bestimmten anderen Rechtsordnungen außerhalb der Vereinigten Staaten von Amerika angeboten und verkauft (die "**Privatplatzierung**"). Außerhalb der Vereinigten Staaten von Amerika werden die Aktien der Gesellschaft nur im Rahmen von Offshore-Geschäften gemäß der Regulation S nach dem Securities Act angeboten und verkauft.
	Angebotszeitraum.	Der Angebotszeitraum, in dem Anleger ihre Kaufangebote für die Angebotsaktien abgeben können (der "**Angebotszeitraum**"), beginnt voraussichtlich (i) für das Öffentliche Angebot über das Zeichnungsportal für Ausgewählte Retail Investoren am 21. Januar 2016 und für das Öffentliche Angebot über die Xetra-Zeichnungsfunktionalität am 22. Januar 2016. Der Angebotszeitraum endet voraussichtlich sowohl für das Öffentliche Angebot über das Zeichnungsportal für Ausgewählte Retail Investoren als auch für das Öffentliche Angebot über die Xetra-Zeichnungsfunktionalität am 3. Februar 2016. Am letzten Tag des Angebotszeitraums können Kaufangebote (i) von Retail Investoren (wie nachstehend unter E.3 definiert) bis 16:00 Uhr (Mitteleuropäische Zeit ("**MEZ**") und (ii) von institutionellen Anlegern bis 17:00 Uhr (MEZ) abgegeben werden.
	Preisspanne und Angebotspreis.	Die festgelegte Preisspanne für das Angebot (die "**Preisspanne**"), innerhalb derer Kaufangebote abgegeben werden dürfen, liegt bei € 9,00 bis € 12,00 je Angebotsaktie.
	Änderungen der Angebotskonditionen.	Vorbehaltlich einer möglicherweise erforderlichen Veröffentlichung eines Nachtrags zu diesem Prospekt behalten sich die Gesellschaft und der Sole Bookrunner das Recht vor, die Gesamtzahl der Angebotsaktien zu erhöhen oder zu vermindern, die Ober - und/oder Untergrenze der Preisspanne zu erhöhen oder zu senken und/oder den Angebotszeitraum zu verlängern oder zu verkürzen. Durch Änderungen der Anzahl der Angebotsaktien, Änderungen bei der Preisspanne oder durch die Ver-

		längerung bzw. Verkürzung des Angebotszeitraums werden bereits unterbreitete Kaufaufträge nicht unwirksam. Sollte solch eine Änderung die Veröffentlichung eines Prospektsnachtrags erfordern, steht Anlegern, die ihre Kaufaufträge vor Veröffentlichung des Prospektnachtrags unterbreiteten, gemäß dem Wertpapierprospektgesetz das Recht zu, diese Kaufaufträge innerhalb von zwei Tagen nach Veröffentlichung des Nachtrags zu widerrufen. Anstelle des Widerrufs der vor der Veröffentlichung des Nachtrags unterbreiteten Kaufaufträge können die Anleger ihre Aufträge ändern oder neue begrenzte oder unbegrenzte Kaufaufträge innerhalb von zwei Tagen nach Veröffentlichung des Nachtrags platzieren. Bei einer Änderung der Angebotsbedingungen wird diese Änderung im Wege der elektronischen Medien (wie Thompson Reuters oder Bloomberg) und, sofern nach dem Wertpapierhandelsgesetz oder dem Wertpapierprospektgesetz erforderlich, als Ad hoc-Mitteilung über ein elektronisches Informationssystem, auf dem Internetportal der Gesellschaft und als Nachtrag zu diesem Prospekt veröffentlicht. Anleger, die Kaufaufträge unterbreitet haben, werden nicht einzeln benachrichtigt.
	Mindesttranche für Retail Investoren und bevorrechtigte Zuteilung für Ausgewählte Retail Investoren	Mindestens 10 % der tatsächlich zugeteilten Angebotsaktien werden Retail Investoren zugeteilt (die "**Mindesttranche für Retail Investoren**"). Allerdings kann der Anteil an Angebotsaktien, die Retail Investoren zugeteilt werden, auch erhöht oder verringert werden, falls von diesen Kaufanträge für mehr oder weniger als 10 % der tatsächlich zugeteilten Angebotsaktien abgegeben werden. Für Zwecke der Mindestzuteilung an Retail Investoren gilt als Retail Investor (der "**Retail Investor**") (i) eine natürliche Person mit Wohnsitz in Deutschland oder Österreich, die Angebotsaktien für eigene Rechnung erwirbt oder (ii) ein spezielles Investmentvehikel mit Sitz in Deutschland oder Österreich, das als juristische Person zu dem ausdrücklichen und alleinigen Zweck gegründet wurde, Dienstleistungen auf dem Gebiet der Vermögensverwaltung oder Vorsorgeplanung für eine natürliche Person zu erbringen. Die Gesellschaft beabsichtigt, die Ausgewählten Retail Investoren (wie untenstehend definiert) bei der Zuteilung der Mindesttranche für Retail Investoren bevorzugt zu berücksichtigen. Ausgewählte Retail Investoren (die "**Ausgewählten Retail Investoren**") sind die folgenden Personen: (i) sämtliche Mitarbeiter der BRAIN und (ii) alle Retail Investoren der folgenden Investmentgesellschaften, die in Deutschland oder Österreich wohnhaft sind: • MIG GmbH & Co. Fonds 1 KG i.L. • MIG GmbH & Co. Fonds 2 KG • MIG GmbH & Co. Fonds 3 KG • MIG GmbH & Co. Fonds 4 KG • MIG GmbH & Co. Fonds 5 KG • MIG GmbH & Co. Fonds 6 KG • MIG GmbH & Co. Fonds 7 KG • MIG GmbH & Co. Fonds 8 KG • MIG GmbH & Co. Fonds 9 KG • MIG GmbH & Co, Fonds 10 KG • MIG GmbH & Co. Fonds 11 KG • MIG GmbH & Co. Fonds 12 geschlossene Investment-KG • MIG GmbH & Co. Fonds 13 geschlossene Investment-KG • MIG GmbH & Co. Fonds 15 geschlossene Investment-KG • GC Global Chance Fund GmbH & Co. KG • GA Asset Fund GmbH & Co. KG
	Lieferung und Zahlung.	Die Angebotsaktien werden voraussichtlich am 9. Februar 2016 gegen Zahlung des Angebotspreises geliefert. Die Angebotsaktien werden den Aktionären als Miteigen-

		tumsanteile an der Globalurkunde zur Verfügung gestellt.
	Stabilisierungsmaßnahmen, Mehrzuteilung und Greenshoe-Option.	Im Zusammenhang mit der Platzierung der Angebotsaktien handelt ODDO SEYDLER als Stabilisierungsmanager (der "**Stabilisierungsmanager**") und kann als solcher in Übereinstimmung mit den rechtlichen Bestimmungen (§ 20 a Absatz 3 WpHG i.V.m. Verordnung (EG) Nr. 2273/2003 vom 22. Dezember 2003) Mehrzuteilungen vornehmen und Stabilisierungsmaßnahmen ergreifen, um den Marktpreis der Aktien der Gesellschaft zu stützen und dadurch einem etwaigen Verkaufsdruck entgegenzuwirken. Der Stabilisierungsmanager ist nicht zu Stabilisierungsmaßnahmen verpflichtet. Es kann daher nicht zugesichert werden, dass Stabilisierungsmaßnahmen ergriffen werden. Sollten Stabilisierungsmaßnahmen ergriffen werden, können diese jederzeit ohne Vorankündigung beendet werden. Solche Maßnahmen können ab dem Zeitpunkt der Aufnahme des Börsenhandels der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse vorgenommen werden und müssen spätestens am 30. Kalendertag nach dem ersten Handelstag der Aktien beendet sein (der "**Stabilisierungszeitraum**"). Diese Maßnahmen können dazu führen, dass der Börsenkurs der Aktien der Gesellschaft höher ist, als es ohne solche Maßnahmen der Fall gewesen wäre. Des Weiteren kann sich vorübergehend ein Börsenkurs auf einem Niveau ergeben, das nicht von Dauer ist. Bei möglichen Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Neuen Aktien bis zu 525.000 Mehrzuteilungsaktien als Teil der Zuteilung der Angebotsaktien zugeteilt werden (die "**Mehrzuteilung**"). Zum Zwecke einer solchen möglichen Mehrzuteilung werden dem Stabilisierungsmanager 525.000 Aktien der Gesellschaft aus dem Aktienbesitz von dem Abgebenden Aktionär MP Beteiligungs-GmbH (der "**Abgebende Aktionär**") in Form eines Wertpapierdarlehens zur Verfügung gestellt. Die Gesamtzahl der Mehrzuteilungsaktien wird dabei 15 % der Anzahl der Neuen Aktien nicht übersteigen. Des Weiteren wird der abgebende Aktionär dem Stabiliserungsmanager eine Option zum Erwerb einer der Anzahl der Mehrzuteilungsaktien entsprechenden Anzahl an Aktien der Gesellschaft zum Angebotspreis abzüglich der vereinbarten Provisionen einräumen (die "**Greenshoe-Option**"). Die Greenshoe-Option endet 30 Kalendertage nach dem Beginn des Börsenhandels der Aktien der Gesellschaft. Der Stabilisierungsmanager ist berechtigt, die Greenshoe-Option in dem Umfang, in dem die Mehrzuteilungsaktien im Rahmen des Angebots Investoren zugeteilt wurden, auszuüben; dabei ist der Betrag an Aktien der Gesellschaft um die Anzahl der Aktien der Gesellschaft zu vermindern, die von dem Stabilisierungsmanager am Tag der Ausübung der Greenshoe-Option gehalten wurden und die vom Stabilisierungsmanager im Zusammenhang mit Stabilisierungsmaßnahmen erworben wurden. Bei Beendigung des Stabilisierungszeitraums wird innerhalb einer Woche in verschiedenen Medienerzeugnissen, die im gesamten EWR vertrieben werden, eine Mitteilung, ob es Stabilisierungsmaßnahmen gab, über Beginn und Ende der Stabilisierungsmaßnahmen sowie über die Preisspanne dieser Maßnahmen veröffentlicht. Die Ausübung der Greenshoe-Option, der zeitliche Ablauf der Ausübung und die Anzahl und Art der betroffenen Aktien der Gesellschaft werden unverzüglich in derselben Weise bekannt gemacht.
E.4	**Wesentliche Interessen an der Emission/dem Angebot, einschließlich kollidierender Interessen.**	Der Sole Bookrunner handelt bei dem Angebot im Auftrag der Gesellschaft und koordiniert dessen Strukturierung und Durchführung. Der Sole Bookrunner hat als Underwriter einen Übernahmevertrag (der "**Übernahmevertrag**") mit der Gesellschaft und darüber hinaus am 19. Januar 2016 eine Aktienleih- und Optionsvereinbarung mit dem Abgebenden Aktionär (wie vorstehend unter E.1 definiert) (die "Leih- und Optionsvereinbarung") abgeschlossen. Nach erfolgreichem Abschluss des Angebots erhält der Sole Bookrunner eine Provision. Aufgrund dieser vertraglichen Beziehung hat der Sole Bookrunner ein finanzielles Interesse am Erfolg des Angebots. Zudem könnte der Sole Bookrunner auch in Zukunft von Zeit zu Zeit in Geschäftsbeziehungen mit der Gesellschaft stehen.

		Es ist ferner vorgesehen, dass nach der erstmaligen Notierung und Zulassung der Aktien der Gesellschaft zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) ODDO SEYDLER die Aufgabe als Designated Sponsor der Gesellschaft wahrnehmen wird. Darüber hinaus werden der Sole Bookrunner oder die mit ihm verbundenen Unternehmen möglicherweise auch von Zeit zu Zeit in der Zukunft Geschäftsbeziehungen mit der BRAIN unterhalten oder im Rahmen der gewöhnlichen Geschäftstätigkeit Dienstleistungen für die BRAIN erbringen. Zudem können der Sole Bookrunner und alle mit diesem verbundene Unternehmen als Anleger auf eigene Rechnung im Rahmen des Angebotsaktien (wie vorstehend unter E.3 definiert) aus dem Angebot erwerben und diese Aktien oder damit verbundener Anlagen in dieser Eigenschaft auf eigene Rechnung halten, kaufen oder verkaufen und diese Aktien oder andere Anlagen auch außerhalb des Angebots anbieten oder verkaufen. Zudem können der Sole Bookrunner oder die mit diesem verbundenen Unternehmen finanzielle Vereinbarungen (einschließlich Swaps oder Differenzkontrakte) mit Investoren abschließen, im Zusammenhang mit denen der Sole Bookrunner (oder mit diesem verbundenen Unternehmen) Aktien der Gesellschaft jeweils erwerben, halten oder veräußern können. Der Abgebende Aktionär erhält die etwaigen Erlöse der Aktien aus der Ausübung einer Greenshoe-Option. Unter der Annahme einer vollständigen Ausübung der Greenshoe-Option sowie einer Platzierung zum Mittelwert der Preisspanne würden sich die dem Abgebenden Aktionär zustehenden Nettoerlöse aus dem Angebot nach Abzug von Gebühren auf ungefähr € 5,21 Millionen bzw. 13,55 % der Nettogesamterlöse aus dem Angebot belaufen. Der Abgebende Aktionär wird seine Aktien anbieten, um Handelsliquidität in den Aktien der Gesellschaft sicherzustellen, aber er kann auch ein finanzielles Interesse am Angebot seiner Aktien haben. Die Frankfurter Wertpapierbörse, an deren reguliertem Markt die Aktien der Emittentin mit gleichzeitiger Einbeziehung in den Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten zugelassen werden sollen, stellt im Rahmen des Öffentlichen Angebots (wie vorstehend unter E.3 definiert) ihre Zeichnungsfunktionalität im XETRA-Handelssystem für die Sammlung und Abwicklung von Zeichnungsaufträgen zur Verfügung und hat dementsprechend auch ein Interesse an der Durchführung des Angebots. Darüber hinaus bestehen keine weiteren Interessen oder Interessenskonflikte, die wesentlich für das Angebot sein könnten.
E.5	**Name der Person/des Unternehmens, die/das das Wertpapier zum Verkauf anbietet.**	Die Angebotsaktien (wie unter E.3 definiert) werden von der ODDO SEYDLER BANK AG, Frankfurt am Main, in ihrer Eigenschaft als Sole Global Coordinator und Sole Bookrunner zum Verkauf angeboten.
	Lock-up-Vereinbarungen, beteiligte Parteien und Lock-up-Frist.	In dem Übernahmevertrag hat sich die Gesellschaft, von gewissen Ausnahmen abgesehen, gegenüber dem Sole Bookrunner verpflichtet, soweit dies gesetzlich zulässig ist, dass die Gesellschaft, ohne vorherige schriftliche Zustimmung des Sole Bookrunners, innerhalb eines Zeitraums von sechs Monaten nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (welcher aktuell für den 9. Februar 2016 geplant ist) keine Handlung vornimmt, die darauf abzielt, das Grundkapital der Gesellschaft zu erhöhen. Für einen Zeitraum von zwölf Monaten nach ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (welcher aktuell für den 9. Februar 2016 geplant ist) haben sich die MP Beteiligungs-GmbH, Herr Ulrich Putsch, die MIG GmbH & Co. Fonds 3 KG, die MIG GmbH & Co. Fonds 4 KG, die MIG GmbH & Co. Fonds 5 KG, die MIG GmbH & Co. Fonds 13 geschlossene Investment-KG, die GC Global Chance Fund GmbH & Co. KG, die GA Assets Fund GmbH & Co. KG, die Green Industries Group GmbH & Co. KG und Herr Dr. Jürgen Eck (the "**Verpflichteten Aktionäre**"), von gewissen Ausnahmen abgesehen, gegenüber dem Sole Bookrunner in separaten Lock-up-Vereinbarungen und im Fall der MP Beteiligungs-GmbH durch die Aktienleih- und Optionsvereinbarung (wie unter E.3

		definiert) verpflichtet, ohne vorherige schriftliche Zustimmung des Sole Bookrunner, ihre Aktien oder Wertpapiere der Gesellschaft weder zu verkaufen, zu verteilen, zu übertragen oder in sonstiger Weise zu veräußern, oder eine Handlung vorzunehmen, die darauf abzielt, das Grundkapital der Gesellschaft zu erhöhen. Die Hälfte der von der Aktionärin Dr. Gabriele Sachse an der Gesellschaft gehaltenen Aktien unterliegen der gleichen Lock-up Vereinbarung wie die obenstehend genannte Lock-up Vereinbarung für die Aktien der Verpflichteten Aktionäre.Der Sole Bookrunner hat bereits erklärt, dass er einer Übertragung der Aktien der Gesellschaft von den Verpflichteten Aktionären und Frau Dr. Sachse an die Begünstigten im Zusammenhang mit dem beabsichtigten Post IPO Rahmenvertrag zustimmen wird. Nach Übertragung an die Begünstigten werden die übertragenen Aktien der Gesellschaft keinen Veräußerungsbeschränkungen mehr unterliegen.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.**	Unter der Annahme, dass alle Neuen Aktien zum Mittelwert der Preisspanne platziert werden (wie unter E.3 definiert), beliefe sich der Nettobuchwert der Gesellschaft, auf T€ 40.870 (Eigenkapital der Gesellschaft - berechnet auf Grundlage des gezeichneten Kapitals, der Kapitalrücklage und den sonstigen Rückstellungen, jeweils zum 31. Oktober 2015, und den einbehaltenen Ergebnissen zum 30. September 2015 - abzüglich der nicht beherrschenden Anteile und zuzüglich des Eigenkapitals, welches im Wege des Verzichts auf das Gesellschafterdarlehen eingebracht wurde, zuzüglich des Nettoerlöses aus der Ausgabe der Neuen Aktien zum Mittelwert der Preisspanne). Dies entspricht ca. € 2,49 je Aktie der Gesellschaft (berechnet auf Grundlage der 16.414.348 nach dem Angebot (wie unter E.3 definiert) ausstehenden Aktien der Gesellschaft)). Unter den vorgenannten Annahmen würde das Angebot für Personen, die Angebotsaktien erwerben, zu einer unmittelbaren Verwässerung von € 8,01 (76,29 %) je Aktie der Gesellschaft führen. Dies entspricht einer Erhöhung des Nettobuchwerts vor dem Angebot je ausstehender Aktie der Gesellschaft von € 0,58 um € 1,91 (329,31 %) auf € 2,49 nach dem Angebot zugunsten der Bestehenden Aktionäre. Jede Neue Aktie ist mit den gleichen Stimmrechten ausgestattet wie die bereits bestehenden Aktien der Gesellschaft. Jede Aktie berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Unter der Annahme, dass alle Neuen Aktien voll platziert werden, wird der Anteil jedes bestehenden Aktionärs am Grundkapital und an den Stimmrechten der Gesellschaft, der keine Aktien aus der IPO-Kapitalerhöhung zeichnet, daher um rund 21,32 % verwässert.
E.7	**Schätzung der Ausgaben, die dem Anleger vom Emittenten in Rechnung gestellt werden.**	Entfällt. Anlegern werden von der Gesellschaft oder dem Sole Bookrunner keine Kosten in Rechnung gestellt.

3. RISK FACTORS

*An investment in the shares of B.R.A.I.N. Biotechnology Research and Information Network AG (the "**Company**", "**BRAIN AG**" or the "**Issuer**" and together with its consolidated subsidiaries "**BRAIN**") is subject to a number of risks. Prospective investors should carefully consider the following risks together with all the other information contained in this Prospectus prior to making any investment decision regarding the Company's shares. The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could materially adversely affect the Company‘s business, financial position and results of operations. The market price of the Company's shares could fall if any or all of these risks were to materialise, in which case prospective investors could lose all or part of their investment.*

Prospective investors should carefully consider whether an investment in the Company's shares is suitable for them in light of the risks described below, the other information in this Prospectus and their personal circumstances.

The order in which the following risks are presented is not an indication of the likelihood of these risks actually materialising, or their likely significance or degree, or the scope of any potential harm to the Company‘s business, financial position, or results of operations that might result.

3.1 Risks Relating to BRAIN AG’s Business

BRAIN has recorded operating losses in each of the fiscal years since 2008 and it is uncertain whether, when, and in what amount it will generate profits in the future.

BRAIN has recorded operating losses in each of the past fiscal years since 2008. In fiscal year 2012/2013 it reported EBIT of €-4,389 thousand, in fiscal year 2013/2014 EBIT of €-4,817 thousand, and in fiscal year 2014/2015 EBIT of € -4,573 thousand (based on the audited IFRS consolidated financial statements for each of the three respective fiscal years). These losses mainly reflect the expenses for BRAIN's own research and development activities. In BRAIN’s opinion, these own research and development activities were a precondition for the growth already achieved by the Company and are intended to facilitate its planned future expansion. In future years, BRAIN intends to continue or even increase its own research and development activities in order to achieve its strategic goals. In the future BRAIN will need to increase its revenues or decrease its costs base in order to generate profits. To achieve an increase in revenues, BRAIN needs to develop solutions successfully and cost efficiently and to develop and produce products cost effectively and in large quantities and to market and sell these products profitably. If the development of new solutions fails or if the products of BRAIN do not achieve market acceptance at prices which are attractive for BRAIN, BRAIN will not become profitable. No assurance can be given that BRAIN will succeed in operating profitably and in generating profits in future fiscal years. At the date of this Prospectus, BRAIN AG and some or – as the case may be – all of its shareholders are under negotiation regarding the conclusion of a post IPO framework Agreement. According to the current status of negotiations it is intended that some of the shareholders of BRAIN AG or – as the case may be – all of them sell in one or several tranches following the executed IPO a number of shares of BRAIN AG to certain eligible managing employees of the Company under still to be defined conditions or, instead of the sale of shares, agree to make payments to these employees if and to the extent they sell their shares of BRAIN AG. Depending on the final conditions of the post IPO Framework Agreement, it cannot be excluded, that the services rendered by Shareholders under this Agreement have to be classified as equity–settled share based payments in accordance with IFRS, which have to be recognised by the Company as expenses. This would negatively affect BRAIN’s results irrespective of the fact, that the process would be recorded in equity with no impact on income. Generating continuing losses could materially adversely affect BRAIN’s business and its net assets, financial position, and results of operations.

The players in the competitive environment in which BRAIN offers its research and development services and its products frequently include companies, especially large industrial enterprises, with superior financial strength and substantially greater research, development, sales, and marketing capacity.

BRAIN's core business includes developing biotechnology solutions on the basis of enzymes, performance microorganisms and BioActive compounds for industrial use. BRAIN’s research and development services are generally based on collaboration agreements in which BRAIN is commissioned and paid by its partners, mostly large industrial enterprises, for example, from the chemical, food, or cosmetics industries or the wound care market. These partners may in the future prefer to use their own research and developments units or engage competitors of BRAIN and hence decrease or even terminate their collaboration with BRAIN. These enterprises frequently have their own research and development capacity. It cannot be ruled out that, in the future, BRAIN will increasingly lose out to the relevant business units of these enterprises when competing for commissions for research and development projects. This risk may occur in particular if, on the one hand, the conditions offered by BRAIN fail to satisfy potential partners or they are not convinced that BRAIN has the expertise needed to successfully develop the desired solution. On the other hand, potential partners may increasingly decide, for business policy or other reasons, to develop the solutions they are looking for in house and therefore decide, as a matter of principle, not to enter into cooperative ventures with external partners such as BRAIN. Most of BRAIN's customers have their own research and development departments which they could engage for these services or have sufficient financial means to build up such departments. Equally, it cannot be ruled out that competitors of BRAIN, in particular suppliers of comparable research and development services will increasingly be commissioned to perform research and development work in the future, instead of BRAIN. Many of these competitors are large industrial enterprises and have superior financial strength and substantially greater research, development, sales and marketing capacity than BRAIN. As a result, such competitors are in a position to increase investment in their product and service portfolio and, as a result, may offer their product and service at a higher quality or at more attractive prices than BRAIN. Moreover, new market entrants, such as well–funded start–up companies or well-equipped university groups offering research and development services comparable to BRAIN might enter the market or some of BRAIN's current competitors may be acquired by, receive investment from or enter into strategic relationships with well–established and well–financed companies or investors who would enhance their competitive positions. Any of these outcomes could materially adversely affect BRAIN’s business and its net assets, financial position, and results of operations.

The markets in which BRAIN's collaboration partners are developing products and the markets in which BRAIN develops and markets own products are highly competitive.

The markets in which BRAIN's collaboration partners are offering products are, and will continue to be highly competitive, and there can be no assurance that these collaboration partners will be able to compete effectively. There are numerous companies present in these markets that are developing products that may compete with, and could adversely affect the prices for, any products developed by BRAIN's collaborators using BRAIN's solutions. Many of these competitors and potential competitors are well–established companies with significant resources and experience, along with well–developed distribution systems and networks for their products, valuable historical relationships with potential customers and extensive sales and marketing programmes for their products. Some of these competitors might use these resources and their market influence to impede the development and acceptance of the products developed by BRAIN's collaboration partners using solutions developed by BRAIN. This could lead to BRAIN failing to receive the expected payments under the collaboration agreements (especially licensee fees). In addition, BRAIN's collaboration partners could be driven out of the market and decide to terminate their cooperation with BRAIN due to the competitive market environment.

BRAIN faces considerable competition not only in relation to partnerships for developing biotechnology solutions but also with respect to its own products for both business customers (B2B) and consumers (B2C). BRAIN’s competitors for both the enzymes offered to industrial customers and the cosmetics products for consumers are mainly significantly larger enterprises, which consequently have larger resources in the areas of finance, technology, procurement, development, and management, among others. Such competitors may therefore be able to react faster and better to market changes and customer wishes as they arise, or to devote more resources to developing or marketing new or enhanced products. Fiercer competition resulting from the abovementioned factors could lead to price cuts, falling margins and revenue pressure, or to BRAIN failing to achieve its target market position and to a decline in its market share. All of the above could materially adversely affect BRAIN’s business and its net assets, financial position, and results of operations.

BRAIN could be unsuccessful in its search for industrial biotechnology solutions or the search for such solutions could require more resources than expected.

One of BRAIN's nature source of revenues is the collaboration business with industrial partners in which BRAIN is commissioned to find biotechnology solutions for specific industrial applications. No assurance can be given that BRAIN will be successful when it attempts – generally on the basis of a collaboration agreement – to develop such solution for its partner’s intended purpose on the basis of enzymes, performance microorganisms or BioActive compounds. Rather, it could happen that BRAIN fails to find a solution (for example, because there is no possible solution at all or because BRAIN is unable to find it), or that it finds a solution that is too expensive in practice or that has other disadvantages. Furthermore, it is possible that BRAIN could successfully develop a solution, but that the effort involved – for example in the form of the additional time spent on the solution by appropriately qualified staff – might be considerably greater than BRAIN expected and that this effort might therefore not be covered, or might not be covered entirely, by the payments agreed with the partner concerned. Depending on the payment arrangements with the partner concerned, this could lead to BRAIN failing to receive expected payments (and in particular so–called "milestone payments") which could lead to BRAIN having to bear certain costs which will not be matched by any income. Furthermore, an unsuccessful search for solutions could damage BRAIN’s reputation as a suitable potential expert partner for industrial biotechnology solutions, and could therefore impact BRAIN's revenue-generating ability generally. All of the above could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN could lose its position with respect to its technological and scientific expertise or be unable to adapt its research and development services and its products in time to new developments, technologies, and input materials.

BRAIN believes that its expertise in developing solutions based on enzymes, performance microorganisms and BioActive compounds for industrial biotechnology applications makes it, in its own assessment, one of the technology and scientific leaders in the field. Maintaining and, if possible, enhancing this position depends among other things on whether BRAIN is able to access new scientific discoveries to the necessary extent, and to appropriately incorporate current technological developments into its work. No assurance can be given that BRAIN will succeed in maintaining its current level of expertise in the field of industrial biotechnology. Consequently, it cannot be ruled out that technologically better or economically more attractive solutions or products will be developed outside of BRAIN, or that competitors or actual or potential partners will obtain exclusive rights to new technologies and their use in solutions. BRAIN therefore cannot give any assurance that it will identify new scientific discoveries and new technological developments in good time or that it will be able to appropriately reflect them in its business. Failure by BRAIN in this area could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

Any deterioration of economic conditions and the resulting effect on the capital spending of BRAIN's collaboration partners may harm BRAIN's business and results of operations.

BRAIN's performance depends on global and regional economic conditions and their impact on levels of spending of BRAIN's cooperation partners and customers. Several European economies were until recently, or continue to be, in recession. These countries could experience further recession, and countries with stable or growing economies, such as Germany, could experience downturns in the future. There is a risk of deflation affecting other European markets which may lead to a reduction in investment levels in the affected economies, increased unemployment and thereby to an aggravation of recessionary tendencies. In addition, due to the continuing economic disparities between the countries forming the Eurozone and, in particular, the political and economic turmoil in Greece, there remains the risk of a possible breakdown or restructuring of the Eurozone, which, if it was to materialise, could further destabilise and negatively affect both the global economy and the European economies. In addition, the United Kingdom may decide to leave the European Union, which could cause severe political tensions in Europe and could have a significant negative impact on both the global economy and the European economies.

Negative economic developments typically have a negative impact on the capital spending of enterprises as well as consumer confidence and discretionary consumer spending. Some of the factors include general economic conditions, unemployment, consumer debt, reductions in net worth, residential real estate and mortgage markets, taxation, energy prices, interest rates, consumer confidence and other macroeconomic factors. In particular, BRAIN's cooperation partners could, due to negative economic developments, decide to reduce their research and development budgets and to limit their investment in new processes or products. This would lead to reduced revenues in BRAIN's cooperation business. In addition, BRAIN's business with its own products could suffer as well, because customers may, due to negative economic environment, choose to buy products cheaper than those offered by BRAIN. A decline in capital spending by BRAIN's cooperation partners or in customer spending could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

The collaboration between BRAIN and one or more of its partners could become strained or could break down completely.

The collaborations that BRAIN enters into – mostly with large industrial enterprises – with the aim of developing industrial biotechnology solutions using enzymes, performance microorganisms or Bioactive compounds are generally designed to last several years. Over this period, a wide range of problems may arise in relation to the partnership. For example, it may not be possible to achieve the research and development objectives under the collaboration agreement prior to the expiration of the collaboration agreement or the milestones due to technical hurdles, the collaboration partner concerned may change its business focus, the markets may disappear, or the technology may be developed by competitors faster or may have been patented already. Furthermore, any of BRAIN's collaboration partners may fail to perform its obligations under the collaboration agreements. This may result in BRAIN not receiving the expected remuneration, in the collaboration partner concerned not entering into any further collaboration with BRAIN, or even in the existing collaboration ending ahead of schedule due to the collaboration agreement being terminated.

Even in the case of a successful partnership and the successful development of a biotechnology solution, BRAIN may fail, in whole or in parts, to achieve the goals it was pursuing with the partnership, for example, if the partner decides not to market the product based on the solution that was successfully developed, or if its marketing of the product is either totally unsuccessful or fails to meet its own targets or if the product fails to achieve market acceptance. Moreover, some of BRAIN's existing collaboration partners do not themselves have the resources necessary to commercialise products and they in turn will need to rely on third party collaborations. All of this could lead to BRAIN failing to generate the intended revenue and earnings, to it having to bear a certain percentage of the cost of research and development activities itself, or to it being unable to expand its own expertise in solutions development to the extent it had expected; in addition, BRAIN’s reputation as an expert partner could be damaged and its ability to enter into additional collaborations in the future could be impaired. The materialisation of any of the risks described above could materially adversely affect BRAIN’s business and its net assets, financial position, and results of operations.

BRAIN might not be able to negotiate additional collaboration agreements having terms satisfactory to BRAIN or at all.

BRAIN might not be able to enter into additional collaboration agreements due to the exclusive nature of the current collaborations. The current collaboration agreements of BRAIN mainly provide that BRAIN conducts research and development with regard to the area of use as defined in the collaboration agreement on an exclusive basis for the respective collaboration partner during the collaborative period specified in the collaboration agreement. Because of this exclusivity BRAIN is not able to enter into a collaboration agreement with any other collaboration partner with regard to the same area of use during the applicable collaborative period. In addition, BRAIN's collaboration partners' competitors may not wish to do business with BRAIN at all due to BRAIN's relationship with its existing collaboration partners. If BRAIN is unable to enter into additional collaborations, BRAIN's ability to sustain or expand its business might be significantly reduced. This could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN’s growth opportunities could remain limited if it is unable to increase the revenue generated from licenses and from its own products.

The collaboration that BRAIN has entered into to date to develop solutions on the basis of enzymes, performance microorganisms or BioActive compounds generally provide that, in the event that a solution is successfully developed, the partner in question receives the unrestricted rights of use to the solution (i.e., the enzymes, performance microorganisms or BioActive compounds that has been identified) without BRAIN benefitting economically from such use or benefitting only to a minor extent. Hence, going forward, BRAIN aims to increasingly negotiate provisions in its collaboration agreements to the effect that, in such cases, BRAIN would also receive longer–term license fees for the use of the solution in question and as a result receive a share in the economic upside from making use of the successfully developed solution by the collaboration partner. In addition, BRAIN aims at negotiating cooperation agreements under which BRAIN is entitled to commercialise solutions for its own products and to market them in larger numbers, i.e. generating economies of scale. Conversely, if BRAIN does not succeed in the future in successfully negotiating such economic upsides through e.g. license fee or the permission to market own products and thereby generating such economies of scale as described above, this could materially restrict BRAIN’s intended growth. This could materially adversely affect BRAIN’s business and its net assets, financial position, and results of operations.

The successful integration of enterprises acquired by BRAIN could fail and disputes could arise with such enterprises' senior managers or minority shareholders.

BRAIN's past and future growth partly depends on the successful acquisition and integration of other enterprises. Over the past years, BRAIN AG acquired direct or indirect majority interests in a number of companies, now belonging to BRAIN (such as AnalytiCon Discovery GmbH, Monteil Cosmetics International GmbH or WeissBioTech GmbH), with the remaining equity interests being held by other shareholders such as members of the relevant acquired company's management team. Additionally, the Company does not rule out the possibility of acquiring majority interests in other enterprises in the course of its planned external growth, with stakes remaining in the hands of minority shareholders. In such cases the Company has to cooperate with the minority shareholders of such existing or future acquired companies. Conflicts with such minority shareholders could frustrate the investment. This could impact the operating business of the acquired company and of BRAIN as a whole, and could lead to unexpected expenses. Equally, BRAIN might be unable in whole or in part to implement its business goals for the acquired company in question. Furthermore, such shareholder disputes at an acquired company level could impact cooperation with the acquired company's management, especially if the members of the management team are also minority shareholders of the acquired company. All of the above could materially adversely affect BRAIN’s business and its net assets, financial position, and results of operations.

BRAIN's industrial property rights and business and trade secrets may potentially not be adequately protected.

BRAIN's competitiveness depends in particular on its ability to protect its technological and scientific know-how, and to prevent the use of this know–how by third parties. In order to ensure such protection, BRAIN decides in each individual case whether to apply for patent protection for specific developments – to the extent that these are actually patentable – or whether to aim to protect such technological and scientific know–how by keeping it secret. Equally, protecting BRAIN's brands, company names, and product names plays a material role ensuring the Company's competitiveness and brand presence. Here, too, BRAIN's strategy is not to aim for comprehensive legal protection by applying for appropriate property rights, but rather merely to decide on a case–by–case basis whether to apply for formal property rights or not.

Especially in view of BRAIN's business strategy of securing industrial property rights in individual cases by applying for protection and through registration, the possibility cannot be ruled out that BRAIN's intellectual property and the names used by it in its business operations are not comprehensively protected, or that they could infringe third–party property rights. Third parties could attempt to have BRAIN's industrial property rights revoked, to have the industrial property rights ruled null and void by a court, or to have property rights transferred to themselves. In such a case, BRAIN could become involved in long and costly litigation to protect its intellectual property, the outcome of which is uncertain. Moreover, if property rights were to expire or to be subject to geographical restrictions, this could be used by new or existing competitors of BRAIN to enter the markets concerned or to strengthen their positions. Furthermore, no assurance can be given that BRAIN will also be able in the future to successfully take measures to protect its industrial property rights and technological developments. Additionally, no assurance can be given that the measures taken by BRAIN to protect its industrial property rights will successfully prevent the development and design of solutions, products, or processes that are similar to or could compete with BRAIN's solutions, products, or processes. If BRAIN's industrial property rights or technological and scientific know–how cannot be adequately protected, this could reduce or completely eliminate BRAIN's technological position and could hence materially adversely affect BRAIN's competitiveness. Finally, it is possible that BRAIN may develop patentable solutions or products but may not itself obtain patent protection for business policy or other reasons, and that a third party may then develop and successfully patent a comparable solution; in such a case BRAIN might no longer be able to use or market its own solution or product at all, or may only be able to do so subject to restrictions or at additional cost. The materialisation of any of the risks described above could substantially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN's business and trade secrets could become known to competitors, partners, or other third parties, which could adversely affect BRAIN's competitive position.

BRAIN has a large number of business and trade secrets that are not protected by industrial property rights. These include technical know–how and other proprietary information. However, trade secrets are difficult to protect. Despite nondisclosure agreements with staff, partners, or other contractors, no assurance can be given that such business and trade secrets can be effectively kept secret. If, for example, BRAIN staff were to move to a competitor, partner, or other business associate and in this context to reveal business and trade secrets, whether lawfully or unlawfully, this could lead to such business and trade secrets being used to BRAIN's disadvantage. Moreover, BRAIN's competitors may independently develop equivalent knowledge, methods and know–how without misappropriating or otherwise violating BRAIN's trade secret rights. Where a third party independently develops equivalent knowledge, methods and know-how without misappropriating or otherwise violating BRAIN's trade secrets they might be able to seek patent protection for such equivalent knowledge, methods and know-how. This could prohibit BRAIN from practicing its trade secrets.

Any of these outcomes could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN could infringe patents or other third-party property rights, or could be prevented by patents or third-party property rights from continuing the development of its own solutions und products.

BRAIN cannot give any assurance that its solutions, products, or processes do not or will not infringe patents or other third–party property rights. Equally, the possibility cannot be ruled out that third parties will assert claims in or out of court against BRAIN for infringing such property rights. The legal action taken as a result of any infringement asserted could delay or prevent the continued development or delivery of solutions or products. Furthermore, there is a risk that, if the proceedings were to go against BRAIN, it would be required to pay damages or to enter into usage and license agreements entailing payment; equally, BRAIN could be prohibited from using third–party industrial property rights without being able to find an equivalent replacement. Depending on the amount of any damages or license payments that become due, this could lead to material expenses for BRAIN. Any future proceedings could also lead to material losses of revenue for BRAIN. All of the above could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN could be exposed to warranty and product liability claims.

Solutions developed by BRAIN on the basis of enzymes, performance microorganisms or BioActive compounds must comply with the relevant application requirements agreed with the partners concerned and with all other rules and regulations applicable. Despite a variety of quality assurance measures, the possibility cannot be ruled out that BRAIN's existing or future solutions could contain errors or defects and that these could lead in turn to errors or defects in the relevant partner's products. Equally, the possibility that BRAIN's own products contain errors or defects cannot be ruled out. Such errors or defects may be material– or product–related (for example, as a result of production errors) or they may affect a solution or a product as a whole (for example, as a result of faulty development). Moreover, it is always possible that errors or defects might only become apparent some time after the product in question has been launched on the market.

Such errors or defects may result in impaired market acceptance for solutions or products as well as in damage to BRAIN's reputation in general, and consequently possibly also to the loss of partners or customers. Furthermore, the possibility cannot be ruled out that BRAIN may incur expenses as a result of faulty solutions or products and resulting liability cases in the case of uninsured risks or in excess of its insurance cover. In addition to losses caused directly by solutions or products, this may include in particular indirect consequential damage to the property or health of, or financial losses sustained by, business associates, customers, or other third parties, the size of which could potentially significantly exceed the value of the solutions developed or products delivered by BRAIN. In the U.S.A. in particular, the legal system there – which among other things provides for punitive damages – could result in the total amount of damages far exceeding the losses actually incurred.

Furthermore, the possibility cannot be ruled out that BRAIN will be exposed in the future to material warranty claims, claims for damages, or claims to the payment of contractual penalties. Moreover, the possibility cannot be ruled out that BRAIN will have to pay damages as a result of faulty advice provided during the development of solutions or the sale of products.

Any of the above circumstances could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN is dependent on its Management Board, senior managers, and key employees.

BRAIN's success depends to a material extent on its senior managers, executives, and other qualified staff in key positions, and in particular on the member of the Company's Management Board, the managing directors of its subsidiaries, and the senior managers in the various business units. Many key employees, including one member of the Management Board, have worked for BRAIN for a long time and their experience and knowledge would make them difficult if not impossible to be replaced if they were to leave. The loss of senior managers or other key employees and a lack of success in recruiting new, qualified senior managers and employees could materially adversely affect BRAIN's business and competitive position. The Company could suffer a significant loss of know–how, or this could end up with competitors or business associates. There is no assurance that BRAIN will be able to retain its senior managers, other key employees and highly qualified employees to the extent desired. In addition, the development of successful biotechnological solutions depends on BRAIN's ability to attract and retain highly skilled scientists, especially molecular biologists, biochemists and fermentation specialised engineers. BRAIN may not be able to attract qualified employees in the future due to the intense competition for qualified personnel among technology-based businesses. BRAIN also faces competition from universities and public and private research institutions in recruiting and retaining highly qualified scientific and management personnel. If BRAIN is not able to attract the necessary personnel BRAIN's ability to meet the demands of its current or any future collaboration with industrial partners might be adversely affected.

Any of the above circumstances could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

Market acceptance of industrial biotechnology solutions and products could decline.

Current market acceptance of solutions and products that are derived from industrial biotechnology or that have been improved by processes or products in this area could decline in the future. Such a development could be triggered by products that turn out to be faulty or even harmful, or it could be due to industrial biotechnology solutions and processes being associated in public – whether rightly or wrongly from a scientific viewpoint – with genetic engineering, which at least in Germany currently has relatively negative connotations. Any marked decrease in market acceptance for industrial biotechnology solutions and products could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

The insurance policies taken out by BRAIN may not be adequate to cover loss events, or that high premiums may result in substantial costs.

A number of property and liability insurance policies have been taken out for BRAIN and the companies belonging to BRAIN. Nevertheless, no assurance can be given that the cover offered by these policies will be sufficient in the case of a loss being incurred. Moreover, such insurance policies entail substantial costs, which could increase further if the premiums are raised or if it transpires that existing risks are not adequately covered and that additional insurance has to be taken out. In particular, premiums may rise if a liability claim is made under the insurance. In addition, deductibles have often been agreed for the insurance policies, so that BRAIN would incur expenses in the amount of the deductible in the case of a claim being brought under the insurance. Furthermore, insurance policies could terminate and BRAIN could be unable to obtain new insurance coverage or only at unfavourable terms. Increased premiums, inadequate cover for loss events, and payment obligations resulting from deductibles could all materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

Malfunctions in BRAIN's IT systems could disrupt its business or lead to the disclosure of sensitive company information.

BRAIN's ability to sustain its business – and particularly its research and development activities and its production – depends among other things on the proper functioning of the IT, data processing, and telecommunications systems that it uses at its various operating sites. Malfunctions and disruptions to these systems and the software used for them, including external attacks (for example, by criminal hackers or malware) could have an adverse effect on BRAIN's operations. This could lead to an impairment of BRAIN's research and development activities, production, or other business activities, as well as to sensitive company information being leaked. All of the above could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN's strategy of continuing its industrialisation through internal and external growth could be unsuccessful which could lead to BRAIN missing its specified growth targets.

BRAIN's strategy involves generating tangible growth in its "BioIndustrial" pillar with products for both industrial customers and consumers that are based on biotechnology solutions that have been developed by its "BioScience" pillar. BRAIN wants to use this industrialisation strategy to generate greater economic benefits from the biotechnology solutions it develops; it aims to achieve this by incorporating these solutions into products developed and marketed by BRAIN itself and hence increasing the added value associated with them. BRAIN intends to realise this industrialisation strategy both through internal growth (i.e. growth of its existing business and through marketing of its new products either on subsidiary level or by granting licenses to large industrial companies) or externally through making dedicated acquisitions. However, there is no guarantee that BRAIN will succeed in implementing this industrialisation strategy. For example, BRAIN might not succeed in developing sufficient suitable biotechnology solutions in the first place. Furthermore, it might be unsuccessful in developing suitable markets or marketable products for industrial customers or consumers on the basis of such solutions. Even if it succeeds in developing suitable, theoretically marketable products based on a particular biotechnology solution, marketing of these products could be unsuccessful, for example because competitors offer better or cheaper solutions or have more efficient marketing operations, or because BRAIN's product offering fails for other reasons to gain market acceptance, either in full or to the extent aimed for by BRAIN. Additionally, implementation of BRAIN's industrialisation strategy could be unsuccessful or at least be significantly impeded should BRAIN be unable to make suitable acquisitions. Any of the abovementioned circumstances could lead to BRAIN missing its specified growth targets and could materially adversely affect its business and its net assets, financial position, and results of operations.

BRAIN might pursue strategic acquisitions which could have an adverse impact on BRAIN's business if they prove to be unsuccessful.

In addition to its planned organic growth, BRAIN is aiming, where appropriate, to grow externally in the future where opportunities arise by acquiring companies or equity interests in companies. However, no assurance can be given that BRAIN will be in a position to identify suitable companies or to acquire them or equity interests in them on the envisaged terms or to integrate them successfully. Moreover, acquisitions involve numerous risks, including unanticipated costs and other liabilities, diversion of management's attention from BRAIN's core businesses, adverse effects on existing business relationships with current and prospective collaboration partners, customers and suppliers, risks associated with entering markets in which BRAIN has no or limited prior experience and potential loss of key employees. Acquisitions may also require BRAIN to record goodwill and non amortisable intangible assets that will be subject to impairment testing on a regular basis, to incur amortisation expenses related to intangible assets with definite useful life or incur write offs and restructuring and other related expenses, any of which could harm BRAIN's operating results and financial condition.

Furthermore, the rational integration of any acquired companies or equity interests in companies is associated with substantial uncertainties and risks and requires, among other things, the ability to integrate the acquired companies with BRAIN's business activities to an appropriate extent and to retain or rapidly replace a sufficient number of qualified senior managers and other key employees. Moreover, BRAIN might not be in a position to realise the savings and synergy effects originally projected for acquisitions. There is also a risk that – as, for example, in the case of Monteil Cosmetics International GmbH – structural measures the Company has undertaken in the past or will undertake in the future in order to strengthen the equity capital and/or to improve the results of acquired subsidiaries prove to be inadequate or not sufficient and impairment related losses on goodwill might occur.

Any of the abovementioned circumstances could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN is exposed to the danger of infringements of applicable laws and resulting sanctions and other detrimental effects.

BRAIN is exposed in principle to the danger of infringements of applicable laws, for example in relation to obtaining or granting to third parties improper advantages when soliciting or signing collaboration agreements or other transactions for the sale of products or the procurement of goods. Such behaviour could result in penalties, sanctions, court orders with effects on the future behaviour of the Company, the obligation to surrender profits, the Company's exclusion from certain transactions, the revocation of certain approvals or concessions, or other restrictions.

Furthermore, involvement in proceedings relating to the infringement of legal provisions, in particular in relation to obtaining or granting to third parties improper advantages, could damage BRAIN's reputation, lead to the loss of existing collaboration partners or customers, or have adverse effects on BRAIN's ability to compete for business with new collaboration partners or customers from both the public and the private sector. In addition, any compliance–related investigations or subsequent sanctions imposed on the Company could have an adverse effect on BRAIN's relations with its other business associates and on its ability to acquire new business associates. Any of the abovementioned risks could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN is exposed to interest rate and currency risk.

BRAIN has a number of interest-bearing liabilities, and in particular several loan agreements. A rise in general interest rate levels could lead in the medium term to an increase in the interest payable by BRAIN. Moreover, a rise in general interest rate levels would increase the interest payable by BRAIN in those cases in which expiring fixed–interest periods for fixed–rate liabilities can only be prolonged at higher rates.

Additionally, as an international enterprise, BRAIN incurs expenses and generates earnings in different currencies. The majority of the expenses incurred by BRAIN are denominated in euros and the clear bulk of the revenue is also generated in euros. Nevertheless, exchange rate volatility could negatively impact BRAIN's competitiveness and earnings ability; for example, a decline in the U.S. dollar against the euro could have an adverse effect.

Any of the abovementioned developments could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

Any decline in the price of conventional fossil resources and in particular of oil could adversely affect demand for industrial biotechnology solutions and products.

Demand for solutions and products on the basis of industrial biotechnology also depends on the economic benefits or disadvantages these solutions and products offer compared with traditional manufacturing processes. Traditional manufacturing processes or traditionally designed products often rely substantially on the use of conventional fossil resources, and in particular the use of crude oil. Therefore, the lower the price of conventional fossil resources and of crude oil in particular, the smaller the economic or other benefits that can be achieved through the use of production processes or product components based on industrial biotechnology. Persistently moderate development of prices of conventional resources, and of crude oil in particular, or even a permanent decline in these prices, could therefore cause demand for solutions and product components from the area of industrial biotechnology to decline or result in a slower increase in this demand. This could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN is exposed to the risk that public grants for industrial biotechnology could be reduced or even completely cancelled, or that it might have to repay public grants already received.

Some of the projects conducted by BRAIN on its own or in collaboration with partners are publicly funded. The public sector institutions involved could resolve not to provide grants in the future, to provide them to a lesser extent, or to only support BRAIN to a lesser extent in the future. Furthermore, the possibility cannot be ruled out that the public sector institutions that have already made grants to BRAIN could demand that these be repaid, especially if the conditions of the grant were violated by BRAIN. Any of the abovementioned circumstances could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN's libraries of enzymes, microorganisms, and natural substances ("BioArchive") could be damaged or destroyed.

The libraries of enzymes, microorganisms, and natural substances that are maintained in particular at BRAIN AG in Zwingenberg and at AnalytiCon Discovery GmbH in Potsdam are a key foundation of BRAIN's work. The majority of these substances has to be kept under specific circumstances, e.g. at a particular temperature, in order to persist. If, despite the existing security measures, these libraries were to be damaged or destroyed in whole or in part by fire, water, a power failure, or other events, BRAIN would only be able to conduct its business to a limited extent, or in the worst case would be unable to continue. Damage to or the destruction of the libraries would therefore materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

The use of enzymes, microorganisms and natural substances contained in BRAIN's BioArchive could be legally restricted.

According to the Nagoya Protocol on "Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization" which was implemented into European law by a European regulation, researchers are required to secure prior informed consent from the country of origin before accessing a genetic resource from other countries. Furthermore, the benefits that arise from the utilisation must be shared with the country of origin. At a product's final development stage users also have to declare to the competent authorities that they have fulfilled these obligations. In the event of non–compliance utilisation will be discontinued and sanctions can be imposed. Even if the enzymes, microorganisms and natural substances contained in BRAIN's BioArchive mainly originate from Germany it cannot be ruled out that the use of parts of the substances contained in the BioArchive might be restricted due to the abovementioned legal provisions. Such restricted use of the BioArchive could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

The laboratories and production facilities operated at a number of locations within BRAIN could be damaged or destroyed by errors in operating processes or other unplanned events.

The possibility cannot be ruled out that the laboratories and production facilities operated by BRAIN will suffer damage. Such damage could be caused by human or technical errors in operating processes, by unwanted reactions in the substances or auxiliaries used, or by other external influences. In such a case, BRAIN might be unable to continue its development activities, or it might be able to continue them only to a limited extend or with a considerable delay, and might be unable to deliver product components or products to customers, or might only be able to do so with a delay. This could lead to the loss of payments and a loss of reputation among the customers, and could also permanently impair BRAIN's research and development potential. Any of these outcomes could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

Relations between BRAIN and universities, research institutions, associations, or other scientific, industrial, or political institutions could deteriorate.

BRAIN has numerous contacts to universities, research institutions, associations, and other scientific, industrial, and political institutions and to the key personnel there. If this network were to deteriorate, for example because contacts at the institutions concerned leave office, because of lower acceptance of BRAIN as a partner for research or cooperative ventures, or simply for discussions, or because BRAIN no longer puts the necessary effort into maintaining these contacts, this could mean that BRAIN no longer becomes aware of scientific, industrial, or political developments that are relevant for it, and does not take them into account in its business activities, in good time. Any of these outcomes could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN could be exposed to demands for back taxes or social security payments for past assessment or settlement periods.

The most recent corporate income tax, trade tax, and value added tax audit of the significant BRAIN companies covered the assessment periods up to and including February 8, 2010. The possibility cannot be ruled out that, because of different interpretations of the facts, there may subsequently be demands for payments of back taxes or demands for additional social security contributions. In addition, changes in the law or changes in administrative tax practice could lead to additional tax demands. Such additional demands could materially adversely affect the BRAIN Group's business and its net assets, financial position, and results of operations.

There is a risk that loss carryforwards cannot be utilised.

As of September 30, 2015, BRAIN had provisional trade tax loss carryforwards of € 23,897 thousand and provisional corporate income tax loss carryforwards of € 23,667 thousand. BRAIN's tax loss carryforwards could be at risk in the future. In general, loss carryforwards cannot be used (proportionately or fully) to offset tax liabilities if, within a period of five years, more than 25 % of the Company's subscribed capital, membership rights, ownership rights or voting rights are transferred directly or indirectly to an acquirer, a party related to the acquirer, or a group of acquirers acting in concert. A capital increase is equivalent to the transfer of subscribed capital if it leads to a change in the percentage ownership interests in the corporation's capital. A transfer of up to and including 50 % of the Company's subscribed capital causes a corresponding pro-rata elimination of tax loss carry forwards and current losses whereas, a transfer involving more than 50 % of the subscribed capital, membership rights, ownership rights or voting rights, tax losses and tax loss carry forwards will be eliminated in their entirety. If BRAIN is unable to partially or fully offset loss carryforwards to a significant extent, this could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

Risks could arise in connection with the lack of reliability of opinions and forecasts.

The assumptions and statements reproduced in this Prospectus represent opinions and forecasts by the Company's Management Board and the Company's employees in key positions at BRAIN. They represent the current views of these persons with regard to potential future events that, however, are still uncertain and that are therefore subject to various risks with regard to their actual occurrence. A large number of factors could lead to the actual results diverging materially from the forecast position. Neither BRAIN nor the Company's Management Board or its key employees give any assurance as to the future correctness of the opinions given in this Prospectus and as to whether or not forecast developments will occur. Moreover, investors' attention is drawn to the fact that neither the Issuer nor ODDO Seydler Bank AG are obligated to update the opinions and forecasts contained in this Prospectus in relation to potential future results, or to adapt them to future events and developments.

BRAIN might not be in a position to cover its financing requirements in the future.

In the past, BRAIN's financing requirements were primarily covered by equity and debt made available by its shareholder base. To a lesser extent, BRAIN also used third–party debt as well as silent partnerships to cover its financing requirements. To maintain its competitiveness, to reach its growth targets set for the future, or to reach other planned business goals, BRAIN may face the need to raise further equity or debt capital beyond the extent currently expected by BRAIN. A corresponding capital requirement may, moreover, arise when larger liabilities become due. Such larger liabilities that will become due in the future include in particular currently outstanding loans provided by the Company's shareholders. At the date of this Prospectus BRAIN has been granted two shareholder loans by its major shareholder MP Beteiligungs-GmbH (one shareholder loan in the amount of up to € 8,188,530 which terminates on December 30, 2016 and one shareholder loan in the amount of up to € 5,000,000 which terminates on June 30, 2017). In total, loan liabilities from these shareholder loans amounted to approximately € 3.7 million as of the date of this Prospectus. Subject to potential extensions, this amount becomes due for repayment on December 31, 2016. Besides that, contributions under a silent partnership agreement in the amount of € 840,000 become due for repayment on March 31, 2016.

No assurance can be given that if BRAIN faces the need to raise further equity or debt capital such future funding will be available to the Company on favourable terms or at all. Should BRAIN not be in a position to cover any financing requirement that may arise in the future using equity or debt capital made available to it on terms and conditions it considers to be reasonable, this may impact on the Company's ability to continue as a going concern and could force BRAIN into insolvency or liquidation.

Any of the above circumstances could materially adversely affect BRAIN's business and its net assets, financial position and results of operations.

BRAIN AG entered into silent partnership agreements under which it granted profit participation rights and consent rights to external investors. In case of violation of contractual obligations and termination, BRAIN might not be able to meet the repayment obligation or to pay a premium.

In 2006 BRAIN AG entered into a silent partnership agreement with MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH ("MBG H") which provides for a fixed remuneration and a share in BRAIN AG's profits. In addition BRAIN AG requires the prior consent of MBG H for certain measures defined in the silent partnership agreement, such as appointment or dismissal of members of the Management Board or transactions which are significantly and substantially beyond the ordinary course of business. In addition, BRAIN AG is obligated not to distribute any dividends during the term of the silent partnership agreement. The silent partnership is repayable in three annual instalments beginning on March 31, 2014 and ending on March 31, 2016.

In addition, in 2014 BRAIN AG entered into a silent partnership agreement with Hessen Kapital I GmbH which as well provides for a fixed remuneration and a share in BRAIN AG's profits. Hessen Kapital I may terminate the silent partnership agreement for different defined causes, such as implementation of measures which are beyond the ordinary course of business and might have significant effects on the financial position of the Company, in particular the extraordinary extension of the scope of business or the sale of business, as well as – provided Hessen Kapital I has not granted its prior permission – the implementation of measures such as capital increases and reductions or acquisitions of participating interests or payments of dividends. The silent partnership is repayable in three annual instalments beginning on June 30, 2022 until June 30, 2024.

If BRAIN AG breaches one of the aforementioned contractual obligations, the other party might be entitled to terminate the respective silent partnership agreement. In case of a termination, the fixed remuneration will be due to repayment and BRAIN AG might possibly have to pay a premium. BRAIN might not be able to meet these payment obligations or might face the need to arrange refinancing measures. This could materially adversely affect BRAIN's business and its net assets, financial position and results of operations.

BRAIN's operational and financial planning may be inadequate and its management resources may be insufficient to ensure accurate financial management and reporting.

BRAIN's operational and financial planning and management reporting systems may not be adequate and thus not provide BRAIN's management with as accurate information as required, or not provide the required information in time. Also the bookkeeping and accounting department may not be able to comply with all accounting standards and procedures as the basis for reporting and accounting, especially the bookkeeping and accounting department might fail to comply with requirements of law and IFRS. BRAIN has no intregrated and structured group-wide reporting system and data acquisition system. BRAIN's consolidated financial statements are prepared manually without a sufficient documentation which, in the past, led to mistakes in its financial statements and may continue to do so in the future. Besides that, BRAIN has no consolidated accounting guidelines or other reporting requirements as a basis for a uniform accounting within the Group and for consolidation purposes. Furthermore no assurance can be given that current or future measures BRAIN has or will undertake to improve its group accounting prove to be appropriate and successful. In particular no assurance can be given that the recent appointment of a further member of the Management Board with responsibility for finances proves to be appropriate and sufficient to implement all pursued and necessary measures for the swift and successful optimisation of the accounting system. Any inability to maintain operational and financial planning and reporting systems may result in future financial statements of BRAIN that are not in accordance with applicable requirements of the law and IFRS, and as a result do not present a true and fair view of the assets and liabilities, financial position, results of operations, cash flows and changes in shareholders' equity of the Company and its subsidiaries. Furthermore, such inability to maintain operational and financial planning and reporting systems may inpair BRAIN's business operations because BRAIN's management has not the financial information required to manage the busienss and may therefore hinder BRAIN's successful growth. This could materially adversely affect BRAIN's business and its net assets, financial position and results of operations.

BRAIN may not be able to improve and maintain an efficient system of internal controls over financial reporting, and BRAIN's internal reporting or risk management procedures may not be adequate to meet the needs of its growing business.

According to German corporate law, the management of a corporation (*Aktiengesellschaft*) is responsible for maintaining adequate internal controls over financial reporting. BRAIN is in the process of refining its system of internal controls as well as its internal reporting and risk management procedures in order to meet the requirements of a listed company. BRAIN may be unable to implement adequate internal controls and internal reporting or risk management procedures. Consequently, BRAIN may be unable to detect and react to risks arising in the course of its business. In addition, any failure to establish or maintain an effective system of internal controls over financial reporting could limit BRAIN's ability to report its financial results accurately and in a timely manner or to detect and prevent fraud. BRAIN may fail to discover inconsistencies between internal and external financial reporting. BRAIN may also lose confidential financial information.

The materialization of any of the risks described above could have a material adverse effect on BRAIN's business and its net assets, financial position and results of operations.

Unfavourable judgments or settlements in litigation could result in financial burdens for BRAIN.

The possibility cannot be ruled out that, in the future, BRAIN will be involved in major litigation and will be ordered to pay significant amounts of money, to provide services or make payments in kind or in other ways, or that it will have to accept the payment or rendering of such services due to a settlement entered into to end a legal dispute. Such judgments or settlements could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations, especially if BRAIN is not entitled to any other enforceable recourse or compensation claims.

BRAIN is subject to legal and other regulatory requirements, which may change and thus constrain the business of BRAIN or lead to additional costs.

BRAIN is subject to many different legal and other regulatory requirements, for example those under genetic engineering law *(Gentechnikgesetz*), occupational health and safety requirements, – such as the EC Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals "REACH" (Regulation (EC) No. 1907/2006), the German Food and Feed Code (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch*), the German Medical Devices Act *(Medizinproduktegesetz*), and the German Cosmetics Regulation *(Kosmetikverordnung*). To the extent that BRAIN's business has international reach, for example in the distribution of products abroad, BRAIN is in addition subject to not only German laws, but also the laws of other countries as well as of the European Union, which undergo constant development and are becoming increasingly more demanding. Moreover, the requirements relevant to BRAIN are continually being adapted, at the international and national level, to technological progress and the population's generally increasing need for safety, quality, environmental compatibility, and a lack of health risks – especially in relation to foods and cosmetics products. It is therefore possible that the regulatory requirements relevant to BRAIN and applicable to its development and manufacturing processes and to its solutions and products will become increasingly tighter. Likewise, the possibility cannot be ruled out that, because of regulatory changes, certain development or manufacturing processes at BRAIN or certain of BRAIN's solutions and products can only be continued at an increased cost or to a limited extent, or in the worst case cannot be continued at all.

Any of the above circumstances could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

BRAIN could be unsuccessful in managing and controlling BRAIN's future growth efficiently enough.

BRAIN's goal of expanding its business activities through both internal and external growth and in particular by successfully implementing its industrialisation strategy may require expansion of its business organisation under certain circumstances. The control and management of this growth process may be unsuccessful. If BRAIN continues to grow, the current management structure and available staff, systems and equipment may no longer be sufficient. BRAIN will only be able to organise its business operations efficiently and to prevent the misallocation of resources if it succeeds in adapting and expanding its operating processes and its financing and management structure in line with this, and if it acquires and permanently retains a sufficiently large number of qualified employees. BRAIN may not be in a position to fulfil these requirements and therefore may not achieve its development, production and marketing targets under certain circumstances. This could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.

BRAIN´s intangible assets amounted € 8,035 thousand as of September 30, 2015. Goodwill makes up a significant proportion of these intangible assets. In line with group accounting policies, goodwill and certain other intangible assets with indefinite useful lives are tested for impairment periodically and whenever there is an indication that their carrying value may not be fully recoverable. Goodwill and other identified intangible assets may become impaired as a result of worse–than–expected performance of BRAIN, adverse market conditions, unfavourable legal or regulatory changes or many other factors. Especially with regard to BRAIN's subsidiary Monteil Cosmetics International GmbH ("**Monteil**"), the development of which was negatively influenced by a highly competitive cosmetic market in the past and was far below the Management's expectations, it cannot be excluded that in the future partial or full impairment of the existing goodwill of Monteil might become necessary. To reverse the negative development of Monteil the Company – together with the other shareholder of Monteil – currently has undertaken a number of measures (such as for example the implementation of a new communication and sales concept), especially with the aim to strengthen the equity capital of Monteil and to secure its corporate financing. If these measures deviate from the planned approach or the target is missed, especially because the measures prove to be inadequate or not sufficient, impairment of the goodwill of Monteil might occur. The recognition of these and other impairment related losses on goodwill could have an adverse effect in the consolidated EBIT of BRAIN.

As of September 30, 2015 property, plant and equipment represent 22.6 % of total assets and inventories 21.4 % of total assets. Both statements of financial position items may also become impaired in the event of a downturn in business. All of this could materially adversely affect BRAIN's business and its net assets, financial position, and results of operations.

3.2 Risks Relating to the Offering

Following the Offering, the existing shareholders will retain a significant interest in the Company and their interests may conflict with those of the other shareholders.

Following the successful completion of this Offering, the existing shareholders will continue to own approximately 75.48 % of the outstanding share capital of the Company (assuming full placement of all New Shares and full exercise of the Greenshoe Option). The interests of the existing shareholders may be different from BRAIN's interests or those of other shareholders. The remaining stake held by the existing shareholders may have the effect of making certain transactions more difficult or impossible without the support of the existing shareholders, and may have the effect of delaying, postponing or preventing certain major corporate actions, including a change of control in the Company, and could thus prevent mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors.

The realisation of any of the existing shareholder's interests which are in conflict with those of the Company or the other shareholders could have a material adverse effect on the value of the Company's shares and on BRAIN's net assets, financial position and results of operations.

BRAIN's ability to pay dividends depends, among other things, on its financial position and results of operations.

The Company has not paid any dividends to its shareholders in the past and does not currently intend to pay dividends in the foreseeable future. The Company's ability to make such payments depends, among other things, on BRAIN's results of operations, its financing and investment requirements, and the availability of distributable profits. Certain reserves must be established by law and have to be deducted when calculating the distributable profit. In addition, BRAIN's current debt financing arrangements contain, and its future debt financing arrangements may contain, covenants which impose restrictions on BRAIN's business and on the Company's ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, could restrict BRAIN's ability to pay dividends.

The Company's shares have not previously been publicly traded, and there is no guarantee that an active and liquid market for the Company's shares will develop.

Prior to this Offering, there has been no public market for trading in the Company's shares. The placement price (the "**Offer Price**") is being determined by way of a bookbuilding process. There is no guarantee that this Offer Price will correspond to the price at which the Company's shares will be traded on the stock exchange after the Offering or that, following the listing, an active trading in the Company's shares will develop or be maintained. The failure to develop or maintain an active trading may affect the liquidity of the Company's shares and BRAIN cannot give any assurance that the market price of the Company's shares will not decline below the Offer Price. Consequently, investors may not be in a position to sell their shares in the Company quickly or at or above the Offer Price.

The Company's share price could fluctuate significantly, and investors could lose all or part of their investment.

Following this Offering, the Company's share price will be affected primarily by the supply and demand for the Company's shares and could fluctuate significantly in response to numerous factors, many of which are beyond BRAIN's control. These include, but are not limited to, fluctuations in actual or projected results or operations, changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage for BRAIN, changes in trading volumes in the Company's shares, changes in macroeconomic conditions, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception in relation to BRAIN or its industry, changes in the statutory framework in which BRAIN operates and other factors, and can therefore be subject to substantial fluctuations. In addition, general market conditions and fluctuations in share prices and trading volumes generally could lead to pricing pressures on the Company's shares, even though there may not be a reason for this based on BRAIN's business performance or earnings outlook. In particular, public perception of the Company as a biotechnology company could result in the Company's share price moving in line with the prices of other shares in companies of this nature, which have traditionally tended to be more volatile than the shares prices of companies operating in other industries. If the Company's share price or the trading volume in the Company's shares decline as a result of any or all of these events materalising, investors could lose part of all or their investment in the Company's shares.

Future offerings of debt or equity securities by BRAIN could adversely affect the market price of the Company's shares, and future capitalisation measures could substantially dilute the interests of the existing shareholders.

BRAIN may require additional capital in the future to finance its business operations and growth. BRAIN may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. Issuance of additional equity securities or securities containing a right to convert them into equity, such as convertible bonds, could potentially reduce the market price of the Company's shares and would dilute the economic and voting rights of the existing shareholders if made without granting preemptive rights to the existing shareholders. Because the timing and nature of any future offering would depend on market conditions at the time of such an offering, BRAIN cannot predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by BRAIN's employees in the context of the existing and possible future stock option programmes or the issuance of the Company's shares to employees in the context of possible future employee stock participation programmes, could lead to a dilution of the economic and voting rights of the existing shareholders. The shareholders thus bear the risk that such future offerings could reduce the market price of the Company's shares and dilute their shareholdings.

Future sales by the existing shareholders could depress the price of shares in the Company.

Sales of a substantial number of the Company's shares in the public market following the successful completion of this Offering, or the perception that such sales might occur, could depress the market price of the Company's shares and could impair BRAIN's ability to raise capital though the sale of additional equity securities. If, for example, the existing shareholders or one or more other shareholders of the Company effect a sale or sales of a substantial number of the Company's shares in the stock market, or if the market believes that such sales might take place, the market price of the Company's shares cold decline.

An investment in the Company's shares by an investor whose principal currency is not the euro may be affected by exchange rate fluctuations.

The Company's shares and any dividends to be paid in respect of them will be, denominated in euros. An investment in the Company's shares by an investor whose principal currency is not the euro exposes the investor to exchange rate risk. Any depreciation of the Euro in relation to an investor's principal currency will reduce the value of the investment in the Company's shares or any dividends in relation to such currency.

The Company may invest or spend the proceeds of this offering in ways with which shareholders may not agree or in ways which may not yield a return or enhance the price of the shares.

The Company may decide to use the net proceeds from the offering differently from the intention as of the date of this Prospectus due to a change in circumstances. BRAIN's management will have considerable discretion in the application of the net proceeds, and shareholders will not have the opportunity, as part of their investment decision, to assess whether the proceeds are being used appropriately. Any failure to use the net proceeds from this offering effectively could have a material adverse effect on BRAIN's business, net assets, financial condition, cash flows and results of operations.

4. GENERAL INFORMATION

4.1 Responsibility Statement

B.R.A.I.N. Biotechnology Research and Information Network AG, with its registered office at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany, a German stock corporation (*Aktiengesellschaft – AG*) registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Darmstadt, Germany (the "**Commercial Register**"), under the number HRB 24758 (the "**Company**", "**BRAIN AG**" or the "**Issuer**"), together with ODDO SEYDLER BANK AG, Schillerstrasse 27–29, 60313 Frankfurt am Main ("**ODDO SEYDLER**" or the "**Sole Bookrunner**"), have assumed responsibility for the contents of this Prospectus pursuant to section 5 para. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), and declare that the information contained in this Prospectus is, to the best of their knowledge, correct and contains no material omissions.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs if translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

4.2 Purpose of this Prospectus

This Prospectus relates to the offering of 4,025,000 ordinary registered shares of the Company with no–par value (*Stückaktien*), each such share representing a notional value of € 1.00 and with full dividend rights from October 1, 2015, (the "**Offering**") consisting of:

- 3,500,000 newly issued ordinary registered shares with no–par value (*Stückaktien*) from a capital increase against contribution in cash expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I, as resolved by a Shareholders' Meeting on July 8, 2015, and
- 525,000 ordinary registered shares with no–par value (*Stückaktien*) from the holdings of the Selling Shareholder (as defined below in *5.15 – Stabilisation Measures, Over–Allotments and Greenshoe Option*) in connection with a potential over–allotment.

This Prospectus also relates to the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post–admission obligations (Prime Standard) of the Frankfurt Stock Exchange of:

- up to 3,500,000 ordinary registered shares with no–par value (*Stückaktien*) from a capital increase against contributions in cash expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I as resolved by a Shareholders' Meeting on July 8, 2015 and
- 12,914,348 existing ordinary registered shares with no–par value (*Stückaktien*) (existing share capital).

4.3 Forward–looking statements

This Prospectus contains forward-looking statements. A forward–looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on the Company's future earnings capacity, plans and expectations regarding the Company's business growth and profitability, and the general economic conditions to which we are exposed. Statements made using words such as "predicts", "forecasts", "plans", "endeavors" or "expects" may be an indication of forward–looking statements.

The forward-looking statements in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward–looking statements are based on assumptions, uncertainties and other factors, the occurrence or non–occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Company's Group, to differ materially from or fail to meet the expectations expressed or implied on the forward–looking statements. These expressions can be found in several sections in this Prospectus, particularly in the sections entitled *3. Risk Factors*, *14. Business* especially the sub–section 14.3 *Market and Competition* and *25. Recent Developments and Outlook* and wherever information is contained in this Prospectus regarding our intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which the Company is subject.

In light if these uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus will not occur. In addition, the forward–looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in this Prospectus, see *4. General Information – 4.4 Sources of Market Data*). Actual results, performance or events may differ materially from those in such statements due to, among other reasons:

- changes in general economic conditions in the markets in which BRAIN operates,
- the further development of Speciality Chemical market, in particular the level of acceptance of products made by biotechnology processes,
- the occurrence of accidents, natural disasters, fire or environmental damage, especially the destruction of BRAIN's BioArchive;
- the ability to implement the strategy of BRAIN,
- inability to attract and retain qualified personnel;
- changes in competitive environment and in the competition level;
- changes affecting interest rate levels;
- political changes;
- changes in laws and regulations;
- changes in taxes, including changes in tax rates.

Moreover, it should be noted that neither the Company nor the Sole Bookrunner assumes any obligation, except as required by law, to update any forward–looking statement or to conform any such statement to actual events or developments.

See *3. Risk Factors* for a further description of some of the factors that could influence the Company's forward–looking statements.

4.4 Sources of Market Data

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which BRAIN operates are based on the Company's and the Sole Bookrunners' assessments. These assessments, in turn, are based in part on internal observations of the market and on various market studies.

The following sources were used in the preparation of this Prospectus:

- Cefic the European Chemical Industry Council ("**cefic**"), The European Chemical Industry – Facts & Figures 2014, available at http://www.cefic.org/Facts-and-Figures/
- Roland Berger, diagram "Umsatzwachstum der globalen Chemiemärkte" ("sales growth of the global chemical markets"), published in Verband der Chemischen Industrie (VCI) (association of the chemical industry), chemie report 07+08/2015, available at https://www.vci.de/vci/downloads-vci/publikation/chemie-report/cr2015-0708.pdf
- Roland Berger, Chemicals 2035 – Gearing up for growth, May 2015, available at http://www.rolandberger.de/media/pdf/Roland_Berger_TAB_Chemicals_2035_20150521.pdf
- Gunter Festel/Christian Detzel/Ruth Maas ("**Festel/Detzel/Maas**"), Original Article: Industrial biotechnology – Markets and industry structure, received October 19, 2011, revised November 8, 2011
- German Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung, "**BMBF**"), brochure "Weiße Biotechnologie – Chancen für eine bio-basierte Wirtschaft, June 2015, available at http://www.bmbf.de/pub/Weisse_Biotechnologie.pdf
- biotechnologie.de, ("**biotechnologie.de**"), Facts & Figures – The German Biotechnology Sevtor 2015, available at https://www.biotechnologie.de/BIO/Redaktion/PDF/de/umfrage/2015-umfrage,property=pdf,bereich=bio,sprache=de,rwb=true.pdf
- National Academies Press ("**National Academies**"), Industrialization of Biology: A Roadmap to Accelerate the Advanced Manufacturing of Chemicals, published 2015, purchsable at http://www.nap.edu/catalog/19001/industrialization-of-biology-a-roadmap-to-accelerate-the-advanced-manufacturing)
- Gruhlke/Bürger-Kley, article: Chemistry or Plate? ("Chemie oder Teller?"), published September 17, 2015, available at http://www.chemanager-online.com/themen/konjunktur/chemie-oder-teller

It should be noted in particular that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the above–mentioned market studies, publicly available research and reports, internet articles and statistics. The Company has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may be inaccurate or inappropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Sole Bookrunner (see *4. General Information – 4.1 Responsibility Statement*), neither the Company nor the Sole Bookrunner have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Sole Bookrunner make no representation or warranty as to the accuracy of any such information from third–party studies included in this Prospectus. Prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

4.5 Documents available for inspection

For the period during which this Prospectus is valid, the following documents will be available for inspection during regular business hours at the Company's offices at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany:

- the Company's articles of association (the "**Articles of Association**")
- the Company's audited consolidated financial statements prepared in accordance with IFRS as of and for the fiscal year ended September 30, 2015, September 30, 2014 and September 30, 2013;
- the Company's audited unconsolidated financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch* ("**HGB**")) as of and for the fiscal year ended September 30, 2015;
- the Company's audited pro forma financial information prepared in accordance with the provisions of IDW AcPs AAB 1.004, consisting of a pro-forma profit and loss statement and accompanying explanatory notes, for the period from October 1, 2014 till September 30, 2015.

The annual financial statements referred to above are also published in the German Federal Gazette (*Bundesanzeiger*).

The Company's future consolidated annual and interim financial statements will be available from the Company on its website and from the paying agent designated in this Prospectus (see *16. General Information on the Company – 16.8 Notifications, Paying Agent*).

4.6 Currency presentation and presentation of figures

In this Prospectus, "**Euro**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany. The amounts in "**U.S. Dollar**", "**USD**" or "**$**" refer to the legal currency of the USA.

Where financial information in this Prospectus is labeled "audited", this means that such financial information has been taken from the audited financial statements mentioned above. The label "unaudited" is used in this Prospectus to indicate financial information that has been taken or derived from the Company's internal reporting system, or is based on calculation of financial data from the above-mentioned sources. All of the financial information presented in this Prospectus is shown in millions of Euro (in € million), except as otherwise stated. Certain financial information (including percentages) has been rounded according to established commercial standards. As a result aggregate amounts may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in the Prospectus. Furthermore, these rounded figures may not add up exactly to the totals. Financial information presented which is preceded by a minus sign ("**-**") denotes the negative of such number presented. With respect to financial data set out in the main body of this Prospectus, a slash ("**/**") signifies that the relevant figure is not available or equals zero, while a zero ("**0**") signifies that the relevant figure is available but is or has been rounded to zero.

4.7 Presentation of financial information

The Company prepared its consolidated financial statements as of and for the fiscal years ended September 30, 2015, 2014, 2013, in accordance with International Financial Reporting Standards as adopted in the European Union ("**IFRS**"). The unconsolidated financial statements of BRAIN AG as of and for the fiscal year ended September 30, 2015 were prepared in accordance with the German Commercial Code (*Han-*

delsgesetzbuch). Such consolidated and unconsolidated financial statements were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany ("**PwC**"), a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstrasse 26, 10787 Berlin.

4.8 Measures not defined by IFRS (Non–GAAP Measures)

The Prospectus contains certain measures not defined by IFRS or the German Generally Accepted Accounting Principles ("**Non**–**GAAP measures**"). EBIT and Total Operating Performance included herein are Non–GAAP measures and should not be considered as an alternative to the applicable GAAP measures.

5. THE OFFERING

5.1 Subject Matter of the Offering

This Prospectus relates to the offering of 4,025,000 ordinary registered shares of the Company with no-par value (*Stückaktien*), each such share representing a notional value of € 1.00 and with full dividend rights from October 1, 2015, (the "**Offering**") consisting of:

- 3,500,000 newly issued ordinary registered shares with no-par value (*Stückaktien*) from a capital increase against contribution in cash expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I as resolved by a Shareholders' Meeting on July 8, 2015 (the "**New Shares**");
- 525,000 ordinary registered shares with no–par value (*Stückaktien*) from the holdings of the Selling Shareholder (as defined below in *5.15 – Stabilisation Measures, Over–Alloments and Greenshoe Option*) in connection with a potential over-allotment (the "**Over**–**Allotment Shares**" and, together with the New Shares, the "**Offer Shares**").

The Offering consists of

- an initial public offer in the Federal Republic of Germany ("**Germany**") and the Republic of Austria ("**Austria**") via the Xetra–Subscription functionality (the "**Public Offer via the Xetra**–**Subscription Functionality**") and
- an initial public offer in Germany and Austria to Selected Retail Investors (as defined below in *5.2 – Public Offer and Subscription – Public offer via Subscription Portal to Selected Retail Investors*) by way of subscription via the subscription portal set up on the Issuer's website (the "**Public Offer via the Subscription Portal to Selected Retail Investors**", the Public Offer via the Xetra–Subscription Functionality and the Public Offer via the Subscription Portal to Selected Retail Investors together the "**Public Offer**").

Offer Shares which are not sold by way of the Public Offer will be offered and sold by way of private placements in Germany and Austria and certain other jurisdictions in Europe and outside the United States (the "**Private Placement**"). Outside the United States, the Offer Shares will be offered and sold only in offshore transactions in reliance on Regulation S under the Securities Act (the "**Securities Act**").

The share capital of the Company represented by the Offer Shares that are the subject of the Offering including potential over–allotments will total € 4,025,000.00. Thus, approximately 24.52 % of the Company's shares (after effectuation of the issuance of all New Shares) will be offered (approximately 21.32 % without the Over–Allotment Shares).

Immediately prior to the Offering, all of the Company's share capital was held by the Company's existing shareholders (see *19. Shareholder Structure – 19.1 Shareholder Structure (before and after the Offering)*). Following completion of the Offering and assuming placement of all of the Offer Shares and full exercise of the Greenshoe Option (as defined below in *5.15 – Stabilisation Measures, Over–Allotments and Greenshoe Option*), the Company's existing shareholders will continue to hold approximately 75.48 % of the share capital. The Company will receive only the proceeds of the Offering from the sale of the New Shares and the Selling Shareholder (as defined below, see *5. The Offering – 5.15 Stabilisation Measures, Over–Allotments and Greenshoe Option*) will receive the proceeds from the sale of the Over–Allotment Shares in case of an exercise of the Greenshoe Option, if any, in each case after deduction of fees and commissions payable by the Company.

ODDO SEYDLER BANK AG, Schillerstrasse 27–29, 60313 Frankfurt am Main is acting as the Sole Global Coordinator and Sole Bookrunner.

5.2 Public Offer and Subscription

The Public Offer is aimed at all potential investors in Germany and Austria and is not restricted to specific categories of potential investors. In Austria, the Offering will be announced by notifying the Offering to the new–issue calendar (*Emissionskalender*) of Oesterreichische Kontrollbank Aktiengesellschaft.

Public Offer via the Xetra–Subscription Functionality

Under the Public offer via the Xetra–Subscription Functionality, purchase orders for the Offer Shares may be submitted through the Xetra–Subscription functionality of the Frankfurt Stock Exchange in the XETRA trading system for the collection and settlement of purchase orders (the "**Xetra**–**Subscription Functionality**"). Investors who want to submit purchase orders for the Offer Shares via the Xetra Subscription Functionality must submit them to their respective depositary bank during the Offer Period (as defined below). This requires that the depositary bank (i) has been admitted as a trading participant to the Frankfurt Stock

Exchange or has access to trading on the Frankfurt Stock Exchange via an accredited trading participant; (ii) is connected to Xetra, and (iii) is authorised and able to use the Xetra–Subscription Functionality according to the terms and conditions for use of the Frankfurt Stock Exchange (the "**Trading Participant**").

Upon the investor's request, the Trading Participant submits a purchases order on behalf of the investor via the Xetra–Subscription Functionality. ODDO SEYDLER in its capacity as order book manager collects the purchase orders of the Trading Participants in the order book until the end of the Offer Period (as defined below in 5.4 Price Range, Offer Period). At the end of the Offer Period, ODDO SEYDLER in its capacity as order book manager closes the order book and accepts the purchase offers which have been submitted without a price limit and the purchase offers which have been submitted with a price limit at the price which is higher than or equal to the price determined by the Sole Bookrunner after consultation with the Company.

By acceptance of the purchase orders by ODDO SEYDLER, a sales contract for the number of Offer Shares to which the acceptance relates is concluded. It is subject to the condition subsequent of the consummation of the underwriting agreement which was entered into by the Sole Bookrunner, ODDO & CIE. and the Issuer (see *5. The Offering – 5.8 Underwriting*).

Investors in Austria whose depositary bank is not a Trading Participant may instruct a Trading Participant (as defined above) via their depositary bank to submit a purchase order and execute it after acceptance by ODDO SEYDLER together with the depositary bank of the investor.

Public Offer via the Subscription Portal to Selected Retail Investors

In addition, the Offer Shares are also offered to selected retail investors via the Issuer's Subscription Portal. Selected retail investors (the "**Selected Retail Investors**") are the following persons:

(i) all employees of BRAIN and

(ii) all retail investors of the following investment companies who are resident in Germany or Austria:

- MIG GmbH & Co. Fonds 1 KG i.L.
- MIG GmbH & Co. Fonds 2 KG
- MIG GmbH & Co. Fonds 3 KG
- MIG GmbH & Co. Fonds 4 KG
- MIG GmbH & Co. Fonds 5 KG
- MIG GmbH & Co. Fonds 6 KG
- MIG GmbH & Co. Fonds 7 KG
- MIG GmbH & Co. Fonds 8 KG
- MIG GmbH & Co. Fonds 9 KG
- MIG GmbH & Co, Fonds 10 KG
- MIG GmbH & Co. Fonds 11 KG
- MIG GmbH & Co. Fonds 12 geschlossene Investment-KG
- MIG GmbH & Co. Fonds 13 geschlossene Investment-KG
- MIG GmbH & Co. Fonds 15 geschlossene Investment-KG
- GC Global Chance Fund GmbH & Co. KG
- GA Asset Fund GmbH & Co. KG

The Public Offer via the Subscription Portal to Selected Retail Investors only addresses the Selected Retail Investors. The Selected Retail Investors identify themselves by entering a personal access code which they received for this purpose prior to the Offer Period (as defined below in *5.4 Price Range, Offer Period*). Retail investors other than the Selected Retail Investors are not allowed to use the Subscription Portal to submit their purchase orders, but have to submit their purchase orders via the Xetra–Subscription Functionality.

Under the Public Offer via the Subscription Portal to Selected Retail Investors, purchase orders for the Offer Shares may be submitted online using the Subscription Portal accessible via the Issuer's website (www.brain-biotech.de/investor-relations/zeichnung). Selected Retail Investors who wish to submit a purchase order for Offer Shares via the Subscription Portal must, during the Offer Period (as defined below in *5.4 Price Range, Offer Period*) (i) enter all the data for their purchase order in the Subscription Portal, (ii) specify the amount within the Price Range (as defined below in *5.4 Price Range, Offer Period*) the respective Selected Retail Investor is willing to pay as maximum amount per Offer Share and (iii) then forward the purchase order to the Issuer as indicated in the Subscription Portal. The time of receipt is the transmission time created electronically in the system. The amount the respective Selected Retail Investor is willing to pay for the Offer Shares that are subject of the purchase order has to be transferred within two working days after the submission of the purchase order, but not later than on the last day of the Offer Period (as defined below in *5.4 Price Range, Offer Period*), to the trust account of Bankhaus Gebr. Martin AG designated in the Subscription Portal. Purchase orders must be submitted for at least 50 Offer Shares. With regard to the use of the Subscription Portal, the terms and conditions of the Subscription Portal apply.

Purchase orders deemed effectively received are only those which fulfill the above–mentioned conditions. The Issuer however remains entitled – notwithstanding the fact that there is no obligation for this – to also accept subscription applications which do not comply with the above–mentioned conditions, or to undertake allocations despite non–compliance with the above–mentioned time limits.

5.3 Private Placement

The Private Placement to qualified investors in Germany and Austria and certain other jurisdictions in Europe and outside the United States is carried out by ODDO SEYDLER as Sole Bookrunner in accordance with the applicable exception conditions for private placements.

5.4 Price Range, Offer Period

The price range set for the Offering (the "**Price Range**") within which purchase orders may be placed is € 9.00 to € 12.00 per Offer Share.

The offer period during which investors may submit purchase orders for the Offer Shares (the "**Offer Period**") is expected to begin (i) on January 21, 2016 for the Public Offer via the Subscription Portal to Selected Retail Investors and (ii) on January 22, 2016 for the Public Offer via the Xetra–Subscription Functionality. The Offer Period is expected to end on February 3, 2016 for both the Public Offer via the Subscription Portal to Selected Retail Investors and the Public Offer via the Xetra–Subscription Functionality. On the last day of the Offer Period, offers to purchase may be submitted (i) until 16:00 (Central European Time) ("**CET**") by Retail Investors (as defined below in 5.14 Minimum Tranche to Retail Investors and Preferential Allocation to Selected Retail Investors) and (ii) until 17:00 (CET) by institutional investors.

Subject to the publication of a supplement to this Prospectus, if required, the Company and the Sole Bookrunner reserve the right to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period. Changes in the number of Offer Shares, changes to the Price Range or the extension or shortening of the Offer Period will not invalidate any purchase orders that have already been submitted. If any such change requires the publication of a supplement to this Prospectus, investors who submitted purchase orders before the supplement is published shall have the right, under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), to withdraw these purchase orders within two business days of the publication of the supplement. Instead of withdrawing the purchase orders placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited purchase orders within two business days of the publication of the supplement. To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the German Securities Trading Act (*Wertpapierhandelsgesetz*) or the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as an ad–hoc release via an electronic information dissemination system, on the Company's website and as a supplement to this Prospectus. In such event, investors who have submitted purchase orders will not be notified individually.

5.5 Offer Price and Allotment

The placement price (the "**Offer Price**") and the final number of Offer Shares to be placed in the Offering will be set jointly by the Company and the Sole Bookrunner. The price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. This method of setting the number of shares that will be placed at the Offer Price is, in principle, aimed at maximising proceeds. Consideration will also be given to whether the Offer Price and the number of shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Company's shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting shares at a particular price, but also to the composition of the group of shareholders in the Company that would result at a given price, and expected investor behavior. The Company will not charge any expenses and taxes related to the Offering to investors.

The Offer Price and the final number of Offer Shares placed in the Offering (i.e. the result of the Offering) are expected to be set on February 3, 2016.

After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the purchase orders then available. The Offer Price and the final number of Offer Shares (that is, the result of the Offering) are expected to be published on or about February 3, 2016 by means of an ad–hoc release on an electronic information dissemination system and on the Company's website. Investors who have placed orders to purchase Offer Shares can obtain information about the Offer Price and the number of Offer Shares allotted to them from the Sole Bookrunner on the business day following the setting of the Offer Price. The commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to take place four banking days following the setting of the Offer Price. As book–entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to take place at the same business day as the commencement of stock exchange trading, investors may not have obtained information about the number of Offer Shares allotted to them at the time of commencement of trading. Should the placement volume prove insufficient to satisfy all orders placed at the placement price, the Sole Bookrunner reserves the right to reject orders, or to accept them in part only.

Any overpayments, for example due to a lower number of allocated shares or due to a lower offer price than the amount paid by an investor, will be refunded to the respective investor.

5.6 Subscription Costs

The subscription costs of investors are solely governed by the terms and conditions of the depositary bank. Claims arising in connection with subscription fees already paid and subscription costs which have been incurred by an investor in connection with the subscription are solely governed by the legal relationship between the investor and the credit institution to which the investor has submitted its purchase order.

5.7 Expected timetable for the Offering

The following is the expected timetable of the Offering, which may be extended or shortened:

January 20, 2016:	Approval of this Prospectus by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "**BaFin**") Notification of the approved Prospectus to the Austrian financial market supervision (Österreichische Finanzmarktaufsicht ("**FMA**"). Publication of the approved Prospectus on the Company's website (www.brain-biotech.de/investor-relations/wertpapierprospekt)
January 21, 2016	Application for admission of the Company's shares to trading on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and, simultaneously, to the sub–segment thereof with additional post–admission obligations (Prime Standard)
January 21, 2016	Commencement of the Offer Period for the Public Offer via the Subscription Portal to Selected Retail Investors
January 22, 2016	Commencement of the Offer Period for the Public Offer via the Xetra–Subscription Functionality
February 3, 2016	Close of the Offer Period for Retail Investors (as defined below in *5.14 Minimum Tranche to Retail Investors and Preferential Allocation to Selected Retail Investors*) at 16:00 (CET) and for institutional investors at 17:00 (CET).
February 3, 2016	Determination of the Offer Price and final number of shares allocated Publication of the results of the Offering in the form of an ad–hoc release on an electronic information dissemination system and on the Company's website (www.brain-biotech.de/investor-relations/finanzmitteilung/ad-hoc-news)

February 9 , 2016	Commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
February 9, 2016	Book–entry delivery of the Offer Shares against payment of the Offer Price (Closing Date)

5.8 Underwriting

The Issuer and the Sole Bookrunner ODDO SEYDLER BANK AG as Underwriter together with ODDO & CIE., Paris, 12 Boulevard de la Madeleine, 75009 Paris, France ("**ODDO**")) as an affiliate of the Sole Bookrunner has entered into an underwriting agreement on January [**19**], 2016, with respect to the offer and sale of the Offer Shares offered in the Offering (the "**Underwriting Agreement**"). The Underwriting Agreement provides that ODDO SEYDLER and ODDO shall agree separately on their exact roles and responsibilities in the Offering.

Under this Underwriting Agreement the Sole Bookrunner committed to subscribe up to 3,500,000 New Shares from the capital increase to be resolved on February 3, 2016 at an issue price of € 1.00 per New Share and underwrite such shares subject to the provision that it will offer them for purchase and sell them under a Public Offer in Germany and Austria as well as to prospective investors under a private placement in certain jurisdictions outside the United States, and the execution of a corresponding pricing agreement. Outside the United States, the Offer Shares will be offered and sold by the Sole Bookrunner only in offshore transactions in reliance on Regulation S under the Securities Act. The difference between the Offer Price and the issue price (less any agreed commissions and costs) for each share placed has to be passed on to the Issuer at the closing date.

The Selling Shareholder (as defined below in *5.15 – Stabilisation Measures, Over–Alloments and Greenshoe Option*) has entered into a share lending and option agreement on January 19, 2016 (the "**Share Lending and Option Agreement**"), under which, for the purpose of a potential Over–Allotment, the Sole Bookrunner will be provided with up to 525,000 Over–Allotment Shares from the holdings of MP Beteiligungs-GmbH, Kaiserslautern, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Kaiserslautern, Germany, under the number HRB 3646 (the "**Selling Shareholder**") in the form of a securities loan. The total number of Over–Allotment Shares will not exceed 15 % of the number of New Shares. In addition, the Selling Shareholder will grant the Sole Bookrunner an option to acquire up to a number of Company's shares equal to the number of Over–Allotment Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"). The Greenshoe Option will terminate 30 calendar days after the commencement of the stock exchange trading of the Company's shares. The Sole Bookrunner shall pass on the Offer Price (less any agreed pro rata commissions) for the Over–Allotment Shares for which the Greenshoe Option was exercised to the Selling Shareholder upon termination of the Greenshoe Option.

Pursuant to the terms of the Underwriting Agreement and subject to certain conditions, the Sole Bookrunner will agree to use its best efforts to offer the percentage of Offer Shares set forth below opposite of his name:

Underwriter		Percentage of Offer Shares
ODDO SEYDLER BANK AG	Schillerstraße 27–29 60313 Frankfurt am Main	100 %

The Issuer also reserves the right to cancel the Public Offer or the Private Placement at any time if specific circumstances arise, also after the end of the Public Offer or the Private Placement until the delivery of the Offer Shares. A termination is possible, in particular, if the Sole Bookrunner terminates the Underwriting Agreement. The termination to which the Sole Bookrunner may be entitled under certain circumstances include:

- A material adverse change in the national or international economic, political or financial situation has occurred or is likely to occur or a war, armed conflict or terrorist attack has occurred which would materially affect the financial markets in Germany, Austria, Great Britain or the USA.
- Trading at the Frankfurt, Vienna, London or New York Stock Exchange has been suspended in general and not only for technical reasons or a general moratorium on commercial banking operations in Frankfurt, Vienna, London or New York has been imposed by the competent authorities.
- A material adverse change in the financial situation and results of operations or the business operations of BRAIN AG or its subsidiaries has occurred or it has to be expected that any of the aforementioned will materially deteriorate due to events and developments occurring in the meantime.

- In the Sole Bookrunner's opinion, there is no sufficient demand for the Offer Shares at the time of the proposed allotment.

If the Underwriting Agreement is terminated before registration of the capital increase in the Commercial Register, allotments to investors become void. Any amounts already paid on the purchase price will be reimbursed to investors. In this respect, investors have no claim for delivery.

If the Sole Bookrunner withdraws from the Underwriting Agreement after registration of the capital increase in the Commercial Register of BRAIN AG Offer Shares may upon election of the Sole Bookrunner only be delivered to those investors who have already paid the purchase price.

In case short sales were already effected before the Offer Shares have been entered into the respective purchasers' securities accounts, the seller bears the entire risk that the obligations assumed by it in connection with the short sale cannot be met through the timely delivery of Offer Shares.

For its services rendered under the Underwriting Agreement, the Sole Bookrunner shall receive a commission of up to 5.5 % of the gross issue proceeds including a discretionary incentive fee of up to 1.5 % based on the assessment of the success of the transaction. Provided that the maximum number of New Shares is placed at an Offer Price at the mid-point of the Price Range of € 10.50 and, thus, gross issue proceeds would amount to € 36.75 million, BRAIN AG is obliged to pay a maximum commission of € 2.02 million.

The issuer has not consented to the use of the Prospectus for a subsequent resale or final placement of the shares through financial intermediaries.

5.9 Information on the shares

Current and Future Share Capital; Form of the Shares

As of the date of this Prospectus, the share capital of the Company amounts to € 12,914,348 and is divided into 12,914,348 ordinary registered shares with no–par value (*Stückaktien*).

In connection with and for the purpose of the Offering, it is expected that the Company will issue up to 3,500,000 new ordinary registered shares with no–par value (*Stückaktien*) from a capital increase against contribution in cash (the "**IPO Capital Increase**") expected to be resolved by the Management Board on-February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I as resolved by a Shareholders' Meeting on July 8, 2015. Upon registration of the IPO Capital Increase with the Commercial Register, the Company's outstanding share capital will amount to up to € 16,414,348.00 and be divided into up to 16,414,348 ordinary registered shares with no-par value (*Stückaktien*). All Company's shares will be fully paid up.

Certification of the Shares

As of the date of this Prospectus, all of the Company's shares are ordinary registered shares (*Namensaktien*) with no–par value (*Stückaktien*). The Company's shares will be represented by a Global Share Certificate (the "**Global Share Certificate**"), which will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

Section 6 para. 3 of the Articles of Association excludes, to the extent legally permissible and not required by the rules and procedures of a stock exchange on which the Company's shares are admitted for trading, the right of the shareholders to receive share certificates. The Company's Management Board determines pursuant to section 6 para. 4 of the Articles of Association the form and content of the share certificates. The Offer Shares provide holders thereof with the same rights as all of the other shares of the Company and do not provide any additional rights or advantages.

Voting Rights

Each share carries one vote at a general shareholders' meeting. There are no restrictions on voting rights.

Dividend and Liquidation Rights

The Offer Shares carry full dividend rights from October 1, 2015. In the event of the Company's liquidation, any liquidation proceeds remaining after discharging the Company's liabilities will be distributed to the holders of the Company's shares pursuant to the German Stock Corporation Act (*Aktiengesetz*) in proportion to their interest in the Company's share capital.

Delivery and Settlement

The delivery of the Offer Shares against payment of the Offer Price is expected to take place on February 9, 2016. The Offer Shares will be made available to the shareholders as co–ownership interests in the Global Share Certificate.

5.10 ISIN/WKN/Ticker Symbol

International Securities Identification Number (ISIN):	DE0005203947
German Securities Code (WKN):	520394
Ticker Symbol:	BNN

5.11 Transferability of the Shares, Lock-up

The Company's shares are freely transferable in accordance with the legal requirements for ordinary registered shares. Except for the restrictions set forth in *5. The Offering – 5.16 Lock–up Agreement, Limitations on Disposal* and *5. The Offering – 5.8 Underwriting* there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

5.12 Information on existing shareholders

Immediately prior to the Offering, the existing shareholders of the company hold 100 % of the Company's outstanding share capital. It is expected that the existing shareholders will continue to hold approximately 75.48 percent of the Company's outstanding share capital upon completion of the Offering (assuming full exercise of the Greenshoe Option). For further details on the ownership structure of the Company see *19. Shareholder Structure – 19.1 Shareholder Structure (before and after the Offering)*.

5.13 Allotment criteria

The allotment of Offer Shares to private investors and institutional investors will be decided by the Company after consultation with the Sole Bookrunner. The decision ultimately rests with the Company.

Allotments will be made on the basis of the quality of the individual investors and individual orders and other important allotment criteria to be determined by the Company after consultation with the Sole Bookrunner. The allocation to private investors will be compatible with the "Principles for the Allotment of Share Issues to Private Investors" published by the Commission of Stock Exchange Experts (*Börsensachverständigenkommission*). "Qualified Investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as well as "professional clients" (*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) as defined under the German Securities Trading Act (*Wertpapierhandelsgesetz*), are not viewed as ''private investors'' within the meaning of the allocation rules. Multiple subscriptions by the same investors are permitted.

5.14 Minimum Tranche to Retail Investors and Preferential Allocation to Selected Retail Investors

No less than 10 % of the Offer Shares effectively allocated will be allocated to retail investors (the "**Minimum Tranche to Retail Investors**"). However, the proportion of Offer Shares allocated to retail investors may be increased or decreased if purchase orders received from them exceed or do not reach, respectively, 10 % of the Offer Shares effectively allocated.

For the purpose of the Minimum Allocation to Retail Investors, a retail investor (the "**Retail Investor**") is

(i) a natural person resident in Germany or Austria who purchases the Offer Shares for his own account or

(ii) a special investment vehicle having its seat in Germany or Austria which is a legal entity established for the express and sole purpose of providing asset management and/or retirement planning services for a natural person.

The Company intends to prefer the Selected Retail Investors (as defined under *5. The Offering – 5.2 Public Offer and Subscription – Public Offer via the Subscription Portal to Selected Retail Investors*) in the allocation of the Minimum Tranche to Retail Investors (for further information regarding the allotment criteria see *5. The Offering – 5.13 Allotment criteria*).

5.15 Stabilisation Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares ODDO SEYDLER will act as the stabilisation manager (the "**Stabilisation Manager**") and may, as Stabilisation Manager, and acting in accordance with legal requirements (section 20a para. 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with Commission Regulation (EC) No. 2273/2003 of December 22, 2003), make over–allotments and take stabilisation measures to support the market price of the Company's shares and thereby counteract any selling pressure.

