

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022 or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-40493

**ATAI Life Sciences N.V.**

(Exact name of registrant as specified in its charter)

**The Netherlands**

(State or other jurisdiction of  
incorporation or organization)

**ATAI Life Sciences N.V. c/o Mindspace**  
**Krausenstraße 9-10**  
**Berlin, Germany**  
(Address of principal executive offices)

**Not Applicable**

(I.R.S. Employer  
Identification No.)

**Not Applicable**  
(Zip Code)

**+49 89 2153 9035**

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common shares, par value €0.10 per share</b>	<b>ATAI</b>	<b>The Nasdaq Stock Market LLC (Nasdaq Global Market)</b>

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 1, 2022, the registrant had 160,732,785 common shares, par value €0.10 per share, outstanding.

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## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (the "Quarterly Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements contained in this Quarterly Report other than statements of historical fact, including statements regarding our future operating results and financial position, the success, cost and timing of development of our product candidates, including the progress of preclinical and clinical trials and related milestones, the commercialization of our current product candidates and any other product candidates we may identify and pursue, if approved, including our ability to successfully build a specialty sales force and commercial infrastructure to market our current product candidates and any other product candidates we may identify and pursue, the timing of and our ability to obtain and maintain regulatory approvals, our business strategy and plans, potential acquisitions, and the plans and objectives of management for future operations and capital expenditures, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," and similar expressions are intended to identify forward-looking statements.*

*We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, including without limitation: we are a clinical-stage biopharmaceutical company and have incurred significant losses since our inception, and we anticipate that we will continue to incur significant losses for the foreseeable future; we will require substantial additional funding to achieve our business goals, and if we are unable to obtain this funding when needed and on acceptable terms, we could be forced to delay, limit or terminate our product development efforts; our limited operating history may make it difficult to evaluate the success of our business and to assess our future viability; we have never generated revenue and may never be profitable; our product candidates contain controlled substances, the use of which may generate public controversy; clinical and preclinical development is uncertain, and our preclinical programs may experience delays or may never advance to clinical trials; we rely on third parties to assist in conducting our clinical trials and some aspects of our research and preclinical testing, and those clinical trials, including progress and related milestones, may be impacted by several factors including the failure by such third parties to meet deadlines for the completion of such trials, research, or testing, changes to trial sites and other circumstances; we currently rely on qualified therapists working at third-party clinical trial sites to administer certain of our product candidates in our clinical trials and we expect this to continue upon approval, if any, of our current or future product candidate, and if third-party sites fail to recruit and retain a sufficient number of therapists or effectively manage their therapists, our business, financial condition and results of operations would be materially harmed; we cannot give any assurance that any of our product candidates will receive regulatory approval, which is necessary before they can be commercialized; research and development of drugs targeting the central nervous system, or CNS, is particularly difficult, and it can be difficult to predict and understand why a drug has a positive effect on some patients but not others; we face significant competition in an environment of rapid technological and scientific change; third parties may claim that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and may prevent or delay our development and commercialization efforts; a change in our effective place of management may increase our aggregate tax burden; we identified material weaknesses in connection with our internal control over financial reporting; and a pandemic, epidemic, or outbreak of an infectious disease, such as the COVID-19 pandemic, may materially and adversely affect our business, including our preclinical studies, clinical trials, third parties on whom we rely, our supply chain, our ability to raise capital, our ability to conduct regular business and our financial results. Other important factors include the risks, uncertainties, and assumptions described under "Risk Factors" in our Form 10-K for the year ended December 31, 2021 (the "Form 10-K"), "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of this Quarterly Report, and elsewhere in our filings with the Securities and Exchange Commission ("SEC").*

*Any forward-looking statements made herein speak only as of the date of this Quarterly Report, and you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or achievements reflected in the forward-looking statements will be achieved or will occur. Except as required by applicable law, we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report or to conform these statements to actual results or revised expectations.*

### GENERAL

Unless the context otherwise requires, all references in this Quarterly Report to "we," "us," "our," "atai" or the "Company" refer to ATAI Life Sciences N.V. and its consolidated subsidiaries. References to "Quarterly Report" herein refer to this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 and references to "Form 10-K" and "Annual Report" herein refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

All reports we file with the SEC are available for download free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC's website at [www.sec.gov](http://www.sec.gov). We also make electronic copies of our reports available for download, free of charge, through our investor relations website at [ir.atai.life](http://ir.atai.life) as soon as reasonably practicable after filing such material with the SEC.

We may announce material business and financial information to our investors using our investor relations website at [ir.atai.life](http://ir.atai.life). We therefore encourage investors and others interested in ATAI to review the information that we make available on our website, in addition to following our filings with the SEC, webcasts, press releases and conference calls. Information contained on our website is not part of this Quarterly Report.

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements (Unaudited)**

**ATAI LIFE SCIENCES N.V.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share and per share amounts)

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 123,975	\$ 362,266
Debt securities carried at fair value	210,939	—
Prepaid expenses and other current assets	12,985	11,903
Short term notes receivable	887	913
Total current assets	348,786	375,082
Property and equipment, net	178	149
Equity method investments	9,749	16,131
Other investments	10,587	11,628
Long term notes receivable - related parties	6,928	3,835
Other assets	7,504	7,341
Total assets	\$ 383,732	\$ 414,166
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	3,612	6,004
Accrued liabilities	18,252	14,829
Current portion of contingent consideration liability - related parties	—	51
Other current liabilities	227	51
Total current liabilities	22,091	20,935
Non-current portion of contingent consideration liability - related parties	2,433	2,432
Convertible promissory notes - related parties, net of discounts and deferred issuance costs	725	743
Other liabilities	4,126	4,097
Total liabilities	29,375	28,207
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, €0.10 par value (\$0.12 par value at March 31, 2022 and December 31, 2021, respectively); 750,000,000 shares authorized at March 31, 2022 and December 31, 2021, respectively; 160,719,828 and 160,677,001 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	18,007	18,002
Additional paid-in capital	735,380	725,045
Accumulated other comprehensive income (loss)	(12,709)	(8,336)
Accumulated deficit	(394,672)	(357,803)
Total stockholders' equity attributable to ATAI Life Sciences N.V. stockholders	346,006	376,908
Noncontrolling interests	8,351	9,051
Total stockholders' equity	354,357	385,959
Total liabilities and stockholders' equity	\$ 383,732	\$ 414,166

*See accompanying notes to the unaudited condensed consolidated financial statements.*

**ATAI LIFE SCIENCES N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except share and per share amounts)  
(unaudited)