The Stabilisation Manager is under no obligation to take any stabilisation measures. Therefore, no assurance can be provided that any stabilisation measures will be taken. Where stabilisation measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the Company's shares are listed on the regulated market on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than the thirtieth calendar day after the first day of trading of the shares (the "**Stabilisation Period**").

These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

Under the possible stabilisation measures, investors may, in addition to the New Shares, be allocated up to 525,000 Over–Allotment Shares as part of the allocation of the Offer Shares (the "**Over**–**Allotment**"). For the purpose of such a potential Over–Allotment the Stabilisation Manager will be provided with up to 525,000 shares in the Company from the holdings of MP Beteiligungs-GmbH, Kaiserslautern, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Kaiserslautern, Germany, under the number HRB 3646 (the "**Selling Shareholder**") in the form of a securities loan. The total number of Over–Allotment Shares will not exceed 15 % of the number of New Shares. In addition, the Selling Shareholder will grant the Stabilisation Manager an option to acquire up to a number of Company's shares equal to the number of Over–Allotment Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"). The Greenshoe Option will terminate 30 calendar days after the commencement of the stock exchange trading of the Company's shares.

The Stabilisation Manager is entitled to exercise the Greenshoe Option to the extent Over–Allotment Shares were allocated to investors in the Offering; such amount of Company's shares is to be reduced by the number of Company's shares held by the Stabilisation Manager as of the date on which the Greenshoe Option is exercised and that were acquired by the Stabilisation Manager in the context of stabilisation measures.

Once the Stabilisation Period has ended, an announcement will be made within one week in various media outlets distributed across the entire EEA as to whether stabilisation measures were taken, when price stabilisation started and finished, and the price range within which stabilisation was taken. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of Company's shares concerned will also be announced promptly in the same manner.

5.16 Lock–up Agreement, Limitations on disposal

In the Underwriting Agreement, the Company has agreed with the Sole Bookrunner that for a period of six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 9, 2016), to the extent legally permissible, without the prior written consent of the Sole Bookrunner, the Company will not, and will not agree to:

- announce or effect any capital increase from authorised capital; or
- propose a capital increase to its shareholders; or
- announce, execute or propose to its shareholders any offering of financial instruments that carry conversion or option rights to shares in the Company; or
- enter into any transaction or perform any action with a similar economic effect to those described in the bullet points above.

The Company may, however, issue or sell any shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under management and employee participation plans.

For a period of twelve months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 9, 2016), MP Beteiligungs–GmbH, Ulrich Putsch, MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG, MIG GmbH & Co. Fonds 5 KG, MIG GmbH & Co. Fonds 13 geschlossene Investment-KG, GC Global Chance Fund GmbH & Co. KG, GA Assets Fund GmbH & Co. KG, Green Industries Group GmbH & Co. KG, and Dr. Jürgen Eck (the "**Obliged Shareholders**") have undertaken to the Sole Bookrunner by way of separate lock–up agreements and in case of MP Beteiligungs–GmbH by the Share Lending and Selling Agreement (as defined above under *5. The Offering – 5.8 Underwriting)*, that they will not, and will not agree to, without prior written consent of the Sole Bookrunner,

- offer, sell, distribute, transfer or otherwise dispose of any of its shares or other equity securities in the Company; or
- cause or approve the announcement, execution or implementation of any increase in the share capital of the Company or a placement of shares of the Company; or
- propose any increase in the share capital to the Company's shareholders or vote in favor of such an increase; or

- cause or approve the announcement, execution or proposal of any issuance of financial instruments that carry conversion or option rights to shares in the Company; or
- enter into any transaction or perform any action with a similar economic effect to those described in the bullet points above.

Half of the shares of the shareholder Dr. Gabriele Sachse are subject to the same lock–up agreement as the lock–up agreement for the shares of the Obliged Shareholders mentioned above.

The Sole Bookrunner has already declared that it will give its consent to the transfer of Company's shares by the Obliged Shareholders and Dr. Sachse to the beneficiaries in connection with the Intended Post IPO Framework Agreement (see *15.7 Intended Post IPO Framework Agreement*). After the transfer to the beneficiaries, the transferred Company's shares will not be subject to any restriction of sale.

5.17 Selling Restrictions

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. Pursuant to the Underwriting Agreement, no action has been or will be taken by the Company or the Sole Bookrunner to permit a public offering of the Offers Shares anywhere other than Germany and Austria or the possession or distribution of this document in any other jurisdiction in which action for the purpose may be required by applicable law or regulation.

The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with the securities regulators of the individual states of the United States. The Offer Shares may not be offered, sold, or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable U.S. legal regulations. In the Underwriting Agreement, the Sole Bookrunner will represent and warrant that it has not offered or sold and will refrain from offering or selling the Offer Shares in or into the United States, and outside the United States except in accordance with Rule 903 of Regulation S and in compliance with other U.S. legal regulations, and that neither it nor any third party acting on its behalf, have undertaken or will undertake, (i) "direct selling efforts" as defined in Regulation S or (ii) "general advertising" or "general solicitation", each as defined in Regulation D under the Securities Act in relation to the Offer Shares.

The Company does not intend to register either the Offering or any portion of the Offering in the United States or to conduct a public offering of shares in the United States.

Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation or the securities laws of any such jurisdiction.

Sales in the United Kingdom are also subject to restrictions. The Sole Bookrunner will represent and warrant to the Company and the Selling Shareholder that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Offer Shares in circumstances in which section 21 para. 1 of the FSMA does not apply to the Company; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything does by it in relation to the Offer Shares in, from, or otherwise involving the United Kingdom.

The Sole Bookrunner will further represent and warrant in the Underwriting Agreement that it has not and will not publicly offer the Offer Shares in any of the member states of the European Economic Area that have implemented Directive 2003/71/EC as amended (the "**Prospectus Directive**") from the date of the implementation of the Prospectus Directive, unless (i) a Prospectus for the Offer Shares has been previously published that has been approved by the competent authority in such member state or has been approved in another member state of the European Economic Area that has implemented the Prospectus Directive, and the competent authority in the member state in which the offer takes place has been informed thereof in compliance with the Prospectus Directive; (ii) the offer is exclusively intended for so–called qualified investors within the meaning of the Prospectus Directive; or (iii) the offering takes place under other circumstances in which the publication of a Prospectus by the Issuer is not required under Article 3 of the Prospectus Directive; to the extent that this exemption has been implemented in the respective member state.

5.18 Admission to the Frankfurt Stock Exchange and commencement of trading

The Company will apply for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub–segment thereof with additional post–admission obligations (Prime Standard) on or about January 21, 2016. The listing approval for the Company's shares is expected to be granted on February 5, 2016. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is also planned to commence on February 9, 2016.

5.19 Designated Sponsor

ODDO SEYDLER BANK AG, Schillerstraße 27–29, 60313 Frankfurt am Main, Germany, has agreed to assume the function of a designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for a period of at least two years. Pursuant to the designated sponsor agreement expected to be concluded between the designated sponsor and the Company, the designated sponsor will, among other things, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares.

5.20 Interests of Parties participating in the Offering

The Sole Bookrunner acts for the Company on the Offering and coordinates the structuring and execution of the Offering. The Sole Bookrunner has entered into the Underwriting Agreement with the Company. Upon successful implementation of the Offering, the Sole Bookrunner will receive a commission. As a result of this contractual relationship with the Company, the Sole Bookrunner has a financial interest in the success of the Offering.

It is further envisaged that after the first public listing and admission of the shares of the Company to trading at the regulated market at the Frankfurt Stock Exchange with simultaneous admission to a sub-segment of the regulated market with additional listing requirements (Prime Standard) at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), ODDO SEYDLER will act as designated sponsor of the Company.

Moreover, the Sole Bookrunner or its affiliates may from time to time in the future have business relations with BRAIN or may perform services for BRAIN in the ordinary course of business.

Furthermore, in connection with the Offering, the Sole Bookrunner and any of its affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for their own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, the Sole Bookrunner or its affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Sole Bookrunners (or its affiliates) may from time to time acquire, hold or dispose of shares in the Company.

The Selling Shareholder will receive proceeds of the shares from the exercise of the Greenshoe Option, if any. Assuming full exercise of the Greenshoe Option and placement at an Offer Price at the mid–point of the Price Range after deducting fees to be paid by the Selling Shareholder in connection with the Offering, the net proceeds to the Selling Shareholder from the offering would amount to approximately € 5.21 million, or 13.55 % of the total net proceeds from the Offering. The Selling Shareholder will offer his shares to ensure sufficient free float and trading liquidity in the company's shares, but he might also have a financial interest in the offer of his shares.

Also the Frankfurt Stock Exchange, where the Shares of the Company are to be admitted to the Regulated Market with simultaneous admission to the sub–segment of the Regulated Market with additional listing requirements (Prime Standard), which provides its Subscription Functionality in the XETRA trading system for the collection and the settlement of subscription orders under this Public Offer, is interested in the completion of the Offering.

Besides that, there are no further interests or conflicts of interest which might be significant for the Offering.

6. PROCEEDS OF THE OFFERING AND COSTS OF THE OFFERING AND LISTING

Assuming the placement of all Offer Shares at an Offer Price at the mid–point of the Price Range and the full exercise of the Greenshoe Option, gross proceeds from the Offering are expected to total approximately € 42.26 million.

The Company will receive the proceeds of the Offering from the sale of the New Shares. Assuming that the maximum number of New Shares (3,500,000 shares) is sold out at an Offer Price at the mid-point of the Price Range gross proceeds attributable to the Company will amount to € 36.75 million.

The Selling Shareholder will receive the proceeds from the sale of the Over–Allotment Shares.

Assuming full exercise of the Greenshoe Option at an Offer Price at the mid point of the Price Range, gross proceeds attributable to the Selling Shareholder will amount to € 5.51 million.

The commissions payable to the Sole Bookrunner will be borne by the Company and the Selling Shareholder in the proportion of the Offer Shares represented by the New Shares or the Over–Alloment Shares, as applicable. Any expenses incurred by the Sole Bookrunner will be borne exclusively by the Company. Assuming (i) a placement of all Offer Shares at an Offer Price at the mid-point of the Price Range, (ii) full exercise of the Greenshoe Option, (iii) payment in full of the discretionary fee of up to € 2.32 million and (iv) expenses incurred by the Sole Bookrunner in the amount of € 0.15 million, the commissions and expenses payable to the Sole Bookrunner will amount to € 2.47 million in a total. Of that total, an amount of € 2.17 million is attributable to the New Shares and will be borne by the Company and in an amount of € 0.3 million is attributable to the Over–Allotment Shares and will be borne by the Selling Shareholder.

The expenses related to the Offering and listing of the Company’s entire share capital (excluding commissions payable to and expenses incurred by the Sole Bookrunner) will be borne by the Company and are expected to total approximately € 1.34 million. Based on the assumptions described above, the total expenses of the Offering and listing of the Company's shares (including the commission payable to and expenses incurred by the Sole Bookrunner) to be borne by the Company are expected to amount to € 3.51 million.

Under the above assumptions the Company will receive net proceeds of € 33.24 million, and the Selling Shareholder will receive net proceeds of € 5.21 million. Therefore the total net proceeds from the Offering are expected to total approximately € 38.45 million.

Investors will not be charged expenses by the Company, the Selling Shareholder or the Sole Bookrunner.

7. REASONS FOR THE OFFERING AND LISTING

The Company intends to (i) sell the New Shares to finance the growth and development of its businesses and (ii) list the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub–segment thereof with additional post admission obligations (Prime Standard) to achieve better access to the capital markets.

The Company will receive the net proceeds resulting from the sale of the New Shares after deduction of the Sole Bookrunner's commission (to the extent attributable to the New Shares) and expenses incurred by the Sole Bookrunner as well as expenses related to the Offering and listing of the Company's entire share capital. Assuming a placement of all New Shares at mid–point of the Price Range, the Company expects gross proceeds of approximately € 36.75 million from the sale of the New Shares; net proceeds thereof attributable to the Company will amount to approximately € 33.24 million.

The Company intends to use the net proceeds of the Offering to strengthen the Company's capitalisation and financial position and fund value accretive growth projects. The Company anticipates that such use might include, but will not necessarily be limited to, the support of the implementation of the Company's strategy and, especially, the acceleration of its industrialisation strategy (see *14. Business – 14.5 Strategy*).

In particular, the Company plans to use the net proceeds accruing to it as follows:

Purpose	**Approx. T€**	**Approx. %**
Research and Development (especially regard to the "BioIndustrial" pillar: development of new products, improvement of existing products, marketing of own products) and improvement of technologies	19,944	60 %
Acquisitions and further increase of participation in subsidiaries (buy–out of minorities)...	6,648	20 %
Working capital* and/or repayment of shareholder loans granted for operational purposes** and/or other normal corporate purposes...	6,648	20 %

* The Company is of the opinion that it is able to access working capital in order to meet its payment obligations as they fall due within at least the next twelve months without using the net proceeds of the offering (see *9. Capitalisation and Indebtedness – 9.5 Statement on Working Capital*). Such working capital is especially ensured by the Loan Agreement I with MP Beteiligungs-GmbH in the amount of up to € 8,188,530, which will terminate on December 31, 2016, and by the Loan Agreement II with MP Beteiligungs-GmbH in the amount of up to € 5,000,000 which will terminate on June 30, 2017 (see *15. Transactions and legal relationships with related parties – 15.1 Transactions with its shareholder MP Beteiligungs-GmbH)*. Nonetheless, the Company reserves the right to use also an amount of up to € 6,648 thousand to ensure sufficient working capital instead of making use of the above mentioned framework loans for such purpose.

** To finance its business operations the Company has concluded several loan agreements (*see 14. Business – 14.13 Material Contracts – Loan agreements and factoring agreements*). If the current circumstances allow for such use and such use from the Company's viewpoint seems to be appropriate the Company possibly might also make use of an amount of up to € 6,648 thousand of the net proceeds of the offering for the (partial) repayment of outstanding loans. At the date of this Prospectus the Company has not made any definite decision whether an amount of up to € 6,648 thousand of the net proceeds shall actually be used for this purpose and if yes which of the outstanding loans shall be repaid in which amount.

The amounts to be used for each of these purposes will depend on a variety of factors, which means that the actual emphasis on and order of uses of the funds may differ significantly from the intended emphasis and order. In addition, the Company will critically review the possible uses regularly and, where appropriate, adjust them to current circumstances. This means that planned uses may be postponed or replaced based on market developments.

The Selling Shareholder will receive the net proceeds resulting from the sale of the Over–Allotment Shares after deduction of the Sole Bookrunner's commissions (to extent attributable to the Over–Allotment Shares).

Assuming full exercise of the Greenshoe Option and a placement of the Over–Allotment Shares at the mid–point of the Price Range, the Company expects gross proceeds of the Selling Shareholder of approximately € 5.51 million in the Offering, net proceeds thereof attributable to the Selling Shareholder will amount to approximately € 5.21 million.

The Selling Shareholder will offer its shares primarily to ensure a sufficient trading liquidity in the Company's shares.

8. DIVIDEND POLICY, RESULTS AND DIVIDENDS PER SHARE, USE OF PROFITS

8.1 General provisions relating to profit allocation and dividend payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a stock corporation (*Aktiengesellschaft*) under German law, the distribution of dividends for a given fiscal year and the amount and payment date thereof, are resolved by the Shareholders' Meeting (*Hauptversammlung*) of the subsequent fiscal year. The shareholders' meeting must be held within the first eight months of each fiscal year. Proposals for the distribution of dividends will be issued by the Management Board and the Supervisory Board jointly or by the Management Board and the Supervisory Board separately, with the shareholders' meeting however not being bound by those proposals.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's annual financial statements prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch*). Accounting regulations under the German Commercial Code (*Handelsgesetzbuch*) differ from the IFRS in material aspects.

When determining the distributable profit, net income or loss for the fiscal year (*Jahresüberschuss/–fehlbetrag*) must be adjusted for profit/loss carry–forwards (*Gewinn–/Verlustvorträge*) from the prior fiscal year and releases of or allocations to reserves. Certain reserves are required to be set up by law, and amounts mandatorily allocated to these reserves in the given fiscal year must be deducted when calculating the distributable profit. The Management Board must prepare annual financial statements (balance sheet, income statement and notes to the annual financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the auditors and the Supervisory Board immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profits pursuant to section 170 para. 2 of the German Stock Corporation Act (*Aktiengesetz*). According to section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the annual financial statements, the Management Board's management report and the proposal for the allocation of the distributable profit and report to the shareholders' meeting in writing on the results. The Supervisory Board must submit its report to the Management Board within one month after the documents were received. If the Supervisory Board approves the financial statements after its review these are deemed adopted unless the Management Board and the Supervisory Board resolve to assign adoption of the financial statements to the shareholders' meeting. If the Management Board and the Supervisory Board choose to allow the shareholders' meeting to adopt the financial statements, or if the Supervisory Board does not approve the financial statements, the Management Board must convene a shareholders' meeting without delay.

The shareholders' meeting's resolution on the allocation of the distributable profits requires a simple majority of the votes cast. If the Management Board and the Supervisory Board adopt the financial statements, they can allocate an amount of up to half of the Company's net income for the year to other surplus reserves. Additions to the legal reserves and loss carry–forwards must be deducted in advance when calculating the amount of net income for the year to be allocated to other surplus reserves. Dividends resolved by the shareholders' meeting are due and payable immediately after the relevant shareholders' meeting, unless provided otherwise in the dividend resolution, in compliance with the rules of the respective clearing system. Clearstream Banking Aktiengesellschaft will transfer the dividends to the shareholders' custodian banks for crediting to their accounts and German custodian banks are under an obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the shareholders' meeting. To the extent dividends can be distributed by the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*) and corresponding decisions are taken, there are no restrictions on shareholder rights to receive dividends. Any dividends not claimed within the past three years become time–barred. If dividend payment claims expire, the Company becomes the beneficiary of the dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid.

8.2 Dividend policy and earnings per share

The following table shows the Company's consolidated profit/loss for the period and earnings per share as of and for the fiscal year ended September 30, 2013, September 30, 2014 and September 30, 2015. The figures as and for fiscal year ended September 30, 2013 are based on the consolidated financial statements (IFRS) of BRAIN as of and for the fiscal years ended September 30, 2013, figures as and for fiscal year ended September 30, 2014 are taken from the comparable figures in the consolidated financial statements (IFRS) of BRAIN as of and for the fiscal years ended September 30, 2015, which have been corrected according to IAS 8 due to accounting errors compared to the financial information shown in the Company's

Consolidated Financial Statements as of and for the fiscal year ended September 30, 2014 and figures as and for fiscal year ended September 30, 2015 are based on the consolidated financial statements (IFRS) of BRAIN as of and for the fiscal years ended September 30, 2015. The net losses for the year and the accumulated loss are each based on the respective unconsolidated annual financial statements (HGB) of the Company for the financial years ended September 30, 2013, September 30, 2014 and September 30, 2015.

	For the fiscal year ended September 30,		
	2013	**2014***	**2015**
		(audited)	
		(in T €)	
Consolidated profit/loss for the period (IFRS)	-4,518	-5,466[2, 6]	-5,954
Consolidated profit/loss for the period attributable to BRAIN AG (IFRS)	-4,095	-5,301[3, 6]	-5,715
Dividend distributed for the respective fiscal year	/	/	/
Earnings per share, undiluted (IFRS) (in €) [1]	-0.35	-0.42[4, 6]	-0.45
Earnings per share, diluted (IFRS) (in €) [1]	-0.35	-0.42[5, 6]	-0.45
Net loss for the year (HGB)..	-4,494	-5,010	-6,143
Accumulated loss (HGB)..	-12,023	-17,032	-23,176

* The IFRS figures as of and for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/2015. In the case, that the comparable figures differ from the figures in the Consolidated Financial Statements 2013/2014, this fact is identified by a footnote.

1 Earnings per share (in accordance with IFRS) are calculated by dividing the consolidated profit/loss for the period attributable to BRAIN AG by the weighted average number of shares issued in the relevant financial year. The above calculations were based on 11,657,470 shares for the fiscal year ended September 30, 2013, on 12,725,818 shares for the fiscal year ended September 30, 2014 and on 12,725,818 shares for the fiscal year ended September 30, 2015.

2 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Consolidated profit/loss for the period (IFRS)" in the amount of € -5,401 thousand.

3 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Consolidated profit/loss for the period attributable to BRAIN AG (IFRS)" in the amount of € -5,044 thousand.

4 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Earnings per share, undiluted (IFRS)" in the amount of € -0.40.

5 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Earnings per share, diluted (IFRS)" in the amount of € -0.40.

6 The adjustments according to IAS 8 for fiscal year 2013/2014 are due to the fact that in the course of the reporting of the acquisition of AnalytiCon Discovery GmbH contractual termination rights of the non-controlling shareholders and the correlating compensation obligations as well as claims from a share-based employee compensation scheme were ignored (*see 22. Financial Information – Audited consolidated financial statements of BRAIN AG prepared in accordance with IFRS as of and for the financial year ended September 30, 2015 – Notes to the Consolidated Financial Statements for the Fiscal Year 2014/2015 – Chapter II. 4*). In particular, this has an effect on the items "non-controlling interest" and "Financial liabilities".

The Company currently intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business and do not intent to pay dividends in the foreseeable future. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the results of operations, financial condition, contractual restrictions, for example in silent partnership agreements, *see 14. Business – 14.13 Material contracts – Silent partnership agreements,* and capital requirements. The future ability of the Company to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

No distributions of profits or reserves were made to the Company's shareholders in any of the fiscal years ended September 30, 2013, 2014 or 2015. Besides, the Company did not pay remuneration in form of profit participation in addition to the fixed remuneration under the silent partnership agreements to Hessen Kapital I GmbH and MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH in any of the fiscal years ended September 30, 2013, 2014 or 2015, due to the fact that no profit was realised in these fiscal years (for information on these silent partnership agreements see *14. Business – 14.13 Material contracts – Silent partnership agreements*).

9. CAPITALISATION AND INDEBTEDNESS, STATEMENT ON WORKING CAPITAL

The following tables set forth (i) BRAIN's actual capitalisation and indebtedness as of October 31, 2015, (ii) the effects of the Shareholder Loan Contribution (as defined in *14. Transactions and legal relationships with related parties – 14.1 – Transactions with its shareholder MP Beteiligungs-GmbH*) and (iii) the effects of the Offering (as described in *6. – Proceeds of the Offering and Costs of the Offering and Listing*) assuming that (x) based on an Offer Price at the mid–point of the Price Range and costs of the Offering of € 3.51 million, net proceeds of the Offering of € 33.24 million have accrued, (y) the net issue proceeds have not been spent and remain available with the Company as cash and (z) the Offering had taken place on October 31, 2015 and (iv) BRAIN's capitalisation and indebtedness after the Shareholder Loan Contribution and the Offering. The amounts shown in the tables below are derived from the Company's books and records as of October 31, 2015. They are unaudited.

The following presentation of the actual capitalisation and indebtedness does not include the noncontrolling interests as of October 31, 2015. In the period between September 30, 2015, and October 31, 2015, non-controlling interests did not change materially. Consolidated retained earnings are included with their respective amounts as of September 30, 2015.

Investors should read these tables in conjunction with "Selected Consolidated Financial Information and Company Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

9.1 Capitalisation

(in € thousand)	Actual as of October 31, 2015 (i)[1]	Effects of the Shareholder Loan Contribution (ii)[2]	Effects of the Offering (iii)[3]	After Shareholder Loan Contribution and the Offering (iv)[4]
			(unaudited)	
Total Current debt[5]	7,983	/	/	7,983
Guaranteed	/	/	/	/
Secured[6]	539	/	/	539
Unguaranteed/unsecured	7,444	/	/	7,444
Total Non-Current debt[7]	17,164	-1,811	/	15,353
Guaranteed	/	/	/	/
Secured[6]	1,446	/	/	1,446
Unguaranteed/unsecured	15,718	-1,811	/	13,907
Shareholder's equity[8]	5,639[15]	1,811	33,420[3]	40,870
Share capital[9]	12,914	/	3,500	16,414
Legal Reserve[10]	16,884	1,811	30,808[11, 12]	49,504
Other Reserves[13]	-24,159	/	-888[11, 14]	-25,047
Total capitalisation	30,786	/	33,420	64,206

1 The figures refer to BRAIN AG and its consolidated subsidiaries as of October 31, 2015, with exemption of other reserves (see footnote 10). Concerning the calculation of deferred taxes and current income taxes for October 2015 BRAIN partially applied simplifications as no significant changes were expected (income taxes) and only minimal changes occurred (deferred taxes). The application of simplifications have effects on non-current liabilties (deferred taxes), current liabilities (current taxes) and retained earnings (see footnote 12).

2 After October 31, 2015 MP Beteiligungs-GmbH assumed the obligation towards the other shareholders to contribute its claims against the Company in the amount of € 1,811,470 arising from a loan agreement into the capital reserve in accordance with Article 272 subsection 2 no. 4 of the German Commercial Code (HGB). The contribution was made on November 13, 2015 (see *15. Transactions and legal relationships with related Parties – 15.1 Transactions with its shareholder MP Beteiligungs-GmbH)*. The second column shows the effects of this Shareholder Loan Contribution. Besides that, there were no further significant changes since October 31, 2015.

[3] Assuming an Offer Price at the mid-point of the Price Range and a gross proceeds from the Offering of € 36,750,000 received by the Company, costs of the Offering attributable to the Company are expected to be € 3,509,250, resulting in a net proceeds received by the Company of € 33,240,750. Of these costs an amount of € 179,468 has already been expensed and recognised within Other Reserves as of October 31,2015 (see also footnote 14) (thereof expenses in an amount of € 83,036 have already been paid and expenses in an amount of € 96,432 have not been paid yet). Therefore the calculations are based on a net issue proceeds increased by € 179,468, i.e. in an amount of € 33,420,218.

[4] Aggregate of (i) the actual capitalisation as of October 31, 2015 (with exemption of other reserves, see footnote 7), (ii) the effects of the Shareholder Loan Contribution and (iii) the effects of the Offering.

[5] "Total current debt" corresponds to the item "current liabilities" of the consolidated financial statements of BRAIN AG.

[6] Collateral granted for current and non-current debt comprises land charges on business property, global assignments of receivables and assignments of inventory.

[7] "Total non–current debt" corresponds to the item "non–current liabilities" of the consolidated financial statements of BRAIN AG.

[8] "Shareholder´s equity" corresponds to the item "total equity" of the consolidated financial statements of BRAIN AG excluding "noncontrolling interests" and refers to the total of Share capital, Legal Reserves and Other Reserves as defined in the following lines. This means that the amount of the "Shareholder's equity" is calculated inter alia on the basis of "retained earnings" as of September 30, 2015, which are included in the line "Other Reserves" (see footnote 12). Based on the Assumed other reserves (as defined in footnote 12), the "Shareholder's equity" would amount to € 4,787,291 as of October 31, 2015.

[9] "Share capital" corresponds to the item "subscribed capital" of the consolidated financial statements of BRAIN AG.

[10] "Legal Reserve" correspond to the item "capital reserves" of the consolidated financial statements of BRAIN AG.

[11] The total costs of the Offering attributable to the Company in an amount of € 3,509,250 are allocated in an amount of € 2,441,779 to Legal Reserves (see footnote 12) and in an amount of € 1,067,471 to Other Reserves (see footnote 14). Of the amount of € 1,067,471 only an amount of € 888,003 is recognised in Other Reserves, because an amount of € 179,468 has already been recognised as of October 31, 2015 (see footnote 14).

[12] This amount reflects the gross proceeds from the Offering in the amount of € 36,750,000 based on the issuance of 3,500,000 New Shares at an Offer Price at the mid-point Price Range of € 10.5 assuming placement of all New Shares less the total nominal value of the New Shares in the amount of € 3,500,00 and less an estimated amount of € 2,441,779 of the costs of the Offering attributable to the Company (see footnote 11), which is deducted directly from the Other Reserves (thereof fees of the Sole Bookrunner attributable to the Company in the amount of € 2,021,250).

[13] "Other Reserves" corresponds to the items "retained earnings" of the consolidated Statement of Financial Position of BRAIN AG as of September 30, 2015 in the amount of € -23,439,294 and the item "other Reserves" of the consolidated financial statements of BRAIN AG indicated as of October 31, 2015 in the amount of € -720,080.

As additional information to investors BRAIN AG roughly calculated "retained earnings" as of October 31, 2015 and thereby partially applied simplifications compared to the procedures and methods used when setting up annual accounts, for example for the calculation of deferred and current taxes. On this basis "retained earnings" as of October 31, 2015 would amount to € -24,291,265 (the "**Assumed retained earnings**"). The change in Assumed retained earnings compared to "retained earnings" as of September 30, 2015 is mainly due to a negative operating result as well as high one–off expenses for the preparation of the Offering. Based on the Assumed retained earnings "Other Reserves" of the Capitalisation would amount to € -25,011,345 (the "**Assumed other reserves**").

[14] An estimated amount of € 1,067,471 of the costs of the Offering attributable to the Company (see footnote 11) is estimated to be expensed and to reduce the Other Reserves. As of October 31, 2015 an amount of € 179,468 has already been recognised, thus effects after the Offering are recognised in the amount of € 888,003.

[15] This amount does not contain “noncontrolling interests” (see also footnote 8)

9.2 Indebtedness

(in € thousand)	Actual as of October 31, 2015 (i)[1]	Effects of the Shareholder Loan Contribution (ii)[2]	Effects of the Offering (iii)[3]	After Shareholder Loan Contribution and the Offering (iv)[4]
	(unaudited)			
A. Cash[5]	2,711	/	33,452[13]	36,163
B. Cash equivalent[6]	/	/	/	/
C. Trading securities[7]	/	/	/	/
D. Liquidity (A) + (B) + (C)	2,711	/	33,452	36,136
E. Current Financial Receivable[8]	143	/	/	143
F. Current Bank debt[9]	868	/	/	868
G. Current portion of non-current debt	/	/	/	/
H. Other current financial debt[10]	1,302	/	/	1,302
I. Current Financial Debt (F) + (G) + (H)	2,170	/	/	2,170
J. Net Current Financial Indebtedness (I) - (E) - (D)	-685	/	-33,452	-34,136
K. Non–current bank loans[11]	1,948	/	/	1,948
L. Bonds issued	/	/	/	/
M. Other non–current loans[12]	12,288	-1,811	/	10,477
N. Non-current Financial Indebtedness (K) + (L) + (M)	14,236	-1,811	/	12,425
O. Net Financial Indebtedness (J) + (N)	13,551	-1,811	-33,452	-21,711

1 The figures refer to BRAIN AG and its consolidated subsidiaries as of October 31, 2015.

2 After October 31, 2015 MP Beteiligungs-GmbH assumed the obligation towards the other shareholders to contribute its claims against the Company in the amount of € 1,811,470 arising from a loan agreement into the capital reserve in accordance with Article 272 subsection 2 no. 4 of the German Commercial Code (HGB) (see *15. Transactions and legal relationships with related Parties – 15.1 Transactions with its shareholder MP Beteiligungs-GmbH)*. The second column shows the effects of this Shareholder Loan Contribution. Besides that, there were no further significant changes since October 31, 2015.

3 Assuming an Offer Price at the mid-point of the Price Range and a gross proceeds from the Offering of € 36,750,000 received by the Company, costs of the Offering attributable to the Company are expected to be € 3,509,250, resulting in a net proceeds received by the Company of € 33,240,750 . Of these costs an amount of € 210,943 has already been paid (thereof an amount of € 83,036 has already been paid and has been recognised as expenses in Shareholder's equity as of October 31, 2015, and an amount of € 127,907 has already been paid but due to the discrepancy to the IPO in terms of time has not been deducted from Legal Reserves and thus has not been recognised in Shareholder's equity as of October 31, 2015). Cash Inflow from the Offering is accordingly expected to be € 33,451,693 (see also footnote 13).

4 Aggregate of (i) the actual capitalisation as of October 31, 2015, (ii) the effects of the Shareholder Loan Contribution and (iii) the effects of the Offering.

[5] "Cash" corresponds to the item "cash and cash equivalents" of the consolidated financial statements of BRAIN AG as this position only contains cash and no cash equivalents.

[6] As of October 31, 2015 BRAIN does not have any cash equivalents.

[7] "Trading Securities" corresponds to the item "Available–for–sale financial assets" of the consolidated financial statements of BRAIN AG.

[8] "Current Financial Receivable" comprises receivables from at equity -accounted investments and other third parties.

[9] "Current bank debt" comprises the current portion of liabilities to banks.

[10] "Other current financial debt" comprises the current portion of contributions by silent partners in the amount of € 857 thousand, the current portion of financial liabilities to third parties in the amount of € 348 thousand, and the current portion of liabilities under finance leases in the amount of € 97 thousand.

[11] "Non–current bank loans" comprises the non–current portion of liabilities to banks.

[12] "Other non–current loans" comprises the non–current portion of contributions by silent partners in the amount of € 1,500 thousand, the non–current portion of financial liabilities to third parties in the amount of € 5,157 thousand, the non–current portion of liabilities under finance leases in the amount of € 131 thousand, and shareholder loans in the amount of € 5,500 thousand.

[13] This amount reflects the expected net proceeds from the Offering of € 33,240,750 based on the issuance of 3,500,000 New Shares at an Offer Price at the mid-point Price Range of € 10.5 assuming placement of all New Shares less the estimated costs of the Offering attributable to the Company taking into account that a amout of the costs of the Offering of € 210,943 has already been paid before October 31, 2015, and thus has been recognised in the figures as of October 31, 2015 (see also footnote 3).

9.3 Indirect and contingent indebtedness

There were no contingent liabilities to third parties as of October 31, 2015.

9.4 Commitments

Other financial commitments comprise future minimum lease payments:

Minimum lease payments	Oct. 31, 2015 €
Term of up to 1 year	424,737
Term of 1 – 5 years	68,560
Term of more than 5 years	/
	493,298

There are contingent purchase price obligations for intangible assets that depend on the achievement of specific future revenue using these intangible assets up to a maximum amount of € 160,000.

9.5 Statement on Working Capital

The Company is of the opinion that BRAIN is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this Prospectus.

10. DILUTION

According to its consolidated statements of financial position the net book value of the Company (total equity less non controlling interest, this corresponds to all assets less all non-current and current liabilities and less non controlling interest, i.e. without reduction in total assets) amounted to € 5,451 thousand as of September 30, 2015 (the "**Net book value as of September 30, 2015**"). As of October 31, 2015 the net book value (calculated on basis of the subscribed capital, capital reserves and other reserves, in each case as of October 31, 2015, and retained earnings as of September 30, 2015) amounted to € 5,639 thousand (the "**Net book value as of October 31, 2015**"). Considering the Shareholder Loan Contribution the net book value of the Company (Net book value as of October 31, 2015 plus the equity capital contributed via the Shareholder Loan Contribution) would amount to € 7,450 thousand (the "**Current net book value**") and would amount to € 0.58 per Company's share based on 12,914,348 outstanding Company's shares immediately prior to the Offering.

After giving effect to the issuance of the New Shares in the context of the Offering, assuming an Offer Price of € 10.5 at the mid–point of the Price Range, and after subtracting the maximum estimated costs of the Offering to be borne by the Company in the amount of € 3,509 thousand and an increased net proceed from the Offering attributable to the Company in the amount of € 33.42 million (see also *9.1 Capitalisation - footnote 3*), the net book value of the Company would have been € 40,870 thousand as of October 31, 2015 and considering the Shareholder Loan Contribution (the "**Amended net book value**"), or € 2.49 per Company's share based on 16,414,348 outstanding Company's shares following the completion of the Offering (assuming a placement of all New Shares). That would correspond to an increase in the net book value of the Company by € 1.91 or 329.31 % per share for the Existing Shareholders and a direct dilution of € 8.01 corresponding to 76.29 %, per Company's share for the parties acquiring the Offer Shares, based on 16,414,348 outstanding Company's shares following the completion of the Offering (assuming a placement of all New Shares).

The table below illustrates the dilutive effect of the Offering (assuming a placement of all New Shares):

Offer Price per share (in €; based on the mid–point of the Price Range)	10.50
Current net book value of the Company[1] per share (assuming 12,914,348 outstanding shares of the Company immediately prior to the Offering) (in €)	0.58
Amended net book value of the Company[2] per share following the Offering (assuming 16,414,348 outstanding shares of the Company after completion of the Offering) (in €)	2.49
Percentage by which the Amended net book value of the Company[2] per share for the Existing Shareholders exceed the Current net book value of the Company per share (in %)	329.31
Amount by which the Offer Price per share exceeds the Amended net book value of the Company[2] per share following the Offering (immediate dilution to the new shareholders of the Company per share) (in €)	8.01
Immediate dilution to the new shareholders of the Company per share (in %)	76.29

1 Current net book value of the Company refers to the Company's total equity as of October 31, 2015 (calculated on basis of the subscribed capital, capital reserves and other reserves, in each case as of October 31, 2015, and retained earnings as of September 30, 2015) less non–controlling interest as of October 31, 2015, plus the equity capital contributed via the Shareholder Loan Contribution.

2 Amended net book value of the Company refers to the Company's Current net book value, plus the net proceeds from the issuance of all New Shares at mid–point of price range.

Each of the New Shares will have the same voting right as the Company's Existing Shares. Each share in the Company carries one vote at the Company's shareholders' meeting. Therefore, any Existing shareholder who does not subscribe New Shares from the IPO–Capital Increase will have its shareholding or voting rights, assuming placement of all New Shares in full, diluted by approximately 21.32 %.

11. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information as of and for the fiscal year ended September 30, 2013 contained in the following tables is taken from the Company's consolidated financial statements as of and for the fiscal year ended September 30, 2013 (the "**Consolidated Financial Statements 2012/2013**"), the financial information as of and for the fiscal year ended September 30, 2014 contained in the following tables is taken from the comparable figures in the Company's consolidated financial statements as of and for the fiscal year September 30, 2015 (the "**Consolidated Financial Statements 2014/2015**"), which in parts have been corrected according to IAS 8 due to accounting errors compared to the financial information shown in the Company's Consolidated Financial Statements as of and for the fiscal year ended September 30, 2014 (the "**Consolidated Financial Statements 2013/2014**") and the financial information as of and for the fiscal year ended September 30, 2015 contained in the following tables is taken from the Consolidated Financial Statements 2014/2015. The Consolidated Financial Statements 2012/2013, 2013/2014 and 2014/2015 have been prepared in accordance with International Reporting Standards as adopted by the European Union ("**IFRS**").

The adjustments according to IAS 8 for fiscal year 2013/2014 are due to the fact that in the course of the reporting of the acquisition of AnalytiCon Discovery GmbH contractual termination rights of the non-controlling shareholders and the correlating compensation obligations as well as claims from a share-based employee compensation scheme were ignored (see *22. Financial Information – Audited consolidated financial statements of BRAIN AG prepared in accordance with IFRS as of and for the financial year ended September 30, 2015 – Notes to the Consolidated Financial Statements for the Fiscal Year 2014/2015 – Chapter II. 4*). In particular, this has an effect on the items "non-controlling interest" and "Financial liabilities".

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany ("**PwC**"), has audited the Consolidated Financial Statements 2012/2013, 2013/2014 and 2014/2015 of the Company and in each case issued an unqualified auditor's report. These financial statements are included in the Prospectus, beginning on page F–2.

Certain selected financial information in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts in the following tables may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in the Prospectus. Furthermore these rounded figures may not add up exactly to the totals contained in the tables. A slash ("**/**") signifies that the relevant figure is not available or equals zero, while a zero ("**0**") signifies that the relevant figure is available but has been rounded to zero.

11.1 Selected Data from the Consolidated Statement of Comprehensive Income

	For the fiscal year ended September 30,		
	2013	**2014***	**2015**
		(audited) in T € (unless otherwise stated)	
Revenue	8,755	10,371	21,132
Research and development grant revenue	739	2,616	2,786
Increase in finished goods inventories and work in progress	75	437	311
Other income	641	359	1,465
	10,209	**13,783**	**25,694**
Cost of materials.................................	-4,195	-5,223	-11,295
Personnel expenses	-6,227	-8,343[3,]	-11,063
Depreciation and amortisation	-671	-1,006	-1,469
Other expenses	-3,505	-4,029	-6,440
Operating loss/ EBIT [1, 2]	**-4,389**	**-4,817[4]**	**-4,573**
Share of profit or loss of equity-accounted investments	-22	-170	/
Finance income	27	14	32
Finance costs......................................	-258	-753[5]	-961

Loss for the period before taxes	**-4,641**	**-5,726**[6]	**-5,502**
Income tax expense/income	124	260	-452
Loss for the period	**-4,518**	**-5,466**[7]	**-5,954**
Total consolidated comprehensive income	**-4,518**	**-5,466**[8]	**-6,673**
of which attributable to noncontrolling interests	**-422**	**-165**[9]	**-239**
of which attributable to shareholders of BRAIN AG	**-4,095**	**-5,301**[10]	**-6,433**
Earnings per share			
Basic earnings per share (in €)............	-0.35	-0.42[11]	-0.45
Diluted earnings per share (in €)..........	-0.35	-0.42[12]	-0.45

* The figures as of and for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/2015. In the case, that the comparable figures differ from the figures in the Consolidated Financial Statements 2013/2014, this fact is identified by a footnote.

1 Earnings before interest and taxes

2 EBIT is not required by, defined by or presented in accordance with IFRS or other generally accepted accounting practices. The definition of this financial measure may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company´s operating results as reported under IFRS

3 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Personnel expenses" in the amount of € -8,321 thousand.

4 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Operating loss/ EBIT" in the amount of € -4,795 thousand.

5 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Finance costs" in the amount of € -711 thousand.

6 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Loss for the period before taxes" in the amount of € -5,661 thousand.

7 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Loss for the period" in the amount of € -5,401 thousand.

8 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "consolidated comprehensive income for the year" in the amount of € -5,401 thousand.

9 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total consolidated comprehensive income for the year of which attributable to noncontrolling interests" in the amount of € -357 thousand.

10 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total consolidated comprehensive income for the year of which attributable to shareholders of BRAIN AG" in the amount of € -5,044 thousand.

11 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Basic earnings per share" in the amount of € -0.40.

12 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Diluted earnings per share" in the amount of € -0.40.

11.2 Selected Data from the Consolidated Statement of Financial Position

	As of September 30,		
	2013	2014*	2015
		(audited) in T €	
Noncurrent assets			
Shares in unconsolidated affiliated companies	5	/	/
Intangible assets	2,289	5,884[2]	8,035
Property, plant, and equipment	6,732	6,881	6,878
Shares in equity-accounted investments	170	0	0
Deferred tax assets	1	114	275
Available-for-sale financial assets	532	159	0
Other noncurrent assets	61	91	149
	9,789	**13,128**[3]	**15,336**
Current assets			
Inventories	2,051	4,569	6,517
Trade receivables	1,549	2,647	3,934
Other current assets	351	455	1,349
Current tax assets	98	32	23
Other financial assets	2,000	/	/
Cash and cash equivalents	9,259	4,459	3,247
	15,308	**12,163**	**15,071**
Total assets	**25,097**	**25,291**[4]	**30,407**
Equity			
Subscribed capital	12,726	12,726	12,726
Capital reserves	16,883	16,883	16,883
Retained earnings	-12,309	-17,610[5]	-23,439
Other reserves	/	/	-719
Noncontrolling interests	293	128[6]	304
Total equity	**17,592**	**12,126**[7]	**5,755**
Noncurrent liabilities			
Deferred tax liabilities	15	664	1,443
Pension provisions	/	/	1,014
Financial liabilities	3,893	7,174[8]	14,251
Other liabilities	/	22[9]	196
Deferred income	41	8	20
	3,949	**7,869**[10]	**16,924**
Current liabilities			
Other provisions[1]	165	215	289
Current tax liabilities	/	43	87

Financial liabilities	1,036	2,152	2,106
Prepayments received	341	323	282
Trade payables	1,119	1,351	3,082
Other liabilities	827	1,083	1,493
Deferred income	68	128	388
	3,556	**5,296**	**7,727**
Total equity and liabilities	**25,097**	**25,291**[11]	**30,407**

* The figures as of and for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/2015. In the case, that the comparable figures differ from the figures in the Consolidated Financial Statements 2013/2014, this fact is identified by a footnote.

1 In consolidated financial statements as of September 30, 2014 and September 30, 2013 referred to as "Provisions".

2 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Intangible assets" in the amount of € 5,664 thousand.

3 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Noncurrent assets" in the amount of € 12,909 thousand.

4 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total assets" in the amount of € 25,072 thousand.

5 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Retained earnings" in the amount of € -17,353 thousand.

6 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Noncontrolling interests" in the amount of € 1,593 thousand.

7 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total equity" in the amount of € 13,848 thousand.

8 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Financial liabilities" in the amount of € 5,255 thousand.

9 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain no "Other liabilities".

10 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Non–current liabilities" in the amount of € 5,928 thousand.

11 Adjusted figure for fiscal year 2013/2014. The Consolidated Financial Statements 2013/2014 contain "Total equity and liabilities" in the amount of € 25,072 thousand.

11.3 Selected Data from the Consolidated Statement of Cash Flows

	For the fiscal year ended September 30,		
	2013	**2014***	**2015**
		(audited) **in T €**	
Gross cash flow	**-4,943**	**-4,043**	**-3,821**
Cash flows from operating activities	-4,849	-3,903	-4,113
Cash flows from investing activities	1,518	-1,518	-539
Cash flows from financing activities	10,057	621	3,441
Net change in cash and cash equivalents	**6,726**	**-4,801**	**-1,212**
Cash and cash from equivalents at the end of the fiscal year	9,259	4,459	3,247

* The figures as of and for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/2015.

12. ANALYSIS OF PRO FORMA FINANCIAL INFORMATION

12.1 Introduction

BRAIN AG effective November 4, 2014, acquired 50.6 % of the shares of WeissBioTech GmbH, Ascheberg (formerly WeissBioTech Beteiligungs GmbH) via a cash capital increase in the nominal amount of € 102,500. At the date of the acquisition WeissBioTech GmbH held 100 % of the shares of WeissBioTech France S.A.R.L., Chanteloup–en–Brie, France (WeissBioTech GmbH und WeissBioTech France S.A.R.L. together "**WeissBioTech**").

Due to the fact that this acquisition has a material impact on BRAIN’s financial statements, in order to provide clear information on BRAIN's financial position and to facilitate comparability for readers of the IFRS consolidated financial statements for the period from October 1, 2014 to September 30, 2015, a pro forma consolidated income statement for BRAIN is presented covering the period from October 1, 2014 to September 30, 2015 as well as accompanying explanatory notes (together the "**pro forma financial information**"). The pro forma financial information is included in the Prospectus (see *23. Pro forma financial information*).

The purpose of the pro–forma financial information is to present the main influences the acquisition of the shares of WeissBio Tech would have had on BRAIN’s consolidated financial statements for the period from October 1, 2014 to September 30, 2015 if BRAIN would have existed in the form created by the acquisition already since October 1, 2014.

The guidelines of Regulation (EC) No. 809/2004 of April 29, 2004 in connection with Annex I, 20.2 in combination with Annex II and the requirements of the Insitut der Wirtschaftsprüfer e.V. (Institute of Public Auditors in Germany) ("**IDW**") issued within the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) were applied in preparing the pro forma financial information.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, has audited the pro forma financial information for the period from October 1, 2014 to September 30, 2015 in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1) and issued an auditors' report (Bescheinigung). This auditors’ report is included in the Prospectus (see *23. Pro forma financial information*).

The preparation of the pro forma financial information was conducted only for illustrative purposes. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position or results.

The provided pro forma financial information is based upon assumptions and bears uncertainties and, thus, does not represent the actual performance of the financial development of BRAIN and the results of its operations and its cash flows as if the described acquisition had occurred already on October 1, 2014. Furthermore, the pro forma financial information should not be considered as an indicator for the future performance of the financial position of BRAIN and the results of its operations and its cash flows post completion of the acquisition.

The pro forma financial information is to be considered only in combination with the audited consolidated financial statements of BRAIN AG as of September 30, 2015 (see *22. Financial Information – Audited consolidated financial statements of BRAIN AG prepared in accordance with IFRS as of and for the financial year ended September 30, 2015)*. It is not meaningful on a stand–alone basis.

The preparation of the pro forma financial information is based upon the following underlying information:

- BRAIN's consolidated income statement for the year October 1, 2014 to September 30, 2015. The statement is prepared according to IFRS Standards as applied in the EU and audited according to the principles of the German commercial law.
- the income statement of WeissBio Tech for the period from October 1, 2014 to October 31, 2014. The figures are based on the accounting records prepared by WeissBioTech on its respective local GAAP. To achieve figures in line with BRAIN’s accounting policies according to IFRS as adopted in the EU, one adjustment has been made with the recognition of a finance lease according to IAS 17 rather than a treatment as operating lease according to local GAAP. As result of this amendment, the other expenses decreased by € 5,439, the depreciation increased by € 3,648 and interest expenses increased by € 639.

12.2 Pro forma adjustments

Pro forma adjustments result from notional additional amortisation (€ 29,086) on first time consolidation related fair value adjustments in intangible assets for the period October 1, 2014 until October 31, 2014 and from the resulting deferred tax effects.

Pro forma adjustments take into account the additional depreciation from fair value adjustments stemming from purchase price allocations in the amount of € 29,086 and the interest effects (€ 4,602) from the earlier recognition of financial liabilities resulting from the earn–out agreements as well as the options. Also, the adjustments include finance costs and tax expenses/ income relating to purchase price allocations.

12.3 Pro forma results of operations

Pro Forma revenues of € 21,870,167 are € 737,804 or 3.5 % higher than revenues according to the consolidated income statement for the period October 1, 2014 until September 30, 2015.

The increase is due to the additional revenues from the WeissBioTech group of companies for the month of October 2014. The WeissBioTech group generates product revenue. Therefore the difference between Pro Forma revenues and consolidated revenues is only due to the increase in product revenue.

WeissBioTech does not generate research and development grant revenue. Therefore consolidated research and development grant revenue equals Pro Forma research and grant revenue for the period from October 1, 2014 until September 30, 2015.

Pro Forma cost of materials of € 12,012,541 exceeds consolidated cost of materials by € 717,126 or 6.3 %. Cost of materials for the WeissBioTech group mainly includes product related cost of materials.

Personnel expenses on Pro Forma basis exceed personnel expenses on a consolidated income statement basis by € 75,582 or 0.7 %.

Pro Forma depreciation exceeds depreciation on the basis of the consolidated income statement by € 34,316 or 2.3 %.

Other expenses on a Pro Forma basis exceed other expenses on a consolidated basis by €282,691 or 4.4 %.

The Pro Forma operating loss (EBIT) of €-4,682,950 exceeds the consolidated operating result in the amount of € -4,572,652 by € 110,298 or 2.4 %. The difference in operation result is due to a € -81,212 operating loss of the WeissBioTech group and it is due to a €-29,086 Pro Forma adjustment resulting from additional depreciation.

Pro Forma finance income equals consolidated finance income, as the WeissBioTech group does not generate financial income.

Pro Forma finance costs are €-970,664 compared to consolidated finance costs of € -961,295 due to finance cost of € -4,767 and Pro Forma adjustments of € -4,602.

The Pro Forma loss for the period before taxes in the amount €-5,621,627 exceeds the consolidated loss before taxes by € -119,604, a difference of 2.2 %.

Pro Forma loss for the period is € 6,042,882 or 1.5 % higher compared to a consolidated loss for the period of € 5,953,896.

The loss for the period attributable to non-controlling interest is € -239,341 both Pro Forma and on the basis of consolidated income statement. The loss attributable to shareholders of BRAIN on a Pro Forma basis of €-5,803,540 is 1.5 % higher than the loss attributable to shareholders of BRAIN AG in the amount of € -5,714,554.

Earnings per share on a Pro Forma Basis do not differ from Earnings per share on a consolidated income statement basis of € 0.46.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of financial condition and results of operations of BRAIN together with the additional financial information contained elsewhere in this prospectus, in particular in the sections, "Risk Factors", "Business" and "Selected consolidated financial information" as well as in the consolidated financial statements and the annual financial statements including the related notes contained in this prospectus. The following discussion contains forward–looking statements that are subject to risks, uncertainties and other factors which may cause actual results to differ from those expressed or implied in the forward–looking statements (see 3. Risk Factors and 4. General Information – 4.3 Forward–looking Statements.)

*The financial information as of and for the fiscal year ended September 30, 2013 contained in the following management's discussion and analysis is taken from the Company's Consolidated Financial Statements 2012/2013, the financial information as of and for the fiscal year ended September 30, 2014 contained in the following management's discussion and analysis is taken from the comparable figures in the Company's Consolidated Financial Statements 2014/2015, which have been corrected according to IAS 8 due to accounting errors compared to the financial information shown in the Company's Consolidated Financial Statements as of and for the fiscal year ended September 30, 2014 and the financial information as of and for the fiscal year ended September 30, 2015 is taken from the Consolidated Financial Statements 2014/2015 and the Company's annual financial statements as of and for the fiscal year ended September 30, 2015 prepared in accordance with the applicable provisions of the German Commercial Code (the "**Annual Financial Statements 2014/15**") and from BRAIN's accounting or controlling records, or has been calculated on the basis of figures taken from the above–mentioned sources, unless otherwise indicated. However, this does not apply to the figures of the segment reporting for the fiscal year ended September 30, 2013, due to the fact, that these figures were calculated subsequently.*

*PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany ("**PwC**"), has audited the Consolidated Financial Statements 2012/2013, the Consolidated Financial Statements 2013/2014 the Consolidated Financial Statements 2014/2015 and the Annual Financial Statements 2014/15 and in each case issued an unqualified auditor's report.*

*All figures presented in this section have been rounded according to established commercial standards. As a result, the aggregate amounts in the following tables may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in the Prospectus. Furthermore these rounded figures may not add up exactly to the totals contained in the tables. A slash ("**/**") signifies that the relevant figure is not available or equals zero, while a zero ("**0**") signifies that the relevant figure is available but has been rounded to zero.*

Where the selected financial information in the following tables is labelled "audited", this means that such financial information has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has been taken or derived from the Company's internal reporting system or is based on calculation of financial data from the above–mentioned sources.

13.1 Overview of the business activities of BRAIN

BRAIN is an industrial biotechnology company which was founded in 1993. It develops customised solutions based on the biodiversity of nature for bioindustrial applications and thereby, works on the biologisation of industries. BRAIN uses its extensive proprietary collection of natural resources to identify and develop enzymes, performance microorganisms and BioActive compounds for its collaboration business with industrial partners (BioScience) and the development and commercialisation of its own products and active product components (BioIndustrial).

Industrial biotechnology involves using natural resources in the form of organisms or individual biomolecules in industrial production processes (e.g. for the chemical, consumer goods, food and feed markets) to achieve significant improvements in the production process or the production results, in comparison to conventional processes or products (such as resource–conserving processes, more energy–efficient processes, more natural products). Industrial biotechnology is expected by both, industry and politics, globally to make a key contribution to the transition from an economy that is frequently based on fossil energy resources towards a sustainable, resource efficient and biology–based economy, through the provision of key technologies in the area of sustainable use of biological resources and processes. The Company believes that this view is gaining increasing acceptance in politics and business and that industrial biotechnology has the potential to herald a new age of innovation, particularly for large parts of the chemical industry. Hence BRAIN sees considerable growth opportunities for its business.

In Germany, industrial biotechnology is also known as white biotechnology to distinguish it from red biotechnology (medical/pharmaceutical biotechnology) and green biotechnology (agricultural biotechnology).

Since industrial biotechnology primarily focuses on identifying and harnessing existing natural resources rather than modifying them, BRAIN has assembled an extensive proprietary collection of natural resources consisting of enzymes, microorganisms and natural substances, forming BRAIN's "**BioArchive**". The BioArchive provides industrial access to a comprehensive extract of nature's biological diversity. BRAIN uses its BioArchive, its so-called "**toolbox of nature**", by way of screening it for suitable active product components with specific features and characteristics e.g. enzymatic activities which have the necessary positive effect for industrial processes. For the identification and development of biotechnology solutions the Company uses its three core technology platforms, (i) Enzyme Technology to identify and isolate novel enzymes, (ii) Microbial Strains to identify and isolate performance microorganisms and (iii) BioActives to identify and isolate BioActive compounds. Thereby, BRAIN is able to identify and develop solutions and products for a wide range of industrial applications for various product segments and industries. As biotechnology solutions can often be used in completely different areas and for various different applications, BRAIN's research results constantly generate new commercialisation options so that BRAIN can be labelled as a "multi–product opportunity company". To secure its technologies and its product candidates BRAIN holds approximately 350 patents and patent applications divided in 48 patent families.

The Company considers the most important markets to be the biotech sub-sectors within the speciality chemicals market and consumer chemicals market with the main focus on the German market, but also with a focus on the European market. In the speciality chemicals markets the Company focuses on the enzymes, nutrition (food and feed), woundcare and bio–substitutes product segments. In the consumer chemicals markets the Company focusses on cosmetics and care products.

BRAIN's business is based on two pillars – "BioScience" and "BioIndustrial".

- "**BioScience**" comprises the Company's collaboration business with industrial partners ("**Exclusive Partner Collaborations (EPC)**"). Since inception, BRAIN AG has successfully entered into more than 100 industrial partnerships. As an EPC partner, BRAIN provides research and development collaboration programmes aiming at developing the desired industrial biotechnology solutions for third parties. BRAIN's collaboration programmes range from identifying suitable biological product components to pilot production and the development of the associated production methods on an industrial scale. BRAIN's remuneration under such EPCs generally comprises a number of different components, including upfront payments, FTE (full–time equivalent) payments for research work, milestone payments as well as success payments and royalties. BRAIN's strategy is to reserve the rights to the discovered solutions and products outside the contractual scope of use defined with the EPC partner for its own business ("**Alternative Solutions**"). Thereby, BRAIN retains the additional option to use the Alternative Solutions in its BioIndustrial pillar for its own products or for licensing them to third parties.

  BioScience services are offered by BRAIN AG itself and its subsidiaries AnalytiCon Discovery GmbH and AnalytiCon Discovery, LLC (AnalytiCon Discovery GmbH and its subsidiary AnalytiCon Discovery, LLC together "**AnalytiCon**"). AnalytiCon, in which BRAIN acquired a majority interest in 2013, focuses on the development of active natural compounds as ingredients for novel pharmaceutical applications, as well as applications in the cosmetics, feed and food industry.

- "**BioIndustrial**" comprises the development and commercialisation of BRAIN's own products and active product components, i.e. developments on BRAIN's own behalf or based on BRAIN's retained rights for Alternative Solutions with a focus on market access points to relevant B2B markets. The aforementioned products and active product components are commercialised either through granting licences to third parties or by the acquisition of companies which are already active in the relevant markets. In 2010 the Company acquired L.A. Schmitt GmbH Chem. Kosm. Fabrik ("**L.A. Schmitt**") which acts as a contract manufacturer of cosmetic products. BRAIN's focus has been to optimise L.A. Schmitt's product quality on the basis of novel ingredients and to enhance its formulation expertise. As a consequence, L.A. Schmitt has continuously expanded its customer base including a prominent partner in the area of hair care products. In the same year, BRAIN acquired Mekon GmbH, a small cosmetics brand company. In addition, in 2012 BRAIN acquired a majority interest in Monteil Cosmetics International GmbH ("**Monteil**") which is also active in the cosmetic industry. Monteil focuses on the sale and distribution of premium anti–aging skincare products containing ingredients with a variety of biologically active substances from BRAIN, as well as fragrances and supplementary products. Monteil's production is to a certain extent outsourced to L.A. Schmitt. Since 2014, WeissBioTech GmbH and its subsidiary WeissBioTech France S.A.R.L. (WeissBioTech GmbH and Weiss-

BioTech France S.A.R.L. together "**WeissBioTech**") belong to BRAIN AG. WeissBioTech develops, produces and sells enzymes, especially for the food and beverage industry as well as the starch processing industry. WeissBioTech’s portfolio increasingly includes performance microorganisms and enzymes identified by BRAIN.

Over the past, BRAIN has established robust contacts to the industry, the scientific and academic community, and political bodies. BRAIN believes that it is therefore well positioned to stand in the forefront of future biotechnological developments and the transformation towards a bio-based economy.

BRAIN’s established position in the field of industrial biotechnology is also based on the qualifications and skills of its employees. BRAIN had 215 employees on average in fiscal year 2014/2015, 118 of whom work for BRAIN AG. More than 61 % of BRAIN AG's employees hold university degrees in natural sciences or engineering and 25 % of the employees of BRAIN AG have been awarded doctorates. According to the Company the time period of more than seven years for which BRAIN employees have on average worked for the Company reflects the high level of employee identification with the Company.

BRAIN’s strategy is to commercialise its BioArchive and to drive forward the industrialisation of BRAIN’s own products and solutions, i.e. to implement a value accretive growth strategy. Here BRAIN targets to grow both internally (e.g. development and launch of new products and solutions, organic growth of its existing business) and externally on a selected basis (e.g. through targeted acquisitions).

BRAIN’s growth potential from new products and solutions is fostered by the fact that a single biotechnology solutions can often be used in completely different areas and for various different applications, i.e. often multiple markets exist in parallel for one newly developed product or solution. BRAIN’s intention is to exploit these options as a multi–product opportunity company.

In order to successfully deliver on its value accretive growth strategy, BRAIN targets to continuously (i) enlarge its proprietary BioArchive and to secure related rights to use and exploit found biotechnology solutions, (ii) expand its existing business, i.e. BRAIN’s EPC business and the activities of its subsidiaries, as well as (iii) develop its pipeline and the marketing of its own product candidates either through industrial partners or own market entry points.

The Company’s fiscal year starts on October 1 and ends on September 30 of the following year. BRAIN generated revenue of € 21.1 million and EBIT of € -4.6 million in fiscal year 2014/2015, revenue of € 10.4 million and EBIT of € -4.8 million in fiscal year 2013/2014, and revenue of € 8.8 million and EBIT of € -4.4 million in fiscal year 2012/2013, (based in each case on the audited Consolidated Financial Statements 2014/2015, 2013/2014 and 2012/2013).

13.2 Key Factors Affecting BRAIN's Business

Management believes that the items below highlight the main factors that affected BRAIN’s business in the past three business years and will affect BRAIN's business in the future.

Transition of the economy into the bioeconomy

BRAIN believes that the core development affecting the demand for its products in a positive way is the ongoing transition of the economy into a bioeconomy, a sustainable economy based on resource-efficient production methods. Whereas fossil energy resources are key for the current economy, global population growth, dwindling resources and climate change will drive such transition. In BRAIN’s view, industrial biotechnology is expected to make a key contribution to the transformation through the provision of key technologies in the area of sustainable use of biological resources and processes. The Company believes that this view is gaining increasing acceptance in politics and business and that industrial biotechnology has the potential to herald a new age of innovation, particularly for large parts of the chemical industry. Hence, BRAIN sees considerable growth opportunities for its business. Another key driver identified by the Company is the increasing cost of healthcare, which can be reduced through the development of healthy foods.

Political support for the bioeconomy

The transition of the current economy into the bioeconomy is driven by political support for an increased application of biology in the industry, mainly through research and economic policy, in particular in the form of public funding initiatives. More details on the political initiatives to support the transformation into the bioeconomy can be found under *Market and Competition, Regulatory Environment – Political support for the bioeconomy*.

Availability of public grants for research on industrial biotechnology and BRAIN’s success in winning such public funding

BRAIN’s business is affected by the availability of public grants for research on industrial biotechnology. Some of the projects conducted by BRAIN on its own or in collaboration with partners are publicly funded. Funding for such projects is shown in BRAIN’s profit and loss statement as Research and development grant revenue which amounted to € 2.8 million in fiscal year 2014/15, € 2.6 million in fiscal year 2013/14 and € 0.7 million in fiscal year 2012/13 which in each fiscal year represented a significant portion of BRAIN's total operating performance, i.e. 10.8 % in fiscal year 2014/15, 19 % in fiscal year 2013/14 and 7.2 % in fiscal year 2012/13. The amount of R&D grant revenue generated by BRAIN generally depends on the general availability of public funds for research on industrial biotechnology which could increase if new programmes are initiated or existing programmes are increased. This amount is further depending on BRAIN's individual success in winning the respective public funding.

Costs of research and development activities

BRAIN's operating results in the fiscal years 2012/13, 2013/14, and 2014/15 are driven by high research and development costs. R&D costs mainly encompass personnel costs, cost of materials and other costs. They amounted to € 6.2 million in fiscal year 2014/15, € 5.8 million in fiscal year 2013/14 and € 6.1 million in fiscal year 2012/13 which in each fiscal year represented a significant portion of BRAIN's total operating performance, i.e. 24.1 % in fiscal year 2014/15, 42.1 % in fiscal year 2013/14 and 59.6 % in fiscal year 2012/13. BRAIN conducts research and development for the development of own product candidates and research projects with industrial enterprises and universities. For a detailed description of the main collaboration projects see *14. Business –14.8 R&D Partners and Collaboration Projects*.

Research and development costs are recognised as expenses in the period in which they are incurred. If certain additional requirements under IAS 38.53 and IAS 38.57 are fulfilled, development expenditures are capitalised. In the fiscal years 2012/13, 2013/14 and 2014/15 these criteria were not fully met, so all research and development expenditures were recognised as expenses.

Acquisitions of businesses

In the past three fiscal years BRAIN has completed a number of acquisitions which substantially affected its financial position and results of operation due to the consolidation of the acquired businesses. These transactions mainly comprised:

- the acquisition of a 57.7 % stake in AnalytiCon Discovery GmbH as per December 20, 2013 (the "**AnalytiCon Acquisition**") which was fully consolidated for the first time as per September 30, 2014; and
- the acquisition of a 50.6 % stake in WeissBiotech GmbH (formerly WeissBioTech Beteiligungs GmbH) as per November 1, 2014 (the "**WeissBioTech Acquisition**") which was fully consolidated for the first time as per September 30, 2015.

Due to the consolidation of the revenues of the acquired businesses, acquisitions result in an increase of group revenues. The acquisitions affect BRAIN's revenues from product sales (BioIndustrial) and BRAIN's revenues from R&D collaborations (EPCs, BioScience). The consolidation also affects other items of the statement of comprehensive income, in particular cost positions.

Furthermore, IFRS requires that following the business combination the purchase price for the acquired business is broken down and assigned as book value to the identified assets, liabilities and contingent liabilities. The excess of cost over the fair value of net assets of the business acquired represents goodwill and other identifiable intangible assets, including trademarks, developed technologies and customer relationships. Due to the acquisitions of the past years, BRAIN's consolidated statement of financial position shows significant amounts of intangible assets, amounting to € 8 million as per September 30, 2015 (representing 26.4 % of BRAIN's total assets), € 5.9 million as per September 30, 2014 (representing 23.3 % of BRAIN's total assets) and € 2.3 million as per September 30, 2013 (representing 9.1 % of BRAIN's total assets). Intangible assets are subject to impairment testing. For example, if BRAIN's performance deteriorates, adverse market conditions occur, applicable laws and regulations adversely change or a variety of other facts occurs. By definition, impairments are not cash effective. The impairment tests conducted in connection with the setting up of the consolidated financial accounts of BRAIN in the fiscal year 2012/2013, 2013/2014 and 2014/2015 did not result in any extraordinary impairments.

Financing based on a changing mix of equity, mezzanine and debt instruments

BRAIN's sources of financing include equity, mezzanine and debt financing. As per September 30, 2015, BRAIN's equity and liabilities in the total amount of € 30.4 million consisted of total equity in the amount of € 5.8 million (representing 18.9 % of the total equity and liabilities) and total liabilities in the amount of € 24.7 million (representing 81.1 % of the total equity and liabilities). In the preceding fiscal years this composition was different, i.e. equity and liabilities in the total amount of € 25.3 million as per September 30, 2014 consisted of total equity in the amount of € 12.1 million (representing 47.9 % of the total equity and liabilities) and total liabilities in the amount of € 13.2 million (representing 52.1 % of the total equity and liabilities) and equity and liabilities in the total amount of € 25.1 million as per September 30, 2013 consisted of total equity in the amount of € 17.6 million (representing 70.1 % of the total equity and liabilities) and total liabilities in the amount of € 7.5 million (representing 29.9 % of the total equity and liabilities).

In the last three years BRAIN generated negative cash flows mainly due to high research and development cost. (Cash flows from investing activities as shown in the consolidated financial statements include cash flows from the investment in or non–prolongation of term deposits with a maturity of more than three months bus less than twelve months) The resulting funding needs were financed mainly by a cash capital increase in the amount of € 10 million provided by its major shareholders in August 2013 and by a silent partnership financing in a total volume of € 1.5 million granted by Hessen Kapital I GmbH in April 2014. Additionally, a shareholder loan in a volume of € 5.5 million was made by MP Beteiligungs-GmbH in fiscal year 2014/15. On November 13, 2015, an amount of € 1,811,470 of this loan was converted into equity by means of contribution into the capital reserve in accordance with Article 272 subsection 2 nb. 4 of the German Commercial Code (*HGB*). BRAIN's subsidiaries are mainly financed by bank loans for their operating business (working capital financing). Whereas BRAIN's equity position will be improved significantly by the proceeds from the IPO Capital Increase which is the subject matter of this prospectus and the listing of its shares on the stock exchange will improve its access to capital, BRAIN plans to continue to finance its business through a mix of different financing measures in the future.

13.3 Results of Operations

The following table provides an overview of BRAIN's consolidated results of operations for the periods presented:

	For the fiscal year ended September 30,		
	2013	**2014[3]**	**2015**
	(audited, unless otherwise indicated) (in T €)		
Revenues	**8,755**	**10,371**	**21,132**
Research and development grant revenue	739	2,616	2,786
Increase in finished goods, inventories and work in progress	75	437	311
Other income	641	359	1,465
Total Operating Performance[1]	**10,209**	**13,783**	**25,694**
Cost of materials	-4,195	-5,223	-11,295
Personnel Expenses	-6,227	-8,343[4]	-11,063
Depreciation and amortisation	-671	-1,006	-1,469
Other expenses	-3,505	-4,029	-6,440
Operating loss/ EBIT[2]	**-4,389**	**-4,817[4]**	**-4,573**
Share of profit or loss of equity-accounted investments	-22	-170	/
Finance income	27	14	32
Finance costs	-258	-753[4]	-961
Loss for the period before taxes	**-4,641**	**-5,726[4]**	**-5,502**
Income tax expense/income	124	260	-452
Loss for the period	**-4,518**	**-5,466[4]**	**-5,954**
of which attributable to noncontrolling interests	**-422**	**-165[4]**	**-239**
of which attributable to shareholders of BRAIN AG	**-4,045**	**-5,301[4]**	**-5,715**

Items that will not be reclassified to profit or loss			
Actuarial gains or losses from pension plans	**/**	**/**	-1,014
Deferred Taxes	**/**	**/**	295
Other comprehensive income after tax	**/**	**/**	-719
Total consolidated comprehensive income	**-4,518**	**-5,466[4]**	-6,673
Of which attributable to noncontrolling interests	**-422**	**-165[4]**	-239
of which attributable to shareholders of BRAIN AG	**-4,045**	**-5,301[4]**	**-6,433**

1 Unaudited. Total operating performance is not required by, defined by or presented in accordance with IFRS or other generally accepted accounting practices. The definition of this financial measure may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's operating results as reported under IFRS.

2 EBIT (Earnings before financial results and Taxes) is defined by the Company as operating result. EBIT is not required by, defined by or presented in accordance with IFRS or other generally accepted accounting practices. The definition of this financial measure may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's operating results as reported under IFRS.

3 The figures for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/15. In the case, that the comparable figures differ from the figures in the Consolidated Financial Statements 2013/2014, this fact is identified by a footnote.

4 Adjusted figures for fiscal year 2013/2014.

Key Income Statement Items

Revenues

Revenues increased from € 8.8 million in fiscal year 2012/13 by 18.5 % to € 10.4 million in fiscal year 2013/14 and by a further 103.8 % to € 21.1 million in fiscal year 2014/15. The increase in fiscal year 2013/14 mainly results from the AnalytiCon Acquisition. The main reason for the increase in fiscal year 2014/15 was the WeissBioTech Acquisition.

Revenues by source

BRAIN primarily generates revenues from two segments: BioScience and BioIndustrial.

BRAIN's revenues from the BioScience-segment (mainly R&D collaborations) increased from € 4.2 million in fiscal year 2012/13 by 38.9 % to € 5.9 million in fiscal year 2013/14 (as if the segmentation would have already been implemented commencing in fiscal year 2012/2013). The R&D collaborations revenues of the fiscal year 2012/13 were in part generated by the exchange of services for equity (barter transaction involving R&D collaborations milestone results for shares of the respective collaboration partner). The growth in fiscal year 2013/14 includes an acquisition related increase due to the AnalytiCon Acquisition. AnalytiCon mainly generates R&D collaborations revenues. Fiscal year 2014/15 showed another increase in the BioScience–segment from € 5.9 million in fiscal year 2013/14 by 49.1 % to € 8.8 million. This development mainly resulted from strong demand from domestic and foreign industrial partners.

BRAIN's revenues from the BioIndustrial–segment (mainly product sales) increased from € 4.5 million in fiscal year 2012/13 to € 4.6 million in fiscal year 2013/14 which mainly resulted from an increase in cosmetics product revenues (as if the segmentation would have already been implemented commencing in fiscal year 2012/2013). In fiscal year 2014/15, revenues from the BioIndustrial-segment further increased from € 4.6 million in fiscal year 2013/14 by 173.3 % to € 12.4 million. This was mainly due to the WeissBioTech Acquisition.

Revenues by geographical split

For a discussion of BRAIN's revenues by geographical split, please refer to section "*Total Operating Performance*" below.

Total Operating Performance

By Type

The following table shows BRAIN's operating performance by type of Total Operating Performance.

Type of Total Operating Performance[1]	For the fiscal year ended September 30,		
	2013	2014[5]	2015
	(audited, unless otherwise stated) (in T €)		
BioScience²..	5,614[4]	8,884	12,311
BioIndustrial³......................................	4,799[4]	5,077	13,533
Elimination	-204[4]	-178	-150
Total Operating Performance	**10,209**	**13,783**	**25,694**

1 Total Operating Performance = Revenues including Research and development grant revenue, Increase in finished goods inventories and work in progress, other income

2 Sum of Total Operating Performance of BRAIN AG, BRAIN Capital GmbH, AnalytiCon Discovery GmbH and AnalytiCon Discovery LLC.

3 Sum of Total Operating Performance of L.A. Schmitt GmbH Chem. Kosm. Fabrik, Mekon Science Networks GmbH, Monteil Cosmetics International GmbH, WeissBioTech GmbH, Weiss BioTech GmbH and WeissBioTech France S.A.R.L.

4 Unaudited

5 The figures for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/15.

By business segments

The group's activities since October 1, 2014, are aggregated into two reportable segments according to the respective commercial profile and processes.

BioScience comprises BRAIN AG, BRAIN Capital GmbH, AnalytiCon Discovery GmbH and its 100 % subsidiary AnalytiCon Discovery LLC. The BioScience segment focuses on the group’s collaboration business and its own product development.

BioIndustrial comprises the industrial scale product business comprising the cosmetics business subsidiaries Mekon Science Networks GmbH, Monteil Cosmetics International GmbH and L.A. Schmitt GmbH, Chem. Kosm. Fabrik as well as the WeissBioTech group, which focusses on the industrial enzyme and other bioproduct business.

The following table shows the financial information on BRAIN's business segments, 'BioScience' and 'Bioindustrial'. The group’s activities are aggregated into these two segments for the first time in the Consolidated Financial Statements 2014/2015. Therefore, the figures shown for these segments for the fiscal year ended September 30, 2013 were calculated subsequently.

Segmental Information	For the fiscal year ended September 30,		
	2013	2014[6]	2015
	(unaudited, unless otherwise stated)	(audited)	
	(in T€)		
BRAIN			
Total Operating Performance (TOP)[1]	10,209	13,783	25,694
Intersegment TOP.............……………..	-204	-178	-150
Operating Loss/ EBIT……………..	-4,389[4]	-4,817	-4,573
Intersegment EBIT…………...…......	/	/	/
BioScience Segment[2]			
Total Operating Performance (TOP)	5,614	8,884	12,311
Operating Result (EBIT)[5]……………..	-3,667	-4,532	-4,198
BioIndustrial Segment[3]			
Total Operating Performance (TOP)	4,799	5,077	13,533
Operating Result (EBIT)[5]…………….	-724	-285	-375

1 Total Operating Performance = Revenues including Research and Development grant revenue, Increase/ decrease in finished goods inventories and work in pro gress, other income.
2 BRAIN AG, AnalytiCon, BRAIN Capital GmbH.
3 L.A. Schmitt GmbH, Mekon, Monteil, WeissBioTech.
4 Audited.
5 EBIT is not required by, defined by or presented in accordance with IFRS or other generally accepted accounting practices. The definition of this financial measure may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company´s operating results as reported under IFRS.
6 The figures for the fiscal year ended September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/15.

By geographical split

The following table shows BRAIN's geographical split of Total Revenues:

Geographical Information	For the fiscal year ended September 30,		
	2013	2014	2015
		(unaudited) (in T €)	
Domestic Revenue	7,686	7,167	8,682
Foreign Revenue	1,069	3,204	12,451
Total Revenues	**8,755**	**10,371**	**21,132**

In fiscal year 2012/13 domestic revenues of € 7.7 million accounted for 87.8 % and foreign revenues of € 1.1 million for 12.2 % of BRAIN's total revenues. In fiscal year 2013/14 the corresponding values and percentages amounted to € 7.2 million for domestic revenues (69.1 % of total revenues) and to € 3.2 million for foreign revenues (30.9 % of total revenues). The main reason for the increase in foreign revenues compared to the increase in domestic revenues was mostly caused by the AnalytiCon Acquisition. In fiscal year 2014/15 foreign revenue increased by 288.6 % to €12.5 million, mainly due to the WeissBioTech Acquisition and also due to higher revenues with foreign industrial collaboration partners.

Research and development grant revenue

BRAIN generates "Research and development grant revenue" from public funding of research and development activities.

Research and development grant revenue increased from € 0.7 million in fiscal year 2012/13 by 254.23 % to € 2.6 million in fiscal year 2013/14. The increase in fiscal year 2013/14 is largely due to the R&D work performed under the R&D alliances NatLifE, aiming at healthier food and cosmeceuticals, and ZeroCarb FP, aiming at reining in micro–organisms for the conversion of carbon–containing industrial waste flows into secondary raw materials (see *14. Business – 14.11 Research and Development*). Both alliances are funded by the Ministry of Education and Research (BMBF) over a nine year time period.

In fiscal year 2014/15 Research and development grant revenue increased from € 2.6 million in fiscal year 2013/14 by 6.5 % to € 2.8 million mainly reflecting the ongoing research and development alliances NatLiFE and ZeroCarb FP (see *14. Business – 14.11 Research and Develoment*) as well as smaller research and development projects.

Other income

Other income decreased from € 0.6 million in fiscal year 2012/13 by 44.1 % to € 0.4 million in fiscal year 2013/14. This was mainly due to prior period income. In fiscal year 2014/15, other income amounted to € 1.5 million, a 308.7 % increase compared to fiscal year 2013/14. This increase reflects the additional other income related to the WeissBioTech Acquisition as well higher other income from the reversal of provisions.

Cost of materials

Cost of materials includes cost of raw materials, consumables, and supplies, and of purchased merchandise and cost of purchased services (including research and development services rendered by universities and universities of applied sciences).

In fiscal year 2012/13 cost of materials amounted to € 4.2 million. In fiscal year 2013/14, this position increased by 24.5 % to € 5.2 million. In fiscal year 2014/2015 it further increased by 116.3 % to € 11.3 million. The increase in both fiscal years is mainly attributable to the increase in revenues and in inventory, both to a large extent from the AnalytiCon Acquisition in fiscal year 2013/14 and the WeissBioTech Acquisition in fiscal year 2014/15.

Personnel expenses

Personnel expenses include salaries, wages and social security costs.

Personnel expenses grew from € 6.2 million in fiscal year 2012/13 by 34 % to € 8.3 million in fiscal year 2013/14 and by a further 32.6 % to € 11.1 million in fiscal year 2014/15. This development mainly reflects the increase in number of employees due to both organic growth and acquisitions.

Depreciation and amortisation

Depreciation and amortisation relates to intangible assets and property, plant and equipment.

Depreciation and amortisation increased from € 0.7 million in fiscal year 2012/13 by 49.9 % to € 1 million in fiscal year 2013/14. The increase largely reflects the effects from the first time consolidation of AnalytiCon.

The position further increased from € 1 million in fiscal year 2013/14 by 46.1 % to € 1.5 million in fiscal year 2014/15. The increase in fiscal year 2014/15 largely reflects the effects from the first time consolidation of WeissBioTech.

Other expenses

The following table shows a break down of BRAIN's other expenses in the fiscal years 2012/13, 2013/14 and 2014/15:

Other expenses	For the fiscal year ended September 30,		
	2013	2014	2015
	(audited, unless otherwise stated) (in T €)		
Advertising and travel expenses..........	900	866	913
Occupancy costs	239	674	782
Legal and consulting expenses	482	516	922
Selling and administrative expenses....	529	420	690
Distribution and logistics expenses......	357[2]	347	498
Repair and Maintenance Expenses.....	197	189	257
Currency translation expenses	0	15	517
Other[1]	801	1,002	1,861
Total Other expenses	**3,505**	**4,029**	**6,440**

1 Unaudited.

2 Financial information for the fiscal year ended September 30, 2013 is taken from the Consolidated Financial Statements 2013/14. Because of a reclassification in the Consolidated Financial Statements 2013/14 the figure differs from that in the Consolidated Financial Statements 2012/13.

Other expenses increased from € 3.5 million in fiscal year 2012/13 by 14.9 % to € 4 million in fiscal year 2013/14. In fiscal year 2014/15 other expenses increased from € 4 million in fiscal year 2013/14 by 59.8 % to € 6.4 million.

The main reason for the increase in fiscal year 2013/14 compared to fiscal year 2012/13 was an increase in occupancy costs from € 0.2 million by 182.0 % to € 0.7 million. The increase in occupancy costs is mainly due to the first–time consolidation of AnalytiCon Discovery GmbH in fiscal year 2013/14. AnalytiCon Discovery GmbH leases lab and office facilities in Potsdam.

In fiscal year 2014/15 legal and consulting expenses increased from € 0.5 million in fiscal year 2013/14 by 78.7 % to € 0.9 million. The increase in legal and consulting expenses to a large extent relates to consulting and other cost incurred for a potential public offering of the shares of BRAIN in the amount shown in the consolidated statement of comprehensive income and not in equity. Selling and administrative expenses slightly decreased from € 0.5 million in fiscal year 2012/13 by 20.6 % to € 0.4 million in fiscal year 2013/14. The decrease in selling and administrative costs is mainly due to a shift of more own personnel for these purposes. In fiscal year 2014/15 selling and administrative expenses increased from 0.4 million in fiscal year 2013/14 to 0.7 million. This increase mainly resulted from the WeissBioTech Acquisition.

In fiscal year 2014/15 distribution and logistics expenses increased by 43 % and currency translation expenses increased from € 15 thousand to € 517 thousand. Both increases result from the WeissBioTech Acquisition, reflecting the international reach of its biobased product business. The WeissBioTech Acquisition also was the main reason for the increase in other expenses (‘Other’) from € 1 million in fiscal year 2013/14 to € 1.9 million in fiscal year 2014/15.

Operating profit or loss (EBIT)

Operating loss (EBIT) increased from € -4.4 million in fiscal year 2012/13 by 9.8 % to € -4.8 million in fiscal year 2013/14. In Fiscal year 2014/15 operating loss (EBIT) decreased from € -4.8 million in fiscal year 2013/14 by 5.1 % to € -4.6 million. Operating results in fiscal years 2012/13, 2013/14, and 2014/15 continue to be driven by high research and development costs. R&D costs mainly encompass personnel costs, cost of materials and other costs.

Finance income

Finance income mainly comprises interest income on euro–denominated call and term deposits with domestic credit institutions.

Finance income was € 27 thousand in fiscal year 2012/13, € 14 thousand in fiscal year 2013/14 and € 32 thousand in fiscal year 2014/15. The decrease in finance income in fiscal year 2013/2014 is largely attributable to the overall decrease in market interest rates for short term deposits at financial institutions and to a lower amount of cash and cash equivalents held at financial institutions. The increase in fiscal year 2014/15 mainly results from a higher loan to an at–equity company.

Finance costs

Finance costs comprise fixed and profit related payments for loans and silent partnerships, as well as expenses from the subsequent measurement of available–for–sale financial instruments at the end of the reporting period.

Finance costs were € 0.3 million in fiscal year 2012/13, € 0.8 million in fiscal year 2013/14 and € 1 million in fiscal year 2014/15. The increase in fiscal year 2013/14 reflects an increase related to the AnalytiCon Acquisition and it is due to additional financing costs related to the silent partnership entered into in June 2014.

The increase in fiscal year 2014/15 is mainly due to the WeissBioTech Acquisition and additional debt incurred to fund research and development costs for the development of own product candidates and research projects with industrial enterprises and universities. The additional debt mainly consists of the shareholder's loan made to the Company in several instalments during the course of fiscal year 2014/2015.

Income taxes

Income tax income comprises current and deferred taxes. Deferred taxes are measured using the tax rates expected to apply when the asset is realised or the liability is settled.

Income tax income increased from € 124 thousand in fiscal year 2012/13 by 110 % to € 260 thousand in fiscal year 2013/14, mainly resulting from an increase in deferred tax income. The increase in deferred tax income in fiscal year 2013/14 to some extent is due to a higher recognition of potential near term utilisation of tax loss carryforwards and it is also a result of the recognition of other deferred tax such as from temporary differences between the accounting and tax base of assets/liabilities.

Income tax expense/income was € -452 thousand in fiscal year 2014/15 compared to € 260 thousand in fiscal year 2013/14, partly due to an increase in current tax expense to € 135 thousand in fiscal year 2014/15. The increase in current tax expense is mainly related to the increase in current tax expense of the subsidiary L.A. Schmitt. In previous fiscal years L.A. Schmitt could utilize tax loss carry forwards, which have fully been used in fiscal year 2013/14. In addition the acquisition of WeissBioTech Group resulted in additional current tax expenses. The current taxes of AnalytiCon Discovery GmbH also contributed to the total current tax expenses.

Other comprehensive income

Other comprehensive income decreased from nil in fiscal year 2012/13 and 2013/2014 to € -719 thousand in fiscal year 2014/15. Other comprehensive income in fiscal year 2014/15 mainly includes actuarial losses from pension plans for members and former members of the Managing Board of BRAIN AG. The loss is attributable to a pension plan funding need in case of an early termination of the service contracts for the Members of the Management Board. In case of an early termination of the service contracts the Company is obliged to pay contributions to the relief fund (*Unterstützungskasse*) and direct insurance policies until the vested entitlements of the respective member of the Management Board are fully funded. The funding for the already early terminated service agreement with a former member of the Managing Board is planned to be continued via annual payments to the relief fund (*Unterstützungskasse*).

13.4 Net Assets and Financial Position

The following table highlights selected consolidated statement of financial position data as of the dates presented:

	For the fiscal year ended September 30,		
	2013	**2014**[1]	**2015**
		(audited) (in T €)	
Assets			
Noncurrent assets	9,789	13,128[2]	15,336
Current assets	15,308	12,163	15,071
Total assets	**25,097**	**25,291[2]**	**30,407**
Equity and liabilities			
Equity..	17,592	12,126[2]	5,755
Noncurrent liabilities	3,949	7,869[2]	16,924
Current liabilities	3,556	5,296	7,727
Total equity and liabilities	**25,097**	**25,291[2]**	**30,407**

1 The figures as of September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/15. In the case, that the comparable figures differ from the figures in the Consolidated Financial Statements 2013/2014, this fact is identified by a footnote.

2 Adjusted figures for the fiscal year 2013/2014.

Assets

Total assets increased slightly in fiscal year 2013/14 and were € 25.1 million as of September 30, 2013 and € 25.3 million as of September 30, 2014. Total assets increased by 20.2 % from € 25.3 million as of September 30, 2014 to € 30.4 million as of September 30, 2015 due to an increase in both current and noncurrent assets, mainly related to the WeissBioTech Acquisition.

Noncurrent assets increased from € 9.8 million as of September 30, 2013 to € 13.1 million as of September 30, 2014 mainly due to an increase in intangible assets. The increase in intangible assets to a large extent reflects the fair value of acquired long term assets such as technology and goodwill. Noncurrent assets were € 15.3 million as of September 30, 2015, an increase by € 2.2 million mainly due to the WeissBioTech Acquisition.

Current assets decreased from € 15.3 million as of September 30, 2013 to € 12.2 million as of September 30, 2014, mainly due to a decrease in cash and cash equivalents from € 9.3 million to € 4.5 million. The decrease in cash and cash equivalents is mainly in line with the cash used in operating activities in fiscal year 2013/14 in the amount of € 3.9 million. Mainly due to the acquisition of the AnalytiCon inventory increased from € 2.1 million as of September 30, 2013 to € 4.6 million as of September 30, 2014. Current assets were € 15.1 million as of September 30, 2015, an increase by € 2.9 million compared to September 30, 2014 mainly due to the WeissBioTech Acquisition.

Other financial assets decreased from € 2 million as of September 30, 2013 to nil as of September 30, 2014, reflecting a shift from short term deposits to cash and cash equivalents. As of September 30, 2015 other financial assets were nil.

Equity and liabilities

Total equity decreased from € 17.6 million as of September 30, 2013 to € 12.1 million as of September 30, 2014 reflecting the net result of the period and the change in net result attributable to non–controlling interest. As of September 30, 2015 total equity was € 5.8 million, mainly reflecting the net result of the period and the change in net result attributable to non–controlling interests.

Noncurrent liabilities increased from € 3.9 million as of September 30, 2013 to € 7.9 million as of September 30, 2014, mainly reflecting a net increase in silent partnerships and a decrease in the contractual remaining terms of financial liabilities. As of September 30, 2015 noncurrent liabilities were € 16.9 million mainly comprising the shareholder's loan, deferred tax liabilities and long–term acquisition related liabilities.

Current liabilities increased from € 5.3 million as of September 30, 2014 to € 7.7 million as of September 30, 2015, mainly reflecting the increase in trade payables from € 1.4 million to € 3.1 million. The increase is mainly due to the WeissBioTech Acquisition. Other liabilities increased from € 1.1 million to € 1.5 million, which is also to a large extent attributable to the WeissBioTech Acquisition.

13.5 Liquidity and Capital Resources

Overview

In fiscal year 2012/13 BRAIN's funding mainly consisted of a cash capital increase in the amount of € 10 million. In fiscal year 2013/14 BRAIN funded the group mainly from existing cash, cash equivalents and term deposits from prior year's capital increases and from a silent partnership in the amount of € 1.5 million.

In fiscal year 2014/15 BRAIN's funding mainly consisted of a loan drawn under a line of credit from a shareholder granted in fiscal year 2014/15 in the total amount of € 5.5 million. As of September 30, 2015 the outstanding amount under this line of credit was of € 5.5 million. On November 13, 2015, the shareholder entered into an agreement with BRAIN AG under which the claim for repayment of this loan was waived in a partial amount of € 1,811,470 and converted into equity.

Cash Flows

The following table highlights selected consolidated cash flows data:

	For the fiscal year ended September 30,		
	2013	**2014[1]**	**2015**
		(audited) **(in T €)**	
Gross cash flow	-4,943	-4,043	-3,821
Cash flows from operating activities	-4,849	-3,903	-4,113
Cash flows from investing activities	1,518	-1,518	-539
Cash flows from financing activities	10,057	621	3,441
Net change in cash and cash equivalents	6,726	-4,801	-1,212
Cash and cash equivalents at the beginning of the fiscal year	2,534	9,259	4,459
Cash and cash equivalents at the end of the fiscal year..................................	9,259	4,459	3,247

[1] The figures as of September 30, 2014 are taken from the comparable figures in the Consolidated Financial Statements 2014/15

Operating activities

In fiscal year 2013/14, cash flows from operating activities increased from € -4.8 million in fiscal year 2012/13 to € -3.9 million. This was mainly caused by changes in trade receivables which amounted to € -0.2 million in fiscal year 2012/13 and to € 0.3 million in fiscal year 2013/14. This change, among other reasons, resulted from lower fiscal year end receivables generated by R&D collaborations revenue. Another factor were changes in other assets which amounted to € -0.1 million in fiscal year 2012/13 and to € 0.2 million in fiscal year 2013/14. This, however, was partly offset by decreased changes in inventories which amounted to € -0.1 million in fiscal year 2012/13 and to € -0.7 million in in fiscal year 2013/14.

In fiscal year 2014/15 gross cash flow was € -3.8 million compared to a gross cash flow of € -4 million in fiscal year 2013/14, representing a 5.5 % increase. Gross cash flow mainly is adjusted for non–cash pension costs and for non-cash costs for acquiring non–controlling interest in AnalytiCon Discovery GmbH. Gross cash flow in fiscal years 2012/13, 2013/14 and 2014/15 includes adjustments for depreciation in the amount of € 671 thousand in fiscal year 2012/13, € 1,006 thousand in fiscal year 2013/14 and € 1,469 thousand in fiscal year 2014/15.

Cash flow from operating activities in the amount of €-4.1 million in fiscal year 2014/15 is similar to gross cash flow as working capital and other operating assets and liabilities in total changed by € 292 thousand in fiscal year 2014/15. The use of cash includes an increase by € 805 thousand in other assets, mainly including cash payments for consulting and other costs for a potential public offering of BRAIN's shares, accrued over fiscal year end September 30, 2015. The change in trade payables in the amount of € 722 thousand at September 30, 2015 compares to the amount of € 402 thousand at September 30, 2014. The increase mainly relates to higher inventories in the enzyme product business. This is also reflected in the cash used in inventories in the amount of € -603 thousand as of September 30, 2015.

Investing activities

In fiscal year 2013/14, cash flows from investing activities decreased from € 1.5 million in fiscal year 2012/13 to € -1.5 million. This was mainly caused by acquisition related payments due to the AnalytiCon Acquisition of € 2.7 million in fiscal year 2013/14 compared to nil in fiscal year 2012/13. Furthermore, this was caused by a decrease in the changes in investments in intangible assets. The change amounted to € -0.1 million in fiscal year 2012/13 and to € -0.6 million in fiscal year 2013/14. Investments in property, plant and equipment amounted to € -0.6 million in fiscal year 2012/13 and to € -0.5 million in fiscal year 2013/14, mostly comprising lab equipment and in fiscal year 2012/13, in addition, cosmetics production equipment.

In fiscal year 2014/15, cash flows from investing activities decreased from € -1.5 million in fiscal year 2013/14 to € -0.5 million, mostly comprising lab equipment. Cash payments to acquire intangible assets such as software were € -117 thousand, payments to acquire property, plant and equipment were € -474 thousand in fiscal year 2014/15. Cash flows from investing activities also include a cash inflow from acquisitions in the amount of € 40 thousand due to the fact that the aquired company had cash and bank balances in the amount of € 40 thousand and a cash inflow in the amount of € 13 thousand from the sale of fixed assets.

Financing activities

In fiscal year 2013/14, cash flows from financing activities decreased from € 10.1 million in fiscal year 2012/13 to € 0.6 million. This was mainly caused by a cash capital increase in the amount of € 10 million in fiscal year 2012/13. Furthermore, the decrease in cash flows from financing activities was caused by reduced changes in outgoing payments for the repayment of financial debt which amounted to € -40 thousand in financial year 2012/13 and to € -0.9 million in fiscal year 2013/14. In fiscal year 2013/14 repayments included a partial repayment of a silent partnership. On the other hand, the general decrease was partly offset by increased changes in cash received from finance liabilities which amounted to € 0.1 million in fiscal year 2012/13 and to € 1.5 million in fiscal year 2013/14.

In fiscal year 2014/15, cash flows from financing activities increased from € 0.6 million in fiscal year 2013/14 to € 3.4 million. Cash flows from financing activities in fiscal year 2014/15 comprise a shareholders loan granted during the year with an outstanding amount of € 5.5 million as of September 30, 2015. Also a silent partnership was repaid according to schedule in the amount of € 28 thousand. In addition loans were repaid according to schedule.

In total cash and cash equivalents decreased from € 4.5 million as of September 30, 2014 to € 3.2 million as of September 30, 2015.

Commitments and Contingencies

BRAIN’s commitments and contingencies solely relate to rental and lease obligations.

AnalytiCon leases lab and office facilities in Potsdam (Germany). WeissBioTech leases office facilities in Ascheberg (Germany) and office and production facilities in Chanteloup–en–Brie (France). Monteil leases office facilities in Düsseldorf (Germany). BRAIN also leases some lab, office and production equipment under operating lease agreements.

The following table shows BRAIN's minimum rental and lease obligations:

	For the fiscal year ended September 30,		
	2013	**2014**	**2015**
		(audited) (in T €)	
Due within one year	17	27	411
Due after one year	1	72	105
Total	**18**	**99**	**517**

Off balance sheet arrangements

Lease payments under operating leases are recognised as expenses in the statement of comprehensive income for the period in which they are incurred.

Other than operating leases BRAIN has not entered into any off–balance sheet arrangements.

13.6 Information from the Annual Financial Statements 2014/15

The Annual Financial Statements 2014/15 have been prepared in accordance with the applicable provisions of the German Commercial Code ("Handelsgesetzbuch") and the German stock corporation act ("Aktiengesetz").

Sales

Sales in fiscal year 2014/15 were € 6.5 million, up 19.1 % compared to € 5.5 million in fiscal year 2013/14. The increase mainly reflects growth in the collaborative business with both domestic and foreign industrial partners. Grant revenue increased slightly, mainly reflecting the ongoing strategic research and development alliances NatLifE 2020 and ZeroCarbFP. Costs of materials are up, mainly due to an increase in research and development work done by universities and universities of applied sciences.

Personnel expenses

Personnel expenses increased from € 5.2 million in fiscal year 2013/14 by 22.5 % to € 6.4 million in fiscal year 2014/15. The increase is mainly due to an increase in the number of employees and it is due to higher post–employment benefit costs. The personnel expenses include post–employment, surviving dependents', and invalidity benefits. Post-employment benefit costs increased from € 197,360 in fiscal year 2013/14 by 348.3 % to € 884,838 in fiscal year 2014/15. An amount of € 627,000 (fiscal year 2013/14: nil) resulted from an increase in pension provisions in fiscal year 2014/15 due to additional funding costs related to the early termination of a service contract of a member of the Management Board.

Other operating expenses

Other expenses increased from € 1.4 million in fiscal 2013/14 by 73.5 % to € 2.5 million in fiscal year 2014/15. This increase mainly results from the costs incurred with a view to a potential public offering of the shares of BRAIN AG.

Interest and similar expenses

Interest and similar expenses increased from € 105 thousand in fiscal year 2013/2014 by 93.97 % to € 203 thousand in fiscal year 2014/15. This increase mainly results from the additional funding via a shareholder's loan.

Net loss for the fiscal year

Net loss for the fiscal year 2014/15 was € 6.1 million compared to € 5 million in fiscal year 2013/14 mainly due to the increase in personnel expenses.

Total assets

Total assets as of September 30, 2015 were € 19.6 million compared to € 19.9 million as of September 30, 2014, a decrease by € 0.3 million. The decrease is mainly due to a decrease in cash and cash equivalents and an increase in investments in affiliated companies.

Equity

Due to the net loss of € 6.1 million total equity decreased from € 13 million as of September 30, 2014 to € 6.8 million as of September 30, 2015.

Net accumulated losses

Net accumulated losses were € 23.2 million as of September 30, 2015 compared to € 17 million as of September 30, 2014 reflecting the net loss in fiscal year 2014/15.

13.7 Critical Accounting Policies

The Company's Consolidated Financial Statements 2012/2013, the Consolidated Financial Statements 2013/2014 and the Consolidated Financial Statements 2014/2015 were prepared on a going concern basis under the historical cost convention. BRAIN has identified the following critical accounting policies of BRAIN's consolidated financial statements:

Consolidation methods

Business combinations are accounted for using the acquisition method, under which the carrying amount of the investments is eliminated against the parent's share of the equity of the subsidiaries at the acquisition date. The acquisition date is the date on which acquirer obtains control of the acquiree.

Basis of consolidation

All material subsidiaries are included in the consolidated financial statements of BRAIN AG. Subsidiaries are entities whose financial and business policies can be controlled by BRAIN AG. This is normally the case where BRAIN holds more than 50 % of the voting rights. Both voting rights that can currently be exercised and convertible potential voting rights are considered. A subsidiary is consolidated from the date when control is obtained and is deconsolidated when control is lost.

Shares in equity–accounted investments

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

Use of assumptions and estimates

Management is required to make certain assumptions and estimates in the financial statements that affect the amount and presentation of recognised assets and liabilities, income and expenses, and contingent liabilities. All estimates and assumptions are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions and estimates relate in particular to:

- evaluating the capitalisation of development expenditures;
- recognising deferred tax assets in respect of temporary differences and tax loss carryforwards; their recognition is based on the assumption that there will be sufficient future taxable profit against which the deferred tax assets can be offset.
- measuring the useful life of intangible assets and items of property, plant, and equipment;
- measuring the stage of completion and assessing the probability that milestones and project success points that have not yet been fully achieved will actually be achieved. Performance–related fees for achieving contractually agreed outcomes, i.e., "milestones" or "project success points", are measured using the percentage of completion (PoC) method. In doing so, BRAIN AG estimates the stage of completion of the contract activity reached by the end of the reporting period;
- the recoverability of recognised goodwill;
- measuring the amount of contingent purchase price obligations in a business combination;
- assessing the recoverability of the carrying amount of associates.

Currency translation

Cash and cash equivalents, receivables, and liabilities denominated in foreign currencies are translated at the closing rate. Currency translation differences are recognised in profit or loss and are immaterial in the aggregate. There are no material amounts or transactions denominated in foreign currencies.