	Three Months Ended March 31,	
	2022	2021
License revenue	\$ —	\$ 19,880
Operating expenses:		
Research and development	15,460	5,585
Acquisition of in-process research and development	—	972
General and administrative	17,982	9,273
Total operating expenses	33,442	15,830
Income (loss) from operations	(33,442)	4,050
Other income (expense), net:		
Interest income	98	37
Change in fair value of contingent consideration liability - related parties	—	251
Change in fair value of derivative liability	—	41
Change in fair value of debt securities carried at fair value	(740)	—
Foreign exchange gain (loss), net	2,163	1,491
Other income (expense), net	—	(117)
Total other income (expense), net	1,521	1,703
Net income (loss) before income taxes	(31,921)	5,753
Provision for income taxes	(41)	(6)
Losses from investments in equity method investees, net of tax	(5,596)	(1,703)
Net income (loss)	(37,558)	4,044
Net income (loss) attributable to redeemable noncontrolling interests and noncontrolling interests	(689)	3,356
Net income (loss) attributable to ATAI Life Sciences N.V. stockholders	\$ (36,869)	\$ 688
Net income (loss) per share attributable to ATAI Life Sciences N.V. stockholders — basic	\$ (0.24)	\$ 0.01
Net income (loss) per share attributable to ATAI Life Sciences N.V. stockholders — diluted	\$ (0.24)	\$ 0.01
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. stockholders — basic	153,529,268	119,258,529
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. stockholders — diluted	153,529,268	121,374,430

*See accompanying notes to the unaudited condensed consolidated financial statements.*

**ATAI LIFE SCIENCES N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in thousands)  
(unaudited)

	Three Months Ended March 31,	
	2022	2021
Net income (loss)	\$ (37,558)	\$ 4,044
Other comprehensive loss:		
Foreign currency translation adjustments, net of tax	(4,373)	(3,842)
Comprehensive income (loss)	\$ (41,931)	\$ 202
Comprehensive income (loss) attributable to redeemable noncontrolling interests and noncontrolling interests	(689)	3,356
Foreign currency translation adjustments, net of tax attributable to noncontrolling interests	(11)	(184)
Comprehensive income (loss) attributable to redeemable noncontrolling interests and noncontrolling interests	(700)	3,172
Comprehensive income (loss) attributable to ATAI Life Sciences N.V. stockholders	\$ (41,231)	\$ (2,970)

*See accompanying notes to the unaudited condensed consolidated financial statements.*

**ATAI LIFE SCIENCES N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Amounts in thousands, except share and per share amounts)  
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity Attributable to ATAI Life Sciences N.V. Stockholders	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount						
<b>Balances at December 31, 2021</b>	<u>160,677,001</u>	<u>\$ 18,002</u>	<u>\$ 725,045</u>	<u>\$ (8,336)</u>	<u>\$ (357,803)</u>	<u>\$ 376,908</u>	<u>\$ 9,051</u>	<u>\$ 385,959</u>
Issuance of shares upon exercise of stock options	42,827	5	127	—	—	132	—	132
Stock-based compensation expense	—	—	10,208	—	—	10,208	—	10,208
Foreign currency translation adjustment, net of tax	—	—	—	(4,373)	—	(4,373)	(11)	(4,384)
Net income (loss)	—	—	—	—	(36,869)	(36,869)	(689)	(37,558)
<b>Balances at March 31, 2022</b>	<u>160,719,828</u>	<u>\$ 18,007</u>	<u>\$ 735,380</u>	<u>\$ (12,709)</u>	<u>\$ (394,672)</u>	<u>\$ 346,006</u>	<u>\$ 8,351</u>	<u>\$ 354,357</u>

	Common Stock		Additional Paid-In Capital	Share Subscriptions Receivable	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity Attributable to ATAI Life Sciences N.V. Stockholders	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
<b>Balances at December 31, 2020</b>	<u>114,735,712</u>	<u>\$ 13,372</u>	<u>\$ 261,626</u>	<u>\$ —</u>	<u>\$ 5,819</u>	<u>\$ (189,995)</u>	<u>\$ 90,822</u>	<u>\$ 4,546</u>	<u>\$ 95,368</u>
Issuance of common shares, net of issuance costs of \$4.9 million	15,552,688	1,881	162,497	(140,868)	—	—	23,510	—	23,510
Issuance of common shares under the Hurdle Share Option Plan (see Note 12)	7,281,376	—	—	—	—	—	—	—	—
Issuance of noncontrolling interest	—	—	—	—	—	—	—	885	885
Stock-based compensation expense	—	—	212	—	—	—	212	—	212
Foreign currency translation adjustment, net of tax	—	—	—	—	(3,842)	—	(3,842)	(184)	(4,026)
Net income	—	—	—	—	—	688	688	3,356	4,044
<b>Balances as of March 31, 2021</b>	<u>137,569,776</u>	<u>\$ 15,253</u>	<u>\$ 424,335</u>	<u>\$ (140,868)</u>	<u>\$ 1,977</u>	<u>\$ (189,307)</u>	<u>\$ 111,390</u>	<u>\$ 8,603</u>	<u>\$ 119,993</u>

*See accompanying notes to the unaudited condensed consolidated financial statements.*



**ATAI LIFE SCIENCES N.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in thousands)**  
**(unaudited)**

	Three Months Ended March 31,	
	2022	2021
<b>Cash flows from operating activities</b>		
Net loss	\$ (37,558 )	\$ 4,044
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	60	6
Amortization of debt discount	—	97
Change in fair value of contingent consideration liability—related parties	—	(251 )
Change in fair value of debt securities carried at fair value	740	—
Change in fair value of derivative liability	—	(41 )
Losses from investments in equity method investees	5,596	1,703
In-process research and development expense	—	972
Stock-based compensation expense	10,208	212
Unrealized foreign exchange gains	(1,519 )	—
Other	(60 )	20
Changes in operating assets and liabilities:		
Unbilled receivable	—	(20,000 )
Prepaid expenses and other current assets	(1,289 )	(1,813 )
Accounts payable	(1,886 )	3,811
Accrued liabilities	1,722	(5,404 )
Deferred revenue	—	120
Net cash used in operating activities	<u>(23,986 )</u>	<u>(16,524 )</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(56 )	(175 )
Cash paid for debt securities carried at fair value	(211,680 )	—
Cash acquired in asset acquisitions, net	—	10
Cash paid for equity method investments	—	(468 )
Cash paid for other investments	—	(762 )
Purchases of short-term notes receivable	—	(2,035 )
Purchases of long term notes receivable—related party	—	(100 )
Loans to related parties	(3,000 )	—
Other	—	(191 )
Net cash used in investing activities	<u>(214,736 )</u>	<u>(3,721 )</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock	—	28,370
Cash paid for deferred offering costs	—	(801 )
Proceeds from issuance of share option awards	—	534
Proceeds from issuance of shares upon exercise of stock options	132	—
Proceeds from secured borrowing liability	—	2,417
Cash paid for tax withholdings related to stock options exercise	—	(777 )
Proceeds from issuance of convertible promissory notes	—	756
Net cash provided by financing activities	<u>132</u>	<u>30,499</u>
Effect of foreign exchange rate changes on cash	299	(3,131 )
Net increase (decrease) in cash and cash equivalents	(238,291 )	7,123
Cash and cash equivalents – beginning of the period	362,266	97,246
Cash and cash equivalents – end of the period	<u>\$ 123,975</u>	<u>\$ 104,369</u>
<b>Supplemental disclosures of non-cash investing and financing information:</b>		
Common stock issuance costs in accounts payable	\$ —	\$ 89
Common stock issuance costs in accrued liabilities	\$ —	\$ 4,771
Deferred offering costs in accounts payable	\$ —	\$ 69
Deferred offering costs in accrued liabilities	\$ —	\$ 1,774
Fair value of noncontrolling interests issued in connection with asset acquisitions	\$ —	\$ 885
Issuance of derivative instrument related to convertible promissory notes	\$ —	\$ 304
Right of use asset obtained in exchange for operating lease liabilities	\$ 245	\$ —
Share subscriptions receivable	\$ —	\$ 140,868