Revenue recognition

Revenue from research and development partnerships is generally recognised in the period in which the underlying services are performed. Revenue from exchange transactions is recognised in accordance with IAS 18.12.

Nominal fees are recognised over the period of the agreed research and development programs and deferred accordingly.

Performance–related fees for achieving contractually agreed outcomes, i.e., "milestones" or "project success points", are measured using the percentage of completion (PoC) method; a condition for revenue recognition is that it is sufficiently probable that the milestones or project success points will be achieved. Revenue is recognised in full when this has been legally acknowledged by the other party to the agreement.

Research and development (R&D) grant revenue is recognised in the period in which the underlying expenditures are incurred.

Intangible assets

Any goodwill identified in the course of a business combination is initially recognised at cost, which is measured as the excess of the consideration transferred in the business combination over BRAIN's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquiree.

Purchased intangible assets are recognised at cost and reduced by straight–line amortisation over their economic useful life. Cost comprises directly attributable costs.

Research and development

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

- The entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The entity intends to complete the intangible asset and to use or sell it.
- The entity is able to use or sell the intangible asset.
- The entity can demonstrate how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate 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 usefulness of the intangible asset.
- The entity has adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- The entity is able to measure reliably the expenditure attributable to the intangible asset during its development.

Not all of these criteria were met in the fiscal years 2012/13, 2013/14 and 2014/15, so all development expenditures were recognised as expenses as incurred.

Property, plant, and equipment

Items of property, plant, and equipment are measured at cost and reduced by depreciation to reflect any wear and tear. The straight–line method of depreciation is used.

The depreciation period is based on the expected useful economic life of the asset. Impairment losses are recognised if no further economic benefits are expected from the continued use or sale of the asset. 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 are recognised in profit or loss for the period in which the asset is derecognised.

The useful lives and depreciation methods are reviewed each year and modified if necessary.

In the case of assets that are manufactured or otherwise made ready for their intended use or sale over a substantial period of time ("**qualifying assets**"), borrowing costs are capitalised if they can be attributed directly. There were no qualifying assets in either the reporting period or the prior–year period.

Impairment tests

Goodwill and other intangible assets with an indefinite or undeterminable useful life or intangible assets not ready for use are tested at least once a year for impairment. Finite–lived intangible assets and items of property, plant, and equipment are only tested for impairment if there are indications that the asset is impaired. An impairment loss is recognised in profit or loss in the consolidated statement of comprehensive income if the asset's recoverable amount, i.e., the higher of its fair value less costs of disposal and its value in use, is less than its carrying amount. Recoverable amount is generally determined individually for each asset. If this is not possible, it is determined on the basis of a group of assets that represents a cash-generating unit (CGU). An assessment is made at least once a year whether there is any indication that the reason for an impairment loss recognised in prior periods no longer applies or the amount of the impairment may have decreased. If this is the case, the recoverable amount of the asset is estimated and the impairment loss is reversed accordingly (except in the case of goodwill).

Inventories

Raw materials, consumables, and supplies, as well as finished goods and work in progress, are measured at cost. The FiFo (first–in/first–out) method is applied. In addition to direct costs, production costs include appropriate portions of materials and production overheads. Borrowing costs are not capitalised. Write-downs to the lower net realisable value are recognised if necessary.

Financial instruments

BRAIN AG uses only financial instruments in the categories "loans and receivables" (LaR), "available-for-sale financial assets" (AfS), and "other financial liabilities at amortised cost" (FLAC).

Financial assets as defined in IAS 39 are assigned to one of four categories on initial recognition:

- financial assets at fair value through profit or loss
- loans and receivables
- held–to–maturity investments
- available–for–sale financial assets.

Financial liabilities as defined in IAS 39 are classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities".

Financial assets and liabilities are generally recognised at the time when BRAIN becomes a party to the contract. They are recognised initially at fair value. With the exception of financial assets and liabilities at fair value through profit or loss, directly attributable transaction costs are included in the carrying amount on initial recognition. Purchases and sales of financial assets are recognised on the settlement date. Financial assets and liabilities are only offset if there is a right to set off the recognised amounts and the entity intends to settle on a net basis.

Loans and receivables (LaR) originated by BRAIN as well as the other financial liabilities (FLAC) are measured at amortised cost using the effective interest method. These relate in particular to trade receivables and payables, other receivables and assets, cash and cash equivalents, liabilities from silent partnerships, loan liabilities, and other liabilities.

Shares in unconsolidated affiliated companies in the AfS category are carried at cost. The fair value of these unlisted shares cannot be determined reliably.

At the end of each reporting period, the Company assesses the carrying amounts of financial assets that are not measured at fair value through profit or loss to establish whether there are indications of substantial impairment. Objective evidence that an asset is impaired includes: evidence of significant financial difficulty of a major customer or a group of customers, default or delinquency in interest or principal payments, the probability of insolvency or some other financial reorganisation, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

Financial assets are derecognised when the Company ceases to control the asset. Financial liabilities are derecognised when the underlying obligation is settled or extinguished.

Receivables/other assets

Trade receivables and other assets are generally measured at their principal amounts. Specific valuation allowances are recognised and recorded in a separate allowance account to reflect risks and impairments.

Milestone receivables in conjunction with performance–related fees are measured using the percentage of completion (PoC) method. These PoC amounts comprise profit attributable to the proportion of work completed at the end of the reporting period. The proportion of work completed is measured on the basis of the degree to which the outcomes defined in the underlying partnership agreements (milestones or project success points) have been achieved.

Government grants

Grants and other support payments for research and development projects are reported as "Research and development grant revenue".

Grants related to assets are deducted from the carrying amount of the related asset. No grants related to assets were received in the reporting periods presented in the accompanying consolidated financial statements.

Provisions

Provisions are recognised for all identifiable present obligations to third parties arising from past events, the settlement of which is expected to result in an outflow of resources and whose amount can estimated reliably. They are recognised at the expected settlement amount. If the outflow of resources is expected to occur at a time after the year following the reporting period, the obligations are recognised at their present value. The unwinding of discounted provisions is recorded in finance costs.

Occupational pensions

In addition to the statutory pension insurance systems, occupational pensions at BRAIN AG use direct insurance policies. There are also pension plans for members of the Management Board. These are managed and funded via a relief fund (*Unterstützungskasse*) (direct benefit commitment) and via direct insurance policies.

In turn, the occupational pension plan has taken out pension liability insurance cover. The claims under pension liability insurance have been assigned to the beneficiaries of the occupational pension plan. In contrast to the pension commitments granted, the annual contributions to the occupational pension plan are recognised correctly and reported as expenses for the fiscal year in question. The entire amount of the benefit liability is covered by the pension liability insurance policies, so there is no underfunding. Actuarial gains and losses attributable to experience adjustments and actuarial assumptions are recognised in profit or loss in the period in which they arise.

Current and deferred taxes

The tax expense for the period comprises current and deferred taxes. Taxes are recognised 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 recognised directly in equity or in other comprehensive income.

The current tax expense is calculated using the tax rates that have been enacted (or substantively enacted) in the countries in which the Company and its subsidiaries are active and generate taxable income. Management regularly reviews tax returns, in particular with regard to matters for which differing interpretations are possible, and recognises provisions (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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base, as well for differences resulting from consolidation adjustments.

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

Deferred tax assets and liabilities are offset if they relate to income taxes levied by same tax authority on the same taxable entity. Deferred tax assets are reported as noncurrent assets irrespective of the balance sheet classification by maturity.

Leases

The assessment whether an arrangement involves a lease depends on the economic substance of the arrangement at the time it is entered into. The entity must assess whether performance of the arrangement depends on the use of one or more assets, and whether the arrangement conveys a right to use the asset or assets.

If it is not reasonably certain that ownership of the asset will be transferred to the Company at the end of the lease term, the asset is depreciated or amortised over the shorter of its expected useful life and the lease term.

Lease payments under operating leases are recognized as expenses in the statement of comprehensive income for the period in which they are incurred.

In the case of finance leases in which BRAIN is the lessee, the cost of the asset is recognised as the present value of the future minimum lease payments.

Other financial assets/cash and cash equivalents

Term deposits with an original maturity of more than three months are reported as other financial assets. Cash and cash equivalents comprise cash–in–hand, credit balances payable on demand, and term deposits with an original maturity of up to three months. All investments are denominated in euros and are invested solely with domestic credit institutions that are members of a deposit protection fund.

14. BUSINESS

14.1 Overview

BRAIN is an industrial biotechnology company which was founded in 1993. It develops customised solutions based on the biodiversity of nature for bioindustrial applications and thereby, works on the biologisation of industries. BRAIN uses its extensive proprietary collection of natural resources to identify and develop enzymes, performance microorganisms and BioActive compounds for its collaboration business with industrial partners (BioScience) and the development and commercialisation of its own products and active product components (BioIndustrial).

Industrial biotechnology involves using natural resources in the form of organisms or individual biomolecules in industrial production processes (e.g. for the chemical, consumer goods, food and feed markets) to achieve significant improvements in the production process or the production results, in comparison to conventional processes or products (such as resource–conserving processes, more energy–efficient processes, more natural products). Industrial biotechnology is expected by both, industry and politics, globally to make a key contribution to the transition from an economy that is frequently based on fossil energy resources towards a sustainable, resource efficient and biology–based economy, through the provision of key technologies in the area of sustainable use of biological resources and processes. The Company believes that this view is gaining increasing acceptance in politics and business and that industrial biotechnology has the potential to herald a new age of innovation, particularly for large parts of the chemical industry. Hence BRAIN sees considerable growth opportunities for its business.

In Germany, industrial biotechnology is also known as white biotechnology to distinguish it from red biotechnology (medical/pharmaceutical biotechnology) and green biotechnology (agricultural biotechnology).

Since industrial biotechnology primarily focuses on identifying and harnessing existing natural resources rather than modifying them, BRAIN has assembled an extensive proprietary collection of natural resources consisting of enzymes, microorganisms and natural substances, forming BRAIN’s "**BioArchive**". The BioArchive provides industrial access to a comprehensive extract of nature’s biological diversity. BRAIN uses its BioArchive, its socalled "**toolbox of nature**", by way of screening it for suitable active product components with specific features and characteristics e.g. enzymatic activities which have the necessary positive effect for industrial processes. For the identification and development of biotechnology solutions the Company uses its three core technology platforms, (i) Enzyme Technology to identify and isolate novel enzymes, (ii) Microbial Strains to identify and isolate performance microorganisms and (iii) BioActives to identify and isolate BioActive compounds. Thereby, BRAIN is able to identify and develop solutions and products for a wide range of industrial applications for various product segments and industries. As biotechnology solutions can often be used in completely different areas and for various different applications, BRAIN’s research results constantly generate new commercialisation options so that BRAIN can be labelled as a "multi–product opportunity company". To secure its technologies and its product candidates BRAIN holds approximately 350 patents and patent applications divided in 48 patent families.

The Company considers the most important markets to be the biotech sub-sectors within the speciality chemicals market and consumer chemicals market with the main focus on the German market, but also with a focus on the European market. In the speciality chemicals markets the Company focuses on the enzymes, nutrition (food and feed), woundcare and bio-substitutes product segments. In the consumer chemicals markets the Company focusses on cosmetics and care products.

BRAIN’s business is based on two pillars – "BioScience" and "BioIndustrial".

- "**BioScience**" comprises the Company’s collaboration business with industrial partners ("**Exclusive Partner Collaborations (EPC)**"). Since inception, BRAIN AG has successfully entered into more than 100 industrial partnerships. As an EPC partner, BRAIN provides research and development collaboration programmes aiming at developing the desired industrial biotechnology solutions for third parties. BRAIN’s collaboration programmes range from identifying suitable biological product components to pilot production and the development of the associated production methods on an industrial scale. BRAIN’s remuneration under such EPCs generally comprises a number of different components, including upfront payments, FTE (full–time equivalent) payments for research work, milestone payments as well as success payments and royalties. BRAIN's strategy is to reserve the rights to the discovered solutions and products outside the contractual scope of use defined with the EPC partner for its own business ("**Alternative Solutions**"). Thereby, BRAIN retains the additional option to use the Alternative Solutions in its BioIndustrial pillar for its own products or for licensing them to third parties.

  BioScience services are offered by BRAIN AG itself and its subsidiaries AnalytiCon Discovery GmbH and AnalytiCon Discovery, LLC (AnalytiCon Discovery GmbH and its subsidiary AnalytiCon Discovery, LLC together "**AnalytiCon**"). AnalytiCon, in which BRAIN acquired a majority interest in 2013, focuses on the development of active natural compounds as ingredients for novel pharmaceutical applications, as well as applications in the cosmetics, feed and food industry.

- "**BioIndustrial**" comprises the development and commercialisation of BRAIN's own products and active product components, i.e. developments on BRAIN's own behalf or based on BRAIN's retained rights for Alternative Solutions with a focus on market access points to relevant B2B markets. The aforementioned products and active product components are commercialised either through granting licences to third parties or by the acquisition of companies which are already active in the relevant markets. In 2010 the Company acquired L.A. Schmitt GmbH Chem. Kosm. Fabrik ("**L.A. Schmitt**") which acts as a contract manufacturer of cosmetic products. BRAIN's focus has been to optimise L.A. Schmitt's product quality on the basis of novel ingredients and to enhance its formulation expertise. As a consequence, L.A. Schmitt has continuously expanded its customer base including a prominent partner in the area of hair care products. In the same year, BRAIN acquired Mekon GmbH, a small cosmetics brand company. In addition, in 2012 BRAIN acquired a majority interest in Monteil Cosmetics International GmbH ("**Monteil**") which is also active in the cosmetic industry. Monteil focuses on the sale and distribution of premium anti-aging skincare products containing ingredients with a variety of biologically active substances from BRAIN, as well as fragrances and supplementary products. Monteil's production is to a certain extent outsourced to L.A. Schmitt. Since 2014, WeissBioTech GmbH and its subsidiary WeissBioTech France S.A.R.L. (WeissBioTech GmbH and WeissBioTech France S.A.R.L. together "**WeissBioTech**") belong to BRAIN AG. WeissBioTech develops, produces and sells enzymes, especially for the food and beverage industry as well as the starch processing industry. WeissBioTech's portfolio increasingly includes performance microorganisms and enzymes identified by BRAIN.

Over the past, BRAIN has established robust contacts to the industry, the scientific and academic community, and political bodies. BRAIN believes that it is therefore well positioned to stand in the forefront of future biotechnological developments and the transformation towards a bio–based economy.

BRAIN's established position in the field of industrial biotechnology is also based on the qualifications and skills of its employees. BRAIN had 215 employees on average in fiscal year 2014/2015, 118 of whom work for BRAIN AG. More than 61 % of BRAIN AG's employees hold university degrees in natural sciences or engineering and 25 % of the employees of BRAIN AG have been awarded doctorates. According to the Company the time period of more than seven years for which BRAIN employees have on average worked for the Company reflects the high level of employee identification with the Company.

BRAIN's strategy is to commercialise its BioArchive and to drive forward the industrialisation of BRAIN's own products and solutions, i.e. to implement a value accretive growth strategy. Here BRAIN targets to grow both internally (e.g. development and launch of new products and solutions, organic growth of its existing business) and externally on a selected basis (e.g. through targeted acquisitions).

BRAIN's growth potential from new products and solutions is fostered by the fact that a single biotechnology solution can often be used in completely different areas and for various different applications, i.e. often multiple markets exist in parallel for one newly developed product or solution. BRAIN's intention is to exploit these options as a multi–product opportunity company.

In order to successfully deliver on its value accretive growth strategy, BRAIN targets to continuously (i) enlarge its proprietary BioArchive and to secure related rights to use and exploit found biotechnology solutions, (ii) expand its existing business, i.e. BRAIN's EPC business and the activities of its subsidiaries, as well as (iii) develop its pipeline and the marketing of its own product candidates either through industrial partners or own market entry points.

The Company's fiscal year starts on October 1 and ends on September 30 of the following year. BRAIN generated revenue of € 21.1 million and EBIT of € -4.6 million in fiscal year 2014/2015, revenue of € 10.4 million and EBIT of € -4.8 million in fiscal year 2013/2014, and revenue of € 8.8 million and EBIT of € -4.4 million in fiscal year 2012/2013, (based in each case on the audited Consolidated Financial Statements 2014/2015, 2013/2014 and 2012/2013).

14.2 Scientific and technological background

Nature harbours a large number of resources such as enzymes, microorganisms and natural substances ("**natural resources**") established during the last 4.5 billion of years of evolution of life on earth. These natural resources offer a wide range of application and development opportunities, particularly for industrial uses. However, the process of deciphering this natural diversity is still in its early stages. Moreover, no research has yet been done on many known resources to establish if, how, and for what purposes they can be harnessed for industrial use.

This is the area addressed by industrial biotechnology, in Germany also known as white biotechnology. According to the definition drawn up by the Organisation for Economic Cooperation and Development

(OECD), biotechnology is "the application of science and technology to living organisms, as well as parts, products, and models thereof, to alter living or non–living materials for the production of knowledge, goods and services". Industrial biotechnology is a field of biotechnology that addresses the use of organisms or individual biomolecules as the basis for industrial production. Industrial biotechnology therefore differs from red biotechnology (also known as medical/pharmaceutical biotechnology), which focuses on the area of medicine, and green biotechnology (also known as agriculture biotechnology), which focuses on agriculture. The goal and task of industrial biotechnology is to identify, characterise, and develop resources available in nature and to harness them for industrial use. More specifically, this involves developing processes for selecting from the wide variety of enzymes, performance microorganisms and BioActive compounds on the basis of their mechanisms of action and application areas, and for making them available for industrial purposes, where appropriate.

BioActive compounds are compounds formed by organisms in order to perform biological functions. These include peptides, proteins, natural compounds, and low–molecular active ingredients. Performance microorganisms are all organisms not visible to the human eye. These include the various groups of bacteria, archaea, protozoa, fungi, and microalgae. One advantage of performance microorganisms is that they can, properly applied, facilitate highly efficient, high–quality, complex transformations of substances at room temperature and normal pressure. Enzymes are protein molecules. They can act as biocatalysts to accelerate these biochemical reactions, and can be highly efficient in even extremely small doses. In addition, enzymes are typically fully biodegradable and non–toxic.

14.3 Market and Competition

Market

BRAIN’s business covers different stages in the value chain of products developed and manufactured by using biotechnological processes and solutions (through enzymes, performance microorganisms and BioActive compounds). It ranges from screening the resources database using specially developed processes to developing solutions or products based on the enzymes, performance microorganism or BioActive compounds identified. In this context, BRAIN identifies and develops processes or solutions which are used in the production of goods which are classified as speciality chemicals such as home care products, flavours and fragrances, or food additives, or as consumer chemicals such as cosmetic additives. For this reason, BRAIN focusses on the speciality chemicals market and the consumer chemicals market, which are both sub–segments of the chemicals industry. Speciality chemicals are used in many different areas of application and are therefore sold in a wide range of sales markets comprising different sectors of industry, such as enzymes, nutrition, wound care and bio substitutes (see *14. Business – 14.7 Scopes and applications*). Consumer chemicals include direct product sales of chemicals and are sold to final consumers.

Via the speciality chemicals market and the consumer chemicals market BRAIN targets different sectors like enzymes, nutrition, feed, food, woundcare and biosubstitutes (for example bioplastics), green mining or microbial control (via speciality chemicals) as well as cosmetics and care (via consumer chemicals). The various sales markets are addressed by BRAIN in several ways: through collaborations, production and sale of active ingredients and sales of own and consumer products.

Global and European Chemical Market

The chemicals market can be broken down into three broad market segments, which are in turn divided into different subsegments (see cefic, *The European Chemical Industry – Facts & Figures 2014*). The three broad market segments are base chemicals, speciality chemicals, and consumer chemicals. Base chemicals cover petrochemicals and their polymers along with basic inorganics. They are produced in large volumes and sold within the chemical industry itself or to other industries. Speciality chemicals cover auxiliaries for industry and areas such as paints and inks or crop protection. They are mostly produced in small volumes but they provide a wide variety of effects and are used in a wide range of every day products used by consumers and industries. Consumer chemicals are sold to end consumers, such as soaps and detergents as well as perfumes and cosmetics.

From 2000 to 2015 the global growth of the chemical market was 4.8 % per year (see *Roland Berger, diagram "Umsatzwachstum der globalen Chemiemärkte" ("sales growth of the global chemical markets"), published in Verband der Chemischen Industrie (VCI) (association of the chemical industry), chemie report 07+08/2015*). From 2015 to 2020 the expected compound annual growth rate ("**CAGR**") for the global chemical market is 4.1 % (see *Roland Berger, Chemicals 2035 – Gearing up for growth, May 2015*). In 2013 global chemical sales amounted to € 3,156 billion (see cefic, *The European Chemical Industry – Facts & Figures 2014*). The EU chemical industry generated sales of € 527 billion, accounting for 16.7 % of the global chemical sales in 2013. Among the regions with the highest chemical sales, the European Union thus ranks in joint second place together with the partners of the North American Free Trade Agreement (NAFTA) (chemicals sales of NAFTA partners in 2013: € 528 billion), behind China, whose chemical industry generated sales of € 1,047 billion in 2013 (see cefic, *The European Chemical Industry – Facts & Figures 2014*).

The speciality chemicals market segment accounted for 26.5 % of the EU's total chemical sales in 2013. The base chemicals market segment represented 61.8 % of total EU chemical sales in 2013 (including the share of polymers alone of 21.5 %). The consumer chemicals market segment generated 11.7 % of total EU chemical sales in 2013 (see cefic, *The European Chemical Industry – Facts & Figures 2014*).

Others divide the chemical market into five broad market segments: base chemicals (consisting of basic inorganics and petrochemicals), polymer & fibres, speciality chemicals, consumer chemicals and pharmaceuticals (which includes only active pharma ingredients and excludes pharmaceutical products as well as biofuels) (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*).

Biotechnology's share of the global chemicals market

In 2010, products and processes using biotechnology – excluding pharmaceutical products and biofuels – accounted for 6.2 % of total chemical sales, representing a sales volume of around € 91.9 billion (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*). Experts expect that their share of sales will increase to between 10 % and 20 % by 2025 (see brochure published by the German Federal Ministry of Education and Research: "*Weiße Biotechnologie – Chancen für eine bio-basierte Wirtschaft*" (White Biotechnology – Opportunities for a Bio–based Economy), June 2015).

Out of total sales of € 91.9 billion in 2010, € 16.1 billion was attributable to base chemicals (without polymer and fibres) produced by using biotechnological processes, € 19.2 to the polymer and fibres segment, and € 18.2 billion to consumer chemicals (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*). The segment with the highest absolute biotechnology sales in 2010 was the speciality chemicals segment with € 21.9 billion. This represented 23.8 % of total biotechnology sales (see *Festel/Detzel/Maas, Article: Industrial biotechnology – Markets and industry structure, received October 19, 2011, revised November 8, 2011*). The active pharma ingredients segment (only active pharmaceutical ingredients excluding pharmaceutical products) accounted for a total of € 16.5 billion of biotechnology sales in 2010 (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*).

Sales of products made by biotechnology processes are expected to total € 228 billion in 2015, or 12.1 % of total chemical sales (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*). According to the estimates, € 51 billion of this amount is attributable to the speciality chemicals market segment, while € 43 billion is attributable to the consumer chemicals market segment. The expected compound annual growth rate ("**CAGR**") for these two combined market segments relevant to BRAIN was 18.6 % for the time period between 2010 and 2015 (in 2010 sales of the speciality chemicals segment and the consumer chemicals segment together amounted to € 40 billion) (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*). The Company does not have any information as to whether and to what extent this estimate will be achieved in 2015. For 2020, experts anticipate biotech sales of as much as € 515.1 billion or 20 % of the total chemical sales (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*). According to the forecasts, sales of the speciality chemicals segment and the consumer chemical segment will further increase from € 94 billion in 2015 to total € 193 billion in 2020 (speciality chemicals: € 89 billion and consumer chemicals: € 104 billion), this corresponds to a CAGR for these two market segments of 15.5 % (CAGR 2015-2020 only for the speciality chemicals segment: 11.8 % and CAGR 2015–2020 only for the consumer chemicals segment: 19.4 %) (see *Festel/Detzel/Maas, article: Industrial Biotechnology – Markets and Industry Structure, received October 19, 2011, revised November 8, 2011*).

Industrial biotechnology

Global sales generated in the industrial biotechnology sector were estimated at € 80 billion in 2006. More recent estimates put sales in the U.S.A. alone at € 115 billion for 2010 (see *brochure published by the German Federal Ministry of Education and Research: "Weiße Biotechnologie – Chancen für eine bio–basierte Wirtschaft" (White Biotechnology – Opportunities for a Bio–Based Economy*), June 2015). The American technology company Agilent Technologies, Inc., estimates that in 2012 U.S. business–to–business revenues from industrial biotechnology alone reached at least $ 125 billion. Bio–based chemical applications accounted for approximately $ 66 billion of that U.S. economic activity, while biofuels added another $ 30 billion (see *National Academies Press, Industrialisation of Biology: A Roadmap to Accelerate the Advanced Manufacturing of Chemicals, published 2015*). Lux Research estimates that industrial chemicals made through synthetic biology currently represent a $ 1.5 billion market and that this will likely expand at 15 % to 25 % annual growth rates for the foreseeable future (*see National Academies Press, Industrialization of*

Biology: A Roadmap to Accelerate the Advanced Manufacturing of Chemicals, published 2015). Based on a 2009 OECD analysis, a recent U.S. Department of Agriculture (USDA) report indicates that, by 2015, bio–based chemicals will make up greater than 10 % of the chemical market (see *National Academies Press, Industrialization of Biology: A Roadmap to Accelerate the Advanced Manufacturing of Chemicals, published 2015*).

Key growth drivers for the bioeconomy

The Company primarily views global population growth, dwindling resources and climate change as the key growth drivers in the market for products using biotechnology–based processes and solutions. It believes that these developments require a structural shift towards a sustainable economy based on resource–efficient production methods. For the Company, the bioeconomy represents a model that offers innovative solutions and new perspectives for these future issues by reducing the reliance on fossil fuels, leading to improvements in sustainability, environmental conservation and climate change mitigation. Experts see potential in particular for technologies, such as carbon drawn from carbon dioxide or seaweeds (see *Gruhlke/Bürger-Kley, article: Chemistry or Plate? ("Chemie oder Teller?"), published September 17, 2015*).

Another key driver identified by the Company is the increasing cost of healthcare, which can be reduced through the development of healthy foods.

Political support for the bioeconomy

The need for action to increase the application of biology in industry can also be seen in research and economic policy. In particular, the bioeconomy is supported and advanced by public funding initiatives such as the "National Research Strategy 2030" launched by the German Government in 2010, which provides for a total of € 2.4 billion in grants between 2011 and 2016 (for further information on the "National Research Strategy 2030" and the participation of BRAIN in this initiative see *14. Business – 14.8 Research and Development*). The bioeconomy strategy is divided into five priorities, of which two relate to the use of renewable raw materials for commodities and energy. The long–term objective is to move away from oil as a key raw material by using renewable resources in industry and developing energy sources based on biomass. Within this framework, the German government is funding research and development projects relating to industrial biotechnology in particular. Measures include the "BioIndustry 2021" cluster funding initiative, which made approximately € 60 million in grants available between 2006 and 2012, and the "Industrial Biotechnology Innovation Initiative", which has been supported since 2011 and provides for grants in the total amount of up to € 100 million over a period of five to ten years. The remaining three priorities focus on the security of global food supplies. The topics here are global food security, production of healthy and safe food, and sustainable agricultural production. In addition, the German government launched its "National Policy Strategy on the Bioeconomy" in 2013. This is closely linked to the "National Research Strategy 2030" and also supports the structural transition to a bio–based economy through leveraging bioeconomic potential as part of sustainable economic activity.

The bioeconomy is also a political focus at European level. The economic strategy published for the European Commission in 2010 identifies the establishment of a sustainable, bio-based economy as an initiative with key significance for Europe. The concept was specified in detail in the EU's bioeconomy strategy, "Innovating for Sustainable Growth: A Bioeconomy for Europe", adopted in 2012. The Bioeconomy Panel and the Bioeconomy Observatory were established with the aim of supporting and documenting the efficiency of policy measures. In addition, one part of "Horizon 2020", an EU research and innovation programme with nearly € 80 billion of funding available over seven years (2014 to 2020), is focused on "Leadership in Enabling and Industrial Technologies". This part of the programme also covers areas including biotechnology.

In June 2015, the G7 countries emphasised that a decarbonisation of the global economy over the course of the century will be necessary and committed to doing their part to achieve a low-carbon economy in the long term. They strive to transform the energy sectors by 2050 by developing and deploying innovative technologies so that by the end of the century it completely avoids carbon dioxide emissions produced from the combustion of fossil fuels such as coal, oil and natural gas. At the United Nations Climate Change Conference in December 2015 a global agreement was reached and all G7 countries committed to their own climate contributions.

In BRAIN's view, the recent developments in Norway are a further indication of the change of climate policy. In June 2015 the Norwegian parliament resolved to order the $ 890 billion government pension fund to divest from coal. The fund, considered the largest sovereign wealth fund in the world, will sell off stocks in companies that generate more than 30 % of their output or revenue from coal.

US president Barack Obama also unveiled a Clean Power Plan in August 2015. The aim of the revised Clean Power Plan is to cut greenhouse gas emissions from US power stations by nearly a third within 15 years. The Company assumes that this measure will place significant emphasis on wind and solar power and other renewable energy sources.

Competitors

The speciality chemicals market is complex and each speciality chemicals market segment comprises many sub-segments, each with individualised product, market and competitive profiles. The companies in the speciality chemicals market therefore often differ from each other in that they cover different parts of the value chain or focus for example on their own niche products, or purely on technology.

Against this background, BRAIN AG's competitive environment is as follows:

Enzymes

In the area of enzymes, the market is dominated by Novozymes A/S, which is headquartered in Denmark, as well as Dupont and its affiliate Danisco A/S, including its Genencor division. In addition, various smaller, specialised enzyme manufacturers operate in the area of enzymes; examples include AB Enzymes GmbH, a subsidiary of Associated British Foods, which is headquartered in Darmstadt, Dyadic International, Inc. (U.S.A.), and Direvo Industrial Biotechnology GmbH, which is based in Cologne.

Performance microorganisms

In the area of performance microorganisms, BRAIN AG shares the market with, among others, the globally active company Evolva Holding SA. Other major competitors in this area are French biotech company LibraGen S.A. and renewable products company Amyris, Inc.

BioActive compounds

In the area of BioActive compounds, BRAIN AG's competitors are in particular companies working towards developing additives to amplify certain flavours and aroma compounds in foods. These companies include U.S.–based companies Senomyx, Inc., Cromocell Corporation, and International Flavors & Fragrances Inc. (IFF), Germany–based Symrise AG, as well as the Swiss manufacturer of flavorings and fragrances, Givaudan SA. A further company in the sector of BioActive compounds is IMAX Discovery GmbH, a joint venture of Axxam S.p.A. and Intermed Discory GmbH. Through its subsidiaries, BRAIN also uses active ingredients for producing cosmetic products which are sold to end consumers (B2C–business). Therefore, BRAIN also competes with other cosmetic companies similar in size to its subsidiaries. For example, competitors of Monteil are KLAPP Cosmetics GmbH which is headquartered in Hessisch Lichtenau, Dr. BABOR GmbH & Co. KG, which is based in Aachen, as well as MARIA GALLAND GmbH with its registered office in Munich. Mekon with its product line "**MYE**" competes with 3Lab Inc., a cosmetic company with its headquarters in New Jersey, which however has a more expanded portfolio. Further competitors of Mekon are La Prairie Group AG, Zürich, Switzerland, and Artemis Skincare GmbH, Wiesbaden. In addition, regarding manufacturing cosmetic and care products L.A. Schmitt is in competition with Compes Cosmetic GmbH & Co. KG, Georgsmarienhütte and SystemKosmetik GmbH, a toll manufacturer of cosmetics, natural cosmetics, private label and branded products based in Münster am Lech.

14.4 Competitive strengths

According to the Company, BRAIN's BioArchive is one of the largest libraries of enzymes, microorganisms, and natural substances in the world.

BRAIN regards the design and scale of its BioArchive, i.e. its library of enzymes, microorganisms and natural substances, its so–called "BioArchive", as unique. BRAIN views its BioArchive as an excellent basis for developing solutions in the area of industrial biotechnology for a broad range of applications. BRAIN's BioArchive includes 43 highly diverse metagenome libraries, 231 Giga–bp DNA strands available for immediate screening, 450 habitat collections and environmental samples, 464 enzyme libraries that are also directly available for screening, 11,700 samples derived from edible biomaterials, 13,000 plant fractions available for isolation campaigns, 300,000,000 metagenome clones that can be used directly for screening, 49,500 natural and naturally inspired compounds and 53,000 characterised microorganisms for strain development. This collection is permanently expanded. By applying its metagenome technology, the Company is able to identify natural substances that have not yet been characterised, thereby providing new access to as of yet uncultivable biodiversity.

BRAIN has effective technologies and methodologies for screening its BioArchive in order to develop innovative solutions based on the identification of and new uses for enzymes, performance microorganisms, or BioActive compounds.

BRAIN believes that it has unique technologies for delivering biotechnological solutions on the basis of enzymes, performance microorganisms or BioActive compounds. These technologies give BRAIN a particular competitive edge, because, according to the Company, it is rare to have such a combination of technology platforms in one enterprise, including the complete spectrum of modern molecular biology. Special technologies include the screening and development of novel enzymes and biocatalysts in the metagenome space using highly sophisticated production microorganisms. Besides metagenome libraries and production organisms BRAIN is able to use the technologies of modern synthetic biology with the goal to improve existing production microorganisms used in the industry, e.g. in the production of vitamins, amino acids or precursors (building blocks) of plastic. BRAIN also constantly tries to improve the efficiency of the overall production processes involving (existing or newly developed) microorganisms, e.g. by finding or developing organisms which use waste streams as feedstock for its growth, rather than feedstock (such as sugar) which competes with the nutrition markets. Furthermore, BRAIN has developed a technology termed Human Taste Cell Technology ("**HTC Technology**"), which enables BRAIN to screen for novel nutraceuticals on the basis of immortalised human taste cells. According to the Company, its state–of–the–art technology set–up is the basis for BRAIN's future growth.

BRAIN regards itself as the preferred partner for major industrial companies in various sectors with which it has close and stable cooperative relations.

BRAIN believes that it enjoys a high reputation as a reliable partner for companies from the chemical, as well as the food, feed, and cosmetic industries. BRAIN had the opportunity to work closely with major industry partners such as, BASF SE, Bayer Schering Pharma AG, Clariant International AG, DSM Nutrinational Products GmbH, Emscher Genossenschaft, Evonik Industries AG, Fuchs Europe Schmierstätte AG, Henkel AG & Co. KGaA, Nutrinova GmbH, RWE Power AG, Südzucker AG and Symrise AG. Since inception, BRAIN AG has successfully entered into more than 100 industrial partnerships. Thereby BRAIN had the opportunity to demonstrate its ability to successfully develop the desired solutions and to demonstrate its technological and scientific expertise and the size and potential of its library of enzymes, microorganisms, and natural substances and thereby earning an excellent reputation among current and potential future industrial partners. At the same time, BRAIN has been able to establish longstanding and close collaborations – often over several projects – with a whole range of major industrial partners. This reputation enables BRAIN to enter into partnerships with large industrial companies on an equal basis, and to agree on fair and economically appropriate fees.

BRAIN regards itself as a "Multi–Product Opportunity Company".

According to the Company, due to the diversity of nature there is practically no limit on the number of solutions available from the use of its BioArchive. At the same time the solutions developed by BRAIN can be used in many different areas of application and the number of processes and products developed by using biotechnology is unlimited. In the Company's view BRAIN has the technology to constantly generate new commercialisation options and therefore regards itself as a "Multi Product Opportunity Company".

The Company believes that this potential constitutes a specific strength for the implementation of its industrialisation strategy. For example, BRAIN is in the position to develop its pipeline and market its own product candidates either by granting licenses to industrial partners or the developed biotechnology solutions can also be used in the Company's own products for industrial customers or consumers (the latter currently in particular in the area of cosmetics) as part of a multi–product opportunity strategy. To create own market entry points BRAIN already began to implement its industrialisation strategy several years ago through targeted acquisitions. BRAIN AG completed its first acquisition in 2010, thus launching its industrialisation strategy in dedicated markets. Since then, BRAIN has expanded its second business pillar, "BioIndustrial", enabling it to successfully generate profits by commercialising own bio–technology based products. The commercialisation of own product candidates and products enables BRAIN to expand in other parts of the value chain and to enter markets or end products.

BRAIN benefits from an extensive network in the biotechnology field that it has developed over many years.

As demonstrated by several awards and memberships in university councils, its many years of work have earned BRAIN an excellent reputation among universities, research establishments, associations, policy makers, authorities, biotechnological industrial companies and companies active on markets for products produced by using biotechnology, and have allowed it to develop an extensive network of good contacts with these and other similar institutions. BRAIN regards this as key for a successful business in the area of industrial biotechnology. A particular focus is on contacts with universities that have in many cases been developed and fostered over many years, including the Technical University Aachen, the Technical University of Darmstadt, the Karlsruhe Institute of Technology (KIT), the Mannheim University of Applied Sciences, the Hamburg University of Technology, the University of Greifswald, LMU Munich, the University of Münster, the Technical University of Denmak in Copenhagen, the University of Halle-Wittenberg, the University of Würzburg, the University of Rostock, the Technical University Bergakademie Freiberg, the University of Frankfurt, the Technical University of Dortmund, the University of Graz, the University of Potsdam and the University of Mainz as well as to research bodies such as the German Institute of Human Nutrition (DIFE), the French INRA, and the German Federal Ministry of Education and Research (BMBF). In addition, BRAIN or members of its bodies are member of a number of industry associations, such as the Biotechnology Industry Organisation in Germany – "BioDeutschland", the German Association of Biotechnology Industries

(DIB), the Association of German Chemical Companies (VCI), the German Society for Chemical Engineering and Biotechnology (DECHEMA), the Association of German Biotechnologie Companies (VBU), the German Association of White Biotechnology Industries (iwbio), the Pharma Licensing Club Germany (PLCD), the Society for Biochemistry and Molecular Biology (GBM) and the Association for General and Applied Microbiology (VAAM), and a member of bodies, such as the University Councils of Technical University of Darmstadt and Mannheim University of Applied Sciences, the Senate Commission of the German Research Foundation (DFG), the German governmental Bioeconomy Council "BioÖkonomieRat" as well as the European BioEconomy Panel and the Observatory Contact Group of the EU Commission. According to BRAIN, BRAIN has also good relations to and enjoys a good reputation with certain German and European authorities which are relevant for its business. The connections to universities and research institutes give BRAIN the necessary access to basic research in the field of industrial biotechnology and create and maintain good conditions for specific research projects to be funded by public grants. Besides, BRAIN is of the opinion that its multi-level network with biotechnological industrial companies and companies active on markets for products produced by using biotechnology enables BRAIN to expand its business and to participate in the latest developments.

The members of BRAIN's management team and its employees are experienced and highly–qualified.

Almost all members of BRAIN AG's senior management team (see *18. Management and Supervisory Bodies – 18.3 Management Board* and see *18. Management Board and Supervisory Bodies – 18.4 Senior Management*) have many years of experience in the area of industrial biotechnology and the target markets in which BRAIN is active. In addition, many of the members of the management team, in particular, the Chief Executive Officer of BRAIN AG Dr. Jürgen Eck, as well as Dr. Langer, Dr. Krohn, Dr. Meurer, Dr. Dechert and Dr. Aehle have been working at BRAIN for many years (on average the members of the management team have been working for BRAIN for more than 15 years) and have spent considerable parts of their professional careers there. The Company regards its managers' experience and the stability of its management team – which is, however, open to additions from outside the Company – as a strong basis for the Company's continued success.

In general, BRAIN's employees are highly qualified with more than 61 % of its employees holding degrees in natural sciences or engineering and 25 % of BRAIN AG's employees having been awarded doctorates. In addition, in BRAIN's opinion its employees specifically identify with the Company's activities and objectives. BRAIN believes that this creates an exceptional corporate culture that is characterised in particular by flat hierarchies, high levels of motivation, intensive exchange of specialist knowledge and ideas, and loyal cooperation. According to BRAIN, this exceptional corporate culture creates the basis to attract and retain well educated and highly motivated employees. BRAIN believes that its corporate culture is the key precondition for a high level of creativity (especially when compared to the research departments of major industrial enterprises) and pronounced dedication in the search for new, innovative solutions.

BRAIN's business with industrial customers is not dependent on the economic situation in individual sectors, since BRAIN's research and development services and its products are aimed at different branches of industry and customer groups.

The research and development services that are offered as part of the first pillar of its business "BioScience" are aimed at the speciality chemical industry and consumer goods industry, as well as the food, feed, cosmetic, medical products, and mining industries. At the same time, they cover solutions relating to products for other industrial customers (B2B). The main services and products that are offered as part of BRAIN's second pillar "BioIndustrial" also address a wide variety of industrial customers, for example, companies in the food industry (natural substances from AnalytiCon or enzymes from WeissBioTech). BRAIN sees itself as largely independent of developments in specific sectors thanks to this broadly diversified focus on different market segments. In BRAIN's opinion, the broad range of business activities diversifies the risk of economic developments leading to a sharp decline in business, and keeps this risk low. In addition, there is in principle always an opportunity to compensate for declines in individual sectors through increased business performance in other areas.

14.5 Strategy

BRAIN's objective is to strengthen and expand the two pillars of its business, "BioScience" and "BioIndustrial". Specifically, its strategy for achieving this covers the following key points:

Further evolving into a multi–product opportunity company

BRAIN is pursuing further growth for both pillars of its business – "BioScience" and "BioIndustrial" – which it aims to achieve both organically and via targeted acquisitions. As part of this planned growth, BRAIN's specific intention is to increasingly evolve further into a multi–product opportunity company. As biotechnology solutions can often be used in completely different areas of use, the economic potential of a biotechnology solution frequently extends beyond the purpose for which it was originally developed. In order to secure the additional commercialisation option resulting therefrom, BRAIN always seeks to secure the rights to solutions that have not been developed directly for the collaboration partner or for applications outside the contractual focus of the collaboration agreement. This enables BRAIN to offer such solutions to other collaboration partners and thereby strengthen its first pillar "BioScience" or to commercialise these solutions for own products and thereby drive forward its industrialisation strategy. In addition it is BRAIN's strategy to continually and systematically enlarge its BioArchive by expanding its collaboration business and to further develop its screening technologies to be able to rapidly and effectively utilise the potential of its BioArchive in the search for solutions. Thereby BRAIN aims at constantly improving the conditions for subsequent collaboration projects and the further industrialisation of BRAIN´s business which in turn creates the basis for new commercialisation options and the ability to further develop BRAIN into a multi–product opportunity company.

Further strengthening of the "BioScience" pillar

The first pillar "BioScience" is the origin of BRAIN's business and the Company believes that the future development of the "BioScience" pillar is also a vital prerequisite for achieving BRAIN's future growth. As a consequence, BRAIN intends to continue its work on challenging projects in collaboration with major industrial enterprises and to establish additional collaboration partnerships in the future. BRAIN believes that the reputation that the Company has acquired, and its proven expertise in developing sophisticated biotechnology solutions create a sound basis for this future growth. In particular, BRAIN intends to internationalise its business by increasingly working with partners from outside Europe in future collaboration projects. For BRAIN, the international diversification of its collaboration partners creates additional potential to increase revenues and earnings in its first pillar "BioScience". Moreover, the Company assumes that it can also leverage this to develop biotechnology solutions in areas that are not the focus of activities pursued by its current or potential collaboration partners in Europe, in particular in the German speaking countries.

BRAIN furthermore intends to increase the profitability of its activities in the "BioScience" business pillar, including through agreeing on increased future license fees with collaboration partners to the use of successfully developed solutions. By this BRAIN intends to generate long–term cash inflows (without additional expenses for BRAIN) once the collaboration partner has fully applied and marketed the biotechnology solution developed for it. BRAIN believes that the targeted further development of the first pillar "BioScience" also creates a further opportunity to effectively exploit and capture the significant growth potential that it sees in the second pillar "BioIndustrial", with the aim of ensuring the increasing industrialisation of BRAIN's overall business activity.

Further expansion of the "BioIndustrial" pillar through internal and external growth

BRAIN aims at a further industrialisation of its business through establishing its second pillar "BioIndustrial" as the central strategic element in making comprehensive use of the economic potential of the technology and in monetising its "BioArchive". As has already been achieved with certain of BRAIN's cosmetic products, the specific effects of which are to a major extent based on biotechnology solutions developed by BRAIN, the Company's aim is to cover a larger part of the value chain with more and more own products.

- *Internal growth:* In the future BRAIN intends to focus as well on internal growth, in particular through increased revenues from cosmetic products using biotechnology solutions (L.A. Schmitt and Monteil), and on enzymes for industrial customers (WeissBioTech). In this area, BRAIN sees specific potential in cosmetic products for particularly sensitive skin that use natural compounds to block certain skin receptors, thereby reducing skin irritation. Similarly, BRAIN believes that a sunscreen with anti–aging effect based on biotechnology solutions offers considerable future potential to develop and broaden the product portfolio. In the area of enzymes, BRAIN sees potential in solutions such as enzymes that enable the production of fruit juices at low temperatures. On the one hand this decreases the amount of energy consumed in production, and on the other it improves product quality. Furthermore, the Company aims to build up a license business by retaining rights for Alternative Solutions and granting licenses to third parties.

- *External growth*: In addition, the Company also aims to drive forward and implement the industrialisation strategy in the coming years through commercialising new products and active product components. This shall be achieved by further targeted acquisitions. In principle, BRAIN is open to acquiring companies with expertise in different fields, provided that the biotechnology solutions developed can be used within the multi-product opportunity approach and that BRAIN's share in the value chain can be expanded accordingly. In line with BRAIN's current analysis, conceivable fields of activity could include sectors like nutrition, food and feed, active pharmaceutical ingredients and speciality chemicals.

Further expanding the network of political and business contacts and positioning the Company as a pioneer in the dynamic development of industrial biotechnology anticipated by BRAIN

BRAIN assumes that industrial biotechnology will further gain in significance as a key technology in the shift towards a sustainable economy at a far quicker pace in the coming years than it has done to date. BRAIN's goal is to remain one of the pioneers, and as such to leverage the public perception of BRAIN to further boost its business opportunities. For this purpose, the Company's approach is to expand existing networks in politics, science, and business. In BRAIN's view, this gives it the opportunity to gain early insights into relevant technological, economic, or political developments, and to ensure that the Company itself has a degree of influence over such developments.

In this respect, one specific element in the expansion and maintenance of BRAIN's network is the recently established industrial advisory panel, led by long–term Chairman of the Management Board and the current Deputy Chairman of the Supervisory Board Dr. Holger Zinke. The industrial advisory panel is made up of well-known representatives from business, research and politics, and advises BRAIN on strategic issues. BRAIN views the industrial advisory panel as a valuable instrument that enables it to benefit from the specific skills of experts from outside BRAIN when implementing strategic measures and that it can use to ensure the timely adaption of its strategy to new developments.

14.6 Proprietary collection of natural Resources and Technologies

Before product development starts, BRAIN conducts feasibility tests (technical and commercial) to provide the proof of concept of a certain solution. After the feasibility test, BRAIN uses its BioArchive by way of screening it for suitable active product components with specific features and characteristics. BRAIN AG adopts a holistic approach that enables the identification and development of enzymes, performance microorganisms and BioActive compounds for use in industrial applications on the basis of its resource libraries ("**BioArchive**") and its three core technology platforms (enzyme technology, microbial strains and BioActives). The availability and integration of extensive resource libraries on the one hand and technologies for application–oriented screening, optimisation, and production on the other hand results in an industrial development process and end-to-end, holistic approach that is marketed by BRAIN under the EvoSolution® brand.

The EvoSolution® discovery platform transforms biodiversity into an accessible source of novel biomolecules. It combines BRAIN's BioArchive and metagenomic libraries with molecular biology, screening strategies and application-driven assay systems.

Having identified the right compound, BRAIN (i) defines how to produce the compound and at which costs (process development), (ii) checks whether the compound works in the specified application area (application tests) and (iii) collects all data on how the solution works. In some cases there could be an additional registration phase, e.g. for food or medical applications.

BRAIN's BioArchive as a natural source

BRAIN AG has an extensive proprietary collection of natural resources ("**BioArchive**"), which represents an extract of the toolbox of nature.

One part of the BioArchive consists of several thousand biochemically characterised and genetically classified culturable microorganisms containing a large number of low–molecular weight substances (BioActive compounds). Many of these BioActive compounds are mostly natural secondary metabolites (or in some cases chemically derived derivatives) which were isolated and characterised in terms of structure, molecular weight and source.

The other part of the BioArchive comprises several hundred million genes and genetic informations of microorganisms found in a particular habitat (for example, soil samples, hot water springs, termite guts), which are stored in the form of metagenome libraries. These metagenome libraries contain the genetic information (DNA) of mainly unculturable microorganisms making this resource accessible from otherwise inaccessible species, which represent about 99 % of all microbial life in numerous different habitats. This enables the identification of specific (new, patentable) enzymes with particular characteristics. The newly discovered enzymes can act as catalysts in previously unknown biochemical reactions and thus create interesting new metabolic products. The metagenome libraries are created using metagenome technology, which is marketed under the Metagenome® brand.

BRAIN's BioArchive includes 43 metagenome libraries, 231 Giga–bp of DNA, 300,000,000 metagenome clones, 464 enzyme libraries, and 53,000 characterised microorganisms for strain development or as additional enzyme resource, all of them directly accessible for screening. Furthermore BRAIN's BioArchive contains 450 habitat collections and environmental samples, 11,700 samples derived from edible biomaterials, 13,000 plant fractions available for isolation campaigns, and 49,500 natural and naturally inspired compounds for BioActives screening.

Technology platforms: Enzyme Technology, Microbial Strains and BioActives

BRAIN is set up around three core technology platforms, which are fuelled by BRAIN's BioArchive: Enzyme Technology, Microbial Strains and BioActives. The BioArchive is screened for suitable product components with specific features and characteristics e.g. enzymatic activity that have the necessary effects for an industrial process. During discovery, active ingredients, enzymes and microbial strains must be identified and isolated. In some cases, the microorganisms need to be enhanced by BRAIN AG to become "performance microorganisms" by manipulating their metabolisms to make them suitable and efficient for industrial use.

Enzyme Technology

The first way in which BRAIN AG identifies enzymes is using a platform of pre–characterised and isolated enzymes, which largely consists of a collection of industrially relevant biocatalysts. The enzymes contained in the platform are marketed under the BRAINzyme® trademark.

In addition, BRAIN AG identifies active enzymes on the basis of the enzymes' catalytic activity using BRAIN's Activity–Based Expression Libraries (ABEL®) and Large Insert Libraries (LIL®). These libraries are generated through direct cloning of environmental (metagenome) DNA fragments, which can be used for the identification of novel biocatalysts, enzymes or even complete synthesis routes for natural compounds. In this process the genetic information (DNA) of unculturable microorganisms is transferred into culturable microorganisms using special vehicles known as vectors. This means that each of the modified (culturable) microorganisms contains a piece of donor DNA, which in most cases contains a complete gene from the donor organism. The products of this foreign DNA–information can then be investigated for specific industrially desirable activities (for example, break-down of proteins (proteolysis), fat degradation (lipolysis) or starch degradation (amylolysis)).

Microbial Strains

Microbial strain development is performed to construct and optimise multi–step bioconversion routes in order to provide customised performance microorganisms for high-value industrial production processes using the methods and technologies of synthetic biology.

In order to produce customised microorganisms (known as "performance microorganisms"), the Company starts by screening its BioArchive using its special LIL® technology, for the producers of specific metabolic products. The performance microorganisms are then constructed by specifically manipulating selected metabolic pathways.

BioActives

The CompActives® and the BioCompActives® substance libraries contain numerous ready–to–screen natural compounds, peptides and proteins. In order to identify active ingredients, the Company screens the CompActives® and the BioCompActives® substance libraries for the target biological activity after first developing appropriate molecular detection systems and proprietary, patented, cellular detection systems. A Cell-Based–Assay toolbox comprising pre–cloned receptor modules and different readout systems enables a specific search for substances that boost or reduce certain characteristics. BRAIN AG is able to extract these substances and make them available for industrial use. Using the BRAIN developed ScreenLine® technology. BRAIN is able to offer e.g. direct access to human taste cells, a proprietary BRAIN technology, for BioActives screening. BRAIN´s "Human Taste Cell Technology" ("**HTC Technology**") enables the discovery of novel taste modulators and functional food ingredients and the reconstitution of authentic taste perception. Recombinant approaches (i.e. the targeted novel combination of genetic information) in the cosmetic–field enable BRAIN AG to identify novel so called cosmeceuticals which are used as BioActives in modern cosmetic formulations. In addition to its own libraries, BRAIN has access to the library of AnalytiCon which contains a large multiplicity of natural substances.

Enzymes, performance microorganisms and BioActive compounds as biological solutions

The biological solutions, which BRAIN identifies and develops on the basis of its BioArchive and its technology platforms as core technologies, can be divided into enzymes, performance microorganisms and BioActive compounds. On the one hand these solutions are used by BRAIN´s collaboration partners or other partners as active product components (first business pillar "BioScience"). On the other hand these solutions are commercialised by BRAIN as own products (second business pillar "BioIndustrial").

Enzymes

Enzymes are catalytically active protein molecules which catalyse the (bio–) chemical reactions in all living organisms. In industrial applications, they are e.g. the key ingredients of today's laundry detergents and automatic dishwashing detergents. They enable the reduction of the temperature of the wash liquor from boiling to room temperature through degradation of protein or starch based stains into water soluble particles. These mild conditions lead to a huge reduction of power and water consumption necessary for the daily wash.

Performance microorganisms

Performance microorganisms can contain metabolic pathways that have been constructed and optimised in a large number of steps. Performance microorganisms are used to improve high-value industrial production processes, and have been customized for their desired industrial uses. The result is the improvement of the industrial processes by inactivating unnecessary metabolic bypasses. Production microorganisms and performance producer strains are used to create natural alternatives to fossil oil derived materials, as well as for the production of bulk substances such as vitamins, amino acids, rare carbohydrates and input materials for the pharmaceutical industry.

Furthermore, performance microorganisms can have some extracellular layers which enable them to specifically bind to defined surfaces such as precious metals or rare earths. Such microorganisms can be applied in processes as "bio–mining".

Active Ingredients

Active ingredients are low molecular weight compounds preferably from natural sources like microorganisms or edible plants. Such molecules show a biological activity e.g. by binding (either inducing inhibition or activation) to a cellular receptor or by influencing cell signalling of targeted cells. Active ingredients are used e.g. as bitter blockers, salt taste enhancers or sweeteners as well as cosmetic ingredients (cosmeceuticals).

14.7 Scopes and applications

The biotechnology processes and solutions developed by the Company are used in a wide range of industries and fields of application. The Company's business is primarily focused on the chemical industry, in particular on the speciality chemicals and consumer chemicals industries and consumer goods industry (see *14. Business – 14.3 Market and Competition – Market*). BRAIN focuses on the widest range of product sectors and target submarkets within these industries.

In the market sector speciality chemicals, BRAIN focuses primarily on the product sectors enzymes, nutrition, woundcare, and biosubstitutes.

In the product sector enzymes, BRAIN discovers novel enzymes or enzymes with superior properties for industrial applications particularly in the fields of nutrition (food and beverage industry) and starch processing. BRAIN focuses on the development of own food and starch processing enzymes as well as their production and sale through its subsidiary WeissBioTech GmbH. For example, BRAIN has developed an α–Amylase for starch processing to improve in stability and activity. This α–Amylase is manufactured by WeissBioTech GmbH and addresses different B2B-markets such as potable alcohol, baking or laundry detergent.

For the nutrition product sector BRAIN develops food additives such as natural sweeteners and sweet and salt enhancers. The focus of BRAIN is on naturel sweeteners and sweet taste enhancer for snacks and morning foods.

In the product sector woundcare, the enzymes isolated by the Company (planned to be marketed as "Aurase") are used for enzymatic wound cleaning and are applied in the advanced woundcare sector.

In addition, BRAIN uses bio products and processes in the product sector bio substitutes. For example, in the field of green mining, the performance microorganisms identified by the Company are being used in the mining of precious metals such as gold and silver or rare earth and industry metals and for recycling of metals from electronic scrap or waste waters. BRAIN is also active in R–perillic acid, bio–based lubricants, and bioplastics. These also represent a target submarket in the product sector biosubstitutes.

In the market sector consumer chemicals, BRAIN focuses on the product sector cosmetics and care, particularly for the premium anti–aging and personal care sector. Here, enzymes and BioActive ingredients are used as active substances in the traditional formulation of creams and lotions. Due to their biocatalytic properties, enzymes and proteins are used among other things in wrinkle treatment. For example, in this scope of application BRAIN owns the MMPI (matrix metalloproteinase inhibitor) peptide, a natural BioActive substance to combat skin aging. This recombinant human BioActive molecule is manufactured by BRAIN as a proprietary BioActive compound and exclusively used in cosmetics products distributed by Mekon (MYE–cosmetics) and Monteil.

Currently BRAIN is working in particular on the development of different products and product candidates for the speciality chemicals and the consumer chemicals market. The pipeline of BRAIN's own development products and product candidates can be presented as follows:

Market sector	Product sector	BRAIN product	BRAIN's estimates
			Product launch (within years)
Speciality Chemicals	Enzymes	enzyme 1[1)]	2-3 years
		enzyme 2[2)]	3-4 years
	Nutrition	sweet taste modulator 1[3)]	5-6 years
		sweet taste modulator 2[4)]	7-9 years
		salt taste modulator 1[5)]	1-2 years
	Woundcare	enzyme 3 – EU[6)]	1-2 years
		enzyme 3 – USA[6)]	3-4 years
	Bio-Substitutes	mining organisms 1[7)]	2-4 years
		mining organisms 2[8)]	2-4 years
		anti microbial bioactive 1 (COS)[9)]	3-4 years
		anti microbial bioactive 2 (FOOD)[9)]	5-6 years
		bio lubricants[10)]	3-4 years
		renewable bio-plastics[11)]	5-8 years
Consumer Chemicals	Cosmetics/Care	BioCosmetics B2C 1	1-2 years
		BioCosmetics B2C 2	2-3 years

1) Enzyme for application in the field of nutrition (food and beverage industry), which shall ensure a compatibility in case of lactose intolerance.

2) Alpha-amylase, which converts all types of starch with a higher activity at low pH and moderate temperatures.

3) Sweet enhancer without a taste of its own to reduce sugar content in food.

4) Biological sweetener with a classical artificial sweetener mechanism.

5) Natural compound (originates from a plant) to reduce salt content in food by up to 50 %.

6) Enzyme for the woundcare application, which shall be a less painful alternative to the maggot therapy.

7) Organism used to mine precious metals with the aim to isolate gold from its ore (cyanide mining of precious metals).

8) Organism for rare earth elements mining.

9) Anti-microbial bioactives, one for cosmetics and one for food applications, which are natural compounds and have a broad range of antimicrobial activity.

10) Lubricants which are biodegradable and non-toxic in nature and derived from vegetable oils.

11) Renewable bioplastics solution with CO2 as a feedstock.

The information shown in the aforementioned table, in particular the dates of the product launches, are not binding. The development of a product and its launch depends on a number of factors, which are in some cases beyond the Company's control. Besides, BRAIN depends on the availability of sufficient financial means for the development of the products (see *14. Business – 14.13 Material Contracts – Dependence on material contracts*). Hence, the development and the launch of a product may generally fail in every stage of the process and it is possible that none of the products will be successfully launched on the market and that no future revenues may be generated. The information contained in the table gives only a general overview of BRAIN's current product pipeline and does not inform about the current status of the development and the possible launching of the products in detail.

14.8 R&D partners and collaboration projects

BioScience – the first pillar of BRAIN's business – comprises the Company's collaboration business with industrial partners. In this regard based on collaboration agreements, BRAIN AG provides technologies and expertise in the fields of enzymes, performance microorganisms and BioActive compounds to chemical and pharmaceutical companies, as well as to companies active in the food and cosmetics industries. These products and services are provided both independently and in cooperation with BRAIN AG's subsidiary, AnalytiCon, a specialist in natural substances. The objective of the collaboration agreements is to develop solutions and biological processes for various sectors within the industry as part of (joint) research and development activities. Some of the collaboration agreements are designed for long–term collaboration (framework agreements), with individual projects only being specified during the course of the partnership, while some agreements are project-based and as a result are entered into at varying terms.

BRAIN AG frequently works with its industrial collaboration partners on an exclusive basis ("**Exclusive Partner Collaborations (EPC)**"). It identifies the applicable biological substances and solutions and provides these to its partners as small–scale samples for further use and exploitation. In principle, the industrial partners manufacture the substances and solutions themselves.

The partners are usually granted an exclusive right to use and exploit the defined results of the research and development work in a contractually defined area of use. As a rule, they are entitled to apply for intellectual property rights to the results of the research and development work. BRAIN AG frequently reserves the right to also use these results, albeit limited to its own research work. In this case, use of the results as part of other contract and joint research projects is not permitted. BRAIN usually secures the rights to the discovered solutions and products outside the contractual scope of use defined with the EPC partner for its own business ("**Alternative Solutions**"). Thereby, BRAIN retains the additional option to use the Alternative Solutions in its BioIndustrial pillar for its own products or for licensing them to third parties earning royalties by third parties.

BRAIN AG receives remuneration for its activities under collaboration projects; this varies between projects. Some collaboration agreements provide for a progressive remuneration framework, with an upfront fee, a research and development fee, a performance–based or development–based fee, and other remuneration such as equity interests, revenue–sharing or participation in the manufacturing cost reduction that the research project is designed to achieve. Other collaboration agreements exclusively specify remuneration for the research and development services provided. In principle, the remuneration component for research and development services is calculated to cover the costs incurred. The payment of further remuneration components – upfront, development–based, or performance-based fees, revenue–sharing – enables the Company to participate in the developed solutions and processes over and above merely covering its costs. However, the period of BRAIN AG's participation in the exploitation of the results is generally limited.

Some collaboration agreements with industrial partners are cofinanced by public grants (EU/BMBF), in particular as part of innovation alliances (see *14. Business – 14.11 Research and Development* and *14. Business – 14.13 Material contracts – Collaboration Agreements – R&D collaboration agreements with industrial partners*).

See the chapter "*14. Business – 14.13 Material contracts*" for an overview of collaboration agreements between BRAIN AG and its industrial and academic partners.

Collaboration projects have been launched and pursued with a number of industrial partners in recent fiscal years. At BRAIN AG more than 100 collaboration projects have already been completed and 32 (including projects with universities and public sector bodies) are ongoing as at the publication date of this Prospectus. Collaboration partners were/are for example Spécialités Pet Food SAS as part of Diana Division, Emscher Genossenschaft, Fuchs Europe Schmierstoffe GmbH, Seltenerden Storwitz AG (now Ceritech AG), BASF SE, Hohenstein Institute für Textilinnovation gGmbH, Kelheim Fibres GmbH, rökona Textilwerk GmbH, Degussa AG (now Evonik Industries AG), Wilde Cosmetics GmbH, RWE Power AG, Autodisplay Biotech GmbH, DECHEMA Gesellschaft für Chemische Technik und Biotechnologie e.V., DSM Nutritional Products GmbH, Bayer Schering Pharma AG, Südzucker AG, Symrise AG, Nutrinova GmbH, Clariant International AG, BioSilta Oy, Ciba AG, Henkel AG & Co. KGaA, Schering AG, Well AG, Madaus GmbH, Sandoz GmbH and Genencor, a division of Danisco A/S.

Examples of completed collaboration projects

The following projects are examples of collaboration projects with industrial partners which have already been completed:

Detergents

The Company undertook a joint research project with Henkel KGaA (now Henkel AG & Co. KGaA) to develop optimised enzyme systems for use in detergents. The partnership was partly funded by the German

Federal Ministry for Education and Research (*Bundesministerium für Bildung und Forschung – BMBF*) and aimed to identify active proteolytic enzymes (proteases) from previously uncultivated microorganisms for use in detergents at low temperatures. Enzymes used in detergents are often only active at temperatures exceeding 50°C. Resource consumption can thus be reduced through the development and use of enzymes that are active at lower temperatures, leading to a decrease in necessary – water temperature and a corresponding reduction in energy consumption. In addition, using biological substances can reduce the use of chemical detergents. As part of the project, BRAIN AG identified suitable enzymes from uncultivable microorganisms using metagenomic technology.

Food products

BRAIN AG worked in partnership with Südzucker AG. The aim was to optimise and provide specialised performance microorganisms to develop biological production processes for the manufacture of speciality sugars that contribute to a functional and healthy diet. BRAIN AG applied its protease and strain optimising technology to optimise a producer strain of Südzucker AG (non–genetically modified organism approach). As part of the partnership, BRAIN AG used its BioArchive to identify performance microorganisms and biocatalysts suitable for biological production processes. The optimised strain is now in the production plant and is used for the production of sugar substitutes, for instance, for chewing gum or sweets.

Cosmetics

BRAIN AG and AnalytiCon entered into a strategic partnership with Symrise GmbH & Co. KG (now Symrise AG), a supplier of perfumes, flavourings, and primary cosmetic materials and active substances for the perfumes, cosmetics and food industries, to jointly develop innovative active substances for cosmetics based on natural substances. BRAIN AG made its receptor–based cellular screening technology available to identify BioActive substances used in products for sensitive skin.

Active pharmaceutical ingredients

BRAIN AG worked in partnership with Degussa AG (now Evonik Industries AG) to identify and prepare new alcohol dehydrogenases (ADHs – enzymes used to break down alcohol) for the biotechnological production of starting compounds for innovative medicines. As part of the project, BRAIN AG surveyed its BioArchive, including its metagenomic libraries, identified new ADHs and made these available to the collaboration partner. These enzymes are used to optimise the selectivity and productivity of various biotechnological processes, reducing the quantity of by–products and the costs of the processes.

Processing of CO_2

BRAIN AG completed a research project with RWE AG aimed at breeding microorganisms to develop innovative CO_2 conversion and synthesis pathways. CO_2–containing flue gases from lignite power stations were originally planned to be the basis for these performance microorganisms. More than 3,000 microorganisms were researched to determine and further develop their suitability to bind increased volumes CO_2 more efficiently. The end result is biomass and products with industrial uses such as new biomaterials, bioplastics and intermediate chemical products. These are suitable for a range of applications, e.g. as construction and insulation material, and in the production of fine and speciality chemicals, as well as commodity chemicals.

Examples of ongoing collaboration projects

The following are examples of collaboration projects with industrial partners that are ongoing as at the publication date of the Prospectus.

Wastewater

BRAIN AG has entered into a collaboration agreement with Emscher Genossenschaft, a German water management company. The partnership aims to use carbon–rich wastewater to grow specific oil–forming organisms and to harness the biomass obtained from this process for use as a fuel or raw material, e.g. for the production of high-performance additives in the lubricant industry. The collaboration agreement has been entered into as part of the "Zero Carbon Footprint (ZeroCarb FP)" alliance, a research project partly funded by the German Ministry for Education and Research.

Lubricants

BRAIN AG is working in collaboration with Fuchs Europe Schmierstoffe GmbH to develop enzymatic synthesis processes for the production of lubricant additives from sustainable raw materials. The use of biological substances is aimed at optimising the composition of lubricants used in machinery as well as in a wide range of mechanical applications.

Pet food

BRAIN AG and Spécialités Pet Food SAS as part of the Diana division within the Symrise Group have entered into a strategic R&D partnership in the field of taste science. The partners will work on various programmes to study the mechanism related to taste perception of cats with the ultimate goal to develop and evaluate new ingredients for cat food and new products for cat food. The joint goal for the first programme is to use proliferating cat taste cells ("**CTC**") to screen new ingredients that will improve the palatability of pet food. The CTC–technology used to develop palatability enhancers for cat food shall be derived from the recently patented and published BRAIN AG Human Taste Cell Technology ("**HTC Technology**"), which is currently used by BRAIN for screening purposes to improve human food formulations, for example to reduce dietary and salt intake.

Medical product matrice and textiles

BRAIN AG, the Hohenstein Insitut für Textilinnovation gGmbH, Kelheim Fibres GmbH, a manufacturer of speciality viscose fibres, and rökona Textilwerk GmbH, a manufacturer of materials for medical technology, have formed a research alliance that aims to establish a sustainable bioprocess for the production of specialised alginate components for use in medical product matrices and in the textile industry. BRAIN AG's goal is to develop microbial production organisms for application in industrial quantities of biopolymers in appropriate biofermentation processes on an industrial scale. The aim is to use the biopolymer products in both topical and wound–phase specific dressings as well as for the application–specific modification of matrices in technical textiles.

Green–mining

BRAIN AG is an industrial alliance partner in the "EcoMetals" Franco–German research programme. The alliance partners aim to develop innovative and sustainable methods for the extraction of copper and other valuable metals from European primary and secondary raw material sources for practical application. The focus is on reprocessing copper shale from Poland, as well as copper-rich waste heaps from Germany and the by–products of French mining activities. BRAIN AG is supporting the programme through its research and its BioArchive to search for and discover suitable candidates capable of extracting metals from complex minerals even under harsh conditions such as high salt levels, high proportions of organic or inorganic components or extreme pH values.

14.9 Commercialisation of own products

In addition to its collaboration with industrial partners, the second pillar of BRAIN's business "BioIndustrial" focuses on commercialising its own products. BRAIN AG is leveraging the knowledge and solutions gained from its research and development activities to establish its own industrial business based on biotechnology products. This aims to enable the Company to extend beyond its pure partnership–based development activity to participate in the value chain on a permanent and less restricted basis. BRAIN AG establishes itself as a technology company on new markets and in the associated sales channels either through industrial partners or via subsidiaries acquired for this purpose as part of targeted acquisitions. The subsidiaries use the biological solutions identified and developed by BRAIN AG to produce a range of products and sell these on the market as independent companies.

WeissBioTech GmbH

WeissBioTech GmbH and its affiliate WeissBioTech France S.A.R.L. (WeissBioTech GmbH and WeissBioTech France S.A.R.L. together "**WeissBioTech**"), specialise in technical enzyme solutions for niche industries and are active in the production, marketing and sales of enzyme products for industrial use. The core focus of WeissBioTech is on marketing enzymes that have already been identified, although WeissBioTech also sells new types of enzymes solutions through the combination of known enzymes. WeissBioTech serves the starch processing, beverage and food industries with enzymes, natural preservatives and yeast starter cultures. The product portfolio comprises almost 50 different products that can be applied in approximately 80 different technical applications.

WeissBioTech does not conduct own research and development activities, instead it uses the knowhow of BRAIN AG for this purpose. BRAIN AG handles the optimisation and biological implementation of the processes used by WeissBioTech by screening its BioArchive and using its technologies. Subsequently WeissBioTech uses the solutions identified by BRAIN AG in the production process of its own products and harnesses them in this way. For example, in August 2015 WeissBioTech and BRAIN AG initiated a collaboration for the bio–production of technical enzymes for the dairy industry. During this collaboration new enzymes for the production of dairy products will be developed based on BRAIN's BioArchive and WeissBioTech is responsible for the production and the sale of the new products from this collaboration with its application know how and market knowledge.

As of September 30, 2015 WeissBioTech employs 20 staff and one managing director.

Within the group, WeissBioTech GmbH, with registered office in Ascheberg, is responsible for administration, purchase, production planning and logistics in combination with marketing and sales. Production facilities, product confectioning, storage and labs of WeissBioTech are located at WeissBio-Tech S.A.R.L. in

Chanteloup–en–Brie near Paris, France. The production location has been ISO 9001:2008 certified in 2014 by TÜV Rheinland for the formulation and packaging of enzymes and ingredients for the food and bio–ethanol industry. WeissBioTech is already in the possession of several production strains. Thus, it has the capacity to produce smaller quantities of enzymes which are the raw materials for their formulated products. For the production of larger quantities of enzymes, WeissBioTech currently is using toll manufacturers.

L.A. Schmitt GmbH Chem. Kosm. Fabrik

BRAIN develops and manufactures cosmetic and wellness products via its subsidiary L.A. Schmitt Chem. Kosm. Fabrik GmbH ("**L.A. Schmitt**") with registered office in Ludwigsstadt. This company's product portfolio includes in particular cosmetic formulations such as creams, body wash, and hair care products. The L.A. Schmitt business area covers production, filling and packaging, and quality control. BRAIN delivers biological substances to L.A. Schmitt, which uses these substances as ingredients. L.A. Schmitt's business focuses on the production and sale of white label products. L.A. Schmitt also acts as a supplier for BRAIN's sales companies Monteil Cosmetics International GmbH and Mekon Science Networks GmbH. To a lesser extent, it also markets products under its own brands. As of September 30, 2015, L.A. Schmitt has 20 employees and one managing director.

Monteil Cosmetics International GmbH

The Monteil Cosmetic International GmbH ("**Monteil**"), with registered office in Düsseldorf, is a pure marketing and sales company that markets various cosmetic industry product lines under its own MONTEIL brand. Its core focus is on premium anti-aging products. The company's products – which are predominantly for the skincare segment – are partly manufactured by L.A. Schmitt on the basis of BRAIN´s formulas. Some of Monteil's product lines are cosmeceuticals, which also link directly to BRAIN AG's business activities. In collaboration with BRAIN AG and AnalytiCon, the first products containing biologically active substances have already been developed and launched on the market. As of September 30, 2015, in total ten employees work for Monteil and one managing director.

Mekon Science Networks GmbH

Mekon Science Networks GmbH ("**Mekon**") is a sales company that markets premium cosmetics products primarily to end customers. The label marketed by Mekon is MYE–cosmetic, which is focused on cosmetic products with biotechnological active ingredients for skincare. Currently, Mekon works on developing further cosmetic products for baby care and sustainable cosmetics. As of September 30, 2015, the Company with registered office in Eschborn has three employees on permanent basis and one managing director and works together with a network of freelance professionals.

14.10 Marketing, acquisition of new collaboration partners, distribution of products

The acquisition of new collaboration partners and leverage of new business potential within the first pillar of BRAIN's business ("**BioScience**") is largely based on (i) the reputation that accompanies successfully completed collaboration projects, and (ii) market awareness of BRAIN.

On the one hand, collaboration partners with whom BRAIN AG has successfully completed projects in the past frequently return with new projects; on the other hand, the successful completion and announcement of collaboration projects raises BRAIN AG's profile among potential new collaboration partners. For example, the French Ministry responsible for national education, higher education and research (*la Ministère de l'Éducation nationale, de l'Enseignement supérieur et de la Recherche*) has recently instanced the completed collaboration between RWE AG and BRAIN AG for new possibilities of valorisation of CO_2 in its report "stratégie nationale de recheche" published in March 2015 (see also *14. Business – 14.8 R&D partners and collaboration projects – Examples of completed collaboration projects*).

The marketing of BRAIN's biotechnology solutions is focused primarily on presenting and promoting BRAIN. The members of the Management Board of BRAIN AG and the senior managers of BRAIN regularly attend all exhibits on trade conventions, author publications in specialist media, give scientific lectures, and organise summer schools for students. In addition, BRAIN's managers are active members of specialist societies and associations, and maintain networks of political contacts. The Company believes that these marketing activities and BRAIN's public relations work ensure BRAIN's market perception as a leading biotechnology company.

BRAIN's sales and marketing activities within the second pillar of its business through its affiliates ("BioIndustrial") are focused on online retailing and the use of sales partners. For example, the MYE-branded products marketed by Mekon are primarily sold via an online store, as well as at pop–up stores in various towns and cities. WeissBioTech leverages a global sales network to market enzymes for industrial applications, which enables it to operate on a global scale despite its limited number of employees. A total of 18 distributors are active on all continents in the countries that the Company believes are crucial for market reach in the markets served by WeissBioTech.

14.11 Research and Development

Research and development performed in collaboration with industrial enterprises and universities presents the first pillar of BRAIN´s business "BioScience" and thus is one of BRAIN AG's main areas of activity (see *14. Business – 14.8 R&D partners and collaboration projects*).

In this context BRAIN AG also regularly participates in research tenders in the field of bioeconomics. At present, BRAIN AG is an alliance partner in two research projects forming part of the "Industrial Biotechnology Innovation Initiative" co–funded by the German Federal Ministry for Education and Research (*Bundesministerium für Bildung und Forschung – BMBF*) – the first funding measure under the federal government's 2013 "National Research Strategy BioEconomy 2030". A total of five strategic alliances were selected to receive funding as part of the "Industrial Biotechnology Innovation Initiative".

In the first BMBF–founded research alliance, BRAIN AG is responsible for coordinating the Strategic Alliance "Natural Life Excellence Network 2020" research programme (NatLifE 2020), half of whose total funding of approximately € 30 million is being contributed by the BMBF as part of the "Industrial Biotechnology Innovation Initiative". The industrial partners in the alliance include BRAIN AG's subsidiaries L.A. Schmitt and AnalytiCon. The objective of the NatLifE 2020 project is to use biologically active substances to develop food products that will make a significant contribution to health.

In the second BMBF–founded research, BRAIN AG is an industrial partner in the Strategic Alliance "Zero Carbon Footprint (ZeroCarb FP)", which is coordinated by the Emschergenossenschaft – Lippeverband and which has a total budget of approximately € 46 million. The objective of the ZeroCarb FP alliance is to use microorganisms to convert high–carbon industrial waste streams into functional biomass. BRAIN AG and another alliance partner contributed the use of carbon dioxide from flue gas to the project.

In the course of these BMBF-funded alliances, BRAIN AG has signed a number of cooperative agreements with industrial partners and academic partners as both the principal and the agent (see *14. Business – 14.13 Material contracts – Collaboration Agreements*).

BRAIN AG further conducts independent research on new solutions for industrial purposes without having been specifically commissioned by a collaboration partner. BRAIN AG uses the solutions discovered outside of specific contracts either for commercialising by granting licences to third parties or by setting up own market access points via its subsidiaries (second business pillar of BRAIN "BioIndustrial"), or in future collaboration projects with industrial partners (first business pillar of BRAIN "BioScience"). Moreover, BRAIN AG's staff continuously researches how to further enhance the processes and technologies used by the Company for resource identification and development. In doing so, BRAIN is pursuing the research and development strategy to create a leading and comprehensive technology platform for the discovery and development of biotechnology solutions. BRAIN AG uses an extensive range of own technologies that enable it to draw on a wide variety of resources for the identification and development of new biotechnology solutions.

Development costs were not capitalised in the Consolidated Financial Statements 2012/2013, 2013/2014 and 2014/2015; instead, they were recognised as expenses in the period in which they arose.

14.12 Regulatory environment

BRAIN performs genetic engineering operations and operates genetic engineering installations, both of which are subject to the German Genetic Engineering Act *(Gesetz zur Regelung der Gentechnik – Gentechnikgesetz*) and further regulation, including the German genetic Engineering Safety Odinance (*Gentechnik–Sicherheitsverordnung*).

The Genetic Engineering Act establishes a number of requirements for genetic engineering operations and for the operation of genetic engineering installations, relating to inter alia risk assessments, precautionary measures including work safety, professional qualification requirements for involved personnel, requirements relating to disposal of wastewater and waste, record keeping and the installation of certain designated personnel for biological security. The Genetic Engineering Act also introduces a specific liability regime for situations in which a person is killed or injured or objects are damaged due to characteristics of organisms which are based on genetic operations.

Furthermore, genetic engineering operations may only be performed in genetic engineering installations. The construction and operation of and major alterations to such genetic engineering installations require either notification or registration or authorisation, depending on the safety level to which the genetic engineering operations performed in the installation are assigned.

The Genetic Engineering Act distinguishes between four safety levels, which classify the genetic engineering operations according to their hazardous potential ranging from safety level 1 (no risk to human health or the environment) to safety level 4 (high risk to human health or the environment).

The construction and operation of and major alterations to the location, nature, or operation of genetic engineering installations in which genetic engineering operations of safety levels 3 or 4 are performed require authorisation by the competent authority (installation authorisation). With regard to genetic engineering installations in which genetic engineering operations of safety levels 1 or 2 are performed, the operator of the installations merely has to notify the competent authority in writing of the construction and operation of and major alterations to the location, nature, or operation of the genetic engineering installations and of the intended initial genetic engineering operations; if safety level 2 applies, registration is required in addition.

BRAIN currently exclusively performs genetic engineering operations classified as safety levels 1 or 2 and has, therefore, registered its genetic engineering installations with the competent authority. As BRAIN does not accomplish genetic engineering operations of safety levels 3 or 4, an installation authorisation is not required. Additional genetic engineering operations other than those covered by the original registration or authorisation may be performed without notification, if they fall under safety level 1. If the additional genetic engineering operations fall under safety level 2, notification for each dedicated new project is required. If the additional genetic engineering operations fall under a higher safety level than the level covered by the registration or authorisation, a new approval must be obtained. This is neither currently not the case nor planned by BRAIN for the future.

In the cosmetics sector, BRAIN also releases or places to the market genetically modified substances or products containing such substances. For this, BRAIN has the respective permit pursuant to section 14 et segg. Generic Engineering Act.

Two senior employees (PhDs) of BRAIN AG are authorised to supervise the work with potential pathogens capable of reproduction in accordance with section 44 of the German Infectious Diseases Protection Act *(Infektionsschutzgesetz)*.

In addition to the requirements under the Genetic Engineering Act, indirectly through its collaboration partners or directly or through its subsidiaries, BRAIN comes into contact with numerous German and European regulatory requirements – such as, for example, the EC Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals "REACH" (Regulation (EC) No. 1907/2006), the Regulation on Food Enzymes (Regulation (EC) No. 1332/2008), the German Food and Feed Code *(Lebensmittel–, Bedarfsgegenstände– und Futtermittelgesetzbuch)*, the German Medical Devices Act *(Medizinproduktegesetz)*, and the German Cosmetics Regulation *(Kosmetikverordnung)*. On the one hand, this applies where products that the collaboration partners want to launch on the market have to meet certain regulatory requirements that already have to be considered during the research and development work performed by BRAIN in relation to the future use of the products. Together with Symrise AG, BRAIN has developed the so-called Symsitive 1609 compound which currently is marketed as a cosmetic ingredient. Here BRAIN supported the industrial partner during the approval process to launch the compound to the market.

On the other hand, this applies where BRAIN manufactures and markets products directly to end consumers (B2C). For example, the German Medical Devices Act specifies that medical devices may only be placed on the market or put into service if they bear the European CE–marking. Among other things, this marking requires that certain safety regulations to protect health and safety are taken into consideration during the development and manufacture of the medical device. The requirements under the German Medical Devices Act affect BRAIN, for example, in the area of wound care, where BRAIN has isolated an enzyme used for wound conditioning. The patented component is planned to be marketed as "Aurase" and is envisaged to be contained in medical products to ensure a better healing of chronic wounds.

As a further example, in the area of cosmetics BRAIN is subject to the requirements of the German Cosmetics Regulation. In accordance with these Regulations, manufacturers of cosmetic products (e.g. L.A. Schmitt) must notify the authorities of the manufacturing location before products are launched. In addition, the Cosmetics Regulation specifies that cosmetic products may only be launched on the market if they are labelled in German language in accordance with the EU Regulation on Cosmetic Products (Regulation (EC) No. 1223/2009). Furthermore, the provisions of section 4 "marketing of cosmetic products" of the German Food and Feed Code must be taken into consideration when manufacturing and launching cosmetic products. In this regard, cosmetic products may, for example, not be placed on the market using misleading labelling, information, or packaging, and cosmetic products may not be advertised using misleading descriptions or other assertions.

14.13 Material contracts

Collaboration Agreements

BRAIN AG has entered into a large number of collaboration agreements with industrial partners as well as with universities and public sector bodies in recent fiscal years. Depending on the project, their terms range from a few months to several years. Some of the research and development work is co–funded by public grants. This relates in particular to projects pursued under the ZeroCarbFP and NatLifE 2020 innovation alliances.

R&D collaboration agreements with industrial partners

Since the beginning of fiscal year 2012/2013, BRAIN AG has entered into R&D collaboration agreements as a contractor with various chemical industry companies, consumer goods companies and industries associated with them as the principal. In addition, the last three fiscal years have seen the continuation of R&D collaboration agreements that were entered into before this point but have not yet been completed. In the case of some collaboration agreements, their terms extend beyond the fiscal year 2014/2015. For other projects that have been completed over the last three fiscal years, BRAIN AG will continue to receive royalties in subsequent fiscal years. At the date of this Prospectus 15 projects with industrial partners (together with projects with universities and public sector bodies 32 projects) are still ongoing. Besides, nine projects have been completed, but BRAIN AG will continue to receive royalties.

The primary object of the R&D collaboration agreements, into which BRAIN AG partly enters in cooperation with its subsidiary AnalytiCon, a specialist in natural substances, is to identify and harness natural resources through the use of technologies and methodologies in the field of molecular biology as part of research and development projects (see *14. Business – 14.8 R&D partners and collaboration projects*). Research and development work on solutions and biological processes is performed for contractually determined areas of use. Some of the agreements provide for separate arrangements to be entered into, provided that exploitation of the findings outside the contractually determined areas of use is promising.

The collaboration partners are mainly granted exclusive rights to use and exploit the results of the research and development work in a contractually defined area of use. As a rule, they are entitled to apply for intellectual property rights to the results of the research and development work. BRAIN AG generally reserves the right to use these results, albeit limited to its own research work. In this case, use of the results in other collaboration is not permitted.

BRAIN AG usually retains rights to existing expertise and technologies. In principle, BRAIN AG also secures the rights to the discovered solutions and products outside the contractual scope of use defined with the EPC partner for its own business ("**Alternative Solutions**"). Thereby, BRAIN retains the additional option to use the Alternative Solutions in its BioIndustrial pillar for its own products or for licensing them to third parties earning royalties by third parties.

In the case of cooperative R&D projects where the partners work together on specific research and development projects, BRAIN AG has the rights within its own area of responsibility and has shared rights on a proportional basis in the common rights. Intellectual property rights to the shared findings are applied for jointly in such cases.

BRAIN AG's remuneration is structured differently depending on the respective R&D collaboration agreement. Cooperation agreements with industrial partners mainly provide for a progressive remuneration framework, under which BRAIN AG initially receives an upfront fee. The Company subsequently receives a research and development fee that is due at intervals and in instalments over the term of the agreement. Performance-based and/or development-based fees are also paid. These become due once contractually defined milestones in the respective development project have been reached. If the exclusive rights to use and exploit a product component for a defined area of use are transferred to the partner, BRAIN AG receives a nominal license fee and/or a percentage share in the revenues generated using the product component.

It is frequently the case that BRAIN AG is required to work with the contractual partner on an exclusive basis, both during and after completion of the partnership, and to undertake research and development work in the corresponding area of use exclusively for the partner. The exclusivity clauses vary in duration and scope.

In general, the Company assumes no liability under research and development partnerships that the development results or parts thereof are commercially viable and free from third-party rights, including intellectual property rights, even though it agrees to undertake reasonable efforts to ensure that third-party rights are not infringed. If the collaboration partner is provided with existing materials from R&D work, BRAIN AG is generally not liable for the usability, characteristics, applicability of and risks in relation to the materials provided.

The R&D collaboration agreements are entered into for varying terms. They may be terminated by both partners for good cause. Aside from the right to terminate for gross contractual violations, the contractual partners are generally entitled to terminate the agreements if the task cannot successfully be completed due to technical, scientific, and/or objective economic circumstances or requirements, and further work on the research and development programme and associated goals is therefore unreasonable for the contractual partners. In addition, some of the agreements give industrial partners the option to terminate as of the end of a month or quarter, or following achievement of determined project milestones. In this case, BRAIN AG must be remunerated for services already provided and reimbursed for expenditures already incurred.

Some R&D collaboration agreements were entered into with industrial partners as part of innovation alliances in which BRAIN AG is a partner (NatLifE 2020 and ZeroCarb FP), and are co–funded by public grants from the Federal Ministry for Education and Research (see *14. Business – 14.11 Research and Development)*. BRAIN AG receives a remuneration package that covers its costs for its work under these partnerships. In one case, the agreement also provides for a share in the exploitation of a patentable product resulting from use of the research and development findings.

R&D agreements with universities and public–sector bodies

BRAIN AG has entered into R&D agreements with various universities and public-sector bodies as part of the ZeroCarbFP and NatLifE 2020 innovation alliances (see *14. Business – 14.11 Research and Development*).

BRAIN AG commissions the academic partners to perform research and development tasks, and their costs are reimbursed in return for their work. The results of the research and development work are made available to BRAIN AG. BRAIN AG handles the registration and defense of the innovation in relation to intellectual property rights on behalf of all of the partners involved in developing the innovation.

The first three–year projects will end in the first (NatLife 2020) or second quarter of 2016 (ZeroCarbFP). BRAIN will apply in both programmes for the second of three phases in similar grant volumes with the focus on development rather than research and development.

In addition to its cooperation with academic partners, BRAIN AG also commissions private-sector companies to perform research and development work under the NatLifE 2020 innovation alliance co-funded by the BMBF. The contractual partners receive a remuneration package for their research and development work.

Share purchase agreement relating to shares in AnalytiCon Discovery GmbH

As per December 20, 2013, the Company purchased a total of 57.71 % of the shares in AnalytiCon Discovery GmbH with economic effect as of October 1, 2013, at a total price of € 2,740,250 from two different sellers.

By means of a share purchase and assignment agreement dated October 30, 2013 the Company purchased in a first step shares in AnalytiCon Discovery GmbH with a total nominal value of € 84,800 equal to a quota of 54.8 % of AnalytiCon Discovery GmbH's total share capital. The total purchase price amounted to € 2,650,000.

In a second step the Company acquired a further share in AnalytiCon Discovery GmbH with a nominal value of € 4,500 equal to a quota of 2.91 % in its share capital by share purchase and assignment agreement dated November 12, 2013. The purchase price for this further share was equal to € 90,250.

The transfer of the shares in AnalytiCon Discovery GmbH was subject to certain conditions precedent (including inter alia the approval of the Shareholders' meeting of AnalytiCon Discovery GmbH).

Put- and Call–Options relating to further shares in AnalytiCon Discovery GmbH

By notarial deeds from 2015, the Company has irrevocably offered each of the three other shareholders of AnalytiCon Discovery GmbH to buy all or specific parts of their shares in AnalytiCon Discovery GmbH in total up to 65,450 shares (so–called Put–Option). The purchase price amounts to € 15.625 per share in each case and will increase gradually depending on the achievement of several contractually defined criteria relating, inter alia, (i) cumulative positions of the financial information of AnalytiCon Discovery GmbH and AnalytiCon Discovery, LLC or – in two cases – (ii) the non–implementation of capital increases. The maximum purchase price amounts to € 62.50 respectively € 93.75 per share. The acceptance of the offer is subject to different conditions and has to be declared within three weeks beginning January 1, 2017, January 1, 2018, January 1, 2019 or January 1, 2020. Furthermore, each of the other shareholders of AnalytiCon Discovery GmbH has irrevocably offered BRAIN AG to sell all of its shares in AnalytiCon Discovery GmbH to BRAIN AG (so–called Call–Option). The purchase price amounts € 125.00 per share in each case and will increase in two cases to € 156.25 per share depending on the non–implementation of specific capital increases. BRAIN AG is entitled to accept the offer at any time, September 30, 2021, at the latest, provided BRAIN AG accepts the offers of all other shareholders of AnalytiCon Discovery GmbH, i.e. for all 65,450 shares in AnalytiCon Discovery GmbH.

Under one agreement, BRAIN AG is also obliged to pay the profit from a resale of the shares to the shareholder, who sold BRAIN AG these shares resulting from the exercise of the Put– or Call–Option,

At the date of this Prospectus neither the Put-Option nor the Call-Option has been exercised.

Investment agreement relating to WeissBioTech GmbH

On November 4, 2014 the Company entered into an investment agreement relating to the acquisition of a 50.6 % stake in WeissBioTech GmbH (formerly WeissBioTech Beteiligungs GmbH) by way of a capital increase and subscribed for a newly issued share in the nominal amount of € 102,500. Beside the payment of the capital contribution in the amount of the nominal value the Company committed to make a further contribution into the capital reserve of WeissBioTech GmbH equal to € 1,397,500 under the condition precedent that the above capital increase is implemented and the articles of association of WeissBioTech GmbH are changed as agreed. The contribution was made on November 28, 2014.

Investment and shareholders' agreements

When acquiring an interest in Analyticon Discovery GmbH, Monteil Cosmetics International GmbH and WeissBioTech GmbH the Company entered into investment agreements with the other shareholders which, together with the existing articles of association, set out the terms governing their relationship. The following contains a summary of principal terms of these investment agreements the Company has entered into at the level of its holdings.

In terms of corporate governance, the agreements among the shareholders typically specify that a number of important decisions about the relevant entities, their operative and strategic plans and important transactions that exceed certain thresholds need to be taken by the shareholders. Thereby, as a rule the shareholders are committed to use all reasonable endeavours to resolve any matters on an amicable basis. In the event of a dispute which cannot be resolved, the investment agreements partly include the implementation of a specified dispute settlement procedure. The purchase price in such a case is equal to the shares' market value, but in any event, no less than the pro rata price based on the enterprise value taken as a basis for the Company's initial acquisition of the shares. In case of AnalytiCon Discovery GmbH, all decisions beyond the ordinary cause of business require the approval of BRAIN AG. However, two shareholders of AnalytiCon Discovery GmbH have the right to object to certain resolutions, which have significant effects on the economic or legal circumstances of AnalytiCon Discovery GmbH (veto right). Moreover, these two shareholders of AnalytiCon Discovery GmbH agreed by a voting trust agreement with BRAIN AG, that they will observe and implement the proposals and guidelines of BRAIN AG for the business policy, the business and financial planning, the appropriation of profits of AnalytiCon Discovery GmbH and further measures and decisions. The voting trust shall not apply to resolutions that would affect the rights concerning the protection of the minority shareholders, in particular all resolutions covered by the veto right.

As regards the distribution of profits of the Company's holdings the statutory provisions generally apply. However, in case of WeissBioTech GmbH solely the Company is entitled to any profits. In return the other shareholders have a right to a financial compensation, so–called "earn out", to be paid by the Company under certain conditions dependent from the achievement of a certain annual surplus. Further, the agreements provide for specified profit distribution quotas under certain conditions.

The investment agreements together with the existing articles of association typically contain a number of provisions relating to transfers of shares in the Company's holdings. All of the agreements contain provisions that restrict transfers of shares of the respective companies. Typically, transfers of shares require the approval of all shareholders. Certain transfers are exempt from this approval requirement, for example, transfers to an affiliate of the transferring shareholder. In addition the investment agreements partly include lock–up periods which ban the transfer of shares for certain periods, for example in case of Monteil Cosmetics International GmbH the shareholders must not assign their shares before December 31, 2015 or in case of AnalytiCon Discovery GmbH the shareholders generally must not assign their shares before September 30, 2021.

The investment agreements typically provide for a right of first purchase. This means that a shareholder who intends to transfer its shares is required to inform the non–transferring shareholders about its intention and the key terms of the envisaged transfer. The non–transferring shareholders are entitled to purchase such shares on a *pro rata* basis on the same terms as the intended transferee. In case of a transfer of shares, the shareholders of WeissBioTech GmbH and AnalytiCon Discovery GmbH have the right to sell and transfer their respective shares, in full or in case of WeissBioTech GmbH also in part, on the same terms, so–called "tag–along–right". If the prospective purchaser does not wish to purchase all shares subject to such tag–along–right, the transfer may not proceed. Under certain circumstances the Company, when intending to transfer all of its shares in WeissBioTech GmbH, may require all other shareholders to transfer their shares on the same terms. In case of AnalytiCon Discovery GmbH, BRAIN AG may require under certain conditions all other shareholders to sell their shares when intending to transfer all of its shares in AnalytiCon Discovery GmbH. The investment agreement for WeissBioTech GmbH also includes put/call-options relating to the shares of the minority shareholders which oblige, or, as the case may be, entitle the Company to acquire a part or all of such shares at a purchase price to be calculated on basis of an agreed formula. The shareholders of AnalytiCon Discovery GmbH have also entered into agreements regarding put- and call-options (see *14. Business – 14.13 Material Contracts - Put- and Call–Options relating to further shares in AnalytiCon Discovery GmbH*).

Besides, BRAIN AG is obliged to increase the share capital of AnalytiCon Discovery GmbH in an amount of up to € 1 million by way of two capital increases against cash contribution at most if and in so far AnalytiCon Discovery GmbH requires share capital and liquidity and the management requests a capital injection until December 31, 2017. In addition, BRAIN AG agreed to grant AnalytiCon Discovery GmbH low-interest loans in order to compensate liquidity shortages.

According to the shareholder agreement between the shareholders of AnalytiCon Discovery GmbH, the shareholders agreed to aim at the transformation of AnalytiCon Discovery GmbH into a stock corporation and have already determined certain framework conditions.

Consultancy and other service agreements

BRAIN AG has entered into agreements with several companies providing consultancy and other services to BRAIN. The scope of services provided by the companies comprises inter alia consultancy on the compliance of products developed by BRAIN with regulatory requirements and preparation and compilation of technical documentation, support in securing new business, for example approach, explore, develop and execute contracts in order to enter new Research and Development Collaborations, development of brand and marketing concepts, sales promotion for products, preparation of and participation in negotiations with business partners as well as analytical services. BRAIN pays the companies inter alia hourly rates, daily rates or fixed compensations as well as staggered compensation comprising hourly/daily fees, milestone and success fees as well as participation on milestones and royalties paid to BRAIN by R&D collaboration partners previously introduced to BRAIN by the respective company.

Purchase and license agreements relating microbial production strains

BRAIN AG purchased microbial production strains including the know how required for their cultivation and utilisation as well as all rights of use, exploitation, development and reproduction from WeissBioTech Research S.A.R.L. in July 2014 and from WeissBioTech GmbH in September 2014, in each case for a purchase price of € 250,000. At the same time BRAIN AG has granted WeissBioTech Research S.A.R.L. and WeissBioTech GmbH, respectively, a non–exclusive license for using these microbial production strains. The licenses are granted for an indefinite period of time. The license fee is 1 % of the net sales in each case.

Know how transfer agreement

By agreement dated July 31/September 12, 2012 BRAIN AG purchased from DSM Nutritional Products AG ("**DSM**") the Know How to manufacture, use and sell certain research results. BRAIN AG paid to DSM a base payment of € 135,000. Besides, BRAIN AG is obliged to a further payment of € 160,000 to DSM as soon as certain contractually defined net sales are reached ("**Success Fee**"). The obligation of BRAIN AG to pay the Success Fee is limited to a period of fifteen years and depends on the amount sold. At the time of this Prospectus, the conditions for the payment of the Success Fee are not met.

Silent partnership agreements

BRAIN AG

On March 10, 2006 BRAIN AG entered into a silent partnership agreement with MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH ("**MBG H**") in the amount of € 1,400,000 to be used only for contractually agreed purposes. As amended by agreement dated June 28/30, 2006, the silent partnership provides for a fixed remuneration amounting to 7.7 % p.a. of the respective contribution and a share in BRAIN AG's profit for the period before income taxes in the ratio of the silent partnership of MBG H to equity (including silent partnership), but no more than 1.25 % of the respective contribution and no more than 25 % of the profit for the period payable within two weeks after adoption of the financial statement. MBG H does not participate in current losses; there is no obligation of supplementary payments (*Nachschusspflichten*). Bürgschaftsbank Hessen GmbH has issued a guarantee covering 70 % of the contribution. BRAIN AG has to pay Bürgschaftsbank Hessen-GmbH a guarantee commission amounting to 1.5 % p.a. of the contribution (plus values added tax). MBG H is entitled to terminate the silent partnership agreement for good cause, such as grossly infringement of obligations under the silent partnership agreement or use of contributions contrary to the contractual purposes. In case of early termination BRAIN AG has to pay a premium. BRAIN AG requires the prior consent of MBG H for certain measures defined in the silent partnership agreement, such as appointment or dismissal of members of the Management Board or transactions which are significantly and substantially beyond the ordinary course of business. In addition, BRAIN AG is obligated not to distribute any dividends during the term of the silent partnership agreement. The entry in the commercial register of the local court of Darmstadt (HRB 24758) was recorded on September 29, 2008. The silent partnership is repayable in three annual instalments beginning on March 31, 2014 and ending on March 31,

2016. On September 30, 2015 the outstanding amounts under the silent partnership with MBG H were € 840,000.

In addition, on May 23/28, 2014 BRAIN AG entered into a silent partnership agreement with Hessen Kapital I GmbH in the amount of € 1,500,000 to be used only for contractually defined purposes. The entry in the commercial register of the local court of Darmstadt (HRB 24758) was recorded on June 17, 2014. The silent partnership provides for a fixed remuneration amounting to 9 % p.a. of the respective contribution and profit participation. The net profit (as defined in the silent partnership agreement) participation of the silent partnership is based on the share of the silent partnership in relation to total equity (as defined in the silent partnership agreement). The profit participation shall not exceed 2.5 % of the respective contribution and shall not exceed 50 % of the profit for the period (as defined in the silent partnership agreement). If no profit for the period is reported in the annual financial statements in accordance with German GAAP in two consecutive fiscal years beginning from the sixth year following the commencement of the silent partnership Hessen Kapital I GmbH is entitled to increase the fixed annual remuneration by 2 percentage points up to and including the fiscal year in which profit for the period is reported in the annual financial statements in accordance with GAAP. Hessen Kapital I does not participate in current losses; there is no obligation for supplementary payments (*Nachschusspflichten*). BRAIN AG may terminate the silent partnership agreement by giving twelve months' notice but only with effect as of a date at least five years after the beginning of the silent partnership. Hessen Kapital I may terminate the silent partnership agreement for different defined causes, such as implementation of measures which are beyond the ordinary cause of business and might have significant effects on the financial position of the Company, in particular the extraordinary extension of the scope of business or the sale of business, as well as – provided Hessen Kapital I has not granted its prior permission – the implementation of measures such as capital increases and reductions or acquisitions of participating interests or payments of dividends. Besides, Hessen Kapital I may terminate the silent partnership agreement for good cause, such as grossly infringement of obligations under the silent partnership agreement or use of contributions contrary to the contractual purposes. In case of early termination BRAIN AG has to pay a premium. The silent partnership is repayable in three annual instalments beginning on June 30, 2022 until June 30, 2024. On September 30, 2015 the outstanding amounts under the silent partnership with Hessen Kapital I GmbH were € 1,500,000

AnalytiCon Discovery GmbH/ AnalytiCon Discovery, LLC

On September 30, 2015 there were no silent partnerships at AnalytiCon Discovery GmbH or AnalytiCon Discovery, LLC. Two silent partnership agreements with tbg Technologie–Beteiligungs–Gesellschaft mbH ("**tbg**") dated September 29/October 17, 2000 in the amount of € 750,000 each with contractual terms until December 31, 2010 were terminated effective June 30, 2010 and were replaced by a loan from tbg in the amount of € 1,500,000 granted by agreement dated June 30/July 2, 2010. The loan is subject to a fixed interest rate and is repayable in instalments beginning in 2010 and ending in 2018. On September 30, 2015 the outstanding amounts under the loan are € 696,594.85.