*See accompanying notes to the unaudited condensed consolidated financial statements.*

## 1. Organization and Description of Business

ATAI Life Sciences N.V. (“atai”) is the parent company of ATAI Life Sciences AG and, along with its subsidiaries, is a clinical-stage biopharmaceutical company aiming to transform the treatment of mental health disorders. atai was founded in 2018 as a response to the significant unmet need and lack of innovation in the mental health treatment landscape. atai is dedicated to acquiring, incubating and efficiently developing innovative therapeutics to treat depression, anxiety, addiction, and other mental health disorders.

Since inception, atai has either created wholly owned subsidiaries or has made investments in certain controlled entities, including variable interest entities (“VIEs”) for which atai is the primary beneficiary under the VIE model (collectively, the “Company”). atai is headquartered in Berlin, Germany.

The Company has determined that it has one operating and reporting segment.

### *Corporate Reorganization and Initial Public Offering*

atai was incorporated pursuant to the laws of the Netherlands as a Dutch private company with limited liability on September 10, 2020 for the purposes of becoming a holding company for ATAI Life Sciences AG and consummating the corporate reorganization described below. atai did not conduct any operations prior to the corporate reorganization other than activities incidental to its formation. ATAI Life Sciences AG was formed as a separate company on February 7, 2018.

In contemplation of the consummation of atai’s initial public offering (“IPO”) of common shares, atai undertook a corporate reorganization (the “Corporate Reorganization”). The Corporate Reorganization consisted of several steps as described below:

- **Exchange of ATAI Life Sciences AG Securities for ATAI Life Sciences B.V. Common Shares and Share Split:** In April 2021, the existing shareholders of ATAI Life Sciences AG each became a party to a separate notarial deed of issue under Dutch law and (i) subscribed for new common shares in ATAI Life Sciences B.V. and (ii) transferred their respective shares in ATAI Life Sciences AG, on a 1 to 10 basis (the “Exchange Ratio”), to ATAI Life Sciences B.V. as a contribution in kind on the common shares in ATAI Life Sciences B.V. As a result of the issuance of common shares in ATAI Life Sciences B.V. to the shareholders of ATAI Life Sciences AG and the contribution and transfer of their respective shares in ATAI Life Sciences AG to ATAI Life Sciences B.V., ATAI Life Sciences AG became a wholly owned subsidiary of ATAI Life Sciences B.V. No shareholder rights or preferences changed as a result of the share for share exchange. In connection with such exchange, the common share in ATAI Life Sciences B.V. held by Apeiron was cancelled. On June 7, 2021, shares of ATAI Life Sciences B.V. were split applying a ratio of 1.6 to one, and the nominal value of the shares was reduced to €0.10, pursuant to a shareholders’ resolution and amendment to the articles of association.
- **Conversion of ATAI Life Sciences B.V. into ATAI Life Sciences N.V.:** Immediately preceding the Company’s IPO, the legal form of ATAI Life Sciences B.V. was converted from a Dutch private company with limited liability to a Dutch public company, and the articles of association of ATAI Life Sciences N.V., became effective. Following the Corporate Reorganization, ATAI Life Sciences N.V. became the holding company of ATAI Life Sciences AG.

The Corporate Reorganization, as described above, is considered a continuation of ATAI Life Sciences AG resulting in no change in the carrying values of assets or liabilities. As a result, the financial statements for periods prior to the Corporate Reorganization are the financial statements of ATAI Life Sciences AG as the predecessor to atai for accounting and reporting purposes. All share, per-share and related information presented in these condensed consolidated financial statements and corresponding disclosure notes have been retrospectively adjusted, where applicable, to reflect the impact of the share exchange and share split resulting from the Corporate Reorganization. In connection with the Corporate Reorganization, outstanding share awards and option grants of ATAI Life Sciences AG were exchanged for share awards and option grants of ATAI Life Sciences B.V. with identical restrictions.

On June 22, 2021, atai closed the IPO of its common shares on the Nasdaq Stock Market (“Nasdaq”). As part of the IPO, the Company issued and sold 17,250,000 shares of its common shares, which included 2,250,000 shares sold pursuant to the exercise of the underwriters’ over-allotment option, at a public offering price of \$15.00 per share. The Company received net proceeds of approximately \$231.6 million from the IPO, after deducting underwriters’ discounts and commissions of \$18.1 million and offering costs of \$9.0 million.

### *Impact of COVID-19 Pandemic*

The COVID-19 pandemic has continued to present global public health and economic challenges during the three months ended March 31, 2022. Although some research and development timelines have been impacted by delays related to the COVID-19 pandemic, the Company has not experienced material financial impacts on its business and operations as a result. The Company continues to monitor the impact of the COVID-19 pandemic on its employees and business and has undertaken business continuity measures to mitigate potential disruption to its operations.

The future impact of COVID-19 on the Company's business and operations, including its research and development programs and related clinical trials, will largely depend on future developments, which are highly uncertain, such as the duration of the pandemic, the spread of the disease and variants thereof, the availability and effectiveness of vaccines and related roll-out efforts, breakthrough infections among the vaccinated, vaccine hesitancy, the implementation of vaccine mandates, travel restrictions, social distancing and related government actions around the world, business closures or business disruptions and the ultimate impact of COVID-19 on financial markets and the global economy. For a discussion of the risks to the Company's business from COVID-19, refer to the section titled "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2021.

### ***Liquidity and Going Concern***

The Company has incurred significant losses and negative cash flows from operations since its inception. As of March 31, 2022, the Company had cash and cash equivalents of \$124.0 million, short-term debt securities of \$210.9 million and its accumulated deficit was \$394.7 million. The Company has historically financed its operations through the sale of equity securities, sale of convertible notes and revenue generated from licensing and collaboration arrangements. The Company has not generated any revenues to date from the sale of its product candidates and does not anticipate generating any revenues from the sale of its product candidates unless and until it successfully completes development and obtains regulatory approval to market its product candidates.