Loan agreements and factoring agreements

BRAIN AG

On March 24/28, 2009 BRAIN AG entered into a secured investment credit agreement with Commerzbank in the amount of € 2,500,000, which was amended by supplement dated May 19, 2009 ("**Investment Credit Agreement**"). The Investment Credit Agreement is secured by assignment of land charges against the Company's real property in Zwingenberg, Germany, Darmstädter Straße 34–36 in the amount of € 3,500,000. The land charge is subordinated to a € 500,000 land charge which is not assigned to a third party. The loan is subject to a fixed interest rate and is repayable in monthly instalments beginning June 30, 2014. The Investment Credit Agreement terminates on May 30, 2019. On September 30, 2015 the outstanding amounts under the Investment Credit Agreement are € 1,833,333.28.

By means of agreement dated March 25/31, 2015, the shareholder of BRAIN AG MP Beteiligungs-GmbH granted a framework loan to BRAIN AG in the amount of up to € 10,000,000 (the "**Framework Loan I**"). The Framework Loan I bears an interest rate of 5 % and will terminate on December 31, 2016. By supplement dated October 20/23, 2015, MP Beteiligungs-GmbH and BRAIN AG agreed that if and to the extent MP Beteiligungs-GmbH contributes its claims against the Company arising from the framework loan agreement with MP Beteiligungs-GmbH into the equity of BRAIN AG, the Framework Loan I shall be reduced by the amount of the claim contributed into the capital reserve (the "**Amended Framework Loan I**"). Due to the Shareholder Loan Contribution, see *15. Transactions and legal relationships with related Parties – 15.1 Transactions with its shareholder MP Beteiligungs-GmbH*, at the date of this Prospectus the Amended Framework Loan I amounts up to € 8,188,530. By statement dated November 13, 2015, MP Beteiligungs-GmbH committed to demand a repayment of outstanding amounts under the Loan Agreement I with MP Beteiligungs-GmbH until December 31, 2017, only to the extent that the sum of cash, BRAIN AG will receive from the IPO or by other means from other shareholders, other investors, banks or other third parties by increase in equity capital, debt capital or in other ways except payments for supplies and services until the date of the demand of repayment, exceeds the amount of € 8,000,000.

At the date of this Prospectus the outstanding amounts under the Loan Agreement I with MP Beteiligungs-GmbH are € 3.7 million (for a more detailed description of the Framework Loan I see *15. Transactions and legal relationships with related Parties – 15.1 Transactions with its shareholder MP Beteiligungs-GmbH*).

By means of agreement dated October 20/23, 2015 the shareholder of BRAIN AG MP-Beteiligungs-GmbH granted another framework loan to BRAIN AG in the amount of up to € 5,000,000 (the "**Framework Loan II**"). The Framework Loan II bears an interest rate of 8 %. Moreover, with effect as of the signing of the Loan Agreement II with MP Beteiligungs-GmbH commitment interest in the amount of 2 % p.a. has to be paid. The Loan Agreement II with MP Beteiligungs-GmbH will terminate on June 30, 2018. On the date of this Prospectus there are no outstanding amounts under the Loan Agreement II with MP Beteiligungs-GmbH (for a more detailed description of the Framework Loan II see *15. Transactions and legal relationships with related Parties – 15.1 Transactions with its shareholder MP Beteiligungs-GmbH*).

AnalytiCon Discovery GmbH

On January 23/24, 2014 AnalytiCon Discovery GmbH entered into a loan agreement with BRAIN AG pursuant to which BRAIN AG granted a loan in the amount of € 300,000 to AnalytiCon Discovery GmbH in order to substitute silent participation of tbg in AnalytiCon Discovery GmbH. The loan is subject to a fixed interest rate and is repayable in quarterly instalments beginning September 30, 2014 until June 30, 2022. On September 30, 2015 the outstanding amounts under the agreement are € 261,750.00.

By loan agreement dated January 7/24, 2011 Landesbank Berlin AG granted a loan financed with funds from the German Credit Institute for Reconstruction ("**KfW**") to AnalytiCon Discovery GmbH in the amount of € 220,000 which was earmarked for financing machines and equipment used for analytical activities. As KfW has waived repayment of an amount of € 40,000, the loan in an amount of € 180,000 is repayable in quarterly instalments beginning March 31, 2012 until December 30, 2015. The loan bears a fixed effective interest rate. On September 30, 2015 the outstanding amounts under the agreement are € 11,250.00.

Monteil Cosmetics International GmbH

Monteil Cosmetics International GmbH, BRAIN AG and Wilde Cosmetics GmbH ("**Wilde**") had entered into several loan agreements (the "**Existing Loan Agreements**"). Monteil Cosmetics International GmbH had outstanding fixed-rate loan amounts under the Existing Loan Agreements of € 1,300,000 thereof € 650,000 due to BRAIN AG and € 650,000 due to Wilde. With regard to the historical developments which were negatively influenced by a competitive cosmetic market, a number of measures have been executed by BRAIN AG and Wilde. In particular, with a view to the current development of the balance sheet and the economic planning of Monteil Cosmetics International GmbH, BRAIN AG and Wilde decided to strengthen the shareholders' equity and to secure the corporate financing of Monteil Cosmetics International GmbH. Therefore, by agreement dated October 6/7, 2015 Monteil Cosmetics International GmbH and BRAIN AG (the "**New Loan Agreement with BRAIN AG**") and by agreement dated October 6/7, 2015 Monteil Cosmetics International GmbH and Wilde (the "**New Loan Agreement with Wilde**") annulled the Existing Loan Agreements and entered into new loan agreements. According to the New Loan Agreement with BRAIN AG, BRAIN AG committed (i) to pay an amount of € 650,000 into the capital reserve of Monteil Cosmetics International GmbH to be set off against the full amount due to BRAIN AG under the Existing Loan Agreements and (ii) to grant a new fixed-rate loan in the total amount of € 204,990 payable in tranches in 2015. On September 30, 2015 the outstanding amounts under the New Loan Agreement with BRAIN AG are € 150,325.00. According to the New Loan Agreement with Wilde, Wilde committed (i) to pay an amount of € 301,300 into the capital reserve of Monteil Cosmetics International GmbH to be set off against the respective amount due to Wilde under the Existing Loan Agreements and (ii) to grant a new fixed-rate loan in the total amount of € 443,710. An amount of € 348,700 (the further outstanding amount due to Wilde under the Existing Loan Agreement) is deemed to have been paid out under the New Loan Agreement with Wilde; the remained amount of € 95,010 is payable in tranches in 2015. On September 30, 2015 the outstanding amounts under the New Loan Agreement with Wilde are € 408,838.33. The obligation to repay the granted loans under the New Loan Agreement with BRAIN AG and the New Loan Agreement with Wilde requires respective shareholders' resolutions by Wilde and BRAIN AG which are dependent on certain conditions relating the financial position of Monteil Cosmetics International GmbH as determined by an investment agreement dated October 6, 2015. Besides, both BRAIN AG and Wilde agreed to grant Monteil Cosmetics International GmbH additional loans in fiscal year 2016; BRAIN AG in the amount of up to € 273,320 and Wilde in the amount of up to € 126,680. A shareholder's resolution and the respective loan agreements have not been resolved or concluded at the date of this Prospectus.

L.A. Schmitt GmbH Chem. Kosm. Fabrik

L.A. Schmitt GmbH Chem. Kosm. Fabrik entered into two loan agreements with Commerzbank AG as listed below:

- L.A. Schmitt GmbH Chem. Kosm. Fabrik entered into an investment loan agreement, signed July 13, 2010 and amended by supplements dated September 14/29, 2011 and November 13/26, 2013, in the amount of € 200,000. The investment loan is secured by assignment of inventory and receivables (*Globalzession*), land charges against the business property of L.A. Schmitt GmbH Chem. Kosm. Fabrik in Ludwigsstadt in the amount of € 400,000 and declaration of subordination by BRAIN AG and provides for financial covenants that the equity capital must amount to a certain percentage of the balance sheet. The investment loan is subject to a fixed interest rate. The agreement terminated on July 31, 2015. In July 2015 L.A. Schmitt GmbH Chem. Kosm. Fabrik and Commerzbank AG agreed on the refinancing of the loan. The renewed loan is repayable in monthly instalments until July 31, 2020. On September 30, 2015 the outstanding amounts under the agreement are € 196,764.85.
- L.A. Schmitt GmbH Chem. Kosm. Fabrik signed a credit framework agreement on September 14/29, 2011 amended by supplements dated September 14/29, 2011 and January 7/31, 2015 in the amount of up to € 100,000. The credit line is secured by assignment of inventory and receivables (*Globalzession*), land charges against the business property of L.A. Schmitt GmbH Chem. Kosm. Fabrik in Ludwigsstadt in the amount of € 400,000 and declaration of subordination by BRAIN AG and includes the covenant that L.A. Schmitt GmbH Chem. Kosm. Fabrik must inform Commerzbank AG of any reduction or cancellation of credit lines provided by other instituts.Commerzbank AG may terminate the agreement at any time. On September 30, 2015 L.A. Schmitt GmbH Chem. Kosm. Fabrik did not utilise the credit line.

On April 20/27, 2010 BRAIN AG granted L.A. Schmitt GmbH Chem. Kosm. Fabrik a short term loan in the amount of € 50,000 and further short term loans with an amount outstanding of € 470,000 as of September 2014. On April 27/May 8, 2015 the loan agreement was renewed for another short term period until March 31, 2016. With a prior early repayment in the amount of € 70,000 the loan amount was reduced to € 400,000. The loan is subject to a fixed interest rate. On September 30, 2015 the outstanding amounts under the agreement are € 300,000.00.

WeissBioTech GmbH/WeissBioTech France S.A.R.L.

On December 11/18, 2013, the WeissBioTech GmbH entered into a secured credit framework agreement (the "**Credit Framework Agreement 2013**") with Commerzbank AG in the amount of € 500,000. The Credit Framework Agreement 2013 is secured by assignment of receivables (*Globalzession*), pledged term deposits and directly enforceable and irrevocable guarantee and declaration of subordination by third parties and provides for customary covenants, for example that the WeissBioTech GmbH must inform Commerzbank AG of any other loan agreements. Effective July 23, 2014 WeissBioTech GmbH entered into an instalment repayment plan whereby the loan will be repaid in monthly instalments. On September 30, 2015 the outstanding amount under this agreement was € 63,914.24

By agreement dated December 22/29, 2010 amended by supplement dated December 3/5, 2013 WeissBioTech GmbH committed to offer to VR FACTOREM GmbH contractually specified trade account receivables for purchase ("**Factoring Agreement**"). Liabilities under the Factoring Agreement are subject to variable interests rates. The amount of the factoring fees is calculated on the basis of the gross revenue of the submitted invoices and amounts to at least € 25,000 per year. The Factoring Agreement is secured inter alia by guarantee bonds and assumption of liability of debts. Each party may terminate the Factoring Agreement by giving three (3) months' notice to the end of a month. As of September 30, 2015 factoring liabilities amounted to € 252,948.

On September 30, 2015 WeissBioTech GmbH had fixed rate loans in the amount of € 61,685.86 due to WBT Holding AG, St. Gallen, Switzerland, a non–affiliated company. On September 30, 2015 WeissBioTech France S.A.R.L. had fixed rate loans in the amount of € 613,966.91 due to WBT Holding AG. By investment agreement dated November 4, 2014 the repayment of these loans due to WBT Holding AG is conditional to WeissBioTech GmbH's retained earnings exceeding € 900,000, to a positive sum of retained earnings of WeissBioTech GmbH and WeissBioTech France S.A.R.L. and to sufficient liquidity of WeissBioTech GmbH and WeissBioTech France S.A.R.L.

In addition, WeissBioTech GmbH had entered into a loan agreement with Volksbank Münster and into a loan agreement with Sparkasse Westmünsterland. Both loan agreements have expired, but the granted loans have not been repaid fully yet. Based on an agreement with Volksbank Münster which is limited until end of January 2016, the loan granted by Volksbank Münster is repayable in monthly instalments in the amount of € 10,000. On September 30, 2015, the outstanding amount under the loan agreement with

Volksbank Münster was € 109,216.03 and the outstanding amount under the loan agreement with Sparkasse Westmünsterland was € 6,542.03.

Dependence on material contracts

BRAIN is not dependent on individual industrial or commercial contracts.

With regard to the development and further development of its own products BRAIN is dependent on liquidity. The liquidity required for the development of its own products is ensured inter alia by shareholders loans, in particular the loan granted by MP Beteiligungs-GmbH (see *14. Business – 14.13. Material contracts – Loan agreements and factoring agreements*). In this respect, BRAIN is dependent on financial contracts.

14.14 Intellectual property

BRAIN AG holds approximately 350 patents and patent applications. Currently, 48 patent families are in an active state. In 34 of these families the respective national patents were completely or partially granted, whereas the more recent applications are still pending, i.e the examination procedure is in progress. In terms of claim categories the patent families comprise 25 compositions of matter and 23 process/method patents. The fields of the invention range from process/strain development (nine patent families) and enzymes (16 patent families) to BioActives for different applications, such as cosmetics (eleven patent families), nutrition (five patent families) and wound care (seven patent families). Most of these patent families are solely held by the BRAIN AG, only a few are shared between two or more applicants. The complete number of patents and applications as validated in different nations is 152 (Australia, Brasil, Canada, China, Hong Kong, India, Israel, Japan, Mexico, Russia, USA and Singapore) and 330 when including the European countries. On top of these, there are some 60 patents/applications with inventorship by the scientists at the BRAIN AG. Frequently, patent applications originating from industrial and academic collaborations are being offered to BRAIN AG when the focus or business interests of the respective partner have changed. Thus the intellectual property of BRAIN AG's scientific staff is sustained. BRAIN AG owns German national trademarks and Community trademarks. German national trademarks cover the terms "B.R.A.I.N", "LIL", "ABEL", "Sequenzraum", "Metagenom", "EvoSolution", "BRAINzyme", "BRAIN-Metagenom", "BRAIN", "Compactives", "BioCompActives", "Time Care", "b.sensys", "symbiotique", "sensetique" and "Engineering Biology". Community trademarks cover the terms "BRAIN", "TimeAid", "MYE", "Engineering Biology", "Borgifier", "modelBorgifier" and "Aurase". BRAIN AG further owns international trademark registrations, each with a different geographical scope. The international trademark registrations cover the terms "Time Care", "Time Aid" and "MYE". Currently, there is one more Community trademark still being in the process of application. To the extent evident, the application has not been contested so far.

Monteil owns various trademarks, each with a different geographical scope. Amongst these trademarks are national trademarks (two pending), Community trademarks, international trademark registrations covering the terms "ACTIVANCE MONTEIL", "ICE MONTEIL", "MONTEIL", "SOLUTIONS MONTEIL" and the figurative mark "Sphinx". To the extent evident, the two pending applications have not been contested so far.

In addition, L.A. Schmitt and Mekon own further German national trademarks.

BRAIN AG is also owner of several internet domains such as,brain–biotech.de, brain–biotech.com, braincapitalgmbh.com, braincapitalgmbh.de, brain-biotech.biz, brain-biotech.eu, brain-biotech.info, brain-biotech.net and brain-biotech.org.

BRAIN is not dependent on individual patents, licences or manufacturing processes.

14.15 Property, plant, equipment and lease

Property, plant and equipment

The Company's registered offices are located at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany. The Company owns these properties which are about 5,330 sqm. The Company's properties are charged with certified land charges in the total amount of € 4,000,000 in favour of the Company, € 3,500,000 of which are assigned to banks to secure granted loans (see *14. Business – 14.13 Material contracts – Loan agreements and factoring agreements*). BRAIN AG uses its property in Zwingenberg primarily for R & D as well as laboratory activities. Besides, the BioArchive of BRAIN is located in Zwingenberg. In addition, BRAIN AG has a fermentation facility with a production capacity of three (3) cubic metres, for example for the production of enzymes. The fermentation facility is used for the up-scaling of laboratory processes to production scale. Apart from that, BRAIN AG itself has not any other production facilities.

L.A. Schmitt owns about 2,915 sqm office and production facilities in 96337 Ludwigsstadt, Germany, which is encumbered with land charges in the total amount of € 400,000 to secure granted loans. The property is divided into the following areas: production/raw materials warehouse, filling/packaging/shipping, product presentation and office. L.A. Schmitt produces own as well as customer-specific cosmetic- and wellness products and is able to produce up to approx. ten tonnes per day.

The total carrying amount of the properties including constructed buildings amounts to € 4,682 thousand per September 30, 2015.

BRAIN further owns operating and office equipment. The total carrying amount of the operating and office equipment amounts to € 2,195 thousand per September 30, 2015. As of the date of this Prospectus the Company has not more substantial property, plant and equipment, nor is the acquisition of further property, plant and equipment planned.

To the knowledge of the Company there are no environmental issues that could have an impact on the current use of any of its owned properties or its other property, plant and equipment. The offices located at Darmstädter Straße 34–36 are protected monuments and are, therefore, subject to certain restrictions relating to modifications of the buildings.

Lease

BRAIN AG leases 617.53 sqm of offices, workshop and storage space in Zwingenberg, Germany, for its business as well as 193.75 sqm living space used for employees, interns or student workers. The lease agreement is entered into for an undefinite period (see *15. Transactions and Legal Relationships with Related Parties).*

AnalytiCon Discovery GmbH leases approx. 2,276 sqm in Potsdam, Germany (offices and laboratories). The lease agreement is entered into until the end of 2025. AnalytiCon Discovery GmbH may extend the lease agreement twice for a period of five years each time by giving twelve (12) months' notice to the end of the respective term. AnalytiCon Discovery GmbH may terminate the lease agreement extraordinary in two cases: (i) in case AnalytiCon Discovery GmbH decides to close the site by giving 24 months' notice to the end of the quarter and (ii) without a cause by giving 30 months' notice to July 1, 2023. However, the right of extraordinary termination in case of site closure (see (i)) does not include the lease of other laboratories and production facilities by AnalytiCon Discovery GmbH under more favourable conditions.

The WeissBioTech GmbH leases approx. 157 sqm in Ascheberg, Germany (offices). The lease agreement is entered into for an undefined period. Besides, WeissBioTech France S.A.R.L. leases approx. 600 sqm of warehouse, laboratories and offices as well as approx. 130 sqm of field warehouse in Chanteloup–en–Brie, France. The offices are used for administrative purposes, the laboratories for the quality control and the storage facilities for the storage of the raw materials, the mixing and filling of enzymes as well as the packaging, commissioning and shipping of the end products to the customer. The enzymes of WeissBioTech are applied in various sectors of the food, diary and vine industry. In 2014, the production capacity amounted to 1,438 tonnes.

Monteil leases office facilities in Düsseldorf, Germany. The lease agreement terminates by the end of June 2016 but is automatically extended by three months unless notice in writing had been submitted three months prior to expiration.

According to BRAIN's view these lease agreements provide for appropriate and adequate lease conditions.

14.16 Employees

The following table provides an overview of the average number of employees of BRAIN for the periods presented (including temporary employees and scholarship holders).

Fiscal year		
2014/2015	2013/2014	2012/2013
	(audited)	
	employees	
215	176	129

In the fiscal year 2012/2013 BRAIN employed 13 temporary employees and (4) four scholarship holders, in the fiscal year 2013/2014 twelve (12) temporary employees and six (6) scholarship holders and in the fiscal year 2014/2015 13 temporary employees and eleven (11) scholarship holders.

In fiscal year 2014/2015 118 of BRAINS' 215 employees on average worked for BRAIN AG. More than 61 % of BRAIN AG's employees hold university degrees in natural sciences or engineering and 25 % of the employees of BRAIN AG have been awarded doctorates.

The number of employees of BRAIN as of the date of this Prospectus does not significantly differ from the average number on September 30, 2015.

As of the date of this Prospectus, BRAIN is not bound to any collective bargaining agreements, operating agreements or social plans. BRAIN does not belong to an employers' association. There have not been any strikes, walkouts or other disputes with employees.

BRAIN is not subject to employment codetermination as provided by the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*) or the German Codetermination Act (*Mitbestimmungsgesetz*). The members of the Supervisory Board, therefore, are all elected by the general shareholders' meeting.

The Company and its subsidiaries have not entered into pension arrangements with their employees. In addition to the statutory pension insurance systems, occupational pensions at BRAIN AG, at AnalytiCon Discovery GmbH and at WeissBioTech GmbH use direct insurance policies and payments into pension funds and private pension schemes (direct contribution commitment). Besides, there are pension plans for members of the Management Board. These are managed and funded via a pension fund from an external insurer (*Unterstützungskasse*) (direct benefit commitment) and via direct insurance policies (see *18. Management and Supervisory Bodies – 18.3 Management Board*). In the event of early termination of the service agreement with members of the Management Board, a supplementary funding requirement for the benefits (post-employment, disability and survivors' benefits) funded via a pension fund from an external insurer (*Unterstützungsrkasse*) and direct insurance policies could arise. If the vested entitlements of the members of the Management Board are not fully funded at the time of the termination of the service agreement, the Company will still be obligated to pay contributions to the external insurer (*Unterstützerkasse*) and direct insurance policies until the vested entitlements are fully funded. In case of Dr. Zinke, who resigned from its position as member of the Management Board in June 2015, the Company is obligated to pay contributions to the relief fund (*Unterstützungskasse*) and direct insurance policies until the vested entitlements of Dr. Zinke are fully funded, *see 17. Management Board and Supervisory Board – 18.3 Management Board – Service Agreements, Remuneration and other benefits of the Members of the Management Board*.

14.17 Litigation

As of the date of this Prospectus, BRAIN was not involved in any governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Company is aware, during the previous twelve months which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

14.18 Investments

Historical investments

In the period since October 1, 2012 BRAIN has made the following principal investments exceeding the sum of 10 % of the total investment volume of a fiscal year:

In fiscal year 2014/2015 BRAIN AG increased its stake in Monteil Cosmetics International GmbH from 50.5 % to 68.33 % by way of a capital increase under exclusion of the other shareholder, Wilde Cosmetics GmbH. BRAIN AG subscribed for a newly issued share in the nominal amount of € 20,000. Beside the payment of the capital contribution in the amount of the nominal value BRAIN AG committed to make a further contribution into the capital reserve of Monteil Cosmetics International GmbH equal to € 480,000 in two tranches, if and to the extent to which Monteil Cosmetics International GmbH requires further liquidity. At the date of this Prospectus, BRAIN AG made the contribution to the capital reserve. This investment in financial assets was financed from equity capital of BRAIN AG.

In November 2014 the BRAIN AG entered into an investment agreement relating to the participation in WeissBioTech GmbH by way of a capital increase. Beside the payment of the capital contribution in the amount of € 102,500 BRAIN AG made a further contribution into the capital reserve of WeissBioTech GmbH equal to € 1,397,500 (see *14. Business – 14.13 Material contracts – Investment agreement relating to WeissBioTech GmbH*). This investment in financial assets was financed from equity capital of BRAIN AG.

In fiscal year 2013/2014 BRAIN AG invested in the further expansion of its BioArchive (see *14. Business – 14.6 Proprietary collection of natural Resources and Technologies*) by concluding two agreements regarding the acquisition and the subsequent licensing of microbial production strains (see *14. Business – 14.13 Material contracts – Purchase and license agreements relating microbial production strains*). The total purchase price to be paid by BRAIN AG amounted to € 500,000. This investment was financed from equity capital of BRAIN AG.

In fiscal year 2013/2014 BRAIN AG purchased 57.71 % of the shares of AnalytiCon Discovery GmbH for a purchase price of € 2,740,250 (see *14. Business – 14.13 Material contracts – Share purchase agreement* *relating to shares in AnalytiCon Discovery GmbH*). This investment in financial assets was financed from equity capital of BRAIN AG.

In fiscal year 2012/2013 BRAIN invested mainly in lab and production equipment including fermentation facilities and a cosmetics tube filling machine. The tube filling machine (capital expenditures of approximately € 170,000) enables L.A. Schmitt to offer cosmetic products in tubes in addition to jars and bottles. This investment was financed from equity capital of BRAIN AG.

Investments that are in progress

Since October 1, 2015 there have not been and there are no principal investments that are in progress. Accordingly BRAIN AG does not require funding for investments that are in progress.

Principal future investments

As of the date of this Prospectus, there are no principal future investments on which BRAIN AG's Management Board has already made a firm commitment. Accordingly, BRAIN AG does not require funding for investments that are in progress.

14.19 Insurance

BRAIN AG holds a contents insurance policy (*Inhaltsversicherung/Geschäftsversicherung*) with a deductible of € 10,000 and a total coverage of up to € 2,806,000, a building insurance policy (*Gebäudeversicherung*) with a deductible of € 10,000 and a sum insured of € 4,992,300 (building replacement value: € 5,960,806.20), a business interruption insurance policy (*Betriebunterbrechungsversicherung*) with a deductible of € 10,000 and a sum insured of € 10,292,462, a business liability insurance policy (*Betriebshaftpflichtversicherung*) with a sum insured of € 1,534,000 per insurance event and € 3,068,000 for all insured events within one insurance year and an insurance policy for water pollution damages (*Versicherung gegen Gewässerschäden*) in a total coverage to a maximum lump-sum of approximately € 1,534,000 per insured event and approximately € 3,068,000 for all insured events within one insurance year. Furthermore, the Company has taken out a directors and officers ("**D&O**") insurance policy for the members of its Management and Supervisory Board as well as the managing directors of some of its subsidiaries with a deductible in accordance with section 93 para. 2 sentence 3 of the German Stock Corporation Act (*Aktiengesetz*) and a sum insured of € 5,000,000 per insured event and insurance year.

Besides, the subsidiaries of BRAIN AG hold further insurance policies. According to the Company these insurance policies cover the relevant risks for business of its subsidiaries.

15. TRANSACTIONS AND LEGAL RELATIONSHIPS WITH RELATED PARTIES

BRAIN AG had transactions with related parties in the fiscal years ended September 30, 2013, September 30, 2014 and September 30, 2015.

In accordance with IAS 24, transactions with persons or companies which are, inter alia, members of the same group as the Company or which are in control of or controlled by the Company must be disclosed. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of our management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

Set forth below are descriptions of such transactions and legal relationships with related parties for the respective fiscal years and in the period from September 30, 2015 until the date of this Prospectus. In view of the Company all transactions with related parties were carried out on an arm's length basis. For information on the compensation paid to the members of the Company's Management Board and Supervisory Board see *18. Management and Supervisory Bodies – 18.3 Management Board* and *18. Management and Supervisory Bodies – 18.5 Supervisory Board.* In addition, for information on existing pension provisions for members of the Management Board, comprising pensions after reaching the age of 65 as well as benefits for surviving dependants and invalidity, see *18. Management and Supervisory Bodies – 18.3 Management Board* and *14. Business – 14.16 Employees.*

15.1 Transactions with its shareholder MP Beteiligungs–GmbH

MP Beteiligungs-GmbH, held more than 25 % but less than 50 % of the shares of BRAIN AG as of September 30, 2015, as of September 30, 2014 and as of September 30, 2013.

In fiscal year 2012/2013, the General Shareholders' Meeting on March 14, 2013, resolved to increase the share capital by a further € 1,272,590 to € 12,725,818 by issuing 1,272,590 new no–par value registered shares with a notional interest in the share capital of € 1.00 per share and a total issue price of € 7.858 per share against cash contributions, see *17. Description of the Share Capital – 17.2 Development of the Share Capital since the Company's Formation*. MP Beteiligungs-GmbH subscribed for the 1,272,590 newly issued no–par value registered shares against the payment of a total amount of € 10,000,012.12. The implementation of the capital increase was registered with the commercial register on August 21, 2015. There are no outstanding amounts under the MP Beteiligungs-GmbH's cash contribution obligation.

By means of agreement dated March 25/31, 2015, (the "**Loan Agreement I with MP Beteiligungs-GmbH**"), MP Beteiligungs-GmbH granted a framework loan to BRAIN AG in the amount of up to € 10,000,000 (the "**Framework Loan I**"). The Framework Loan I is intended to ensure that the Company has access to sufficient working capital for its business operations.

The Framework Loan I bears an interest rate of 5 %. The Loan Agreement I with MP Beteiligungs-GmbH will terminate on December 31, 2016. The outstanding amounts under the Loan Agreement I with MP Beteiligungs-GmbH have to be repaid at the end of the loan period. On September 30, 2015 the outstanding amounts under the Loan Agreement I with MP Beteiligungs-GmbH were € 5.5 million. In fiscal year 2014/2015 interest expenses for the outstanding amounts under the Loan Agreement I with MP Beteiligungs-GmbH were € 110,000. By supplement dated October 20/23, 2015, MP Beteiligungs-GmbH and BRAIN AG agreed that if and to the extent MP Beteiligungs-GmbH contributes its claims against the Company arising from the Loan Agreement I with MP Beteiligungs-GmbH into the equity of BRAIN AG, the Framework Loan I shall be reduced by the amount of the claim contributed into the capital reserve (the "**Amended Framework Loan I**"). Due to the Shareholder Loan Contribution mentioned below, at the date of this Prospectus the Amended Framework Loan I amounts up to € 8,188,530. By statement dated November 13, 2015, MP Beteiligungs-GmbH committed to demand a repayment of outstanding amounts under the Loan Agreement I with MP Beteiligungs-GmbH until December 31, 2017 only to the extent that the sum of cash, BRAIN AG will receive from the IPO or by other means from other shareholders, other investors, banks or other third parties by increase in equity capital, debt capital or in other ways except payments for supplies and services until the date of the demand of repayment, exceeds the amount of € 8,000,000. At the date of this Prospectus the outstanding amounts under the Loan Agreement I with MP Beteiligungs-GmbH are € 3.7 million.

By means of agreement dated October 20/23, 2015 (the "**Loan Agreement II with MP Beteiligungs-GmbH**") MP-Beteiligungs-GmbH granted another framework loan to BRAIN AG in the amount of up to € 5,000,000 (the "**Framework Loan II**"). The Framework Loan II is intended to ensure that the Company has access to sufficient working capital for its business operations in view of the planned admission of Company's shares to trading on the regulated market. Therefore, the Loan Agreement II with MP Beteiligungs-GmbH contains a provision that the Company shall only be allowed to use the loan amount of up to € 5,000,000 if this Prospectus for the Offering and the admission of the Company's shares to trading on the regulated market has been approved by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). If the Company's shares will not be admitted to trading on the regulated market within six months after the approval of this Prospectus by the Federal Financial Supervisory Authority MP Beteiligungs-GmbH shall be entitled to withdraw from the Loan Agreement II with MP Beteiligungs-GmbH. The Framework Loan II bears an interest rate of 8 %. Moreover, for the provision of the Framework Loan II commitment interest in the amount of 2 % p.a. has to be paid. The Loan Agreement II with MP Beteiligungs-GmbH will terminate on June 30, 2017. The outstanding amounts under the Loan Agreement II with MP Beteiligungs-GmbH have to be repaid at the end of the loan period. On the date of this Prospectus there are no outstanding amounts under the Loan Agreement II with MP Beteiligungs-GmbH.

On October 20, 2015, the General Shareholders' Meeting of the Company resolved to increase the share capital from € 12,725,818 by € 188,530 to € 12,914,348 by issuing 188,530 new no-par value registered shares with a notional interest in the share capital of € 1.00 per share and an issue price of € 1.00 per share against cash contributions (the "**Capital Increase subscribed by MP Beteiligungs-GmbH**"). The shareholder of BRAIN AG MP Beteiligungs-GmbH subscribed for the 188,530 newly issued no-par value registered shares against the payment of a total amount of € 188,530. There are no outstanding amounts under the MP Beteiligungs-GmbH's cash contribution obligation. The implementation of the capital increase was registered with the commercial register on November 6, 2015. Upon registration of the capital increase with the commercial register MP Beteiligungs-GmbH holds 50.65 % of the Company's share capital.

In connection with the aforementioned capital increase MP Beteiligungs-GmbH assumed an obligation towards the other shareholders to contribute its claims against the Company in the amount of € 1,811,470 arising from the above mentioned Loan Agreement I with MP Beteiligungs-GmbH into the capital reserve in accordance with Article 272 subsection 2 nb. 4 of the German Commercial Code (*HGB*) (the "**Shareholder Loan Contribution**"). The contribution was made by concluding an agreement relating to the partial waiver of the repayment of the outstanding amount under the Framework Loan I between MP Beteiligungs-GmbH and BRAIN AG on November 13, 2015.

By statement dated November 11, 2015, MP Beteiligungs-GmbH further committed to provide BRAIN AG with liquidity through capital injection by way of one or more capital increases up to a total amount of € 8,000,000 (the "**Maximum Amount**"), to the extent BRAIN AG requires this liquidity in its course of business until December 31, 2017 (the "**MP Beteiligungs-GmbH Commitment**"). The capital increase may be resolved at the earliest on July 1, 2016. The conditions for the capital increase require the consent of MP Beteiligungs-GmbH. According to the MP Beteiligungs-GmbH Commitment BRAIN AG may only request the subscription of new shares if and to the extent that it requires liquidity. The Maximum Amount will be reduced by the sum of cash BRAIN AG will receive from the IPO or by other means from other shareholders, other investors, banks or other third parties by increase in equity capital, debt capital or in other ways except payments for supplies and services until December 31, 2017 ("**third-party funds**"). If the sum of the third-party funds equals or exceeds the Maximum Amount, MP Beteiligungs-GmbH will not be obliged to subscribe new shares in BRAIN AG.

15.2 Transactions with Dr. Holger Zinke, or companies controlled by him

There were rental relationships between BRAIN AG and Dr. Zinke, Chairman of the Management Board of BRAIN AG until June 2015 and since July 2015 Deputy Chairman of the Supervisory Board of BRAIN AG, or companies controlled by him in fiscal years 2013/2014 and 2014/2015. The Company rents 617.53 sqm of offices, workshop and storage space for its business as well as 193.75 sqm living space used for employees, interns or student workers from Dr. Holger Zinke. The lease agreement has started on April 1, 2014 and is entered into for an undefinite period. In fiscal year 2013/2014·BRAIN AG paid Dr. Zinke € 38,941 for the rental services and in fiscal year 2014/2015·€ 68,148 plus € 9,735 additional costs.

The Company further entered into two lease agreements with a company controlled by Dr. Holger Zinke. This company rents 124.38 sqm of office space from BRAIN AG. The lease agreements have started on April 1, 2014 and are entered into for an undefinite period. In fiscal year 2013/2014·companies controlled by Dr. Zinke paid BRAIN AG € 6,940 for the rental services and in fiscal year 2014/2015 € 13,880.

15.3 Transactions with members of governing bodies or their related parties

In fiscal year 2012/2013 BRAIN entered into agreements concerning its tax consultancy with related parties of members of its governing bodies. As of September 30, 2013 liabilities outstanding to members of governing bodies or their related parties included in BRAIN amounted to € 6,695. As of September 30, 2014 there were no outstanding liabilities under these agreements.

15.4 Transactions with subsidiaries

The Company entered into loan agreements with its subsidiaries in the respective fiscal years, see *14. Business – 14.13 Material contracts – Loan agreements and factoring agreements*, and in fiscal year 2013/2014 into a purchase and license agreement relating microbial production strains with WeissBioTech GmbH, see *14. Business – 14.13 Material contracts – Purchase and license agreements relating microbial production strains.*

15.5 Transactions with Enzymicals AG

Enzymicals AG, Greifswald, is an associate in accordance with IAS 28.2 and is thus classified as a related party in accordance with IAS 24.9.

In fiscal year 2012/2013, Enzymicals AG provided research and development services to BRAIN AG amounting to € 27,307. Besides, BRAIN AG granted a fixed-rate loan to Enzymicals AG whose amount was increased from € 12,495 in fiscal year 2011/2012 to up to € 37,495 in fiscal year 2012/2013. As of September 30, 2013 BRAIN AG had loan and interest receivables from Enzymicals AG amounting to € 27,775 and trade payables to Enzymicals AG amounting to € 9,667.

In fiscal year 2013/2014, Enzymicals AG provided research and development services to BRAIN AG amounting to € 32,333. Besides, BRAIN AG granted a fixed-rate loan to Enzymicals AG whose amount was increased from € 37,495 in fiscal year 2012/2013 to up to € 82,495 in fiscal year 2013/2014. As of September 30, 2014 BRAIN AG had loan and interest receivables from Enzymicals AG amounting to € 83,462 and trade payables to Enzymicals AG amounting to nil.

In fiscal year 2014/2015, Enzymicals AG provided research and development services to BRAIN AG amounting to € 29,925. Besides, on January 22, 2015 BRAIN AG granted a fixed-rate loan to Enzymicals AG whose amount was increased from € 82,495 in fiscal year 2013/2014 to up to € 142,495 in fiscal year 2014/2015. As of September 30, 2015 BRAIN AG had loan and interest receivables from Enzymicals AG amounting to € 142,495 and trade payables to Enzymicals AG amounting to nil.

15.6 Transactions between BRAIN AG's subsidiaries and its related parties

On December 29, 2010 WeissBioTech GmbH and its managing director agreed to grant each other a current account credit. The utilisation of the current account credit assumes that the interests of the other party as well as statutory provisions will not be infringed. The respective balance is interest-bearing. The agreement may be terminated by giving three months' notice to the end of a calendar half-year. As of September 30, 2015 WeissBioTech GmbH had loan and interest receivables from its managing director amounting to € 77,458.

WBT Holding AG, Switzerland, WBT Operations GmbH, Switzerland and OenoBioTech S.A.S., France are classified related companies, as the managing director and minority stake holder of WeissBioTech GmbH, Mr. Hans de Bie, directly or indirectly holds a 50 % stake in the above mentioned companies. WBT Research S.A.R.L., France also is classified a related company, as Mr. Hans de Bie holds a 35 % stake in WBT Research S.A.R.L.

In fiscal year 2014/15 there were the following sales of goods or services between the above mentioned companies and WeissBioTech GmbH and WeissBioTech France S.A.R.L.:

WeissBioTech GmbH had revenues from goods or services delivered to OenoBioTech S.A.S. in the amount of €816,416 and to WBT Operations GmbH in the amount of € 110,421. WeissBioTech GmbH received goods or services from OenoBioTech S.A.S. in the amount of € 488 and from WBT Research S.A.R.L. in the amount of € 219,076. As of September 30, 2015 WeissBioTech GmbH had receivables due from OenoBioTech S.A.S. in the amount of € 155,493 and payables due to WBT Operations GmbH in the amount of € 81,599.

WeissBioTech France S.A.R.L. had revenues from goods or services delivered to WBT Operations GmbH in the amount of € 9,411 and to WBT Research S.A.R.L. in the amount of € 23,000. WeissBioTech France S.A.R.L. had rental expense paid to OenoBioTech S.A.S. in the amount of € 36,861. The rental price was € 5 per sqm.

WBT Holding AG has granted a loan to WeissBioTech France S.A.R.L. in the amount of € 613,997. Interest expense for this loan was € 17,883 in fiscal year 2014/15.

As of September 30, 2015 there were trade payables of WeissBioTech France S.A.R.L. due from WBT Operations GmbH in the amount of € 3,799 und due from WBT Research S.A.R.L. in the amount of € 91,210. WBT France S.A.R.L. also had payables due to OenoBioTech S.A.S. in the amount of €13,241. Besides, as of September 30, 2015 there were trade payables of WeissBioTech France S.A.R.L. to WBT Research S.A.R.L. in the amount of € 91,210.

15.7 Intended Post IPO Framework Agreement

BRAIN AG and some or - as the case may be - all of its shareholders at the date of this Prospectus are under negotiation regarding the conclusion of a post IPO framework Agreement (the "**Intended Post IPO Framework Agreement**") on the reward of certain board members and certain managing employees of the Company for their contributions to the economic success of the Company which will manifest in the executed IPO. According to the current status of negotiations it is intended that some of the current shareholders of BRAIN AG or – as the case may be – all of them sell in one or several tranches following the executed IPO a number of shares of BRAIN AG to certain eligible managing employees of the Company (the "**Beneficiaries**") under still to be defined conditions or, instead of the sale of shares, agreed to make payments to the Beneficiaries if and to the extent they sell their shares of BRAIN AG. According to the current plans BRAIN AG shall be responsible to allocate the Shares granted under the Intended Post IPO Framework Agreement to the Beneficiaries. Beneficiaries under the Framework Agreement shall be the member of the Management Board Dr. Jürgen Eck, the Deputy Chairman of the Supervisory Board Dr. Holger Zinke and the members of the Senior Management of BRAIN AG Dr. Langer, Dr. Meurer, Mr. Goebel and Mr. Krohn (see *18. Management and Supervisory Bodies – 18.4 Senior Management*) as well as the employee Mr. Bröcker. Until the date of this Prospectus no final agreement regarding the conclusion of the Intended Post IPO Framework Agreement could be reached and it is therefore still open if and, if yes, under which conditions the Intended Post IPO Agreement will be concluded.

Depending on the final conditions of the Intended Post IPO Framework Agreement, it cannot be excluded, that the services rendered by Shareholders under this Agreement (selling shares or making payments) have to be classified as equity-settled share based payments in accordance with IFRS. In this case, the Company would have to recognise the services in its consolidated financial statement of comprehensive income as expenses. This would negatively affect BRAIN's results. However, according to IFRS 2R.7 the entity shall recognise a corresponding increase in equity if the goods or services were received in equity-settled share-based payment transactions. Accordingly, the Company would have to recognise an increase in equity capital (usually to the capital reserve) in the same amount in the consolidated statement of financial position. As a result, despite recognising expenses in the consolidated financial statement of comprehensive income, the whole process would have no impact on the amount of equity capital. That means that the expenses which have impact on BRAIN's results would be compensated by the corresponding recognised increase in equity capital.

16. GENERAL INFORMATION ON THE COMPANY

16.1 Incorporation, Entry in the Commercial Register and Legislation

The BRAIN AG is a German stock corporation (*Aktiengesellschaft*), registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Darmstadt, Germany, under HRB 24758 and is subject to the laws of the Federal Republic of Germany.

The Company was initially formed as a German Limited Liability Company (*Gesellschaft mit beschränkter Haftung*) by memorandum of association dated September 22, 1993. Its legal name was "B.R.A.I.N. Biotechnology Research and Information Network GmbH" with its registered office in Darmstadt, Germany, registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Darmstadt, Germany, on January 5, 1994 under HRB 5674. The Company's seat was relocated by shareholder resolution dated June 4, 1996 and registration with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Darmstadt, Germany, on August 23, 1996 from Darmstadt to Zwingenberg, Germany.

On May 9, 2000, the General Shareholders' meeting approved the resolution to change the Company's legal form in accordance with the applicable provisions of the German Transformation Act (*Umwandlungsgesetz*) to a stock corporation (*Aktiengesellschaft*) organised under German law and to change its legal name to "B.R.A.I.N. Biotechnology Research and Information Network AG". The change in legal form and name was registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Darmstadt, Germany, under HRB 24758 on June 21, 2000.

16.2 Name, Registered Office, Fiscal Year and Duration

The Company's legal name is "B.R.A.I.N. Biotechnology Research and Information Network AG". The Company operates under the commercial name "BRAIN". The registered office of BRAIN AG is Zwingenberg, Germany. Its business address is Darmstädter Straße 34–36, 64673 Zwingenberg, Germany (Telephone +49 (0) 6251–9331–0).

Pursuant to section 3 para. 2 of the Articles of Association, the Company's fiscal year begins on October 1 and ends on September 30 of the following year.

The Company was established for an unlimited period of time.

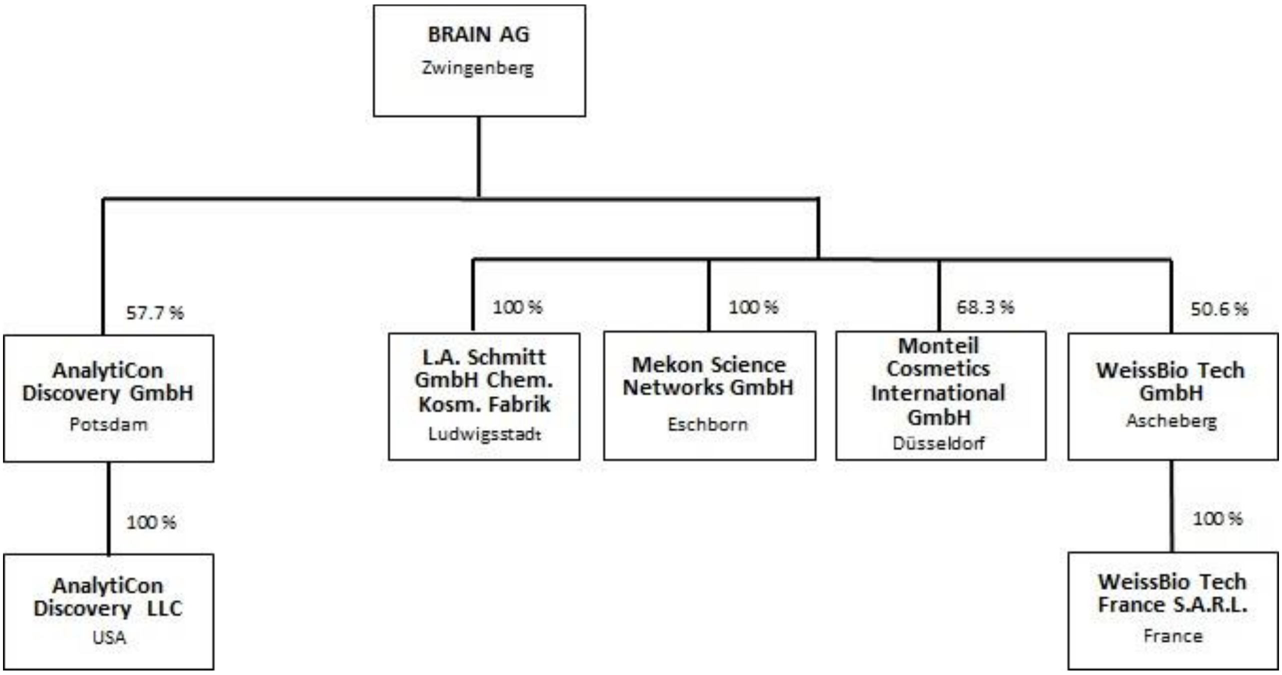
16.3 Corporate Purpose

Pursuant to section 2 of the Articles of Association the corporate purpose of the Company is the identification, research, development, manufacturing and commercialisation of biological, biochemical and biotechnological methods and products, in particular of biocatalysts and other bioactive natural compounds for industrial application in chemical companies, for manufacturing of food, cosmetics and medical products, for waste and pollutant removal as well as for energy and resource extraction, including the development, manufacturing and commercialisation of methods and products which contain bioactive components, are based on biotechnological mechanism, have bioactive effects or enable biotechnological applications.

The Company is entitled to perform all actions in connection with its purpose and serving such purpose, in particular in all business areas and production areas, which appear to be suitable for the use in biotechnological processes and products. For this purpose the Company may operate research and manufacturing facilities in Germany or abroad, establish subsidiaries and branches in Germany or abroad, acquire equity interests in other companies even if this companies have a different purpose, form, acquire or incorporate such companies, enter affiliation agreement and enter into collaborations with other companies.

16.4 Structure of BRAIN

The Company is the parent company of BRAIN. The Company's business is conducted by the Company as well as its subsidiaries. The following chart provides an overview of the group structure of BRAIN* as of the date of this Prospectus



* The only not illustrated subsidiary of BRAIN AG is B.R.A.I.N. Capital GmbH, Zwingenberg, in which BRAIN AG has a 100 % shareholding. B.R.A.I.N. Capital GmbH provides corporate finance services.

16.5 Subsidiaries

The following table provides an overview of the Company's (direct or indirect) subsidiaries (companies in which BRAIN AG has a participation or share in the voting rights of at least 50 %), stating, inter alia, the amount of the respective participation:

Name	Registered office	Corporate Purpose	Company's share (directly and indirectly) of capital	Registered Capital
AnalytiCon Discovery GmbH	Potsdam	Research, development, production, and marketing of libraries of chemical substances, in particular those based on natural substances, and the discovery of active substances using these libraries.	57.7 %	€ 154,750
AnalytiCon Discovery LLC	Rockville, MD, USA	The Business of the company is: (a) to operate a U.S. office of a German research and development firm, (b) to accomplish any lawful business whatsoever, or which shall at any time appear conducive to or expedient for the protection or benefit of the company and its assets, (c) to exercise all other powers necessary to or reasonably connected with the company's business that may be legally exercised by limited liability companies under the act, (d) to engage in all activities necessary, customary, convenient or	57.7 %	€ 6,817.56

		incident to any of the foregoing		
B.R.A.I.N. Capital GmbH	Zwingenberg	Conception, structuring, preparation and implementation of Corporate Finance– and M&A–transactions of the BRAIN–corporate group as well as networking of the BRAIN–corporate group in the capital markets, particularly conception and implementation of investor relations measures, cooperation with investment banks, fund initiators and other capital markets participants as well as representation of the BRAIN–corporate group in the capital market environment. Transactions that require a permission or examination according to the provisions of the German Banking Act (*Kreditwesengesetz*) or German Investment Act (*Kapitalanlagegesetzbuch*) are not part of the corporate purpose of the company.	100 %	€ 25,000
L.A. Schmitt GmbH Chem. Kosm. Fabrik	Ludwigsstadt	Manufacture and sale of chemical and cosmetic products	100 %	€ 409,033.50
Mekon Science Networks GmbH	Eschborn	Development, manufacture, sale, and marketing of, as well as trading in, cosmetic, medical, and pharmaceutical products	100 %	€ 25,000
Monteil Cosmetics International GmbH	Düsseldorf	Manufacture and global sale of perfumes, cosmetics, and body care products	68.3 %	€ 55,521
WeissBioTech GmbH	Ascheberg	Acquisition, management and disposal of equity interests in companies of any kind in Germany and abroad, particularly in the field of biotechnology. The company may establish subsidiaries in Germany and abroad, issue guarantees for affiliated companies, acquire, manage, utilise and sell industrial property rights, intellectual property rights, know–how and exclusivity rights as well as acquire, hold, encumber and sell real property in Germany and abroad.	50.6 %	€ 202,500
WeissBioTech France S.A.R.L.	Chanteloup-en-Brie, Frankreich	Purchase, production, sale, import–export of biological products, yeast, enzymes, bacteria and other microor-	50.6 %	€ 5,000

	ganisms and biological derivatives for the treatment of fruit juices, beers and other alcoholic and non alcoholic beverages, except wine	

Besides, the Company's (direct or indirect) subsidiaries listed above, the Company has minority shareholdings in Enzymicals AG (24.1%) and Ceritech AG (3.9 %).

16.6 History and Development of Business / Important Events in the development of the Company

The following brief summary provides an overview of important events in the development of the Company's business:

1993	Foundation of BRAIN GmbH; entry in the Commercial Register on January 5, 1994
1994	Start of R&D Business, the first pillar of BRAIN AG's business "BioScience"
1996	Acquisition and reconstruction of BRAIN AG's Technology Campus Zwingenberg
1999	Establishment of the BioArchive and Technology Portfolio
2000	Change of legal form to a German stock corporation (*Aktiengesellschaft*)
2002	Reaching the so–called "preferred partner status" by concluding the first long-term collaboration (framework agreements) with industrial partners, with individual projects only being specified during the course of the partnership
2006/2007	First private financing round together with the MIG Fonds and other shareholders of BRAIN AG (mezzanine capital)
2008	Sustainability award "Deutscher Umweltpreis"
2010	Start industrialisation strategy (second pillar of BRAIN's business "BioIndustrial") in cosmetics: Acquisition of 100 % of the shares in Mekon Science Networks GmbH and acquisition of 100 % of the shares in L.A. Schmitt Chem. Kosm. Fabrik GmbH
2012	Acquisition of 50.5 % of the shares in Monteil Cosmetics International GmbH (now 68.33 % after acquisition of further 17.83 % of the shares in Monteil Cosmetics International GmbH in 2014) (Cosmetics B2C)
2013	"Hidden Champion Award" on Sustainability Participation in innovation alliances NatLifE2020 and ZeroCarbFB co–funded by the BMBF, duration of nine years European Biotechnica Award for implementation of industralisation strategy
2014	Acquisition of 57.7 % of the shares in AnalytiCon Discovery GmbH (Enzyme business B2B) Acquisition of 50.6 % of the shares in WeissBioTech GmbH

2015	BioIndustrial revenue share of BRAIN >50 %

16.7 Statutory Auditors

The Company appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Friedrich-Ebert-Anlage 35–37, 60327 Frankfurt am Main, Germany ("**PwC**"), as the statutory auditors of the unconsolidated financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the fiscal year ended September 30, 2014 and the consolidated financial statements prepared in accordance with IFRS as of and for the fiscal years ended September 30, 2013, September 30, 2014 and September 30, 2015. In each case, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany ("**PwC**") has issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*).

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany ("**PwC**") is a member of the German Chamber of Public Accountants (*Wirtschaftsprüfungskammer*), Rauchstrasse 26, 10787 Berlin.

16.8 Notifications, Paying Agent, Depositary

In accordance with section 4 of the Articles of Association, the notifications of the Company are published in the German Federal Gazette (*Bundesanzeiger*) accessible at www.bundesanzeiger.de, unless otherwise required by law.

In accordance with section 14 para. 2 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) notifications in connection with the approval of this Prospectus or any supplements thereto will be published in the form of publication stipulated for the Prospectus, in particular through publication on the Company's website, www.brain-biotech.de/investor-relations/ipo. Printed copies of the Prospectus as well as of any supplements to the Prospectus are available at the Company's office at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany (Telephone +49 (0) 6251–9331–0).

The Company is entitled to provide information to the shareholders by way of remote data transmission (in particular by email). Stock market notifications are generally published via media outlets where it can be assumed that the notice will be disseminated in all Member States of the European Union and in all non–Member States that are parties to the Agreement on the European Economic Area.

The paying agent for the public offering in Germany and Austria is Bankhaus Gebr. Martin AG, Schlossplatz 7, 73033 Göppingen, Germany. The mailing address of the paying agent is info@martinbank.de.

The Company's existing Shares and the New Shares issued pursuant to the Offering will be deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany, in the form of a global share certificate.

17. DESCRIPTION OF THE SHARE CAPITAL

17.1 Issued Share Capital and Shares

As of the date of this Prospectus, the share capital of the Company amounts to € 12,914,348. It is divided into 12,914,348 registered shares with no-par value (*auf den Namen lautende Stückaktien*), each such share with a notional value of € 1.00.

The share capital of the Company has been fully paid in. The shares were created pursuant to German law and are dominated in Euro.

17.2 Development of the Share Capital since the Company's Formation

The share capital of the Company has developed as follows:

The Company was founded by entry in the commercial register on January 5, 1994 as a Limited Liability Company (*Gesellschaft mit beschränkter Haftung*) with a share capital of DM 300,000.

In 2000 the Company changed its legal form to a German stock corporation (*Aktiengesellschaft*) with a share capital of € 160,000 which was registered with the Commercial Register (*Handelsregister*) on June 21, 2000.

By way of a resolution on January 3, 2007, the General Shareholders' Meeting converted the share capital into no−par value restricted registered shares with a notional interest in the share capital of € 1.00 per share. Furthermore, by way of a resolution of the General Shareholders' Meeting on January 3, 2007, the share capital was increased by € 11,111 to € 171,111 by issuing 11,111 no−par value restricted registered shares against cash contributions. Shareholders' preemptive rights were excluded. The abovementioned resolutions by the General Shareholders' Meeting on January 3, 2007, were recorded in the commercial register on February 15, 2007.

By way of a resolution by the General Shareholders' Meeting on May 11, 2007, which was recorded in the commercial register on June 29, 2007, the share capital was increased by a further € 3,650 to € 174,761 by issuing 3,650 no−par value restricted registered shares against cash contributions; shareholders' preemptive rights were excluded.

On August 7, 2007, the Company's Management Board, with the approval of the Supervisory Board on August 9, 2007, made partial use of the authorised capital resolved on May 11, 2007 ("**Authorised Capital 2007/I**"), and increased the Company's share capital by € 22,222 to € 196,983 by issuing 22,222 no-par value restricted registered shares against cash contributions; shareholders' preemptive rights were excluded. The implementation of the capital increase was recorded in the commercial register on September 25, 2007.

Furthermore, on September 10, 2007, the Company's Management Board, with the approval of the Supervisory Board on September 12, 2007, made partial use of the Authorised Capital 2007/I, and increased the Company's share capital by a further € 11,111 to € 208,094 by issuing 11,111 no−par value restricted registered shares against cash contributions; shareholders' preemptive rights were excluded. The implementation of the capital increase was recorded in the commercial register on September 25, 2007.

In the course of a capital increase from reserves or retained earnings, the Company's share capital was increased by way of a resolution of the General Shareholders' Meeting on December 10, 2007, which was recorded in the commercial register on December 27, 2007, by € 10,196,606, from € 208,094 to € 10,404,700, by converting part of the capital reserves. The 10,196,606 new no−par value restricted registered shares were issued to shareholders of the Company in a ratio of 1:49.

In January 2008, the Company's share capital was increased by way of a resolution of the General Shareholders' Meeting on January 11, 2008, by a further € 444,450 by issuing 444,450 no−par value restricted registered shares and by a further € 180,816 by issuing 180,816 no−par value restricted registered shares, for a total of € 11,029,966; in each case the shares were issued against cash contributions and shareholders' preemptive rights were excluded. This was recorded in the commercial register on January 31, 2008.

By way of a resolution of the General Shareholders' Meeting on September 12, 2008, which was recorded in the commercial register on September 29, 2008, the share capital was increased by a further € 423,262 to € 11,453,228 by issuing 423,262 no−par value restricted registered shares against cash contributions; shareholders' preemptive rights were excluded.

The General Shareholders' Meeting on March 14, 2013, resolved to increase the share capital by a further € 1,272,590 to € 12,725,818 by issuing 1,272,590 new no−par value registered shares with a notional interest in the share capital of € 1.00 per share against cash contributions. The resolution by the General Shareholders' Meeting on March 14, 2013, was recorded in the commercial register on April 18, 2013. The implementation of the capital increase was registered with the commercial register on August 21, 2013.

On October 20, 2015, the General Shareholders' Meeting resolved to increase the share capital by a further € 188,530 to € 12,914,348 by issuing 188,530 new no-par value registered shares with a notional interest in the share capital of € 1.00 per share against cash contributions; shareholders' preemptive rights were excluded. The shareholder of BRAIN AG MP Beteiligungs-GmbH subscribed for the 188,530 newly issued no-par value registered shares against the payment of a total amount of € 188,530. The implementation of the capital increase was recorded in the commercial register on November 6, 2015. Following the entry of the capital increase in the commercial register on November 6, 2015, the Company's share capital amounts to € 12,914,348.

In connection with the aforementioned capital increase resolved on October 20, 2015 MP Beteiligungs-GmbH assumed an obligation towards the other shareholders of BRAIN AG to contribute its claims against the Company in the amount of € 1,811,470 arising from a loan agreement (see *15. Transactions and Legal Relationships with Related Parties – 15.1 Transactions with its shareholder MP Beteiligungs-GmbH*) into the capital reserve in accordance with Article 272 subsection 2 no. 4 of the German Commercial Code (*HGB*). The contribution was made on November 13, 2015.

17.3 Authorised Capital

As of the date of this Prospectus, the Company has one authorised capital. Pursuant to section 5 para. 2 of the Articles of Association, amended by resolution of the Shareholders' Meeting on July 8, 2015, the Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to a maximum notional amount of € 6,362,909 on one or more occasions in the period up to July 7, 2020, by issuing up to 6,362,909 new no-par value registered shares against cash contributions and/or contributions in kind ("**Authorised Capital 2015/I**"). The Management Board is authorised, with the approval of the Supervisory Board, to specify the additional details relating to the implementation of the capital increase from the Authorised Capital 2015/I.

The Management Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights in whole or in part in the case of capital increases against contributions in kind, in particular for the purpose of company mergers or of the directly or indirectly acquisition of companies, operations, parts of companies or participating interests in companies.

In general, shareholders are granted subscription rights of newly issued shares under the Authorised Capital 2015/I against cash contributions; the shares may also be acquired by a credit institution or enterprises in the meaning of section 186 para. 5 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) provided that such institutions or enterprises commit to offer them for subscription to the shareholders (indirect subscription right). However, the Management Board is also authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights in whole or in part for cash capital increases,

- in order to introduce the shares of the Company to a German or foreign stock exchange;
- in order to grant holders of conversion or option rights in respect of shares of the Company or creditors of corresponding convertible obligations subscription rights as compensation for dilution to the extent they would be entitled to after exercising the option or conversion rights, or after performance of these obligations;
- insofar as it is required in order to exclude fractional amounts from subscription rights;
- if the issue price of the new shares is not substantially below the stock market price of shares already listed at the time of the final determination of the issue price by Management Board; the pro rata amount of the share capital attributable to the new shares issued against cash contributions under the exclusion of subscription rights in accordance with section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) may not exceed a total of 10 % of the share capital, neither at the time when this authorisation takes effect nor – if this amount is lower at the time of the exercise of this authorisation; this maximum limit shall include shares which were issued or disposed in direct or mutatis mutandis application of this provision during the term of this authorisation until the date on which this authorisation is exercised as well as shares which have been or will be issued for the fulfillment of option bonds or convertible bonds provided these bonds were issued or granted during the term of this authorisation under exclusion of subscription rights in accordance with section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

The Authorised Capital 2015/I was recorded in the commercial register of the local court of Darmstadt on October 1, 2015 (Authorised Capital 2015/I).

17.4 Contingent Capital

As of the date of this Prospectus, the Company has contingent capital in two separate amounts created by the Shareholders' Meeting.

On July 8, 2015 the share capital was contingently increased by up to € 5,090,328 through the issue of up to 5,090,328 new no–par value registered shares by resolution of Shareholders‘ Meeting ("**Contingent Capital 2015/I**"). The contingent capital increase serves solely to issue shares to the holders of bonds with warrants and convertible bonds issued by the Company on the basis of the authorisation granted to the Management Board through the resolution of the Shareholders' Meeting dated July 8, 2015. In accordance with the conditions of the convertible bond, the contingent capital increase also serves to issue shares to the holders of convertible bonds with conversion obligations. The contingent capital increase will only be implemented to the extent that the holders of convertible bonds and/or bonds with warrants exercise their conversion rights or options, or the holders of convertible bonds with conversion obligations fulfil such obligations, and provided that no other forms of settlement are used. The new shares will be issued at the conversion price or option premium to be determined in the conditions of the bond or option in accordance with the authorising resolution referred to above. The new shares carry dividend rights from the beginning of the fiscal year in which they are created through the exercise of conversion or option rights or through the fulfilment of conversion obligations. The Management Board is authorised, with the approval of the Supervisory Board, to specify the additional details relating to the implementation of the contingent capital increase.

The Contingent Capital 2015/I was recorded in the commercial register of the local court of Darmstadt on October 1, 2015 (Contingent Capital 2015/I).

On July 8, 2015 the Company's share capital was also contingently increased by up to € 1,272,581 through the issue of up to 1,272,581 new no–par value registered shares by resolution of Shareholders‘ Meeting ("**Contingent Capital 2015/II**"). The exclusive purpose of the contingent capital is to settle rights under stock options granted to members of the Company's Management Board, members of the management of affiliated companies, and executives and other senior Company employees until September 30, 2020, based on the authorisation contained in the resolution of the Shareholders' Meeting dated July 8, 2015. The contingent capital increase will only be implemented to the extent that the holders of the issued stock options exercise them and the Company does not grant own shares or make a cash settlement to settle the stock options. The new shares carry dividend rights from the beginning of the fiscal year for which no resolution on the appropriation of net retained profits has been adopted as of the date on which the stock options are exercised. The Management Board is authorised, with the approval of the Supervisory Board, to specify the additional details relating to the implementation of the contingent capital increase.

The Contingent Capital 2015/II was recorded in the commercial register of the local court of Darmstadt on October 1, 2015 (Contingent Capital 2015/II).

17.5 Authorisation to issue convertible bonds and/or bonds with warrants

Pursuant to the resolution of the Company's extraordinary Shareholders' Meeting on July 8, 2015 the Management Board is authorised, with the approval of the Supervisory Board, to issue on one or more occasions until July 7, 2020 bonds with warrants and/or convertible bonds in bearer or registered form (thereinafter together "**bonds**") having a total par value of up to € 100,000,000.00 with or without a limited term and to grant the holders or creditors of bonds with warrants option rights or the holders or creditors of convertible bonds conversion rights or conversion obligations to no-par value registered shares of the Company with a proportion of the share capital of a maximum of € 5,090,328.00 in accordance with the terms and conditions of these bonds.

The authorisation to issue bonds sets out certain conditions which include the following:

(1) The bonds shall be divided into different partial bonds (*Teilschuldverschreibungen*). In the event of the issue of bonds with warrants, one or more warrants will be attached to each partial bond entitling the holder to subscribe to no-par value registered shares of the Company in accordance with the terms and conditions of the options determined by the Management Board. The terms and conditions of the options may provide that the option price can also be fulfilled by transfer of partial bonds and against additional payment in cash.

    In the event of the issue of convertible bonds to bearers their holders, otherwise the creditors of the partial bonds are entitled to convert their partial bonds into no-par value registered shares of the Company in accordance with the terms and conditions of the convertible bonds determined by the Management Board. The exchange ratio is calculated by dividing the par value or the issue price of a partial bond, which is lower than the par value, by the established conversion price for one new no-par value registered share of the Company and may be rounded up or down to a whole number. Moreover, an additional payment to be made in cash and the consolidation or compensation for any fraction of amounts which are not capable of being converted may be determined. The terms and conditions of the convertible bonds may provide for a variable conversion ratio and for a conversion price set during the term of the bond within a range to be defined depending on the development of the stock exchange price of the share of the Company.

(2) The terms and conditions of the bonds may provide for the Company's right not to grant new shares in case of conversion or option exercise but to pay a cash consideration that corresponds with the volume–weighted average closing price, for the number of shares otherwise to be supplied, of shares of the Company in the electronic trading system on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during a period to be determined in the terms and conditions of the bonds.

(3) The terms and conditions of the convertible bonds may provide for a conversion obligation at the end of the term or at an earlier point in time or at the time of the occurrence of a certain event. The Company may be also granted the right to compensate for any difference between the par value or a lower issue price of the convertible bond and the product of conversion price and exchange ratio in cash, either in whole or in par.

(4) The option or conversion price for a share of the Company must amount to – with the exception of the cases in which an substitution right or conversion obligation is provided for – at least 80% of the volume-weighted average closing price of the shares of the Company in the electronic trading system on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last ten trading days before the date on which the resolution on the issue of the bonds is adopted by the Management Board, or in the event of subscription rights being granted, at least 80% of the volume-weighted average closing price of the Company share in the electronic trading system on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the subscription period with exemption of the days of the subscription period required for the notification of the option or conversion price pursuant to Section 186 para. 2 German Stock Corporation Act (*Aktiengesetz*). The provisions of Sections 9 para. 1 and 199 German Stock Corporation Act (*Aktiengesetz)* remain uneffected.

In cases of substitution right and conversion obligation the option or conversion price must in accordance with the terms and conditions of the bonds at least amount to either the aforementioned minimum price or the volume-weighted average closing price of the shares of the Company in the electronic trading system on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last ten trading days before to the day of maturity or the other determined point in time even if such average price is lower than the minimun price. The provisions of Sections 9 para. 1 and 199 German Stock Corporation Act (*Aktiengesetz)* remain uneffected.

(5) Notwithstanding Sections 9 para. 1 of the German Stock Corporation Act (Aktiengesetz), the option or conversion price can be reduced on the grounds of a dilution protectionclause in line with the details of the terms and conditions of the bonds, if the Company during the option or conversion period (i) increases its share capital from company resources, (ii) increases its share capital or sells its own shares and on this occasion grants its shareholders an exclusive subscription right or (iii) issues, grants or guarantees additional bonds with option rights, conversion rights or conversion obligations and on this occasion grants its shareholders an exclusive subscription right and in (ii) and (iii) metioned cases does not grant subscription rights to holders of existing option rights, conversion rights or obligations as would be due to them upon exercise of their option rights or conversion rights or upon fulfilment of their conversion obligations.

(6) To the extent that the shareholders do not have the opportunity to directly subscribe for the bonds, the statutory subscription right shall be granted to the shareholders in such manner that the bonds are subscribed by a financial institution or a syndicate of financial institutions, subject to the obligation to offer them to the shareholders for subscription.

However, the Management Board shall be authorised, with the approval of the Supervisory Board, to exclude statutory subscription rights of shareholders for fractional amounts that arise as a result of the subscription ratio and where necessary to grant holders of previously issued option rights, conversion rights or conversion obligations a subscription right to the extent they would be entitled to as a shareholder after exercising an option or conversion right or after fulfilling a conversion obligation.

The Management Board shall be further authorised, with the approval of the Supervisory Board, to exclude statutory subscription rights of shareholders if the bonds are issued against contributions in kind.

Besides, the Management Board shall be authorised, with the approval of the Supervisory Board, to exclude statutory subscription rights of shareholders if the bonds are issued for a cash payment provided that the issue price of the bond is not significantly lower than the theoretical market price in accordance with recognised financial methods and that the bonds carry option rights, conversion rights or conversion obligations to shares with a proportionate amount of the share capital which must not exceed 10% of the Company's share capital neither at the time when this authorisation takes effect nor – if this amount is lower – at the time of the exercise of this authorisation.

(7) The Management Board is authorised to determine, with the approval of the Supervisory Board, additional details of the issuance and the conditions of the bonds, particularly with respect to interest rate, issue price, term, denomination and other conditions on dilution protection, option/conversion period and the optio/conversion price.

At **the date of this Prospectus no** bonds with warrants and/or convertible bonds have been issued.

17.6 Authorisation to Acquire and Sell Own Shares

The Company does not currently hold any of its own shares, nor does a third party hold any such shares on behalf of, or for account of, the Company.

On July 8, 2015, the extraordinary Shareholders' Meeting authorised the Management Board to purchase the Company's own shares for any legally permitted purposes though July 7, 2020 up to a total of 10 % of the Company's share capital at the time of adoption or, if this amount is lower, at the time of exercising the authorisation. The authorisation can be exercised directly by the Company or by an affiliated enterprise of the Company within the meaning of sections 15, 17 of the German Stock Corporation Act (*Aktiengesetz*) and allows the purchase of own shares to be executed in one or more instalments covering the entire amount or any fraction.

The shares may be purchased on the stock exchange, by a public offer to all shareholders, by a public invitation to the shareholders to submit offers for sale, or by issuing pre–emptive tender rights to shareholders under the following conditions:

(1) If the shares are purchased on the stock exchange or by way of a public offer, the purchase price per share paid by the Company (excluding ancillary acquisition costs) must not be more than 10 % above or below, as applicable, the arithmetic mean of the closing auction prices of the Company's no-par value shares in the electronic trading system on the Frankfurt Stock Exchange during the last ten stock exchange trading days before conclusion of the transaction imposing a legal obligation (if the acquisition is made via the stock exchange) or before publication of the decision to make a public offer (if the acquisition is made by way of a public purchase offer).

(2) If the shares are purchased by way of a public invitation to all shareholders to submit offers for sale, the Company specifies a purchase price range per share. The purchase price range may be adjusted if, during the offer period, the share price deviates significantly from the share price prevailing at the time of publication of the invitation to submit offers for sale The purchase price per share to be paid by the Company, which is calculated by the Company on the basis of the offers for sale received, must not be more than 10 % above or below (excluding ancillary acquisition costs), as applicable, the arithmetic mean of the closing auction prices of the Company's no–par value shares in the electronic trading system on the Frankfurt Stock Exchange during the last three stock exchange trading days before the date on which the Company's Management Board makes its final decision regarding the publication of the invitation to submit offers for sale or their adjustment.

(3) If the shares are purchased by means of issuing pre–emptive tender rights to shareholders, such rights may be allocated for each share of the Company. A fixed number of pre-emptive tender rights determined by reference to the ratio of the Company's issued share capital to the volume of shares to be repurchased by the Company will entitle a shareholder to sell one share of the Company back to the Company.

The Management Board is authorised to use the Company's own shares under the following provisions, if and insofar the Company's own shares are not sold via the stock exchange or by making a public offer to all shareholders in proportion to their participation in the Company under the following conditions:

(1) In case of sale of the Company's own shares by way of an offer to all shareholders, the Management Board is authorised to grant holders of conversion or option rights in respect of shares of the Company a subscription right to the extent they would be entitled to after exercising the option or conversion rights, or after performance of a conversion obligation.

(2) The Management Board is further authorised to sell the Company's own shares with the Supervisory Board's consent in a manner other than on the stock exchange or by way of an offer to all shareholders if the shares are sold for cash at a price which is not significantly lower than the stock exchange price of the Company's shares of the same class at the time of the sale. However, this authorisation is subject to the condition that the shares sold by excluding subscription rights in accordance with section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) must not exceed

a total of 10 % of the share capital, neither at the time when this authorisation takes effect nor – if this value is lower – at the time of the exercise of this authorisation. Shares are to be counted towards this 10 % limit of the issued share capital if they were issued by excluding subscription rights pursuant to section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) during the term of this authorisation until the sale of own shares from authorised capital by excluding subscription rights pursuant to section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). In addition, shares are to be counted towards this 10 % limit of the issued share capital if they have been or will be issued for the fulfillment of option bonds and/or convertible bonds and/or convertible obligations provided these bonds were issued or granted during the term of this authorisation under exclusion of subscription rights in accordance with section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

(3) In addition, the Management Board is authorised, subject to the consent of the Supervisory Board, to sell own shares in a manner other than on the stock exchange or by way of an offer to all shareholders provided that this occurs

i. for the purposes of acquiring companies or parts thereof or participating interests therein, or for the purposes of a merger;

ii. to float shares of the Company on foreign stock exchanges on which shares of the Company have not previously been admitted to trading. The price at which these shares are floated on foreign stock exchanges must not be more than 5 % below the arithmetic mean of the closing auction prices of the Company's no–par value shares in the electronic trading system on the Frankfurt Stock Exchange during the last three stock exchange trading days preceding their flotation on the foreign stock exchange, excluding ancillary acquisition costs; or

iii. to offer the shares for sale to persons who are employed by the Company or by affiliates of Company within the meaning of sections 15, 17 of the German Stock Corporation Act (*Aktiengesetz*).

(4) The Management Board is authorised to cancel own shares without any further resolution of the General Shareholders' Meeting being required.

(5) Shareholders' statutory subscription rights in respect of these own shares are excluded in accordance with sections 71 para. 1 no. 8, 186 para 3 and 4 of the German Stock Corporation Act (*Aktiengesetz*) to the extent that these shares are used in line with the authorisations mentioned above. Furthermore, the Management Board is authorised to exclude the subscription rights of shareholders for fractional amounts if the Company's own shares are sold by means of an offer made to all shareholders.

17.7 Authorisation to establish a Stock Option Plan

Pursuant to the resolution of the Company's extraordinary Shareholders' Meeting on July 8, 2015 the Management Board is authorised, with the approval of the Supervisory Board, to grant stock options carrying subscription rights in respect of shares in BRAIN AG to certain categories of eligible persons until September 30, 2020 as part of a stock option plan ("**Stock Option Plan**"). With regard to the granting of stock options carrying subscription rights to the members of the Management Board, the authorisation only applies to the Supervisory Board. The same extraordinary Shareholders' Meeting also resolved on a contingent capital for purposes of funding such subscription rights (Contingent Capital 2015/II) (see *17. Description of the Share Capital – 17.4 Contingent Capital*). On the basis of this authorisation the Company is authorised to grant up to a total of 1,272,581 subscription rights for up to 1,272,581 ordinary shares with no-par value.

The main conditions for the issue of stock options carrying subscription rights under the Stock Option Plan are as follows:

Eligible persons under the Stock Option Plan are (i) members of the Management Board of the Company, (ii) eligible executives of the Company, (iii) other key employees of the Company as well as (iv) members of the management, (v) eligible executives and (vi) other key employees of affiliated companies of the Company within the meaning of sections 15, 17 of the German Stock Corporation Act (*Aktiengesetz*) ("**Affiliate**"). The eligible person must, at the time of granting the subscription rights, be a member of the Management Board of the Company or a member of the management of an Affiliate or be in an ongoing employment with the Company or an Affiliate. The Supervisory Board must agree a cap for members of the Management Board for extraordinary, unforeseeable developments. The individuals to be granted subscription rights and the precise amount of subscription rights to be granted to such persons shall be determined by the Management Board and – with respect to members of the Management Board of the Company – by the Supervisory Board.

According to the authorisation the maximum total volume of 1,272,581 subscription rights may be allocated as follows: (i) members of the Management Board of the Company a total maximum of up to 509,033 subscription rights, (ii) eligible executives and other key employees of the Company a total maximum of up to 370,000 subscription rights, (iii) members of the management of Affiliates a total maximum of up to 332,000 subscription rights and (iv) eligible executives and other key employees of Affiliates a total maximum of up to 61,548 subscription rights. Each subscription right entitles the holder to acquire one registered share with no–par value in the Company against payment of a certain subscription price. The subscription price shall be the arithmetic mean of the closing auction prices of the Company's no–par value shares in the electronic trading system on the Frankfurt Stock Exchange during the last ten stock exchange trading days before the granting the subscription rights.

The option rights are to be issued annually with the provision that no tranche includes more than 20 % of the total volume of option rights. The subscription rights are subject to a waiting period until the date on which the subscription rights may first be exercised which is at least four years commencing on the relevant date of the grant of the subscription rights. The subscription rights arising from the share options may, after expiration of the waiting period, in principle, be exercised during the exercise periods set forth in the following on each day on which commercial banks are open in Frankfurt/Main for regular banking business ("**banking days**") ("**exercise periods**"). Each exercise period comprises twenty (20) banking days and commences on and including the following banking days: (i) third banking day after a financial statements press conference or an analysts' conference, (ii) third banking day after publication of interim financial reports (quarterly or half–year), annual financial statements or if the Company publishes preliminary figures for the expired business year, publication of such figures; (iii) third banking day after the annual general shareholders' meeting of the Company. However, the exercise of subscription rights is barred during certain black-out periods.

The exercise of the subscription rights is further conditional upon the achievement of a performance target. Subscription rights may only be exercised if the difference between the arithmetic mean of the closing auction prices of the Company's no–par value shares in the electronic trading system on the Frankfurt Stock Exchange during the last ten stock exchange trading days before the day of exercise and the arithmetic mean of the closing auction prices of the Company's no–par value shares in the electronic trading system on the Frankfurt Stock Exchange during the last ten stock exchange trading days before the day of issuing the respective stock options corresponds to an increase in the stock market price for the share of at least 6 % p.a., taking into account any cumulative dividend payments in the period between these two dates.

The subscription rights can be exercised within a period of up to eight years, including the waiting period, starting on the day the stock option is issued.

As of the date of this Prospectus, the Management Board has not established the Stock Option Plan and, therefore, no stock options have been granted under the Stock Option Plan neither to eligible executives or other key employees of the Company nor to members of the management, eligible executives or other key employees of Affiliates.

However, on September 15, 2015 the Supervisory Board has resolved that a Stock Option Plan for the Management Board shall be implemented within the framework of a Long–Term–Incentive-Plan ("**LTI**") which shall in part be based on the aforementioned authorisation ("**Matching Stock Programme (MSP)**"). The conditions of the MSP shall comply with the following guidelines: The members of the Management Board shall receive no–par value shares of the Company instead of the payment of a variable remuneration. The number of shares to be granted to the members of the Management Board shall be calculated according to the arithmetic mean of the closing auction prices of the Company's no–par value shares in the electronic trading system on the Frankfurt Stock Exchange during the last ten stock exchange trading days before the date on which the variable remuneration would have been paid. The granted shares shall be subject to a vesting period of two years. Besides, for each share granted instead of a variable remuneration the respective member of the Management Board shall be entitled to acquire three stock options carrying subscription rights with respect to shares in the Company. The conditions governing the acquisition and exercise of the stock options shall be determined according to the aforementioned authorisation of the Shareholders' Meeting. There shall be a limit (cap) for extraordinary developments. The LTI and the MSP have not been implemented yet.

The members of the Management Board and the Supervisory Board are currently verifying whether the authorisation to establish a Stock Option Plan is legally effective. In case the authorisation to establish a Stock Option Plan is not legally effective, the Management Board and the Supervisory Board would refrain from granting stock options to the members of the Management Board or the other eligible persons based on this authorisation. However, in such a case the Management Board and the Supervisory Board would ensure that the Shareholders‘ Meeting adopts a new legally effective resolution on an authorisation with an similar content. If the Shareholders‘ Meeting does not grant such a new authorisation and the existing authorisation is legally ineffective, an incentive of the members of the Management Board or other eligible persons by the grant of stock options will not take place.

17.8 General Provisions on Changes in the Share Capital

According to the German Stock Corporation Act (*Aktiengesetz*), the share capital of a stock corporation may be increased by a resolution taken by the general shareholders' meeting. The resolution must be adopted by a majority of at least 75 % of the share capital represented at the vote, unless the stock corporation's articles of association specify other requirements with regard to majorities. Section 21 of the Articles of Association stipulates that the resolutions of General Shareholders' Meeting are adopted by simple majority of the votes cast, unless provided otherwise by applicable law.

The shareholders may also create authorised capital. The creation of authorised capital requires a resolution passed by a majority of 75 % of the share capital represented at the vote authorising the Management Board to issue a specific quantity of shares within a period of no more than five years. The nominal amount of the authorised capital may not exceed half of the share capital existing at the time of the authorisation is granted.

Additionally, shareholders may resolve to create contingent capital to issue shares to holders of convertible bonds or other securities granting a right to subscribe for shares, to issue shares as consideration in a merger with another company, or to issue shares to be offered to managers and employees. The creation of contingent capital requires a resolution passed by a majority of 75 % of the share capital represented at the vote. The nominal amount of contingent capital may not exceed 10 % of the share capital existing at the time the resolution is passed in cases where it is created to issues shares to managers and employees. In all other cases it may not exceed 50 % of the share capital existing at the time the resolution is passed.

A resolution to decrease the share capital requires a majority of 75 % of the share capital represented at the vote.

17.9 General Provisions on Subscription Rights

According to the German Stock Corporation Act (*Aktiengesetz*), in principle, each shareholder has the right to subscribe new shares issued in connection with a capital increase (the same applies to convertible bonds or bonds with warrants, profit participation rights or profit participating bonds). Subscription rights are freely transferable and may be traded on German stock exchanges for a fixed period before the deadline for subscription ends. However, the general shareholder's meeting may resolve to exclude the shareholders' subscription rights. The resolution to exclude the shareholders' subscription rights must be adopted by a majority of at least 75 % or more of the share capital represented at the vote. Exclusion of subscription rights also requires a report from the management board that justifies and demonstrates that the Company's interest in excluding the shareholders' subscription rights outweighs the interest of shareholders in retaining their subscription rights. When new share are issued subscription rights may be excluded in particular if the Company is increasing share capital against cash contributions, the amount of the capital increase does not exceed 10 % of the share capital at the time the shares are issued and the issue price is not materially lower than the stock market price.

17.10 General Provisions on the Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Issuer may only be liquidated by a resolution of the general shareholders' meeting. A liquidation resolution must be adopted by a majority of at least 75 % or more of the share capital represented at the vote meeting. In the event of the Company's liquidation, any remaining assets after all of the Company's liabilities have been settled will be distributed among the shareholders in proportion to their shareholdings, according to the provisions of the German Stock Corporation Act (*Aktiengesetz*). Certain provisions regarding the protection of creditors must be observed in the event of liquidation.

17.11 Shareholder Notification Requirements

Following the Offering an the admission of the Company's shares to trading on the regulated market the Company will be subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for shareholdings and the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Disclosure of Participating Interests in listed Stock Corporations

According to the German Securities Trading Act (*Wertpapierhandelsgesetz*) anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3 %, 5 %, 10 %,15 %, 20 %, 25 %, 30 %, 50 % or 75 % of the voting rights in a company whose country of origin is Germany and whose shares are admitted to trading on a regulated market must without undue delay, and no later than within four trading days after the event, notify the respective company and at the same time the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* "**BaFin**") of having reached, exceeded or fallen below the thresholds. The notification period begins at the point when the party subject to the notification requirement learns or in consideration of the circumstances had to have learned that their percentage of voting rights has reached, exceeded or fallen below the thresholds. The knowledge of the party subject to the notification requirement is irrevocably assumed two trading days after the event at the latest. Deviating from this, in case percentage of voting rights has reached, exceeded or fallen below the thresholds due to a change of the total number of voting rights, the notification period begins at the point when the party subject to the notification requirement learns that the threshold is met, however no later than the publication of change of total number of voting rights by the company.

In connection with the requirements for disclosure the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various provisions which are supposed to ensure that the shareholding is attributed to the person who actually controls the voting rights relating to the shares and which require the attribution of voting rights of certain persons associated with the shareholder or acting together with the shareholder. For example, shares belonging to a third company are attributed to a company if the latter controls the former; similarly shares held by a third company for the account of another company are attributed to the latter. Since the entry into force of the German Transparency Directive Amendment Directive Act shares which are kept as security by the party subject to the notification requirement are attributed to the party subject to the notification requirement provided that the party subject to the notification requirement holds the voting rights and expresses his intention to exercise the voting rights. Besides, shares which entitle the party subject to the notification requirement to exercise voting rights on the basis of an agreement providing for the temporary transfer for consideration of the voting rights in question without the related shares are attributed to the party subject to the notification requirement.

According to section 25 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) anyone who directly or indirectly holds instruments (i) which either, on maturity, give the holder the unconditional right to acquire already issued shares , in the Company carrying voting rights or the discretion as to his right to acquire such shares in the Company or (ii) which are referenced to already issued shares, of the Company carrying voting rights and have similar economic effect to the instruments mentioned under (i), irrespective of whether or not they confer a right to a physical settlement, must immediately notify both the respective company and the BaFin once a level of 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % or 75 % of voting rights in the company has been reached, exceeded or fallen below without undue delay, and no later than within four trading days after the event. In particular such instruments comprise transferable securities, options, futures, swaps, forward rate agreements and contracts for differences. The number of voting rights relevant for the notification requirement is generally calculated by reference to the full nominal amount of shares underlying the instrument except where the instrument provides exclusively for a cash settlement.

Futhermore, according to section 25a of the German Securities Trading Act (*Wertpapierhandelsgesetz*) anyone who holds voting rights in terms of section 21 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and instruments in terms of section 25 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) that in total reaches, exceeds or falls below 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % or 75 % of voting rights in the Company must without undue delay, and no later than within four trading days after the event, notify the respective company and at the same time the BaFin of having reached, exceeded or fallen below the thresholds.

The reporting requirements according to sections 21, 25 and 25a of the the German Securities Trading Act (*Wertpapierhandelsgesetz*) are not separate from each other. In case of a reporting requirement according to one of these sections, the party subject to the notification requirement has to disclose all its shareholdings and instruments.

The notice according to section 21, 25 or 25a of the the German Securities Trading Act (*Wertpapierhandelsgesetz*) may be drafted in either German or English and sent either in writing or via fax. Besides that, the notice will have to be issued via the mandatory use of a standard form. The notice must include inter alia the name and the registered office of the individual or entity, the share of voting rights held, the share of voring rights that has last been reported to the company and the date of reaching, exceeding, or falling below the respective threshold. According to section 24 of the the German Securities Trading Act (*Wertpapierhandelsgesetz*) the party subject to the notification requirement is exempted from the reporting obligation if the notice has been made by its parent company or in the case that its parent company is also a subsidiary by the parent company of its parent company.

In case of non–compliance with the notification obligation, for example failing to file a notice or providing false information, the shareholder is precluded from exercising the rights attached to its shares (including voting rights and the right to dividends) for the duration of the failure. Under certain circumstances the shareholder is precluded from exercising the rights attached to its shares for a period of six month after he or she files the necessary notice. In addition, a fine may be imposed for failure to comply with the notification obligation.

The respective company must publish such notices without undue delay, but no later than within three trading days after receiving them, via media outlets where it can be assumed that the notice will be disseminated in all Member States of the European Union and in all non–Member States that are parties to the Agreement on the European Economic Area and, at the same time, submit the publication to the BaFin. The notification to the BaFin must contain the text of the notice, the media to which the notification was sent and the exact time and date the information was sent to the media. The respective company must also transmit the notice to the German Company Register (*Unternehmensregister*) without undue delay, but not prior to publication, for storage.A shareholder who reaches or exceeds the threshold of 10 % of the voting rights in the Company, or a higher threshold, is obligated to notify the respective company whose country of origin is Germany within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. In particular, the shareholder must disclose whether it intends to pursue any strategic objectives with respect to the company or profits, to acquire further voting rights within the following 12 months, to exert any influence or control over the Company's management or supervisory board and to make any significant changes to the Company's capital structure, especially in respect to debt-to-equity ratio and dividend policy. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10 % threshold has been reached or exceeded, the attribution rules mentioned above apply.

The respective company must publish received notices as well as non–compliance with the notification obligations, via media outlets where it can be assumed that the notice will be disseminated in all Member States of the European Union and in all non–Member States that are parties to the Agreement on the European Economic Area and, at the same time, submit the publication to the BaFin.

Mandatory Takeover Bids

According to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs– und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30 % of the voting shares of the Company is obligated to publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the internet and by means of an electronically operated system for disseminating financial information and subsequently, to submit a mandatory public tender offer to all holders of shares in the Company, unless an exemption from this obligation has been granted by the BaFin.

The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs– und Übernahmegesetz*) contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights connected with the shares. If the shareholder fails to give notice of reaching or exceeding the 30 % threshold or fails to submit the mandatory public tender offer, the shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of wilful failure to send the notice and failure to subsequently send the notice in a timely fashion, the right to dividends) for the duration of the delinquency. A fine may also be imposed in these cases.

Directors' Dealings

According to the German Securities Trading Act (*Wertpapierhandelsgesetz*) persons who perform management functions in a listed stock corporation ("**Executives**") have to notify the Company and the BaFin within five working days of their own transactions with shares in the Company or related financial instruments, especially derivatives. This also applies to persons who are closely related to such Executives. This obligation does not apply if the total amount of the transactions of an Executive and the persons closely related to this Executive does not exceed an amount of € 5,000 in a single calendar year. The Company is obliged to publish such notice without undue delay after receipt und to submit the publication to the BaFin at the same time. The Company must also transmit the notice to the German Company Register (*Unternehmensregister*) without undue delay, but not prior to publication, for storage.

In case of non–compliance with the notification requirements a fine may be imposed.

17.12 Exclusion of Minority Shareholders

Squeeze–out under stock corporation law

According to sections 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*), which governs the exclusion of minority shareholders, the so–called "squeeze–out", the general shareholders' meeting of a stock corporation may resolve upon the request of a shareholder holding 95 % of the share capital to transfer the shares of the remaining minority shareholders to the majority shareholder in exchange for granting adequate compensation in cash. The amount of the cash compensation to be granted to the minority shareholders has to reflect "the circumstances of the company" at the time the general shareholders' meeting passes the resolution. The amount of the cash compensation is based on the full value of the company, which is generally determined using the capitalised earning method (*Ertragswertmethode*).

Squeeze–out under transformation law

According to section 62 para. 5 of the German Transformation Act (*Umwandlungsgesetz*), the general shareholders' meeting of a transferring stock corporation may upon the request of a receiving company holding at least 90 % of the share capital of the transferring stock corporation, resolve a squeeze-out in accordance with section 327a of the German Stock Corporation Act (*Aktiengesetz*) (so called squeeze–out under transformation law). The resolution must be adopted within three months after the conclusion of the merger agreement between the transferring stock corporation and the receiving company. The transfer of shares of the remaining minority shareholders takes place in exchange of granting adequate compensation in cash.

Squeeze–out under takeover law

Sections 39a et seq. of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs– und Übernahmegesetz*) permit the so–called "squeeze-out under takeover law". According to these provisions an offeror holding at least 95 % of the voting share capital of a target company (as defined in the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs– und Übernahmegesetz*)) after a takeover bid or mandatory offer, may request the transfer of the remaining voting shares in exchange for granting adequate compensation. The nature of the compensation must be the same as the consideration available under the takeover bid or mandatory offer; there must always be a cash alternative offered. A court order for a transfer of the remaining shares has to be submitted to the Regional Court (*Landgericht*) of Frankfurt am Main within three months of the expiry of the deadline for acceptances.

Integration (Eingliederung)

Under sections 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*) concerning integrations (*Eingliederungen*) provides that the general shareholders' meeting of a stock corporation may resolve upon the integration into another stock corporation that has its registered office in Germany (principal company), provided the prospective principal company holds at least 95 % of the shares in the company to be integrated. The former shareholders of the integrated company are entitled to adequate compensation, which, generally, must be provided in the form of the principal company's own shares. Where the compensation takes the form of shares in the principal company, it is considered appropriate if the shares are issued in the same proportion as the shares the principal company would have been issued per share in the integrated company if a merger had taken place. Fractional amounts may be paid out in cash.

18. MANAGEMENT AND SUPERVISORY BODIES

18.1 Overview

The BRAIN AG is a stock corporation subject to German law. The governing bodies of the Company are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the General Shareholders' Meeting (*Hauptversammlung*). The responsibilities of these bodies are primarily governed by the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association (*Satzung*) of the Company and the Rules of Procedure (*Geschäftsordnung*) for the Management Board and the Supervisory Board.

The Management Board is responsible for managing the Company in accordance with statutory law, the Articles of Association of the Company and the Rules of Procedure of the Management Board. The Management Board represents the Company in dealings with third parties. The Management Board is responsible for implementing and maintaining appropriate risk management and risk control systems within the Company that provide timely warning of any development that might jeopardise the existence of the Company.

The members of the Management Board are appointed and can be recalled for good cause by the Supervisory Board. The Management Board is obliged to regularly, in detail and in a timely manner, report to the Supervisory Board on key issues concerning the corporation planning (in particular on the finance, investment and human resources planning), the business strategy, the Company's risk situation and its risk management on the intended business strategy. In addition, the Management Board is also required to report to the Supervisory Board immediately on any transactions or events which may be significant for the Company.

Pursuant to the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board advises and oversees the Management Board's management of the company, but is not itself authorised to manage the company. However, the articles of association and the Supervisory Board may designate types of transactions which may only be made with the approval of the Supervisory Board. Simultaneous membership on the Management Board and Supervisory Board of a German stock corporation is generally not permitted under German law.

The General Shareholders' Meeting is the body in which shareholders can exercise their rights within the Company.

The members of the Management Board and of the Supervisory Board owe duties of loyalty and due care to the Company. Each member of these governing bodies must consider a number of interests, particularly those of the Company and its shareholders, employees and creditors as well as the general public. In addition, the Management Board must also take into consideration the shareholders' rights to equal treatment and equal access to information.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Company. Any person who uses his influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorised representative (*Prokurist*) or an authorised agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders may be liable to compensate the Company and the affected shareholders for the resulting losses. Moreover, in this context, the members of the Management Board and Supervisory Board are jointly and severally liable for compensatory damages if their actions or omissions amount to a violation of their duty of care.

Shareholders with a controlling influence may not use that influence to cause the Company to act contrary to its own interests unless any damages are compensated.

If members of the Management Board and Supervisory Board breach their duties, they may be jointly and severally liable with the other members of the Management Board or Supervisory Board to the Company for compensatory damages. Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board if he believes they have breached their duties to the Company and, as a result, the Company has suffered loss. In general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Management Board, and with respect to claims against members of the Management Board, the Company is represented by the Supervisory Board. Under a decision of the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board is required to assert claims for compensatory damages against the Management Board if they are likely to succeed unless significant interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claim. If the governing body authorised to represent the Company decides not to pursue a claim, the Company's claims for compensatory damages against members of the Management Board or Supervisory Board must nevertheless be asserted if the

General Shareholders' Meeting adopts a resolution to this effect by a simple majority vote. The General Shareholders' Meeting may appoint a special representative to assert the compensatory claims. Shareholders whose joint holdings equal or exceed 10 % of the share capital or a pro rata share amount of € 1 million may also apply to the court to appoint a special representative to assert claims for compensatory damages. In addition, shareholders whose joint holdings equal or exceed 10 % of the share capital or a pro rata share amount of € 100,000 at the time the petition is submitted, may under certain circumstances petition in their own name for a claim of compensatory damages to be heard by the regional court where the Company has its registered office. Such a lawsuit will be dismissed if the Company itself files a lawsuit for compensatory damages.

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose if the shareholders grant their consent at the General Shareholders' Meeting by simple majority vote unless a minority of the shareholders whose shares cumulatively constitute 10 % of the share capital objects to the minutes.

18.2 Founders

The Company was initially formed as a German Limited Liability Company (*Gesellschaft mit beschränkter Haftung*) by memorandum of association dated September 22, 1993. Its legal name was "B.R.A.I.N. Biotechnology Research and Information Network GmbH".

The Founders of "B.R.A.I.N. Biotechnology Research and Information Network GmbH" are Prof. Dr. Hans-Günter Gassen, at that time Professor of Biochemistry at the Technical University (TU) of Darmstadt, Dipl.-Ing. Ulrich Putsch, at that time Chairman of the Management Board of the Keiper Recaro Group and technology investor, as well as Dr. Gabriele Sachse and Dr. Holger Zinke both biologists and at that time postdoctoral researchers at the Institute for biochemistry of the Technical University (TU) of Darmstadt. In April 1994 Dr. Jürgen Eck, biologist and at that time also postdoctoral researcher at the Institute for biochemistry of the Technical University (TU) of Darmstadt, became member of the management team and shareholder of the Company.

Dr. Holger Zinke still holds shares in Company and is the Deputy Chairman of the Supervisory Board. Dipl.-Ing. Ulrich Putsch transferred his shares in the Company to MP Beteiligungs–GmbH, whose managing director and shareholder is his son, Martin Putsch. Dr. Jürgen Eck is member of the Management Board and the Chief Executive Officer (CEO) of the Company. He still holds shares in the Company. Dr. Gabriele Sachse still holds shares in the Company. See also *19. Shareholder Structure – 19.1 Shareholders Structure (before and after the Offering)*.

18.3 Management Board

General

Pursuant to section 7 para. 1 sentence 1of the Articles of Association, the Management Board of BRAIN AG consists of one or more members. The Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board may appoint a member of the Management Board as Chairman of the Management Board and another member as deputy Chairman as well as appoint deputy members to the Management Board. The Supervisory Board appoints members of the Management Board for a maximum term of five (5) years. The reappointment or extension, each for a maximum period of five (5) years, is permissible. The Supervisory Board may recall a member of the Management Board prior to the expiration of the member's term for good cause or if the General Shareholders' Meeting adopts a no–confidence resolution with respect to such member, unless the no–confidence vote was clearly unreasonable.

The Management Board of BRAIN AG is responsible for managing the Company. If the Management Board has more than one member, resolutions of the Management Board are passed by a simple majority. If a vote in the Management Board results in a tie, the Chairman has a casting vote, provided that the Supervisory Board has appointed a Chairman of the Management Board and the Management Board consists of at least three members.

According to section 8 of the Articles of Association, the Company is legally represented by two members of the Management Board or a member of the Management Board jointly with an authorised representative (*Prokurist*). If only one person is appointed to the Management Board, that person is entitled to represent the Company solely. Pursuant to section 8 para. 2 of the Articles of Association, the Supervisory Board may exempt all or specific members of the Management Board from the restriction of section 181 2nd alternative German Civil Code (multiple representations).

Current Members of the Management Board

Currently, the Management Board consists of three members, the Chief Executive Officer Dr. Jürgen Eck, the Chief Operating Officer Mr. Henricus Cornelis Maria (Eric) Marks and the Chief Financial Officer Dr. Georg Kellinghusen. The date of Dr. Eck's first appointment to the Management Board was on June 21, 2000. He is currently appointed until June 30, 2020. Mr. Marks was appointed by resolution of the Supervisory Board dated October 14, 2015 for a term of office from November 1, 2015 until October 31, 2018 and Dr. Kellinghusen by resolution of the Supervisory Board dated December 18, 2015 for a term of office from January 1, 2016 until December 31, 2016.

Dr. Jürgen Eck

Dr. Jürgen Eck was born in 1962. He studied biology at Technical University Darmstadt, Germany, with the emphasis on microbiology and molecular biology. After being awarded a doctorate (Dr. rer. nat) in Biochemistry and Molecular Genetics, he became shareholder of BRAIN AG in 1994. In 2000, Dr. Eck was appointed into the Management Board of BRAIN AG as Head of Research and Development, CTO. Since the foundation of BRAIN AG, Dr. Eck is responsible for the technological basis of the Company. Dr. Eck is also responsible for the academic collaboration network of BRAIN to many national and international research institutes and universities within Europe, Asia and the USA.

Dr. Eck is member in a number of commissions and advisory committees, as e.g. the "Vereinigung für Allgemeine und Angewandte Mikrobiologie" (VAAM) and DECHEMA committee for applied Biotransformation and the SUSCHEMA core group Biotechnology. He is member of the board of German Catalysis Society (GECATS) and Co–Founder of the "Center of molecular Evolution and Biodiversity e.V." in Darmstadt. Starting in January 1, 2010, Dr. Eck was appointed to the senate commission of the German Research Foundation (DFG). On July 1, 2015, he was appointed as Chief Executive Officer of BRAIN AG.