The Company currently expects that its existing cash and cash equivalents and short-term debt securities as of March 31, 2022 will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months from the date the condensed consolidated financial statements are issued.

## **2. Basis of Presentation and Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and follow the requirements of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements as certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted.

The Company's condensed consolidated financial statements include the accounts of the Company and the accounts of the Company's subsidiaries. Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative U.S. GAAP included in the Accounting Standards Codification ("ASC"), and Accounting Standards Update ("ASU") issued by the Financial Accounting Standards Board ("FASB"). All intercompany transactions and accounts have been eliminated in consolidation.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company's financial position, its results of operations and comprehensive loss, and its cash flows for the periods presented. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any other future annual or interim period. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2022.

### ***Significant Accounting Policies***

During the three months ended March 31, 2022, there were no significant changes to the Company's significant accounting policies as described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2021 except as described below.

### ***Use of Estimates***

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions made in the accompanying condensed consolidated financial statements include, but are not limited to the fair value of the Company's investment in Intelgenx Technologies Corp. ("IntelGenx"), warrant liability with Neuronasal Inc., contingent consideration liability—related parties, derivative liability associated with the Perception convertible promissory notes, in-process research and development assets ("IPRD"), redeemable noncontrolling interests and noncontrolling interests recognized in acquisitions, the valuations of common shares prior to IPO and share-based awards, and accruals for research and development costs.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable. Actual results may differ from those estimates or assumptions.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. As of March 31, 2022 and December 31, 2021, cash and cash equivalents consisted of cash on deposit and cash held in high-yield savings accounts and money market funds.

### ***Investment Securities Portfolio***

The following table sets forth the fair value of our available-for-sale debt securities portfolio at the dates indicated:

	<b>Fair Value</b>	
	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Money Market Funds	\$ 37,377	\$ —
U.S. Treasuries	68,482	—
Commercial Paper	75,389	—
Corporate Notes/Bonds	64,103	—
U.S. Government Agencies	2,965	—
	<u>\$ 248,316</u>	<u>\$ —</u>

In January 2022, the Company invested in a certain investment portfolio, which is comprised of Money Market Funds, U.S. Treasury securities, Commercial Paper, Corporate Notes/Bonds, and U.S. government agencies securities. The Company classified securities in the investment portfolio as available-for-sale debt securities. Furthermore, the Company elected the fair value option for the available-for-sale debt securities in the investment portfolio (see Note 7). The decision to elect the fair value option, which is irrevocable once elected, is determined on an instrument-by-instrument basis and applied to an entire instrument. The net gains or losses, if any, on an investment for which the fair value option has been elected are recognized as a change in fair value of investments on the Consolidated Statements of Operations and the amortized cost of investments approximates their fair value.

### ***Fair Value Measurements***

Assets and liabilities recorded at fair value on a recurring basis in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company's contingent consideration liability—related parties, derivative liability associated with the Perception convertible promissory notes, IntelGenx Initial Warrants and IntelGenx Additional Units Warrant, and warrant liability with Neuronasal Inc. are carried at fair value, determined according to Level 3 inputs in the fair value hierarchy described above (See Note 7). The IntelGenx common stock and investment in debt securities is carried at fair value, determined according to Level 2 inputs in the fair value hierarchy above. The carrying amount reflected in the accompanying consolidated balance sheets for cash, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values, due to their short-term nature.

The carrying amounts of the Company's remaining outstanding convertible promissory notes—related parties issued in 2018 and 2020 (collectively, the "2018 Convertible Notes") do not approximate fair value because the fair value is driven by the underlying value of the Company's common shares into which the notes are to be converted. As of March 31, 2022, the carrying amount and fair value amount of the 2018 Convertible Notes was \$0.7 million and \$45.7 million, respectively. As of December 31, 2021, the carrying amount and fair value amount of the 2018 Convertible Notes was \$0.8 million and \$69.7 million, respectively. Subsequent to the IPO, several noteholders of the 2018 Convertible Notes elected to convert their promissory notes into the Company's common shares. See Note 10 for additional discussion.

### ***Fair Value Option***

As permitted under Accounting Standards Codification 825, Financial Instruments, or ASC 825, the Company has elected the fair value option to account for its investment in common shares of IntelGenx, which otherwise would be subject to ASC 323. In accordance with ASC 825, the Company records this investment at fair value under the Other investments held at fair value in the Company's consolidated balance sheets and changes in fair value are recognized as a component of other income (expense), net in the consolidated statements of operations.

Furthermore, as noted above the Company also elected the fair value option for their investment portfolio.

### ***Emerging Growth Company Status***

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

As described in "Recently Adopted Accounting Pronouncements" below, the Company early adopted certain accounting standards, as the JOBS Act does not preclude an emerging growth company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. The Company expects to use the extended transition period for any other new or revised accounting standards during the period in which it remains an emerging growth company.

### ***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. The core principle of Topic 842 requires lessees to recognize on the consolidated balance sheets a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases with lease terms greater than twelve months. The lease liability is measured at the present value of the unpaid lease payments and the right-of-use asset is derived from the calculation of the lease liability. Topic 842 also requires lessees to disclose key information about leasing arrangements. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. As a result of the Company having elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, ASU 2016-02 is effective for the Company beginning after December 15, 2021.

The Company adopted the new standard on January 1, 2022 using the modified transition approach as of the effective date.

The new standard provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients," which permitted it to not reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. As a result, the Company has continued to account for existing leases - i.e. leases for which the commencement date is before January 1, 2022 - in accordance with Topic 840 throughout the entire lease term, including periods after the effective date, with the exception that the Company applied the new balance sheet recognition guidance for operating leases and applied Topic 842 for remeasurements and modifications after the Transition Date. The Company also elected the hindsight expedient in determining the lease term and assessing impairment of right-of-use assets when transitioning to ASC 842. As a result, the Company evaluated the lease term for its existing leases as of the transition date, January 1, 2022.

The most significant impact of the adoption of Topic 842 on the Company's condensed consolidated financial statements was the

recognition of a \$0.2 million operating lease right-of-use asset, a \$0.1 million current operating lease liability, and a \$0.1 million long-term operating lease liability on the Company's condensed consolidated balance sheet related to its existing facility operating lease. The Company did not have a deferred rent liability recorded in connection with its existing facility operating lease. There was no material impact to the Company's condensed consolidated balance sheet, statement of operations, and no cumulative-effect adjustment to accumulated deficit. The Company recorded an immaterial amount of general and administrative expense in its consolidated statement of operations related to lease expense, including short-term lease expense during the three months ended March 31, 2022.

### ***Recently Issued Accounting Pronouncements Not Yet Adopted***

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. This update requires immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred. The new model is applicable to most financial assets and certain other instruments that are not measured at fair value through net income. In November 2019, the FASB issued ASU 2019-10, which delays adoption for "smaller reporting companies" as defined under the rules promulgated under the Exchange Act. Although, as of December 31, 2021, the Company was no longer a smaller reporting company, the Company qualified as a smaller reporting company at the time of its initial public offering and, as such, in accordance with ASU 2019-10, the effective date for adoption by the Company will begin after December 31, 2022. The Company does not expect that the adoption of this new standard will have a material impact on its condensed consolidated financial statements and related disclosures.

## **3. Acquisitions**

### ***2021 Acquisitions***

#### ***PsyProtix, Inc.***

In February 2021, the Company jointly formed PsyProtix with Chymia, LLC ("Chymia"). PsyProtix was created for the purpose of exploring and developing a metabolomics-based precision psychiatry approach, initially targeting the stratification and treatment of Treatment Resistant Depression ("TRD") patients. In February 2021, pursuant to a Series A Preferred Stock Purchase Agreement (the "PsyProtix Purchase Agreement"), the Company acquired shares of PsyProtix's Series A preferred stock in exchange for an initial payment of \$0.1 million in cash. In addition, pursuant to the PsyProtix Purchase Agreement, the Company agreed to make aggregate payments to PsyProtix of up to \$4.9 million upon the achievement of specified clinical milestones to complete the purchase of the shares and provide additional funding to PsyProtix. The PsyProtix Purchase Agreement resulted in the Company holding a 75.0% voting interest and Chymia holding a 25.0% voting interest in PsyProtix. In connection with the Company's agreement for additional funding, PsyProtix issued the corresponding Series A preferred shares to the Company provided that the shares are held in an escrow account (the "PsyProtix Escrow Shares"). The PsyProtix Escrow Shares will be released, from time to time, to the Company upon PsyProtix achieving certain milestones as defined in the PsyProtix Purchase Agreement with cash payments to be made by the Company. In addition, the Company has the right, but not the obligation, to make payment for the certain PsyProtix Escrow Shares at any time, regardless of the achievement of any milestones. The PsyProtix Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, PsyProtix shall automatically repurchase a pro rata portion of the Escrow Shares from atai ("Repurchase Event") for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to PsyProtix and thereafter cancelled. The Repurchase Event is the sole remedy upon atai's failure to make the payment for the milestone shares. In addition, prior to the occurrence of the earlier of a certain milestone event or reaching of the Company's capital contribution threshold of \$5.0 million, PsyProtix will issue additional shares of common stock to Chymia to maintain Chymia's current ownership percentage. This anti-dilution right was concluded to be embedded in the common shares held by Chymia.

Immediately following the closing of the PsyProtix Purchase Agreement, PsyProtix loaned \$0.1 million to Chymia in exchange for a duly executed promissory note (the "Chymia Note"). The Chymia Note shall accrue interest at a 5% rate per annum until payment in full. The aggregate principal amount of \$0.1 million, together with all accrued and unpaid interest and all other amounts payable are due to be paid on the date that is the earlier of (i) five years from the promissory note agreement date or (ii) the occurrence of a liquidation event or a deemed liquidation event (as defined in the PsyProtix's certificate of incorporation). As of March 31, 2022, the Chymia Note was \$0.1 million and included as a component of long-term notes receivable—related parties on the consolidated balance sheets.

The PsyProtix Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of PsyProtix. The Company concluded that PsyProtix was not considered a business based on its assessment under ASC 805 and accounted for the Company's acquisition in PsyProtix as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company did not recognize a gain or a loss in connection with the consolidation of PsyProtix as the fair value of the consideration paid of \$0.1 million was equivalent to the fair value of the identifiable assets acquired of \$0.1 million.

In October 2021, pursuant to the Board consent letter and the PsyProtix Purchase Agreement discussed above, the Company released a payment in the amount of \$0.5 million upon the achievement of specified clinical milestones. Accordingly, 500,000 shares of Series A Preferred Stock were released from the escrow account to the Company. The Company's equity ownership interest in PsyProtix remained unchanged as the PsyProtix Escrow Shares were already deemed issued, outstanding and legally owned by atai.

#### ***Psyber, Inc.***

Psyber is a globally based startup focused on the development of brain-computer interface-enabled digital therapeutics for treating mental health issues. Psyber was created as a joint venture between the Company and the founders of Psyber. In February 2021, pursuant to a Series A Preferred Stock Purchase Agreement (the "Psyber Purchase Agreement"), the Company acquired shares of Psyber's Series A Preferred Stock in exchange for an initial payment of \$0.2 million in cash. In addition, pursuant to the Psyber Purchase Agreement, the Company agreed to make aggregate payments to Psyber of up to \$1.8 million upon the achievement of specified clinical milestones to complete the purchase of the shares and provide additional funding to Psyber. The Psyber Purchase Agreement resulted in the Company holding a 75.0% voting interest and the founders of Psyber jointly holding a 25.0% voting interest in Psyber. In connection with the Company's agreement for additional funding, Psyber issued the corresponding Series A preferred shares to the Company provided that the shares are held in an escrow account (the "Psyber Escrow Shares"). The Psyber Escrow Shares will be released, from time to time, to the Company upon Psyber achieving certain milestones as defined in the Psyber Purchase Agreement with cash payments to be made by the Company. In addition, the Company has the right, but not the obligation, to make payment for the certain Psyber Escrow Shares at any time, regardless of the achievement of any milestones. The Psyber Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, Psyber shall automatically repurchase a pro rata portion of the Escrow Shares from atai ("Repurchase Event") for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to Psyber and thereafter cancelled. The Repurchase Event is the sole remedy upon atai's failure to make the payment for the milestone shares. In addition, prior to the occurrence of the earlier of a certain milestone event or reaching of the Company's capital contribution threshold of \$2.0 million, Psyber will issue additional shares of common stock to the founders of Psyber to maintain the founders' current ownership percentage. This anti-dilution right was concluded to be embedded in the common shares held by the founders of Psyber.

The Psyber Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of Psyber. The Company concluded that Psyber was not considered a business based on its assessment under ASC 805 and accounted for the Company's acquisition in Psyber as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company recognized a de minimis gain for the three months ended March 31, 2021. The gain was calculated as the sum of the consideration paid of \$0.2 million, less the fair value of identifiable net assets acquired of \$0.2 million.

In July 2021, pursuant to the Psyber Purchase Agreement discussed above, the Company released a payment in the amount of \$0.7 million upon the achievement of specified clinical milestones. Accordingly, 2,437,500 shares of Series A Preferred Stock were released from the escrow account to the Company. The Company's equity ownership interest in Psyber remained unchanged as the Psyber Escrow Shares were already deemed issued, outstanding and legally owned by the Company.