Henricus Cornelis Maria (Eric) Marks

Mr. Marks was born in 1961. At first he studied industrial engineering at H.T.S. Eindhoven. In addition, he started a commercial study in business economics at K.U.B. Tilburg and passed his graduation degree in organization and marketing. After having completed his university education in 1988 he started his professional career as consultant for manufacturing, supply chain management and IT at Berenschot in Utrecht, the Netherlands.

In 1992 he joined DSM (prev. Gist-Brocades) / Genencor International in the USA. As Global Product Group Manager he was responsible for a product rationalisation project. This project resulted in streamlining of the product portfolio, a renewed allocation of the production.

From 1997 to 2001 he was co-owner and managing partner of Passage Projects, a company for content management software. Today, the company is part of Intraworks.

In 2001 Mr. Marks rejoined Genencor International, which became part of Danisco in 2005. Furthermore, he was responsible for the key account management and worldwide sales with Procter & Gamble.

From 2006 to 2015 he was employed at AB Enzymes in Darmstadt. The company is a subsidiary of Associated British Food plc. As Director for global sales and European sales of ABF ingredients he was responsible for the global business organisation, serving food and technical enzyme market. Before joining BRAIN he was Vice President Global Sales and Business.

On November 01, 2015 he was appointed as Chief Operating Officer (COO) of BRAIN AG.

Dr. Georg Kellinghusen

Dr. Kellinghusen, born in 1947, earned his doctorate in Economics from Ludwig–Maximilians–University Munich, Germany, and started his professional career at Bertelsmann AG. In the following years, he held numerous management positions at German companies. He was, inter alia, member of the management board of Varta AG and chief executive officer of Varta–Bosch, chief executive officer and chief financial officer of Alno AG as well as a chief financial officer of KEIPER and of Keiper Recaro Group at the same time. From mid–2012 until January 2016, Dr. Georg Kellinghusen was the managing director of the family office MP Beteiligungs-GmbH, Kaiserslautern, Germany. Besides that, he is a member of the supervisory and advisory bodies of several companies as outlined below.

Before Dr. Kellinghusen was appointed as Chief Financial Officer of BRAIN AG in December 2015; he had been a member of the Supervisory Board of BRAIN AG from March until December 2015.

The members of the Management Board may be reached at the Company's office at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany (Telephone +49 (0) 6251–9331–0).

Member in management, administrative or supervisory bodies in companies or as a partner in partnerships outside BRAIN

As of the date of this Prospectus, Dr. Jürgen Eck is a member of the supervisory board of Enzymicals AG.

Until end ofDecember 2015 Dr. Kellinghusen was managing director of MP Beteiligungs-GmbH, managing director of subsidiaries of MP Beteiligungs-GmbH (KEIPER Brasilien Beteiligungs-GmbH and KEIPER Lateinamerika Beteiligungs-GmbH) and managing director of BRL GmbH. Besides, he was managing director of Keiper GmbH until June 2011 and managing director of Putsch GmbH & Co. KG until September 2012. At the date of this Prospectus, Dr. Kellinghusen is a member of the supervisory Board of WiV AG, a member of the advisory board of NWB Verlag GmbH & Co. KG as well as a member of the regional advisory board of Deutsche Bank AG.

Besides that, Dr. Eck, Mr. Marks and Dr. Kellinghusen are not members in management, administrative or supervisory bodies or as partners in partnerships outside BRAIN as of the date of this Prospectus or have been in the last five years.

Shareholdings of the Members of the Management Board in the Company

As of the date of the Prospectus, Dr. Jürgen Eck holds 750,000 shares in the Company, representing approximately 5.81 % of the Company's share capital. Mr. Marks and Dr. Kellinghusen do not hold shares in the Company as of the date of this Prospectus.

Moreover, currently it is intended that Dr. Jürgen Eck shall be a Beneficiary under the Intended Post IPO Framework Agreement (see *15. Transactions and Legal Relationships with Related Parties - 15.7 Intended Post IPO Framework Agreement*). If the Intended Post IPO Framework Agreement will be concluded a certain number of shares in BRAIN AG which is not yet defined, might be transferred to Dr. Jürgen Eck in one or several tranches following the executed IPO.

Moreover, the members of the Management Board will participate in the intended Matching Stock Programme (*see 17. Description of the Share Capital – 17.7 Authorisation to establish a Stock Option Plan)* and thus may be granted shares in the Company as variable remuneration and / or may be granted stock options carrying subscription rights with respect to shares in the Company.

Conflicts of interests

The member of the Management Board Dr. Jürgen Eck is at the same time shareholder of the Company. Therefore it cannot be ruled out that potential conflicts of interest may arise from his shareholding as he has personal interest in the development of the value of his shares in the Company.

Apart from that, there are no conflicts of interests or potential conflicts of interest between the obligations of the members of the Management Board of the Company and their private interests or other obligations.

Service Agreements, Remuneration and other benefits of the Members of the Management Board

A new service agreement between the Company and Dr. Eck became effective on July 1, 2015 and replaced his previous service agreement with the Company. The service agreement between the Company and Mr. Marks became effective on November 1, 2015 and the service agreement between the Company Dr. Kellinghusen on January 1, 2016.

The annual remuneration of each member of the Management Board is comprised of a fixed and a variable remuneration. The annual fixed remuneration includes a fixed salary, other benefits (such as contributions for pension insurance and health insurance) as well as non–monetary benefits from the provision of a company car. The members of the Management Board are further reimbursed for travel expenses and, in case of Mr. Marks, for accommodation and home travel up to the tax maximum amounts. In case of relocation to the region of Zwingenberg Mr. Marks will additionally be reimbursed for the costs of relocation in the amount of € 15,000 (fixed sum). From that date, he will not be reimbursed for accommodation and home travel any more. Dr. Kellinghusen will be reimbursed for accommodation and weekly home travel.

The fixed remuneration is paid out in cash in twelve equal monthly instalments. If and to the extent of which the members of the Management Board are exempted from compulsory insurance, the Company remunerates 50 % of the maximum contributions to statutory pension insurance, health insurance and unemployment insurance. Besides that, the Company has insured, at its own expense, the members of the Management Board against disability for the duration of the respective service agreement.

The variable remuneration is based on performance. In respect of this remuneration component, each member of Management Board and the Supervisory Board agree on specific individual targets at the end of each fiscal year for the following fiscal year. The variable remuneration depends on the achievement of these pre–defined performance targets in the respective fiscal year and amounts to approximately 30 % of the fixed salary. In the event the specified targets are significantly missed, the variable remuneration may be decreased to zero. In the event the specified targets are significantly exceeded, the variable remuneration may be increased to a maximum of two times. The level of target achievement is assessed and determined by the Supervisory Board in the last meeting before the General Shareholders' Meeting which resolves on the appropriation of the results of the respective fiscal year.

The members of the Management Board will participate in the intended Matching Stock Plan for members of the Management Board. By resolution of the Company's extraordinary Shareholders' Meeting on July 8, 2015 the Supervisory Board is authorised to grant stock options carrying subscription rights in respect of shares in BRAIN AG to members of the Management Board, see *17. Description of the Share Capital – 17.7 Authorisation to establish a Stock Option Plan*. On September 15, 2015 the Supervisory Board resolved that a Matching Stock Option Plan for the Management Board shall be implemented within the framework of a Long–Term–Incentive-Plan based on the aforementioned authorisation of the Company's extraordinary Shareholders' Meeting; see *17. Description of the Share Capital – 17.7 Authorisation to establish a Stock Option Plan*. The members of the Management Board are further entitled to pension and invalidity benefits as well as provision for surviving dependants which are funded via a pension fund from an external insurer (*Unterstützungskasse*) (direct benefit commitment) and via direct insurance policies. The Company is obligated to pay the contributions to the direct insurance policy and to fund the pension entitlements. In case of Mr. Marks and Dr. Kellinghusen the contractually agreed amount of contribution to be paid to a pension fund may also – upon their request – be paid as remuneration.

The term of the service agreement corresponds with the respective appointment as a member of the Management Board. In the event of early termination of the service agreement, a supplementary funding requirement for the benefits funded via a pension fund from an external insurer (*Unterstützungskasse*) and direct insurance policies could arise, if and to the extent the vested entitlements are not fully funded at the time of the termination of the service agreement, see *14. Business – 14.16 Emloyees*. Moreover, the service agreements of Dr. Eck and Mr. Marks contain post–contractual non–compete provisions pursuant to which Dr. Eck and Mr. Marks are prohibited from working for or acquiring shares (except private asset management if there is no influence in the executive bodies of the respective company) in a company which is a competitor of the Company for a period of two years respectively one year after the service agreement has ended. For the duration of the non–compete agreement, Dr. Eck and Mr. Marks are entitled to monthly compensatory payments in the amount of 50 % of the last fixed remuneration prior leaving the Company.

Management Board members are covered by D&O insurance, see *14. Business – 14.19 Insurance.*

The following table sets forth the total remuneration paid to the current and former members of the Management Board of the Company in fiscal years 2014/2015, 2013/2014 and 2012/2013*

	For the fiscal year ended September 30, 2015	**For the fiscal year ended September 30, 2014**	**For the fiscal year ended September 30, 2013**
		(audited)	
Fixed remuneration	€ 344,500	€ 380,000	€ 380,000
Variable remuneration/Performance-related remuneration	€ 105,500	€ 114,000	€ 114.000
Cost of old age, surviving dependants' and invalidity benefits[1)]	€ 159,665	€ 146,137	€ 137,612
Total remuneration	**€ 609,665**	**€ 640,137**	**€ 631,611**

1) post-employment.

* In fiscal years 2012/2013, 2013/2014 and 2014/2015, the Management Board consisted of two members. In addition to the current member of the Management Board Dr. Jürgen Eck, Dr. Holger Zinke served until end of June 2015 as Chairman of the Management Board. The stated remuneration, therefore, includes the remuneration paid in total to both members of the Management Board.

Besides that, as of September 30, 2015 pension provisions of € 1,014,000 are established, thereof € 934,000 for a former member of the Management Board and € 80,000 for a current member of the Management Board.

Certain Information regarding the Members of the Management Board

During the last five years, the members of the Management Board have not been convicted of any fraudulent offence. In addition, during the last five years the members of the management board have not been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies). During the last five years, the members of the Management Board have not been associated with any bankruptcies and/or insolvencies, receiverships or liquidations or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer.

No court has ever disqualified the members of the Management Board from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

There are no family relationships between members of the Management Board and those of the Supervisory Board and the Senior Management neither among themselves nor in relation to the members of the other body.

18.4 Senior Management

The senior management of BRAIN includes twelve members in total, six members of the senior management of BRAIN AG (one member responsible for Organisation, two members responsible for Corporate & Business Development and three members responsible for Technology) and six members of the management of BRAIN AG's subsidiaries ("**Senior Management**"). The members of the senior management of BRAIN AG may be contacted at the Company's office at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany (Telephone +49 (0) 6251–9331–0). The members of the management of BRAIN AG's subsidiaries may be contacted at the office of the respective BRAIN AG's subsidiary (AnalytiCon Discovery GmbH: Hermannswerder Straße 17, 14473 Potsdam, Germany; L.A. Schmitt GmbH Chem. Kosm. Fabrik: Lauensteiner Str. 62, 96337 Ludwigsstadt, Germany; Mekon Science Networks GmbH: Mergenthalerallee 10–12, 65760 Eschborn, Germany; Monteil Cosmetics International GmbH: Königsallee 14, 40212 Düsseldorf, Germany; WeissBioTech GmbH: An der Hansalinie 48–50, 59387 Ascheberg, Germany).

Short biographies of the current members of the Senior Management are set forth below in alphabetical order:

Members of the Senior Management of BRAIN AG

Dr. Wolfgang Aehle (Enzymes)

Born in 1957, Dr. Wolfgang Aehle obtained his Ph.D. in organic chemistry from Braunschweig Technical University in 1986. From 1987, at a PostDoc position at the German research institute GBF mbH in Braunschweig, Dr. Aehle specialised in the field of protein structure, computer assisted protein design and protein engineering within an industrial collaboration with Solvay enzymes (Brussels, BE). In 1991 Dr. Aehle accepted a position as protein engineer in the R&D Department of Gist-Brocades (now part of DSM) in Delft, The Netherlands. When the industrial enzyme division of Gist-Brocades was sold to the American Biotech pioneer Genencor International in 1995, Dr. Aehle became employee of the companies R&D department in Leiden (NL). In 2008, Dr. Aehle joined BRAIN AG, where he is responsible for Corporate Development in the field of performance proteins and enzymes.

During his industrial career, Dr. Aehle served as senior scientist, department head and project leader in the development of industrial enzymes. At BRAIN Dr. Aehle became responsible in the acquisition of new collaborations and execution of projects in the enzyme field and performed the technical due diligence during one of BRAIN's acquisitions.

Dr. Ute Dechert (HR & Organisation)

Dr. Ing. Ute Dechert was born in December 1961 in Darmstadt. Between 1981 and 1988 she studied chemistry at the Technical University Darmstadt and in 1992 achieved the academic rank of Doctor of engineering with a focus on protein biochemistry. For the next four years her research as a postdoc at the Biomedical Research Centre at the University of British Columbia in Canada focussed on signal transduction processes in hematopoietic systems, before joining BRAIN in 1996. There she started out as a project manager of scientific research projects with a focus on microbial screening programmes, heterolous protein expression as well as analytics. Since 1999 she is responsible for the R&D–Controlling of publicly funded research projects and programmes (DBU, BMBF). In 2001 she became responsible for the recruiting and hiring procedures for permanent employees as well as scholarship recipients and students and in 2005 for the vocational training of biology laboratory technicians within the BASF training network (Ausbildungsverbund) extended to include the apprenticeships in office and administration in 2008. She is also the principal contact and organises the practical training exchange programme for biology lab technician apprentices of Merck KGaA at BRAIN. In 2013, Dr. Ing. Ute Dechert became Head of the Unit Organisation & Processes.

Besides she acts as auditor at accreditation agencies (Aqas, ASIIN e.V.) for accreditation of degree programmes and is member of the technical committee 10 Life Sciences of the ASIIN e.V. as well as member of German Chemical Society (GDCh) and Society for Biochemistry and Molecular Biology (GBM).

Thomas Kessler

Thomas Kessler, born in 1965, is a manager with scientific as well as a commercial university degree. He studied chemistry at the Technical University in Darmstadt and started his professional career as "Manager of Marketing and Sales" at Bayer AG, Leverkusen. In parallel, he studied Economics at the Mannheim University of Cooperative Education and passed his second degree as a Business Economist (BA) in 1997. During this time he worked as a trainee in the departments Finance and Controlling and Marketing at Rhein Chemie Rheinau GmbH, a wholly owned subsidiary of Bayer AG. After that he switched back to Bayer AG, Leverkusen as a "Manager of Market–, Strategy– and Competitor analysis" at the department Corporate Planning and Controlling. After several business stations including Rhein Chemie and Bayer Material Science AG he became "Chief financial and business officer (CFO)" at LYTTRON Technology GmbH, Köln (100 % Bayer Material Science AG subsidiary).

In 2007 he joined Merck KGaA in Darmstadt where he was "Head of Global Platform Development Specialties" with the main task to identify new markets and the development of new businesses.

In August 2015 he joined BRAIN as "Executive Vice President". In his function he is involved in the business operations of the BRAIN Group.

Dr. Michael Krohn (BioActive Compounds)

Dr. Michael Krohn studied biology and graduated in molecular biology with a PhD from the Heinrich-Heine University (HHU) Düsseldorf and did his postdoctoral training at the Max–Planck Institute for Immunology in Freiburg with focus on molecular and cell biology.

Dr. Michael Krohn started his industrial career at BRAIN AG as a project manager in 1997. Since 2001 he works in the management at BRAIN AG as the Head of the Unit: "BioActives & Performance Biologicals". In this position he is responsible for the research & development of bioactive ingredients mainly for the food & cosmetic industries for industrial applications and products. His main accountability is best described by national and international contract research, in house developments as well as national and international business development of functional ingredients for business-to-business markets.

Since 2013 he is part of the coordination team of the Innovation-Alliance called "NatLifE2020". In 2013 Dr. Michael Krohn became member of the executive committee at BRAIN and has meanwhile 20 years' professional experience in Industrial Biotechnology.

Dr. Martin Langer (Corporate & Business Development)

Dr. Martin Langer, born in 1965, is biochemist and molecular biologist. He studied Biology at the Technical University in Darmstadt, Germany, Adelaide University, Australia and the University Karlsruhe, Germany. During his PhD at the University Karlsruhe he worked on enzymes with rare prosthetic groups and analysed the catalytic behaviour of these biocatalysts.

Since 1995 he works with BRAIN starting as a project manager. Between 1999 and 2005 he worked for a red biotech spin off of BRAIN, named VISCUM. Here he was the head of Business Development and besides identifying of external collaboration partners also responsible for identification and planning of venture capital funding. During 1999 and 2003 he was also member of the supervisory board of VISCUM.

In June 2005 he took over the Unit Corporate Development at BRAIN. Here, besides marketing and communication he is together with the CEO also responsible for corporate development, for instance construction and implementation as well as coordination of the Strategic Alliance "NatLifE 2020". In January 2013 he was appointed as a member of the executive committee of BRAIN. Dr. Langer is member of the Pharma Licensing Club, Section Germany and represents BRAIN in the German Industrial Biotechnology Association IWBio e.V.

Dr. Guido Meurer (Strain Development)

Dr. Guido Meurer, a molecular biologist by training, has 18 years of experience in the biotech industry. Born in 1961, Dr. Meurer studied Biology at the Friedrich–Alexander University Erlangen–Nürnberg focusing on biochemistry, microbiology and molecular biology. In his PhD thesis he studied the nature of large multifunctional enzyme complexes in bacterial fatty acid biosynthesis. For post–doctoral studies, Dr. Meurer joined the group of Prof. C.R. Hutchinson at the University of Wisconsin in Madison, USA, to work on multifunctional and multi–enzyme complexes for bacterial natural product biosynthesis. In 1997 he joined the Canadian biotech start–up TerraGen Diversity Inc., founded by Prof. Julian Davies as a spin–off of the University of British Columbia in Vancouver, to work as a group leader employing the newly developed Metagenome Technology to discover novel biosynthetic pathways for unknown natural products.

In 2000 Dr. Meurer joined BRAIN to strengthen its Metagenome Technology team as a project leader. In addition he was responsible for the establishment and organisation of a Strain Development team. Since 2003 Dr. Meurer is the responsible Unit Head for Strain Development and Microbial Production Technologies. In this function he is involved in the respective business development activities and was the responsible person at BRAIN organising and implementing the strategic industrial alliance "ZeroCarbFP". In December 2012 Dr. Meurer was appointed as a member of the executive committee of BRAIN.

Members of the management of BRAIN AG's subsidiaries

Hans de Bie, Chief Executive Officer of WeissBioTech GmbH

Hans de Bie, born in 1951, graduated 1980 in Biochemistry & Microbiology from Royal Melbourne Institute of Technology (now part of University of Melbourne) in Australia. He has gained an international background from working in Australia, the US, as well as France and Germany. He started his career as market development manager at Miles Laboratories, Australia, followed by various roles (namely sales manager) at Mauri Labratories in Australia and the US until 1989. Before he founded Add Food Service GmbH in 2003 (which became WeissBioTech GmbH in 2011), he spent 14 years at Gist-brocades (now DSM) mainly working in the dairy segment in the US and acting as Member of the Strategic Management Team of the Food Speciality Division, The Netherlands.

Frank Goebel, Managing Director of B.R.A.I.N. Capital GmbH

Frank Goebel has joined BRAIN in February 2015 to support BRAIN's industrialisation strategy. He is the managing director of the 100 % subsidiary of BRAIN AG, named B.R.A.I.N. Capital GmbH. Before joining BRAIN Frank Goebel spent 15 years in banking in the Structured Finance area, the last ten years at the Royal Bank of Scotland plc. working out of Frankfurt and London. During his earlier years in banking he focused on LBOs backed by Financial Sponsors, working on widely syndicated arranging mandates. For the last six years he became involved with financial restructuring transactions such as debt–for–equity swaps, acting as an Investment Director on a Pan–European basis. In his early career, Frank Goebel worked as a controller in a German industrial company and also in his father's trading business. Frank Goebel is Diplom–Kaufmann and completed all three levels of the CFA programme.

Dr. Bela Kelety, Chief Executive Officer of Mekon Science Networks GmbH

Dr. Béla Kelety studied chemistry at the Technische Hochschule Darmstadt and graduated in biochemistry. He did his PhD studies at the Max–Planck–Institute of Biophysics in Frankfurt receiving his PhD in biochemistry in 1996. During his postdoc he joined the cardiovascular group at Hoechst–Marion–Roussel doing research on new antiarrhythmic drugs. In 1999 he took over a position at Hoechst–Roussel–Vet where he was responsible for the development of high–throughput–screening (HTS) assays in the area of antiinfectives and antiparasitics. In 2001 he joined IonGate Biosciences GmbH to bring a HTS technology for transporter proteins to the market. Dr. Kelety was employed at BRAIN AG from 2010 to 2012 until he took over the position as the managing director for Mekon Science Networks GmbH focusing on gaining market access for BRAIN's wound care portfolio and developing new cosmetic brands.

Besides, Dr. Kelety is associated partner of Life Science Consulting Network Ltd. (LSCN) and partner of CATBera GmbH for which he serves as managing director since 2010.

Dr. Lutz Müller-Kuhrt, Chief Executive Officer of AnalytiCon Discovery GmbH

Dr. Lutz Müller-Kuhrt studied Chemistry at the Technical University of Berlin and received his PhD in natural product chemistry in 1985. Dr. Müller-Kuhrt is founder and co–founder of several life science companies including AnalytiCon AG (natural products), Noxxon Pharma AG (RNA-therapeutics, Sepiatec GmbH (separation technologies), Biotecon (protein based therapeutics, PCR diagnostics) and AnalytiCon Discovery GmbH. Between 1995 and 2000, he was Chief Executive Officer of AnalytiCon AG and currently serves as Chief Executive Officer of AnalytiCon Discovery GmbH.

Manfred Stöver, Chief Executive Officer of L.A. Schmitt GmbH Chem. Kosm. Fabrik

Manfred Stöver was born in 1950 in Linsburg. In the early 1970s he completed his chemical education at BASF and Merck. In 1974 he started his professional career in the cosmetics industry in the research and development department at Goldwell GmbH in Darmstadt, a manufacturer of exclusive hairdressing products. During his career, he was also acting as independent entrepreneur and has developed his own formulations for hair and body care products. He has gained more than 40 years of experience within the cosmetics industry and especially in the development and formulation of hair– and skincare cosmetics-products. Since November 2011 he acts as the Managing Director of L. A. Schmitt in Ludwigsstadt, where he successfully expanded the company's business, leading to a doubling of the turnover since his inauguration.

Stefan Vogels, Chief Executive Officer of Monteil Cosmetics International GmbH

Stefan Vogels was born in 1978. He studied economics, graduating as Diplom-Kaufmann. In November 2014, he became the CEO of Monteil. The term of his appointment as CEO will terminate on August 31, 2016. Before taking this post he worked seven years at Wilde Cosmetics GmbH where he occupied various roles in the area of controlling and internal sales. He started his professional career as sales assistant at alessandro International GmbH & Co. KG in 2004, becoming head of internal sales in 2005. During 2007 he acted as trade controller at Parfümerie Douglas GmbH for seven months.

Shareholdings of the Members of the Senior Management in the Company

As of the date of this Prospectus, Guido Meuer and Dr. Michael Krohn hold each 50,000 shares in the Company, representing each approximately 0.39 % of the Company's share capital. The other members of the Senior Management do not hold shares in the Company as of the date of this Prospectus.

Moreover, currently it is intended that the members of the Senior Management Dr. Langer, Dr. Meurer, Mr. Goebel and Mr. Krohn shall be Beneficiaries under the Intended Post IPO Framework Agreement (see *15. Transactions and Legal Relationships with Related Parties - 15.7 Intended Post IPO Framework Agreement*). If the Intended Post IPO Framework Agreement will be concluded a certain number of shares in BRAIN AG which is not yet defined, might be transferred to the above mentioned members of the Senior Management of BRAIN AG in one or several tranches following the executed IPO.

Conflicts of interests

The members of the Senior Management Guido Meurer and Dr. Michael Krohn are at the same time shareholders of the Company. Therefore it cannot be ruled out that potential conflicts of interest may arise from their shareholdings as they have personal interest in the development of the value of their shares in the Company. Apart from that there are no conflicts of interest or potential conflicts of interest between the obligations of the members of the Senior Management of BRAIN and their private interests or other obligations.

Remuneration and other benefits of the Members of the Senior Management

The total remuneration paid to the members of the Senior Management in the fiscal year 2014/2015 amounts to € 1,135,474.

With the exception of possible compensation payments due to non–compete provisions in service agreements, there are no agreements between BRAIN and Member of the Senior Management providing for benefits upon termination of employment.

Certain Information regarding the Members of the Senior Management

During the last five years, no member of the Senior Management has been convicted of any fraudulent offence. In addition, during the last five years no member of the Senior Management has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies). During the last five years, no member of the Senior Management has been associated with any bankruptcies and/or insolvencies, receiverships or liquidations or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer.

No court has ever disqualified any of the members of the Senior Management from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

There are no family relationships between members of the Senior Management and those of the Supervisory Board and the Management Board, neither among themselves nor in relation to the members of the other body.

18.5 Supervisory Board

General

Pursuant to section 9 para. 1 of the Articles of Association the Supervisory Board consists of six members. It is not subject to employment codetermination as provided by the German One–Third Employee Representation Act (*Drittelbeteiligungsgesetz*) or the German Codetermination Act (*Mitbestimmungsgesetz*). The members of the Supervisory Board, therefore, are all elected by the General Shareholders' Meeting. For each member of the Supervisory Board the shareholders may, at the time of their election, appoint substitute members. The term of office of such substitute members shall terminate at the end of the Company's shareholder's meeting in which a successor is elected and at the latest at the end of the term of office of the leaving member.

Section 100 para. 5 of the German Stock Corporation Act (*Aktiengesetz*) requires the Supervisory Board to have at least one independent member with expertise in the fields of accounting or auditing. Members of the

Supervisory Board are considered to be independent if such members have no business or personal relations with the Company, its Management Board, controlling shareholders or related parties which could cause a substantial and not merely temporary conflict of interest. As concerns the Supervisory Board of the Company, Siegfried L. Drueker is considered to possess the required expertise and independence.

Pursuant to the Articles of Association the members of the Supervisory Board are elected for a period terminating at the end of the General Shareholders' Meeting that resolves on the discharge (*Entlastung*) of the members' acts for the third fiscal year following the commencement of their term of office, unless the General Shareholders' Meeting specifies a shorter period at the time of their election. The fiscal year in which the term of office commences shall not be included in this calculation. For members of the Supervisory Board who leave office before the end of their term a successor shall be elected for the remaining term of the member who has left the office, unless otherwise specified at the time of their election. Re-election of members of the Supervisory Board is permissible.

In accordance with section 9 para. 5 of the Articles of Association, any member of the Supervisory Board and each substitute member may resign at any time, even without providing a good cause, by giving written notice of his/her resignation to the Chairman of the Supervisory Board or to the Management Board with effect from the end of the calendar month following the notice. The Chairman of the Supervisory Board or, in case of a resignation by the Chairman, his/her deputy, can consent to a shortening or to a waiver of this period.

Following the shareholders' meeting, in the course of which the members of the Supervisory Board are elected by the shareholders' meeting for a new term, the Supervisory Board will elect a Chairman and a deputy Chairman from among its members to serve for the duration of those members' terms. A shorter period can be determined as well. If the Chairman or his/her deputy leaves such office before the end of its term, the Supervisory Board shall elect a successor for the remaining term of the member who has left the office.

Under mandatory statutory provisions and section 11 para. 1 of the Articles of Association, the Supervisory Board shall adopt internal Rules of Procedure. The current version of the Supervisory Board's internal Rules of Procedure was adopted by resolution of the Supervisory Board on September 15, 2015.

The Supervisory Board is further authorised to establish committees in accordance with the law and section 11 para. 2 of the Articles of Association. To the extent permitted by law the Supervisory Board may delegate any of its decision-making powers to committees established from among its members. The Supervisory Board shall determine the tasks and competences of the committees. The Supervisory Board is entitled to resolve amendments to the Articles of Association if such amendments only relate to the wording, see section 15 of the Articles of Association.

The Supervisory Board meets as often as the position or current developments of the Company require it, but at least twice in each calendar half. Meetings of the Supervisory Board are called at least 14 days in advance by the Chairman of the Supervisory Board, or if he/she is prevented from doing so by his/her deputy, not including the day on which the invitation is sent and the day of the meeting itself. Notice of meetings may be given verbally, in writing, by fax, by telephone or via means of electronic telecommunications (for example by email). In urgent cases the Chairman may shorten this period.

The Articles of Association provide that all members of the Supervisory Board must have been invited to the meeting and at least) half the members of the Supervisory Board must participate in voting on a resolution in order to constitute a quorum. Members who are present but abstain from voting are considered to take part in the voting for purposes of the required quorum. Absent members of the Supervisory Board may participate in the casting votes by submitting their votes in writing through another member of the Supervisory Board. The Chairman of the Supervisory Board, or in case of his/her absence the Deputy Chairman, acts as chair of the meetings and determines the order in which the items on the agenda are discussed and the method and sequence of voting.

Unless otherwise required by law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. This also applies to elections. For purposes of passing a resolution, abstentions do not count as votes cast.

If a vote in the Supervisory Board results in a tie, the Chairman, or in case of his/her absence the deputy Chairman, decides whether another vote should be taken in the same meeting. In case of another vote on the same matter the Chairman shall have two votes; the Deputy Chairman shall not be entitled to the second vote.

The Articles of Association provide that resolutions shall generally be passed in meetings. Resolutions may also be adopted outside of meetings in writing, by telefax, by telephone or by means of modern communication (for example video conference or email) at the order of the Chairman, or if he/she is prevented from exercising his/her function, at the order of the Deputy Chairman, if preceded by reasonable notice. The other members of the Supervisory Board do not have a right to object to such order.

Current Members of the Supervisory Board

The current members of the Supervisory Board may be contacted at the Company's office at Darmstädter Straße 34–36, 64673 Zwingenberg, Germany (Telephone +49 (0) 6251–9331–0).

The following table lists the current members of the Supervisory Board, the date of their first appointment to the board, the date in which their term expires and other memberships:

Name	Age	Date of first Appointment	Appointed until[1]	Other memberships in management, administrative or supervisory bodies in companies or as a partner in partnerships outside BRAIN in the last 5 years)[2]
Dr. Ludger Müller, Chairman	67	March 17, 2011[3]	End of General Shareholders' Meeting 2018/2019	• MP Beteiligungs-GmbH, managing director • Managing director of subsidiaries of MP Beteiligungs-GmbH: PUTSCH Immobilien GmbH, KEIPER Brasilien Beteiligungs-GmbH, KEIPER Lateinamerika Beteiligungs-GmbH, BSN GmbH • BRL GmbH, managing director
Dr. Holger Zinke; Deputy Chairman	53	July 8, 2015[4]	End of General Shareholders' Meeting 2016/2017	• GI Management GmbH (since 2011 general partner of Green Industries Group GmbH & Co. KG), managing director
Siegfried L. Drueker	63	May 3, 2012[5]	End of General Shareholders' Meeting 2019/2020	• Leonardo & Co. GmbH & Co. KG managing director (until 2011) • Drueker Verwaltungs GmbH (general partner of Drueker & Co. GmbH & Co. KG), managing director • STEGO Vermögensverwaltungs GmbH, managing director • Georgsmarienhütte Holding GmbH, Chairman of the supervisory board • Georgsmarienhütte GmbH, member of the supervisory board • SMA Solar Technology AG, member of the supervisory board (until May 2011)
Prof. Dr. Klaus-Peter Koller	69	May 21, 2001[6]	End of General Shareholders' Meeting 2016/2017	• none
Dr. Matthias Kromayer	50	March 17, 2011[7]	End of General Shareholders' Meeting 2018/2019	• MIG Verwaltungs AG, member of the management board • tavia consulting GmbH, managing director • Amsilk GmbH, Deputy Chairman of the advisory

				board • Biocrates AG, Deputy Chairman of the supervisory board • Cerbomed GmbH, Chairman of the advisory board • Immatics GmbH, member of the advisory board • Immatics Inc., member of the advisory board • Nexigen GmbH, Chairman of the advisory board • SuppreMol GmbH, member of the advisory board (until February 2015) • Virologik GmbH, Chairman of the advisory board (until February 2014)
Christian Körfgen	50	January 1, 2016[8]	End of General Shareholders' Meeting 2018/2019	• NH Central Europe GmbH & Co. KG, managing director • Managing director of several affiliated companies of NH Central Europe GmbH & Co. KG (Airport Hotel Frankfurt Raunheim GmbH & Co. KG, Artos Beteiligungs-GmbH, Astron Immobilien GmbH, Heiner Gossen Hotelbetrieb GmbH, Hotel Aukamm Wiesbaden GmbH & Co. KG, Hotels Bingen und Viernheim GmbH & Co. KG, NH Central Europe Management GmbH, NH Hotelbetriebs- und Dienstleistungs-GmbH, NH Hotelbetriebs- und Entwicklungs-GmbH, NH Hoteles Austria GmbH, NH Hoteles Deutschland GmbH, NH Hoteles Switzerland GmbH, NH Hotels Czequia s.r.o., NH Hotels Polska Sp.Zo.o., NH Hungary Hotel Management Ltd., NH Management Black Sea S.R.L., Objekt Leipzig Messe GmbH & Co.) • Putsch GmbH & Co. KG, member of the advisory board • Member of the advisory board of affiliated companies of Putsch GmbH & Co. KG (MP Beteiligungs-GmbH, Recaro Holding GmbH, Putsch Immobilien GmbH) •

[1] Unless a shorter period is specified at the time of their election, the members of the Supervisory Board have been elected by the General Shareholders' Meeting for a period terminating at the end of the General Shareholders' Meeting which resolves on the discharge (*Entlastung*) for the third fiscal year following the commencement of their term of office. The fiscal year in which the term of office commences shall not be included in this calculation.

[2] Unless stated otherwise the membership is still ongoing as of the date of this Prospectus.
[3] Dr. Ludger Müller was most recently re–appointed on March 17, 2015, at the 2014/2015 General Shareholders' Meeting.
[4] Dr. Holger Zinke was appointed as successor of Michael Motschmann until the end of the term of office of the leaving member, the end of General Shareholders' Meeting 2016/2017.
[5] Siegfried L. Drueker was most recently re–appointed on December 18, 2015, at the 2015/2016 General Shareholders' Meeting.
[6] Prof. Dr. Klaus–Peter Koller was most recently re–appointed on March 14, 2013, at the 2012/2013 General Shareholders' Meeting.
[7] Dr. Matthias Kromayer was most recently re–appointed on March 17, 2015, at the 2014/2015 General Shareholders' Meeting.
[8] Christian Körfgen was appointed as successor of Dr. Georg Kellinghusen until the end of the term of office of the leaving member, i.e. until the end of General Shareholders' Meeting 2018/2019.

Short biographies of the current members of the Supervisory Board are set forth below:

Dr. Ludger Müller

Since early 2003, Dr. Ludger Müller works for the Putsch–Group, starting as managing director and chief financial officer of Keiper Recaro Group. In 2006, he became managing director of the family office MP Beteiligungs-GmbH.

Dr. Ludger Müller studied at the University of Münster, Germany, graduating with a Diploma in Mathematics and earned his doctorate in Economics from the University of Mannheim, Germany. Dr. Ludger Müller started his professional career in the industry at Allgemeine Deutsche Philips Industrie GmbH, Hamburg, Germany. Afterwards, he held several managing positions at Robert Bosch GmbH as management director of subsidiaries in Germany as well as abroad before he has been appointed as managing director of the bus manufacturer Gottlob Auwärter GmbH & Co. KG, Stuttgart, Germany,

Since 2009, Dr. Ludger Müller is chairman of the University Council of the Technical University Kaiserslautern, Germany.

Dr. Holger Zinke

Dr. Holger Zinke was born in 1963. He studied biology at Technical University Darmstadt, Germany, majoring in microbiology and molecular biology, and was awarded a doctorate (Dr. rer. nat) in 1992. He was one of the founders of the Company, serving since 1993 as its managing director and, following its change of legal form to a German Stock Corporation (*Aktiengesellschaft*) in 2002, as the Chairman of the Company's Management Board (CEO) until June 2015. Since July 2015, he is the Deputy Chairman of BRAIN AG's Supervisory Board. Since late 2011, he is managing director of GI Management GmbH, the general partner of the shareholder of BRAIN, Green Industries Group GmbH & Co. KG.

Besides that, Dr. Zinke was cofounder of the Association of German Biotech Companies (*Vereinigung deutscher Biotechnologieunternehmen VBU*) and was from 1996 to 2004 board member. In 2004, he was cofounder of the Biotechnology Organization Germany (BioDeutschland). He had several positions at the biotechnology section of DECHEMA (*Deutsche Gesellschaft für chemisches Apparatewesen und Biotechnologie*), the Rhein-Main-Neckar Chamber of Commerce (HK), acting as the Chairman of the Committee on Industry, Technology and Innovation and Deutsche Industrievereinigung Biotechnologie (*German Association of Biotechnology Industries*) where he acted as deputy Chairman and later Chairman of the White Biotech Committee (*Fachausschuss Weisse Biotechnologie*).

Currently, Dr. Holger Zinke is a member of the board of the Hesse chapter of the German Chemical Industry Association (*Verband der chemischen Industrie VCI*). In 2007, he cofounded the Industry Association White Biotechnology (*IWBIO*) and acts as Deputy Chairman until now. Dr. Holger Zinke is member of the Mannheim University of Applied Sciences Board of Trustees (*Kuratorium*) and since 2006 Member of the University Council (*Hochschulrat*). Since 2010, he is as well member of the University Council (*Hochschulrat*) of the Technical University of Darmstadt and acts since 2014 as deputy Chairman.

Dr. Zinke was appointed 2010 as a member of the German Bioeconomy Council (*Bioökonomierat*) of the Federal Government and is currently heading the Working Group on Competitivness. In 2013, he was appointed as member of the EU Commission Bioeconomy Panel, he is as well member of the Contact Group for the European Bioeconomy Observatory.

Siegfried L. Drueker

Siegfried L. Drueker, born in 1952, studied economics at Hochschule St. Gallen graduating with a Lic.oec HSG/Swiss MBA in 1977. After his studies, Siegfried L. Drueker started his career in 1978 working for Morgan Guaranty Trust Company of New York in New York and Frankfurt am Main, before joining Morgan Stanley & Co. Incorporated, New York, in 1983. In 1988, he became responsible for the Mergers & Acquisitions as well as the Corporate Finance department of Morgan Stanley GmbH in Germany, Frankfurt am Main. In 1989, Siegfried L. Drueker founded Drueker & Co. GmbH & Co. KG (after the merger with Leonardo & Co., Milan, in 2007 Leonardo & Co. GmbH & Co. KG), a company active in investment banking.

Science 2011, he is managing director of Drueker & Co. GmbH & Co. KG, Frankfurt am Main, providing M & A advisory and M & A solutions.

Prof. Dr. Klaus-Peter Koller

Prof. Dr. Klaus-Peter Koller serves as an independent counsellor for research organisations and biotechnology companies in issues related to preclinical drug development and use of enzymes in industrial scale.

Currently, he is a member of the Board of Trusties at the MPIs of Biophysical Chemistry and Dynamics of Self–organisation at Göttingen, Germany, of the "Round Table for Antiinfectives Research" of the German National Academy of Sciences and, since January 2015, of the committee of evaluation experts for the BMBF funding programme VIP+.

At Sanofi Deutschland GmbH, he was Director of global function "Strategic & Prospective Initiatives" in R&D until his retirement in May 2011. From 1999–2001, he was President of the Association for General and Applied Microbiology–VAAM, a member of the DFG Senate Commission on "Gene Technology" (2004) and of the evaluation committee for the BMBF "BioFuture" funding programme (2001–2010). In 1998, he received an honorary professorship of the University of Frankfurt, Germany, teaching “Industrial microbiology" until now.

At Hoechst AG, the predecessor of today’s Sanofi, he was responsible for the gene expression group (1996), team leader for the "Inhibitors of pathogenesis factor expression" project and served as spokesperson for departments of biochemistry and microbiology (1994). In 1990, he supervised the strain development programme for the enzyme Glutarylamidase leading to the first implementation of an industrial enzymatic production process for 7–ACA at Hoechst AG.

After receiving his PhD in 1979 in Biology, he performed his post-doctoral studies at Harvard University in the laboratory of Prof. Dr. L. Bogorad.

Dr. Matthias Kromayer

Dr. Matthias Kromayer, born in 1965, studied biology at the Ludwig–Maximilians–University Munich, Germany, and King’s College London, UK. He holds a diploma in biology and a doctorate (Dr. rer. nat.) in molecular microbiology from Ludwig–Maximilians–University Munich. After his studies, in 1998, he started to work for Consulting Partner GmbH (Frankfurt am Main, Germany) and Investment Partner AG (Zürich, Switzerland) providing strategy and business re–engineering consultancy for various industries. Since 2002, he is managing director at tavia consulting GmbH, Munich, Germany, providing strategy consulting for private and public life science companies (biotechnology, pharmaceuticals, diagnostics and medical devices as well as other supplier industries) with a focus on the development, presentation and execution of business plans and expansion strategies for start–up as well as spin–out companies, including financial planning. Besides that, Dr. Matthias Kromayer gained entrepreneurial experience as founder and managing director of consultancy companies.

Since 2010 Dr. Matthias Kromayer is member of the Management Board of MIG Verwaltungs AG being responsible for acquisition, management and divesture of venture capital holdings in biotechnology, pharmaceuticals and medical devices industries as well as for valuation and process management according to the German Capital Investment Act.

Dr. Matthias Kromayer is a member of CI3–Cluster für individualisierte Immunintervention e.V., Mainz, Germany.

Christian Körfgen

Christian Körfgen, born in 1965, studied at the University of Münster, Germany, graduating as Diplom-Kaufmann. After his studies, in 1991, Mr. Körfgen started his professional career working as senior consultant and later as project manager in strategy, M&A, reorganisation and restructuring projects in the customer, retail, travel and industry branches for Roland Berger Strategy Consultants GmbH in Munich. From the beginning of 1996 until the end of 1997 he joined Lufthansa AG as director for productmanagement of all intercontinental service inflight and ground. After working for LTU Touristik GmbH as member of the board of directors with responsibility for corporate strategy, he returned to Lufthansa AG at the beginning of 1999. In the following years Mr. Körfgen worked in different management positions for Lufthansa AG, Lufthansa WorldShop GmbH and Lufthansa Cargo AG, lastly as Vice President Product management & Innovation for Lufthansa AG.

Since February 2014 he is managing director/CEO Business Unit Central Europe of NH Hotel Group S.A.

Committees

Under the Articles of Association, the Supervisory Board may set up committees which may take decisions. Pursuant to section 9 para. 1 of the Supervisory Board's internal Rules of Procedure, the Supervisory Board shall form a Personnel Committee, an Audit Committee and a Nomination Committee. The Supervisory Board may set up further committees if required. The Supervisory Board's decision-making authority may be delegated to these committees if and to the extent permitted by law. The committees meet at least once a year.

The **Personnel Committee** (*Personalausschuss*) comprises the Chairman of the Supervisory Board who will also be the Chairman of the Personnel Committee and up to two other members of the Supervisory Board who will be appointed by the Supervisory Board. The Personnel Committee prepares the personnel decisions of the Supervisory Board, in particular the selection, appointment and dismissal of members of the Management Board, the conclusion and amendment of the service agreements and pensions arrangements, the remuneration scheme including its implementation in the service agreements, the determination of targets with regard to the variable remuneration, the determination and assessment of the appropriateness of the total remuneration of each member of the Management Board as well as the approval of the annual remuneration report. The Personnel Committee also decides on the representation of the Company vis–a–vis the members of the Management Board in accordance with section 112 of the German Stock Corporation Act (*Aktiengesetz*), the approval of other activities of a member of the Management Board in accordance with section 88 of the German Stock Corporation Act (*Aktiengesetz*) as well as the approval of any other ancillary activities, in particular the acceptance of supervisory board mandates or mandates in comparable supervisory bodies of companies outside BRAIN. The current members of the Personnel Committee are Dr. Ludger Müller and Dr. Matthias Kromayer.

The **Audit Committee** (*Prüfungsausschuss*) consists of the Chairman of the Supervisory Board and up to two other members of the Supervisory Board who will be appointed by the Supervisory Board. The Audit Committee has to have at least one independent member with expertise in the fields of accounting, internal control systems as well as auditing. The Audit Committee will elect its Chairman from among its number who has to be an independent member and must not be a former member of the Management Board whose appointment ended less than two years ago. The Chairman of the Supervisory Board may not be elected as Chairman of the Audit Committee. The Audit Committee is concerned with the oversight of the accounting process and the efficiency of the internal control system, the risk management system, the internal auditing system and all compliance matters. It selects an independent auditor, prepares the agreements with the auditor, including the fee agreement, and determines the focal points for the audit. The Audit Committee further prepares the resolutions of the Supervisory Board regarding the adoption of the unconsolidated financial statements and the approval of the consolidated financial statements. For this purpose, it has the task of conducting a preliminary examination of the unconsolidated and consolidated financial statements, the management reports and the profit distribution proposal. The Audit Committee also supports the Supervisory Board in monitoring the Management Board in its management of the Company dealing in particular in this regard with issues of risk management. The current members of the Audit Committee are Siegfried Drueker (independent member), Dr. Ludger Müller and Dr. Matthias Kromayer.

The **Nomination Committee** (*Norminierungsausschuss*) comprises the Chairman of the Supervisory Board and up to two other members of the Supervisory Board who will be appointed by the Supervisory Board. The Nomination Committee will elect its Chairman from among its number. The Nomination Committee shall prepare the proposals of the Supervisory Board to the General Shareholders' Meeting regarding the election of members of the Supervisory Board. The current members of the Nomination Committee are Dr. Ludger Müller, Dr. Holger Zinke and Dr, Matthias Kromayer.

Shareholdings of the Members of the Supervisory Board in the Company

As of the date of this Prospectus, Dr. Holger Zinke indirectly holds 1,350,000 shares in the Company, representing approximately 10.45 % of the Company's share capital. The other members of the Supervisory Board, Dr. Ludger Müller, Siegfried L. Drueker, Prof. Dr. Klaus-Peter Koller, Dr. Matthias Kromayer and Christian Körfgen, do not hold shares in the Company as of the date of this Prospectus.

Moreover, currently it is intended that Dr. Holger Zinke shall be a Beneficiary under the Intended Post IPO Framework Agreement (see *15. Transactions and Legal Relationships with Related Parties - 15.7 Intended Post IPO Framework Agreement*). If the Intended Post IPO Framework Agreement will be concluded a certain number of shares in BRAIN AG which is not yet defined, might be transferred to Dr. Holger Zinke in one or several tranches following the executed IPO.

Conflicts of interests

The member of the Supervisory Board Dr. Ludger Müller is at the same time managing director of MP Beteiligungs-GmbH and the member of the Supervisory Board Christian Körfgen is at the same time member of the advisory board of MP Beteiligungs-GmbH.. MP Beteiligungs-GmbH holds 50.65 % of the shares in the Company, see *19. Shareholder Structure – 19.1 Shareholder Structure (before and after the Offering)*. The interest of MP Beteiligungs-GmbH and BRAIN AG are not necessary the same. Besides, MP Beteiligungs-GmbH and BRAIN AG concluded a loan agreement and MP Beteiligungs-GmbH participated in several capital increases of BRAIN AG (see *15. Transactions and Legal Relationships with related Parties – 15.1 Transaction with its shareholder MP Beteiligungs-GmbH*), which constitutes a potential conflict.

The member of the Supervisory Board Dr. Holger Zinke is at the same time managing shareholder of GI Management GmbH, the general partner of Green Industries Group GmbH & Co. KG. Green Industries Group GmbH & Co. KG holds 10.45% of the shares in the Company, see *19. Shareholder Structure - 19.1 Shareholder Structure (before and after the Offering)*. The interest of Green Industries Group GmbH & Co. KG and BRAIN AG are not necessary the same. Besides, Green Industries Group GmbH & Co. KG and BRAIN AG concluded lease agreements (see *15. Transactions and Legal Relationships with related Parties – 15.2 Transactions with Dr. Holger Zinke, or companies controlled by him*), which constitutes a potential conflict.

The member of the Supervisory Board Dr. Matthias Kromayer is member of the management board of MIG Verwaltungs AG, which is the sole shareholder of MIG Komplementär GmbH. MIG Komplemtär GmbH is the managing general partner of MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG, the shareholders of BRAIN AG (see *19. Shareholder Structure – 19.1 Shareholder Structure (before and after the Offering)*. The interest of GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG and BRAIN AG are not necessary the same.

Besides that, there are no other conflicts of interest or potential conflicts of interest between the obligations of the member of the Supervisory Board of the Company and his private interests or other obligations.

Remuneration and other benefits of the Members of the Supervisory Board

Pursuant to section 14 of the Articles of Association, members of the Supervisory Board receive basic remuneration of € 15,000 per annum; the Chairman of the Supervisory Board receives twice the amount of the basic remuneration, that is € 30,000 and his/her deputy receives one and a half times the basic remuneration, that is € 22,500. In addition, the chairmen of the Committees of the Supervisory Board receive a remuneration of € 15,000 per annum and all members of the Supervisory Board receive attendance fees of € 1,000 per meeting of the Supervisory Board and the committees which they attend. Besides that, the members of the Supervisory Board receive compensations of reasonable expenses. The Company reimburses the value added tax to each Supervisory Board member allotted to its payment. The remuneration of the Supervisory Board members becomes due after the conclusion of the General Shareholders' Meeting to which the consolidated financial accounts for the previous fiscal year are submitted or which decides on the approval thereof.

Under section 14 para. 3 of the Articles of Association, the members of the Supervisory Board are covered by a financial loss liability insurance for executive bodies in an adequate amount (D & O insurance, see *14. Business –14.19 Insurance*). The respective insurance premiums will be borne by the Company.

There are no agreements between BRAIN AG and its Supervisory Board members providing for benefits upon termination of employment.

The following table sets forth the total remuneration paid to the members of the Supervisory Board in fiscal years 2014/2015, 2013/2014 and 2012/2013*:

	For the fiscal year ended September 30, 2015	**For the fiscal year ended September 30, 2014**	**For the fiscal year ended September 30, 2013**
		(audited)	
Fixed remuneration	€ 36,625	€ 19,500	€ 19,500
Attendance fees	€ 28,000	€ 18,000	€ 22,000
Total remuneration	**€ 64,625**	**€ 37,500**	**€ 41,500**

* In fiscal years 2012/2013, 2013/2014 and 2014/2015 until March 2015, the Supervisory Board consisted of five members.

Certain Information regarding the Members of the Supervisory Board

During the last five years, no member of the Supervisory Board has been convicted of any fraudulent offence. In addition, during the last five years no member of the Supervisory Board has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies). During the last five years, no member of the Supervisory Board has been associated with any bankruptcies and/or insolvencies, receiverships or liquidations or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer.

No court has ever disqualified any of the members of the Supervisory Board from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

There are no family relationships between members of the Supervisory Board and those of the Management Board and the Senior Management, neither among themselves nor in relation to the members of the other body.

18.6 General Shareholders' Meeting

The General Shareholders' Meeting of the Company may be convened by the Management Board, the Supervisory Board in cases prescribed by law, or shareholders whose shares collectively make up 5 % of the capital stock. The annual General Shareholders' Meeting takes place within the first eight month of the fiscal year. Pursuant to section 16 para. 1 of the Articles of Association the General Shareholders' Meeting is held either at the registered seat of the Company or in a German city with more than 100,000 inhabitants. In accordance with section 16 para. 2 of the Articles of Association notice must be issued at least 30 days before the day of the General Shareholders' Meeting. The notice period is extended by the days of the attendance notification period which is according to section 18 para. 2 of the Articles of Association six (6) days before the day of the General Shareholders' Meeting; the day of the meeting itself and the day of receipt of the notice not being included when calculating this period.

Pursuant to section 18 para. 1 of the Articles of Association shareholders are entitled to participate in the General Shareholders' Meeting and to exercise their voting rights only if they are registered in the Company's stock register and have duly submitted notification of attendance. The shareholder's registration must be made in text form in German or English language and must be received by the Company at the address specified for this purpose in the notice of the General Shareholders' Meeting no less than six (6) days prior to the General Shareholder's Meeting. The day of receipt of the notification of attendance and the day of the General Shareholders' Meeting are not taken into account for the purpose of calculating this period.

No changes in the shareholders' register are made within the period from beginning after the expiry of the final registration date to the end of the General Shareholders' Meeting.

Pursuant to section 19 para. 1 of the Articles of Association each share grants the right to one vote. A voting right may be exercised by a proxy. The granting of a proxy, its revocation and the evidence of authority to be provided to the Company must be in text form. The Management Board is authorised to allow an audio-visual transmission of the General Shareholders' Meeting and to provide that shareholders may attend the General Shareholders' Meeting without being present in person at the place of the General Shareholders' Meeting and without being represented and may exercise all or specific shareholders' rights in total or in part by means of electronic communication. The Management Board is also authorised to determine that shareholders cast their votes in writing without attending the shareholders meeting. In case the Management Board uses these authorisations, it will specify the details of these procedures at the time of convening the General Shareholders' Meeting.

The General Shareholders' Meeting is chaired by the Chairman of the Supervisory Board, and in case of his/her absence, by his/her deputy. In case of absence of the Chairman of the Supervisory Board and his/her deputy, the shareholders will appoint another member of the Supervisory Board as Chairman of the General Shareholders' Meeting. The Chairman of the General Shareholders' Meeting is authorised to determine the order in which the items on the agenda are discussed and the method and sequence of voting. He/she may impose a reasonable time limit on the right to ask questions or to speak or on the combined time to speak and to ask questions and determine an appropriate time frame for the course of the entire General Shareholders' Meeting or for individual items on the agenda.

The General Shareholders' Meeting resolves on cases prescribed by law or the Articles of Association. It resolves in particular on the appointment of members of the Supervisory Board, profit distribution, discharge of the members of the Management Board and the Supervisory Board, change of Articles of Association, dissolution of the company, measures in connection with procurement of capital and reductions, appointment of auditors for the examinations of matters relating to the management of the Company and dissolution of the Company.

Unless provided otherwise by applicable law, the resolutions of General Shareholders' Meeting are adopted by simple majority of the votes cast. In the event of simple majority of the votes cast not being attained in the first round of voting, a run–off shall be held between the two persons who obtained the two highest numbers of votes cast in the first round of voting. In the event of a tie in the second round of voting, the election is decided by lot.

Under the German Stock Corporation Act (*Aktiengesetz*), certain resolutions of fundamental importance require both a majority of the votes cast and a majority of at least three-quarter of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include:

- capital reductions
- exclusion of subscription rights
- creation of contingent and authorised capital
- approval to conclude, amend or terminate affiliation agreements (such as domination and profit-and-loss–transfer agreements)
- actions within the meaning of the German Reorganization and Transformation Act (*Umwandlungsgesetz*), such as mergers (*Verschmelzung*), spin–offs (*Spaltung*) and type–changing transformations (*Formwechsel*)
- change to the corporate purpose
- transfer of the company's entire or almost entire assets
- liquidation of the company

Neither German law nor the Articles of Association limit the right of foreign shareholder or shareholders not domiciled in Germany to hold shares of the Company or exercise the voting rights associated therewith.

18.7 Corporate Governance

The German Corporate Governance Code as amended on May 15, 2015 (the "**Code**") contains recommendations ("*shall*") and suggestions ("*should*") for corporate governance with regard to the management and supervisory board, shareholders and the shareholders' meeting, transparency and accounting and auditing of financial statements of companies listed on a stock exchange. The Code incorporates nationally and internationally recognised standards of good and responsible corporate governance. There is no duty to comply with the recommendations or suggestions of the Code. However, the German Stock Corporation Act (*Aktiengesetz*) requires the Management Board and the Supervisory Board of a German listed company to issue an annual statement regarding whether or not the recommendations in the Code have been applied, or which recommendations have not been or will not be applied and explain why the Management Board and the Supervisory Board have not applied or will not apply such recommendations and the reasons underlying this non–compliance. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed.

Prior to the listing of the Company's shares on the Frankfurt Stock Exchange, the Company is not subject to the obligation to render a declaration as to compliance with the Code and thus it does not comply with the recommendations and suggestions contained in the Code as of the date of this Prospectus. When the Company is listed on the stock exchange, the Company will comply with the obligation to issue a corresponding declaration under section 161 of the German Corporation Act (*Aktiengesetz*) in the course of the present fiscal year and to make the declaration permanently available to the shareholders and to comply and state which recommendation of the Code have not been applied and the reasons for this.

The Company intends to document in its compliance declaration under section 161 of the German Corporation Act (*Aktiengesetz*) that it follows the recommendations in the Code presumably except for the following deviation:

- No. 4.2.3 para. 4 sentence 1, 3: According to the Code's recommendations, in concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his/her contract, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap).

  The service agreements of the members of the Management Board of BRAIN AG do not include a severance payment or a severance pay cap. A premature termination of these agreements without good cause requires an amicable termination. Therefore, in this case the parties may negotiate the amount of the severance payment, even if the service agreement already includes a severance pay cap.

The Management Board and the Supervisory Board currently jointly agree upon details and any possible further deviations.

19. SHAREHOLDER STRUCTURE

19.1 Shareholder Structure (before and after the Offering)

The following table sets forth the existing shareholders of the Company immediately prior to the offering, and their expected shareholdings, together with the expected shareholding of the public free float, upon completion of the offering.

		Shareholding immediately prior to the offering		Shareholding upon completion to the offering	
Direct Shareholder	**Indirect Shareholder****	**(in number of shares)**	**(in %)**	**assuming placement of all New Shares and no exercise of Greenshoe Option (in %)**	**assuming placement of all New Shares and full exercise of Greenshoe Option (in %)**
MP Beteiligungs-GmbH	Mr. Martin Putsch[1]	6,541,509	50.65 %	39.85 %	36.65 %
MIG GmbH & Co. Fonds 3 KG[2]	MIG Komplementär GmbH[11],	1,623,500	12.57 %	9.89 %	9.89 %
	MIG Verwaltungs AG[11]				
	Michael Motschmann[11]				
	Jürgen Kosch[11]				
Green Industries Group GmbH & Co. KG	GI Management GmbH[3]	1,350,000	10.45 %	8.22 %	8.22 %
	Holger Zinke[3]				
Dr. Gabriele Sachse[4]		900,000	6.97 %	5.48 %	5.48 %
Dr. Jürgen Eck[5]		750,000	5.81 %	4.57 %	4.57 %
MIG GmbH & Co. Fonds 5 KG[2]	MIG Komplementär GmbH[11]	674,289	5.22 %	4.11 %	4.11 %
	MIG Verwaltungs AG[11]				
	Michael Motschmann[11]				
	Jürgen Kosch[11]				
GC Global Chance Fund GmbH & Co. KG[7]	Markus Fischer[12]	333,350	2.58 %	2.03 %	2.03 %
Ulrich Putsch[6]		300,000	2.32 %	1.83 %	1.83 %
MIG GmbH & Co. Fonds 4 KG[8]	MIG Komplementär GmbH[11]	154,250	1.19 %	0.94 %	0.94 %
	MIG Verwaltungs AG[11]				
	Michael Motschmann[11]				
	Jürgen Kosch [11]				

GA Asset Fund GmbH & Co. KG	Markus Fischer[12]	111,100	0.86 %	0.68 %	0.68 %
MIG GmbH & Co. Fonds 13 geschlossene Investment-KG[8]	MIG Verwaltungs AG[11] Michael Motschmann[11]	76,350	0.59 %	0.47 %	0.47 %
Dr. Guido Meurer[9]		50,000	0.39 %	0.30 %	0.30 %
Dr. Michael Krohn[10]		50,000	0.39 %	0.30 %	0.30 %
Public free float		/	/	21.32 %	24.52 %
Total		**12,914,348**	**100 %***	**100 %**	**100 %**

* The figures in the columns "Shareholding immediately prior to the offering (in %)", “Shareholding upon completion to the offering assuming placement of all New Shares and no exercise of Green-shoe Option (in %)” and “Shareholding upon completion to the offering assuming placement of all New Shares and full exercise of Green-shoe Option (in %)” have been rounded according to established commercial standards. Therefore, these rounded figures do not add up exactly to 100 %.

** Indirect shareholders are persons, to which the voting rights of a direct shareholder are attributed pursuant to section 22 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

1 The largest shareholder of MP Beteiligungs-GmbH in terms of voting rights is Mr. Martin Putsch, the son of the Co–Founder of BRAIN AG Ulrich Putsch. Therefore, the voting rights in the Company held by MP Beteiligungs–GmbH are attributed to Mr. Martin Putsch pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

2 A minority shareholder of MIG GmbH & Co. Fonds 3 KG and MIG GmbH & Co. Fonds 5 KG is MIG Verwaltungs AG. Dr. Kromayer, the member of the Supervisory Board of BRAIN AG, is member of the Management Board of MIG Verwaltungs AG.

3 Sole limited partner of Green Industries Group GmbH & Co. KG is Dr. Holger Zinke, the Deputy Chairman of the Supervisory Board and Co–Founder of BRAIN AG. General partner of Green Industries Group GmbH & Co. KG is GI Management GmbH, Zwingenberg. Managing director and sole shareholder of GI Management GmbH is also the Deputy Chairman of the Supervisory Board and Co-Founder of BRAIN AG Dr. Holger Zinke. Therefore, the voting rights in the Company held by Green Industries Group GmbH & Co. KG are attributed to both GI Management GmbH and Dr. Holger Zinke pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

4 Dr. Gabriele Sachse is Co–Founder of BRAIN AG.

5 Dr. Jürgen Eck is the Chief Executive Officer of BRAIN AG and holds a share in BRAIN AG (formerly BRAIN GmbH) since 1994.

6 Mr. Ulrich Putsch is Co-Founder of BRAIN AG.

7 GC Global Chance Fund GmbH & Co. KG is in the process of liquidation.

8 External capital management company is MIG Verwaltungs AG.

9 Dr. Guido Meurer is member of the Senior Management of BRAIN AG.

10 Dr. Michael Krohn is member of the Senior Management of BRAIN AG.

11 General partner of MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG with sole power of representation is MIG Komplementär GmbH. Sole shareholder of MIG Komplementär GmbH is MIG Verwaltungs AG. Mr. Michael Motschmann owns more than 50 % of the shares of MIG Verwaltungs AG. Therefore, the voting rights in the Company held by MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG und MIG GmbH & Co. Fonds 5 KG are attributed to each of MIG Komplementär GmbH, MIG Verwaltungs AG and Mr. Michael Motschmann pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Furthermore, MIG Verwaltungs AG is granted a power of attorney to exercise the voting rights of MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 13 geschlossene Investment-KG. Thus, the voting rights of MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 13 geschlossene Investment-KG are also attributed to MIG Verwaltungs AG and Mr. Michael Motschmann pursuant to section 22 para.1 No. 6 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Hence, a total of 19.27 % of the voting rights of the Company are attributed to MIG Komplementär GmbH (12.76 % by MIG GmbH & Co. Fonds 3 KG, 1.21 % by MIG GmbH & Co. Fonds 4 KG and 5.3 % by MIG GmbH & Co. Fonds 5 KG) and a total of 19.87 % of the voting rights of the Company are attributed to MIG Verwaltungs AG and Mr. Michael Motschmann (12.76 % by MIG GmbH & Co. Fonds 3 KG, 1.21 % by MIG GmbH & Co. Fonds 4 KG, 5.30 % by MIG GmbH & Co. Fonds 5 KG, 0.6 % of MIG GmbH & Co. Fonds 13 geschlossene Investment-KG). Moreover, Mr. Jürgen Kosch is limited partner of MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG with sole power of representation. Therefore, the voting rights in the Company held by MIG GmbH & Co. Fonds 3 KG, MIG GmbH & Co. Fonds 4 KG and MIG GmbH & Co. Fonds 5 KG in a total of 19.27 % are attributed to Mr. Jürgen Kosch pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

12 Mr. Markus Fischer is managing limited partner of GC Global Chance Fund GmbH & Co. KG and GA Asset Fund GmbH & Co. KG with sole power of representation and further liquidator of GC Global Chance Fund GmbH & Co. KG. Therefore, the voting rights in the Company held by GC Global Chance Fund GmbH & Co. KG and GA Asset

Fund GmbH & Co. KG in a total of 3.49 % are attributed to Mr. Markus Fischer pursuant to section 22 para.1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

The aforementioned information about the attribution of voting rights is based on the current assessment of the existing shareholders of BRAIN AG. As of the date of this Prospectus no voting rights notifications pursuant to section 21 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) were published by these shareholders. Therefore, it cannot be ruled out that the information contained in the aforementioned table and the actual voting rights notifications published after the listing of the Company might differ.

19.2 Controlling interest

MP Beteiligungs–GmbH, Kaiserslautern, owns more than 30 % of the voting rights in the Company and is, therefore, considered to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs– und Übernahmegesetz*).

Assuming (i) a placement of all New Shares and (ii) full exercise of the Greenshoe Option, MP Beteiligungs-GmbH will continue to hold approximately 36.65 % of the Company´s share capital. As a result, MP Beteiligungs-GmbH will continue to hold a controlling interest in the Company pursuant to to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs– und Übernahmegesetz*).

20. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding or transfer of shares. This summary does not purport to be a comprehensive or exhaustive description of all German tax considerations that may be relevant to shareholders. This presentation is based upon domestic German tax law in effect as of the date of this Prospectus and the provisions of double taxation treaties currently in force between Germany and other countries. lt is important to note that the legal situation may change, possibly with retroactive effect.

This section does not replace the need for individual shareholders to seek personal tax advice. lt is therefore recommended that shareholders consult their own tax advisors regarding the tax implications of acquiring, holding or transferring shares and what procedures are necessary to secure the repayment of German withholding tax, if possible. Only qualified tax advisors are in the position to adequately consider the particular tax situation of individual shareholders.

20.1 Taxation of the Company

The Company's taxable income, whether distributed or retained, is generally subject to German corporate income tax at a uniform rate of 15 % plus the solidarity surcharge of 5.5 % thereon, resulting in a total tax rate of 15.825 %.

Dividends and other shares in profits which the Company receives from domestic and foreign corporations are not generally subject to corporate income tax; however, 5 % of each type of income is deemed to be a non–deductible business expense. The same applies to profits earned by the Company from the sale of shares in another domestic or foreign corporation. Different rules apply to free floating dividends, i.e., dividends earned on direct shareholdings in a distributing corporation equal to less than 10 % of its share capital at the start of the respective calendar year. Such free floating dividends are fully taxed at the corporate income tax rate. The acquisition of a shareholding of at least 10 % is deemed to have occurred at the start of the calendar year. Losses incurred from the sale of such shares are not deductible for tax purposes, regardless of the percentage of shares held.

In addition, the Company is subject to trade tax with respect to its taxable trade profits from its permanent establishments. When determining the amount on which to assess the trade tax, 25 % of the tax–deductible interest expenses will be added to the trade tax basis to the extent that the sum of all trade taxable add–back items exceeds € 100,000.

The trade tax rate depends on the local municipalities in which the Company maintains its permanent establishments. For the Company, it currently amounts to between approximately 7 % and 31 % of the taxable trade profit, depending on the local trade tax multiplier.

For trade tax purposes dividends received from domestic and foreign corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner as for corporate income tax purposes. However, shares in profits received from domestic and foreign corporations are effectively 95 % exempt from trade tax only if the Company held and continues to hold at least 15 % (10 % in the case of companies resident for tax purposes in EU member states other than Germany) of the registered share capital of the distributing corporation at the beginning or – in the case of foreign corporations – since the beginning of the relevant tax assessment period. Additional limitations apply with respect to shares in profits received from foreign non–EU corporations.

The provisions of the interest barrier restrict the extent to which interest expenses are tax deductible. Under these rules, net interest expense (the interest expense minus the interest income in a fiscal year) are generally only deductible up to 30 % of the taxable EBITDA (taxable earnings adjusted for interest costs, interest income, and certain depreciation and amortisation), although there are certain exceptions to this rule. Interest expense that is not deductible in a given year may be carried forward to subsequent fiscal years of the Company (interest carry–forward) and will increase the interest expense in those subsequent years. Under certain conditions, non–offsettable EBITDA can also be carried forward to subsequent years (EBITDA carry–forward) up to five financial years.

Any remaining losses of the Company can be carried forward in subsequent years. Those tax–loss carry forwards can be used to fully offset taxable income for corporate income tax and trade tax purposes only up to an amount of € 1 million. If the taxable income for the year or taxable profit subject to trade taxation exceeds this threshold, only up to 60 % of the amount exceeding the threshold may be offset by tax loss carry forwards. The remaining 40 % is subject to tax (minimum taxation). The rules also provide for a tax carry–back to the previous year in regard to corporate income tax up to an amount of € 1 million. Unused tax carry–forwards can generally continue to be carried forward without time limitation.

If more than 50 % of the subscribed capital, the membership interests, equity interests or voting rights is transferred to an acquirer (including parties related to the acquirer) within five years directly or indirectly or a comparable acquisition occurs, all tax loss carry forwards and interest carry forwards are forfeited. A group of acquirers with aligned interests is also considered to be an acquiring party for these purposes. In addition, any current year losses incurred prior to the acquisition will not be deductible. If more than 25 % up to and including 50 % of the subscribed capital, membership interests, equity interests or voting rights of the Company is transferred to an acquirer (including parties related to the acquirer) or a comparable acquisition occurs, a proportional amount of tax loss carry forwards, the unused losses and interest carry–forwards is forfeited. Tax loss carry forwards, unused losses and interest carry-forwards taxable in Germany will not expire to the extent that they are covered by hidden reserves taxable in Germany at the time of such acquisition.

20.2 Taxation of Shareholders

Shareholders are taxed particularly in connection with the holding of shares (taxation of dividend income), upon the sale of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

Taxation of Dividend Income

To the extent that the Company does pay dividends out of a tax–recognised contribution account, the payments should not be subject to withholding tax, income – or corporate income tax. However, dividends paid out of a tax–recognised contribution account lower the acquisition costs of the shares, which may result in a greater amount of taxable capital gain upon the shareholder's sale of the shares. To the extent that dividends from the tax–recognised contribution account exceed the then lowered acquisition costs of the shares, a capital gain is recognised by the shareholder, which may be subject to tax in accordance with the provisions regarding the disposal of shares outlined below.

Withholding Tax

Dividends distributed by the Company are subject to a withholding tax at a 25 % rate on dividends distributed by the Company plus a solidarity surcharge of 5.5 % on the amount of withholding tax (amounting in total to a rate of 26.375 %) plus church tax *(Kirchensteuer),* if applicable. The basis for determining the dividend withholding tax is the dividend approved for distribution by the Company's general meeting.

Dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany or of a foreign country.

As the Company's shares are admitted to be held in collective safe custody *(Sammelverwahrung)* with a central securities depository *(Wertpapiersammelbank)* and are entrusted to such central securities depository for collective safe custody in Germany, the Company is not responsible for withholding the withholding tax; rather, it is, for the account of the shareholders, the responsibility of one of the following entities in Germany authorised to collect withholding tax do so and remit it to the relevant tax authority: (i) a domestic bank or financial service institution, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks) that holds the shares in custody or that manages them and pays out or credits the shareholders' investment income or that pays the investment income to a foreign entity, or (ii) the securities depository holding the collective deposit shares in custody if it pays the investment income to a foreign entity.

Where dividends are distributed to a company resident in another member state of the European Union within the meaning of article 2 of the EU–Parent-Subsidiary Directive (EC Directive 2011/96/EU of November 30, 2011, as amended, the "**EU–Parent-Subsidiary Directive**"), the withholding of the dividend withholding tax may not be required, upon application, provided that additional requirements are met (withholding tax exemption). This also applies to dividends distributed to a permanent establishment located in another EU member state of such a parent company or of a parent company that is a tax resident in Germany if the interest in the dividend–paying subsidiary is part of the respective permanent establishment's business assets. An important prerequisite for the exemption from withholding at source under the EU–Parent-Subsidiary Directive is that the shareholder has directly held at least 10 % of the company's registered share capital continuously for one year and that the German Federal Tax Office *(Bundeszentralamt für Steuern,* with its registered office in Bonn–Beuel, An der Küppe 1, 53225 Bonn, Germany) have, based upon an application filed by the creditor on the officially prescribed form, certified to him that the prerequisites for exemption have been met.

The dividend withholding tax rate for dividends paid to other shareholders without a tax domicile in Germany will be reduced in accordance with the applicable double taxation treaty, if any, between Germany and the shareholder's country of residence, provided that the shares are neither held as part of the business assets of a permanent establishment or a fixed base in Germany nor as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the German Federal Tax Office *(Bundeszentralamt für*

Steuern, with its registered office in Bonn–Beuel, An der Küppe 1, 53225 Bonn, Germany) for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty, which is usually between *5–15 %.* Forms for the refund procedure may be obtained from the German Federal Tax Office (http://wvvw.bzst.bund.de), as well as German embassies and consulates.

Corporations that are not tax resident in Germany will receive upon application a refund of two–fifths of the dividend withholding tax that was withheld and remitted to the tax authorities subject to certain requirements. This could be in addition to any further reduction or exemption provided under the EU–Parent–Subsidiary Directive or a double taxation treaty.

Foreign corporations will generally have to meet certain substance criteria defined by statute in order to receive an exemption from or (partial) refund of German dividend withholding tax.

The Company assumes liability for the withholding of taxes on distributions, in accordance with statutory provisions. This means the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes at the source if it provides evidence that it has not breached its duties intentionally or grossly negligent.

20.3 Taxation of Dividends of Shareholders with a Tax Domicile in Germany

Individuals who hold the Shares as Private Assets

For individuals who are tax resident in Germany (generally, individuals whose domicile or usual residence is located in Germany) and who hold the shares as private assets, the withholding tax will generally serve as a final tax. In other words, once deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his or her annual tax return (the "**Flat Tax**").

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned; in other words, taxation that is irrespective of the individual's personal income tax rate. Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden. In this case, the base for taxation would be the gross dividend income less the savers' allowance of € 801 (€ 1,602 for married couples and for partners in accordance with the registered partnership law jointly filling). Any tax and solidarity surcharge already withheld would be credited against the income tax and solidarity surcharge so determined and any overpayment refunded. Income-related expenses cannot be deducted from capital gains in either case.

If the individual owns (i) at least 1 % of the shares in the Company and works for the Company or (ii) at least 25 % of the shares, the tax authorities may approve upon application that the dividends are treated under the partial–income method (see below *Sole Proprietors (Individuals)*).

Entities required to collect withholding taxes on capital investment income are required to also withhold the church tax on shareholders who are subject to church tax, unless the shareholder objects in writing to the German tax authorities sharing his or her private information regarding his or her affiliation with a religious denomination. If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the dividends is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense; however, 26.375 % of the church tax withheld on the dividends is deducted from the withholding tax (including the solidarity surcharge) withheld. If no church taxes are withheld along with the withholding tax, the shareholder who pays church tax is required to report his dividends in his or her income tax return. The church tax on the dividends will then be imposed during the assessment.

Shares Held as Business Assets

The Flat Tax does not apply to dividends from shares held as business assets of shareholders who are tax resident in Germany. The taxation is based on whether the shareholder is a corporation, an individual or a partnership. The withholding tax paid to the tax authorities, including the solidarity surcharge, is credited against the income or corporate income tax and the solidarity surcharge of the shareholder and any overpayment will be refunded.

Corporations

Dividends received by corporations resident in Germany are generally exempt from corporate income tax and solidarity surcharge, irrespective of the stake represented by the shares and the length of time the shares are held. However 5 % of the dividend is treated as a non–deductible business expense and, as such, is subject to corporate income tax (plus the solidarity surcharge) with a total tax rate of 15.825 %.

Different rules apply to free–floating dividends, *i.e.,* dividends earned on direct shareholdings in the Company equal to less than 10 % of its share capital at the start of the respective calendar year. Such free floating dividends are fully taxed at the corporate income tax rate. The acquisition of a shareholding of at least 10 % is deemed to have occurred at the start of the calendar year.

Business expenses actually incurred and having a direct business relationship to the dividends may be fully deducted.

The amount of any dividends (after deducting business expenses related to the dividends) is fully subject to trade tax, unless the corporation held at least 15 % of the Company's registered share capital at the beginning of the relevant tax assessment period, entitling it to an intercorporate privilege for trade tax purposes. In the latter case, the aforementioned exemption of 95 % of the dividend income applies analogously for trade tax purposes, but the business expenses directly related to the dividends (for example, financing costs) are not deductible unless they exceed the amount of dividend income exempted.

Sole Proprietors (Individuals)

If the shares are held as part of the business assets of a sole proprietor (individual) with his or her tax domicile in Germany, 40 % of any dividend is tax exempt (so–called partial-income method). Only 60 % of the expenses economically related to the dividends are tax deductible. The partial–income method will also apply when individuals hold the shares indirectly through a partnership (with the exception of individual investors who hold their shares through an asset management partnership). If the shares are held as business assets of a domestic commercial permanent establishment, the full amount of the dividend income (after deducting business expenses that are economically related to the dividends) is also subject to trade tax, unless the taxpayer held at least 15 % of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the net dividends (after deducting directly related expenses) are exempt from the trade tax. However, trade tax is generally credited – fully or in part – as a lump sum against the shareholder's personal income tax liability.

Partnerships

If the shareholder is a trading, or deemed to be a trading, partnership with its tax domicile in Germany, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, then the dividend is generally 95 % tax exempt; however, dividends from a shareholding representing less than 10 % of the share capital for the relevant partner are fully subject to taxation (see above *Corporations*). If the partner is an individual, only 60 % of the dividend income is subject to income tax (see above *Sole Proprietors individuals*).

Additionally, if the shares are held as business assets of a domestic commercial permanent establishment or deemed to be a trading partnership, the full amount of the dividend income is also subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on his or her proportion of the partnership's income is generally credited as a lump sum – fully or in part – against the individual's personal income tax liability. If the partnership held at least 15 % of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends are not subject to trade tax. The business expenses directly related to the dividends (for example, financing costs) are not deductible unless they exceed the amount of dividend income exempted. However, if the partners are corporations, the 5 % of the dividend income treated as non–deductible business expenses will be subject to trade tax.

Financial and Insurance Sector

Special rules apply to companies operating in the financial and insurance sector (see below *Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*).

20.4 Taxation of Dividends of Shareholders without a Tax Domicile in Germany

The dividends paid to shareholders (individuals and corporations) without a tax domicile in Germany are taxed in Germany, provided that the shares are held as part of the business assets of a permanent establishment or a fixed base in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability, and any overpayment will be refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed in the section on dividend withholding tax above (see above *Taxation of the Company*).

20.5 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

Shares Held as Private Assets

Gains on the sale of shares that are held as private assets by shareholders with a tax domicile in Germany, and which were acquired after December 31, 2008, are generally taxable regardless of the length of time held. The tax rate is a uniform 25 % plus the 5.5 % solidarity surcharge thereon (as well as church tax if applicable).

The taxable capital gains are the difference between (a) the proceeds from the disposal of shares after deducting the direct sales costs and (b) the acquisition cost of the shares. Under certain conditions, prior payments from the tax–recognised contribution account may lead to reduced acquisition costs of the shares held as personal assets and, as a consequence, increase the taxable sales gain. Losses on the sale of shares may only be netted against gains on the sale of shares.

If a domestic bank or financial service provider, a domestic securities trading company or a domestic securities trading bank (the "**Domestic Paying Agent**") sells the shares and pays out or credits the capital gains, said Domestic Paying Agent withholds a withholding tax of 25 % (plus 5.5 % solidarity surcharge and any church tax if applicable) and remits this to the tax authority, the tax on the capital gain will generally be discharged. If the shares were only held in safekeeping or administered by the respective Domestic Paying Agent after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25 % (plus the 5.5 % solidarity surcharge thereon and any church tax if applicable), will be applied to 30 % of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to verify the original costs of the shares in his or her annual tax return.

From 2015 onwards, entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax on shareholders who pay church taxes, unless the shareholder objects in writing to the German tax authorities sharing his private information regarding his affiliation with a denomination. If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense; however, 26.375 % of the church tax withheld on the capital gain is deducted from the withholding tax (including the solidarity surcharge) withheld by the Company.

A shareholder may request that all his or her items of capital investment income, along with his other taxable income, be subject to the progressive income tax rate instead of the uniform tax rate for private capital investment income if this lowers his or her tax burden. The base for taxation would be the gross income less the savers' allowance of € 801 (€ 1,602 for married couples and for partners in accordance with the registered partnership law jointly filling). The prohibition on deducting income-related costs and the restrictions on offsetting losses also apply to tax assessments based on the progressive income tax rate. Any tax already withheld would be credited against the income tax so determined and any overpayment refunded.

One exception to this rule is that a shareholder's capital gains are subject to the partial-income method and not the Flat Tax. Consequently, 60 % of the proceeds from the sale of shares are subject to the individual income tax rate, if the shareholder, or his or her legal predecessor in case of acquisition without consideration, has directly or indirectly held shares equal to at least 1 % of the Company's share capital at any time during the previous five years ("**Qualified Participation**"). Of the expenses economically related to the proceeds of the sale of shares, 60 % is tax deductible.

In the case of a Qualified Participation, withholding tax (including the solidarity surcharge) is also withheld by the Domestic Paying Agent. The tax withheld, however, is not treated as a final tax. Hence, the shareholder is obligated to declare the gain on the sale on his or her income tax return. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability in the tax assessment, and any overpayment will be refunded.

Shares Held as Business Assets

The Flat Tax does not apply to proceeds from the sale of shares held as business assets by shareholders domiciled in Germany. If the shares form part of a shareholder's business assets, taxation of the capital gains realised will then depend upon whether the shareholder is a corporation, sole proprietor or partnership.

- Corporations: In general, capital gains earned on the sale of shares by corporations domiciled in Germany are exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the length of time the shares are held. However, 5 % of the capital gains are treated as a non–deductible business expense and, as such, are subject to corporate income tax (plus the solidarity surcharge) and to trade tax. Losses from the sale of shares and any other reductions in profit do not qualify as tax–deductible business expenses.

- Sole proprietors (individuals): If the shares were acquired after December 31, 2008 and form part of the business assets of a sole proprietor (individual) who is a tax resident of Germany, 60 % of the capital gains on their sale is subject to the individual's tax bracket plus the solidarity surcharge (partial–income method). Correspondingly, only 60 % of losses from such sales and 60 % of expenses economically related to such sales are deductible. For church tax, if applicable, the partial-income method also applies. If the shares are held as business assets of a commercial permanent establishment located in Germany, 60 % of the capital gains are also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability.

- Commercial partnerships: If the shareholder is a trading, or deemed to be a trading, partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined in sub–section 1 apply. If the partner is an individual, the tax principles applying to capital gains which are outlined in sub–section 2 apply. Upon application and provided that additional prerequisites are met, an individual who is a partner can obtain a reduction of his or her personal income tax rate for profits not withdrawn from the partnership. In addition, capital gains from the sale of shares attributable to a permanent establishment maintained in Germany by a trading partnership are subject to trade tax at the level of the partnership. As a rule, only 60 % of the gains in this case are subject to trade tax if the partners in the partnership are individuals, while 5 % are subject to trade tax if the partners are corporations and shares are sold. Under the principles discussed under 1 and 2 above, losses on sales and other reductions in profit related to the shares sold are generally not deductible, or only partially deductible, if the partner is a corporation. If the partner is an individual, the trade tax the partnership pays on his or her share of the partnership's income is generally credited as a lump sum – fully or in part – against his or her personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax–relevant circumstances of the taxpayer.

Special rules apply to capital gains realised by companies active in the financial and insurance sectors, as well as pension funds (see below *Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*).

When a Domestic Paying Agent is concerned, the proceeds from the sale of shares held in business assets are generally subject to the same withholding tax rate as those of shareholders whose shares are held as private assets (see *Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany – Shares Held as Private Assets*). However, the Domestic Paying Agent may refrain from withholding the withholding tax if (i) the shareholder is a corporation, association or estate with its tax domicile in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the paying agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent appropriate withholds taxes, the withholding tax withheld and remitted (including the solidarity surcharge) will be credited against the shareholder's income tax or corporate income tax liability and any excess amount will be refunded.

20.6 Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains realised by a shareholder with no tax domicile in Germany are subject to German income tax only if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

Most double taxation treaties provide for an exemption from German taxes and assign the right of taxation to the shareholder's country of domicile in the former case. However, certain double taxation treaties contain special provisions for shareholdings in a real estate company. In the latter case the taxation of capital gains is governed by the same rules that apply to shareholders resident in Germany.

20.7 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If financial institutions or financial service providers hold or sell shares that are allocable to their trading book pursuant to Section 1a of the German Banking Act (*Gesetz über das Kreditwesen*), they will neither be able to use the partial-income method nor have 60 % of their gains exempted from taxation nor be entitled to the 95 % exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares acquired by financial enterprises *(Finanzunternehmen)* in the meaning of the German Banking Act for the purpose of generating profits from short–term proprietary trading. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service providers and finance companies domiciled in another member state of the European Union or in other signatory states of the agreement on the European Economic Area, EEA. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95 % effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the EU–Parent–Subsidiary Directive applies.

20.8 Inheritance and Gift Tax

The transfer of shares to another person by will or by gift is generally subject to German inheritance and gift tax only if

1. the decedent, donor, heir, beneficiary or other transferee maintained his or her domicile or usual residence in Germany, or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their usual residence in Germany);
2. the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed; or
3. the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10 % of the Company's registered share capital at the time of the inheritance or gift.

The fair value represents the tax assessment base. In general that is the stock exchange price. A special discount on this amount applies to direct shareholdings of more than 25 % in the Company depending on the composition of the business assets and future business figures, if, *inter alia,* the heir or beneficiary meets a five-year holding period. Depending on the degree of relationship between decedent or donor and recipient, different tax free allowances and tax rates apply. However, the Federal Constitutional Court (*Bundesverfassungsgericht*) has recently held that the current tax privileges on business assets are not consistent with the German Constitution.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of (1.) above, and also with certain restrictions in case of (2.) above. Special provisions apply to certain German nationals living outside of Germany and former German nationals.

20.9 Other Taxes

No German transfer tax, VAT, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of VAT on transactions that are otherwise tax exempt. Net wealth tax is currently not imposed in Germany.

On January 22, 2013, the Council of the European Union approved the resolution of the ministers of finance from eleven EU member states (including Germany) aiming to introduce a financial transaction tax within the framework of enhanced cooperation. On February 14, 2013, the European Commission accepted the proposal for a Council Directive aiming to implement enhanced cooperation in the area of financial transaction tax. The plan focuses on levying a financial transaction tax of 0.1 % (0.01 % for derivatives) on the purchase and sale of financial instruments.

A joint statement issued in May 2014 by ten of the eleven participating member states indicated an intention to implement the financial transaction tax progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by January I, 2016 at the latest. However, full details are not available. Therefore it is not known to what extent the elements of the European Commission's proposal outlined in the preceding paragraph will be followed in relation to the taxation of shares. The financial transaction tax proposal remains subject to negotiation between the participating member states and was and most probably will be the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective holders of the Company's shares are advised to seek their own professional advice in relation to the financial transaction tax.

Regarding "Taxation of Capital Gains" a draft legislation, dated July 21, 2015 intends to tax capital gains different from the above mentioned. Capital gains of a corporation should not be any more tax exempt in case the direct shareholdings in the Company are equal to less than 10 % of its share capital at the start of the respective calendar year. Such capital gains shall be fully taxed at the corporate income tax rate whether losses are only limited deductible. In case this draft will become binding it will influence shareholder's tax position if the shareholder is either a corporation or a fund.

21. TAXATION IN AUSTRIA

The following section is a brief summary of certain Austrian tax law consideration relating to an investment in the shares based on Austrian tax laws applicable as of the date of this Prospectus. Those laws and the application thereof are subject to change, possibly with retroactive effect. This summary only describes tax implications relating to shareholders who are Austrian tax residents and does not address any tax law consequences relating to an investment in the shares that arise under the laws of any other jurisdiction. This section is for general information purposes only and does not purport to address all aspects of Austrian taxation that may be relevant for shareholders who plan to acquire shares and does therefore not purport to be a comprehensive description of all the tax considerations which may be relevant for a decision to invest in, hold or dispose of the shares. The summary is not a substitute for obtaining individual tax advice from a tax law advisor. Prospective shareholders are therefore urged to consult their own tax advisers as to the particular tax consequences and tax refund procedure of their acquiring, holding or disposing of the shares, including the applicability and effect of local, foreign and other tax laws and tax regulations and possible changes in tax law regulations prior to investing, since only a specific tax law advice may evaluate the individual tax situation of shareholders in light of their particular facts and circumstances.

Also, tax considerations relevant to shareholders that are subject to a special tax regime such as, e.g., private foundations (Privatstiftungen), governmental authorities, investment or pension funds or credit institutions are not addressed herein.

The Company assumes no responsibility for the retention of taxes at the source.

21.1 Taxation of Shareholders

Individuals resident in Austria are subject to Austrian income tax (*Einkommensteuer*) on their worldwide income (unlimited tax liability). Individuals are considered Austrian tax residents of they have either a domicile (*Wohnsitz*) on their habitual place of abode (*gewöhnlicher Aufenthalt*) in Austria. Corporations resident in Austria are subject to Austrian corporate income tax (*Körperschaftsteuer*) on their worldwide income (unlimited tax liability). Corporations are considered resident in Austria if either their place of effective management (*Ort der Geschäftsleitung*) is in Austria or if they have their legal seat (*Sitz*) in Austria. Non–resident individuals or corporations are subject to Austrian corporate income tax only on income from certain Austrian sources (limited tax liability), e.g., if the shares were held through an Austrian business.

Both, in case of unlimited and limited tax liability, Austria's right to tax may be restricted or reduced by applicable double tax treaties.

Except for Austrian withholding taxes that have to the withheld at source, it is the responsibility of the relevant shareholder to comply with Austrian tax laws, in particular, to file an annual tax return.

21.2 Taxation of Dividends of Shareholders with a Tax Domicile in Austria

Individuals

If the shares are held by the shareholders through a securities account with an Austrian bank or with a domestic branch of a foreign bank (in the following an "**Austrian Depository Bank**"), the Austrian Depository Bank will deduct the 25 % Austrian withholding tax on any dividends paid on the shares as a withholding agent. The Austrian Depository Bank may withhold less than 25 %, since it may credit any actually paid foreign withholding taxation up to 15 % of the respective dividends. Distributions paid from the company's capital contribution account are not taxed as dividends and may, if the sum of such distributions exceeds the acquisition costs of the shareholder, lead to taxable capital gains.

For resident individuals, the dividend withholding tax constitutes a final taxation (*Endbesteuerungswirkung*) finally settling the tax burden of such resident individual for the dividends; no further Austrian income tax will be payable in this respect and the dividends do not have to be included in such resident individual's annual income tax return (*Einkommensteuererklärung*).

If an Austrian resident shareholder does not hold the shares through an Austrian Depository Bank, the resident individual will have to declare his or her dividend income in the annual income tax return; the special tax rate of 25 % will also apply as well as the effect of a final taxation (*Endbesteuerungswirkung*).

If the 25 % flat income tax rate is higher than the resident shareholder's personal income tax rate, the shareholder may opt to have the dividends taxed at the personal income tax rate, whether such option is beneficial has to be determined on an individual basis.

Under the double tax treaty between Germany and Austria, Germany may also levy taxes on dividends paid on the shares to Austrian tax residents. Those German taxes may, however, not exceed 15 % of the gross amount of the dividends. Any taxes paid for (or by) an Austrian resident individual in Germany up to the amount of 15 % of the gross dividend income can be credited against the individual's income tax liability in Austria. The described treatment may, however, not apply if the shares are held in a German permanent establishment (*Betriebsstätte*) or a German fixed base (*feste Einrichtung*).

Expenses and costs (*Aufwendungen und Ausgaben*) that are directly connected with the shares are not tax effective.

Corporations

Dividend paid on the shares to Austrian corporate shareholders is generally exempt from taxation in Austria. The exemption applies, because the Company has the legal form of corporations listed in the EU Parent Subsidiary Directive (90/435/EEC) and is not exempt from (corporate) tax in Germany and a potential corporate income tax is levied on the Company's income at a rate of at least 15 %. If this exemption would not apply, dividends received by Austrian corporate shareholders would be subject to corporate income tax at the general corporate income tax rate of 25 %.

If the shares are held by corporate shareholders through an Austrian Depository Bank, the bank will deduct the 25 % Austrian withholding tax, unless the shareholder files a declaration of exemption (*Befreiungserklärung*) with the Austrian Depository Bank. If withholding taxation is imposed it would be refunded (or credited onto the corporate shareholder's tax liability).

Under the double tax treaty between Germany and Austria, Germany may also levy taxes on dividends. German withholding taxes may, however, not exceed 15 % of the gross amount of such dividends or, if the direct shareholding is at least 10 % and if shares are held by a corporation, German withholding taxes may not exceed 5 % of the gross amount of such dividends; German laws implementing the EU Parent-Subsidiary Directive may even reduce the tax burden.

Expenses and costs (*Aufwendungen und Ausgaben*) that are directly connected with dividends paid on the shares are not tax effective, unless the exception for the deduction of interest expenses for debt financed participation applies.

Austrian Partnerships

If the shares are held by an Austrian partnership which is in principle considered as transparent for tax purposes, i.e., the profit of the partnership will be attributed to the various partners, the tax treatment of dividends distributed by the Company to the partnership depends on the tax status of the respective partner. For certain corporate shareholders such as, e.g., pension funds, special tax rules may apply.

21.3 Taxation of Capital Gains of Shareholders with a Tax Domicile in Austria

Shares Held as Private Assets

Generally income arising with respect to the shares in the form of realised capital gains (*Einkünfte aus realisierten Wertsteigerungen*) qualifies as 'investment income' *(Einkünfte aus Kapitalvermögen*) and is, as such, taxed under a special regime at a flat 25 % tax rate. Realised capital gains are the difference between (i) the amount realised (e.g., the sale proceeds, the redemption or other pay–off amount, of the fair market value in case of a deemed realisation) and (ii) the acquisition costs. If distributions from the Company's capital contribution account exceed a shareholder's acquisition costs, the excess would also be taxed as capital gains.

For shares held as private assets, the acquisition costs do not include ancillary acquisition costs (*Anschaffungsnebenkosten*). An average price is determined regarding shares, not acquired at the same time, but held in the same securities account with the same securities identification number. Expenses and costs (*Aufwendungen und Ausgaben*) that are directly connected with investment income are not tax effective.

Capital gains are not only taxed upon an actual disposition or redemption of the shares, but also upon a deemed realisation, particularly upon giving up the residency status in Austria (i.e., move abroad, unless in case of final taxation if the Austrian custodian is notified), or upon withdrawals (*Entnahmen*) and other transfers of shares from one securities account to another one. In both cases exemptions are available upon request, regarding the loss of the residency status if the shareholder moves to an EU Member State (deferral of tax) and regarding withdrawals and other transfers from a securities account if an information procedure is fulfilled.

If an Austrian custodian (*depotführende Stelle*) or an Austrian paying agent (*auszahlende Stelle*) is involved in paying out capital gains, 25 % withholding tax is to be deducted by the custodian or agent. The 25 % withholding tax generally results in a final income taxation; an option to assess the income at the progressive income tax rate exists (in particular relevant for shareholders whose regular personal income tax rate is lower than 25 %). If no withholding tax is imposed (e.g., because the shares are held through a foreign paying agent), the investment income arising from the shares has to be included in the shareholder's income tax return in accordance with the law and will generally be subject to the special 25 % flat tax.

Losses from the shares held as private assets may only offset other investment income (excluding, inter alia, interest income from bank deposits and other claims against banks) and cannot offset any other income. Mandatory loss–offsetting rules to be handled by Austrian custodians apply. A carry–forward of losses is not possible in this context.

Shares Held as Business Assets

Generally, the same rules as described in the previous heading apply regarding shares that are held as business assets by tax residents who are individuals. The most important differences are the following:

- Realised capital gains, contrary to dividends, have to be included in the annual tax return, since despite a 25 % withholding taxation that is also imposed in the context of shares held as business assets if an Austrian custodian s involved, no final income taxation applies.
- Write-downs and realised losses regarding the shares held as business assets may be offset with positive income from realised capital gains of such financial assets, income from derivatives and with income from appreciations in value of such assets in the first place; 50 % of the remaining losses may be offset against other income or carried forward. The custodian agent does not implement the offsetting of losses (as mentioned above) with respect to deposit accounts that are not privately held; instead losses are taken into account upon assessment.
- The acquisition costs of shares held as business assets may also include ancillary costs incurred upon the acquisition.

It is noted that expenses and costs (*Aufwendungen und Ausgaben*) directly connected with investment income are also not tax effective in case the shares are held as business assets.

Corporations

Capital gains derived from a disposition of the shares by corporate shareholders are subject to corporate income tax at the general corporate income tax rate of 25 %, unless the participation exemption applies (minimum holding period one year, minimum percentage of participation 10 %, no low taxation of the Company, not opted out of the exemption).

If the corporate shareholders hold shares through a securities account with an Austrian Depository Bank, the bank, as withholding agent, will deduct up to the 25 % Austrian withholding tax. Corporate shareholders holding the shares as business property and deriving capital gains from the disposition of shares may avoid the application of such withholding tax by filing a declaration of exemption (*Befreiungserklärung*) with the Austrian withholding tax agent.

Losses can be taken into account in the course of the annual tax assessment. If not declaration of exemption is submitted, the retained withholding tax can be charged towards the corporate tax debt or refunded with a potentially exceeding amount.

21.4 No Inheritance and Gift Tax, but Notification

The Austrian inheritance and gift tax (*Erbschafts– und Schenkungssteuer*) was abolished in 2008. However, certain gift notification obligations may apply in case gratuitous transfers of assets exceed specific thresholds.

The gratuitous transfer of assets to (Austrian or foreign) private law foundations and comparable legal estates is subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the foundation at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5 %, with a higher rate of 25 % applying in special cases.

21.5 Other Taxes

No Austrian stock exchange transfer tax, value-added tax or stamp duty will be levied on the purchase, sale or other disposition of the shares.

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Audited consolidated financial statements of BRAIN AG prepared in accordance with IFRS as of and for the financial year ended September 30, 2015

Consolidated Statement of Financial Position as of September 30, 2015

	Note	Sept. 30, 2015 €	Sept. 30, 2014* €	
Noncurrent assets				
Intangible assets	[12]	8,034,883	5,883,838	*
Property, plant, and equipment	[13]	6,877,750	6,880,685	
Shares in equity-accounted investments	[14]	1	1	
Deferred tax assets	[10]	274,740	114,446	
Available-for-sale financial assets	[26]	1	158,642	
Other noncurrent assets	[17]	148,760	90,663	
		15,336,134	**13,128,276**	*
Current assets				
Inventories	[15]	6,517,145	4,569,334	
Trade receivables	[16]	3,934,268	2,647,282	
Other current assets	[17]	1,348,917	455,059	
Current tax assets		22,938	32,255	
Cash and cash equivalents	[18]	3,247,352	4,458,926	
		15,070,620	**12,162,856**	
TOTAL ASSETS		**30,406,755**	**25,291,132**	*

* Adjusted figures for fiscal year 2013/14; notes No. II, 4

	Note	Sept. 30, 2015 €	Sept. 30, 2014* €	
Equity	[19]			
Subscribed capital		12,725,818	12,725,818	
Capital reserves		16,882,871	16,882,871	
Retained earnings		-23,439,294	-17,609,890	*
Other reserves		-718,673	0	
		5,450,723	**11,998,799**	*
Noncontrolling interests		**304,471**	**127,663**	*
Total equity		**5,755,194**	**12,126,462**	*
Noncurrent liabilities				
Deferred tax liabilities	[10]	1,442,520	663,997	
Pension provisions	[5]	1,014,000	0	
Financial liabilities	[20]	14,251,256	7,173,867	*
Other liabilities	[21]	196,460	22,481	*
Deferred income	[22]	20,000	8,250	
		16,924,236	**7,868,594**	*
Current liabilities				
Other provisions	[23]	289,221	215,136	
Current tax liabilities		86,736	43,488	
Financial liabilities	[20]	2,106,081	2,151,952	
Prepayments received	[24]	281,822	323,159	
Trade payables	[25]	3,081,895	1,351,355	
Other liabilities	[21]	1,493,242	1,083,317	
Deferred income	[22]	388,328	127,669	
		7,727,325	**5,296,075**	
TOTAL EQUITY AND LIABILITIES		**30,406,755**	**25,291,132**	*

* Adjusted figures for fiscal year 2013/14; notes No. II, 4.