#### ***InnarisBio, Inc.***

In February 2021, the Company jointly formed InnarisBio with UniQuest Pty Ltd ("UniQuest") for the purpose of adding a solgel-based direct-to-brain intranasal drug delivery technology to the Company's platform. In March 2021, pursuant to a Series A Preferred Stock Purchase Agreement (the "InnarisBio Purchase Agreement"), the Company acquired shares of InnarisBio's Series A preferred stock in exchange for an initial payment of \$1.1 million in cash. In addition, pursuant to the InnarisBio Purchase Agreement, the Company agreed to make aggregate payments to InnarisBio of up to \$3.9 million upon the achievement of specified clinical milestones to complete the purchase of the shares and provide additional funding to InnarisBio. The InnarisBio Purchase Agreement resulted in the Company holding an 82.0% voting interest and UniQuest holding a 18.0% voting interest in InnarisBio. In connection with the Company's agreement for additional funding, InnarisBio issued the corresponding shares of Series A preferred stock to the Company provided that the shares are held in an escrow account (the "InnarisBio Escrow Shares"). The InnarisBio Escrow Shares will be released, from time to time, to the Company upon InnarisBio achieving certain milestones as defined in the InnarisBio Purchase Agreement with cash payments to be made by the Company. In addition, the Company has the right, but not the obligation, to make payment for the InnarisBio Escrow Shares at any time, regardless of the achievement of any milestones. The InnarisBio Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, InnarisBio shall automatically repurchase a pro rata portion of the Escrow Shares from atai ("Repurchase Event") for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to InnarisBio and thereafter cancelled. The Repurchase Event is the sole remedy upon atai's failure to make the payment for the milestone shares.

The InnarisBio Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of InnarisBio. The Company concluded that InnarisBio was not considered a business based on its assessment under ASC 805 and accounted for the Company's acquisition in InnarisBio as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company recognized a de minimis loss on consolidation for the three months ended March 31, 2021. The loss was calculated as the sum of the consideration paid of \$1.1 million, the fair value of the noncontrolling interest issued of \$0.9 million, less the fair value of identifiable net assets acquired of \$2.0 million. The fair value of the contingent milestone payments of \$0.1 million was included in the total purchase consideration for the noncontrolling interest and recognized as a liability by InnarisBio at the date of acquisition. The fair value of the IPR&D acquired of \$1.0 million was reflected as acquired in-process research and development expense on the consolidated statements of operations for the three months ended March 31, 2021 as it had no alternative future use at the time of the acquisition.

In November 2021, pursuant to the InnarisBio Purchase Agreement discussed above, the Company released a payment in the amount of \$1.2 million upon the achievement of specified clinical milestones. Accordingly, 1,238,000 shares of Series A Preferred Stock were released from the escrow account to the Company. The Company's equity ownership interest in InnarisBio remained unchanged as the InnarisBio Escrow Shares were already deemed issued, outstanding and legally owned by the Company.

#### ***Neuronasal, Inc.***

Neuronasal, Inc. ("Neuronasal") is developing a novel intranasal formulation of N-acetylcysteine for acute mild traumatic brain injury. The Company first acquired investments in Neuronasal in December 2019 pursuant to a Preferred Stock Purchase Agreement (the "Neuronasal PSPA"). In December 2019, in connection with the original purchase of the preferred shares, Neuronasal and the Company entered into the Secondary Sale and Put Right Agreement (the "Neuronasal Secondary Sale Agreement"), whereby upon the achievement of certain contingent development milestones, existing common shareholders have the right to sell and the Company has the option but not the obligation to purchase additional shares of common stock at a price determined based on the fair market value per share on the date of exercise. These options that will allow the Company to purchase additional common shares are contingent upon the exercise of the options by Neuronasal's common shareholders to sell shares to the Company. On March 10, 2021, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares for approximately \$0.8 million based on the achievement of certain development milestones. Also, pursuant to the Neuronasal Secondary Sale Agreement, the Company purchased additional common shares for approximately \$0.3 million. On May 17, 2021, pursuant to the Neuronasal PSPA the Company exercised its option to purchase additional shares of Series A preferred stock of Neuronasal for an aggregate cost of \$1.0 million. The additional purchase on May 17, 2021 resulted in the Company obtaining an aggregate 56.5% ownership interest in Neuronasal, including the Company's previously acquired investments in Neuronasal's common and preferred stock, and provided the Company with control of Neuronasal's board of directors and the unilateral rights to control all decisions related to the significant activities of Neuronasal. Prior to May 17, 2021, the Company accounted for its investments in Neuronasal's common stock under the equity method and Neuronasal's preferred stock under the measurement alternative (See Note 5). Following the closing of this acquisition on May 17, 2021, the results of Neuronasal have been consolidated in the Company's consolidated financial statements.

#### ***TryptageniX, Inc.***

TryptageniX, Inc. ("TryptageniX"), a Delaware corporation, was incorporated by CB Therapeutics, Inc. ("CBT") on November 17, 2021, for the purpose of developing and commercializing Intellectual Property ("IP") and to develop innovative biosynthetic methods to manufacture bioidentical, clinically relevant compounds, including psychoactive compounds which are highly difficult to produce sustainably through traditional methods. TryptageniX will generate New Chemical Entities ("NCE"). In December 2021, pursuant to the Stock Purchase Agreement ("TryptageniX-ATAI Stock Purchase Agreement"), atai acquired Class A Common Stock in exchange for \$2.0 million and received a certificate representing additional Class A Common Stock to be held in escrow ("Escrow Shares") by TryptageniX to be released upon achievement of specified clinical milestones and corresponding milestone payments. The TryptageniX-ATAI Stock Purchase Agreement resulted in the Company holding a 65% equity ownership interest and CBT holding a 35% equity ownership interest in TryptageniX. The Escrow Shares will be released, from time to time, to the Company upon TryptageniX achieving certain milestones as defined in the TryptageniX Purchase Agreement with cash payments to be made by the Company. Notwithstanding anything to the contrary, atai shall be the owner of the Escrow Shares and has the right, but not the obligation, to make payment for the Escrow Shares at any time, regardless of the achievement of any milestones. The Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, TryptageniX shall automatically repurchase a pro rata portion of the Escrow Shares from atai ("Repurchase Event") for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to TryptageniX and thereafter cancelled. The Repurchase Event is the sole remedy upon atai's failure to make the payment for the milestone shares.



On December 3, 2021, the Company made an additional payment of \$1.0 million to CBT for the first installment of a \$2.0 million exclusivity fee to become a party to the TryptageniX-ATAI Stock Purchase Agreement. The fee represents the exclusive right to the CBT technology and know-how defined in the TryptageniX Stockholders Agreement. The remaining installment of \$1.0 million shall be paid no later than the second anniversary of the acquisition date, either in cash or in common shares of atai.