Consolidated Statement of Comprehensive Income for the Period October 1, 2014, to September 30, 2015

	Note	Oct. 1, 2014 – Sept. 30, 2015 €	Oct. 1, 2013 – Sept. 30, 2014* €	
Revenue	[1]	21,132,363	10,371,495	
Research and development grant revenue	[2]	2,786,042	2,616,113	
Increase in finished goods inventories and work in progress		310,828	436,779	
Other income	[3]	1,465,182	358,521	
		25,694,415	**13,782,908**	
Cost of materials	[4]			
Cost of raw materials, consumables, and supplies, and of purchased merchandise		-8,896,993	-3,237,496	
Cost of purchased services		-2,398,422	-1,985,162	
		-11,295,415	-5,222,658	
Personnel expenses	[5]			
Wages and salaries		-9,178,069	-6,814,061	*
Social security and post-employment benefit costs		-1,885,113	-1,529,200	
		-11,063,182	-8,343,260	*
Depreciation and amortization	[6]	-1,468,875	-1,005,622	
Other expenses	[7]	-6,439,595	-4,028,726	
Operating loss/ EBIT		**-4,572,652**	**-4,817,358**	*
Share of profit or loss of equity-accounted investments	[14]	0	-170,118	
Finance income	[8]	31,924	14,455	
Finance costs	[9]	-961,295	-752,761	*
		-929,372	**-908,424**	*
Loss for the period before taxes		**-5,502,023**	**-5,725,783**	*
Income tax expense/income	[10]			
a) Current tax expense (prior year: -income)		-135,276	73	
b) Deferred tax expense (prior year: -income)		-316,597	259,881	
		-451,873	259,953	
Loss for the period		**-5,953,896**	**-5,465,829**	*
of which attributable to noncontrolling interests		**-239,341**	**-164,869**	*
of which attributable to shareholders of B R A I N AG		**-5,714,554**	**-5,300,960**	*

Earnings per share	[11]		
Basic earnings per share		-0.45	-0.42 *
Number of shares used to calculate basic earnings per share		12,725,818	12,725,818
Diluted earnings per share		-0.45	-0.42 *
Number of shares used to calculate diluted earnings per share		12,725,818	12,725,818
Loss for the period		**-5,953,896**	**-5,465,829** *
of which attributable to noncontrolling interests		-239,341	-164,869 *
of which attributable to shareholders of B R A I N AG		-5,714,554	-5,300,960 *
Items that will not be reclassified to profit or loss			
Actuarial gains or losses from pension plans	[5]	-1,014,000	0
Deferred Taxes		295,328	0
Other comprehensive income after tax		-718,673	0
Total consolidated comprehensive income		**-6,672,568**	**-5,465,829** *
of which attributable to noncontrolling interests		-239,341	-164,869 *
of which attributable to shareholders of B R A I N AG		**-6,433,227**	**-5,300,960** *

* Adjusted figures for fiscal year 2013/14; Notes No. II, 4

Consolidated Statement of Changes in Equity for the Period October 1, 2014, to September 30, 2015

	Subscribed capital	Capital reserves	Retained earnings	Other reserves	Total	Noncontrolling interests	Total
	€	€	€	€	€	€	€
Balance at September 30, 2013/ October 1, 2013	12,725,818	16,882,871	-12,308,930	0	17,299,759	292,533	17,592,292
Total comprehensive income for the year	0	0	-5,300,960 *	0	-5,300,960 *	-164,869 *	-5,465,829
Balance at September 30, 2014/ October 1, 2014	**12,725,818**	**16,882,871**	**-17,609,890** *	**0**	**11,998,799** *	**127,663** *	**12,126,462**
Actuarial gains or losses from pension plans after taxes	0	0	0	-718,673	-718,673	0	-718,673
Loss of the period			-5,714,554		-5,714,554	-239,341	-5,953,896
Total comprehensive income for the year	0	0	-5,714,554	-718,673	-6,433,227	-239,341	-6,672,568
Decrease of noncontrolling interests following cash capital increases at fully consolidated subsidiaries	0	0	37,143	0	37,143	-37,143	0
Addition of noncontrolling inter-ests following disproportional additional payments in capital reserves of fully consolidated subsidiaries	0	0	-151,992	0	-151,992	453,292	301,300
Balance at September 30, 2015	**12,725,818**	**16,882,871**	**-23,439,294**	**-718,673**	**5,450,723**	**304,471**	**5,755,194**

* Adjusted figures for fiscal year 2013/14; Notes No. II, 4

Consolidated Statement of Cash Flows for the Period October 1, 2014, to September 30, 2015

	Note	Oct. 1, 2014 – Sept. 30, 2015 €	Oct. 1, 2013 – Sept. 30, 2014* €	
Loss for the period after taxes		-5,953,896	-5,465,829	*
Depreciation and amortization of intangibles and fixed assets	[6]	1,468,875	1,005,622	
Deferred tax expense (prior year: income)	[10]	316,597	-259,881	
Reversal of deferred income		-113,695	-127,799	
Income from reversal of provisions and liabilities		-87,905	-25,956	
Share of loss of equity-accounted investments	[14]	0	170,118	
Other noncash income/ expense	[18]	544,517	655,523	*
Loss from the disposal of intangibles and fixed assets		4,257	5,011	
Gross cash flow		**-3,821,248**	**-4,043,191**	
Change in trade receivables		-306,267	335,167	
Change in inventories		-603,186	-680,636	
Change in tax assets and liabilities		49,258	55,726	
Change in other assets		-805,200	191,093	
Change in trade payables		721,989	401,727	
Change in prepayments		-41,337	-94,499	
Change in provisions and other liabilities		306,646	-101,653	
Proceeds in deferred nominal fees		386,104	33,000	
Cash flows from operating activities		**-4,113,241**	**-3,903,265**	
Payments to acquire consolidated entities net of cash and cash equivalents acquired		40,232	-2,469,655	
Payments to acquire intangible assets	[12]	-117,395	-553,804	
Payments to acquire property, plant, and equipment	[13]	-474,458	-494,816	
Proceeds from disposal of property, plant, and equipment		12,500	0	
Proceeds from current financial assets		0	2,000,000	
Cash flows from investing activities		**-539,121**	**-1,518,275**	
Proceeds from borrowings	[20]	5,500,000	1.506.321	
Repayments of borrowings		-2,059,212	-885,286	
Cash flows from financing activities		**3,440,788**	**621.035**	
Net change in cash and cash equivalents		**-1,211,574**	**-4,800,505**	
Cash and cash equivalents at beginning of fiscal year		4,458,926	9,259,432	
Cash and cash equivalents at end of fiscal year	[18]	**3,247,352**	**4,458,926**	
Cash flows from operating activities include:				
Interest paid		-588,676	-291,704	
Interest received		9,575	50,572	
Income taxes paid		-126,957	-4,442	
Income taxes received		23,137	56,076	

* Adjusted figures for fiscal year 2013/14; Notes No. II, 4

Notes to the Consolidated Financial Statements for the Fiscal Year 2014/2015

I. General Information

General information about the Company

B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft ("B·R·A·I·N AG" or the "Company") was formed as "B·R·A·I·N Biotechnology Research and Information Network GmbH" by way of a shareholder agreement dated September 22, 1993. Its legal form was changed to that of an *Aktiengesellschaft* (German stock corporation) by a resolution of the shareholders' meeting on May 9, 2000. The registered offices of the Company are at Darmstädter Strasse 34 - 36 in 64673 Zwingenberg, Germany. The Company is registered in the commercial register of the Local Court in Darmstadt under the number HRB 24758.

B·R·A·I·N AG is a technology company active in the field of industrial ("white") biotechnology. As a partner for manufacturers in a range of sectors, including the chemical and consumer goods industries, it develops "biologicals", in particular enzymes, biocatalysts, and bioactive natural substances. The Company has a comprehensive research and development infrastructure at the location of B·R·A·I·N AG in Zwingenberg and at the location of the subsidiary AnalytiCon Discovery GmbH in Potsdam, the latter with a focus on natural products chemistry. Through its subsidiaries WeissBioTech GmbH and WeissBioTech France S.A.R.L., acquired in fiscal year 2014/15, the Group has access to the international industrial enzyme market. Through its L. A. Schmitt GmbH, Monteil Cosmetics International GmbH, and Mekon Science Networks GmbH subsidiaries, the Group offers end-to-end solutions for the entire process in the cosmetic sector, from scientifically tested active ingredient development down to branded products.

Basis of preparation

The consolidated financial statements prepared by the parent company B·R·A·I·N AG for the year ended September 30, 2015 (the "consolidated financial statements" or "financial statements") were prepared in accordance with International Financial Reporting Standards (IFRSs). The International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective as of the reporting date, as adopted by the European Union, were applied and are supplemented by the requirements of German commercial law to be applied in accordance with section 315a(3) together with section 315a (1) of the *Handelsgesetzbuch* (HGB-German Commercial Code). The IFRSs (including International Accounting Standards-IASs) and the Interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) effective as of the reporting date have been applied. The financial statements of B·R·A·I·N AG are included as an equity-accounted investment in the consolidated financial statements of the MP Beteiligungs-GmbH, Kaiserslautern. The consolidated financial statements of the MP Beteiligungs-GmbH are published in the German Federal Gazette (Bundesanzeiger).

The reporting period covers the period from October 1, 2014, to September 30, 2015. This is B·R·A·I·N AG's fiscal year. The separate financial statements of AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC, L. A. Schmitt GmbH, Mekon Science Networks GmbH and Monteil Cosmetics International GmbH, which are included in the consolidated financial statements, were prepared as of the reporting date of the consolidated financial statements. For historical reasons, the separate financial statements of WeissBioTech GmbH and WeissBioTech France S.A.R.L. were prepared as of the reporting date at the end of the calendar year. Due to the change in fiscal year of AnalytiCon Discovery GmbH and Monteil Cosmetics International GmbH in fiscal year 2014/15 their respective abbreviated fiscal year is from January 1, 2015, to September 30, 2015. Due to the initial inclusion of AnalytiCon Discovery GmbH and AnalytiCon Discovery LLC as from December 31, 2013 and of WeissBioTech Beteiligungs-GmbH, WeissBioTech GmbH and Weiss-

BioTech France S.A.R.L. from November 1, 2014, the consolidated figures for fiscal years 2013/14 and 2014/15 are comparable only to a limited extent. At the time of acquisition, the B·R·A·I·N AG acquired a majority stake in the WeissBioTech Beteiligungs-GmbH by way of capital increase. The WeissBioTech Beteiligungs- GmbH held at the time of acquisition 100% interest in the WeissBioTech GmbH and in the WeissBioTech France S.A.R.L. In August 2015, the WeissBioTech GmbH was merged with WeissBioTech Beteiligungs-GmbH. WeissBioTech Beteiligungs-GmbH was renamed WeissBioTech GmbH.

The consolidated financial statements have been prepared in euros (€). Unless otherwise indicated, amounts disclosed in the notes are stated in euros (€). Rounding differences may arise due to the application of standard business rounding conventions.

The Management Board resolved on December 4, 2015, to submit the accompanying IFRS consolidated financial statements of B·R·A·I·N AG to the Supervisory Board. They are expected to be examined and approved by the Supervisory Board by means of a resolution by circulation on December 5, 2015.

New accounting pronouncements applied

The following amendments to existing International Financial Reporting Standards and new IFRSs and Interpretations were applied for the first time in fiscal year 2014/15:

Amendment to IAS 28 "Investments in Associates and Joint Ventures (rev. May 2011)" *(effective for annual periods beginning on or after January 1, 2014)*

Amendments to IAS 32 "Financial Instruments: Presentation - Disclosures Regarding Offsetting Financial Assets and Financial Liabilities" *(effective for annual periods beginning on or after January 1, 2014)*

Amendments to IAS 36 "Impairment of Assets" *(effective for annual periods beginning on or after January 1, 2014)*

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement-Novation of Derivatives and Continuation of Hedge Accounting - designed to improve the transparency and prudential supervision of OTC derivates" *(effective for annual periods beginning on or after January 1, 2014)*

IFRIC 21 "Levies": IFRIC 21 addresses the question of how to account for levies imposed by governments that are not income taxes as defined by IAS 12, other taxes or contributions that are only collected on behalf of governments (in particular value added taxes). In particular, it clarifies when obligations to pay such levies must be recognized as liabilities or provisions in the financial statements." *(effective for annual periods beginning on or after January 1, 2014)*

IFRS 10 "Consolidated Financial Statements" *(effective for annual periods beginning on or after January 1, 2014)*

IFRS 11 "Joint Arrangements" *(effective for annual periods beginning on or after January 1, 2014)*

IFRS 12 "Disclosure of Interests in Other Entities" *(effective for annual periods beginning on or after January 1, 2014)*

IFRS 10, 11, 12 "Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities - Transitional Provisions" *(effective for annual periods beginning on or after January 1, 2014)*

IAS 27 "Separate Financial Statements" *(effective for annual periods beginning on or after January 1, 2014)*

IFRS 10, IFRS 12, IAS 27 "Consolidated Financial Statements, Disclosures of Interests in Other Entities, Separate Financial Statements - Investment Entities" *(effective for annual periods beginning on or after January 1, 2014)*

The above amendments to accounting pronouncements did not materially affect B·R·A·I·N AG's consolidated financial statements. The size of the notes has been increased due to the disclosure requirements of IFRS 12. Transitional provisions have not been applied.

No use was made of reliefs from the transitional provisions.

Accounting pronouncements issued but not yet effective

- Adopted by the EU -

The following accounting pronouncements that have been issued but are not yet effective were not applied prior to the effective date:

Standard/Interpretation		Issued by IASB	Effective date *1)
IAS 19	**Defined Benefit Plans: Employee Contributions** The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.	December 2013	Feb. 1, 2015
Improvement of IFRS	**Annual Improvements to IFRS 2010 - 2012 Cycle**	Dec. 2013	Feb. 1, 2015
Improvement of IFRS	**Annual Improvements to IFRS 2011 - 2013 Cycle**	Dec. 2014	Jan. 1, 2015

*1) In each case for annual periods beginning on or after this date.

Accounting pronouncements issued but not yet effective

- Not yet adopted by the EU -

IFRS 14 "Regulatory Deferral Accounts" - (effective for annual periods beginning on or after January 1, 2016).

The EFRAG announced in November 2015 that the European Commission will not propose the interim standard IFRS 14 "Regulatory and Accrued Income" for endorsement in the EU. IFRS 14 contains rules on accounting for rate-regulated entity transactions for companies that apply IFRS for the first time. The reason for non-adoption is the very limited circle of users.

The European Commission will consider taking over additional future regulations for the capitalization of award-regulated business transactions into EU law as part of its normal process.

IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" - (effective for annual periods beginning on or after January 1, 2016).

IAS 16/IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization" - (effective for annual periods beginning on or after January 1, 2016).

IAS 16/IAS 41 "Bearer Plants" - (effective for annual periods beginning on or after January 1, 2016).

IAS 27 "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after January 1, 2016).

IFRS 10/IAS 28 "Sales or Contributions of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after January 1, 2016).

Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities": Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016).

Improvement of the International Financial Reporting Standards - Annual Improvements to IFRSs 2012 - 2014 (effective for annual periods beginning on or after January 1, 2016).

Amended Version of IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after January 1, 2018. The new standard must generally be applied retrospectively, although a number of relief options are available. A voluntary early adoption of the regulations is permitted.)

IFRS 9 deals with the classification, recognition and measurement of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014. It replaces the regulations of IAS 39 - "Financial Instruments: Recognition and Measurement" which dealt with the classification and measurement of financial instruments. IFRS 9 retains the mixed measurement model with simplifications and creates three categories for financial assets: amortized costs, profit or loss at fair value and recognized at fair value. The categorization depends on the company's business model and the characteristics of the contractual cash stream of the financial asset. Investments in equity instruments generally must be measured at fair value through profit and loss. Here, there is only the irrevocable option at the beginning to designate changes in the fair value in other comprehensive income. Furthermore, there is a new impairment model based on expected losses, which replaces the model in IAS 39, based on incurred losses. For financial liabilities, the classification and measurement principle has not changed. The only exception relates to the liabilities that are designated as being measured at profit and loss at fair value and are recognized for the changes in own credit risk in other comprehensive income. IFRS 9 simplifies the rules for the measurement of hedge effectiveness in which the quantitative effectiveness test is omitted in principle. An economic link between the hedged item and the hedging instrument is required. In addition, the hedging relationship must actually conform to that which management actually uses for purposes of risk management. A contemporaneous documentation is still required, but differs from the documentation prepared in accordance with IAS 39 currently.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after January 1, 2018. A voluntary early adoption of the regulations is permitted.)

The new rules and definitions for revenue recognition replace both regarding the content of the IAS 18, Revenue and regarding the content of the IAS 11, Construction Contracts and associated interpretations. According to IFRS 15, sales revenue is recognized when the customer acquires the power to dispose of the agreed goods and services and can benefit from them. Revenues are measured at the amount of consideration that the Company expects to obtain. To determine the revenue to be recognized, the new standard provides a five-step scheme:

- Step 1: Identify the contract(s) with the customer
- Step 2: Identify the performance obligations set out in the customer contract
- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the individual performance obligations in the contract

- Step 5: Recognize revenue in the amount of the allocated pro rata transaction price as soon as the agreed performance has been rendered or the customer has acquired the power of disposal over it.

The new IFRS 15 also includes numerous disclosure obligations about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts.

B·R·A·I·N AG did not apply any of the new or amended pronouncements described above prior to their effective dates. The Company did not yet analyze the potential effects of these changes on the Group's net assets, financial position, and results of operations.

Basis of presentation

The income statement is supplemented by income and expenses recognized directly in equity and not attributable to transactions with owners in their capacity as owners (other comprehensive income) to produce the statement of comprehensive income. It has been prepared using the nature of expense method.

Individual items in both the statement of comprehensive income and the statement of financial position (balance sheet) have been combined to enhance the clarity of presentation. Such items are disclosed and explained in detail in the notes.

II. Significant Accounting Policies

1. Consolidation methods

Business combinations are accounted for using the acquisition method, under which the carrying amount of the investments is eliminated against the parent's share of the equity of the subsidiaries at the acquisition date. The acquisition date is the date on which acquirer obtains control of the acquiree.

Transactions with non-controlling interests without loss of control are accounted for as transactions with the owners of the Group, acting in their capacity as owners. Any difference resulting from the acquisition of a non-controlling interest between the fair value of the consideration paid and the share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains and losses arising on the disposal of non-controlling interests are also recorded in equity.

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. Identifiable assets and liabilities, as well as deferred taxes, are measured at fair value. Any excess of the consideration transferred over the fair value of identifiable net assets acquired is recognized as goodwill at the acquisition date. The Group decides separately for each business combination whether non-controlling interests in the acquiree will be measured at fair value or on the basis of the Group's share of the acquiree's net assets.

Acquisition-related costs are recognized as expenses in the period in which they are incurred.

Any contingent consideration is measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or a liability are measured in accordance with IAS 39, with any resulting gain or loss recognized either in profit or loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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 Group's share of the fair value of the net assets acquired. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the resulting difference is recognized directly in profit or loss.

On the basis of written put options, shareholders have the right to tender non-controlling interests to B·R·A·I·N AG, i.e. B·R·A·I·N AG has a contractual obligation upon exercise of own equity instruments to purchase with delivery of cash. In this case, a financial liability (so-called synthetic liability) according to IAS 32.23 is to be accounted. It is not clearly stated at the present time in the IFRS which part of the equity at the date of the recording of the liability from the written put options is to be addressed. In principle, there is the possibility of priority reduction or, respectively, derecognition of the own equity share of the non-controlling interest or retention of the share attributed to the non-controlling shareholder as well as reduction only of the controlling shareholder's interest. For differentiation of both alternatives, the transfer of opportunities and risks can be used. Due to the absence of concrete regulations, however, also other alternative approaches are conceivable. One alternative approach is, in general - i.e. independent of the concrete arrangement of the options - a transaction stated as being subject to the assumption of an already transacted (fictitious) acquisition of the non-controlling interests by the controlling shareholder (so-called anticipated acquisition method). For the own shares included in the option, no interests of non-controlling shareholders are shown. B·R·A·I·N AG is applying the anticipated acquisition method.

Intercompany profits and losses, revenue, income, and expenses, as well as receivables and liabilities between the entities included in the basis of consolidation are eliminated.

Deferred taxes are recognized in respect of the income tax effects of consolidation adjustments.

2 Basis of consolidation

In the consolidated financial statements of B·R·A·I·N AG all subsidiaries are included. Subsidiaries are companies that are controlled by the B·R·A·I·N Group. The Group controls an investee when it has the power of disposal over the company, a risk exposure exists through or rights to variable returns 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 shall commence 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 B·R·A·I·N AG, the following subsidiaries were included in the consolidated financial statements for the period ended September 30, 2015:

Name and domicile of the company	Share of Voting Rights	Consolidated Equity
AnalytiCon Discovery GmbH, Potsdam, Germany	58.7%	100.0%
AnalytiCon Discovery LLC, Rockville MD, U.S.A.	58.7%	100.0%
B·R·A·I·N Capital GmbH, Zwingenberg, Germany	100.0%	100.0%
Monteil Cosmetics International GmbH, Duesseldorf, Germany	68.3%	68.3%
L.A. Schmitt Chem. Kosm. Fabrik GmbH, Ludwigsstadt, Germany	100.0%	100.0%
MEKON Science Networks GmbH, Eschborn, Germany	100.0%	100.0%
WeissBioTech GmbH, Ascheberg, Germany	50.6%	100.0%
WeissBioTech France S.A.R.L. Chanteloup-en-Brie, France	50.6%	100.0%

On February 5, 2015 B·R·A·I·N AG founded B·R·A·I·N Capital GmbH. The company object of B·R·A·I·N Capital GmbH is of the conception structuring, preparation and execution of corporate finance transactions including mergers & acquisitions as well as capital markets transactions and license agreements for the B·R·A·I·N Group.

B·R·A·I·N AG acquired 50.6% of the shares of WeissBioTech Beteiligungs-GmbH on November 4, 2014 (acquisition date) within the framework of a capital increase and gained control of the company hereby. At the acquisition date WeissBioTech Beteiligungs GmbH held 100% of the shares of WeissBioTech GmbH and of WeissBioTech France S.A.R.L. In August 2015 WeissBioTech GmbH was merged into WeissBioTech Beteiligungs-GmbH. The merger was entered into the commercial register on August 13, 2015. WeissBioTech Beteiligungs-GmbH changed its name to WeissBioTech GmbH. WeissBioTech GmbH and its subsidiary WeissBioTech France S.A.R.L. (collectively the "WBT Group") are active in international markets in the field of industrial enzymes and other biotechnological products.

Call option agreements were made for non-controlling interests (49.4%). Accordingly, the WBT Group is included in the Group equity of B·R·A·I·N AG taking into consideration the anticipated acquisition method with the shareholding quota of 100% and has been incorporated into B·R·A·I·N AG's consolidated financial statements as of November 1, 2014 by means of full consolidation.

The total price for the acquisition of the shares comprises the payment of €1,555,175 at the date of conclusion of the agreement, thereof €102,500 was paid into share capital and an additional €1,397,500 was paid into capital reserves of WeissBioTech Beteiligungs-GmbH as well as potential future earn-out payments in the amount of €350,406. Acquisition-related costs of €55,175 were recognized as expenses.

In addition the present value of the option for the non-controlling interests 49.4% was reported at €1,571,483 at the acquisition date.

The consideration of the acquisition can be summarized as follows:

Cash payment without incidental acquisition costs:	€1,500,000
Earn-Outs	€350,406
Present value of the option on non-controlling interests	€1,571,483
	€3,421,889

The acquisition-date fair value of the assets acquired and liabilities assumed of WeissBioTech Beteiligungs GmbH, WeissBioTech GmbH and WeissBioTech France S.A.R.L. and their carrying amounts immediately prior to the company merger are presented in the following table:

	Acquisition - date fair value €	Carrying amount immediately prior to the business combination €
Current assets		
Cash and cash equivalents*	1,540,232	1,540,232
Trade receivables**	1,004,519	1,004,519
Other current assets and tax assets	225,972	225,972
Inventories	1,361,432	1,361,432
Non-current assets		
Intangible assets		
Software	248,299	248,299
Technology	2,408,128	0
Customer relationships	48,016	0
Order backlog	4,895	0
Property, plant and equipment	330,645	330,645
Other long-term assets	85,693	85,693
Total assets	**7,257,831**	**4,796,792**

* Includes the cash component of consideration (€1,500 thousand) for the company acquisition which was made within the framework of a capital increase to WeissBioTech GmbH

**Gross value of €1,058,419, thereof likely non-collectible: €53,900

Non-current liabilities		
Financial liabilities	849,953	849,953
Deferred tax liabilities	753,751	10,271

Current liabilities		
Financial liabilities	937,937	937,937
Other provisions	59,450	59,450
Current tax liabilities	4,847	4,847
Trade payables	1,032,351	1,032,351
Other liabilities**	208,617	208,617
Total liabilities	**3,846,906**	**3,103,426**

** No contingent liabilities were assumed.

The resulting goodwill is calculated as follows:

Consideration transferred		3,421,889
Fair value of assets acquired	7,257,831	
Fair value of liabilities assumed	3,846,906	
Fair value of equity		3,410,925
Goodwill attributable to B·R·A·I·N AG		**10,964**

This goodwill is based largely on expected synergies in market access.

The goodwill resulting from the acquisition is not tax-deductible.

In the accompanying consolidated financial statements, WeissBioTech Beteiligungs GmbH, WeissBioTech GmbH and WeissBioTech France S.A.R.L. account for revenue of €7,336 thousand and a loss of €126 thousand.

Subsequent measurement of the identifiable intangible assets and deferred taxes resulted in an additional charge to consolidated profit or loss after taxes of €226,706.

If these entities had already been included as of October 1, 2014, consolidated revenue would have increased by €737,804 and, without inclusion of the subsequent consolidation of identified hidden reserves and liabilities, would have decreased consolidated results by €64,084.

3. Shares in at-equity accounted investments

At-equity accounted investments are associates over whose financial and business policy decisions B·R·A·I·N AG can exercise significant influence. Significant influence is presumed to exist if B·R·A·I·N AG directly or indirectly holds a minimum of 20% and a maximum of 50% of the voting rights.

Enzymicals AG, Greifswald, was included as at-equity accounted investment in the consolidated financial statements for the period ended September 30, 2015. This company's calendar year-end reporting date differs from B·R·A·I·N AG's reporting date. A 24.095% share of the voting rights (prior year: 24.095%) is attributable to B·R·A·I·N AG.

Under the equity method, the investment is initially recognized at cost as adjusted subsequently to reflect post-acquisition changes in B·R·A·I·N AG's proportionate interest 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 there is a legal or constructive payment obligation. Any goodwill recognized is reported in the carrying amount of the associate. Unrealized intercompany profits or losses resulting from transactions between B·R·A·I·N AG and the associate are eliminated proportionately in the same way as consolidation adjustments if they are material.

If there is objective evidence of impairment, the carrying amount of the at-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 recognized in previous periods no longer apply, the impairment loss is reversed through profit or loss.

4. 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 on the basis of historical purchase and manufacturing costs limited by the valuation at fair value through profit or loss of financial assets and financial liabilities.

To assess the going concern, taking into consideration repayment obligations, in particular, also unused credit lines, future capital commitments as well as additional borrowing options are used. B·R·A·I·N AG has an unused portion of a credit framework agreement with the MP Beteiligungs-GmbH (€4.5 million as of September 30, 2015) and a conditional capital commitment - also from the MP Beteiligungs-GmbH.

Insofar as certain items are measured on a different basis, the accounting policies applied for these exceptions are described in the following.

Changes of the prior year figures in accordance with IAS 8

The following items of the balance sheet as at September 30, 2014 and the consolidated income statement for the period from October 1, 2013 to September 30, 2014 presented below have been restated in accordance with IAS 8 due to the presence of material accounting errors compared to the figures presented in the consolidated financial statements as of September 30, 2014. The adjustment was made retrospectively.

The errors exclusively concern the fiscal year 2013/14.

a)

B·R·A·I·N AG acquired 57.7% of the shares of AnalytiCon GmbH on December 1, 2013 (first-time consolidation January 1, 2014). In the course of the reporting of the company acquisition by full consolidation showing non-controlling interests in the amount of 42.3% (€1,656,937), the contractual termination rights of the non-controlling shareholders and the correlating compensation obligations were ignored.

The value of the compensation payment claim, based on the purchase price paid by B·R·A·I·N AG of the 57.7% of the shares at the time of initial consolidation of AnalytiCon GmbH in the consolidated financial statements of B·R·A·I·N AG is €1,876,563. Taking into consideration these non-current liabilities, the goodwill would have increased by €219,626. In turn, the shares of non-controlling shareholders would have been recorded as a debt in the amount of compensation claims.

In addition, within the framework of the above correction, claims not-yet taken into account from a share-based employee compensation scheme in the amount of €22,481 was shown under Other liabilities.

The initial and subsequent measurement of these obligations resulted in an increase of €64,413 in financial and personnel expenses.

b)

Furthermore, due to the qualification of non-controlling interests as a lender, no attribution of results should have occurred.

Changes in the consolidated balance sheet as of September 30, 2014

	Sept. 30, 2014 published	Error Corrections IAS 8.42a) a)	b)	Sept. 30, 2014 adjusted
	€	€	€	€
Non-current assets				
Intangible assets	5,664,213	219,626		5,883,838
Goodwill	*2,586,970*	*219,626*		*2,806,596*
Equity				
Retained earnings	-17,353,415	-64,413	-192,062	-17,609,890
Profit or loss of the period	-5,044,485	-64,413	-192,062	-5,300,960
Non-controlling interests	1,592,538	-1,656,937	192,062	127,663
Non-current liabilities				
Financial liabilities	5,255,373	1,918,494		7,173,867
Other liabilities	0	22,481		22,481

Changes in the consolidated income statement

	Oct. 1, 2013 - Sept. 30, 2014 published	Error Corrections IAS 8.42a) a)	Oct. 1, 2013 - Sept. 30, 2014 adjusted
	€	€	€
Personnel expenses	-8,320,779	**-22,481**	-8,343,260
Financial expenses	-710,829	**-41,932**	-752,761
Loss of the Period	-5,401,416	**-64,413**	-5,465,829
Thereof:			
Non-controlling interest	-356,931	**192,062**	-164,869
Shareholders of B·R·A·I·N AG	-5,044,485	**-256,475**	-5,300,960
Earnings per share			
Earnings undiluted	-0,40		-0,42
Number of underlying shares			12,725,818
Earnings diluted	-0,40		-0,42
Number of underlying shares			12,725,818

Use of assumptions and estimates

Management is required to make certain assumptions and estimates in the financial statements that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. All estimates and assumptions are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions and estimates relate in particular to:

- evaluating the capitalization of development expenditures;
- recognizing deferred tax assets in respect of temporary differences and tax loss carry-forwards; their recognition is based on the assumption that there will be sufficient future taxable profit against which the deferred tax assets can be offset;
- measuring the useful life of intangible assets and items of property, plant, and equipment;
- measuring the stage of completion and assessing the probability that milestones and project success points that have not yet been fully achieved will actually be achieved. Performance-related fees for achieving contractually agreed outcomes, i.e., "milestones" or "project success points", are measured using the percentage of completion (PoC) method. In doing so, B·R·A·I·N AG estimates the stage of completion of the contract activity reached by the end of the reporting period. If the stage of completion of the contract activity reached by the end of the reporting period were to exceed or fall below management's estimates by 10%, revenue would increase or decrease by €46,700, respectively;
- the recoverability of recognized goodwill;

- measuring and subsequent measuring of the amount of contingent purchase price obligations in a business combination;
- assessing the recoverability of the carrying amount of associates;
- assessing the future actuarial assumptions of the pension commitments (discount rate and fluctuation rate).

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

Segment reporting

The allocation of resources and the assessment of the performance of the operating segments are identified by the Management Board as the chief operating decision maker. The segmentation as well as the choice of the shown indicators takes place in accordance with the internal control and reporting systems ("Management Approach"). The segment information is prepared using the same accounting standards, as described in the notes.

The B·R·A·I·N Group's activities since October 1, 2014, are aggregated into two reportable segments ("BioScience" and "BioIndustrial"). The demarcation is made on the basis of internal controls and reporting to the Management Board, the underlying products and services. The Management Board has decided to organize the segments according to the criterion of the existence of an industrial scale of products. The Management Board regularly measures the profitability of the individual segments according to their "earnings before interest and taxes" (EBIT). Revenues as well as the cost structures are consolidated at the level of research and development companies on the one hand and the industrial-scale business on the other hand. Planning and scheduling tasks are also carried out by the Management Board. Both areas have a different strategic orientation and require different marketing and business development strategies.

The "BioScience" segment mainly comprises the Group's research and development collaboration business with industrial partners, the Group's own research and development activities, including fundamental research. A part of this segment also includes activities which are currently being established with the purpose to commercialize patents and licenses resulting from the Group's own research and development activities. It also includes costs for centralized Group functions. As these costs are not material for the evaluation of the Group's results by the Management Board, these are not shown separately.

The "BioIndustrial" segment mainly comprises the Group's industrial scale product business with own products in particular in the cosmetics and enzymes sector.

Based on the monitoring and control by the Management Board, only two segments have been identified, for which due to the different orientation according to the products and services a further aggregation is not possible.

Segment results, assets and liabilities are shown below.

		BioScience		BioIndustrial		Sum Segments		Consolidation		Group	
€ thousand		14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14
Total Revenue		8,754	5,870	12,435	4,550	21,188	10,420	-56	-49	21,132	10,371
Revenue with other segments		35	33	21	16	56	49	-56	-49	0	0
Revenue with external custo-mers		8,719	5,837	12,414	4,534	21,132	10,371	0	0	21,132	10,371
R&D grant revenue[1] (exter-nal)		2,742	2,522	44	94	2,786	2,616	0	0	2,786	2,616
Inventory chan-ges[2]		-29	141	339	296	311	437	0	0	311	437
Other income		844	351	714	137	1,559	488	-94	-129	1,465	359
Total [external]		**12,311**	**8,884**	**13,533**	**5,077**	**25,844**	**13,961**	**-150**	**-178**	**25,694**	**13,783**
Cost of materials		-3,596	-3,100	-7,849	-2.300	-11,445	-5,401	150	178	-11,295	-5,223
Personnel ex-penses		-8,713	-7,080	-2,350	-1.263	-11,063	-8,343	0	0	-11,063	-8,343
Depreciation & Amortization		-937	-902	-532	-104	-1,469	-1,006	0	0	-1,469	-1,006
Other expenses		-3,263	-2,333	-3,177	-1,695	-6,440	-4,029	0	0	-6,440	-4,029
Operating profit or loss		**-4,198**	**-4,532**	**-375**	**-285**	**-4,573**	**-4,817**	**0**	**0**	**-4,573**	**-4,817**
Financial income										32	14
Earnings at equity										0	-170
Financial Ex-penses, thereof:										-961	-753
- Depreciation AfS investments										*-159*	*-373*
- Other financial expenses										*-803*	*-380*
Earnings befo-re taxes										**-5,502**	**-5,726**

[1] Revenue from research and development grants

[2] Changes in inventories of finished and unfinished goods/services

Revenues by source are shown below:

€ thousand	14/15	13/14
Colloborative Business	8,719	5,837
BioScience	**8,719**	**5,837**
Enzymes & Biobased Products	7,476	0
Cosmetics	4,937	4,534
Bioindustrial	**12,414**	**4,534**
Group Total	21,132	10,371

Revenues by geographical region are shown below:

Country	Revenues in 14/15	Revenues in 14/15
€ thousand		
Germany	€8,682	€7,167
Other Countries, thereof	€12,451	€3,204
- USA	€4,021	€1,183
- France	€3,526	€149

Revenues are shown according to the country of the destination of products and services. Revenues in other countries were not material in comparison to total revenues and therefore these revenues are not shown separately. If assets in an individual foreign country are material, these assets shall be shown separately.

The following table shows non-current assets according to their geographical location and states these according to the locations of the respective Group company.

€ thousand	**Sept. 30, 2015**	**Sept. 30, 2014**
Non-current assets as shown in the consolidated balance sheet	15,336,134	13,128,276
Less financial instruments		
Available-for Sale assets	1	158,642
At-equity accounted investments	1	1
Less deferred tax	274,740	114,446
Non-current assets according to IFRS 8.33(b), thereof	15,061,392	12,855,186
France	312,821	0
USA	17,858	24,069
Germany	14,730,713	12,831,117

There are no customers with revenues classified as material in relation to total consolidated Group revenue.

Currency translation

Cash and cash equivalents, receivables and liabilities denominated in foreign currencies are translated at the closing rate. Currency translation differences are recognized in profit or loss. There are no material amounts denominated in foreign currencies.

Expenses and income from intra-year conversion of transactions in the ordinary course of business were recorded in each significant amount in the profit and loss account. The risk assessment of the income statement exchange rate differences were carried out on a net basis. The net results from translation differences are insignificant in total.

The functional currency of all foreign activities in the Group is the euro. Currency effects from the translation of balance sheet items of foreign subsidiaries included in the consolidation did not arise in this respect.

Revenue recognition

The B·R·A·I·N Group recognizes revenue if the amount of revenue can be measured reliably, when it is sufficiently likely that the Group will derive economic benefits and if specific criteria for each type of activity of the Group are fulfilled.

Revenues from product sales are recognized when the underlying contractual conditions are met. The place of performance can be defined, inter alia, both at the factory and at the customer.

Revenue from research and development partnerships is generally recognized in the period in which the underlying services are performed. Revenue from exchange transactions is recognized in accordance with IAS 18.12.

One time/ nominal fees are recognized over the period of the agreed research and development programs and deferred accordingly.

Performance-related fees for achieving contractually agreed outcomes, i.e., "milestones" or "project success points", are measured using the percentage of completion (PoC) method through estimation of the realized services as a part of all services which have to be fulfilled; a condition for revenue recognition is that it is sufficiently probable that the milestones or project success points will be achieved. Revenue is recognized in full when this has been legally acknowledged by the other party to the agreement.

Revenues from royalties (license agreements) are recognized in the period in which they accrue according to the commercial content of the underlying contract.

Research and development (R&D) grant revenue is recognized in the period in which the underlying expenditures are incurred.

Intangible assets

Any goodwill identified in the course of a business combination is initially recognized at cost, which is measured as the excess of the consideration transferred in the business combination over the Group’s interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquiree.

Purchased intangible assets are recognized at cost and reduced by scheduled straight-line amortization over their economic useful life. Cost comprises directly attributable costs.

The useful lives and depreciation methods are reviewed each year and modified if necessary. The useful life periods used by the Group and the parameters which are unchanged compared with the prior year are as follows:

	Useful life in years
Genetic resources	2 - 8
Software and industrial property rights	2 - 15
Acquired customer relationships	1 - 8
Acquired technology	8

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:

- The entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The entity intends to complete the intangible asset and to use or sell it.
- The entity is able to use or sell the intangible asset.
- The entity can demonstrate how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate 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 usefulness of the intangible asset.
- The entity has adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- The entity is able to measure reliably the expenditure attributable to the intangible asset during its development.

Not all of these criteria were met in the fiscal year, so all development expenditures were recognized as expenses as incurred. This applies in particular as for all product and process development of the Group, the research and development extends alternately and a demarcation in research and development phase is therefore not possible.

Property, plant, and equipment

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

The depreciation period is based on the expected useful economic life of the asset. Impairment losses are recognized if no further economic benefits are expected from the continued use or sale of the asset. 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 are recognized in profit or loss for the period in which the asset is derecognized.

Depreciation charges are based largely 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	3 - 14

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

Impairment tests

Goodwill and other intangible assets with an indefinite or undeterminable useful life are tested at least once a year for impairment. Finite-lived intangible assets and items of property, plant, and equipment are only tested for impairment if there are indications that the asset is impaired. An impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income if the asset's recoverable amount, i.e., the higher of its fair value less costs of disposal and its value in use, is less than its carrying amount. Recoverable amount is generally determined individually for each asset. If this is not possible, it is determined on the basis of a group of assets that represents a cash-generating unit (CGU). An assessment is made at least once a year whether there is any indication that the reason for an impairment loss recognized in prior periods no longer applies or the amount of the impairment may have decreased. If this is the case, the recoverable amount of the asset is newly determined and the impairment loss is reversed accordingly (except in the case of goodwill).

As of the reporting date goodwill comprised the following cash generating units:

Cash generating unit	**Sept. 30, 2015**		**Sept. 30, 2014**	
	Goodwill	WACC*	Goodwill	WACC*
	€ thousand		€ thousand	
Monteil Cosmetics Products	2,108	8.46%	2,108	8.07%
Natural Products Chemistry	699	8.77%	699	8.40%
Enzyme Products	11	7.67%	-	-
Total	**2,818**		**2,807**	

* Pre-tax WACC

The cash-generating unit "Monteil Cosmetic Products" comprises the goodwill from the acquisition of Monteil Cosmetics International GmbH. The cash-generating unit "Natural Products Chemistry" comprises the goodwill from the acquisition of AnalytiCon Discovery GmbH and its subsidiary AnalytiCon Discovery LLC. The cash-generating unit "Enzyme Products" comprises the goodwill from the acquisition of WeissBioTech Beteiligungs-GmbH and its subsidiaries WeissBioTech GmbH and WeissBioTech France S.A.R. L.

The starting point for estimating the recoverable amount of the relevant cash-generating unit for the impairment test as of September 30, 2015, 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 planning of the company concerned for a detailed planning period of five years. This planning was based on the past experience of the acquiree and on management's best estimate of future developments.

In the case of "Monteil Cosmetics Products" and "Enzyme Products", a revenue trend clearly in excess of expectations for the sector together with resulting margin improvements, including from economies of scale, was projected. The projection for the unit "Natural Products Chemistry" assumes continued revenue growth in excess of expectations for the sector accompanied by slightly improving operating margins on average in the coming fiscal year.

Net cash flows beyond the detailed planning phase are modeled as a perpetuity that reflects growth rates derived from current market information (1.00%; prior year: 1.25%).

The cost of capital of the CGU is calculated as the weighted average cost of capital (WACC). The capital structure, the cost of equity, and the cost of debt are oriented on peer companies in the same industry and are derived from available capital market information.

In the course of the additional sensitivity analysis that was performed, the future net cash flows were reduced by 10% in each case to reflect a significant and unexpected reduction in the assumptions for revenue growth and/or an increase in WACC, as a change of this magnitude is reasonably possible, especially over the long run. Based on these assumptions, there were no indications of potential impairment of the recognized goodwill.

Inventories

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

Financial instruments

Financial assets as defined in IAS 39 are assigned to one of four categories on initial recognition:

- financial assets at fair value through profit or loss
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets.

Financial liabilities as defined in IAS 39 are classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities".

B·R·A·I·N AG uses only financial instruments in the categories "loans and receivables" (LaR), "available-for-sale financial assets" (AFS), "financial liabilities at fair value” (LVTPL) and "other financial liabilities (OL).

Financial assets and liabilities are generally recognized at the time when the B·R·A·I·N Group becomes a party to the contract. They are recognized initially at fair value. With the exception of financial assets and liabilities at fair value through profit or loss, directly attributable transaction costs are included in the carrying amount on initial recognition. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are derecognized if the rights to payments from the financial asset have expired or are transferred and when the Group has transferred substantially all of the risks and opportunities of ownership of the assets. A financial liability is derecognized if the underlying obligation is settled or extinguished.

Loans and receivables (LaR) originated by the B·R·A·I·N Group as well as the other financial liabilities (OL) are measured at amortized cost using the effective interest method. These relate in particular to trade receivables and payables, other receivables and assets, cash and cash equivalents, liabilities from silent partnerships, loan liabilities, and other liabilities.

With the recognized at fair value financial liabilities (LVTPL) from the acquisition of WBT Group, B·R·A·I·N AG examines at each reporting date as to whether, on the basis of current expectations, the initial recognition date probabilities and borrowing rates expected in the first recognition date can continue to be presumed. As far as value adjustments should be made, these are recognized in the income statement as financial income or financial expenses.Financial assets and liabilities are only offset if there is a right to set off the recognized amounts and the entity intends to settle on a net basis.At the end of each reporting period, the Company assesses the carrying amounts of financial assets that are not measured at fair value through profit or loss to establish whether there are indications of substantial impairment. Objective evidence that an asset is impaired includes: evidence of significant financial difficulty of a major customer or a group of customers, default or delinquency in interest or principal payments, the probability of insolvency or some other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

Equity

Costs of issuance or the purchase of own equity instruments are accounted for as a deduction from equity insofar as such relates to additional costs directly attributable to equity transactions which would otherwise be avoided. The costs of an equity capital transaction which is abandoned are recognized as an expense. Capital which is attributed to equity in the legal sense is recognized as borrowed capital if it better presents the economic substance.

Receivables/other assets

Trade receivables and other assets are generally measured at their principal amounts. Specific valuation allowances are recognized and recorded in a separate allowance account to reflect risks and impairments.

Milestone receivables in conjunction with performance-related fees are measured using the percentage of completion (PoC) method. These PoC amounts comprise profit attributable to the proportion of work completed at the end of the reporting period. The proportion of work completed is measured on the basis of the degree to which the outcomes defined in the underlying partnership agreements (milestones or project success points) have been achieved.

Factored receivables are treated according to the general regulations on derecognition of financial assets and, depending upon the assessment of the transfer of the risks and opportunities, are recorded as a disposal or remain on the Group balance sheet.

Government grants

Grants and other support payments for research and development projects are reported as "Research and development grant revenue".

According to IAS 20 these government grants are recognized at fair value only subject to a satisfactory confidence that the conditions of the grants are met and that 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.

Grants related to investments in assets are either recorded as deferred income or shown on the balance sheet as a deduction of the respective assets.

Equity

Costs which are directly attributable to the issuance of new shares are shown in equity as a deduction from the income received from the issue, net of tax. Should there be a balance sheet date between the date that the costs are incurred and the actual performance of the equity transaction, i.e. inflow of proceeds from the issue, the deductible transaction costs accruing in the reporting period shall initially be demarcated on the asset-side and first offset against equity at the date of the first balance sheet entry of the capital increase.

Provisions

Provisions are recognized for all identifiable present obligations to third parties arising from past events, the settlement of which is expected to result in an outflow of resources and whose amount can be estimated reliably. They are recognized at the expected settlement amount. If the outflow of resources is expected to occur at a time after the year following the reporting period, the obligations are recognized at their present value. The unwinding of discounted provisions is recorded in finance costs.

Occupational pensions

The occupational pension schemes in the B·R·A·I·N Group include both defined contribution plans as well as defined benefit plans.

In addition to the statutory pension insurance systems, occupational pensions at B·R·A·I·N AG, AnalytiCon Discovery GmbH and WeissBioTech GmbH use direct insurance policies and payments into pension funds and private pension schemes (direct contribution commitment). There are also pension plans for members of the Management Board. These are managed and funded via an occupational pension plan (*Unterstützungskasse*) (direct benefit commitment) and via direct insurance policies.

Payments for pension schemes as defined contribution plans are reported as expenses under personnel costs if the employees have provided the service which entitles them to said contributions. Contributions to government pension plans are treated like payments for defined contribution plans. The B·R·A·I·N Group has no further payment obligations over and above payment of the contributions.

A defined contribution plan exists in Germany for all employees in the Group companies within the framework of the German statutory pension insurance into which the employer must pay. The amount to be paid is determined according to the currently applicable contribution rate of 9.8% (employer contribution) with regard to the employee compensation subject to compulsory pension insurance. In addition, the B·R·A·I·N Group offers a company pension scheme in the form of deferred compensation without increasing the contributions by the employer.

A defined benefit plan exists for one Management Board member and one former Management Board member in the form of pension commitments of the Company. To reinsure the pension commitments, the Company pays contributions to an external special 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 beneficiaries of the occupational pension plan.

Within the scope of the accounting, all income and expenses are recorded in the operating result (EBIT). The present value of the pension commitment is determined according to IAS 19 pursuant to the projected unit credit method. In this context, future benefit obligations are calculated on the basis of actuarial methods. The calculations are based essentially on statistical data related 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 are based on yields on AA-rating corporate bonds corresponding to the respective term or alternatively yields on respective government bonds. In the accounting, the fair value of plan assets shall be 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 of the reporting date.

A supplementary agreement with the beneficiary foresees a vested claim to post-employment benefits in the case of early withdrawal of the employee. A fixed and vested claim is also agreed for disability and survivors' benefits. In the case of an early withdrawal of the employee from the employment relationship, ex-post financing requirements for the pension benefits for the retirement provisions of the occupational pension plan exist. The probability of an early withdrawal from employment and, therewith, the occurrence of a post-departure claim is assessed at each reporting date.

Revaluations which resulted in particular from the adjustment of actuarial assumptions are recognized directly in equity without affecting the operating result (Other provisions).

Share-based payment and other long-term employee benefits

An agreement related to share-based payments for the Managing Director of B·R·A·I·N Capital GmbH existed during the fiscal year 2014/15 in the months February to September 2015. The agreement foresaw a cash settlement which was to be paid by the parent company. The cash settlement was linked with achieving certain targets of the parent company and the Group. The agreement was, however, again cancelled as of September 29, 2015 without any payments being made or claims accruing. The maximum obligation existing during this time period amounted to €235,643.

The employees and the Managing Directors of AnalytiCon Discovery GmbH hold nominal €62,750 shares of the share capital of the company which reflects a share of 41.3%. There is an employee participation program for the employees which represents a commitment to share-based payments over the respective vesting period. In addition, in fiscal year 2014/15, put/call options were agreed with B·R·A·I·N AG for all minority shares. The put options can be exercised by employees and Managing Directors up until February 2020. The company can exercise its call option up until September 30, 2021. The exercise price of the option is determined according to the operating and financial figures of the company as well as according to the period of employment of the employee with the company or, respectively, the term of the Managing Director activities.

Current and deferred taxes

The tax expense for the period comprises 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 using the tax rates that have been enacted as of the reporting date (or soon subsequently enacted) in the countries in which the Company and its subsidiaries are active and generate taxable income. Management 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 in 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 carry-forwards against future taxable profit, to the extent that it is probable that these assets are expected to be recoverable, based on the Company's tax projections.

Deferred tax assets and liabilities are offset if there is a legally enforceable right of set-off 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 are reported as non-current assets irrespective of the balance sheet classification by maturity.

Parts of the B·R·A·I·N Group make use of government tax incentives.

Leases

The assessment whether an arrangement involves a lease depends on the economic substance of the arrangement at the time it is entered into. The entity must assess whether performance of the arrangement depends on the use of one or more assets, and whether the arrangement conveys a right to use the asset or assets.

Lease payments under operating leases are recognized as expenses in the comprehensive income statement for the period in which they are incurred.

Assets from finance leases are capitalized at the beginning of the term of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. A lease liability is recognized as a liability in the same amount under liabilities. Each lease payment is divided into an interest and repayment portion. The net lease obligation is recognized under non-current liabilities. The interest portion of the lease payment is expensed in the income statement, so that a constant interest rate results over the term of the lease. The tangible assets acquired under a finance lease are depreciated over the shorter of the following two periods: the useful life of the asset or the term of the lease.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, credit balances payable on demand, and term deposits with an original maturity of up to three months. All investments are denominated in euros and are invested solely with domestic credit institutions that are members of a deposit protection fund.

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 using the indirect method, under which profit for the period after taxes is adjusted for noncash earnings 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 or financing activities.

III. Disclosures on the Consolidated Statement of Comprehensive Income

(1) Revenue

The Group’s revenue consists primarily of product revenue amounting to €12,413,519 (prior year: €4,535,632) and fees from research and development partnerships amounting to €8,718,844 (prior year: €5,835,863).

Fees from research and development partnerships comprise one-time/nominal fees, ongoing research and development fees, and performance-related fees from milestones and project success points. Reported revenue includes unbilled revenue from PoC contract work recognized in the reporting period (in the reporting period and the prior year, this related solely to fees from research and development) amounting to €232,000 (prior year: €222,500).

(2) Research and development grant revenue

R&D grant revenue amounting to €2,786,042 (prior year: €2,616,113) contains nonrepayable 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 were used for the designated purpose.

(3) Other income

Other income breaks down as follows:

	2014/15	2013/14
	€ thousand	€ thousand
Income from release of liabilities and provisions	377	56
Benefits in kind and rental income	111	75
Other out-of-period income	76	57
Income from translation of foreign currency items	558	36
Income from the measurement of trade receivables	61	2
Miscellaneous operating income	282	132
	1,465	358

(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 other technology companies.

(5) Personnel expenses (prior year adjusted)

Personnel expenses contain the prorated post-employment liabilities for share-based employee compensation in the amount of €171,180 (prior year €22,481). Expenses for the occupational pension plan (occupational pension fund, life insurance policies, and contributions to the pension insurance association) amount to €373 thousand (prior year: €205 thousand).

The employer contributions to the statutory pension insurance scheme amounted to €588 thousand in the fiscal year (prior year: €557 thousand).

Post-employment benefit costs of approximately €410 thousand and employer contributions to the statutory pension insurance scheme (defined contribution benefit pension plan) of approximately €632 thousand are expected in fiscal year 2015/2016.

The post-employment benefit costs for members of the Management Board contained in the consolidated income statement are composed of the following items:

	2014/15	2013/14
	€ thousand	€ thousand
Service cost	155	142
Interest cost	37	29
Return on plan assets	-37	-36
	155	135
Remeasurement arising from experience adjustments and changes in demographic assumptions	1,014	0
Deferred Tax	-295	0
	719	0
	874	135

The benefit entitlements of the members of the Management Board comprise an old-age pension from the age of 65 as well as surviving dependents' and invalidity benefits, which are paid out via an occupational pension plan (defined benefit plans).

The defined benefit obligation (DBO) changed as follows:

	2014/15 € thousand	2013/14 € thousand
Amount at October 1	968	819
Interest cost	37	36
Service cost	155	142
Benefit payments	0	0
Actuarial gains and losses from changes in financial assumptions	-33	-29
Remeasurement arising from experience adjustments and changes in demographic assumptions	1,014	0
Amount at September 30	2,141	968

The obligation was secured by reinsurance policies. Plan assets changed as follows:

	2014/15 € thousand	2013/14 € thousand
Amount at October 1	968	819
Return on plan assets	37	36
Contributions paid	155	142
Benefit payments	0	0
Actuarial gains and losses from changes in financial assumptions	-33	-29
Amount at September 30	1,127	968

The plan assets are not traded on an active market. Therefore, the present value cannot be derived from a price on an active market.

The balance sheet shows a DBO after reducing the pledged plan assets as follows:

	Sept. 30, 2015 € thousand	**Sept. 30, 2014** € thousand
Defined benefit obligation	2,141	968
Plan assets	-1,127	-968
Provisions for pension schemes	1,014	0

	2014/15 € thousand	2013/14 € thousand
Amount at October 1	0	0
Net interest costs	0	0
Past service costs	155	142
Pension benefits	0	0
Paid contributions	-155	-142
Actuarial gains and losses from changes in financial assumptions	0	0
Remeasurement arising from experience adjustments and changes in demographic assumptions	1,014	0
Amount at September 30	1,014	0

The remeasurement arising from experience adjustments and changes in demographic assumptions resulted from the early withdrawal of a Management Board member from the Management Board as of July 1, 2015 as well as a new assessment of the probability of fluctuation of the second beneficiary. In the past, however, a very low probability of the occurrence of a withdrawal or, respectively, very low probability of fluctuation was presumed which is why no provision was to be established.

In connection with the pension obligations secured by respective reinsurance policies, for the valuation of the pension obligations as of September 30, 2015, the Heubeck 2005G mortality tables, Heubeck Mortality Tables GmbH, Cologne, 2005 ("*Richttafeln 2005G, Heubeck-Richttafeln GmbH, Köln 2005*") were used and, analogously to the plan assets on the basis of the benefit expectations of the reinsurance, an actuarial interest rate was applied of 3.5% (prior year 4.0%).

With the measurement of the obligations from the supplementary agreements, an actuarial interest rate of 2.35% was applied and, with regard to the fluctuation rate related to Dr. Zinke, a value of 100% was applied. With the measurement of the supplementary agreement for Dr. Eck, in addition, a pension trend of 1% was taken into account and the probability of early withdrawal and therewith the occurrence of a claim caused by withdrawal is rated to be slight.

The expected contributions to plan assets in fiscal year 2015/16 amount to €172 thousand. No pension payments are expected in fiscal year 2015/16.

A withdrawal of the currently active beneficiary which is the equivalent of a fluctuation probability of 100% would have had the consequence of an increase of the provision by about €700 thousand as of the reporting date. A change in interest of +/- 1% point would have had the consequence of a change of the scope of the obligation as of September 30, 2015 of about +13.0% or, respectively, -11.5%.

(6) Depreciation and amortization

Depreciation and amortization charges are presented in the statements of changes in intangible assets and property, plant, and equipment in the "Disclosures on the Statement of Financial Position (Balance Sheet)". They do not contain any impairment losses.

(7) Other expenses

Other expenses include, *inter alia* advertising and travel expenses of €912,592 (prior year: €866 thousand), occupancy costs of €782,048 (prior year: €674 thousand), legal and consulting expenses of €922,071 (prior year: €516 thousand), sales and administrative expenses of €690,326 (prior year: €420 thousand), distribution and logistics expenses of €497,806 (prior year: €347 thousand),

and repair and maintenance expenses of €257,409 (prior year: €189 thousand). Currency translation expenses amounted to €516,629 (prior year: €15 thousand).

(8) Finance income

Finance income mainly comprises interest income from loans to at-equity accounted companies (€7,157) and income from fair value measurement of financial liabilities (€23,262).

(9) Finance costs (prior year adjusted)

Finance costs comprise fixed and profit-related payments for silent partnerships (€228,310) and loans (€334,186), impairments from subsequent fair value measurement of available-for-sale financial instruments (€158,641), factoring fees (€13,529), interest expenses from finance leases (€5,149) as well as the subsequent fair value measurement of financial liabilities for the acquisition of non-controlling interests and conditional purchase price payments (€205,514).

(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 (prior year: 15.825%). The trade tax rate for domestic Group companies and the composite tax rate are shown below:

Trade tax rate	2014/15	2013/14
B·R·A·I·N AG	13.300%	12.600%
B·R·A·I·N Capital GmbH	13.300%	12.600%
AnalytiCon Discovery GmbH	15.750%	15.750%
Mekon Science Networks GmbH	9.800%	9.800%
Monteil Cosmetics International GmbH*	15.400%	12.250%
L.A. Schmitt GmbH	11.200%	11.200%
WeissBioTech GmbH/ WeissBioTech Beteiligungs GmbH	15.020%	-

* tax rate change due to change in the registered office from Oestrich-Winkel to Duesseldorf

Composite tax rate	2014/15	2013/14
B·R·A·I·N AG	29.125%	28.425%
B·R·A·I·N Capital GmbH	29.125%	28.425%
AnalytiCon Discovery GmbH	31.575%	31.575%
AnalytiCon Discovery LLC	23.900%	23.900%
Mekon Science Networks GmbH	25.625%	25.625%
Monteil Cosmetics International GmbH*	31.225%	28.075%
L.A. Schmitt GmbH	25.625%	25.625%
WeissBioTech GmbH/ WeissBioTech Beteiligungs GmbH	30.840%	-
WeissBioTech France S.A.R.L.	33.330%	-

* tax rate change due to change in the registered office from Oestrich-Winkel to Duesseldorf

Of the tax assets amounting to €22,938 (prior year: €32,255), €14,098 (prior year: €25,183) relates to corporate income tax and the solidarity surcharge, and €8,840 (prior year: €7,072) relates to trade tax. The tax liabilities of €86,736 relate to trade tax in the amount of €34,174 and to corporate income tax in the amount of €52,562.

Deferred tax assets and liabilities and their changes in the fiscal year are shown in the following table:

Line item	**Sept. 30, 2015**		**Sept. 30, 2014**	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€	€	€	€
Intangible assets	0	1,322,526	0	761,065
Tax loss carry-forwards	93,147	0	379,762	0
Property, plant, and equipment	40,794	188,413	37,674	198,004
Inventory	0	9,869	0	0
Pension obligations	295,872	0	0	0
Other provisions and liabilities	18,109	0	13,550	0
Financial liabilities	11,579	0	18,925	0
Deferred income	18,824	0	26,406	0
Trade receivables	10,717	136,014	0	66,799
Total	**489,042**	**1,656,822**	**476,317**	**1,025,868**
Offset	**-214,302**	**-214,302**	**-361,871**	**-361,871**
Total	**274,740**	**1,442,520**	**114,446**	**663,997**

		2014/15
		€
Net deferred tax liabilities at beginning of fiscal year (October 1, 2014)		549,551
Recognition outside profit or loss of deferred taxes from initial consolidation of Group companies		753,751
Recognition from actuarial losses from remeasurements of post-employment benefit obligations		-295,327
Change in temporary differences between carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base (recognized in profit or loss)	126,809	
Deferred tax expense from the use and due to amortization of tax loss carry-forwards	-286,615	
	-159,806	159,806
Deferred tax expense of prepaid transaction costs for planned increase in equity	-156,791	
Deferred tax expense in other comprehensive income	-316,597	
Net deferred tax liabilities at end of fiscal year (September 30, 2015)		1,167,780

The differences between the expected income tax income based on the IFRS loss before taxes for the period and B·R·A·I·N AG's composite tax rate of 29.125% (prior year: 28.425%) and the income tax expense reported in the consolidated statement of comprehensive income are shown in the following table:

	2014/15	2013/14 (adjusted)
	€	€
Loss for the period before taxes	-5,502,023	-5,725,783
Expected tax income	-1,602,464	-1,627,840
Share of profit or loss of at-equity accounted investments	0	48,356
Different tax rates applicable to consolidated subsidiaries	2,427	-14,945
Effects of changes in tax rates	-5,055	0
Permanent differences from consolidation adjustments	101,743	8,570
Permanent differences from the subsequent measurement of financial assets and liabilities	110,235	18,595
Nondeductible expenses/add-backs	12,183	117,803
Amortization of tax loss carry-forwards from prior years	187,975	0
Tax loss carry-forwards not recognized	1,622,533	1,189,594
Prior-period taxes and other differences	22,296	-86
Reported current or deferred income tax income (–)/ expense (+)	451,873	-259,953

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.

	2014/15	2013/14
	€	€
Current deferred tax assets	100,108	261,190
Non-current deferred tax assets	378,217	215,128
Current deferred tax liabilities	320,787	161,832
Non-current deferred tax liabilities	1,325,318	864,036
Net current deferred tax assets	-220,679	99,358
Net non-current deferred tax liabilities	-947,101	–648,909

Based on the detailed planning horizon of three fiscal years modeled in the tax projections of the consolidated entities, no deferred tax assets were recognized for tax loss carry-forwards with an (in principle) unlimited carry-forward period resulting from fiscal year 2014/15 and prior fiscal years amounting to €23,667 thousand (corporate income tax; prior year: €17,229 thousand) and €23,897 thousand (trade tax; prior year: €17,576 thousand). The potential tax benefits that have therefore not been recognized amount to €6,886 thousand (prior year: €4,928 thousand). Deferred tax assets are recognized to the extent that taxable temporary differences exceed deductible temporary differences for the detailed planning horizon.

(11) Earnings per share

As in the prior years, earnings per share were calculated on the basis of the loss for the period of €-5,714,554 reported in the consolidated income statement (prior year: loss of €-5,300,960).

Earnings per share are calculating by dividing the loss accruing to the shareholders of B·R·A·I·N AG for the period by the average number of shares of B·R·A·I·N AG issued in the fiscal year. The average number of shares in fiscal year 2014/15 amounted to 12,725,818 no-par value shares (prior year: 12,725,818 no-par value shares).

There were no dilutive effects.

IV. Disclosures on the Statement of Financial Position (Balance Sheet)

(12) Intangible assets (prior year adjusted)

The composition of and changes in intangible assets are shown in the following table:

€	Goodwill	Other intangible assets	Total intangible assets
Fiscal year 2013/14			
Net carrying amount at beginning of fiscal year	2,107,818	181,173	2,288,991
Additions from business combinations (adjusted)	698,777	2,656,584	3,355,361
Additions	0	553,805	553,805
Disposals	0	-40,382	-40,382
Amortization: additions	0	314,319	314,319
Amortization: disposals	0	-40,382	-40,382
Net carrying amount at end of fiscal year Sept. 30, 2014 (adjusted)	**2,806,595**	**3,077,243**	**5,883,838**
Cost	2,814,212	3,540,459	6,354,671
Cumulative amortization	7,617	463,216	470,833
Net carrying amount (adjusted)	**2,806,595**	**3,077,243**	**5,883,838**
Fiscal year 2014/15			
Net carrying amount at beginning of fiscal year (adjusted)	2,806,595	3,077,243	5,883,838
Additions from business combinations	10,965	2,709,338	2,720,303
Additions	0	117,395	117,395
Amortization: additions	0	686,654	686,654
Net carrying amount at end of fiscal year Sept. 30, 2015	2,817,560	5,217,322	8,034,883
Cost	2,825,177	6,367,192	9,192,369
Cumulative amortization	7,617	1,149,870	1,157,487
Net carrying amount	2,817,560	5,217,322	8,034,883

The goodwill reported as of September 30, 2015, results from the acquisition of Monteil Cosmetics International GmbH in fiscal year 2011/12, the acquisition of the AnalytiCon Group (AnalytiCon Discovery GmbH, AnalytiCon Discovery LLC) in fiscal year 2013/14 and the acquisition of the WeissBioTech Group (WeissBioTech Beteiligungs-GmbH, WeissBioTech GmbH (merged into WeissBioTech GmbH in August 2015), WeissBio Tech France S.A.R.L.) in fiscal year 2014/15.

In accordance with the accounting policies of the Group as shown above, no development expenditures were capitalized in fiscal year 2014/15 (as in the prior year) because a separation into Research and Development phases is not possible due to alternating processes. Therefore not all of the criteria defined in IAS 38 were cumulatively met.

In the consolidated income statement, the research and development expenses amounting to €6,183,662 (prior year: €5,799,487) are mainly contained in the line 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 fiscal year 2014/15 were attributable primarily to the technical expansion of the research, development, and manufacturing infrastructure. The operating and office equipment assets of WeissBioTech Beteiligungs-GmbH, WeissBioTech GmbH and WeissBioTech France S.A.R.L. were also added in the course of the company acquisitions. The composition of and changes in property, plant, and equipment are shown in the following table:

€	Land and buildings	Operating and office equipment	Total property, plant, and equipment
Fiscal year 2013/14			
Net carrying amount at beginning of fiscal year	5,071,370	1,660,138	6,731,508
Additions from business combinations	0	345,676	345,676
Additions	0	494,816	494,816
Disposals	0	-26,920	-26,920
Depreciation: additions	194,556	496,748	691,304
Depreciation: disposals	0	-26,909	-26,909
Net carrying amount at end of fiscal year Sept. 30, 2014	**4,876,814**	**2,003,871**	**6,880,685**
Cost	6,510,813	5,364,045	11,874,858
Cumulative depreciation	1,633,999	3,360,174	4,994,173
Net carrying amount	**4,876,814**	**2,003,871**	**6,880,685**
Fiscal year 2014/15			
Net carrying amount at beginning of fiscal year	4,876,814	2,003,871	6,880,685
Additions from business combinations	0	330,645	330,645
Additions	0	467,437	467,437
Disposals	0	-174,497	-174,497
Depreciation: additions	194,556	587,665	782,221
Depreciation: disposals	0	-155,701	-155,701
Net carrying amount at end of fiscal year Sept. 30, 2015	**4,682,258**	**2,195,492**	**6,877,750**
Cost	6,510,813	5,987,630	12,498,443
Cumulative depreciation	1,828,555	3,792,138	5,620,693
Net carrying amount	4,682,258	2,195,492	6,877,750

The land and buildings serve in part to secure bank loans. The land and buildings of B·R·A·I·N AG contained therein were not assigned in their full amount as security. A closer examination is undertaken in the section Financial liabilities.

The property, plant, and equipment include technical investment additions accounted for from the acquisition of WeissBioTech as finance leasing. The carrying amount as of September 30, 2015 is €164,139. In the statement of comprehensive income, depreciations in the amount of €40,123 and interest costs of €5,149 were recognized. The remaining useful life as of September 30, 2015 is 45 months. The corresponding financial liability (September 30, 2015: €53,468) is repayable monthly on a pro rata basis until June 30, 2016.

(14) Shares in at-equity accounted investments

The carrying amount of the investment in the associate Enzymicals AG, Greifswald* changed as follows
[* fiscal year = calendar year; the deviation results from the historically determined deviation of the fiscal year of B·R·A·I·N AG from the calendar year]:

	€
Cost in fiscal year 2009/10	251,837
Share of profit or loss after taxes in 2009/10	-18,449
Carrying amount at Sept. 30, 2010	233,388
Share of profit or loss after taxes in 2010/11	-47,387
Carrying amount at Sept. 30, 2011	186,002
Cost in fiscal year 2011/12	49,995
Share of profit or loss after taxes in 2011/12	-44,311
Carrying amount at Sept. 30, 2012	191,686
Share of profit or loss after taxes in 2012/13	-21,567
Carrying amount at Sept. 30, 2013	170,119
Impairment losses*	-170,118
Carrying amount at Sept. 30,2014	1
Share of profit or loss after taxes in 2014/15	0
Carrying amount at Sept. 30, 2015	1

* In fiscal years 2013/14 and 2014/15 only further proportionate losses are incurred.

B·R·A·I·N AG's equity interest was unchanged at 24.095% in fiscal year 2014/15. There is no obligation to make further contributions and there are no contingent liabilities or contingent assets.

There are individual contractual arrangements for research and development services between the companies. These are not for strategic purposes.

The following tables show the aggregated profit and loss and balance sheet data of Enzymicals AG (there is no market price since the company is not listed in any stock market) and the amounts of profit or loss for the period and equity attributable to B·R·A·I·N AG in line with its interest (24.095%). The value of Enzymicals AG was determined according to commercial law regulation (German Commercial Code (*Handelsgesetzbuch, HGB*)) as there are no substantive differences between financial statements required by commercial law and the IFRS financial statements.

Profit or loss data	Oct. 2014 – Sept. 2015 €	Oct. 2013 – Sept. 2014 €
Revenue	730,296	572,855
Profit or loss for the period	-36,744	-127,638
Share of profit or loss after taxes	-8,853	-30,754

Balance sheet data	Sept. 30, 2015 €	Sept. 30, 2014 €
Non-current assets	94,083	92,336
Current assets	514,454	111,735
Non-current liabilities	0	0
Current liabilities	743,245	301,667
Equity	-134,709	-96,525
Interest in equity	-32,458	-23,258

The pro rata profit for the fiscal year amounts to €-8,853. The impairment test performed at the end of the prior reporting period resulted in an impairment loss of €170,118.

(15) Inventories

Inventories are composed of the following items:

	Sept. 30, 2015 €	Sept. 30, 2014 €
Raw materials, consumables, and supplies	2,101,096	1,054,276
Unfinished goods and services	1,079,571	842,869
Finished goods	3,335,146	2,672,189
Prepayments on inventories	1,332	0
	6,517,145	4,569,334

The carrying amount of inventories that were assigned as security for the financial liabilities of a subsidiary at the end of the reporting period was €524,817 (prior year: €572,257).

Inventories are measured at cost or manufacturing cost using the FiFo method. Impairment losses of €0 (prior year: €131,342) were recognized on inventories. There were no reversals of write-downs.

(16) Trade receivables

Trade receivables are composed of the following items:

	Sept. 30, 2015 €	Sept. 30, 2014 €
Trade receivables	3,467,268	2,412,282
PoC receivables	467,000	235,000
	3,934,268	2,647,282

The presented carrying amount of trade receivables correspond to the fair values.

Trade receivables have a maturity of up to one year. Specific valuation allowances of €9,520 (prior year: €15,478) and global valuation allowances of €27,560 (prior year: €15,915) were recognized on the receivables as of the reporting date September 30, 2015. These are recorded in a separate allowance account. Global valuation allowances are recognized to reflect the risk of unexpected financial difficulties at customers.

	Trade receivables	of which:are neither past due nor impaired at the end of the reporting period	of which: are past due in the following periods				Impairment losses	Carrying amount
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
Sept. 30, 2015	3,972	3,662	196	45	51	18	37	3,934
Sept. 30, 2014	2,679	2,170	388	35	33	53	31	2,647

The trade receivables that are neither past due nor impaired at the end of the reporting period are estimated to be recoverable. The past due receivables amounting to €310 thousand (prior year: €509 thousand) most accurately represent the maximum default risk. The Group has no lien on these receivables, except for those receivables where the general business conditions provide for retention of title. The carrying amount of the impaired receivables amounted to €13,600 at the end of the reporting period (prior year: €22,418). Changes in impairment losses are shown in the following table:

Fiscal year 2014/15	€
Carrying amount at beginning of period	31,393
Additions from business combinations	53,900
Balance resulting from allocations and release	-48,213
Carrying amount at end of period	37,080

Fiscal year 2013/14	€
Carrying amount at beginning of period	50,524
Additions from business combinations	9,169
Balance resulting from allocations and release	-28,300
Carrying amount at end of period	31,393

Write-offs of trade receivables amounting to €83,452 (prior year: €88,503) that had not been de-recognized through profit or loss in prior years were written off through profit or loss in fiscal year 2014/15. There were no reversals of impairment losses on receivables written down.

(17) Other non-current and current assets

Other non-current assets result from accrued expenses of (€45,295 prior year: €58,710) that relate to a period of more than one year after the reporting period, deposits (€78,152), granted loans (€25,312) and to prepayments on non-current assets (€0; prior year: €31,953).

Other current assets primarily comprise trade tax receivables from the tax authorities (€266,282; prior year: €132,690), expenditures relating to the subsequent period (€528,762; prior year: €144,635), investment grants receivable (€0; prior year: €55,955), prepayments (€ 60,171; prior year: €17,929), and receivables from at equity-accounted investments and other third parties (€142,495; prior year: €83,657). All assets have a maturity of up to one year. Other assets at the end of the reporting period were neither past due nor impaired. The credit risk is considered low as in the prior year.

(18) Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and bank balances payable on demand. This item in prior years also included call money deposits and short-term term deposits with an original maturity of up to three months denominated in euros. All call money and term deposits (including the term deposits with a maturity of more than three months reported as "Other financial assets") were held with domestic credit institutions that are members of a deposit protection fund.

Other noncash income and expenses reported in the statement of cash flows primarily relate to financial expenses from the subsequent measurement of financial liabilities in the amount of €205,514, impairment losses on available-for-sale financial assets amounting to €158,641 (prior year: €372,998) and expense from measurement of employee stock option agreements in the amount of €171,180 (prior year: €22,481; financial expense €41,932).

(19) Equity (prior year adjusted)

Changes in equity are presented in the statement of changes in equity.

The Group's **share capital** amounted to €12,725,818 at the end of the reporting period (prior year: €12,725,818). It is composed of 12,725,818 no-par value shares each with a notional value of €1.00. The shares are fully paid up and are registered shares. With regard to the shares held by MP Beteiligungs-GmbH, we refer to the information contained in "Related party disclosures" (cf. note 28).

On July 8, 2015 the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a maximum notional amount of €6,362,909 once or several times in the period up to July 7, 2019, by issuing up to 6,362,909 new no-par value registered shares against cash contributions and/or contributions in kind with the approval of the Supervisory Board, with exclusion in whole or in part of the statutory subscription rights of the shareholders.

Also on July 8, 2015 the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue warrant bonds and/ or convertible bonds in bearer and/or registered form up to a total nominal amount of €100,000,000 with or without limitation of maturities, once or several times in the period until July, 7, 2020 and to grant to or, respectively, impose on the holders or, respectively, the creditors of convertible bonds, warrant bonds, conversion obligations or conversion rights for bearer shares of the Company with a pro rata amount of the share capital in the maximum amount of €5,090,328 and in accordance with other provisions. The share capital was increased conditionally by up to €5,090,328.

In addition, on July 8, 2015,the Annual General Meeting authorized the Management Board to issue, with the approval of the Supervisory Board, within the context of a stock option plan in the period up to September 30, 2020 up to 1,272,581 stock options with subscription rights for shares of B·R·A·I·N AG with a term of up to eight years with the condition that each stock option grants the right for subscription of one share and in accordance with other provisions. For issuance of shares to members of the Management Board of B·R·A·I·N AG, this authorization applies only for the Supervisory Board .The share capital was increased by up to €1,272,581 by issuing up to 1,272,581 new registered shares.

Also on July 8, 2015, the Annual General Meeting authorized the Management Board according to § 71 (1) No. 8 German Stock Corporation Act (*Aktiengesetz*) to purchase own shares for every permissible purpose to the extent permitted by law and in accordance with other provisions. The authorization is valid from the date that the authorization resolution becomes effective until July 7, 2020 and is limited to a total amount of 10% of the share capital at the resolution date or -if such value is lower - the share capital at the execution of the approval.

The resolutions were entered into the commercial register on October 1, 2015.

The authorized share capital was registered at the commercial register on October 1, 2015. As of September 30, 2015 authorized capital was €6,362,909.

The **capital reserves** contain the share premium from the issuance of shares, net of transaction costs after taxes.

Retained earnings changed as follows in the fiscal year:

	€
Retained earnings at October 1, 2014	-17,609,890
Attributable loss to the shareholders of B·R·A·I·N AG 2014/15	-5,714,554
Reduction in non-controlling interests in Monteil in the course of the share acquisition by B·R·A·I·N AG	37,143
Increase of non-controlling interests in the course of payments into the capital reserves of Monteil	-151,992
Retained earnings at September 30, 2015	-23,439,294

Noncontrolling interests are presented in the following:

Monteil Cosmetics International GmbH	Fiscal year	Interest in net assets not held by B·R·A·I·N AG	Change in the share of net assets not held by B·R·A·I·N AG *	Attributable share of profit or loss for the period	Carrying amount of interest at end of fiscal year
	2014/15	31.67%	€416,150	€-239,341	€304,471
	2013/14 (adjusted)	49.5%	-	€-164,869	€127,663
	2012/13	49.5%	-	€-422,187	€292,532

* Changes in the share of net assets not leading to a loss of control

Changes in non-controlling interests

	Sept. 30, 2015 € thousand	Sept. 30, 2014 (adjusted) € thousand
Amount at October 1	128	293
Pro rata profit	-239	-165
Debt-/equity swap third-party shareholders	301	-
Disproportionate payment into the capital reserves by B·R·A·I·N AG	152	-
Dilution effect as a consequence of unilateral share capital increase	-37	-
Amount at September 30	305	128

In fiscal year 2014/15 B·R·A·I·N AG increased its stake in Monteil Cosmetics International GmbH via a capital increase from 50.5% to 68.33%.

This resulted in a disposal of non-controlling interests in the amount of €37,143. The disproportion-ate allocation to capital reserves by B·R·A·I·N AG of €480,000 led, in a second step, however, to an increase in non-controlling interests to decrease retained earnings by €151.992. In the fiscal year, the shareholders converted the Monteil loan in the amount of €951,300 into equity (capital reserve) of Monteil. The benefits of non-controlling shareholders increased the share of non-controlling shareholders by €301,300.

The non-controlling interests receive no allocation of results recognized directly in equity.

With regard to the share capital transaction undertaken after the reporting date, we refer to the statements made in section "Results after the recording date".

In the following, a summary of the financial information of subsidiaries with non-controlling interests which are significant for the Group is presented.

Summarized balance sheet data	Monteil Cosmetics International GmbH	
	Sept. 30, 2015	Sept. 30, 2014
	€ thousand	€ thousand
Non-current assets	2,242	2,302
Current assets	1,866	1,994
Non-current liabilities	409	123
Current liabilities	615	1,812
Net assets	3,084	2,360

Summarized statement of comprehensive income	Monteil Cosmetics International GmbH	
	2014/15	2013/14
	€ thousand	€ thousand
Revenue	2,566	2,739
Earnings before taxes	-656	-448
Earnings after taxes	-728	-333
Total Result	-728	-333
Result allocated to non-controlling interests	-239	-165
Dividends paid to non-controlling shareholders	0	0

Summarized cash flow statement	Monteil Cosmetics International GmbH 2014/15 € thousand	2013/14 € thousand
Gross cash flow	-606	-417
Cash flow from operating activities	-214	-213
Cash flow from investment activities	-62	-13
Cash flow from financing activities	217	246

No restrictions exist regarding the possibility of B·R·A·I·N AG to gain access to the assets of this subsidiary or to use these and to satisfy liabilities.

Summarized balance sheet data	WeissBioTech GmbH Sept. 30, 2015 € thousand	Sept. 30, 2014 € thousand
Non-current assets	2,4736	-
Current assets	3,983	-
Non-current liabilities	719	-
Current liabilities	2,230	-
Net assets	3,508	-

Summarized statement of comprehensive income	WeissBioTech GmbH 2014/15* € thousand	2013/14 € thousand
Revenue	7,290	-
Earnings before taxes	-246	-
Earnings after taxes	-177	-
Total Result	-177	-
Result allocated to non-controlling interests	0	-
Dividends paid to non-controlling shareholders	0	-

Summarized cash flow statement	WeissBioTech GmbH 2014/15* € thousand	2013/14 € thousand
Gross cash flow	87	-
Cash flow from operating activities	-251	-
Cash flow from investment activities	-49	-
Cash flow from financing activities	-584	-

* Time period includes values or, respectively, value changes from November 1, 2014 to September 30, 2015

Summarized balance sheet data	WeissBio Tech France S.A.R.L. Sept. 30, 2015 € thousand	Sept. 30, 2014 € thousand
Non-current assets	313	-
Current assets	267	-
Non-current liabilities	614	-
Current liabilities	172	-
Net assets	-206	-

Summarized statement of comprehensive income	WeissBio Tech France S.A.R.L 2014/15* € thousand	2013/14 € thousand
Revenue	424	-
Earnings before taxes	35	-
Earnings after taxes	51	-
Total Result	51	-
Result allocated to non-controlling interests	0	-
Dividends paid to non-controlling shareholders	0	-

Summarized cash flow statement	WeissBio Tech France S.A.R.L 2014/15* € thousand	2013/14 € thousand
Gross cash flow	108	-
Cash flow from operating activities	40	-
Cash flow from investment activities	-7	-
Cash flow from financing activities	-37	-

* Time period includes values or, respectively, value changes from November 1, 2014 to September 30, 2015

No restrictions exist regarding the possibility of B·R·A·I·N AG to gain access to the assets of the WBT Group or to use these and to satisfy liabilities.

(20) Financial liabilities (prior year adjusted)

Financial liabilities are composed of the following items:

	Sept. 30, 2015 €	Sept. 30, 2014 (adjusted) €
Contributions by silent partners	2,340,000	2,620,000
Conditional purchase price payment measured at profit and loss fair value	233,799	0
Liabilities from acquisition of non-controlling interests	3,812,097	1,918,494
Finance lease obligations	174,386	0
Factoring liabilities	252,948	0
Loans	9,544,107	4,787,325
	16,357,337	9,325,819

The contributions by silent partners at the end of the reporting period on September 30, 2015, comprise a contribution by MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH (MBG H), Frankfurt am Main, amounting to €840,000 (prior year: €1,120,000) and a silent partner contribution by Hessen Kapital I GmbH amounting to €1,500,000 (prior year: €1,500,000). The contribution by MBG H is repayable as of March 31, 2016 (prior year: with 5% as of March 31, 2015 and with 75% as of March 31, 2016). 20% of the contribution by Hessen Kapital I GmbH is repayable as of June 30, 2022, a further 20% as of June 30, 2023, and 60% as of June 30, 2024.

The Company pays a fixed remuneration of a notional 7.7% p.a. on the contribution by MBG H, plus a profit share in the ratio of the notional amount of the silent partnership of MBG H to the notional amount of the equity of B·R·A·I·N AG, but in any case no more than 1.25% of the contribution. The Company pays a fixed remuneration of a notional 9.0% p.a. on the contribution by Hessen Kapital I GmbH, plus a profit share in the ratio of the notional amount of the silent partnership of MBG H to the notional amount of the equity of B·R·A·I·N AG, but in any case no more than 2.5% of the contribution and no more than 50% of the profit for the period.

B·R·A·I·N AG is entitled to call the silent partner contributions by MBG H and Hessen Kapital I GmbH prior to the agreed dates; however, because of the negative consequences this would have for the Company (prepayment penalties), this option effectively has no economic value for the Company. The silent partnerships do not participate in any losses. There is no additional funding obligation.

Furthermore, there are liabilities to the shareholders of MP Beteiligungs-GmbH in the amount of €5.5 million per September 30, 2015. These liabilities have been invoked in the context of a framework credit agreement. The term of the agreement is until December 31, 2016 (extended by one year after September 30, 2015, cf. note 31 "Events after the reporting period"). This is a subordinated loan with an interest rate of 5% per annum. The credit facility amounts to €10 million per September 30, 2015 and may be accessed in accordance with the Company.

The liabilities to credit institutions and third parties (loans) are measured at amortized cost. They and the interest expense are calculated using the effective interest method.

There are land charges with compulsory enforcement clauses on land owned by B·R·A·I·N AG with a notional value of €3,500,000 (prior year: €3,500,000). All land charges serve to secure bank liabilities, which amounted to €1,833,333 at the end of the reporting period (prior year: €2,333,333). The land charges rank behind an unassigned land charge in favor of the owner amounting to €500,000 (prior year: €500,000).

In the case of the L.A. Schmitt GmbH subsidiary, the financial liabilities in the amount of €196,765 as of September 30, 2015 (€239,756 as of September 30, 2014) are secured by land charges on its business property amounting to €400,000 as of September 30, 2015 (prior year €400,000) and by a global assignment of trade receivables and the assignment of inventories. 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 amounted to €4,856,904 (prior fiscal year end: €4,971,240).

The notional interest rate on the fixed-rate loans amounts to between 1.95% (prior year: 4.05%) and 6.75% p. a. (prior year: 6.75%) The rates for the floating-rate loans are oriented on the 6-month base rate published by Deutsche Bundesbank in accordance with section 247 of the *Bürgerliches Gesetzbuch* (BGB-German Civil Code).

The notional amounts of the maturities of the financial liabilities are shown in the following table:

Sept. 30, 2015	Remaining maturity up to 1 year	Remaining maturity 1 – 5 years	Remaining maturity more than 5 years
	€	€	€
Contributions by silent partners	840,000	0	1,500,000
Liabilities from the acquisition of shares of fully consolidated subsidiaries	0	2,348,463	0
Finance lease obligations	86,079	85,273	0
Factoring liabilities	252,948	0	0
Liabilities from compensation claims of non-controlling interests	0	1,918,494	0
Loans	924,021	8,583,409	0
	2,103,048	12,935,639	1,500,000

Sept. 30, 2014 (adjusted)	Remaining maturity up to 1 year	Remaining maturity 1 – 5 years	Remaining maturity more than 5 years
	€	€	€
Contributions by silent partners	280,000	840,000	1,500,000
Liabilities from compensation claims of non-controlling interests	0	1,918,494	0
Loans	1,871,952	2,915,373	0
	2,151,952	5,673,867	1,500,000

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

Sept. 30, 2015		15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Principal repayments		2,103	6,547	1,373	4,981	35	0	300	300	900	0
Interest payments		370	293	253	180	135	135	135	128	101	61
Profit-related payments		42	38	38	38	38	38	38	28	17	0
Total excluding profit-related payments		2,473	6,840	1,625	5,161	171	135	435	428	1001	61
Total including profit-related payments		2,515	6,877	1,663	5,198	208	173	473	456	1018	61

Sept. 30, 2014		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Principal repayments		2,152	1,866	712	726	2,310	0	0	300	300	900
Interest payments		442	277	206	172	141	135	135	128	101	61
Profit-related payments		50	42	38	38	38	38	38	36	28	17
Total excluding profit-related payments		2,594	2,143	919	898	2,451	135	135	428	401	961
Total including profit-related payments		2,644	2,185	956	935	2,489	173	173	464	429	978

For a loan of the subsidiary AnalytiCon Discovery GmbH, a debtor warrant has been agreed which includes a payment to the lender in the event that 75% of the shares of the Company are sold. The amount of the revived loan claim is dependent thereby on a total Company valuation and varies according to the determined Company value from €142 thousand to €710 thousand. The debtor warrant is limited until December 31, 2018. In view of this background of current value ratios, a possible payment under the debtor warrant is unlikely. Accordingly, this debtor warrant is recorded on the balance sheet with a value of €0.

The interest expense of €961,295 (prior year: €753 thousand) reported under "Finance costs" in the consolidated income statement for the reporting period relates mainly to the financial liabilities described above.

(21) Other liabilities (prior year adjusted)

Current other liabilities include accrued vacation pay liabilities amounting to €556,074 (prior year: €386,236), wage and church tax liabilities as well as social security liabilities amounting to €139,554 (prior year: €157,529), liabilities for bonuses payable to employees, the Management Board, a former member of the Management Board of B·R·A·I·N AG, the Managing Director of B·R·A·I·N Capital GmbH as well as other employees of the Group amounting to €201,498 (prior year: €154,150), customer bonuses of €45,700(prior year: €57,000), long-term liabilities from share-based payment agreements to employees in the amount of €193,661 (prior year: €22,481) and VAT (€146,967), payroll (€118,133), and Supervisory Board remuneration liabilities (€59,750).

(22) Deferred income

Deferred income of €408,328 (prior year: €135,919) mainly comprises grants and subsidies amounting to €53,968 with a maturity of up to one year (prior year: €92,836) as well as deferred revenue from one-time/nominal fees, including €334,361 with a maturity of up to one year (prior year: €34,833) and €20,000 with a maturity of more than one year (prior year: €8,250).

(23) Other Provisions

The amount reported relates primarily to the estimated expenses for preparing and auditing the financial statements, audit and consulting expenses, and expenses for the disabled persons equalization levy payable and contributions payable to the occupational health and safety agency. The obligations are expected to be settled mainly in the following fiscal year. Changes in provisions are shown in the following overview:

Oct 1, 2014	Additions from business combinations	Other additions	Amounts utilized	Amounts unutilized and reversed	Sept. 30, 2015
€	€	€	€	€	€
215,135	59,450	256,202	240,473	1,093	289,221

Oct 1, 2013	Additions from business combinations	Other additions	Amounts utilized	Amounts unutilized and reversed	Sept. 30, 2014
€	€	€	€	€	€
165,176	24,949	200,376	173,700	1,665	215,136

(24) Prepayments received

Prepayments received are attributable primarily to research and development services and future supplies and have a maturity of up to one year.

(25) Trade payables

Trade payables have a maturity of up to one year and contain accruals regarding trade payables.

V. Other Disclosures

(26) Financial instruments/Risk management

Financial instruments

The following overview presents recognized financial instruments based on their IAS 39 measurement categories. In order to enhance 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 from the other financial instruments in the LaR category in the following.

The following abbreviations are used for the measurement categories:

Abbreviation	IAS 39 measurement categories
AFS	Available for sale financial assets
LaR	Loans and receivables
FVTPL	Financial assets at fair value through profit or loss
LVTPL	Financial liabilities at fair value through profit or loss
OL	Other liabilities

There were no financial assets or liabilities in the "held for trading" categories in the reporting periods presented.

In the fiscal year 2014/15 and in the prior year, no reclassifications of financial assets or liabilities occurred.

The financial assets and liabilities can be summarized as follows (in € thousand):

Category	Category	Carrying amount					Fair value
€ (thousand)	IAS 39	Sept. 30, 2015 *(Sept.30, 2014)*	Amortized cost	Cost IAS 17	Fair value through OCI	Fair value through profit or loss	Sept. 30, 2015 *(Sept. 30, 2014)*
Assets							
Available-for-sale financial assets	AFS	0 (159)	0 (159)				0 (159)
Trade receivables	LaR	3,934 (2,647)	3,934 (2,647)				3,934 (2,647)
Other current and non-current assets	LaR	168 (103)	168 (103)				168 (103)
Cash and cash equivalents	LaR	3,247 (4,459)	3,247 (4,459)				3,247 (4,459)
Total		7,349 (7,368)	7,349 (7,368)				7,349 (7,368)
Liabilities							
Trade payables	OL	3,082 (1,351)	3,082 (1,351)				3,082 (1,351)
Financial liabilities	LVTPL	234 (0)				234 (0)	234 (0)
Financial liabilities	OL	14,204 (7,249)	14,030 (7,249)	174 (0)			14,204 (7,374)
Other liabilities	OL	0 (162)	0 (162)				0 (162)
Total		17,520 (8,762)	17,112 (8,762)	174 (0)		234 (0)	17,520 (8,887)

Available-for-sale financial assets comprise an equity investment with a carrying value of €1 as of September 30, 2015. It was measured at fair value at the end of the reporting period. An impairment loss, due to significant and foreseeable prolonged decreases in fair value of €158,641 (prior year: €372,998) was recognized in profit or loss in the consolidated statement of comprehensive income.

Trade receivables include PoC receivables that fall within the scope of IFRS 7.

Intangible assets and property, plant, and equipment, tax assets (current and deferred), inventories, and the prepaid expenses and prepayments on items of property, plant, and equipment included in other assets do not fall within the scope of IFRS 7.

Payroll, share-based employee payment obligations, tax, and social security liabilities are not classified as financial liabilities. Tax liabilities, prepayments received, and deferred income also do not fall within the scope of IFRS 7.

Cash and cash equivalents, other current assets, trade receivables, and trade payables mainly have short maturities. As a result, their carrying amounts at the end of the reporting period approximate their fair values.

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 using current discount rates that match the maturity and risk of the liabilities. The conditions are described in detail in note (20) "Financial liabilities".

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

The carrying amount of Level 3 financial liabilities (LVTPL) at the end of the reporting period amounted to €234 thousand (prior year: €0 thousand). This concerns an Earn-Out regulation occurring in connection with the WeissBioTech GmbH in connection to the distributable profit for the fiscal year of the subsidiary. In this context, expectations related to business development and a discounting were undertaken in accordance with the probable maturity using the discounted cash flow method with an actuarial interest rate of 3.0%. The adjustment to profit and loss of this liability as of the end of fiscal year resulted in the amount of €117 thousand from a changed assessment of company development of the WBT Group which was undertaken within the framework of the annual planning process as of the end of the fiscal year. A change to the expected distributable profit for the fiscal year by +10% in every year of the time period of the regulation would mean an increase of the financial liabilities by €63 thousand.

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

Sept. 30, 2015		15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
		€ thou-sand	€ thou-sand	€ thou-sand	€ thou-sand	€ thou-sand	€ thou-sand	€ thou-sand	€ thou-sand	€ thou-sand	€ thou-sand
Silent partner-ships (without profit-sharing)		1,012	135	135	135	135	135	428	401	961	0
Liabilities to lenders		1,085	6,723	1,423	913	36	0	0	0	0	0
Finance lease liabilities		86	36	34	16	0	0	0	0	0	0
Factoring liabilities		253	0	0	0	0	0	0	0	0	0
Liabilities from the acquisi-tion of shares of fully con-solidated subsid-iaries		0	186	0	2,163	0	0	0	0	0	0
Other liabilities		145	0	0	0	0	0	0	0	0	0
Trade payables		3,082	0	0	0	0	0	0	0	0	0
Total		5,663	7,080	1,592	3,227	171	135	428	401	961	0

Sept. 30, 2014		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Silent partnerships (without profit-sharing)		543	1,012	135	135	135	135	135	428	401	961
Liabilities to lenders		2,015	984	784	763	398	0	0	0	0	0
Finance lease liabilities		36	147	0	0	0	0	0	0	0	0
Other liabilities		162	0	0	0	0	0	0	0	0	0
Trade payables		1,351	0	0	0	0	0	0	0	0	0
Total		4,107	2,143	919	898	533	135	135	428	401	961

Net gains or losses on financial instruments are presented by measurement category in the following table:

€ thousand 2014/15 (2013/14)	From interest and dividends	From subsequent fair value measurement/impairment	From disposals	Net gains/losses
Loans and receivables	7 (2)	133 (-4)	-83 (-89)	57 (-91)
Available-for-sale financial assets	0 (0)	-159 (-373)	0 0	-159 (-373)
Financial liabilities measured at (amortized) cost	-576 (-344)	-299 (6)	0 (0)	-875 (-338)
Finance lease	-5	0	0	-5
Fair value financial liabilities through profit and loss	0 (0)	117 (0)	0 (0)	117 (0)
Total	-574 (-342)	-208 (-371)	-83 (-89)	-865 (-802)

Interest income and expenses relating to financial instruments are reported in "Finance income" and "Finance costs", respectively, in the consolidated statement of income. The total interest expense relating to financial liabilities that are not measured at fair value through profit or loss amounted to €581,383 (prior year: €337,831).

Risk management

The Group is exposed to a range of financial risks because of its business activities: credit risk, currency risk, interest rate risk, and liquidity risk.

The Company has implemented a risk management system to identify and avoid risks. Among other things, this system is based on the rigorous supervision of business transactions, the comprehensive exchange of information with the responsible employees, and regular - mostly monthly - analyses of key performance indicators for the business.

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

With regard to the financial instruments used by the Company, the objective of B·R·A·I·N AG's risk management is to minimize the risk exposure resulting from financial instruments. The Company does not enter into derivative financial instruments without a corresponding underlying basis transaction.. In both the reporting period and the prior- year period, liquid funds were invested with domestic financial institutions that are members of a German deposit protection fund.

The recognized financial instruments could in principle result in the following risk exposures:

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 comprises both counterparty credit risk and the risk of a deterioration in credit quality, along with cluster risk. The maximum exposure to counterparty credit risk is equal to the carrying amounts of the financial instruments at the end of the reporting period. The counterparty credit risk relevant to the Company's operating activities is represented by the risk that customers will fail to discharge their payment obligations. No cluster risk is evident in the customer receivables because the claims relate to a large number of different counterparties. The credit quality of the contracting parties is assessed in order 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 solely in accounts with domestic financial institutions that are members of a German deposit protection fund.

Currency risk

In addition, B·R·A·I·N AG is exposed to foreign currency risks. Income from currency differences in the amount of €558,371 (prior year: €36 thousand) is offset by expenses on currency differences in the amount of €516,629 (prior year: €15 thousand) so that the resulting effects in fiscal year 2014/15 are cancelled to a large extent. The higher currency effects compared to the prior year resulted essentially from the non-European export volume of the WeissBioTech Group. Due to the fact that foreign currency items basically only have a subordinated significance for the B·R·A·I·N Group and, in particular, currently rate fluctuations and currency exchange effects to the USD are at a low level, no hedging measures were considered. Because of the lack of significance, a sensitivity analysis of currency risk in accordance with IFRS 7 would not have further relevance.

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 Company therefore 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 the Company cannot obtain benefits from any potentially lower loan interest rates that may be obtained during the terms of the deposits and loans.

If the market rate of interest for investments would rise by up to 100 basis points, a one-year investment of B·R·A·I·N AG's liquid funds as of September 30, 2015, amounting to €3,247,352 (prior year: €4,458,926), would increase results by up to €32,474 (prior year: €44,589).

The market rate of interest for cash on current bank accounts at the end of the reporting period on September 30, 2015 is close to 0%. A scenario analysis of decreasing interest rates therefore is not meaningful.

Because a high proportion (>95% of financial liabilities; prior year: > 95%) of B·R·A·I·N AG's financial liabilities is subject to fixed-rate agreements, the Company could only profit to a limited extent from lower market interest rates for borrowings.

The floating-rate liabilities comprise essentially the factor liabilities amounting to €252,948. The variable interest liabilities are exposed to the risk of rising market rates of interest. If market rates were to rise (decline) by a notional 1 percentage point compared with the rate prevailing at the end of the reporting period, interest expense would increase (decrease) by €2,529.

Capital management/liquidity risk

The objective of B·R·A·I·N AG s capital management is to fund the planned growth of the Company and to ensure the availability of corresponding funds for its short-term funding requirements. The Company aims to achieve an equity ratio of at least 50%. The managed capital comprises all short- and long-term liabilities as well as the components of equity. For debt and equity management purposes, the concepts correspond to the amounts reported in the balance sheet.

B·R·A·I·N AG and its subsidiaries are not subject to any capital adequacy requirements above and beyond those in the German Stock Corporation Act (*Aktiengesetz*).

Financial liabilities of a subsidiary amounting to €196,765 (notional value as of September 30, 2015) are subject to a covenant providing for a minimum equity ratio of 30% of the subsidiary's total assets. As of September 30, 2015, this subsidiary's equity ratio was more than 30%. The minimum equity ratio was also met in the prior fiscal year (financial liabilities in the amount of €239,756 as of September 30, 2014).

B·R·A·I·N AG's liquid funds are either cash deposited on current bank accounts and fixed term deposits in euros with a term of not more than twelve months to ensure a high level of liquidity at all times.

Market risk

The available-for-sale financial assets are exposed to the risk of changes in values. The available-for-sale financial assets of B·R·A·I·N AG are not noted on active markets. A 10 % increase (decrease) of value would have increased (decreased) Group profit or loss for the period by €0 (prior year: €53,163).

(27) Disclosures on the fees paid to the auditors

The fees paid to or accrued for the auditors of B·R·A·I·N AG engaged for the fiscal year in question comprise the following items:

	2014/15	2013/14
	€	€
Audit services	87,978	69,678
Tax advice services	1,500	0
Other services	175,495	0
(Comfort Letter)		
	264,974	69,678

(28) Related party disclosures

Management Board and Supervisory Board

The members of the Management Board are:

Dr. Holger Zinke, Heppenheim (until June 30, 2015) (Chair)
Diploma Biologist

Dr. Jürgen Eck, Bensheim (Chair)
Diploma Biologist

The members of the Management Board are authorized to jointly represent the Company or alone if there is only one Member of the Management Board.

The remuneration of the Management Board in the fiscal year amounted to:

	2014/15	2013/14
	€	€
Fixed remuneration	344,500	380,000
Cost of pension, survivors' and disability benefits**	159,665	146,137
Performance-related remuneration*	105,500	114,000
	609,665	640,137

* short term benefits

** post employment (cf. also Section "Occupational pensions")

Pension provisions of €934,000 are established for former members of the Management Board,

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

Dr. Holger Zinke (until June 30, 2015)

Technical University of Darmstadt, Deputy Chair of the University Council

Mannheim University of Applied Sciences, Member of the University Council

Dr. Jürgen Eck

Member of the Supervisory Board, Enzymicals AG, Greifswald

The members of the Management Board directly held 750,000 shares at the end of the reporting period.

In the fiscal year, the following members of the Supervisory Board were:

Dr. Ludger Müller, Kaiserslautern(Chair)

Managing Director, MP Beteiligungs-GmbH

Michael Motschmann, Munich (Deputy Chair; until July 8, 2015)

Member of the Management Board, MIG Verwaltungs AG

Dr. Holger Zinke, (Deputy Chair, since July 8, 2015)

Managing Director GI Management GmbH

Siegfried L. Drueker, Bad Homburg

Managing Director, Drueker GmbH & Co. KG

Dr. Georg Kellinghusen, Munich (as from July 8, 2015)

Managing Director MP Beteiligungs GmbH

Prof. Dr. Klaus-Peter Koller, Bad Soden am Taunus

Self-employed management consultant

Dr. Matthias Kromayer, Munich

Member of the Management Board, MIG Verwaltungs AG

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

Dr. Ludger Müller

Technical University of Kaiserslautern (Chair of the University Council)

Michael Motschmann (Deputy Chair; until July 8, 2015)

AFFiRiS AG, Vienna (Chair)

APK Aluminium und Kunststoffe AG, Merseburg

HMW Innovations AG, Munich

Biocrates Life Sciences AG, Innsbruck

BioNTech AG, Mainz

HMW Emissionshaus AG, Pullach

Protagen AG, Dortmund

Dr. Holger Zinke (since July 8, 2015)

Technical University of Darmstadt, Deputy Chair of the University Council

Mannheim University of Applied Sciences, Member of the University Council

Siegfried L. Drueker

Georgsmarienhütte Holding GmbH (Chair)

Georgsmarienhütte GmbH

Dr. Georg Kellinghusen, (since July 8, 2015)

WIV AG, Burg Layen (Supervisory Board Member)

Neue Wirtschaftsbriefe GmbH & Co., Herne (Member of the Advisory Council)

Deutsche Bank AG, Frankfurt (Member of the Regional Advisory Council)

Dr. Matthias Kromayer

Amsilk GmbH, Martinsried (Chair of the Advisory Council)

Biocrates AG, Innsbruck (Deputy Chair)

Cerbomed GmbH, Erlangen (Chair of the Advisory Council)

Immatics GmbH, Tübingen (Member of the Advisory Council)

Nexigen GmbH, Cologne (Chair of the Advisory Council)

SuppreMol GmbH, Martinsried (Member of the Advisory Council); until February 2015

The remuneration of the Supervisory Board in the reporting period was as follows:

	2014/15	2013/14
	€	€
Fixed remuneration*	36,625	19,500
Attendance fees*	28,000	18,000
Total remuneration	64,625	37,500

* short term benefits

The members of the Supervisory Board hold 1,350,000 shares of the Company at the end of the reporting period.

Other relationships with related parties

There were the following supplies or purchases of goods or services between the members of the governing bodies or their related parties and companies included in the B·R·A·I·N Group in fiscal years 2014/15 and 2013/14.

There were rental relationships between B·R·A·I·N AG and the Deputy Chair of the Supervisory Board, of B·R·A·I·N AG, Dr. Zinke, or companies controlled by him, in fiscal year 2014/15 and in fiscal year 2013/14.

In fiscal year 2014/15, B·R·A·I·N AG paid Dr. Zinke €68.148 (prior year: €38,941) plus cost charge for utilities in the amount of €9,735 for rental services. Also in fiscal year 2014/15, companies controlled by Dr. Zinke paid B·R·A·I·N AG €13,880 (prior year: €6,940) for rental services. The rental payments for the office space are based on a rental price of €7 plus utilities per square meter of a predominant portion office space.

Members of the Management Board are entitled to an old-age pension from the age of 65 as well as surviving dependents' and invalidity benefits, which are paid out via an occupational pension plan (defined benefit plans). For more details, in particular, with regard to outstanding balances as of the reporting date, reference is made to "Personnel costs", respectively, "Other comprehensive income" as well as to the section "Occupational pensions".
MP Beteiligungs-GmbH, Kaiserslautern, held more than 25% but less than 50% of the shares of B·R·A·I·N AG as of September 30, 2015. In fiscal year 2014/15 MP Beteiligungs GmbH granted a subordinated shareholder's loan with an interest rate of 5% per annum to B·R·A·I·N AG with an amount outstanding of €5,500,000 as of September 30, 2015. In fiscal year 2014/15 B·R·A·I·N AG paid interest in the amount of €110,000 to MP Beteiligungs GmbH (cf. also section "Financial liabilities").

WBT Holding AG, Switzerland, WBT Operations GmbH, Switzerland and OenoBioTech S.A.S., France are classified as related companies as the Managing Director and minority stake holder of WeissBioTech GmbH, Mr. Hans de Bie, directly or indirectly holds a 50% stake in the above mentioned companies. WBT Research S.A.R.L., France is also classified as a related company as Mr. Hans de Bie holds a 35% stake in WBT Research S.A.R.L.

In fiscal year 2014/15 the following sales of goods or services took place between the above mentioned companies and B·R·A·I·N Group companies. WeissBioTech GmbH, Ascheberg had revenues from goods or services delivered to OenoBioTech S.A.S. (F) in the amount of €816,416 and to WeissBio Tech Operations AG (CH) in the amount of €110,421. WeissBioTech GmbH received goods or services from OenoBioTech S.A.S. in the amount of €488 and from WBT Research S.A.R.L. in the amount of €219,076. WeissBioTech France S.A.R.L. (F) had revenues from goods or services delivered to WBT Operations GmbH in the amount of €9,411 and to WBT Research S.A.R.L. in the amount of €23,000. Furthermore, WBT France S.A.R.L. had rental expenses paid to OenoBioTech S.A.S. in the amount of €36,861. The rental price was €5 per square meter. WBT

Holding AG has granted a loan to WBT France S.A.R.L. valued at €613,997 at the reporting date. Interest expense for this loan was €17,883 in fiscal year 2014/15. As of the reporting date, WBT France S.A.R.L. had trade payables due from WBT Operations GmbH in the amount of €3,799 und due from WBT Research S.A.R.L. in the amount of €91,210. WBT France S.A.R.L. also had payables due to OenoBioTech S.A.S. in the amount of €13,241. As of the reporting date, WeissBioTech GmbH had receivables due from OenoBioTech S.A.S. in the amount of €155,493. WBT GmbH, as of the reporting date, had payables due to WBT Operations GmbH in the amount of €81,599.

Enzymicals AG, Greifswald, is an associate in accordance with IAS 28.2 and is thus classified as a related party in accordance with IAS 24.9. In fiscal year 2014/15, Enzymicals AG provided research and development services to B·R·A·I·N AG amounting to €29,925 (prior: €32,333). At the end of the reporting period, B·R·A·I·N AG had loan and interest receivables from Enzymicals AG amounting to €142.495 (prior year: €83,462).

At the end of the reporting period on September 30, 2015 there were loans due from members of the governing bodies of the B·R·A·I·N Group in the amount of €77,458 (prior year: €0). At the end of the reporting period on September 30, 2015, there were no liabilities to members of governing bodies or their related parties and to companies included in the B·R·A·I·N Group (prior year: €0).

All supplies of goods and services between the Group and its related party entities and individuals were transacted on an arm's length basis.

(29) Contingencies and other financial commitments

There were no contingent liabilities to third parties at the end of the reporting period. Other financial commitments (operating leases) relate among other things to telecommunication systems whose contract terms are prolonged automatically by one year unless terminated, technical storage systems with fixed terms of between seven months and five years, and work wear rental services with a contractual notice period of six months to the end of a calendar year. In addition land and buildings are leased at the company sites of B·R·A·I·N AG, Analyticon GmbH, WBT GmbH and Monteil Cosmetics International GmbH. The terms of the lease contracts have not changed in comparison with the prior year and are, on average, for one to two years. The minimum lease payments have the following terms:

Minimum lease payments	Sept. 30, 2015 €	Sept. 30, 2014 €
Remaining term of up to 1 year	411,250	27,117
Remaining term of 1 – 5 years	105,401	72,063
Remaining term of more than 5 years	0	0
	516,651	99,180

The total amount of lease payments recognized as expenses in the fiscal year was €403,491 (prior year: €854 thousand).

In the reporting period, there were commitments in the amount of €77,318 from subcontracted work contracts entered into in the field of research and development contracts.

There were no financial commitments from investment projects in progress as of September 30, 2015.

There are contingent purchase price obligations for intangible assets that depend on the achievement of specific future revenue using these intangible assets up to a maximum amount of €160,000 (prior year: €160,000).

The Management Board is not aware of other facts or circumstances that could lead to material additional financial commitments.

(30) Employees

An average of 215 employees were employed in fiscal year 2014/15 (prior year: 176), of whom 13 were casual workers (prior year: 12) and 11 were sponsored students (prior year: 6).

(31) Events after the reporting period

At the Annual General Meeting on October 20, 2015, the increase in share capital by €188,530 to €12,914,348 was resolved. The capital increase was fully subscribed by MP Beteiligungs-GmbH, Kaiserslautern and registered on November 6, 2015 in the commercial register. With subscription of the new shares, the proportion of the share capital exceeds the threshold of 50%.

By Agreement dated November 14, 2015, a tranche of the shareholder loan granted by MP Beteiligungs-GmbH (cf. note 20 to Financial liabilities in the notes to the balance sheet) of €1,811,470 was contributed to the equity of B·R·A·I·N AG. With regard to the remaining amount of the shareholder loan, an extension of the payment date until December 31, 2017 was agreed.

By resolution of the Supervisory Board on October 14, 2015, Dr. Henricus Cornelius Maria (Eric) Marks was appointed to be a member of the Management Board of the Company with effect as of November 1, 2015.

No other material events and developments of particular significance for the Company’s net assets, financial position, and results of operations have occurred since the end of the reporting period on September 30, 2015.

Zwingenberg, December 4 2015

Dr. Jürgen Eck — Dr. Henricus Cornelius Maria (Eric) Marks

Management Board Chair — Management Board Member

Auditor's report

To B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg

We have audited the consolidated financial statements prepared by the B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, for the business year from October 1, 2014, to September 30, 2015. The preparation of the consolidated financial statements in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements.

Frankfurt am Main, December 4, 2015

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Christian Kwasni
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

Audited consolidated financial statements of BRAIN AG prepared in accordance with IFRS as of and for the financial year ended September 30, 2014

Consolidated Statement of Financial Position as of September 30, 2014

	Note	Sept. 30, 2014 €	Sept. 30, 2013 €
Noncurrent assets			
Shares in unconsolidated affiliated companies		0	5,000
Intangible assets	[12]	5,664,213	2,288,991
Property, plant, and equipment	[13]	6,880,685	6,731,507
Shares in equity-accounted investments	[14]	1	170,119
Deferred tax assets	[10]	114,446	1,191
Available-for-sale financial assets		158,642	531,641
Other noncurrent assets	[17]	90,663	60,793
		12,908,651	**9,789,243**
Current assets			
Inventories	[15]	4,569,334	2,050,937
Trade receivables	[16]	2,647,282	1,548,515
Other current assets	[17]	455,059	351,096
Current tax assets	[10]	32,255	98,194
Other financial assets	[18]	0	2,000,000
Cash and cash equivalents	[19]	4,458,926	9,259,432
		12,162,856	**15,308,174**
TOTAL ASSETS		**25,071,507**	**25,097,417**

	Note	Sept. 30, 2014 €	Sept. 30, 2013 €
Equity	[20]		
Subscribed capital		12,725,818	12,725,818
Capital reserves		16,882,871	16,882,871
Retained earnings		-17,353,416	-12,308,930
		12,255,274	**17,299,759**
Noncontrolling interests		**1,592,539**	**292,533**
Total equity		**13,847,812**	**17,592,292**
Noncurrent liabilities			
Deferred tax liabilities	[10]	663,997	14,800
Financial liabilities	[21]	5,255,373	3,893,090
Deferred income	[23]	8,250	41,250
		5,927,619	**3,949,139**
Current liabilities			
Provisions	[24]	215,136	165,176
Current tax liabilities	[10]	43,488	0
Financial liabilities	[21]	2,151,952	1,035,616
Prepayments received	[25]	323,159	341,456
Trade payables	[26]	1,351,355	1,118,954
Other liabilities	[22]	1,083,317	827,047
Deferred income	[23]	127,669	67,737
		5,296,075	**3,555,986**
TOTAL EQUITY AND LIABILITIES		**25,071,507**	**25,097,417**

Consolidated Statement of Comprehensive Income for the Period October 1, 2013, to September 30, 2014

	Note	Oct. 1, 2013 – Sept. 30, 2014 €	Oct. 1, 2012 – Sept. 30, 2013 €
Revenue	[1]	10,371,495	8,754,610
Research and development grant revenue	[2]	2,616,113	738,528
Increase in finished goods, inventories and work in progress		436,779	74,667
Other income	[3]	358,521	641,373
		13,782,908	**10,209,178**
Cost of materials	[4]		
Cost of raw materials, consumables, and supplies, and of purchased merchandise		-3,237,496	-2,814,205
Cost of purchased services		-1,985,162	-1,381,176
		-5,222,658	-4,195,381
Personnel expenses	[5]		
Wages and salaries		-6,791,580	-5,049,218
Social security and post-employment benefit costs		-1,529,200	-1,177,366
		-8,320,779	-6,226,584
Depreciation and amortization	[6]	-1,005,622	-670,915
Other expenses	[7]	-4,028,726	-3,505,110
Operating loss/ EBIT		**-4,794,877**	**-4,388,812**
Share of profit or loss of equity-accounted investments	[14]	-170,118	-21,566
Finance income	[8]	14,455	26,705
Finance costs	[9]	-710,829	-257,680
		-866,492	**-252,542**
Loss for the period before taxes		**-5,661,370**	**-4,641,354**
Income tax expense/income	[10]		
a) Current tax income		73	47
b) Deferred tax income		259,881	123,759
		259,953	123,806
Loss for the period		**-5,401,416**	**-4,517,548**
Other comprehensive income*		0	0
Total consolidated comprehensive income		**-5,401,416**	**-4,517,548**
of which attributable to noncontrolling interests		**-356,931**	**-422,187**
of which attributable to shareholders of B R A I N AG		**-5,044,485**	**-4,095,362**
Earnings per share	[11]		
Basic earnings per share		-0,40	-0,35
Number of shares used to calculate basic earnings per share		12,725,818	11,657,470
Diluted earnings per share		-0,40	-0,35
Number of shares used to calculate diluted earnings per share		12,725,818	11,657,470

* There were no amounts or transactions in fiscal year 2013/14 and in the previous year that would have been required to be recognized in other comprehensive income.

Consolidated Statement of Changes in Equity for the Period October 1, 2013, to September 30, 2014

	Subscribed capital €	Capital reserves €	Retained earnings €	Total €	Noncontrolling interests €	Total equity €
Balance at September 30, 2012	11,453,228	8,169,510	-8,213,569	11,409,170	714,719	12,123,889
Cash capital increase	1,272,590	8,727,422				10,000,012
Less costs of capital increase		-14,061				-14,061
Total comprehensive income			-4,095,362	-4,095,362	-422,187	-4,517,548
Balance at September 30, 2013	12,725,818	16,882,871	-12,308,930	17,299,759	292,533	17,592,292
Addition of noncontrolling interests following acquisition of consolidated entities					1,656,937	1,656,937
Total comprehensive income			-5,044,485	-5,044,485	-356,931	-5,401,416
Balance at September 30, 2014	12,725,818	16,882,871	-17,353,416	12,255,274	1,592,539	13,847,812

Consolidated Statement of Cash Flows for the Period October 1, 2013, to September 30, 2014

	Note	Oct. 1, 2013 – Sept. 30, 2014 €	Oct. 1, 2012 – Sept. 30, 2013 €
Loss for the period after income taxes		-5,401,416	-4,517,548
Depreciation and amortization		1,005,622	670,915
Deferred tax income	[9]	-259,881	-123,759
Reversal of deferred income		-127,799	-39,799
Income from reversal of provisions and liabilities		-25,956	-500,419
Share of loss of equity-accounted investments	[14]	170,118	21,566
Other noncash income/expenses		591,110	-455,150
Loss on disposal of intangible assets and property, plant, and equipment		5,011	770
Gross cash flow		**-4,043,191**	**-4,943,424**
Change in trade receivables		335,167	-240,683
Change in inventories		-680,636	-92,384
Change in tax assets and liabilities		55,726	48,348
Change in other assets		191,093	-130,664
Change in trade payables		401,727	290,810
Change in prepayments		-94,499	-30,855
Change in provisions and other liabilities		-101,653	107,282
Increase in deferred nominal fees		33,000	142,500
Cash flows from operating activities		**-3,903,265**	**-4,849,070**
Payments to acquire consolidated entities net of cash and cash equivalents acquired		-2,469,655	0
Proceeds from disposal of noncurrent assets		0	222
Payments to acquire intangible assets	[12]	-553,804	-139,261
Payments to acquire property, plant, and equipment	[13]	-494,816	-585,690
Proceeds from disposal of property, plant, and equipment		0	0
Payments to acquire shares in unconsolidated affiliated companies		0	0
Payments to acquire equity-accounted investments	[14]	0	0
Proceeds from current financial assets		2,000,000	2,242,362
Cash flows from investing activities		**-1,518,275**	**1,517,634**
Proceeds from cash capital increases by shareholders		0	9,985,951
Proceeds from borrowings		1,506,321	111,314
Repayments of borrowings		-885,286	-40,070
Contributions by noncontrolling interest shareholders to the equity of consolidated entities		0	0
Cash flows from financing activities		**621,035**	**10,057,196**
Net change in cash and cash equivalents		**-4,800,505**	**6,725,760**
Cash and cash equivalents at beginning of fiscal year		9,259,432	2,533,672
Cash and cash equivalents at end of fiscal year	[19]	**4,458,926**	**9,259,432**
Cash flows from operating activities include:			
Interest paid		-291,704	-225,338
Interest received		50,572	67,745
Income taxes paid		-4,442	-17,670
Income taxes received		56,076	56,337

Notes to the Consolidated Financial Statements for Fiscal Year 2013/2014

I. General Information

General information about the Company

B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft ("B·R·A·I·N AG" or the "Company") was formed as "B·R·A·I·N Biotechnology Research and Information Network GmbH" by way of a shareholder agreement dated September 22, 1993. Its legal form was changed to that of an *Aktiengesellschaft* (German stock corporation) by a resolution of the shareholders' meeting on May 9, 2000. The registered offices of the Company are at Darmstädter Strasse 34 - 36 in 64673 Zwingenberg, Germany. The Company is registered in the commercial register of the Local Court in Darmstadt under the number HRB 24758.

B·R·A·I·N AG is a technology company active in the field of industrial ("white") biotechnology. As a partner for manufacturers in a range of sectors, including the chemical and consumer goods industries, it develops "biologicals", in particular enzymes, biocatalysts, and bioactive natural substances. The Company has a comprehensive research and development infrastructure. Through its L. A. Schmitt GmbH, Monteil Cosmetics International GmbH, and Mekon Science Networks GmbH subsidiaries, the Group offers end-to-end solutions for the entire process in the cosmetic sector, from scientifically tested active ingredient development down to branded products.

Basis of preparation

The consolidated financial statements prepared by the parent company B·R·A·I·N AG for the year ended September 30, 2014 (the "consolidated financial statements" or "financial statements") were prepared in accordance with International Financial Reporting Standards (IFRSs). The International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective as of the reporting date, as adopted by the European Union, were applied and are supplemented by the requirements of German commercial law to be applied in accordance with section 315a(1) of the *Handelsgesetzbuch* (HGB - German Commercial Code). The IFRSs (including International Accounting Standards - IASs) and the Interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) effective as of the reporting date have been applied.

The reporting period covers the period from October 1, 2013, to September 30, 2014. This is B·R·A·I·N AG's fiscal year. The single-entity financial statements of L. A. Schmitt GmbH and Mekon Science Networks GmbH, which are included in the consolidated financial statements, were prepared as of the reporting date of the consolidated financial statements. For historical reasons, the single-entity financial statements of AnalytiCon Discovery GmbH and Monteil Cosmetics International GmbH were prepared as of the end of the calendar year. Due to the initial inclusion of AnalytiCon Discovery GmbH as from December 31, 2013, the consolidated figures for fiscal years 2012/13 and 2013/14 are only comparable to a limited extent.

The consolidated financial statements have been prepared in euros (€). Unless otherwise indicated, amounts disclosed in the notes are stated in euros (€). Rounding differences may arise due to the application of standard business rounding conventions.

The Management Board resolved on December 16, 2014, to submit the accompanying IFRS consolidated financial statements of B·R·A·I·N AG to the Supervisory Board. They are expected to be examined and approved by the Supervisory Board at its meeting on January 20, 2015.

New accounting pronouncements applied

The following amendments to existing International Financial Reporting Standards and new IFRSs and Interpretations were applied for the first time in fiscal year 2013/14:

IAS 12 "Income Taxes" *(effective for annual periods beginning on or after January 1, 2013)*

IAS 19 "Employee Benefits" *(effective for annual periods beginning on or after January 1, 2013)*

IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters *(effective for annual periods beginning on or after January 1, 2013)*

IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities *(effective for annual periods beginning on or after January 1, 2011)*

IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Government Loans *(effective for annual periods beginning on or after January 1, 2013)*

IFRS 13 "Fair Value Measurement" *(effective for annual periods beginning on or after January 1, 2013)*

Amendments to IAS 36 "Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets"

The amendments correct disclosure requirements on the recoverable amount of cash-generating units that were modified in IAS 36 as a consequential amendment to IFRS 13 and were broader than originally intended.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine (October 2011)" *(effective for annual periods beginning on or after January 1, 2013)*

Annual Improvements to IFRSs 2009 - 2011 Cycle (*effective for annual periods beginning on or after January 1, 2013; earlier application is possible).*

The above amendments to accounting pronouncements did not materially affect B·R·A·I·N AG's consolidated financial statements.

Accounting pronouncements issued but not yet effective

- Adopted by the EU -

The following accounting pronouncements that have been issued but are not yet effective were not applied prior to the effective date:

Standard/Interpretation		Issued by IASB	Effective date *1)
Amendment to IAS 28	**Investments in Associates and Joint Ventures (rev. May 2011)**	May 2011	Jan. 1, 2014
Amendments to IAS 32	**Financial Instruments: Disclosures** Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1, 2014
IFRS 10, 11, 12	**Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities—Transition Guidance**	June 2012	Jan. 1, 2014
Amendments to IAS 39	**Financial Instruments: Recognition and Measurement—Novation of Derivatives and Continuation of Hedge Accounting** Designed to improve the transparency and prudential supervision of OTC derivatives	June 2013	Jan. 1, 2014
IFRIC 21	**Levies** IFRIC 21 addresses the question of how to account for levies imposed by governments that are not income taxes as defined by IAS 12, other taxes, or contributions that are only collected on behalf of governments (in particular value added taxes). In particular, it clarifies when obligations to pay such levies must be recognized as liabilities or provisions in the financial statements.	May 2013	June 17, 2014 Early application of the Interpretation is permitted.
IFRS 11	**Joint Arrangements**	May 2011	Jan. 1, 2014
IFRS 12	**Disclosure of Interests in Other Entities**	May 2011	Jan. 1, 2014
IAS 27	**Separate Financial Statements**	May 2011	Jan. 1, 2014

IFRS 10, IFRS 12, IAS 27	**Consolidated Financial Statements, Disclosures of Interests in Other Entities, Separate Financial Statements**—Investment Entities	Oct. 2012	Jan. 1, 2014

*1) In each case for annual periods beginning on or after this date.

Accounting pronouncements issued but not yet effective
- Not yet adopted by the EU -

IAS 19 "Employee Benefits" (effective for annual periods beginning on or after July 1, 2014.) The amendments clarify how contributions by employees or third parties that are linked to service should be attributed to periods of service and provide relief if the amount of the contributions is independent of the number of years of service.

Annual Improvements to IFRSs 2010 - 2012 Cycle (effective for annual periods beginning on or after July 1, 2014).

Annual Improvements to IFRSs 2011 - 2013 Cycle (effective for annual periods beginning on or after July 1, 2014).

IFRS 14 (effective for annual periods beginning on or after July 1, 2016).

IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after July 1, 2016).

IAS 16/IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization" (effective for annual periods beginning on or after July 1, 2016).

IAS 16/IAS 41 "Bearer Plants" (effective for annual periods beginning on or after July 1, 2016).

IAS 27 "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after July 1, 2016).

IFRS 10/IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after July 1, 2016).

Annual Improvements to IFRSs 2012 - 2014 Cycle (effective for annual periods beginning on or after July 1, 2016).

Amended version of IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after July 1, 2018. The new standard must generally be applied retrospectively, although a number of relief options are available. Early adoption of the requirements is permitted.)

The revised requirements governing the classification and measurement of financial instruments introduce an additional measurement category for debt instruments. In future, these may be classified as "at fair value through other comprehensive income" (FVOCI) if they form part of a portfolio of debt instruments that is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments. In addition, the instruments must still meet the "cash flow characteristics test" in the same way as instruments measured at amortized cost. Moreover, some of the requirements for satisfying the overall cash flow characteristics test were simplified. Under this relief, certain elements of an instrument do not prevent it from being recognized at fair value through other comprehensive income if their effects on the cash flows that represent solely payments of principal and interest are not material compared with a perfect instrument without these elements.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after July 1, 2017. Early adoption of the requirements is permitted.)

IFRS 15 requires revenue to be recognized once the customer has obtained control of the promised goods and services and can derive benefits from them. The transfer of significant risks and rewards is no longer the decisive criterion. Revenue is measured at the amount of consideration the entity expects to receive. The new approach to assessing revenue recognition consists of a five-step model framework that starts by identifying the contract with the customer and followed by the distinct performance obligations in the contract. The transaction price for the customer contract is then determined and is subsequently allocated to the identified performance obligations. Finally, under the new model revenue is recognized for each performance obligation in the amount of the transaction price allocated to that performance obligation when it is satisfied or the customer has obtained control of the promised goods or services. Based on defined criteria, IFRS 15 also distinguishes between performance obligations satisfied over time and performance obligations satisfied at a point in time. The new standard not only makes a distinction between different types of contract and performance, but also provides consistent criteria for assessing whether a performance obligation is satisfied over time or at a point in time. In the future, the requirements and definitions in IFRS 15 will replace those in both IAS 18, Revenue, and IAS 11, Construction Contracts.

B·R·A·I·N AG did not apply any of the new or amended pronouncements described above prior to their effective dates. The Company is currently examining the potential effects of these changes on the Group's net assets, financial position, and results of operations. Based on its current estimates, no material changes are expected.

Basis of presentation

The income statement is supplemented by income and expenses recognized directly in equity and not attributable to transactions with owners in their capacity as owners (other comprehensive income) to produce the statement of comprehensive income. It has been prepared using the nature of expense method.

Individual items in both the statement of comprehensive income and the statement of financial position (balance sheet) have been combined to enhance the clarity of presentation. Such items are disclosed and explained in detail in the notes.

II. Significant Accounting Policies

1. Consolidation methods

Business combinations are accounted for using the acquisition method, under which the carrying amount of the investments is eliminated against the parent's share of the equity of the subsidiaries at the acquisition date. The acquisition date is the date on which acquirer obtains control of the acquiree.

The consideration transferred for an acquisition is calculated as the acquisition-date fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed. It also includes the fair values of recognized assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets and liabilities, as well as deferred taxes, are measured at fair value. Any excess of the consideration transferred over the fair value of identifiable net assets acquired is recognized as goodwill at the acquisition date. The Group decides separately for each business combination whether noncontrolling interests in the acquiree will be measured at fair value or on the basis of the Group's share of the acquiree's net assets.

Acquisition-related costs are recognized as expenses in the period in which they are incurred.

Any contingent consideration is measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or a liability are measured in accordance with IAS 39, with any resulting gain or loss recognized either in profit or loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is recognized as the excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree, over the Group's share of the fair value of the net assets acquired. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the resulting difference is recognized directly in profit or loss.

Intercompany profits and losses, revenue, income, and expenses, as well as receivables and liabilities between the entities included in the basis of consolidation are eliminated.

Deferred taxes are recognized in respect of the income tax effects of consolidation adjustments.

2. Basis of consolidation

All material subsidiaries are included in the consolidated financial statements of B·R·A·I·N AG. Subsidiaries are entities whose financial and business policies can be controlled by B·R·A·I·N AG. This is normally the case where the Group holds more than 50 % of the voting rights. Both voting rights that can currently be exercised and convertible potential voting rights are considered. A subsidiary is consolidated from the date when control is obtained and is deconsolidated when control is lost.

In addition to B·R·A·I·N AG, the following subsidiaries were included in the consolidated financial statements for the period ended September 30, 2014:

Name and domicile of the company	Equity interest
AnalytiCon Discovery GmbH, Potsdam, Germany	57.7 %
AnalytiCon Discovery LLC, Rockville MD, U.S.A.	57.7 %
Monteil Cosmetics International GmbH, Oestrich-Winkel, Germany	50.5 %
L.A. Schmitt Chem. Kosm. Fabrik GmbH, Ludwigsstadt, Germany	100.0 %
MEKON Science Networks GmbH, Eschborn, Germany	100.0 %

On December 20, 2013 (acquisition date), B·R·A·I·N AG acquired a 57.71 % interest in AnalytiCon Discovery GmbH ("**AnalytiCon GmbH**") and thereby obtained control over that company. AnalytiCon GmbH is a leading provider of compound libraries as well as of research and development services based on natural substances for the pharmaceutical, food, and cosmetic industries.

For materiality reasons, AnalytiCon GmbH and its subsidiary AnalytiCon LLC were initially consolidated in B·R·A·I·N AG's consolidated financial statements as of December 31, 2013.

The total price for the business combination consists of the payment of € 2,740,250 paid at the date the agreement was entered into. Acquisition-related costs of € 30,148 were recognized as expenses.

The acquisition-date fair value of the assets acquired and liabilities assumed of AnalytiCon GmbH and AnalytiCon LLC and their carrying amounts immediately prior to the business combination are presented in the following table:

	Acquisition-date fair value €	Carrying amount immediately prior to the business combination €
Current assets		
Cash and cash equivalents	270,595	270,595
Trade receivables*	1,526,637	1,526,637
Other current assets	324,926	324,926
Inventories	1,969,102	1,969,102
Noncurrent assets		
Intangible assets		
Software	6,612	6,612
Technology	2,423,003	0
Customer relationships	186,587	0
Order backlog	40,382	0
Property, plant, and equipment	345,676	345,676
Deferred tax assets	0	20,107
Total assets	**7,093,520**	**4,463,655**

*** Gross amount: €1,535,805, of which €9,169 expected to be uncollectible.**

	Acquisition-date fair value €	Carrying amount immediately prior to the business combination €
Noncurrent liabilities		
Financial liabilities	1,048,674	988,735
Current liabilities		
Financial liabilities	574,844	568,911
Other provisions	24,949	24,949
Current tax liabilities	53,700	53,700
Trade payables	70,674	70,674
Other liabilities*	408,889	408,998
Prepayments received	76,202	76,202
Deferred income	121,732	121,731
Deferred tax liabilities	795,823	0
Total liabilities	**3,175,485**	**2,313,791**

* No contingent liabilities were assumed.

The resulting goodwill is calculated as follows:

Consideration transferred		2,740,250
Fair value of assets acquired	7,093,520	
Fair value of liabilities assumed	3,175,485	3,918,035
Noncontrolling interest in fair value of net assets		–1,656,937
Goodwill attributable to B·R·A·I·N AG		**479,152**

This goodwill is based largely on existing sales structures and market access, as well as expected synergies. B·R·A·I·N AG sees material synergy effects in the joint use of the technologies in question.

The goodwill resulting from the acquisition is not tax-deductible.

In the accompanying consolidated financial statements, AnalytiCon GmbH and AnalytiCon LLC account for revenue of € 2,236,045 and a loss before noncontrolling interests of € 278,645.

Subsequent measurement of the identifiable intangible assets and financial liabilities resulted in an additional charge to consolidated profit or loss after taxes of € 165,809.

If these entities had already been included as of October 31, 2013, consolidated revenue would have been €1,885,000 higher and consolidated profit or loss after taxes, reflecting the subsequent inclusion of identified hidden reserves and liabilities, would have improved by € 412,708.

Monteil Cosmetics International S.A.R.L., Paris, France, a wholly owned subsidiary of Monteil Cosmetics International GmbH, was not included in the consolidated financial statements in the previous year for reasons of materiality and was recognized at cost. It was reported in the prior-period balance sheet under "Shares in unconsolidated affiliated companies". This company ceased trading in fiscal year 2013/14. The investment, with a carrying amount in the previous year of € 5,000, was derecognized in fiscal year 2013/14 along with receivables of Monteil Cosmetics International GmbH from this investee with a carrying amount of € 7,085.

3. Shares in equity-accounted investments

Equity-accounted investments relate to associates over whose financial and business policy decisions B·R·A·I·N AG can exercise significant influence. Significant influence is presumed to exist if B·R·A·I·N AG directly or indirectly holds a minimum of 20 % and a maximum of 50 % of the voting rights.

Enzymicals AG, Greifswald, was included as an equity-accounted investment in the consolidated financial statements for the period ended September 30, 2014. This company's year-end reporting date differs from B·R·A·I·N AG's reporting date. A 24.095 % share of the voting rights (previous year: 24.095 %) is attributable to B·R·A·I·N AG.

Under the equity method, the investment is initially recognized at cost and the carrying amount is adjusted subsequently to reflect changes in B·R·A·I·N AG's proportionate interest 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 there is a legal or constructive payment obligation. Any goodwill recognized is reported in the carrying amount of the associate. Unrealized intercompany profits or losses resulting from transactions between B·R·A·I·N AG and the associate are eliminated proportionately in the same way as consolidation adjustments if they are material.

If there is objective evidence of impairment, 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 recognized in previous periods no longer apply, the impairment loss is reversed through profit or loss.

4. Accounting Policies

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention. The accounting policies applied to any items measured on a different basis are described in the following.

Use of assumptions and estimates

Management is required to make certain assumptions and estimates in the financial statements that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. All estimates and assumptions are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions and estimates relate in particular to:

- evaluating the capitalization of development expenditures;
- recognizing deferred tax assets in respect of temporary differences and tax loss carryforwards; their recognition is based on the assumption that there will be sufficient future taxable profit against which the deferred tax assets can be offset.
- measuring the useful life of intangible assets and items of property, plant, and equipment;
- measuring the stage of completion and assessing the probability that milestones and project success points that have not yet been fully achieved will actually be achieved. Performance-related fees for achieving contractually agreed outcomes, i.e., "milestones" or "project success points", are measured using the percentage of completion (PoC) method. In doing so, B·R·A·I·N AG estimates the stage of completion of the contract activity reached by the end of the reporting period. If the stage of completion of the contract activity reached by the end of the reporting period were to exceed or fall below management's estimates by 10 %, revenue would increase or decrease by € 23,500, respectively;
- the recoverability of recognized goodwill;
- measuring the amount of contingent purchase price obligations in a business combination;
- assessing the recoverability of the carrying amount of associates.

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

Currency translation

Cash and cash equivalents, receivables, and liabilities denominated in foreign currencies are translated at the closing rate. Currency translation differences are recognized in profit or loss and are immaterial in the aggregate. There are no material amounts or transactions denominated in foreign currencies.

Revenue recognition

Revenue from research and development partnerships is generally recognized in the period in which the underlying services are performed. Revenue from exchange transactions is recognized in accordance with IAS 18.12.

One time/nominal fees are recognized over the period of the agreed research and development programs and deferred accordingly.

Performance-related fees for achieving contractually agreed outcomes, i.e., "milestones" or "project success points", are measured using the percentage of completion (PoC) method; a condition for revenue recognition is that it is sufficiently probable that the milestones or project success points will be achieved. Revenue is recognized in full when this has been legally acknowledged by the other party to the agreement.

Research and development (R&D) grant revenue is recognized in the period in which the underlying expenditures are incurred.

Intangible assets

Any goodwill identified in the course of a business combination is initially recognized at cost, which is measured as the excess of the consideration transferred in the business combination over the Group’s interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquiree.

Purchased intangible assets are recognized at cost and reduced by straight-line amortization over their economic useful life. Cost comprises directly attributable costs.

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:

- The entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The entity intends to complete the intangible asset and to use or sell it.
- The entity is able to use or sell the intangible asset.
- The entity can demonstrate how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate 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 usefulness of the intangible asset.
- The entity has adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- The entity is able to measure reliably the expenditure attributable to the intangible asset during its development.

Not all of these criteria were met in the fiscal year, so all development expenditures were recognized as expenses as incurred.

Property, plant, and equipment

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

The depreciation period is based on the expected useful economic life of the asset. Impairment losses are recognized if no further economic benefits are expected from the continued use or sale of the asset. 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 are recognized in profit or loss for the period in which the asset is derecognized.

The useful lives and depreciation methods are reviewed each year and modified if necessary.

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

Impairment tests

Goodwill and other intangible assets with an indefinite or undeterminable useful life or intangible assets not ready for use are tested at least once a year for impairment. Finite-lived intangible assets and items of property, plant, and equipment are only tested for impairment if there are indications that the asset is impaired. An impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income if the asset's recoverable amount, i.e., the higher of its fair value less costs of disposal and its value in use, is less than its carrying amount. Recoverable amount is generally determined individually for each asset. If this is not possible, it is determined on the basis of a group of assets that represents a cash-generating unit (CGU). An assessment is made at least once a year whether there is any indication that the reason for an impairment loss recognized in prior periods no longer applies or the amount of the impairment may have decreased. If this is the case, the recoverable amount of the asset is estimated and the impairment loss is reversed accordingly (except in the case of goodwill).

"Monteil Cosmetic Products" was defined as a cash-generating unit for the purposes of impairment testing of the goodwill from the acquisition of Monteil Cosmetics International GmbH (€ 2,108 thousand).

"Natural Product Chemistry" was defined as a cash-generating unit for the purposes of impairment testing of the goodwill from the acquisition of the AnalytiCon Group (€ 479 thousand). This unit comprises the legal entities of the AnalytiCon subgroup.

The starting point for estimating the recoverable amount of the relevant cash-generating unit for the impairment test as of September 30, 2014, 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 planning of the company concerned for a detailed planning period of five years. This planning was based on the past experience of the acquiree and on management's best estimate of future developments. In the case of Monteil, a revenue trend in excess of expectations for the sector together with resulting margin improvements, including from economies of scale, was projected. The projection for AnalytiCon assumes continued revenue growth accompanied by operating margins similar to the margin recorded in the prior-year period. Net cash flows beyond the detailed planning phase are modeled as a perpetuity that reflects growth rates derived from current market information (1.25 %).

The cost of capital of the CGU is calculated as the weighted average cost of capital (WACC). The capital structure, the cost of equity, and the cost of debt, are oriented on peer companies in the same industry and are derived from available capital market information. The resulting pretax WACC as of September 30, 2014, is 8.07 % for Monteil and 8.40 % for AnalytiCon.

In the course of the additional sensitivity analysis that was performed, the future net cash flows were reduced by 10 % in each case to reflect a significant and unexpected reduction in the assumptions for revenue growth and/or an increase in WACC, as a change of this magnitude is reasonably possible, especially over the long run. Based on these assumptions, there were no indications of potential impairment of the recognized goodwill.

Inventories

Raw materials, consumables, and supplies, as well as finished goods and work in progress, are measured at cost. The FiFo (first-in/first-out) method is applied. In addition to direct costs, production costs include appropriate portions of materials and production overheads. Borrowing costs are not capitalized. Write-downs to the lower net realizable value are recognized if necessary.

Financial instruments

B·R·A·I·N AG uses only financial instruments in the categories "loans and receivables" (LaR), "available-for-sale financial assets" (AfS), and "other financial liabilities at amortized cost" (FLAC).

Financial assets as defined in IAS 39 are assigned to one of four categories on initial recognition:

- financial assets at fair value through profit or loss
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets.

Financial liabilities as defined in IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

Financial assets and liabilities are generally recognized at the time when the B·R·A·I·N Group becomes a party to the contract. They are recognized initially at fair value. With the exception of financial assets and liabilities at fair value through profit or loss, directly attributable transaction costs are included in the carrying amount on initial recognition. Purchases and sales of financial assets are recognized on the settlement date. Financial assets and liabilities are only offset if there is a right to set off the recognized amounts and the entity intends to settle on a net basis.

Loans and receivables (LaR) originated by the B·R·A·I·N Group as well as the other financial liabilities (FLAC) are measured at amortized cost using the effective interest method. These relate in particular to trade receivables and payables, other receivables and assets, cash and cash equivalents, liabilities from silent partnerships, loan liabilities, and other liabilities.

Shares in unconsolidated affiliated companies in the AfS category are carried at cost. The fair value of these unlisted shares cannot be determined reliably.

At the end of each reporting period, the Company assesses the carrying amounts of financial assets that are not measured at fair value through profit or loss to establish whether there are indications of substantial impairment. Objective evidence that an asset is impaired includes: evidence of significant financial difficulty of a major customer or a group of customers, default or delinquency in interest or principal payments, the probability of insolvency or some other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

Financial assets are derecognized when the Company ceases to control the asset. Financial liabilities are derecognized when the underlying obligation is settled or extinguished.

Receivables/other assets

Trade receivables and other assets are generally measured at their principal amounts. Specific valuation allowances are recognized and recorded in a separate allowance account to reflect risks and impairments.

Milestone receivables in conjunction with performance-related fees are measured using the percentage of completion (PoC) method. These PoC amounts comprise profit attributable to the proportion of work completed at the end of the reporting period. The proportion of work completed is measured on the basis of the degree to which the outcomes defined in the underlying partnership agreements (milestones or project success points) have been achieved.

Government grants

Grants and other support payments for research and development projects are reported as "Research and development grant revenue".

Grants related to assets are deducted from the carrying amount of the related asset. No grants related to assets were received in the reporting periods presented in the accompanying consolidated financial statements.

Provisions

Provisions are recognized for all identifiable present obligations to third parties arising from past events, the settlement of which is expected to result in an outflow of resources and whose amount can be estimated reliably. They are recognized at the expected settlement amount. If the outflow of resources is expected to occur at a time after the year following the reporting period, the obligations are recognized at their present value. The unwinding of discounted provisions is recorded in finance costs.

Occupational pensions

In addition to the statutory pension insurance systems, occupational pensions at B·R·A·I·N AG use direct insurance policies. There are also pension plans for members of the Management Board. These are managed and funded via an occupational pension plan (*Unterstützungskasse*) (direct benefit commitment) and via direct insurance policies.

In turn, the occupational pension plan has taken out pension liability insurance cover. The claims under pension liability insurance have been assigned to the beneficiaries of the occupational pension plan. In contrast to the pension commitments granted, the annual contributions to the occupational pension plan are recognized correctly and reported as expenses for the fiscal year in question. The entire amount of the benefit liability is covered by the pension liability insurance policies, so there is no underfunding. Actuarial gains and losses attributable to experience adjustments and actuarial assumptions are recognized in profit or loss in the period in which they arise.

Current and deferred taxes

The tax expense for the period comprises 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 using the tax rates that have been enacted (or substantively enacted) in the countries in which the Company and its subsidiaries are active and generate taxable income. Management regularly reviews tax returns, in particular with regard to matters for which differing interpretations are possible, and recognizes provisions (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 in 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 these assets are expected to be recoverable, based on the Company's tax projections.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by same tax authority on the same taxable entity. Deferred tax assets are reported as noncurrent assets irrespective of the balance sheet classification by maturity.

Leases

The assessment whether an arrangement involves a lease depends on the economic substance of the arrangement at the time it is entered into. The entity must assess whether performance of the arrangement depends on the use of one or more assets, and whether the arrangement conveys a right to use the asset or assets.

If it is not reasonably certain that ownership of the asset will be transferred to the Company at the end of the lease term, the asset is depreciated or amortized over the shorter of its expected useful life and the lease term.

Lease payments under operating leases are recognized as expenses in the statement of comprehensive income for the period in which they are incurred.

In the case of finance leases in which the Group is the lessee, the cost of the asset is recognized as the present value of the future minimum lease payments.

Other financial assets/cash and cash equivalents

Term deposits with an original maturity of more than three months are reported as other financial assets. Cash and cash equivalents comprise cash-in-hand, credit balances payable on demand, and term deposits with an original maturity of up to three months. All investments are denominated in euros and are invested solely with domestic credit institutions that are members of a deposit protection fund.

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 using the indirect method, under which profit for the period after taxes is adjusted for noncash earnings 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 or financing activities.

III. Disclosures on the Consolidated Statement of Comprehensive Income

(1) Revenue

The Group's revenue consists primarily of revenue from deliveries of cosmetic products amounting to € 4,535,632 (previous year: € 4,529 thousand), fees from research and development partnerships amounting to € 5,835,863 (previous year: € 3,694 thousand), and revenue from exchange transactions relating to research and development partnerships amounting to € 0 (previous year: € 532 thousand).

Fees from research and development partnerships comprise nominal fees, ongoing research and development fees, and performance-related fees from milestones and project success points. Reported revenue includes unbilled revenue from PoC contract work recognized in the reporting period (in the reporting period and the previous year, this related solely to fees from research and development) amounting to € 222,500 (previous year: € 13 thousand).

(2) Research and development grant revenue

Reaearch and development grant revenue amounting to € 2,616,113 (previous year: € 739 thousand) contains nonrepayable 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 were used for the designated purpose.

(3) Other income

Other income contains prior-period income of € 112,566 (previous year: € 504 thousand), primarily from the reversal of provisions, as well as other items including employee-related reimbursements, insurance recoveries, and income from currency translation differences.

(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 other technology companies.

(5) Personnel expenses

The personnel expenses contain post-employment benefit costs (occupational pension plan, life insurance policies, and contributions to the pension insurance association) amounting to € 205 thousand (previous year: € 180 thousand).

The employer contributions to the statutory pension insurance scheme amounted to € 557 thousand in the fiscal year (previous year: € 403 thousand).

Post-employment benefit costs of approximately € 226 thousand and employer contributions to the statutory pension insurance scheme of approximately € 599 thousand are expected in fiscal year 2014/2015.

The post-employment benefit costs for members of the Management Board contained in the statement of comprehensive income are composed of the following items:

	2013/14 € thousand	2012/13 € thousand
Service cost	142	134
Interest cost	29	26
Expected return on plan assets	–36	–30
Amount at Sept. 30	135	130

The benefit entitlements of the members of the Management Board comprise an old-age pension from the age of 65 as well as surviving dependents' and invalidity benefits, which are paid out via an occupational pension plan (defined benefit plans).

The defined benefit obligation (DBO) changed as follows:

	2013/14 € thousand	2012/13 € thousand
Amount at Oct. 1	819	681
Interest cost	36	30
Service cost	142	134
Benefit payments	0	0
Actuarial gains (–)/losses (+)	–29	–26
Amount at Sept. 30	968	819

The obligation was secured by matching pension liability insurance policies. Plan assets changed as follows:

	2013/14 € thousand	2012/13 € thousand
Amount at Oct. 1	819	681
Expected return	36	30
Contributions paid	142	134
Benefit payments	0	0
Actuarial gains (+)/losses (–)	–29	–26
Amount at Sept. 30	968	819

Actual gains/losses from changes in plan assets in fiscal year 2012/13 amounted to €6 thousand (previous year: € 4 thousand).

The following assumptions were applied to the measurement:

	2013/14	2012/13
Discount rate	4.0%	4.0%
Salary growth rate	n.a.	n.a.
Pension growth rate	n.a.	n.a.
Expected return on plan assets	4.0%	4.0%

As the amount of the DBO is the same as the plan assets, only the long-term return on plan assets was determined, based on the bonus expectations of the pension reinsurance provider (4.0 % p.a.).

The expected contributions to plan assets in fiscal year 2014/2015 amount to € 156,000. No pension payments are expected in fiscal year 2014/2015.

The examination of the effects of changes in the assumptions (sensitivity analysis) revealed that a 0.5 % increase/decrease in the discount rate would have increased/reduced plan assets/the DBO by approximately € 4,000, respectively.

The changes in the DBO and plan assets over a five-year period are presented in the following table:

	2013/14 € thousand	2012/13 € thousand	2011/12 € thousand	2010/11 € thousand	2009/10 € thousand
DBO	–968	–819	–681	–549	–429
Plan assets	968	819	681	549	429
Underfunding (–) or overfunding (+)	0	0	0	0	0
Experience adjustments					
- from DBO	29	26	20	21	30
- from plan assets	–29	–26	–20	–21	–30

(6) Depreciation and amortization

Depreciation and amortization charges are presented in the statements of changes in intangible assets and property, plant, and equipment in the "Disclosures on the Statement of Financial Position (Balance Sheet)". They do not contain any impairment losses.

(7) Other expenses

Other expenses include advertising and travel expenses of € 865,864 (previous year: € 900 thousand), occupancy costs of € 674,071 (previous year: € 239 thousand), legal and consulting expenses of € 515,782 (previous year: €482 thousand), selling and administrative expenses of € 419,863 (previous year: € 529 thousand), distribution and logistics expenses of € 346,691 (previous year: € 357 thousand), and repair and maintenance expenses of € 188,996 (previous year: € 197 thousand). Currency translation expenses amounted to € 14,533 (previous year: € 0.2 thousand).

(8) Finance income

Finance income mainly comprises interest income on euro-denominated call and term deposits with domestic credit institutions.

(9) Finance costs

Finance costs comprise fixed and profit-related payments for loans and silent partnerships (see note 21), as well as expenses from the subsequent measurement of available-for-sale financial instruments at the end of the reporting period.

(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 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 is 12.60 % for B·R·A·I·N AG (previous year 12.60 %), 12.25 % for Monteil GmbH (previous year: 12.25 %), 11.20 % for L.A. Schmitt GmbH (previous year: 11.20 %), 9.8 % for Mekon GmbH (previous year: 9.8 %), and 15.75 % for AnalytiCon GmbH; this produces a composite tax rate of 28.425 % (previous year: 28.425 %) for B·R·A·I·N AG, 28.075 % for Monteil GmbH (previous year: 28.075 %), 27.025 % for L.A. Schmitt GmbH (previous year: 27.025 %), 25.625 % for Mekon GmbH (previous year: 25.625 %), and 31.575 % for AnalytiCon GmbH. The effective composite tax rate for the second-tier subsidiary AnalytiCon LLC is 23.9 %.

Of the tax assets amounting to € 32,255 (previous year: € 98 thousand), € 25,183 (previous year: € 92 thousand) relates to corporate income tax and the solidarity surcharge, and € 7,072 (previous year: € 7 thousand) relates to trade tax. The tax liabilities of € 43,488 relate solely to trade tax.

Deferred tax assets and liabilities and their changes in the fiscal year are shown in the following table:

Line item	Sept. 30, 2014		Sept. 30, 2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€	€	€	€
Intangible assets	0	761,065	0	0
Tax loss carryforwards	379,762	0	117,786	0
Property, plant, and equipment	37,674	198,004	35,535	209,168
Other liabilities	13,550	0	14,811	0
Financial liabilities	18,925	0	0	0
Deferred income	26,406	0	30,980	0
Trade receivables	0	66,799	0	3,553
Total	**476,317**	**1,025,868**	**199,112**	**212,721**
Offset	**–361,871**	**–361,871**	**–197,921**	**–197,921**
Total	**114,446**	**663,997**	**1,191**	**14,800**

		2013/14
		€
Net deferred tax liabilities at beginning of fiscal year		13,608
Recognition outside profit or loss of deferred taxes from initial consolidation of Group companies		795,823
Change in deferred taxes from consolidation adjustments (recognized in profit or loss)	73,790	
Change in temporary differences between carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base (recognized in profit or loss)	–75,886	
Deferred tax income from tax loss carryforwards	261,976	
Deferred tax income reported in the statement of comprehensive income	259,880	–259,880
Net deferred tax liabilities at end of fiscal year		549,551

The differences between the expected income tax income based on the IFRS loss before taxes for the period and B·R·A·I·N AG's composite tax rate of 28.425% and the income tax income reported in the consolidated statement of comprehensive income are shown in the following table:

	2013/14	2012/13
	€	€
Loss for the period before taxes	–5,661,370	–4,641,354
Expected tax income	–1,609,244	–1,319,305
Share of profit or loss of equity-accounted investments	48,356	6,130
Different tax rates applicable to consolidated subsidiaries	–14,945	3,014
Effects of changes in tax rates	0	421
Permanent differences from consolidation adjustments	8,570	–113,195
Cost of capital increase at B·R·A·I·N AG	0	–3,997
Nondeductible expenses/add-backs	117,803	10,264
Use (reversal and consumption) of tax loss carryforwards not recognized in previous years	0	–15,078
Recognition of tax loss carryforwards from previous years	0	–117,786
Tax loss carryforwards not recognized	1,189,594	1,425,688
Prior-period taxes and other differences	–86	38
Reported current or deferred income tax income (–)/ expense (+)	–259,953	–123,806

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.

	2013/14	2012/13
	€	€
Current deferred tax assets	261,190	57,125
Noncurrent deferred tax assets	215,128	141,987
Current deferred tax liabilities	161,832	11,651
Noncurrent deferred tax liabilities	864,036	201,069
Net current deferred tax assets	99,358	45,474
Net noncurrent deferred tax liabilities	–648,909	–59,082

Based on the detailed planning horizon of three fiscal years modeled in the tax projections of the consolidated entities, no deferred tax assets were recognized for tax loss carryforwards with an (in principle) unlimited carryforward period resulting from fiscal year 2013/14 and previous fiscal years amounting to € 17,229 thousand (corporate income tax) and € 17,576 thousand (trade tax). The potential tax benefits that have therefore not been recognized amount to € 4,928 thousand. Deferred tax assets are recognized to the extent that taxable temporary differences exceed deductible temporary differences for the detailed planning horizon.

(11) Earnings per share

As in the previous year, earnings per share were calculated on the basis of the loss for the period of € 5,044,485 reported in the consolidated statement of comprehensive income (previous year: loss of € 4,095 thousand).

Earnings per share are calculating by dividing the loss for the period by the average number of shares of B·R·A·I·N AG outstanding in the fiscal year. The average number of shares in fiscal year 2013/14 amounted to 12,725,818 no-par value shares (previous year: 11,657,470 no-par value shares).

There were no dilutive effects.

IV. Disclosures on the Statement of Financial Position (Balance Sheet)

(12) Intangible assets

The composition of and changes in intangible assets are shown in the following table:

€	**Goodwill**	**Other intangible assets**	**Total intangible assets**
Fiscal year 2012/13			
Net carrying amount at beginning of FY	2,107,818	81,419	2,189,237
Additions	0	139,261	139,261
Disposals	0	0	0
Amortization: additions	0	39,507	39,507
Amortization: disposals	0	0	0
Net carrying amount at end of FY Sept. 30, 2013	**2,107,818**	**181,173**	**2,288,991**
Cost	2,115,435	370,452	2,485,887
Cumulative amortization	7,617	189,279	196,896

Net carrying amount	**2,107,818**	**181,173**	**2,288,991**
Fiscal year 2013/14			
Net carrying amount at beginning of FY	2,107,818	181,173	2,288,991
Additions from business combinations	479,152	2,656,584	3,135,736
Additions	0	553,805	553,805
Disposals	0	–40,382	–40,382
Amortization: additions	0	314,319	314,319
Amortization: disposals	0	–40,382	–40,382
Net carrying amount at end of FY Sept. 30, 2014	**2,586,970**	**3,077,243**	**5,664,213**
Cost	2,594,587	3,540,459	6,135,046
Cumulative amortization	7,617	463,216	470,833
Net carrying amount	**2,586,970**	**3,077,243**	**5,664,213**

The goodwill reported as of September 30, 2014, results from the acquisition of Monteil Cosmetics International GmbH in fiscal year 2011/12 and the acquisition of AnalytiCon Discovery GmbH in fiscal year 2013/14.

Amortization charges are based largely on the following useful lives:

	Useful life in years
Genetic resources	2 – 8
Software and industrial property rights	2 – 15
Acquired customer relationships	8
Acquired technology	10

As in the previous year, no development expenditures were capitalized in fiscal year 2013/14 because not all of the criteria defined in IAS 38 were met.

In the statement of comprehensive income, the research and development expenses amounting to € 5,799,487 (previous year: € 6,084 thousand) are mainly contained in the line 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 fiscal year 2013/14 were attributable primarily to the technical expansion of the research, development, and manufacturing infrastructure. The operating and office equipment assets of AnalytiCon were also added in the course of that company's acquisition. The composition of and changes in property, plant, and equipment are shown in the following table:

€	**Land and buildings**	**Operating and office equipment**	**Total property, plant, and equipment**
Fiscal year 2012/13			
Net carrying amount at beginning of FY	5,265,927	1,512,291	6,778,218
Additions	0	585,690	585,690
Disposals	0	-50,304	-50,304
Depreciation: additions	194,557	436,851	631,409
Depreciation: disposals	0	–49,312	–49,312
Net carrying amount at end of FY Sept. 30, 2013	**5,071,370**	**1,660,138**	**6,731,508**
Cost	6,510,813	4,550,473	11,061,286
Cumulative depreciation	1,439,443	2,890,335	4,329,778
Net carrying amount	**5,071,370**	**1,660,138**	**6,731,508**
Fiscal year 2013/14			
Net carrying amount at beginning of FY	5,071,370	1,660,138	6,731,508
Additions from business combinations	0	345,676	345,676
Additions	0	494,816	494,816
Disposals	0	–26,920	–26,920
Depreciation: additions	194,556	496,748	691,304
Depreciation: disposals	0	–26,909	–26,909
Net carrying amount at end of FY Sept. 30, 2014	**4,876,814**	**2,003,871**	**6,880,685**
Cost	6,510,813	5,364,045	11,874,858
Cumulative depreciation	1,633,999	3,360,174	4,994,173
Net carrying amount	**4,876,814**	**2,003,871**	**6,880,685**

Depreciation charges are based largely 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	3 – 14

(14) Shares in equity-accounted investments

The carrying amount of the investment in the Enzymicals AG* associate changed as follows [* fiscal year = calendar year]:

	€
Cost in fiscal year 2009/10	251,837
Share of profit or loss after taxes in 2009/10	–18,449
Carrying amount at Sept. 30, 2010	233,388
Share of profit or loss after taxes in 2010/11	–47,387
Carrying amount at Sept. 30, 2011	186,002
Cost in fiscal year 2011/12	49,995
Share of profit or loss after taxes in 2011/12	–44,311
Carrying amount at Sept. 30, 2012	191,686
Share of profit or loss after taxes in 2012/13	–21,567
Carrying amount at Sept. 30, 2013	170,119
Impairment losses	–170,118
Carrying amount at Sept. 30, 2014	1

B·R·A·I·N AG's equity interest was unchanged at 24.095 % in fiscal year 2013/14. The reduction in the interest from 24.998 % to 24.095 % in the previous year resulted in a dilution gain. This was not recognized in profit or loss for reasons of materiality.

The following tables show the aggregated profit and loss and balance sheet data of Enzymicals AG and the amounts of profit or loss for the period and equity attributable to B·R·A·I·N AG in line with its interest (24.095 %).

Profit or loss data	Oct. 2013 - Sept. 2014 €	Oct. 2012 - Sept. 2013 €
Revenue	572,855	475,617
Profit or loss for the period	–127,638	–89,505
Share of profit or loss after taxes	–30,754	–21,566

Balance sheet data	Sept. 30, 2014	Sept. 30, 2013
	€	€
Noncurrent assets	92,336	119,258
Current assets	111,735	146,660
Noncurrent liabilities	0	33,000
Current liabilities	301,667	201,702
Equity	–96,525	31,216
Interest in equity	–23,258	7,521

The impairment test performed at the end of the reporting period resulted in an impairment loss of € 170,118.

(15) Inventories

Inventories are composed of the following items:

	Sept. 30, 2014	Sept. 30, 2013
	€	€
Raw materials, consumables, and supplies	1,054,276	728,299
Work in progress	842,869	555,201
Finished goods	2,672,189	766,238
Prepayments on inventories	0	1,199
	4,569,334	2,050,937

The carrying amount of inventories that were assigned as security for the financial liabilities of a subsidiary at the end of the reporting period was €572,257.

Inventories are measured at cost using the FiFo method. Impairment losses of € 131,342 (previous year: €89 thousand) were recognized on inventories.

(16) Trade receivables

Trade receivables are composed of the following items:

	Sept. 30, 2014	Sept. 30, 2013
	€	€
Trade receivables	2,412,282	1,536,015
PoC receivables	235,000	12,500
	2,647,282	1,548,515

The cumulative costs before fees received from cooperation agreements attributable to receivables measured using the PoC method at the end of the reporting period amounted to € 129,838 (previous year: € 7 thousand).

Trade receivables have a maturity of up to one year. Specific valuation allowances of € 15,478 (previous year: € 39 thousand) and global valuation allowances of € 15,915 (previous year: € 12 thousand) were recognized on the receivables as of September 30, 2014.

These are recorded in a separate allowance account. Global valuation allowances are recognized to reflect the risk of unexpected financial difficulties at customers.

	Trade receivables	of which: Neither past due nor impaired at the end of the reporting period	of which: past due in the following periods				Impairment losses	Carrying amount
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
Sept. 30, 2014	2,679	2,170	388	35	33	53	31	2,647
Sept. 30, 2013	1,599	1,285	152	26	2	135	51	1,549

The receivables that are neither past due nor impaired at the end of the reporting period are estimated to be recoverable. The past due receivables amounting to € 509 thousand most accurately represent the maximum default risk. The carrying amount of the impaired receivables amounted to € 22,418 at the end of the reporting period (previous year: € 64,819). Changes in impairment losses are shown in the following table:

Fiscal year 2013/14	€
Carrying amount at beginning of period	50,524
Additions from business combinations	9,169
Reversals	28,300
Carrying amount at end of period	31,393

Fiscal year 2012/13	€
Carrying amount at beginning of period	63,375
Reversals	12,851
Carrying amount at end of period	50,524

Write-offs of trade receivables amounting to € 88,503 (previous year: € 72 thousand) that had not been derecognized through profit or loss in previous years were written off through profit or loss in fiscal year 2013/14. There was no requirement to reverse impairment losses on receivables written down.

(17) Other noncurrent and current assets

Other noncurrent assets result from accrued expenses (€ 58,710; previous year: € 61 thousand) that relate to a specific period after the reporting period and to prepayments on noncurrent assets (€ 31,953; previous year: € 0 thousand).

Other current assets primarily comprise receivables from the tax authorities (€ 132,690; previous year: € 30 thousand), expenditures relating to the subsequent period (€ 144,635; previous year: € 109 thousand), investment grants receivable (€ 55,955; previous year: € 0 thousand), prepayments (€ 17,929; previous year: € 57 thousand), and receivables from equity-accounted investments and other third parties (€ 83,657; previous year: € 129 thousand). All assets have a maturity of up to one year. No assets at the end of the reporting period were past due or impaired.

(18) Other financial assets

In the previous year, other financial assets comprised euro-denominated term deposits with a maturity of more than three months and a maximum of twelve months, and interest receivable on those deposits. Due to the short maturity, the carrying amount is largely the same as the fair value. In the previous year, other financial assets were neither past due nor impaired.

(19) Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and bank balances payable on demand. This item also includes call money deposits and short-term term deposits with an original maturity of up to three months denominated in euros. All call money and term deposits (including the term deposits with a maturity of more than three months reported as "Other financial assets") were held with domestic credit institutions that are members of a deposit protection fund.

Other noncash income and expenses reported in the statement of cash flows primarily relate to impairment losses on available-for-sale financial assets amounting to € 372,998 (previous year: € 0) and impairment losses and valuation allowances on trade receivables amounting to € 92,703 (previous year: € 1 thousand).

(20) Equity

Changes in equity are presented in the statement of changes in equity.

The Group’s **share capital** amounted to € 12,725,818 at the end of the reporting period (previous year: € 12,725,818). It is composed of 12,725,818 no-par value shares each with a notional value of € 1.00. The shares are fully paid up and are registered shares.

On March 13, 2014, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a maximum notional amount of € 6,362,909 on one or more occasions in the period up to March 12, 2019, by issuing up to 6,362,909 new no-par value registered shares against cash contributions at an aggregate purchase price of at least € 7,858 per no new-par value share.

The authorized capital was recorded in the commercial register on May 7, 2014. The authorized capital amounted to € 6,362,909 at the end of the reporting period on September 30, 2014.

The **capital reserves** contain the share premium from the issuance of shares, net of transaction costs after taxes.

Retained earnings changed as follows in the fiscal year:

	€
Retained earnings at Oct. 1, 2013	–12,308,930
Loss for the period 2013/14	–5,044,485
Retained earnings at Sept. 30, 2014	–17,353,415

Noncontrolling interests are presented in the following:

Company	Fiscal year	Interest in net assets not held by B·R·A·I·N AG	Attributable share of profit or loss for the period	Carrying amount of interest at end of fiscal year
Monteil Cosmetics International GmbH	2013/14	49.5%	€–164,869	€127,663
"	2012/13	49.5%	€–422,187	€292,532
AnalytiCon Discovery GmbH [acquired in FY]	2013/14	42.3%	€–192,062	€1,464,876

(21) Financial liabilities

Financial liabilities are composed of the following items:

	Sept. 30, 2014 €	Sept. 30, 2013 €
Contributions by silent partners	2,620,000	1,400,000
Loans	4,787,325	3,528,705
	7,407,325	4,928,705

The contributions by silent partners at the end of the reporting period on September 30, 2014, comprise a contribution by MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH (MBG H), Frankfurt am Main, amounting to € 1,120,000 and a silent partner contribution by Hessen Kapital I GmbH amounting to € 1,500,000. 5 % of the contribution by MBG H is repayable as of March 31, 2015, and 75 % is repayable as of March 31, 2016. 20 % of the contribution by Hessen Kapital I GmbH is repayable as of June 30, 2022, a further 20 % as of June 30, 2023, and 60 % as of June 30, 2024.

The Company pays a fixed remuneration of a notional 7.7 % p.a. on the contribution by MBG H, plus a profit share in the ratio of the notional amount of the silent partnership of MBG H to the notional amount of the equity of B·R·A·I·N AG, but in any case no more than 1.25 % of the contribution. The Company pays a fixed remuneration of a notional 9.0 % p.a. on the contribution by Hessen Kapital I GmbH, plus a profit share in the ratio of the notional amount of the silent partnership of Hessen Kapital I GmbH to the notional amount of the equity of B·R·A·I·N AG, but in any case no more than 2.5 % of the contribution and no more than 50 % of the profit for the period.

B·R·A·I·N AG is entitled to call the silent partner contributions by MBG H and Hessen Kapital I GmbH prior to the agreed dates; however, because of the negative consequences this would have for the Company (prepayment penalties), this option effectively has no economic value for the Company. The silent partnerships do not participate in any losses. There is no additional funding obligation.

The liabilities to credit institutions and third parties (loans) are measured at amortized cost. They and the interest expense are calculated using the effective interest method.

There are land charges with compulsory enforcement clauses on land owned by B·R·A·I·N AG with a notional value of € 3,500,000. All land charges serve to secure bank liabilities, which amounted to € 2,333,333 at the end of the reporting period. The land charges rank behind an unassigned land charge in favor of the owner amounting to € 500,000.

In the case of the L.A. Schmitt GmbH subsidiary, the financial liabilities (€ 239,756 as of September 30, 2014) are secured by land charges on its business property amounting to € 400,000 and by a global assignment of receivables and the assignment of inventories. Other than standard retention of title, no other liabilities are secured by liens or similar rights. The carrying amount of the collateral furnished at the end of the reporting period amounted to € 4,971,240.

The notional interest rate on the fixed-rate loans amounts to between 4.05 % and 6.75 % p. a. The rates for the floating-rate loans are oriented on the 6-month base rate published by Deutsche Bundesbank in accordance with section 247 of the *Bürgerliches Gesetzbuch* (BGB - German Civil Code).

The notional amounts of the maturities of the financial liabilities are shown in the following table:

Sept. 30, 2014	Remaining maturity up to 1 year	Remaining maturity 1 – 5 years	Remaining maturity more than 5 years
	€	€	€
Contributions by silent partners	280,000	840,000	1,500,000
Loans	1,871,952	2,915,373	0
	2,151,952	3,755,373	1,500,000

Sept. 30, 2013	Remaining maturity up to 1 year	Remaining maturity 1 – 5 years	Remaining maturity more than 5 years
	€	€	€
Contributions by silent partners	280,000	1,120,000	0
Loans	755,616	2,439,757	333,333
	1,035,616	3,559,757	333,333

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

Sept. 30, 2014		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Principal repayments		2,152	1,866	712	726	392	0	0	300	300	900
Interest payments		442	277	206	172	141	135	135	128	101	61
Profit-related payments		50	42	38	38	38	38	38	36	28	17
Total excluding profit-related payments		2,594	2,143	919	898	533	135	135	428	401	961
Total including profit-related payments		2,644	2,185	956	935	570	173	173	464	429	978

Sept. 30, 2013		13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Principal repayments		1,036	1,220	1,340	500	500	333	0	0	0
Interest payments		243	192	104	46	25	5	0	0	0
Profit-related payments		16	12	5	0	0	0	0	0	0
Total excluding profit-related payments		1,279	1,412	1,444	546	525	339	0	0	0
Total including profit-related payments		1,294	1,424	1,449	546	525	339	0	0	0

The interest expense of € 337 thousand (previous year: € 265 thousand) reported under "Finance costs" in the statement of comprehensive income for the reporting period relates mainly to the financial liabilities described above.

(22) Other liabilities

Current other liabilities include accrued vacation pay liabilities amounting to € 386,236 (previous year: € 416 thousand), wage and church tax liabilities, as well as social security liabilities amounting to € 157,529 (previous year: € 92 thousand), liabilities for bonuses payable to employees and members of the Management Board amounting to € 154,150 (previous year: € 138 thousand), customer bonuses (€ 57,000; previous year: € 72 thousand), and VAT, payroll, and Supervisory Board remuneration liabilities.

(23) Deferred income

Deferred income comprises grants and subsidies amounting to € 92,836 with a maturity of up to one year as well as deferred revenue from nominal fees, including € 34,833 with a maturity of up to one year and € 8,250 with a maturity of more than one year (previous year: € 41 thousand with a maturity of more than one year).

(24) Provisions

The amount reported relates primarily to the estimated expenses for preparing and auditing the financial statements, audit and consulting expenses, and expenses for the disabled persons equalization levy payable and contributions payable to the occupational health and safety agency. The obligations are expected to be settled in the following fiscal year. Changes in provisions are shown in the following overview:

Oct 1, 2013	Additions from business combinations	Other additions	Amounts utilized	Amounts unutilized and reversed	Sept. 30, 2014
€	€	€	€	€	€
165,176	24,949	200,376	173,700	1,665	215,135

Oct 1, 2012	Additions from business combinations	Other additions	Amounts utilized	Amounts unutilized and reversed	Sept. 30, 2013
€	€	€	€	€	€
239,195	0	156,866	220,034	10,851	165,176

Oct 1, 2011	Additions from business combinations	Other additions	Amounts utilized	Amounts unutilized and reversed	Sept. 30, 2012
€	€	€	€	€	€
145,609	18,566	230,077	154,751	306	239,195

(25) Prepayments received

Prepayments received are attributable primarily to research and development services and future supplies and have a maturity of up to one year.

(26) Trade payables

Trade payables have a maturity of up to one year.

V. Other Disclosures

(27) Financial instruments/Risk management

Financial instruments

The following overview presents recognized financial instruments based on their IAS 39 measurement categories. In order to enhance 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 from the other financial instruments in the LaR category in the following.

The following abbreviations are used for the measurement categories:

Abbreviation	IAS 39 measurement categories
AFS	Available for sale financial assets
LaR	Loans and receivables
FVPL	Financial assets at fair value through profit or loss
LVPL	Financial liabilities at fair value through profit or loss
FLAC	Financial liabilities at amortized cost

There were no financial assets or liabilities in the "at fair value through profit or loss" or "liabilities held for trading" categories in the reporting periods presented.

The financial assets and liabilities can be summarized as follows (in € thousand):

Category	Category	Carrying amount	IAS 39 measurement category				Fair value
	IAS 39	Sept. 30, 2014	Amortized	Cost	Fair value	Fair value	Sept. 30, 2014
		(Sept. 30, 2013)	cost		through OCI	through profit or loss	*(Sept. 30, 2013)*
Assets							
Shares in unconsolidated affiliated companies	AFS	0 (5)		0 (5)			0 (5)
Available-for-sale financial assets	AFS	159 (532)				159 (532)	159 (532)
Trade receivables	LaR	2,647 (1,549)	2,647 (1,549)				2,647 (1,549)
Other current assets	LaR	103 (27)	103 (27)				103 (27)
Other financial assets	LaR	0 (2,000)	0 (2,000)				0 (2,000)
Cash and cash equivalents	LaR	4,459 (9,259)	4,459 (9,259)				4,459 (9,259)

Liabilities							
Trade payables	FLAC	1,351 (1,119)	1,351 (1,119)				1,351 (1,119)
Financial liabilities	FLAC	7,249 (4,929)	7,249 (4,929)				7,374 (5,046)
Other liabilities	FLAC	162 (95)	162 (95)				162 (95)

Available-for-sale financial assets comprise an equity investment acquired in the preceding fiscal year. It was measured at fair value at the end of the reporting period. As no listed market prices are available, this was determined by reference to a sector index. As fair value is significantly lower than cost, an impairment loss of € 372,998 (previous year: € 0) was recognized in profit or loss in the consolidated statement of comprehensive income.

Trade receivables include PoC receivables that fall within the scope of IFRS 7.

Intangible assets and property, plant, and equipment, tax assets (current and deferred), inventories, and the prepaid expenses and prepayments on items of property, plant, and equipment included in other assets do not fall within the scope of IFRS 7.

Payroll, tax, and social security liabilities are not classified as financial liabilities. Tax liabilities, prepayments received, and deferred income also do not fall within the scope of IFRS 7.

Cash and cash equivalents, other current assets, trade receivables, and trade payables mainly have short maturities. As a result, their carrying amounts at the end of the reporting period approximate their fair values.

Liabilities to banks and other lenders, as well as to silent partners, reported in current and noncurrent financial liabilities are measured at amortized cost. The fair values of financial liabilities are determined by discounting using current discount rates that match the maturity and risk of the liabilities. The conditions are described in detail in note (21) Financial liabilities.

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

The carrying amount of Level 2 financial instruments (available-for-sale financial assets) at the end of the reporting period amounted to €159 thousand.

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

Sept. 30, 2014		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Silent partnerships (without profit-sharing)		543	1,012	135	135	135	135	135	428	401	961
Liabilities to lenders		2,015	984	784	763	398	0	0	0	0	0
Finance lease liabilities		36	147	0	0	0	0	0	0	0	0
Other liabilities		162	0	0	0	0	0	0	0	0	0
Trade payables		1,351	0	0	0	0	0	0	0	0	0
Total		4,107	2,143	919	898	533	135	135	428	401	961

Sept. 30, 2013		13/14	14/15	15/16	16/17	17/18	18/19	18/19	19/20	20/21	21/22
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Silent partnerships (without profit-sharing)		396	372	877	0	0	0	0	0	0	0
Liabilities to lenders		876	1,036	567	546	525	338	0	0	0	0
Other liabilities		95	0	0	0	0	0	0	0	0	0
Trade payables		1,119	0	0	0	0	0	0	0	0	0
Total		2,486	1,408	1,444	546	525	338	0	0	0	0

Net gains or losses on financial instruments are presented by measurement category in the following table:

€ thousand 2013/14 (2012/13)	From interest and dividends	From subsequent fair value measurement/impairment	From disposals	Net gains/losses
Loans and receivables	2 (27)	–4 (13)	–89 (–72)	–91 (–32)
Available-for-sale financial assets	0 (0)	–373 (0)	0	–373 (0)
Financial liabilities measured at (amortized) cost	–344 (–258)	6 (398)	0 (0)	–338 (140)
Total	–342 –231	–371 (411)	–89 (–72)	–802 (108)

Interest income and expenses relating to financial instruments are reported in "Finance income" and "Finance costs", respectively, in the 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 € 337,831 (previous year: € 258 thousand).

Risk management

The Group is exposed to a range of financial risks because of its business activities: credit risk, currency risk, interest rate risk, and liquidity risk.

The Company has implemented a risk management system to identify and avoid risks. Among other things, this system is based on the rigorous supervision of business transactions, the comprehensive exchange of information with the responsible employees, and regular - mostly monthly - analyses of key performance indicators for the business.

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

With regard to the financial instruments used by the Company, the objective of B·R·A·I·N AG's risk management is to minimize the risk exposure resulting from financial instruments. The Company does not enter into derivative financial instruments without a corresponding underlying. In both the reporting period and the prior-year period, liquid funds were invested with domestic financial institutions that are members of a German deposit protection fund.

The recognized financial instruments could result in principle in the following risk exposures:

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 comprises both counterparty credit risk and the risk of a deterioration in credit quality, along with cluster risk. The maximum exposure to counterparty credit risk is equal to the carrying amounts of the financial instruments at the end of the reporting period. The counterparty credit risk relevant to the Company's operating activities is represented by the risk that customers will fail to discharge their payment obligations. No cluster risk is evident in the customer receivables because the claims relate to a large number of different counterparties. The credit quality of the contracting parties is assessed in order 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 solely in euro-denominated term deposits of up to twelve months with domestic financial institutions that are members of a German deposit protection fund.

Currency risk

No hedges are entered into because currency exposures are insignificant at B·R·A·I·N AG. Because of the lack of significance, a sensitivity analysis of currency risk in accordance with IFRS 7 would not be meaningful.

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.

B·R·A·I·N AG's term deposits have fixed-interest periods that match their maturities. Most of the loans also have fixed-interest periods that match their maturities. The Company therefore believes that it is not exposed to any direct interest rate risk.

The risk exposures of term deposits and loans with fixed-interest periods that match their maturities are limited to the risk that the Company cannot obtain benefits from any potentially higher interest rates that might be obtained from investments and/or lower loan interest rates during the terms of the deposits and loans.

If the market rate of interest for call money and term deposits were to rise by up to 100 basis points, a one-year investment of B·R·A·I·N AG's portfolio of liquid funds, call money, and term deposits as of September 30, 2014, amounting to € 4,458,926 would increase profit or loss for the period by up to € 45,589.

As the market rate of interest for short-term deposits at the end of the reporting period on September 30, 2014, was less than 100 basis points, the finance income from investments in call money and term deposits would be reduced to zero in the case of a reduction in the amount of the current interest rate earned on the investments, and hence by less than 100 basis points, and profit or loss for the period would be reduced by € 14,455.

Because a high proportion (> 95 % of financial liabilities) of B·R·A·I·N AG's financial liabilities are subject to fixed-rate agreements, the Company could only profit to a limited extent from lower market interest rates for borrowings.

The floating-rate liabilities amounting to € 339,122 are exposed to the risk of rising market rates of interest. If market rates were to rise (decline) by a notional 1 percentage point compared with the rate prevailing at the end of the reporting period, interest expense would increase (decrease) by € 3,391.

Capital management/liquidity risk

The objective of B·R·A·I·N AG's capital management is to fund the planned growth of the Company and to ensure the availability of corresponding funds for its short-term funding requirements. The Company aims to achieve an equity ratio of at least 50 %. The managed capital comprises all short- and long-term liabilities as well as the components of equity. For debt and equity management purposes, the concepts correspond to the amounts reported in the balance sheet.

B·R·A·I·N AG and its subsidiaries are not subject to any capital adequacy requirements above and beyond those in the *Aktiengesetz* (German Stock Corporation Act).

Financial liabilities of a subsidiary amounting to € 239,756 (notional value as of September 30, 2014) are subject to a covenant providing for a minimum equity ratio of 30 % of the subsidiary's total assets. As of September 30, 2014, this subsidiary's equity ratio was more than 30 %.

As of September 30, 2013, financial liabilities of a subsidiary amounting to € 281,479 (notional value as of September 30, 2013) were subject to a covenant providing for a minimum equity ratio of 30 % of the subsidiary's total assets. As this equity ratio notionally fell short of the specified ratio as of September 30, 2013, the funding was ensured by subordinating shareholder loans.

B·R·A·I·N AG's liquid funds are invested in euro-denominated call money and term deposits with maximum maturities of twelve months in order to ensure a high level of liquidity at all times.

Market risk

The available-for-sale financial assets are exposed to the risk of changes in prices for comparable instruments. The sensitivity analyses performed were based on an assumed 10% decline (increase) in the sector index. A 10 % increase (decrease) would have increased (decreased) profit or loss for the period by € 53,163.

(28) Disclosures on the fees paid to the auditors

The fees paid to the auditors of B·R·A·I·N AG engaged for the fiscal year in question comprise the following items:

	2013/14	2012/13
	€	€
Audit services	69,678	83,200
Other services	0	0
	69,678	83,200

(29) Related party disclosures

Management Board and Supervisory Board

There were no changes in the composition of the Management Board in the fiscal year and in the period up to the preparation of the financial statements. The members of the Management Board are:

Dr. Holger Zinke, Heppenheim (Chair)

Diploma biologist

CEO

Dr. Jürgen Eck, Bensheim (Deputy Chair)

Diploma biologist

CTO

The members of the Management Board are authorized to jointly represent the Company.

The remuneration of the Management Board in the fiscal year amounted to:

	2013/14	2012/13
	€	€
Fixed remuneration	380,000	380,000
Cost of old age, surviving dependents', and invalidity benefits	146,137	137,612
Performance-related remuneration	114,000	114,000
	640,137	631,611

In the event of early termination of a member's contract of service, a supplementary funding requirement for the benefits funded via the occupational pension plan could arise. The Company rates the probability of such an early termination and the occurrence of any claims resulting from such a termination as very low.

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

Dr. Holger Zinke

Technische Universität Darmstadt, Deputy Chair of the University Council

Mannheim University of Applied Sciences, Member of the University Council

Dr. Jürgen Eck

Member of the Supervisory Board, Enzymicals AG, Greifswald

The members of the Management Board directly and indirectly held 2,100,000 shares at the end of the reporting period.

The members of the Supervisory Board at the end of the reporting period were:

Dr. Ludger Müller, Kaiserslautern

Managing Director, MP Beteiligungs-GmbH

Michael Motschmann, Munich (Deputy Chair)

Member of the Executive Board, MIG Verwaltungs AG

Siegfried L. Drueker, Bad Homburg

Managing Director, Drueker GmbH & Co. KG

Prof. Dr. Klaus-Peter Koller, Bad Soden am Taunus

Self-employed management consultant

Dr. Matthias Kromayer, Munich

Member of the Executive Board, MIG Verwaltungs AG

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

Dr. Ludger Müller

University of Kaiserslautern (Chair of the University Council)

Michael Motschmann

AFFiRiS AG, Vienna (Chair)

APK Aluminium und Kunststoffe AG, Merseburg

AWAG AG, Munich

Biocrates Life Sciences AG, Innsbruck

BioNTech AG, Mainz

HMW Emissionshaus AG, Pullach

Protagen AG, Dortmund

Dr. Matthias Kromayer

Amsilk GmbH, Martinsried (Chair of the Advisory Council)

Biocrates AG, Innsbruck (Deputy Chair)

Cerbomed GmbH, Erlangen (Chair of the Advisory Council)

Immatics GmbH, Tübingen (Member of the Advisory Council)

Nexigen GmbH, Cologne (Chair of the Advisory Council)

SuppreMol GmbH, Martinsried (Member of the Advisory Council)

Siegfried L. Drueker

Georgsmarienhütte Holding GmbH (Chair)

Georgsmarienhütte GmbH

The remuneration of the Supervisory Board in the reporting period was as follows:

	2013/14	2012/13
	€	€
Fixed remuneration	19,500	19,500
Attendance fees	18,000	22,000
Total remuneration	37,500	41,500

The members of the Supervisory Board did not directly and indirectly hold any shares of the Company at the end of the reporting period.

Other relationships with related parties

There were no material supplies or purchases of goods or services between the members of the governing bodies or their related parties and companies included in the B·R·A·I·N Group in fiscal years 2013/14 and 2012/13.

There were rental relationships between B·R·A·I·N AG and the Chair of the Management Board, of B·R·A·I·N AG, Dr. Zinke, or companies controlled by him, in fiscal year 2013/14.

In fiscal year 2013/14, B·R·A·I·N AG paid Dr. Zinke € 38,941 for rental services. Also in fiscal year 2013/14, companies controlled by Dr. Zinke paid B·R·A·I·N AG €6,940 for rental services.

MP Beteiligungs-GmbH, Kaiserslautern, held more than 25 % but less than 50 % of the shares of B·R·A·I·N AG as of September 30, 2014.

Monteil Cosmetics International S.A.R.L., Paris, is classified as a related party because it is not consolidated. Enzymicals AG, Greifswald, is an associate in accordance with IAS 28.2 and is thus classified as a related party in accordance with IAS 24.9. In fiscal year 2013/14, Enzymicals AG provided research and development services to B·R·A·I·N AG amounting to € 32,333 (previous year: € 27 thousand). At the end of the reporting period, B·R·A·I·N AG had loan and interest receivables from Enzymicals AG amounting to € 83,462 and trade payables to Enzymicals AG amounting to € 0.00 (€ 10 thousand).

At the end of the reporting period on September 30, 2014, there were no liabilities to members of governing bodies or their related parties and to companies included in the B·R·A·I·N Group (previous year: € 7 thousand).

All supplies of goods and services between the Group and its related party entities and individuals were transacted on an arm's length basis.

(30) Contingencies and other financial commitments

There were no contingent liabilities to third parties at the end of the reporting period. Other financial commitments (operating leases) relate among other things to telecommunication systems whose contract terms are prolonged automatically by one year unless terminated, technical storage systems with fixed terms of between seven months and five years, and workwear rental services with a contractual notice period of six months to the end of a calendar year. The minimum lease payments have the following terms:

Minimum lease payments	Sept. 30, 2014 €	Sept. 30, 2013 €
Term of up to 1 year	27,117	17,015
Term of 1 – 5 years	72,063	1,345
Term of more than 5 years	0	0
	99,180	18,360

The total amount of lease payments recognized as expenses in the fiscal year was € 854,583 (previous year: € 64 thousand).

There were no financial commitments from investment projects in progress as of September 30, 2014.

There are contingent purchase price obligations for intangible assets that depend on the achievement of specific future revenue using these intangible assets up to a maximum amount of € 160,000.

Contingent purchase price payments that may amount to a total of up to € 650,000 if certain business targets are met were agreed in the course of business combinations. The amounts recognized to settle these obligations had already fallen to € 0 as of September 30, 2013, and also amounted to € 0 as of September 30, 2014. It was also agreed in the course of business combinations that, if certain revenue targets are met by the subsidiaries acquired, additional equity of € 1 million will be contributed to these subsidiaries.

The Management Board is not aware of other facts or circumstances that could lead to material additional financial commitments.

(31) Employees

An average of 176 employees were employed in fiscal year 2013/14 (previous year: 129), of whom 12 were casual workers (previous year: 13) and 6 were sponsored students (previous year: 4).

(32) Events after the reporting period

Effective November 4, 2014, B·R·A·I·N AG acquired 50.6 % of the shares of WeissBioTech Beteiligungs GmbH for a purchase price of approximately € 1.5 million in the course of a capital increase. WeissBioTech Beteiligungs GmbH holds interests in subsidiaries that are active in the development and marketing of food additives and enzymes for other applications.

As the acquisition date was close to the preparation date of the financial statements, no final measurement of the fair values of the assets acquired, liabilities assumed, and contingent liabilities of this company was possible.

Based on preliminary estimates, goodwill could amount to up to 40 % of the purchase price. The goodwill reflects the market position of the company, among other factors.

There have been no further events and developments of particular significance for the Company's net assets, financial position, and results of operations since the end of the reporting period on September 30, 2014.

Zwingenberg, December 16, 2014

Dr. Holger Zinke	Dr. Jürgen Eck
Chair of the Management Board	Deputy Chair of the Management Board

Auditor's report

The following auditors' report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements of BRAIN AG as of and for the fiscal year ended Septmber 30, 2014 and the Group management report for the period from October 1, 2013 to September 30, 2014. The Group management report for the period from October 1, 2013 to September 30, 2014 is not included in this Prospectus.

To B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg

We have audited the consolidated financial statements prepared by the B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2013, to September 30, 2014. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, December 19, 2014

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Christian Kwasni
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited consolidated financial statement of BRAIN AG prepared in accordance with IFRS as of and for the financial year ended September 30, 2013

Consolidated Statement of Financial Position as of September 30, 2013

	Note	Sept. 30, 2013 €	Sept. 30, 2012 €
Noncurrent assets			
Shares in unconsolidated affiliated companies		5,000	5,000
Intangible assets	[12]	2,288,991	2,189,237
Property, plant, and equipment	[13]	6,731,507	6,778,218
Shares in equity-accounted investments	[14]	170,119	191,686
Deferred tax assets		1,191	0
Available-for-sale financial assets		531,641	0
Other noncurrent assets	[17]	60,793	2,836
		9,789,243	**9,166,977**
Current assets			
Inventories	[15]	2,050,937	2,047,147
Trade receivables	[16]	1,548,515	1,295,729
Other current assets	[17]	351,096	278,389
Current tax assets	[10]	98,194	146,541
Other financial assets	[18]	2,000,000	4,242,362
Cash and cash equivalents	[19]	9,259,432	2,533,672
		15,308,174	**10,543,840**
TOTAL ASSETS		**25,097,417**	**19,710,818**

	Note	Sept. 30, 2013 €	Sept. 30, 2012 €
Equity	[20]		
Subscribed capital		12,725,818	11,453,228
Capital reserves		16,882,871	8,169,510
Retained earnings		-12,308,930	-8,213,569
		17,299,759	**11,409,170**
Noncontrolling interests		**292,533**	**714,719**
Total equity		**17,592,292**	**12,123,889**
Noncurrent liabilities			
Deferred tax liabilities	[10]	14,800	137,367
Financial liabilities	[21]	3,893,090	4,604,812
Other liabillities	[22]	0	208,375
Deferred income	[23]	41,250	0
		3,949,139	**4,950,554**
Current liabilities			
Provisions	[24]	165,176	239,195
Financial liabilities	[21]	1,035,616	252,649
Prepayments received	[25]	341,456	372,311
Trade payables	[26]	1,118,954	828,144
Other liabilities	[22]	827,047	937,790
Deferred income	[23]	67,737	6,286
		3,555,986	**2,636,375**
TOTAL EQUITY AND LIABILITIES		**25,097,417**	**19,710,818**

Consolidated Statement of Comprehensive Income for the Period October 1, 2012, to September 30, 2013

	Note	Oct 1, 2012 – Sept. 30, 2013 €	Oct 1, 2011 – Sept. 30, 2012 €
Revenue	[1]	8,754,610	7,158,972
Research and development grant revenue	[2]	738,528	115,771
Increase in finished goods, inventories and work in progress		74,667	421,873
Other income	[3]	641,373	201,542
		10,209,178	**7,898,158**
Cost of materials	[4]		
Cost of raw materials, consumables, and supplies, and of purchased merchandise		-2,814,205	-2,706,011
Cost of purchased services		-1,381,176	-1,611,130
		-4,195,381	-4,317,141
Personnel expenses	[5]		
Wages and salaries		-5,049,218	-4,490,648
Social security and post-employment benefit costs		-1,177,366	-1,058,691
		-6,226,584	-5,549,339
Depreciation and amortization	[6]	-670,915	-668,109
Other expenses	[7]	-3,505,110	-3,042,056
Operating loss/ EBIT		**-4,388,812**	**-5,678,488**
Share of profit or loss of equity-accounted investments	[14]	-21,566	-44,311
Finance income	[8]	26,705	162,139
Finance costs	[9]	-257,680	-291,253
		-252,542	**-173,426**
Loss for the period before taxes		**-4,641,354**	**-5,851,913**
Income tax expense/ income	[10]		
a) Current tax income		47	6,317
b) Deferred tax income		123,759	6,828
		123,806	13,146
Loss for the period		**-4,517,548**	**-5,838,768**
Other comprehensive income*		0	0
Total consolidated comprehensive income		**-4,517,548**	**-5,838,768**
of which attributable to noncontrolling interests		**-422,187**	**-301,512**
of which attributable to B R A I N AG shareholders		**-4,095,362**	**-5,537,256**
Earnings per share	[11]		
Basic earnings per share		-0,35	-0,48
Number of shares used to calculate basic earnings per share		11,657,470	11,453,228
Diluted earnings per share		-0,35	-0,48
Number of shares used to calculate diluted earnings per share		11,657,470	11,453,228

* There were no amounts or transactions in fiscal year 2012/13 and in the previous year that would have been required to be recognized in other comprehensive income.

Consolidated Statement of Changes in Equity for the Period October 1, 2012, to September 30, 2013

	Subscribed capital €	Capital reserves €	Retained earnings €	Total €	Noncontrolling interests €	Total equity €
Balance at September 30, 2011	11,453,228	8,169,510	-2,676,313	16,946,425	0	16,946,425
Addition of noncontrolling inte-rests following acquisition of consolidated entities					26,231	26,231
Capital increases noncontrolling interests					990,000	990,000
Total comprehensive income			-5,537,256	-5,537,256	-301,512	-5,838,768
Balance at September 30, 2012	11,453,228	8,169,510	-8,213,569	11,409,170	714,719	12,123,889
Cash capital increase	1,272,590	8,727,422				10,000,012
Less costs of capital increase		-14,061				-14,061
Total comprehensive income			-4,095,362	-4,095,362	-422,187	-4,517,548
Balance at September 30, 2013	12,725,818	16,882,871	-12,308,930	17,299,759	292,533	17,592,292

Consolidated Statement of Cash Flows for the Period October 1, 2012, to September 30, 2013

	Note	Oct. 1, 2012 – Sept. 30, 2013 €	Oct 1, 2011 – Sept. 30, 2012 €
Loss for the period after income taxes		-4,517,548.42	-5,838,767.60
Depreciation and amortization		670,915.22	668,109.49
Deferred tax income	[9]	-123,758.57	-6,828.36
Reversal of deferred income		-39,799.21	-88,520.84
Income from reversal of provisions and liabilities		-500,418.67	-9,287.49
Share of loss of equity-accounted investments	[14]	21,566.43	44,311.20
Other noncash income		-455,150.06	-34,826.70
Loss on disposal of intangible assets and property, plant, and equipment		769.60	2,014.73
Gross cash flow		**-4,943,423.68**	**-5,263,795.57**
Change in trade receivables		-240,683.18	-161,944.79
Change in inventories		-92,384.19	-554,199.67
Change in tax assets and liabilities		48,347.63	64,097.31
Change in other assets		-130,663.80	193,181.14
Change in trade payables		290,809.70	4,260.86
Change in prepayments		-30,854.87	-19,184.37
Change in provisions and other liabilities		107,282.24	-148,454.82
Increase in deferred nominal fees		142,500.00	35.98
Cash flows from operating activities		**-4,849,070.15**	**-5,886,003.93**
Payments to acquire consolidated entities net of cash and cash equivalents acquired		0.00	-1,748,091.62
Proceeds from disposal of noncurrent assets		222.40	0.00
Payments to acquire intangible assets	[12]	-139,260.70	-36,823.09
Payments to acquire property, plant, and equipment	[13]	-585,689.60	-335,891.98
Proceeds from disposal of property, plant, and equipment		0.00	40,853.78
Payments to acquire shares in unconsolidated affiliated companies		0.00	-5,000.00
Payments to acquire equity-accounted investments	[14]	0.00	-49,995.00
Proceeds from current financial assets		2,242,362.21	7,057,863.90
Cash flows from investing activities		**1,517,634.31**	**4,922,915.99**
Proceeds from cash capital increases by shareholders		9,985,951.22	0.00
Proceeds from borrowings		111,314.05	0.00
Repayments of borrowings		-40,069.50	-651,720.92
Contributions by noncontrolling interest shareholders to the equity of consolidated entities		0.00	990,000.00
Cash flows from financing activities		**10,057,195.77**	**338,279.08**
Net change in cash and cash equivalents		**6,725,759.93**	**-624,808.86**
Cash and cash equivalents at beginning of fiscal year		2,533,671.60	3,158,480.46
Cash and cash equivalents at end of fiscal year	[19]	**9,259,431.53**	**2.533.671,60**
Cash flows from operating activities include:			
Interest paid		-225,338.10	-265,087.68
Interest received		67,745.20	224,033.13
Income taxes paid		-17,669.98	-29,453.10
Income taxes received		56,337.40	0.00

Notes to the Consolidated Financial Statements for the Fiscal Year 2012/2013

I. General Information

General information about the Company

B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft ("B·R·A·I·N AG" or the "Company") was formed as "B·R·A·I·N Biotechnology Research and Information Network GmbH" by way of a shareholder agreement dated September 22, 1993. Its legal form was changed to that of an *Aktiengesellschaft* (German stock corporation) by a resolution of the shareholders' meeting on May 9, 2000. The registered offices of the Company are at Darmstädter Strasse 34 - 36 in 64673 Zwingenberg, Germany. The Company is registered in the commercial register of the Local Court in Darmstadt under the number HRB 24758.

B·R·A·I·N AG is a technology company active in the field of industrial ("white") biotechnology. As a partner for manufacturers in a range of sectors, including the chemical and consumer goods industries, it develops "biologicals", in particular enzymes, biocatalysts, and bioactive natural substances. The Company has a comprehensive research and development infrastructure. Through its L. A. Schmitt GmbH, Monteil Cosmetics International GmbH, and Mekon Science Networks GmbH subsidiaries, the Group offers end-to-end solutions for the entire process in the cosmetic sector, from scientifically tested active ingredient development down to branded products.

Basis of preparation

The consolidated financial statements prepared by the parent company B·R·A·I·N AG for the year ended September 30, 2013 (the "consolidated financial statements" or "financial statements") were prepared in accordance with International Financial Reporting Standards (IFRSs). The International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective as of the reporting date, as adopted by the European Union, were applied and are supplemented by the requirements of German commercial law to be applied in accordance with section 315a(1) of the *Handelsgesetzbuch* (HGB - German Commercial Code). The IFRSs (including International Accounting Standards - IASs) and the Interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) effective as of the reporting date have been applied.

The reporting period covers the period from October 1, 2012, to September 30, 2013. This is B·R·A·I·N AG's fiscal year. The single-entity financial statements of L. A. Schmitt GmbH and Mekon Science Networks GmbH, which are included in the consolidated financial statements, were prepared as of the reporting date of the consolidated financial statements. For historical reasons, the single-entity financial statements of Monteil Cosmetics International GmbH were prepared as of the end of the calendar year. Due to the initial inclusion of Monteil GmbH as from December 1, 2012, the consolidated figures for fiscal years 2011/12 and 2012/13 are only comparable to a limited extent.

The consolidated financial statements have been prepared in euros (€). Unless otherwise indicated, amounts disclosed in the notes are stated in euros (€). Rounding differences may arise due to the application of standard business rounding conventions.

The Management Board resolved on December 16, 2013, to submit the accompanying IFRS consolidated financial statements of B·R·A·I·N AG to the Supervisory Board. They are expected to be examined and approved by the Supervisory Board at its meeting on January 27, 2014.

New accounting pronouncements applied

The following amendments to existing International Financial Reporting Standards and new IFRSs and Interpretations were applied for the first time in fiscal year 2012/13:

Amendments to IAS 1 "Presentation of Financial Statements": Presentation of Items of Other Comprehensive Income *(effective for annual periods beginning on or after July 1, 2012)*

The above amendments to accounting pronouncements did not materially affect B·R·A·I·N AG's consolidated financial statements.

Accounting pronouncements issued but not yet effective

- Adopted by the EU -

The following accounting pronouncements that have been issued but are not yet effective were not applied prior to the effective date:

Standard/Interpretation		Issued by IASB	Effective date *1), **2)
IFRS 9	**Financial Instruments—**Classification and Measurement of Financial Assets and Liabilities	Nov. 2009 Oct. 2010	Jan. 1, 2015
IAS 12	**Income Taxes—**limited scope amendments relating to recovery of underlying assets	Dec. 2010	Jan. 1, 2013
IAS 19	**Employee Benefits**	June 2011	Jan. 1, 2013
IFRS 10	**Consolidated Financial Statements**	May 2011	Jan. 1, 2014
IFRS 11	**Joint Arrangements**	May 2011	Jan. 1, 2014
IFRS 12	**Disclosure of Interests in Other Entities**	May 2011	Jan. 1, 2014
IFRS 13	**Fair Value Measurement**	May 2011	Jan. 1, 2013
IAS 27	**Separate Financial Statements**	May 2011	Jan. 1, 2014
IAS 28	**Investments in Associates and Joint Ventures (rev. May 2011)**	May 2011	Jan. 1, 2013 (original standard)

IFRS 1	**IFRS 1 First-time Adoption of International Financial Reporting Standards—**Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	Dec. 2010	Jan. 1, 2013
IFRS 7	**Financial Instruments: Disclosures—** Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1, 2013
IAS 32	**Financial Instruments: Presentation—** Offsetting Financial Assets and Financial Liabilities	Dec. 2011	Jan. 1, 2014
IFRS 1	**First-time Adoption of International Financial Reporting Standards—** Government Loans	Mar. 2012	Jan. 1, 2013
IFRS 10, IFRS 11, IFRS 12	**Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities—**Transition Guidance	June 2012	** Jan. 1, 2013
IFRS 9, IFRS 7	**Financial Instruments—**Mandatory Effective Date and Transition Disclosures	Dec. 2011	Jan. 1, 2015
IFRIC 20	**Stripping Costs in the Production Phase of a Surface Mine (October 2011)**	Oct. 2011	Jan. 1, 2013
IFRS 10, IFRS 12, IAS 27	**Consolidated Financial Statements, Disclosures of Interests in Other Entities, Separate Financial Statements**— Investment Entities	Oct. 2012	Jan. 1, 2014

*1) In each case for annual periods beginning on or after this date.

Accounting pronouncements issued but not yet effective

- Not yet adopted by the EU -

Annual Improvements to IFRSs 2009 - 2011 Cycle *(effective for annual periods beginning on or after January 1, 2013; earlier application is possible.)*

These amendments concern IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34. The amendments primarily clarify existing requirements.

Amendments to IFRS 10, IFRS 12, and IAS 27 - Investment Entities (effective for annual periods beginning on or after January 1, 2014. Early adoption is permitted.)

Amendments to IFRS 10, IFRS 11, and IFRS 12 - Transition Guidance (effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted.)

B·R·A·I·N AG did not apply any of the new or amended pronouncements described above prior to their effective dates. The Company is currently examining the potential effects of these changes on the Group's net assets, financial position, and results of operations. Based on its current estimates, no material changes are expected.

Basis of presentation

The income statement is supplemented by income and expenses recognized directly in equity and not attributable to transactions with owners in their capacity as owners (other comprehensive income) to produce the statement of comprehensive income. It has been prepared using the nature of expense method.

Individual items in both the statement of comprehensive income and the statement of financial position (balance sheet) have been combined to enhance the clarity of presentation. Such items are disclosed and explained in detail in the notes.