The TryptageniX-ATAI Stock Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of TryptageniX. The Company concluded that the acquired assets and activities of TryptageniX did not constitute a business based on its assessment under ASC 805 and accounted for the acquisition as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company did not recognize a gain or a loss in connection with the consolidation of TryptageniX as the fair value of the consideration paid of \$1.0 million was equivalent to the fair value of identifiable net assets acquired of \$6.5 million, less the fair value of the noncontrolling interest issued of \$3.9 million, fair value of the contingent consideration of \$0.9 million, and fair value of liability for seller financing of \$0.8 million. In December 2021, the Company elected to expense the entire fair value of the acquired IPR&D asset of \$6.5 million as it had no alternative use at the acquisition date.

All acquisitions discussed above were considered as asset acquisitions and no goodwill was recognized upon consolidation.

#### 4. Variable Interest Entities and a Voting Interest Entity

##### *Consolidated VIEs*

At each reporting period, the Company reassesses whether it remains the primary beneficiary for Variable Interest Entities ("VIEs") consolidated under the VIE model.

The entities consolidated by the Company are comprised of wholly and partially owned entities for which the Company is the primary beneficiary under the VIE model as the Company has (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses that could potentially be significant to the VIE, or the right to receive benefits from the VIE that could potentially be significant to the VIE. The results of operations of the consolidated entities are included within the Company's condensed consolidated financial statements from the date of acquisition to March 31, 2022.

As of March 31, 2022 and December 31, 2021, the Company has accounted for the following consolidated investments as VIEs, excluding the wholly owned subsidiaries:

<u>Consolidated Entities</u>	<u>Relationship as of March 31, 2022</u>	<u>Relationship as of December 31, 2021</u>	<u>Date Control Obtained</u>	<u>Ownership % March 31, 2022</u>	<u>Ownership % December 31, 2021</u>
Perception Neuroscience Holdings, Inc.	Controlled VIE	Controlled VIE	November 2018	58.9%	58.9%
Kures, Inc.	Controlled VIE	Controlled VIE	August 2019	54.1%	54.1%
EntheogeniX Biosciences, Inc.	Controlled VIE	Controlled VIE	November 2019	80.0%	80.0%
DemeRx IB, Inc.	Controlled VIE	Controlled VIE	December 2019	59.5%	59.5%
Recognify Life Sciences, Inc.	Controlled VIE	Controlled VIE	November 2020	51.9%	51.9%
PsyProtix, Inc.	Controlled VIE	Controlled VIE	February 2021	75.0%	75.0%
Psyber, Inc.	Controlled VIE	Controlled VIE	February 2021	75.0%	75.0%
InnarisBio, Inc.	Controlled VIE	Controlled VIE	March 2021	82.0%	82.0%
Neuronasal, Inc.	Controlled VIE	Controlled VIE	May 2021	56.5%	56.5%
TryptageniX Inc.	Controlled VIE	Controlled VIE	December 2021	65.0%	65.0%

As of March 31, 2022 and December 31, 2021, the assets of the consolidated VIEs can only be used to settle the obligations of the respective VIEs. The liabilities of the consolidated VIEs are obligations of the respective VIEs and their creditors have no recourse to the general credit or assets of atai.

##### *EntheogeniX Biosciences, Inc.*

In November 2019, the Company entered into a series of agreements with Cyclica Inc. ("Cyclica") to form EntheogeniX Biosciences, Inc. ("EntheogeniX"), a company dedicated to developing the next generation of innovative mental health drugs employing an AI-enabled computational biophysics platform designed to optimize and accelerate drug discovery. Based on the Company's assessment of the

transaction at the time of acquisition, the Company concluded that EntheogeniX was not a business and accounted for the Company's investment as an initial consolidation of a VIE that is not a business under ASC 810.

In February 2022, pursuant to the business plan as contemplated in the Stockholders Agreement and Subscription for Shares pursuant to the Contribution and Subscription Agreement, atai purchased additional shares of Class A common stock for an aggregate purchase price of \$1.0 million. As a result of anti-dilution protection available to Cyclica, the Company's ownership percentage in EntheogeniX did not change due to the Class A common stock purchase. As of March 31, 2022 and December 31, 2021, the Company owned 80% of the outstanding common stock of EntheogeniX.

The purchase of additional Class A common stock was deemed to be a reconsideration event. The Company determined that EntheogeniX is still considered a VIE subsequent to the additional Class A common stock purchase as EntheogeniX does not have sufficient equity at risk to carry out its principal activities without additional subordinated financial support.

The following table presents the assets and liabilities (excluding intercompany balances that were eliminated in consolidation) for all VIEs as of March 31, 2022 (in thousands):

	Perception	Kures	EntheogeniX	DemeRx IB	Recognify	PsyProtix	Psyber	InnarBio	Neuronasal	TryptageniX
<b>Assets:</b>										
Current assets:										
Cash	\$ 20,959	\$ 706	\$ 1,040	\$ 7,863	\$ 2,322	\$ 368	\$ 391	\$ 1,215	\$ (5)	\$ 2,000
Accounts receivable	64	—	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets	1,130	100	—	120	—	98	—	410	195	—
Total current assets	22,153	806	1,040	7,983	2,322	466	391	1,625	190	2,000
Long term notes receivable	—	—	—	1,075	—	106	—	—	—	—
Other assets	—	—	—	—	—	—	137	—	—	—
Total assets	\$ 22,153	\$ 806	\$ 1,040	\$ 9,058	\$ 2,322	\$ 572	\$ 528	\$ 1,625	\$ 190	\$ 2,000
<b>Liabilities:</b>										
Current liabilities:										
Accounts payable	\$ 431	\$ 622	\$ 206	\$ 460	\$ 191	\$ 303	\$ 50	\$ 361	\$ 361	\$ —
Accrued liabilities	1,926	616	11	331	140	80	16	12	762	199
Other current liabilities	12	—	—	—	—	—	—	—	38	—
Total current liabilities	2,369	1,238	217	791	331	383	66	373	1,161	199
Contingent consideration liability	1,490	—	—	—	—	—	—	93	—	850
Other non-current liabilities	—	—	—	—	—	—	—	—	336	820
Total liabilities	\$ 3,859	\$ 1,238	\$ 217	\$ 791	\$ 331	\$ 383	\$ 66	\$ 466	\$ 1,497	\$ 1,869

The following table presents the assets and liabilities (excluding intercompany balances that were eliminated in consolidation) for all consolidated VIEs as of December 31, 2021 (in thousands):