II. Significant Accounting Policies

1. Consolidation methods

Business combinations are accounted for using the acquisition method, under which the carrying amount of the investments is eliminated against the parent's share of the equity of the subsidiaries at the acquisition date. The acquisition date is the date on which acquirer obtains control of the acquiree.

The consideration transferred for an acquisition is calculated as the acquisition-date fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed. It also includes the fair values of recognized assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets and liabilities, as well as deferred taxes, are measured at fair value. Any excess of the consideration transferred over the fair value of identifiable net assets acquired is recognized as goodwill at the acquisition date. The Group decides separately for each business combination whether noncontrolling interests in the acquiree will be measured at fair value or on the basis of the Group's share of the acquiree's net assets.

Acquisition-related costs are recognized as expenses in the period in which they are incurred.

Any contingent consideration is measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or a liability are measured in accordance with IAS 39, with any resulting gain or loss recognized either in profit or loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is recognized as the excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree, over the Group's share of the fair value of the net assets acquired. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the resulting difference is recognized directly in profit or loss.

Intercompany profits and losses, revenue, income, and expenses, as well as receivables and liabilities between the entities included in the basis of consolidation are eliminated.

Deferred taxes are recognized in respect of the income tax effects of consolidation adjustments.

2. Basis of consolidation

All material subsidiaries are included in the consolidated financial statements of B·R·A·I·N AG. Subsidiaries are entities whose financial and business policies can be controlled by B·R·A·I·N AG. This is normally the case where the Group holds more than 50 % of the voting rights. Both voting rights that can currently be exercised and convertible potential voting rights are considered. A subsidiary is consolidated from the date when control is obtained and is deconsolidated when control is lost.

In addition to B·R·A·I·N AG, the following subsidiaries were included in the consolidated financial statements for the period ended September 30, 2013:

Name and domicile of the company	Equity interest
Monteil Cosmetics International GmbH, Oestrich-Winkel, Germany	50.50%
L.A. Schmitt Chem. Kosm. Fabrik GmbH, Ludwigsstadt, Germany	100.00%
MEKON Science Networks GmbH, Eschborn, Germany	100.00%

Monteil Cosmetics International S.A.R.L., Paris, France, a wholly owned subsidiary of Monteil Cosmetics International GmbH, was formed on January 18, 2012. It was not included in the consolidated financial statements for reasons of materiality and is recognized at cost. It is reported in the balance sheet under “Shares in unconsolidated affiliated companies.”

3. Shares in equity-accounted investments

Equity-accounted investments relate to associates over whose financial and business policy decisions B·R·A·I·N AG can exercise significant influence. Significant influence is presumed to exist if B·R·A·I·N AG directly or indirectly holds a minimum of 20 % and a maximum of 50 % of the voting rights.

Enzymicals AG, Greifswald, was included as an equity-accounted investment in the consolidated financial statements for the period ended September 30, 2013. This company’s year-end reporting date differs from B·R·A·I·N AG’s reporting date. A 24.095 % share of the voting rights (previous year: 24.998 %) is attributable to B·R·A·I·N AG.

Under the equity method, the investment is initially recognized at cost and the carrying amount is adjusted subsequently to reflect changes in B·R·A·I·N AG’s proportionate interest 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 there is a legal or constructive payment obligation. Any goodwill recognized is reported in the carrying amount of the associate. Unrealized intercompany profits or losses resulting from transactions between B·R·A·I·N AG and the associate are eliminated proportionately in the same way as consolidation adjustments if they are material.

If there is objective evidence of impairment, 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 recognized in previous periods no longer apply, the impairment loss is reversed through profit or loss.

4. Accounting Policies

In principle, the consolidated financial statements have been prepared under the historical cost convention. The accounting policies applied to any items measured on a different basis are described in the following.

Use of assumptions and estimates

Management is required to make certain assumptions and estimates in the financial statements that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. All estimates and assumptions are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions and estimates relate in particular to:

- evaluating the capitalization of development expenditures;
- recognizing deferred tax assets in respect of temporary differences and tax loss carryforwards; their recognition is based on the assumption that there will be sufficient future taxable profit against which the deferred tax assets can be offset.
- measuring the useful life of intangible assets and items of property, plant, and equipment;
- measuring the stage of completion and assessing the probability that milestones and project success points that have not yet been fully achieved will actually be achieved. Performance-related fees for achieving contractually agreed outcomes, i.e., “milestones” or “project success points,” are measured using the percentage of completion (PoC) method. In doing so, B·R·A·I·N AG estimates the stage of completion of the contract activity reached by the end of the reporting period. If the stage of completion of the contract activity reached by the end of the reporting period were to exceed or fall below management’s estimates by 10%, revenue would increase by €25,000 or decrease by €12,500, respectively;
- the recoverability of recognized goodwill;
- measuring the amount of contingent purchase price obligations in a business combination;
- assessing the recoverability of the carrying amount of associates.

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

Currency translation

Cash and cash equivalents, receivables, and liabilities denominated in foreign currencies are translated at the closing rate. Currency translation differences are recognized in profit or loss and are immaterial in the aggregate. There are no material amounts or transactions denominated in foreign currencies.

Revenue recognition

Revenue from research and development partnerships is generally recognized in the period in which the underlying services are performed. Revenue from exchange transactions is recognized in accordance with IAS 18.12.

One time/nominal fees are recognized over the period of the agreed research and development programs and deferred accordingly.

Performance-related fees for achieving contractually agreed outcomes, i.e., "milestones" or "project success points", are measured using the percentage of completion (PoC) method; a condition for revenue recognition is that it is sufficiently probable that the milestones or project success points will be achieved. Revenue is recognized in full when this has been legally acknowledged by the other party to the agreement.

Research and development (R&D) grant revenue is recognized in the period in which the underlying expenditures are incurred.

Intangible assets

Any goodwill identified in the course of a business combination is initially recognized at cost, which is measured as the excess of the consideration transferred in the business combination over the Group's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquiree.

Purchased intangible assets are recognized at cost and reduced by straight-line amortization over their economic useful life. Cost comprises directly attributable costs.

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:

- The entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The entity intends to complete the intangible asset and to use or sell it.
- The entity is able to use or sell the intangible asset.
- The entity can demonstrate how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate 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 usefulness of the intangible asset.
- The entity has adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- The entity is able to measure reliably the expenditure attributable to the intangible asset during its development.

Not all of these criteria were met in the fiscal year, so all development expenditures were recognized as expenses as incurred.

Property, plant, and equipment

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

The depreciation period is based on the expected useful economic life of the asset. Impairment losses are recognized if no further economic benefits are expected from the continued use or sale of the asset. 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 are recognized in profit or loss for the period in which the asset is derecognized.

The useful lives and depreciation methods are reviewed each year and modified if necessary.

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

Impairment tests

Goodwill and other intangible assets with an indefinite or undeterminable useful life or intangible assets not ready for use are tested at least once a year for impairment. Finite-lived intangible assets and items of property, plant, and equipment are only tested for impairment if there are indications that the asset is impaired. An impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income if the asset's recoverable amount, i.e., the higher of its fair value less costs of disposal and its value in use, is less than its carrying amount. Recoverable amount is generally determined individually for each asset. If this is not possible, it is determined on the basis of a group of assets that represents a cash-generating unit (CGU). An assessment is made at least once a year whether there is any indication that the reason for an impairment loss recognized in prior periods no longer applies or the amount of the impairment may have decreased. If this is the case, the recoverable amount of the asset is estimated and the impairment loss is reversed accordingly (except in the case of goodwill).

"Monteil Cosmetic Products" was defined as a cash-generating unit for the purposes of impairment testing of the goodwill from the acquisition of Monteil Cosmetics International GmbH (€2,108 thousand).

The starting point for estimating the recoverable amount of the cash-generating unit for the impairment test as of September 30, 2013, 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 Company's current planning for a detailed planning period of five years. This planning was based on the past experience of the acquiree and on management's best estimate of future developments. Net cash flows beyond the detailed planning phase are modeled as a perpetuity that reflects growth rates derived from current market information (1.0 %).

The cost of capital of the CGU is calculated as the weighted average cost of capital (WACC). The capital structure, the cost of equity, and the cost of debt, are oriented on peer companies in the same industry and are derived from available capital market information. The resulting pretax WACC as of September 30, 2013, is 9.25 %.

In the course of the additional sensitivity analysis that was performed, the future net cash flows were reduced by 10 % in each case to reflect a significant and unexpected reduction in the assumptions for revenue growth and/or an increase in WACC, as a change of this magnitude is reasonably possible, especially over the long run. Based on these assumptions, there were no indications of potential impairment of the recognized goodwill.

Inventories

Raw materials, consumables, and supplies, as well as finished goods and work in progress, are measured at cost. The FiFo (first-in/first-out) method is applied. In addition to direct costs, production costs include appropriate portions of materials and production overheads. Borrowing costs are not capitalized. Write-downs to the lower net realizable value are recognized if necessary.

Financial instruments

B·R·A·I·N AG uses only financial instruments in the categories "loans and receivables" (LaR), "available-for-sale financial assets" (AfS), and "other financial liabilities at amortized cost" (FLAC).

Financial assets as defined in IAS 39 are assigned to one of four categories on initial recognition:

- financial assets at fair value through profit or loss
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets.

Financial liabilities as defined in IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

Financial assets and liabilities are generally recognized at the time when the B·R·A·I·N Group becomes a party to the contract. They are recognized initially at fair value. With the exception of financial assets and liabilities at fair value through profit or loss, directly attributable transaction costs are included in the carrying amount on initial recognition. Purchases and sales of financial assets are recognized on the settlement date. Financial assets and liabilities are only offset if there is a right to set off the recognized amounts and the entity intends to settle on a net basis.

Loans and receivables (LaR) originated by the B·R·A·I·N Group as well as the other financial liabilities (FLAC) are measured at amortized cost using the effective interest method. These relate in particular to trade receivables and payables, other receivables and assets, cash and cash equivalents, liabilities from silent partnerships, loan liabilities, and other liabilities.

Shares in unconsolidated affiliated companies in the AfS category are carried at cost. The fair value of these unlisted shares cannot be determined reliably.

At the end of each reporting period, the Company assesses the carrying amounts of financial assets that are not measured at fair value through profit or loss to establish whether there are indications of substantial impairment. Objective evidence that an asset is impaired includes: evidence of significant financial difficulty of a major customer or a group of customers, default or delinquency in interest or principal payments, the probability of insolvency or some other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

Financial assets are derecognized when the Company ceases to control the asset. Financial liabilities are derecognized when the underlying obligation is settled or extinguished.

Receivables/other assets

Trade receivables and other assets are generally measured at their principal amounts. Specific valuation allowances are recognized and recorded in a separate allowance account to reflect risks and impairments.

Milestone receivables in conjunction with performance-related fees are measured using the percentage of completion (PoC) method. These PoC amounts comprise profit attributable to the proportion of work completed at the end of the reporting period. The proportion of work completed is measured on the basis of the degree to which the outcomes defined in the underlying partnership agreements (milestones or project success points) have been achieved.

Government grants

Grants and other support payments for research and development projects are reported as "Research and development grant revenue".

Grants related to assets are deducted from the carrying amount of the related asset. No grants related to assets were received in the reporting periods presented in the accompanying consolidated financial statements.

Provisions

Provisions are recognized for all identifiable present obligations to third parties arising from past events, the settlement of which is expected to result in an outflow of resources and whose amount can be estimated reliably. They are recognized at the expected settlement amount. If the outflow of resources is expected to occur at a time after the year following the reporting period, the obligations are recognized at their present value. The unwinding of discounted provisions is recorded in finance costs.

Occupational pensions

In addition to the statutory pension insurance systems, occupational pensions at B·R·A·I·N AG use direct insurance policies. There are also pension plans for members of the Management Board. These are managed and funded via an occupational pension plan (*Unterstützungskasse*) (direct benefit commitment) and via direct insurance policies.

In turn, the occupational pension plan has taken out pension liability insurance cover. The claims under pension liability insurance have been assigned to the beneficiaries of the occupational pension plan. In contrast to the pension commitments granted, the annual contributions to the occupational pension plan are recognized correctly and reported as expenses for the fiscal year in question. The entire amount of the benefit liability is covered by the pension liability insurance policies, so there is no underfunding. Actuarial gains and losses attributable to experience adjustments and actuarial assumptions are recognized in accordance with the requirements of IAS 19.92f.

Current and deferred taxes

The tax expense for the period comprises 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 using the tax rates that have been enacted (or substantively enacted) in the countries in which the Company and its subsidiaries are active and generate taxable income. Management regularly reviews tax returns, in particular with regard to matters for which differing interpretations are possible, and recognizes provisions (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 in 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 these assets are expected to be recoverable, based on the Company's tax projections.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by same tax authority on the same taxable entity. Deferred tax assets are reported as noncurrent assets irrespective of the balance sheet classification by maturity.

Leases

The assessment whether an arrangement involves a lease depends on the economic substance of the arrangement at the time it is entered into. The entity must assess whether performance of the arrangement depends on the use of one or more assets, and whether the arrangement conveys a right to use the asset or assets.

If it is not reasonably certain that ownership of the asset will be transferred to the Company at the end of the lease term, the asset is depreciated or amortized over the shorter of its expected useful life and the lease term.

Lease payments under operating leases are recognized as expenses in the statement of comprehensive income for the period in which they are incurred.

In fiscal years 2012/2013 and 2011/2012, all existing leases were classified as operating leases.

Other financial assets/cash and cash equivalents

Term deposits with an original maturity of more than three months are reported as other financial assets. Cash and cash equivalents comprise cash-in-hand, credit balances payable on demand, and term deposits with an original maturity of up to three months. All investments are denominated in euros and are invested solely with domestic credit institutions that are members of a deposit protection fund.

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 using the indirect method, under which profit for the period after taxes is adjusted for noncash earnings 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 or financing activities.

III. Disclosures on the Consolidated Statement of Comprehensive Income

(1) Revenue

The Group's revenue consists primarily of revenue from deliveries of cosmetic products amounting to € 4,529,228 (previous year: € 3,113 thousand), fees from research and development partnerships amounting to € 3,693,730 (previous year: € 4,046 thousand), and revenue from exchange transactions relating to research and development partnerships amounting to € 531,641 (previous year: € 0 thousand).

Fees from research and development partnerships comprise nominal fees, ongoing research and development fees, and performance-related fees from milestones and project success points. Reported revenue includes unbilled revenue from PoC contract work recognized in the reporting period (in the reporting period and the previous year, this related solely to fees from research and development partnerships) amounting to € 12,500 (previous year: € 19 thousand).

(2) Research and development grant revenue

R&D grant revenue amounting to € 738,528 (previous year: € 116 thousand) contains nonrepayable 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 were used for the designated purpose.

(3) Other income

Other income contains prior-period income of € 504,019 (previous year: € 60 thousand) from the derecognition of liabilities and reversal of provisions, primarily for contingent purchase price payments, as well as other items including employee-related reimbursements, insurance recoveries, and income from currency translation differences.

(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 other technology companies.

(5) Personnel expenses

The personnel expenses contain post-employment benefit costs (occupational pension plan, life insurance policies, and contributions to the pension insurance association) amounting to € 180,464 (previous year: € 173 thousand).

The employer contributions to the statutory pension insurance scheme amounted to € 402,865 in the fiscal year (previous year: € 364 thousand).

Post-employment benefit costs of approximately € 199 thousand and employer contributions to the statutory pension insurance scheme of approximately € 443 thousand are expected in fiscal year 2013/2014.

The post-employment benefit costs for members of the Management Board contained in the statement of comprehensive income are composed of the following items:

	2012/13 € thousand	2011/12 € thousand
Service cost	134	127
Interest cost	26	20
Expected return on plan assets	–30	–25
Amount at Sept. 30	130	122

The benefit entitlements of the members of the Management Board comprise an old-age pension from the age of 65 as well as surviving dependents' and invalidity benefits, which are paid out via an occupational pension plan (defined benefit plans).

The defined benefit obligation (DBO) changed as follows:

	2012/13 € thousand	2011/12 € thousand
Amount at Oct. 1	681	549
Interest cost	30	25
Service cost	134	127
Benefit payments	0	0
Actuarial gains (–)/losses (+)	–26	–20
Amount at Sept. 30	819	681

The obligation was secured by matching pension liability insurance policies. Plan assets changed as follows:

	2012/13 € thousand	2011/12 € thousand
Amount at Oct. 1	681	549
Expected return	30	25
Contributions paid	134	127
Benefit payments	0	0
Actuarial gains (+)/losses (–)	–26	–20
Amount at Sept. 30	819	681

Actual gains/losses from changes in plan assets in fiscal year 2012/13 amounted to € 4 thousand (previous year: € 5 thousand).

The following assumptions were applied to the measurement:

	2012/13	2011/12
Discount rate	4.0%	4.1%
Salary growth rate	n.a.	n.a.
Pension growth rate	n.a.	n.a.
Expected return on plan assets	4.0%	4.1%

As the amount of the DBO is the same as the plan assets, only the long-term return on plan assets was determined, based on the bonus expectations of the pension reinsurance provider (4.0 % p.a.).

The expected contributions to plan assets in fiscal year 2013/2014 amount to € 150 thousand. No pension payments are expected in fiscal year 2013/2014.

The changes in the DBO and plan assets over a five-year period are presented in the following table:

	2012/13 € thousand	2011/12 € thousand	2010/11 € thousand	2009/10 € thousand	2008/09 € thousand
DBO	–819	–681	–549	–429	–328
Plan assets	819	681	549	429	328
Underfunding (–) or overfunding (+)	0	0	0	0	0
Experience adjustments					
- from DBO	26	20	21	30	47
- from plan assets	–26	–20	–21	–30	–47

(6) Depreciation and amortization

Depreciation and amortization charges are presented in the statements of changes in intangible assets and property, plant, and equipment in the "Disclosures on the Statement of Financial Position (Balance Sheet)". They do not contain any impairment losses.

(7) Other expenses

Other expenses include advertising and travel expenses of € 899,975 (previous year: € 817 thousand), selling and administrative expenses of € 528,743 (previous year: € 619 thousand), legal and consulting expenses of € 481,596 (previous year: € 300 thousand), occupancy costs of € 239,304 (previous year: € 220 thousand), logistics expenses of € 169,915 (previous year: € 150 thousand), and repair and maintenance expenses of € 196,507 (previous year: € 125 thousand). Currency translation expenses amounted to € 183 (previous year: € 1 thousand).

(8) Finance income

Finance income mainly comprises interest income on euro-denominated call and term deposits with domestic credit institutions.

(9) Finance costs

Finance costs comprise fixed and profit-related payments for loans and silent partnerships (see note 21).

(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 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 is 12.60 % for B·R·A·I·N AG (after the change in the trade tax multiplier in 2012; previous year: 11.55 %), 12.25 % for Monteil GmbH (previous year: 12.25 %), 11.20 % for L.A. Schmitt GmbH (previous year: 11.20 %), and 9.8 % for Mekon GmbH (previous year: 9.8 %); this produces a composite tax rate of 28.425 % (previous year: 27.375 %) for B·R·A·I·N AG, 28.075 % for Monteil GmbH (previous year: 28.075 %), 27.025 % for L.A. Schmitt GmbH (previous year: 27.025 %), and 25.625 % for Mekon GmbH (previous year: 25.625 %).

Of the tax assets amounting to € 98,194 (previous year: € 147 thousand), € 91,518 (previous year: € 134 thousand) relates to corporate income tax and the solidarity surcharge, and € 6,676 (previous year: € 12 thousand) relates to trade tax.

Deferred tax assets and liabilities and their changes in the fiscal year are shown in the following table:

Line item	Sept. 30, 2013		Sept. 30, 2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€	€	€	€
Tax loss carryforwards	117,786	0	40,123	0
Property, plant, and equipment	35,535	209,168	32,163	217,266
Other liabilities	14,811	0	11,035	0
Deferred income	30,980	0	1,711	0
Trade receivables	0	3,553	0	5,133
Total	**199,112**	**212,721**	**85,032**	**222,399**
Offset	**–197,921**	**–197,921**	**–85,032**	**–85,032**
Total	**1,191**	**14,800**	**0**	**137,367**

		2012/13
		€
Net deferred tax liabilities at beginning of fiscal year		137,367
Recognition outside profit or loss of deferred taxes from initial consolidation of Group companies		0
Change in deferred taxes from consolidation adjustments (recognized in profit or loss)	4,781	
Change in temporary differences between carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base (recognized in profit or loss)	41,315	
Deferred tax income from tax loss carryforwards	77,663	
Deferred tax income reported in the statement of comprehensive income	123,759	–123,759
Net deferred tax liabilities at end of fiscal year		13,608

The differences between the expected income tax income based on the IFRS loss before taxes for the period and B·R·A·I·N AG's composite tax rate of 28.425 % (previous year: 27.375 %) and the income tax income reported in the consolidated statement of comprehensive income are shown in the following table:

	2012/13	2011/12
	€	€
Loss for the period before taxes	–4,641,354	–5,851,913
Expected tax income	–1,319,305	–1,601,961
Share of profit or loss of equity-accounted investments	6,130	12,130
Different tax rates applicable to consolidated subsidiaries	3,014	–3,113
Effects of changes in tax rates	421	0
Permanent differences from consolidation adjustments	–113,195	9,393
Cost of capital increase at B·R·A·I·N AG	–3,997	0
Nondeductible expenses/add-backs	10,264	12,254
Use (reversal and consumption) of tax loss carryforwards not recognized in previous years	–15,078	10,672
Recognition of tax loss carryforwards from previous years	–117,786	0
Tax loss carryforwards not recognized	1,425,688	1,553,796
Prior-period taxes and other differences	38	–6,317
Reported current or deferred income tax income (–)/expense (+)	–123,806	–13,146

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.

	2012/13	2011/12
	€	€
Current deferred tax assets	57,125	14,806
Noncurrent deferred tax assets	141,987	70,226
Current deferred tax liabilities	11,651	11,279
Noncurrent deferred tax liabilities	201,069	211,120
Net current deferred tax assets	45,474	3,527
Net noncurrent deferred tax liabilities	–59,082	–140,894

Based on the detailed planning horizon of three fiscal years modeled in the tax projections of the consolidated entities, no deferred tax assets were recognized for tax loss carryforwards with an (in principle) unlimited carryforward period resulting from fiscal year 2012/13 and previous fiscal years amounting to € 13,045 thousand (corporate income tax) and € 13,401 thousand (trade tax). The potential tax benefits that have therefore not been recognized amount to € 3,763 thousand. Deferred tax assets are recognized to the extent that taxable temporary differences exceed deductible temporary differences for the detailed planning horizon.

(11) Earnings per share

As in the previous year, earnings per share were calculated on the basis of the loss for the period of € 4,095,362 reported in the consolidated statement of comprehensive income (previous year: loss of € 5,537 thousand).

Earnings per share are calculating by dividing the loss for the period by the average number of shares of B·R·A·I·N AG outstanding in the fiscal year. The average number of shares in fiscal year 2012/13 amounted to 11,657,470 no-par value shares (previous year: 11,453,228 no-par value shares).

There were no dilutive effects.

IV. Disclosures on the Statement of Financial Position (Balance Sheet)

(12) Intangible assets

The composition of and changes in intangible assets are shown in the following table:

€	**Goodwill**	**Other intangible assets**	**Total intangible assets**
Fiscal year 2011/12			
Net carrying amount at beginning of FY	7,617	54,702	62,319
Additions from business combinations	2,107,818	23,145	2,130,963
Additions	0	36,823	36,823
Disposals	0	0	0
Amortization: additions	7,617	33,251	40,868
Amortization: disposals	0	0	0
Net carrying amount at end of FY Sept. 30, 2012	**2,107,818**	**81,419**	**2,189,237**
Cost	2,115,435	231,191	2,346,627
Cumulative amortization	7,617	149,772	157,389
Net carrying amount	**2,107,818**	**81,419**	**2,189,237**

Fiscal year 2012/13			
Net carrying amount at beginning of FY	2,107,818	81,419	2,189,237
Additions	0	139,261	139,261
Disposals	0	0	0
Amortization: additions	0	39,507	39,507
Amortization: disposals	0	0	0
Net carrying amount at end of FY Sept. 30, 2013	**2,107,818**	**181,173**	**2,288,991**
Cost	2,115,435	370,452	2,485,887
Cumulative amortization	7,617	189,279	196,896
Net carrying amount	**2,107,818**	**181,173**	**2,288,991**

The goodwill reported as of September 30, 2013, results from the acquisition of Monteil Cosmetics International GmbH in fiscal year 2011/12.

Amortization charges are based largely on the following useful lives:

	Useful life in years
Genetic resources	2 – 8
Software and industrial property rights	2 – 15

As in the previous year, no development expenditures were capitalized in fiscal year 2012/13 because not all of the criteria defined in IAS 38 were met.

In the statement of comprehensive income, the research and development expenses amounting to € 6,084,474 (previous year: € 4,840 thousand) are mainly contained in the line items "Personnel expenses", "Cost of materials", and "Other expenses".

(13) Property, plant, and equipment

Investments in property, plant, and equipment in fiscal year 2012/13 were attributable primarily to the technical expansion of the research, development, and manufacturing infrastructure. The composition of and changes in property, plant, and equipment are shown in the following table:

€	**Land and buildings**	**Operating and office equipment**	**Total property, plant, and equipment**
Fiscal year 2011/12			
Net carrying amount at beginning of FY	5,454,661	1,562,910	7,017,570
Additions from business combinations	0	94,866	94,866
Additions	5,824	330,068	335,892
Disposals	0	–80,706	–80,706
Depreciation: additions	194,558	432,684	627,241
Depreciation: disposals	0	–37,837	–37,837
Net carrying amount at end of FY Sept. 30, 2012	**5,265,927**	**1,512,291**	**6,778,218**
Cost	6,510,813	4,015,087	10,525,900
Cumulative depreciation	1,244,886	2,502,796	3,747,681
Net carrying amount	**5,265,927**	**1,512,291**	**6,778,218**
Fiscal year 2012/13			
Net carrying amount at beginning of FY	5,265,927	1,512,291	6,778,218
Additions	0	585,690	585,690
Disposals	0	–50,304	–50,304
Depreciation: additions	194,557	436,851	631,409
Depreciation: disposals	0	–49,312	–49,312
Net carrying amount at end of FY Sept. 30, 2013	**5,071,369**	**1,660,138**	**6,731,507**
Cost	6,510,813	4,550,473	11,061,285
Cumulative depreciation	1,439,443	2,890,335	4,329,778
Net carrying amount	**5,071,369**	**1,660,138**	**6,731,507**

Depreciation charges are based largely 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	3 – 14

(14) Shares in equity-accounted investments

The carrying amount of the investment in the Enzymicals AG* associate changed as follows [* fiscal year = calendar year]:

	€
Cost in fiscal year 2009/10	251,837
Share of profit or loss after taxes in 2009/10	–18,449
Carrying amount at Sept. 30, 2010	233,388
Share of profit or loss after taxes in 2010/11	–47,387
Carrying amount at Sept. 30, 2011	186,002
Cost in fiscal year 2011/12	49,995
Share of profit or loss after taxes in 2011/12	–44,311
Carrying amount at Sept. 30, 2012	191,686
Share of profit or loss after taxes in 2012/13	–21,566
Carrying amount at Sept. 30, 2013	170,119

B·R·A·I·N AG's equity interest in Enzymicals AG decreased from 24.998 % to 24.095 % in fiscal year 2012/13 due to a capital increase implemented by third parties. The dilution gain was not recognized for reasons of materiality.

The following tables show the aggregated profit and loss and balance sheet data of Enzymicals AG and the amounts of profit or loss for the period and equity attributable to B·R·A·I·N AG in line with its interest (2012/13 = 24.095 %; 2011/12 = 24.998 %).

Profit or loss data	Oct. 2012 - Sept. 2013 €	Oct. 2011 - Sept. 2012 €
Revenue	475,617	256,517
Profit or loss for the period	–89,505	–177,316
Share of profit or loss after taxes	–21,566	–44,311

Balance sheet data	Sept. 30, 2013	Sept. 30, 2012
	€	€
Noncurrent assets	119,258	110,976
Current assets	146,660	165,080
Noncurrent liabilities	33,000	90,000
Current liabilities	201,702	111,847
Equity	31,216	74,209
Interest in equity	7,521	18,551

The impairment test performed at the end of the reporting period did not result in any impairment loss on the carrying amount of the investment.

(15) Inventories

Inventories are composed of the following items:

	Sept. 30, 2013	Sept. 30, 2012
	€	€
Raw materials, consumables, and supplies	728,299	721,110
Work in progress	555,201	452,627
Finished goods	766,238	850,423
Prepayments	1,199	22,987
	2,050,937	2,047,147

The carrying amount of inventories that were assigned as security for the financial liabilities of a subsidiary at the end of the reporting period was € 467,915.

Inventories are measured at cost using the FiFo method. Impairment losses of € 88,594 (previous year: € 19 thousand) were recognized on inventories.

(16) Trade receivables

Trade receivables are composed of the following items:

	Sept. 30, 2013 €	Sept. 30, 2012 €
Trade receivables	1,536,015	1,276,979
PoC receivables	12,500	18,750
	1,548,515	1,295,729

The cumulative costs before fees received from cooperation agreements attributable to receivables measured using the PoC method at the end of the reporting period amounted to € 6,906 (previous year: € 10 thousand).

Trade receivables have a maturity of up to one year. Specific valuation allowances of € 38,941 (previous year: € 51 thousand) and global valuation allowances of € 11,583 (previous year: € 12 thousand) were recognized on the receivables as of September 30, 2013. These are recorded in a separate allowance account. Global valuation allowances are recognized to reflect the risk of unexpected financial difficulties at customers.

	Trade receivables	of which: neither past due nor impaired at the end of the reporting period	of which: past due in the following periods				Impairment losses	Carrying amount
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
			Up to 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days		
Sept. 30, 2013	1,599	1,285	152	26	2	135	51	1,549
Sept. 30, 2012	1,359	1,022	138	28	22	86	63	1,296

The receivables that are neither past due nor impaired at the end of the reporting period are estimated to be recoverable. The past due receivables amounting to € 315 thousand most accurately represent the maximum default risk. Changes in impairment losses are shown in the following table:

	€
Carrying amount at beginning of period	63,375
Reversals	12,851
Carrying amount at end of period	50,524

Write-offs of trade receivables amounting to € 71,645 (previous year: € 65 thousand) that had not been derecognized through profit or loss in previous years were written off through profit or loss in fiscal year 2012/13. There was no requirement to reverse impairment losses on receivables written down.

(17) Other noncurrent and current assets

Other noncurrent assets result from accrued expenses that relate to a specific period after the reporting period.

Other current assets primarily comprise receivables from the tax authorities (€ 30,443; previous year: € 110 thousand), expenditures relating to the subsequent period (€ 108,916; previous year: € 95 thousand), prepayments (€ 57,099; previous year: € 45 thousand), and receivables from Enzymicals AG and other third parties (€ 128,787; previous year: € 13 thousand). All assets have a maturity of up to one year. No assets at the end of the reporting period were past due or impaired.

(18) Other financial assets

Other financial assets comprise euro-denominated term deposits with a maturity of more than three months and a maximum of twelve months, and interest receivable on those deposits at the end of the reporting period. Due to the short maturity, the carrying amount is largely the same as the fair value. No assets at the end of the reporting period were past due or impaired.

(19) Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and bank balances payable on demand. This item also includes call money deposits and short-term term deposits with an original maturity of up to three months denominated in euros. All call money and term deposits (including the term deposits with a maturity of more than three months reported as "Other financial assets") were held with domestic credit institutions that are members of a deposit protection fund.

Other noncash expenses (previous year: income) in the statement of cash flows primarily relate to the expenses incurred for the valuation of inventories amounting to € 88,594 (previous year: € 44 thousand).

(20) Equity

Changes in equity are presented in the statement of changes in equity.

The Group's **share capital** amounted to € 12,725,818 at the end of the reporting period (previous year: € 11,453,228). Based on the resolution of the Annual General Meeting dated March 14, 2013, the Company's share capital was increased to € 12,725,818 by issuing 1,272,590 no-par value registered shares against cash contributions. The capital increase was recorded in the commercial register on August 21, 2013.

The share capital is composed of 12,725,818 no-par value shares each with a notional value of € 1.00 (previous year: 11,453,228 no-par value shares). The shares are fully paid up and are registered shares.

The **capital reserves** contain the share premium from the issuance of shares, net of transaction costs after taxes.

Retained earnings changed as follows in the fiscal year:

	€
Retained earnings at Oct. 1, 2012	–8,213,569
Loss for the period 2012/13	–4,095,361
Retained earnings at Sept. 30, 2013	–12,308,930

Noncontrolling interests reflect the 49.50 % interest in the net assets of Monteil GmbH not held by B·R·A·I·N AG. After attributing the share of Monteil GmbH's loss for the period in the amount of € -422,187, the carrying amount of the investment amounted to € 292,532 at the end of the fiscal year (previous year: € 714,719).

(21) Financial liabilities

Financial liabilities are composed of the following items:

	Sept. 30, 2013 €	Sept. 30, 2012 €
Contributions by silent partners	1,400,000	1,400,000
Loans	3,528,705	3,457,461
	4,928,705	4,857,461

The contributions by silent partners at the end of the reporting period on September 30, 2013, comprise a contribution by MBG H Mittelständische Beteiligungsgesellschaft Hessen mbH (MBG H), Frankfurt am Main, amounting to € 1,400,000. 20 % of the contribution by MBG H is repayable as of March 31, 2014, a further 20 % as of March 31, 2015, and 60 % as of March 31, 2016. The Company pays a fixed remuneration of a notional 7.7% p.a. on the contribution by MBG H, plus a profit share in the ratio of the notional amount of the silent partnership of MBG H to the notional amount of the equity of B·R·A·I·N AG, but in any case no more than 1.25 % of the contribution. The Company is entitled to call the silent partner contribution prior to the agreed dates; however, because of the negative consequences this would have for the Company (prepayment penalties), this option effectively has no economic value for the Company. The silent partnership does not participate in any losses. There is no additional funding obligation.

The liabilities to credit institutions and third parties (loans) are measured at amortized cost. They and the interest expense are calculated using the effective interest method.

There are land charges with compulsory enforcement clauses on land owned by B·R·A·I·N AG with a notional value of € 3,500,000. All land charges serve to secure bank liabilities, which amounted to € 2,500,000 at the end of the reporting period. The land charges rank behind an unassigned land charge in favor of the owner amounting to € 500,000.

In the case of the L.A. Schmitt GmbH subsidiary, the financial liabilities (€ 281,479 as of September 30, 2013) are secured by land charges on its business property amounting to € 400,000 and by a global assignment of receivables and the assignment of inventories. Other than standard retention of title, no other liabilities are secured by liens or similar rights.

The carrying amount of the collateral furnished at the end of the reporting period amounted to € 4,816,441.

The notional interest rate on the fixed-rate loans amounts to between 4.05 % and 4.30 % p. a. The rates for the floating-rate loans are oriented on the 6-month base rate (Libor or Euribor).

The notional amounts of the maturities of the financial liabilities are shown in the following table:

Sept. 30, 2013	Remaining maturity up to 1 year	Remaining maturity 1 – 5 years	Remaining maturity more than 5 years
	€	€	€
Contributions by silent partners	280,000	1,120,000	0
Loans	755,616	2,439,757	333,333
	1,035,616	3,559,757	333,333

Sept. 30, 2012	Remaining maturity up to 1 year	Remaining maturity 1 – 5 years	Remaining maturity more than 5 years
	€	€	€
Contributions by silent partners	0	1,400,000	0
Loans	252,649	2,371,479	833,333
	252,649	3,771,479	833,333

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

Sept. 30, 2013		13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Principal repayments		1,036	1,220	1,340	500	500	333	0	0	0
Interest payments		243	192	104	46	25	5	0	0	0
Profit-related payments		16	12	5	0	0	0	0	0	0
Total excluding profit-related payments		1,279	1,412	1,444	546	525	339	0	0	0
Total including profit-related payments		1,294	1,424	1,449	546	525	339	0	0	0

The interest expense of € 265,382 (previous year: € 291 thousand) reported in the statement of comprehensive income for the reporting period relates mainly to the financial liabilities described above.

(22) Other liabilities

Current other liabilities include accrued vacation pay liabilities amounting to € 415,803 (previous year: € 298 thousand), liabilities for bonuses payable to employees and members of the Management Board amounting to € 138,000 (previous year: € 245 thousand), wage and church tax liabilities (€ 91,585; previous year: €106 thousand), customer bonuses (€ 72,000; previous year: € 0 thousand), and VAT, payroll, and Supervisory Board remuneration liabilities.

(23) Deferred income

Deferred income comprises deferred revenue from one time/nominal fees, including € 67,737 with a maturity of up to one year and € 41,250 with a maturity of more than one year (previous year: €6 thousand with a maturity of more than one year).

(24) Provisions

The amount reported relates primarily to the estimated expenses for preparing and auditing the financial statements, audit and consulting expenses, and expenses for the disabled persons equalization levy payable and contributions payable to the occupational health and safety agency. The obligations are expected to be settled in the following fiscal year. Changes in provisions are shown in the following overview:

Oct. 1, 2012	Additions from business combinations	Other additions	Amounts utilized	Amounts unutilized and reversed	Sept. 30, 2013
€	€	€	€	€	€
239,195	0	156,866	220,034	10,851	165,176

Oct. 1, 2011	Additions from business combinations	Other additions	Amounts utilized	Amounts unutilized and reversed	Sept. 30, 2012
€	€	€	€	€	€
145,609	18,566	230,077	154,751	306	239,195

(25) Prepayments received

Prepayments received are attributable primarily to research and development services and have a maturity of up to one year.

(26) Trade payables

Trade payables have a maturity of up to one year.

V. Other Disclosures

(27) Financial instruments/Risk management

Financial instruments

The following overview presents recognized financial instruments based on their IAS 39 measurement categories. In order to enhance 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 from the other financial instruments in the LaR category in the following.

The following abbreviations are used for the measurement categories:

Abbreviation	IAS 39 measurement categories
AFS	Available for sale financial assets
LaR	Loans and receivables
FVPL	Financial assets at fair value through profit or loss
LVPL	Financial liabilities at fair value through profit or loss
FLAC	Financial liabilities at amortized cost

There were no financial assets or liabilities in the "at fair value through profit or loss" or "liabilities held for trading" categories in the reporting periods presented.

The financial assets and liabilities can be summarized as follows (in € thousand):

Category	Category	Carrying amount	IAS 39 measurement category				Fair value
	IAS 39	Sept. 30, 2013	Amortized	Cost	Fair value	Fair value	Sept. 30, 2013
		(Sept. 30, 2012)	cost		through OCI	through profit or loss	*(Sept. 30, 2012)*
Assets							
Shares in unconsolidated affiliated companies	AFS	5 (5)		5 (5)			5 (5)
Available-for-sale financial assets	AFS	532 (0)		532 (0)			532 (0)
Trade receivables	LaR	1,549 (1,296)	1,549 (1,296)				1,549 (1,296)
Other current assets	LaR	27 (13)	27 (13)				27 (13)
Other financial assets	LaR	2,000 (4,242)	2,000 (4,242)				2,000 (4,242)
Cash and cash equivalents	LaR	9,259 (2,534)	9,259 (2,534)				9,259 (2,534)
Liabilities							
Trade payables	FLAC	1,119 (828)	1,119 (828)				1,119 (828)
Financial liabilities	FLAC	4,929 (4,857)	4,929 (4,857)				5,046 (4,906)
Other liabilities	FLAC	95 (398)	95 (398)				95 (398)

Available-for-sale financial assets comprise an equity investment newly acquired in the fiscal year. As no listed market price was available, it was recognized at cost at the end of the reporting period.

Trade receivables include PoC receivables that fall within the scope of IFRS 7.

Intangible assets and property, plant, and equipment, tax assets (current and deferred), inventories, and the prepaid expenses and prepayments on items of property, plant, and equipment included in other assets do not fall within the scope of IFRS 7.

Payroll, tax, and social security liabilities are not classified as financial liabilities. Tax liabilities, prepayments received, and deferred income also do not fall within the scope of IFRS 7.

Cash and cash equivalents, other financial assets, trade receivables, and trade payables mainly have short maturities. As a result, their carrying amounts at the end of the reporting period approximate their fair values.

Liabilities to banks and other lenders, as well as to silent partners, reported in current and noncurrent financial liabilities are measured at amortized cost. The fair values of financial liabilities are determined by discounting using current discount rates that match the maturity and risk of the liabilities. The conditions are described in detail in note (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).

As in the prior-year period, B·R·A·I·N AG did not hold any financial instruments measured at fair value at the end of the reporting period.

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

Sept. 30, 2013		13/14	14/15	15/16	16/17	17/18	18/19	18/19	19/20	20/21	21/22
		€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Silent partnerships (without profit-sharing)		396	372	877	0	0	0	0	0	0	0
Liabilities to lenders		876	1,036	567	546	525	338	0	0	0	0
Other liabilities		95	0	0	0	0	0	0	0	0	0
Trade payables		1,119	0	0	0	0	0	0	0	0	0
Total		2,486	1,408	1,444	546	525	338	0	0	0	0

Net gains or losses on financial instruments are presented by measurement category in the following table:

€ thousand 2012/13 (2011/12)	From interest and dividends	From subsequent fair value measurement/impairment	From disposals	Net gains/losses
Loans and receivables	27 (162)	13 (–45)	–72 (0)	–32 (117)
Financial liabilities measured at (amortized) cost	–258 (–278)	398 (–13)	0 (0)	140 (–291)
	–231 (–116)	411 (–58)	–72 (0)	108 (–174)

As in the prior-year period, there were no gains or losses on financial instruments in the "available-for-sale", "assets/liabilities at fair value through profit or loss", or "liabilities held for trading" categories in the reporting period.

Interest income and expenses relating to financial instruments are reported in "Finance income" and "Finance costs", respectively, in the statement of comprehensive income.

Risk management

The Group is exposed to a range of financial risks because of its business activities: credit risk, currency risk, interest rate risk, and liquidity risk.

The Company has implemented a risk management system to identify and avoid risks. Among other things, this system is based on the rigorous supervision of business transactions, the comprehensive exchange of information with the responsible employees, and regular - mostly monthly - analyses of key performance indicators for the business.

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

With regard to the financial instruments used by the Company, the objective of B·R·A·I·N AG's risk management is to minimize the risk exposure resulting from financial instruments. The Company does not enter into derivative financial instruments without a corresponding underlying. In both the reporting period and the prior-year period, liquid funds were invested with domestic financial institutions that are members of a German deposit protection fund.

The recognized financial instruments could result in principle in the following risk exposures:

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 comprises both counterparty credit risk and the risk of a deterioration in credit quality, along with cluster risk. The maximum exposure to counterparty credit risk is equal to the carrying amounts of the financial instruments at the end of the reporting period. The counterparty credit risk relevant to the Company's operating activities is represented by the risk that customers will fail to discharge their payment obligations. No cluster risk is evident in the customer receivables because the claims relate to a large number of different counterparties. The credit quality of the contracting parties is assessed in order 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 solely in euro-denominated term deposits of up to twelve months with domestic financial institutions that are members of a German deposit protection fund.

Currency risk

No hedges are entered into because currency exposures are insignificant at B·R·A·I·N AG. Because of the lack of significance, a sensitivity analysis of currency risk in accordance with IFRS 7 would not be meaningful.

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.

B·R·A·I·N AG's term deposits have fixed-interest periods that match their maturities. Most of the loans also have fixed-interest periods that match their maturities. The Company therefore believes that it is not exposed to any direct interest rate risk.

The risk exposures of term deposits and loans with fixed-interest periods that match their maturities are limited to the risk that the Company cannot obtain benefits from any potentially higher interest rates that might be obtained from investments and/or lower loan interest rates during the terms of the deposits and loans.

If the market rate of interest for call money and term deposits were to decline by up to 100 basis points, a one-year investment of B·R·A·I·N AG's portfolio of liquid funds, call money, and term deposits as of September 30, 2013, amounting to € 11,259,432 would decrease profit or loss for the period by up to € 112,594. A 100 basis point rise in the market rate of interest would increase profit or loss before taxes by € 112,594.

Because a high proportion (> 75 % of financial liabilities) of B·R·A·I·N AG's financial liabilities are subject to fixed-rate agreements, the Company could only profit to a limited extent from lower market interest rates for borrowings.

The floating-rate liabilities amounting to approximately € 647,169 are exposed to the risk of rising market rates of interest. If market rates were to rise (decline) by a notional 1 percentage point compared with the rate prevailing at the end of the reporting period, interest expense would increase (decrease) by € 7 thousand.

Capital management/liquidity risk

The objective of B·R·A·I·N AG's capital management is to fund the planned growth of the Company and to ensure the availability of corresponding funds for its short-term funding requirements. The managed capital comprises all short- and long-term liabilities as well as the components of equity. For debt and equity management purposes, the concepts correspond to the amounts reported in the balance sheet.

B·R·A·I·N AG and its subsidiaries are not subject to any capital adequacy requirements above and beyond those in the *Aktiengesetz* (German Stock Corporation Act).

Financial liabilities of a subsidiary amounting to € 281,479 (notional value as of September 30, 2013) are subject to a covenant providing for a minimum equity ratio of 30 % of the subsidiary's total assets. As this equity ratio notionally fell short of the specified ratio as of September 30, 2013, the funding was ensured by subordinating shareholder loans.

B·R·A·I·N AG's liquid funds are invested in euro-denominated call money and term deposits with maximum maturities of twelve months in order to ensure a high level of liquidity at all times.

(28) Disclosures on the fees paid to the auditors

The fees paid to the auditors of B·R·A·I·N AG engaged for the fiscal year in question comprise the following items:

	2012/13	2011/12
	€	€
Audit services	83,200	63,224
Other services	0	0
	83,200	63,224

The fees paid to the auditors includes a surplus of €21 thousand brought forward from the previous year.

(29) Related party disclosures

Management Board and Supervisory Board

There were no changes in the composition of the Management Board in the fiscal year and in the period up to the preparation of the financial statements. The members of the Management Board are:

Dr. Holger Zinke, Heppenheim (Chair)

CEO

Dr. Jürgen Eck, Bensheim (Deputy Chair)

CTO

The members of the Management Board are authorized to jointly represent the Company.

The remuneration of the Management Board in the fiscal year amounted to:

	2012/13	2011/12
	€	€
Fixed remuneration	380,000	380,000
Cost of old age, surviving dependents', and invalidity benefits	137,612	130,898
Performance-related remuneration	114,000	114,000
	631,612	624,898

In the event of early termination of a member's contract of service, a supplementary funding requirement for the benefits funded via the occupational pension plan could arise. The Company rates the probability of such an early termination and the occurrence of any claims resulting from such a termination as very low.

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

Dr. Holger Zinke

Technische Universität Darmstadt, Deputy Chair of the University Council

Mannheim University of Applied Sciences, Member of the University Council

Dr. Jürgen Eck

Member of the Supervisory Board, Enzymicals AG, Greifswald

The members of the Management Board directly and indirectly held 2,100,000 shares at the end of the reporting period.

The members of the Supervisory Board at the end of the reporting period were:

Dr. Ludger Müller, Kaiserslautern

Managing Director, MP Beteiligungs-GmbH

Michael Motschmann, Munich (Deputy Chair)

Member of the Executive Board, MIG Verwaltungs AG

Siegfried L. Drueker, Bad Homburg

Managing Director, Drueker GmbH & Co. KG

Prof. Dr. Klaus-Peter Koller, Bad Soden am Taunus

Self-employed management consultant

Dr. Matthias Kromayer, Munich

Member of the Executive Board, MIG Verwaltungs AG

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

Michael Motschmann

AFFiRiS AG, Vienna (Chair)

APK Aluminium und Kunststoffe AG, Merseburg

AWAG AG, Munich

Biocrates Life Sciences AG, Innsbruck

BioNTech AG, Mainz

HMW Emissionshaus AG, Pullach

Protagen AG, Dortmund

Dr. Matthias Kromayer

Amsilk GmbH, Martinsried (Chair of the Advisory Council)

Biocrates AG, Innsbruck (Deputy Chair)

Cerbomed GmbH, Erlangen (Chair of the Advisory Council)

Immatics GmbH, Tübingen (Member of the Advisory Council)

Nexigen GmbH, Cologne (Chair of the Advisory Council)

SuppreMol GmbH, Martinsried (Member of the Advisory Council)

Virologik GmbH, Erlangen (Chair of the Advisory Council)

Siegfried L. Drueker

Georgsmarienhütte Holding GmbH (Chair)

Georgsmarienhütte GmbH

The remuneration of the Supervisory Board in the reporting period was as follows:

	2012/13	2011/12
	€	€
Fixed remuneration	19,500	19,500
Attendance fees	22,000	25,000
Total remuneration	41,500	44,500

The members of the Supervisory Board did not directly and indirectly hold any shares of the Company at the end of the reporting period.

Other relationships with related parties

There were no material supplies or purchases of goods or services between the members of the governing bodies or their related parties and companies included in the B·R·A·I·N Group in fiscal years 2012/13 and 2011/12.

MP Beteiligungs-GmbH, Kaiserslautern, held more than 25 % but less than 50 % of the shares of B·R·A·I·N AG as of September 30, 2013.

Monteil Cosmetics International S.A.R.L., Paris, is classified as a related party because it is not consolidated. Enzymicals AG, Greifswald, is an associate in accordance with IAS 28.2 and is thus classified as a related party in accordance with IAS 24.9. In fiscal year 2012/13, Enzymicals AG provided research and development services to B·R·A·I·N AG amounting to € 27,307. At the end of the reporting period, B·R·A·I·N AG had loan and interest receivables from Enzymicals AG amounting to € 27,775 and trade payables to Enzymicals AG amounting to € 9,667.

At the end of the reporting period on September 30, 2013, liabilities outstanding to members of governing bodies or their related parties and to companies included in the B·R·A·I·N Group amounted to € 6,695.

All supplies of goods and services between the Group and its related party entities and individuals were transacted on an arm's length basis.

(30) Contingencies and other financial commitments

There were no contingent liabilities to third parties at the end of the reporting period. Other financial commitments (operating leases) relate among other things to telecommunication systems whose contract terms are prolonged automatically by one year unless terminated, technical storage systems with fixed terms of between seven months and five years, and workwear rental services with a contractual notice period of six months to the end of a calendar year. The minimum lease payments have the following terms:

Minimum lease payments	Sept. 30, 2013 €	Sept. 30, 2012 €
Term of up to 1 year	17,015	10,546
Term of 1 – 5 years	1,345	11,547
Term of more than 5 years	0	0
	18,360	22,093

The total amount of lease payments recognized as expenses in the fiscal year was € 64,124 (previous year: € 11 thousand).

There were no financial commitments from investment projects in progress as of September 30, 2013.

There are contingent purchase price obligations for intangible assets that depend on the achievement of specific future revenue using these intangible assets up to a maximum amount of € 160,000.

Contingent purchase price payments that may amount to a total of up to € 1,150,000 if certain business targets are met were agreed in the course of business combinations. The amounts recognized to settle these obligations decreased from € 398,224 to € 0 in the reporting period. It was also agreed in the course of business combinations that, if certain revenue targets are met by the subsidiaries acquired, additional equity of €1 million will be contributed to these subsidiaries.

The Management Board is not aware of other facts or circumstances that could lead to material additional financial commitments.

(31) Employees

An average of 129 employees were employed in fiscal year 2012/13 (previous year: 118), of whom 13 were casual workers (previous year: 13) and 4 were sponsored students (previous year: 6).

(32) Events after the reporting period

B·R·A·I·N AG entered into contractual arrangements that may lead to the acquisition of an investment, effective October 1, 2013, on condition that further contractual arrangements are entered into and that various further conditions precedent are met. This potential investment concerns the acquisition of a majority interest in a company in the industry. The consideration payable on completion of the acquisition is estimated at approximately € 2.7 million, with acquisition-related costs amounting to approximately € 50 thousand.

As the potential acquisition date was close to the preparation date of the financial statements, and due to the fact that the contractual arrangements have not yet been fully entered into, no final measurement of the fair values of the assets acquired, liabilities assumed, and contingent liabilities of this company was possible.

Based on preliminary estimates, goodwill could amount to up to 75 % of the purchase price. The goodwill reflects the market position of the company, among other factors.

There have been no further events and developments of particular significance for the Company’s net assets, financial position, and results of operations since the end of the reporting period on September 30, 2013.

Zwingenberg, December 16, 2013

Dr. Holger Zinke	Dr. Jürgen Eck
Chair of the Management Board	Deputy Chair of the Management
Board	

Auditor's report

The following auditors' report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (*Handelsgesetzbuch*) on the consolidated financial statements of BRAIN AG as of and for the fiscal year ended Septmber 30, 2013 and the Group management report for the period from October 1, 2012 to September 30, 2013. The Group management report for the period from October 1, 2012 to September 30, 2013 is not included in this Prospectus.

To B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg

We have audited the consolidated financial statements prepared by the B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2012 to September 30, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, December 16, 2013

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Christian Kwasni
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited unconsolidated financial statements of BRAIN AG prepared in accordance with the German Commercial Code (Handelsgesetzbuch) as of and for the financial year ended September 30, 2015

Balance Sheet

		Sept. 30, 2015 €	€	Sept. 30, 2014 €
		€		€
A. FIXED ASSETS				
I.	**Intangible assets**			
1.	Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets		611,736.00	651,870.00
II.	**Tangible fixed assets**			
1.	Land, land rights and buildings, including buildings on third-party land	4,050,329.61		4,193,073.61
2.	Other equipment, operating and office equipment	1,195,717.54		1,269,473.04
3.	Prepayments and assets under construction	19,543.69		6,580.00
			5,265,590.84	5,469,126.65
III.	**Long-term financial assets**			
1.	Shares in affiliated companies	9,494,137.70		6,763,588.26
2.	Loans to affiliated companies	261,750.00		300,000.00
3.	Other long-term equity investments	2.00		158,643.45
4.	Prepayments on long-term financial assets	29,940.50		25,373.44
			9,785,830.20	7,247,605.15
B.	**CURRENT ASSETS**			
I.	**Inventories**			
1.	Raw materials, consumables, and supplies	418,629.95		366,473.63
2.	Finished goods and merchandise	7,001.74		6,307.77
3.	Prepayments	18,542.01		33.67
			444,173.70	372,815.07
II.	**Receivables and other assets**			
1.	Trade receivables	946,872.39		1,072,644.90
2.	Receivables from affiliated companies	565,685.97		1,240,217.17
3.	Receivables from other long-term investees and investors	142,495.00		83,462.42
4.	Other assets	79,643.89		87,677.33
			1,734,697.25	2,484,001.82
III.	**Cash in hand and bank balances**		1,664,538.78	3,543,314.42
C.	**PREPAID EXPENSES**		139,779.50	167,673.32
			19,646,346.27	19,936,406.43

		Sept. 30, 2015 €	€	Sept. 30, 2014 €
A.	**EQUITY**			
I.	**Subscribed capital**	12,725,818.00		12,725,818.00
II.	**Capital reserves**	17,279,576.73		17,279,576.73
III.	**Net accumulated losses**	-23,175,983.83		-17,032,498.61
			6,829,410.90	12,972,896.12
B.	**PROVISIONS**			
1.	Pension and similar provisions		682,000.00	0,00
2.	Other provisions		1,818,133.53	1,357,017.62
C.	**LIABILITIES**			
1.	Liabilities to silent partners	2,340,000.00		2,620,000.00
2.	Liabilities to banks	1,833,333.28		2,333,333.32
3.	Trade payables	179,132.06		269,279.70
4.	Trade payables to affiliated companies	42,156.76		9,270.62
5.	Shareholders loan	5,500,000.00		0.00
6.	Other liabilities (of which taxes: €72,870.50; previous year: €110 thousand) (of which relating to social security and similar obligations: €0; previous year: €0.2 thousand)	76,069.05		150,317.56
			9,970,691.15	5,382,201.20
D.	**DEFERRED INCOME**		346,110.69	224,291.49
			19,646,346.27	19,936,406.43

Income Statement for the Period October 1, 2014, to September 30, 2015

		2014/15		2013/14
		€	€	€
1.	Sales		6,532,583.24	5,484,644.98
2.	Other operating income		443,352.93	191,938.28
3.	Cost of materials			
	a) Cost of raw materials, consumables, and supplies	-871,964.52		-674,056.05
	b) Cost of purchased services	-2,189,345.79		-1,964,799.62
			-3,061,310.31	-2,638,855.67
4.	Personnel expenses			
	a) Wages and salaries	-4,624,017.07		-4,174,331.78
	b) Social security, post-employment, and other employee benefit costs	-1,749,921.60		-1,027,865.43
	(of which in respect of post-employment benefits: €884,838; previous year: €197 thousand)		-6,373,938.67	-5,202,197.21
5.	Depreciation and amortization			
	a) Amortization of intangible fixed assets and depreciation of tangible fixed assets		-516,421.01	-535,705.64
6.	Other operating expenses		-2,503,185.48	-1,442,785.39
7.	Income from long-term loans (of which from affiliated companies: €16,863.75; previous year: €12 thousand)		16,863.75	12,150.00
8.	Other interest and similar income (of which from affiliated companies: €32,997.50; previous year: €25 thousand)		40,163.64	38,823.07
9.	Writedowns of long-term financial assets		-283,640.45	-652,322.35
10.	Interest and similar expenses		-203,114.80	-104,714.27
11.	**Result from ordinary activities**		**-5,908,647.16**	**-4,849,024.20**
12.	Taxes on income		0.00	0.11
13.	Other taxes		-6,528.06	-6,378.88
14.	Profit transferred on the basis of a partial profit transfer agreement		-228,310.00	-154,395.00
15.	**Net loss for the fiscal year**		**-6,143,485.22**	**-5,009,797.97**
16.	Accumulated losses brought forward		-17,032,498.61	-12,022,700.64
17.	**Net accumulated losses**		**-23,175,983.83**	**-17,032,498.61**

Notes to the Annual Financial Statements for Fiscal Year 2014/2015

A. General Information

The annual financial statements of B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg (B·R·A·I·N AG) were prepared on the basis of the accounting requirements of the *Handelsgesetzbuch* (HGB—German Commercial Code) and the *Aktiengesetz* (AktG—German Stock Corporation Act).

The income statement was prepared using the total cost (nature of expense) method.

Partial use was made of the option to disclose amounts in the notes instead of in the balance sheet and the income statement.

B·R·A·I·N AG is classified as a medium-sized corporation under the size classes defined in section 267 of the HGB.

The Company makes use of the size-related exemptions set out in section 288(2) of the HGB.

The financial statements were prepared on the basis of the going-concern principle.

In addition, as the ultimate parent company, B·R·A·I·N AG has voluntarily prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, for the year ended September 30, 2015, pursuant to section 315a (3) of the HGB, as the exemption criteria set out in section 293 of the HGB are applicable.

B. Accounting and Valuation Policies

Purchased intangible fixed assets are recognized at purchase cost. The carrying amounts of finite-lived intangible fixed assets are reduced by amortization.

Tangible fixed assets are recognized at purchase or production cost, respectively. The carrying amounts of depreciable tangible fixed assets are reduced by depreciation. Write-downs are recognized if necessary in accordance with section 253(2) sentence 3 of the HGB. In addition to direct materials and labor costs as well as special costs of production, the production cost of self-constructed assets includes appropriate portions of necessary indirect materials and labor costs, as well as depreciation that is attributable to the production process. In principle, general administrative costs, expenses for social amenities of the operating facilities, the costs of voluntary social benefits and of occupational pensions, as well as borrowing costs, are not capitalized. Purchase cost also includes directly attributable incidental expenses.

Depreciation and amortization are charged based on the expected useful lives of the assets concerned.

Since January 1, 2008, accounting for **low-value assets** under German GAAP follows the tax accounting rules set out in section 6(2) and (2a) of the *Einkommensteuergesetz* (EStG—German Income Tax Act). The cost of depreciable movable fixed assets that are capable of being used separately is recognized in full as a business expense in the tax year in which the assets are acquired, manufactured, or contributed if the purchase or production cost of the individual asset—net of any attributable input tax—does not exceed € 150. In the case of low-value assets whose purchase or production cost—net of any attributable input tax—is more than € 150 and up to € 1,000, an annual pooled item as defined in section 6(2a) of the EStG is recognized. The annual pooled item is depreciated in equal amounts over five years. Since October 1, 2011, low-value assets are recognized in full as business expenses if the purchase or production cost of the individual asset—net of any attributable input tax—does not exceed € 410.

As in the previous year, depreciation charges are based largely on the following depreciation methods and useful lives:

	Depreciation method	Useful life in years
Software and industrial property rights	Straight-line	2 - 15
Patents	Straight-line	20
Buildings and outdoor facilities	Straight-line	10 - 50
Vehicle fleet	Straight-line	3 - 6
Laboratory equipment, other operating and office equipment	Straight-line	3 - 15

Financial assets are carried at cost, which includes transaction costs. Write-downs to the lower of cost or market value are recognized only if the impairment is expected to be permanent and are reported in the income statement. Contingent purchase price payments that are linked to the achievement of contractual targets are capitalized as part of the cost of the assets, to the extent they are sufficiently specified. As a rule, loans are recognized at their respective nominal amount.

Raw materials, consumables, and supplies are measured at purchase or production cost, respectively, and valued at the lower of cost or market. Their valuation is based upon their respective purchase cost calculated in application of the weighted average cost method. Any lower fair value at the balance sheet date is recognized.

Finished goods and merchandise are recognized at purchase or production cost, respectively, and valued at the lower of cost or market. Adequate valuation allowances are recognized for all identifiable risks in inventories resulting from above-average storage periods, reduced marketability, and/or lower replacement costs. Inventories are measured at the lower of cost or market in all cases, meaning that valuation allowances are recognized if the expected selling prices less costs incurred until the date of sale are lower than the fair value of the inventories.

Receivables and **other assets** are recognized at their nominal amount, reflecting all identifiable risks.

Cash and bank deposits are recognized at their nominal amount.

Expenditures prior to the balance sheet date that represent expenses for a specific period after the balance sheet date are reported as **prepaid expenses**.

Deferred taxes are recognized in respect of differences between the carrying amounts of assets and liabilities in the balance sheet and their tax base if they are expected to reverse in future fiscal years. Deferred tax assets and liabilities are reported net. The recognition option in section 274(1) sentence 2 of the HGB is not exercised in the event of an excess of deferred tax assets over deferred tax liabilities at the balance sheet date. Deferred taxes are calculated on the basis of an effective tax rate of 28.425 % that is expected to apply at the time when the differences reverse.

Equity is carried at its nominal amount.

Pension provisions are recognized on the basis of the projected unit credit method. Provisions for pensions and similar obligations are discounted at flat-rate basis using the average market rate of interest for the past seven years applicable to an assumed remaining period to maturity of fifteen years (section 253(2) sentence 2 of the HGB), as published in September 2015 by the Deutsche Bundesbank. Pension provisions are calculated on the assumptions to follow:

Interest rate:	4.07%
Expected wage and salary increases:	1.00%
Expected staff turnover rate:	10.00%
Used mortality table:	Heubeck Valuation Table 2005 G

Other provisions are recognized at the settlement amount dictated by prudent business judgment (i.e., reflecting future cost and price increases). Provisions with a remaining maturity of more than one year are discounted using the average market rate of interest for the past seven fiscal years that matches their remaining maturity. Other provisions reflect all contingencies and expected losses from executory contracts.

Liabilities are recognized at their settlement amount.

Receipts prior to the balance sheet date that represent income for a specific period after the balance sheet date are reported as **deferred income**.

The carrying amounts of **contingent liabilities** correspond to the liable amount at the balance sheet date.

Prepayments received and made on items of fixed and current assets are carried at their

nominal amounts.

Transactions in foreign currencies are generally recognized at the historical exchange rate on the date of initial recognition. Balance sheet items are measured as follows at the balance sheet date: **Long-term foreign currency receivables** are translated at the selling rate prevailing when the receivable is initially recognized or at the lower middle spot rate at the balance sheet date (principle of imparity). Short-term foreign currency receivables (residual maturity of one year or less) and cash funds or other current assets denominated in foreign currencies are translated at the middle spot rate at the balance sheet date. The resulting exchange rate gains and losses are recognized in profit or loss. **Long-term foreign currency liabilities** are translated at the buying rate prevailing when the liability is initially recognized or at the higher middle spot rate at the balance sheet date (principle of imparity). Short-term foreign currency liabilities (residual maturity of one year or less) are translated at the middle spot rate at the balance sheet date. The resulting exchange rate gains and losses are recognized in profit or loss.

C. Disclosures on Individual Items of the Balance Sheet and the Income Statement

1. Fixed assets

Changes in items of fixed assets are presented in the "Statement of Changes in Fixed Assets" annexed to the notes.

Cumulative depreciation of tangible fixed assets includes accelerated depreciation of € 673,170 from fiscal years 1995/96 to 2004/05 inclusive in accordance with section 7i of the EStG.

The Company’s shareholdings as of September 30, 2015, were as follows:

Company	Domicile	Equity interest	Fiscal year	Equity at fiscal year-end	Net income/loss for fiscal year
AnalytiCon Discovery GmbH	Potsdam, Germany	57.7%	Jan. 1, 2015 – Sept. 30, 2015*	€1,955 thousand	€ -301 thousand
AnalytiCon Discovery LLC**	Rockville, USA	57.7%	Jan. 1, 2015 – Sept. 30, 2015*	€48 thousand	€4 thousand
L.A. Schmitt GmbH	Ludwigsstadt, Germany	100%	Oct. 1, 2014 – Sept. 30, 2015	€938 thousand	€425 thousand
Mekon Science Networks GmbH	Eschborn, Germany	100%	Oct. 1, 2014 – Sept. 30, 2015	€92 thousand	€ -114 thousand
B.R.A.I.N Capital GmbH	Zwingenberg, Germany	100%	Feb. 5, 2015 - Sept. 30, 2015	€ 23 thousand	€ -2 thousand
Monteil Cosmetics Int. GmbH	Düsseldorf, Germany	68.3%	Jan. 1, 2015 – Sept. 30, 2015*	€961 thousand	€ -579 thousand
Enzymicals AG	Greifswald, Germany	24.1%	Jan. 1, 2014 – Dec. 3q, 2014	€ -137 thousand	€ –168 thousand
WeissBioTech GmbH	Ascheberg, Germany	50.6%	Jan. 1, 2014 - Dec. 31, 2014	€1,415 thousand	€16 thousand
WeissBioTech France S.A.R.L.**	Chanteloup-en Brie, France	50.6%	Jan. 1, 2014 – Dec. 31, 2014	€ -369 thousand	€48 thousand

* Incomplete fiscal year

** Indirect interest

2. Cash and bank deposits

This item relates to current bank balances, euro-denominated call and term deposits with an original maturity of up to 12 months, as well as cash-in-hand.

3. Receivables and other assets

Receivables from affiliated companies include financing receivables of € 450,325 (previous year: € 1,124 thousand) and trade receivables of € 115,361 (previous year: € 116 thousand). Receivables from associated companies relate solely to financing receivables of € 142,495 (previous year: € 83 thousand).

Other assets include tax assets of € 38,639 (previous year: € 71 thousand).

With the exception of receivables in the amount of € 150,000 (previous year: € 0), all receivables have a maturity of up to one year. € 17,036 (previous year: € 17 thousand) of the other assets have a maturity of more than one year.

4. Prepaid expenses

Payments primarily for insurance contracts, contributions, and memberships made in fiscal year 2014/15 or previous years were deferred and reported as prepaid expenses if they were attributable to the following year(s).

5. Deferred taxes

No deferred tax assets are reported because, on the one hand, there were only deferred tax assets from valuation differences and tax loss carryforwards as of September 30, 2015, and at the prior-year balance sheet date, and, on the other hand, the Company does not exercise the recognition option of section 274(1) sentence 2 of the HGB.

6. Equity

B·R·A·I·N AG's **share capital** amounts to € 12,725,818 at the balance sheet date. It is composed of 12,725,818 no-par value shares, each with a notional value of € 1.00. The shares are fully paid up and are registered shares.

On March 13, 2014, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a maximum notional amount of € 6,362,909 on one or more occasions in the period up to March 12, 2019, by issuing up to 6,362,909 new no-par value registered shares against cash contributions at an aggregate purchase price of at least € 7,858 per new no-par value share. This resolution was revoked by resolution of the Annual General Meeting on July 8, 2015.

On July 8, 2015, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a maximum notional amount of € 6,362,909 on one or more occasions in the period up to July 7, 2020, by issuing up to 6,362,909 new no-par value registered shares against cash and/or in-kind contributions, with the option to exclude the existing shareholders. The share capital was increased conditionally by resolution of the Annual General Meeting of July 8, 2015 by € 5,090,328 (Conditional Capital 2015/I), respectively by € 1,272,581 (Conditional Capital 2015/II).

The authorized capital was recorded in the commercial register on October 1, 2015. The authorized capital amounted to € 6,362,909 at the September 30, 2015 balance sheet date.

€ 16,420,627 of the capital reserves relate to amounts in accordance with section 272 (2) item 1 of the HGB and € 858,950 relate to amounts in accordance with section 272 (2) item 4 of the HGB.

On October 20, 2015, the Annual General Meeting resolved to increase the share capital by € 188,530 as well as modify Article 5 of the Company's Articles of Association (Amount and Division of Share Capital). In consequence, the share capital currently totals € 12,914,348.

7. Net accumulated losses

Net accumulated losses of € 23,175,984 were reported as of September 30, 2015. The net accumulated losses include accumulated losses of € 17,032,499 brought forward. The reconciliation from the net loss for the fiscal year is shown in the following:

Reconciliation of net loss to net accumulated losses	Amount
	€
Net loss for fiscal year 2014/15	-6,143,485
- Accumulated losses brought forward	-17,032,499
= Net accumulated losses as of Sept. 30, 2015	-23,175,984

8. Provisions for pensions and similar obligations

Pension provisions encompass defined benefit obligations in the amount of € 682,000 (previous year: € 0). The expense arising from the initial recognition of these provisions was recorded as personnel expenses without recognition of any interest effects.

9. Other provisions

Other provisions include provisions for outstanding vacation pay amounting to € 430,267 (previous year: € 354 thousand), provisions for third-party services amounting to € 500,806 (previous year: € 589 thousand), provisions for employee remuneration amounting to € 105,500 (previous year: € 138 thousand), and provisions for year-end closing and audit costs, for outstanding invoices, for Supervisory Board remuneration, for meeting statutory document retention requirements, and for contributions and levies imposed for future periods, e.g., for the occupational health and safety agency.

10. Liabilities

The liabilities have the following residual maturities:

	≤ 1 year €	> 1 - 5 years €	> 5 years €
Liabilities to silent partners	840,000	0	1,500,000
Previous year	(280,000)	(840,000)	(1,500,000)
Liabilities to banks	500,000	1,333,333	0
Previous year	(500,000)	(1,833,333)	(0)
Trade payables	179,132	0	0
Previous year	(269,280)	(0)	(0)
Liabilities to affiliated companies	42,157	0	0
Previous year	(9,270)	(0)	(0)
Liabilities to associates	0	5,500,000	0
Previos year	(0)	(0)	(0)
Other liabilities	73,270	0	2.799
Previous year	(149,518)	(0)	(800)
Total	1,634,559	6,833,333	1,502,799
Previous year	(1,208,068)	(2,673,333)	(1,500,800)

Liabilities to affiliated companies comprise trade payables of € 42,156 (previous year: € 9,270).

Liabilities to associated companies relate to liabilities under a loan for the financing of operations.

Other liabilities mainly comprise wage and church tax liabilities amounting to € 72,870 (previous year: € 110,124).

There are land charges on land and buildings of the Company with a notional value of € 3,500,000. The land charges serve to secure bank liabilities, which amounted to €1,833,333 at the balance sheet date. The land charges rank behind (i.e. second in order of priority) an unassigned land charge in favor of the owner amounting to € 500,000.

Other than standard retention of title, the other liabilities are not secured by liens or similar rights.

11. Other operating income

Other operating income includes employee-related reimbursements of € 46,467, rental income of € 41,360 and income from currency translations in the amount of € 1,251 (previous year: € 35). It includes income of € 345,989 unrelated to the accounting period, of which € 285,781 relate to the reversal of provisions.

12. Personnel expenses

Personnel expenses include post-employment, surviving dependents', and invalidity benefits amounting to € 884,838 of which € 682 thousand in the form of a transfer to pension provisions.

13. Other operating expenses

Other operating expenses include expenses of € 4,147 unrelated to the accounting period and currency translation expenses of € 2,232 (prior year: € 1,677).

14. Interest and similar expenses

Interest and similar expenses include interest expenses arising from compounding provisions, amounting to € 2,540 (previous year: € 20).

15. Profit transferred on the basis of a partial profit transfer agreement

This item contains the remuneration paid to the silent partners amounting to € 228,310 and comprises a fixed interest payment (€ 210,460) and a guaranteed commission (€ 17,850). As the Company did not generate a profit in the reporting period, no profit was distributed to the silent partners. The silent partners do not participate in losses. There is no additional funding obligation.

D. **Other Disclosures**

1. **Information on the Management Board and Supervisory Board**

Management Board and Supervisory Board

The members of the Management Board are:

October 1, 2014 until June 30, 2015

Dr. Holger Zinke, Heppenheim (Chair)
Degree-qualified biologist
CEO

Dr. Jürgen Eck, Bensheim (Deputy Chair)
Degree-qualified biologist
CTO

The members of the Management Board were authorized to jointly represent the Company.

From July 1, 2015

Dr. Jürgen Eck, Bensheim
Degree-qualified biologist
CEO

The members of the Management Board are authorized to represent the company jointly or together with an authorized officer (Prokurist).

Changes in the composition of the Management Board after the end of fiscal year:

Dr. Jürgen Eck, Bensheim
Degree-qualified biologist
CEO

Drs. Henricus Cornelis Maria (Eric) Marks, Oud-Zuilen, the Netherlands
Business Economist
COO

The disclosures required by section 285 item 9 of the HGB have been omitted in accordance with section 286(4) of the HGB.

The members of the Supervisory Board in the period under review were:

Dr. Ludger Müller, Kaiserslautern (Chair)
Managing Director, MP Beteiligungs-GmbH

Michael Motschmann, Munich (Deputy Chair), until July 8, 2015
Member of the Executive Board, MIG Verwaltungs AG

Dr. Holger Zinke, Heppenheim (Deputy Chair), from July 8, 2015
Managing Director, GI Management GmbH

Siegfried L. Drueker, Bad Homburg
Managing Director, Drueker GmbH & Co. KG

Prof. Dr. Klaus-Peter Koller, Bad Soden am Taunus
Management Consultant

Dr. Matthias Kromayer, Munich
Member of the Executive Board, MIG Verwaltungs AG

Dr. Georg Kellinghusen, Munich from March 17, 2015
Managing Director, MP Beteiligungs-GmbH

The total remuneration of the Supervisory Board amounted to € 64,625 in the reporting period. The remuneration is composed of the following items:

	2014/15	2013/14
	€	€
Fixed remuneration	36,625	19,500
Attendance fees	28,000	18,000
	64,625	37,500

2. Modification of the Articles of Association

On July 8, 2015 the Annual General Meeting resolved to modify the Articles of Association, in particular to change sections 2 (Corporate Purpose) and 5 (Share Capital) (see C.6 above). The corporate purpose of the Company is now the identification, research, development, manufacturing and commercialization of biological, biochemical and biotechnological methods and products, in particular of biocatalysts and other bioactive natural compounds for industrial application in chemical companies, for manufacturing of food, cosmetics and medical products, for waste and pollutant removal as well as for energy and resource extraction, including the development, manufacturing and commercialization of methods and products which contain bioactive components, are based on biotechnological mechanism, have bioactive effects or enable biotechnological applications.

3. Disclosures of equity interests notified to the Company in accordance with section 20 of the AktG

MP Beteiligungs-GmbH, Kaiserslautern, holds more than 25 %, but less than 50 % of the shares as of September 30, 2015.

4. Workforce

An average of 118 (previous year: 107) salaried employees were employed in fiscal year 2014/15 (previous year: 107), of whom 9 were casual workers (previous year: 9) and 11 were sponsored students (previous year: 6).

5. Contingencies and other financial commitments

There were no contingent liabilities to third parties at the end of the reporting period. Other financial commitments relating to leases and placed orders for development operations are composed of the following items:

Minimum lease payments and order commitments	Sept. 30, 2015	Sept. 30, 2014
	€	€
Term of up to 1 year	135,117	42,929
Term of 1 -5 years	863	1,313
Term of more than 5 years	0	0
	135,980	44,242

As in the previous year, there were no financial commitments relating to investment projects in progress as of September 30, 2015.

There are contingent purchase price obligations up to a maximum amount of € 160 thousand for intangible assets that depend on the achievement of specific future revenue using these intangible assets.

BRAIN AG entered into a loan agreement with a subsidiary, whereby BRAIN AG is obliged to pay out a long-term shareholder loan in the amount of € 55 thousand.

Furthermore there are financial obligations originating in the acquisition of a company and arising from binding offers in the form of put-call options with an expected amount of € 4,826 thousand, each of which to be executed no later than January 22, 2020, in the fair value of € 2,112 thousand. The fair value has been calculated with the discounted cash flow method based on a discount rate of 3.0 % in consideration of the forecast maturity and in respect of the expectations about the development of business operations and other relevant variables.

Furthermore, there are obligations with no contractual maximum value arising from put-call-options in connection with earn-out payments linked to the EBIT of the subsidiary as well as from contingent purchase price payments linked to future operating results. The nominal expected amount of the financial liabilities accounts to € 2,348 thousand. The amount to be paid is estimated at € 2,127 thousand (fair value). The fair value has been calculated with the discounted cash flow method based on a discount rate of 3.0 % in consideration of the probable maturity and in respect of the expectations about the development of business operations and the amount of financial liabilities.

The total amount of other liabilities at the balance sheet date was € 4,590 thousand.

It is not possible to recognize a reliable fair value for the put-call options acquired for a purchase price of € 30 thousand included in the prepayments on account of financial assets, as neither market nor stock exchange data are available for these financial instruments. It is not possible to reliably specify a fair value by applying any other calculation method, either.

7. Management Board's proposal on the appropriation of net loss

The Management Board proposes to carry forward the net loss for fiscal year 2014/15 to new account.

Zwingenberg, November 26, 2015

Dr. Jürgen Eck CEO	Drs. Henricus Cornelis Maria (Eric) Marks, Member of the Management Board

Auditor's report

The following auditors' report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) on the annual financial statements of BRAIN AG as of and for the fiscal year ended September 30, 2015 and the management report for the period from October 1, 2014 to September 30, 2015. The management report for the period from October 1, 2014 to September 30, 2015 is not included in this Prospectus.

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft, Zwingenberg, for the business year from October 1, 2014, to September 30, 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB („Handelsgesetzbuch": „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, November 27, 2015

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Christian Kwasni	ppa Christopher Schlig
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

23. PRO FORMA FINANCIAL INFORMATION

1. Introduction

B·R·A·I·N Biotechnology Research and Information Network Aktiengesellschaft (hereafter "B·R·A·I·N AG" or "BRAIN"), acquired 50.6 % of the shares of WeissBioTech Beteiligungs GmbH, Ascheberg (now WeissBioTech GmbH) effective November 4, 2014 via a cash capital increase in the nominal amount of 102,500 €.

Due to the fact that this acquisition has a material impact on BRAIN's financial statements, in order to provide clear information on BRAIN's financial position and to facilitate comparability for readers of the IFRS consolidated financial statements for the period from October 1, 2014 to September 30, 2015 (hereafter "BRAIN financial statements"), a pro forma consolidated income statement for BRAIN is presented covering the period from October 1, 2014 to September 30, 2015 as well as accompanying explanatory notes (together the "pro forma financial information").

The BRAIN pro forma consolidated income statement describes a hypothetical situation and therefore does not reflect the actual results of operations. The statement merely serves to illustrate the conditions affecting net income for the period from October 1, 2014 to September 30, 2015 in summary form. The pro forma financial information is to be considered in combination with the audited BRAIN consolidated financial statements as of September 30, 2015.

The guidelines of Regulation (EC) No. 809/2004 of April 29, 2004 in connection with Annex I, 20.2 in combination with Annex II and the requirements of the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) ("IDW") issued within the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) were applied in preparing the pro forma financial information.

The pro forma consolidated income statement is based on the recognition, valuation, disclosure and currency translation requirements of the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standard Board (IASB) as adopted in the EU. With regard to the accounting policies on which BRAIN has based the pro forma consolidated income statement reference is made to the Notes in BRAIN's audited IFRS consolidated financial statements as of September 30, 2015.

In order to provide greater clarity, BRAIN's pro forma consolidated income statement for the period from October 1, 2014 to September 30, 2015 is presented over several columns.

The first column of figures relates to BRAIN's consolidated income statement for the year October 1, 2014 to September 30, 2015. The statement is prepared according to IFRS Standards as applied in the EU and audited according to the principles of the German commercial law.

The second column of figures contains the income statement of the acquired companies for the period from October 1, 2014 to October 31, 2014. The figures are based on the accounting records prepared by the companies on their respective local GAAP. To achieve figures in line with BRAIN's accounting policies according to IFRS as adopted in the EU, one adjustment has been made with the recognition of a finance lease according to IAS 17 rather than a treatment as operating lease according to local GAAP. As result of this amendment, the other expenses decreased by € 5,439, the depreciation increased by € 3,648 and interest expenses increased by € 639.

The pro forma adjustments are shown in the fifth column, after a column containing the aggregate base values from the first two columns. The pro forma adjustments consist primarily of amortization and the resulting deferred tax effects, as well as finance costs which would have occurred in the first month of fiscal year 2014/15, if the acquisition of WeissBioTech Beteiligungs GmbH had occurred effective October 1, 2014. These figures are derived from the accounting records of WeissBioTech Beteiligungs GmbH, WeissBioTech GmbH and WeissBioTech S.A.R.L.

2. Basis of preparation

Effective November 4, 2014, BRAIN acquired a controlling stake (50.6 %) in WeissBioTech Beteiligungs GmbH, Ascheberg. At the date of the acquisition, WeissBioTech Beteiligungs GmbH held 100% of the shares of WeissBioTech GmbH, Ascheberg and 100 % of the shares of WeissBioTech France S.A.R.L., Chanteloup-en-Brie, France.

The stake of 50.6 % has been acquired via a capital increase by which BRAIN paid € 1,500,000 of which € 102,500 were paid into share capital of WeisBioTech GmbH while € 1,397,500 were paid into capital reserves of WeissBioTech GmbH. Acquisition-related costs of € 55,175 were recognized as expenses.

In addition BRAIN and the other shareholders entered into an earn-out agreement for which a liability of € 350,405 has been recognised as per the acquisition date.

Furthermore, BRAIN and the other shareholders entered into an option contract with regards to the remaining 49.4 % resulting into the recognition of a liability about € 1,571,483 and the derecognition of any non-controlling interest as the terms of the option represent an anticipated acquisition based on BRAIN's IFRS accounting policies.

As result, the total consideration amounted to € 3,421,889.

The pro forma adjustments are based on the following assumptions:

It is assumed that BRAIN acquired the stake in WeissBioTech Beteiligungs GmbH effective October 1, 2014, and it is assumed that October 1, 2014, is also the date of the first time consolidation of the WeissBioTech group of companies. According to these assumptions the operating business of the WeissBioTech group of companies is included in the Pro Forma consolidated income statement beginning from October 1, 2014, for a twelve-month period instead of an eleven months period.

Pro forma adjustments result from notional additional amortization (€ 29,086) on first time consolidation related fair value adjustments in intangible assets for the period October 1, 2014 until October 31, 2014.

Pro forma adjustments take into account the interest effects (€ 4,602) from the earlier recognition of financial liabilities resulting from the earn-out agreements as well as the options.

3. Pro forma consolidated income statement for the period from October 1, 2014 to September 30, 2015.

	Historical financial information					
	Consolidated income statement BRAIN Group for the period from October 1, 2014 to September 30, 2015	Income statement WBT Group for the period from October 1, 2014 to October 31, 2014	Total for the period October 1, 2014 to September 30, 2015	Pro Forma Note	Pro Forma Adjustment	Pro forma income statement BRAIN Group for the period of October 1, 2014 to September 30, 2015
	€	€	€		€	€
Revenue	21,132,363	737,804	21,870,167		-	21,870,167
Research and Development grant Revenue	2,786,042	-	2,786,042		-	2,786,042
Inventories and work in progress[1]	310,828	177,237	488,065		-	488,065
Other income	1,465,182	84,377	1,549,559		-	1,549,559
	25,694,415	**999,418**	**26,693,833**		**-**	**26,693,833**
Cost of materials	-11,295,415	-717,126	-12,012,541		-	-12,012,541
Personnel expenses	-11,063,182	-75,582	-11,138,764		-	-11,138,764
Depreciation and amortization	-1,468,875	-5,230	-1,474,105	(1)	-29,086	-1,503,191
Other expenses	-6,439,595	-282,691	-6,722,286			-6,722,286
Operating loss / EBIT	**-4,572,652**	**-81,212**	**-4,653,864**		**-29,086**	**-4,682,950**
Finance income	31,924	63	31,987		-	31,987
Finance costs	-961,295	-4,767	-966,062	(3)	-4,602	-970,664
Loss for the period before taxes	**-5,502,023**	**-85,916**	**-5,587,939**		**-33,688**	**-5,621,627**
Income tax expense/income	-451,873	21,831	-430,042	(2)	8,787	-421,255
Loss for the period	**-5,953,896**	**-64,085**	**-6,017,981**		**-24,901**	**-6,042,882**
of which attributable to noncontrolling interests	-239,341	-	-239,341		-	-239,341
of which attributable to shareholders of BRAIN AG	-5,714,554	-64,085	-5,778,639		-24,901	-5,803,540
Earnings per share						
Basic earnings per share	**-0.45**	**-0.01**	**-0.46**		**-0.00**	**-0.46**
Number of shares used to calculate basic earnings per share	**12,725,818**	**12,725,818**	**12,725,818**		**12,725,818**	**12,725,818**
Diluted earnings per share	**-0.45**	**-0.01**	**-0.46**		**-0.00**	**-0.46**
Number of shares used to calculate diluted earnings per share	**12,725,818**	**12,725,818**	**12,725,818**		**12,725,818**	**12,725,818**

1) Item “Increase in finished goods, inventories and work in progress” in the consolidated financial statement of BRAIN as of September 30, 2015.

4. Accompanying explanatory notes to the pro forma adjustments

Adjustments with long-term effects on profitability

(1) Amortization

Pro forma adjustments include scheduled amortization in connection with the purchase price allocation related fair value adjustments on intangible assets in the amount of € 29,086 for the period from October 1, 2014, until October 31, 2014.

The acquisition-date fair values of the assets acquired and liabilities assumed of WeissBioTech Beteiligungs GmbH, WeissBioTech GmbH and WeissBioTech S.A.R.L. and their carrying amounts immediately prior to the business combination are presented in the following table:

	Acquisition-date fair value €	Carrying amount based on IFRS immediately prior to the business combination €
Current assets		
Cash and cash equivalents*	1,540,232	1,540,232
Trade receivables**	1,004,519	1,004,519
Other current assets and tax assets	225,972	225,972
Inventories	1,361,432	1,361,432
Noncurrent assets		
Intangible assets		
Software	248,299	248,299
Technology	2,408,128	0
Customer relationships	48,016	0
Order backlog	4,895	0
Property, plant and equipment	330,645	330,645
Other long-term assets	85,693	85,693
Total assets	**7,257,831**	**4,796,792**

* Comprising the cash component of the consideration (€ 1,500 thousand) for the company acquisition paid to WeissBioTech GmbH in connection with a capital increase.

** Gross value: € 1,058,419, thereof € 53,900 € expected to be not recoverable.

Noncurrent liabilities		
Financial liabilities	849,953	849,953
Deferred tax liabilities	753,751	10,271
Current liabilities		
Financial liabilities	937,937	937,937
Other provisions	59,450	59,450
Current tax liabilities	4,847	4,847
Trade payables	1,032,351	1,032,351
Other liabilities*	208,617	208,617
Prepayments received	0	0
Deferred income	0	0
Total liabilities	**3,846,906**	**3,103,426**

* No contingent liabilities were assumed.

Amortization over the useful economic life of the assets will be reflected in the consolidated income statement in subsequent reporting periods.

With regards to the recognized fair-value adjustments the amortization periods are as follows:

Technology	8 years
Customer relationships	1 year
Order backlog	less than 1 year

(2) Income taxes

Setting the fictive acquisition date at October 1, 2014, results in additional amortization with regard to the recognition of several intangibles assets at their fair values. This has a continuing effect in the amount of € 29,086. The deferred taxes related hereto amount to € 8,787 taking into account the individual tax rate of 30.21 % of WeissBioTech GmbH.

(3) Finance costs

In determining the total consideration for the acquisition of the WeissBioTech group of companies effective November 1, 2014, a contingent consideration was recognized in the amount of € 350,405. The pro forma adjustment of the earlier recognition on October 1, 2014 results in finance costs of € 881.

The earlier recognition of the put-option related liability (€ 1,571,483) on the non-controlling interest results in finance costs of € 3,720.

Auditor's Report

To B.R.A.I.N. Biotechnology Research and Information Network AG

We have audited whether the pro forma financial information as of September 30, 2015 of B.R.A.I.N. Biotechnology Research and Information Network AG, Zwingenberg, has been properly compiled on the basis stated in the accompanying explanatory notes and whether this basis is consistent with the accounting policies of the company. The pro forma financial information comprises a pro forma income statement for the period from October 1, 2014 to September 30, 2015 as well as accompanying explanatory notes.

The purpose of the pro forma financial information is to present the material effects the transaction described in the accompanying explanatory notes would have had on the historical financial statements if the group had existed in the structure created by the transaction throughout the entire reporting period. As pro forma financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period.

The compilation of pro forma financial information is the responsibility of the company's management.

Our responsibility is to express an opinion, based on our audit, whether the pro forma financial information has been properly compiled on the basis stated in the accompanying explanatory notes and whether this basis is consistent with the accounting policies of the company. The subject matter of this engagement does neither include an audit of the basic figures including their adjustment to the accounting policies of the company, nor of the pro forma assumptions stated in the accompanying explanatory notes.

We have planned and performed our audit in accordance with the *IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1)* promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma financial information on the basis stated in the accompanying explanatory notes and in the compilation of this basis consistent with the accounting policies of the company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly compiled on the basis stated in the accompanying explanatory notes. This basis is consistent with the accounting policies of the company.

Frankfurt am Main
January 15, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian Kwasni	Nadja Picard
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

24. GLOSSARY

AktG	German Stock Corporation Act (*Aktiengesetz*)
BaFin	German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*)
Industrial biotechnology	Industrial biotechnology, in Germany also known as white biotechnology, provides crucial impetus for systemic change, away from chemical towards biological processes
Bioarchive	A bioarchive contains comprehensively characterised, cultivable microorganisms as well as a variety of new enzymes and metabolic pathways; it contains an extract of the “Toolbox of Nature”, categorising its various elements and enabling their use for industrial purposes.
Biocatalysts	an enzyme, that catalysts (bio–) chemical reactions
Bioactive natural substances	Bioactive natural substances are for product developments in the food, cosmetics and chemical industries
BioActive compounds	Compounds that have an effect on a living organism, tissue or cell
Bioeconomy	The bioeconomy offers solutions and new perspectives related to crucial questions concerning the future
BioIndustrial	The bioindustrial application includes the use of bioenzymes and biochemicals for a variety of chemical processes (second business pillar of BRAIN)
BioSciences	Any of the branches of natural science dealing with the structure and behavior of living organisms (first business pillar of BRAIN)
BMBF	German Federal Ministry of Education and Research (*Bundesministerium für Bildung und Forschung*),
BRAIN AG	Commercial name of B.R.A.I.N. Biotechnology Research and Information Network AG
Business-to-business (B2B)	A commerce transaction between businesses, such as between manufacturer and a wholesaler, or between a wholesaler and a retailer
Business-to-consumer (B2C)	A Commerce transaction in which a business or individual interacts with and sells directly to the end consumer
CAGR	Compounded Annual Growth Rate; the year–over–year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.
Code	German Corporate Governance Code (*Deutscher Corporate-Governance Kodex*), as amended on May 15, 2015
Company	B.R.A.I.N. Biotechnology Research and Information Network AG
Consumer chemicals	Consumer chemicals include direct product sales of chemicals; for example soaps, detergents and cosmetics
Cash flow	A financial measure that represents the net inflow of liquid funds during a particular period resulting from sales and other current business activities
De-Icing	De–Icing is defined as removal of snow, ice or frost from a surface

DNA	Genetic Information
D&O	The Company´s directors and officers
EBIT	Earnings before interest and taxes; business operating profit
EBITDA	EBIT before depreciation and amortisation, including amortisation of goodwill
EEA	European Economic Area
Enzymes	Enzymes are very efficient catalysts for biochemical reactions
Euro, EUR or €	The legal currency of the euro area counties for the economic and monetary union of the EU, including Germany and Austria.
EU	European Union
Greenshoe Option	An option that the Company has granted to the Sole Bookrunner, which allows it to acquire a number of Company's shares equal to the number of Over-Allotment Shares at the Offer Price less agreed commissions.
HGB	German Commercial Code (*Handelsgesetzbuch*)
Horizont 2020	A EU Research and Innovation programme with nearly € 80 billion of funding available over seven years (2014 to 2020)
HTC Technology	Human Taste Cell Technology
Green Mining	The binding properties of specific microorganisms can be used to obtain metals such as gold, silver and copper in a resource-saving way
IAS 34	International Accounting Standard for interim financial reporting
IFRS	International Financial Reporting Standards
ISIN	International Securities Identification Number.
Management Board	The Company's management board
Metagenome	The collection of genomes and genes from the members of a microbiota
Microorganism	Microorganisms are microscopic, living, single-celled organisms
MMPI peptide	Matrix Metalloproteinase Inhibitor Peptide: natural BioActive substance to combat skin aging
Multi-Product-Opportunity	Biotechnology companies develop and provide technology platforms which continuously generate innovative products for different fields of applications
NatLife2020	Natural Life Excellence Network 2020, research project, half of whose total funding of approximately € 30 million is being contributed by the BMBF as part of the "Industrial Biotechnology Innovation Initiative"
New Shares	3,500,000 newly issued ordinary registered shares with no–par value (*Stückaktien*) from a capital increase against contribution in cash expected to be resolved by the Management Board on February 3, 2016, to be approved by the Supervisory Board on the same day, utilising the Authorised Capital 2015/I as resolved by a Shareholders' Meeting on July 8, 2015
Offer Shares	New Shares and Over-Allotment Shares together
Over-Allotment	Under the possible stabilisation measures, investors may, in addition to the New Shares, be allocated up to 525,000 Over–Allotment Shares as part of the allocation of the Offer Shares

Over–Allotment Shares	525,000 ordinary registered shares with no–par value (*Stückaktien*) in connection with a potential over-allotment
Performance microorganism	Engineered microbial cell factories
Prime Standard	Prime Standard is a market segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
Producer strains	Producer strain development is performed to enable or optimise multi-step bioconversion routes and to provide tailor–made designer microorganism for optimised high–value industrial production processes using the methodologies developed for the synthetic biology approaches
R&D	Research and development
Regulation S	Regulation S under the Securities Act, as amended
Rule 144A	Regulation 144A under the Securities Act, as amended
Securities Act	United States Securities Act of 1933, as amended
Sole Bookrunner	ODDO SEYDLER BANK AG
Sole Global Coordinator	ODDO SEYDLER BANK AG
Speciality chemicals	Speciality chemicals are particular chemical products which provide wide variety of effects on which many other industry sectors rely
Supervisory Board	The Company's supervisory board
Toolbox of nature	Biological diversity
"U.S. Dollar", "USD" or "$"	The legal currency of the United States
ZeroCarb FP	Zero Carbon Footprint, research project, half of whose total funding of approximately € 46 million is being contributed by the BMBF as part of the "Industrial Biotechnology Innovation Initiative. The goal of the ZeroCarb FP alliance is to use microorganisms to convert high–carbon industrial waste streams into functional biomass

25. RECENT DEVELOPMENTS AND OUTLOOK

Recent Developments

In June 2015, the G7 countries emphasised that a decarbonisation of the global economy over the course of the century will be necessary and committed to doing their part to achieve a low-carbon economy in the long term. They strive to transform the energy sectors by 2050. This aim shall be reached by developing and deploying innovative technologies so that, by the end of the century, carbon dioxide emissions produced from the combustion of fossil fuels such as coal, oil and natural gas can be completely avoided. The bioeconomy has been attracting increasing attention, both in this regard and in general due to the changes taking place worldwide (global population growth, dwindling resources, climate change and increasing healthcare costs). From the Company's viewpoint, the bioeconomy is currently experiencing a cyclical upswing and will continue to expand in the chemical industry – a sector that for a long time was not associated with biotechnology. Experts predict that the number of chemical industry products and processes that use biotechnology will increase to between 10 % and 20 % by 2025 (see the brochure published by the German Federal Ministry of Education and Research: "Weiße Biotechnologie – Chancen für eine bio-basierte Wirtschaft" (White Biotechnology – Opportunities for a Bio–based Economy), June 2015). As an industrial biotechnology company, BRAIN specialises in the industrial application of biological concepts and processes.

US president Barack Obama also unveiled a Clean Power Plan in August 2015. The aim of the revised Clean Power Plan is to cut greenhouse gas emissions from US power stations by nearly a third within 15 years. The measure will place significant emphasis on wind and solar power and other renewable energy sources. BRAIN sees this development as indicators for the upcoming rise in demand for renewable resources. In the area of renewable resources BRAIN currently works inter alia on a collaboration project to harness biomass from wastewater.

From an operational perspective during fiscal year 2014/2015 BRAIN was able to advance its current collaboration activities, which form the first pillar of its business called "BioScience". Thus, in April 2015 BRAIN AG entered into a strategic partnership with DIANA Pet Food, a member of the Symrise group. The partners will work on different programmes to study the mechanism related to taste perception in cats. The joint goal for the first programme is to use proliferating cat taste cells ("**CTC**") for screening new ingredients which shall improve the palatability of pet food. The CTC–technology used to develop palatability enhancers for cat food is deduced from the recently patented and published BRAIN AG Human Taste Cell Technology ("**HTC Technology**"), which is currently used by BRAIN for screening purposes to improve human food formulations in order to reduce for example calorie and salt intake with the diet.

Moreover, during the 2014/2015 fiscal year BRAIN further expanded the second pillar of its business called "BioIndustrial" by acquiring a 50.6 % stake in WeissBioTech GmbH, which specialises in technical enzyme solutions for niche industries and is active in production, marketing and sales of enzyme products for industrial use. In the current 2015/2016 financial year BRAIN AG works in particular on the development of different products and product candidates for the speciality chemicals and the consumer chemicals market.

On October 20, 2015, the General Shareholders' Meeting of the Company resolved to increase the share capital from € 12,725,818 by € 188,530 to € 12,914,348 by issuing 188,530 new no-par value registered shares with a notional interest in the share capital of € 1.00 per share and an issue price of € 1.00 per share against cash contributions. The shareholder of BRAIN AG MP Beteiligungs-GmbH subscribed for the 188,530 newly issued no-par value registered shares against the payment of a total amount of € 188,530.

In connection with the aforementioned capital increase MP Beteiligungs-GmbH assumed an obligation towards the other shareholders of BRAIN AG to contribute its claims against the Company in the amount of € 1,811,470 arising from a shareholder loan agreement (see *15 Transactions and Legal Relationships with Related Parties - 15.1 Transactions with its shareholder MP Beteiligungs-GmbH*) into the capital reserve in accordance with Article 272 subsection 2 nb. 4 of the German Commercial Code (*HGB*). The contribution was made by concluding an agreement relating to the partial waiver of the repayment of the outstanding amount under the shareholder loan agreement on November 13, 2015.

Apart from the changes due to the capital increase and the contribution into the capital reserve BRAIN's financial and trading position has not changed significantly since 30 September 2015.

Outlook

In the current 2015/2016 financial year BRAIN works in particular on the development of different products and product candidates for the speciality chemicals and the consumer chemicals market. The majority of these products and product candidates are planned to be launched within the next two to four years, a smaller part is planned to be launched within the next one to two years and another smaller part is planned to be launched within the next five to nine years. In detail BRAIN works on the development of two product candidates for the enzymes sector, two sweet taste modulators and one salt taste modulator for the nutrition sector, an enzyme, which is planned to be used in the European and the American woundcare sector, two organisms for an ecological mining of metals like gold, silver or copper (so-called green mining), two anti microbial BioActives (bioactive compounds, which inhibits the growth of microorganisms), biolubricants, renewable bio–plastics for the bio–substitutes sector and two biocosmetics for the cosmetics and care sector. By developing these products and product candidates BRAIN aims to gain further market accesses or to enter into new collaborations. A focus of BRAIN AG lies on the development of sweeteners. Here, the Company has already signed three letters of intent with two big consumer goods companies and one converting company. Provided that the further negotiations are successful, the Company currently assumes that the collaboration programme could possibly commence in the first quarter of 2016. However, the Company wishes to draw attention to the fact that BRAIN AG is still in the negotiation phase and that, as a result, at the date of this Prospectus it is still uncertain whether the above-mentioned collaboration projects will in fact materialise and be implemented. Moreover, the development of a product and its launch depends on a number of factors, which are in some cases beyond the Company's control. Hence, the development and the launch of a product may generally fail in every stage of the process and it is possible that none of the mentioned products will be successfully launched on the market and that no future revenues may be generated.

SIGNATURE PAGE

Zwingenberg, 20. Januar 2016

BRAIN AG

signed Dr. Jürgen Eck

signed Drs. Henricus Cornelis Maria (Eric) Marks

Frankfurt, 20. Januar 2016

ODDO SEYDLER BANK AG

signed René Parmantier

signed Holger Gröber

SIGNATURE PAGE

Zwingenberg, 20. Januar 2016

BRAIN AG

signed Dr. Jürgen Eck

signed Drs. Henricus Cornelis Maria (Eric) Marks

Frankfurt, 20. Januar 2016

ODDO SEYDLER BANK AG

signed René Parmantier

signed Holger Gröber