	<u>Perception</u>	<u>Kures</u>	<u>EntheogeniX</u>	<u>DemeRx IB</u>	<u>Recognify</u>	<u>PsyProtix</u>	<u>Psyber</u>	<u>InnarisBio</u>	<u>Neuronasal</u>	<u>TryptageniX</u>
<b>Assets:</b>										
Current assets:										
Cash	\$ 23,099	\$ 1,048	\$ 198	\$ 8,511	\$ 2,519	\$ 512	\$ 542	\$ 1,487	\$ 95	\$ 2,000
Unbilled receivable	64	—	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets	1,138	104	—	70	4	1	—	62	207	—
Total current assets	24,301	1,152	198	8,581	2,523	513	542	1,549	302	2,000
Property and equipment, net	1	—	—	—	—	—	—	—	—	—
Long term notes receivable	—	—	—	1,075	—	104	—	—	—	—
Other assets	—	—	—	—	—	—	99	—	—	—
Total assets	<u>\$ 24,302</u>	<u>\$ 1,152</u>	<u>\$ 198</u>	<u>\$ 9,656</u>	<u>\$ 2,523</u>	<u>\$ 617</u>	<u>\$ 641</u>	<u>\$ 1,549</u>	<u>\$ 302</u>	<u>\$ 2,000</u>
<b>Liabilities:</b>										
Current liabilities:										
Accounts payable	\$ 598	\$ 235	\$ 53	\$ 439	\$ 29	\$ 51	\$ 15	\$ —	\$ 326	\$ —
Accrued liabilities	887	120	9	180	44	50	63	10	749	—
Current portion of contingent consideration liability - related parties	51	—	—	—	—	—	—	—	—	—
Deferred revenue	12	—	—	—	—	—	—	—	—	—
Short-term notes payable	—	—	—	—	—	—	—	—	38	—
Total current liabilities	1,548	355	62	619	73	101	78	10	1,113	—
Contingent consideration liability	1,489	—	—	—	—	—	—	93	—	850
Other non-current liabilities	—	—	—	—	—	—	—	—	336	820
Total liabilities	<u>\$ 3,037</u>	<u>\$ 355</u>	<u>\$ 62</u>	<u>\$ 619</u>	<u>\$ 73</u>	<u>\$ 101</u>	<u>\$ 78</u>	<u>\$ 103</u>	<u>\$ 1,449</u>	<u>\$ 1,670</u>

### *Noncontrolling Interests*

The Company recognizes noncontrolling interests related to its consolidated VIEs and provides a rollforward of the noncontrolling interests balance, as follows (in thousands):

	<u>Perception</u>	<u>Recognify</u>	<u>Psyber</u>	<u>InnarisBio</u>	<u>Total</u>
<b>Balance as of December 31, 2021</b>	\$ 5,232	\$ 3,819	\$ —	\$ —	\$ 9,051
Net loss attributable to noncontrolling interests - preferred	(571)	(118)	—	—	(689)
Comprehensive loss attributable to noncontrolling interests	(11)	—	—	—	(11)
<b>Balance as of March 31, 2022</b>	<u>\$ 4,650</u>	<u>\$ 3,701</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,351</u>

	Perception	Recognify	Psyber	InnarisBio	Total
<b>Balance as of December 31, 2020</b>	\$ —	\$ 4,546	\$ —	\$ —	\$ 4,546
Issuance of noncontrolling interests	—	—	8	877	885
Net income (loss) attributable to noncontrolling interests - common	1,755	—	(8)	(877)	870
Net income (loss) attributable to noncontrolling interests - preferred	2,608	(122)	—	—	2,486
Comprehensive loss attributable to noncontrolling interests	(184)	—	—	—	(184)
<b>Balance as of March 31, 2021</b>	<u>\$ 4,179</u>	<u>\$ 4,424</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,603</u>

### ***Redeemable Noncontrolling Interests***

In connection with the consolidation of Kures, the Company recognized the shares of Kures common stock and Series A-1 preferred stock held by the founders of Kures as redeemable noncontrolling interests as they contain embedded put options that are exercisable by the founders following a successful completion of a future event (not probable as of the reporting date), which is not solely within the control of the Company.

In connection with the consolidation of DemeRx IB, the Company recognized common stock held by DemeRx as redeemable noncontrolling interests as they are redeemable upon the occurrence of events that are not solely within the control of the Company.

In connection with the consolidation of Neuronasal, the Company recognized the shares of Neuronasal common stock held by the founders of Neuronasal as redeemable noncontrolling interests as they contain embedded put options that are exercisable by the founders following a successful completion of a future event, which is not solely within the control of the Company.

The redeemable noncontrolling interests were initially measured at fair value upon issuance and are redeemable at fair value at the holder's option upon the successful completion or occurrence of future events. As of March 31, 2022 and December 31, 2021, the Company did not adjust the carrying value of the redeemable noncontrolling interests based on their estimated redemption values since it was not probable that the events that would allow the shares to become redeemable would occur. Subsequent adjustments to increase or decrease the carrying values of the redeemable noncontrolling interests to their estimated redemption values will be made if and when it becomes probable that such events will occur.

As of March 31, 2022 and December 31, 2021, the balance of redeemable noncontrolling interests in temporary equity on the consolidated balance sheets was zero.

### ***Non-consolidated VIEs and VOEs***

The Company evaluated the nature of its investments in Innoplexus AG ("Innoplexus"), DemeRx NB, Inc. ("DemeRx NB") and IntelGenx Technologies Corp. ("IntelGenx") and determined that the investments are VIEs as of the date of the Company's initial investment through March 31, 2022. The Company is not the primary beneficiary as it did not have the power to direct the activities that most significantly impact the investments' economic performance and therefore concluded that it did not have a controlling financial interest that would require consolidation as of March 31, 2022 and December 31, 2021.

The Company will reevaluate if the investments meet the definition of a VIE upon the occurrence of specific reconsideration events. The Company accounted for these investments under either the equity method or the measurement alternative included within ASC 321 (See Note 5). As of March 31, 2022, the Company's maximum exposure for its non-consolidated VIEs was \$10.6 million relating to the carrying values in other investments and other investments held at fair value and \$6.9 million relating to the carrying value in long term notes receivable – related party. As of December 31, 2021, the Company's maximum exposure for its non-consolidated VIEs was \$11.6 million relating to the carrying values in its other investments and \$3.8 million relating to the carrying value in short term notes receivable—related party.

## **5. Equity Method Investments and Other Investments**

### ***Equity Method Investments***

As of March 31, 2022 and December 31, 2021, the Company accounted for the following investments in the investee's common stock under the equity method (amounts in thousands):

Investee	Date First Acquired	As of March 31, 2022		As of December 31, 2021	
		Common Stock Ownership %	Carrying Value	Common Stock Ownership %	Carrying Value
Innoplexus A.G.	August 2018	35.0%	\$ —	35.0%	\$ —
COMPASS Pathways plc <sup>(2)</sup>	December 2018	22.5%	9,749	22.8%	16,131
GABA Therapeutics, Inc	November 2020	7.5%	—	7.5%	—
Total			\$ 9,749		\$ 16,131

- (1) The Company is deemed to have significant influence over this entity through its total ownership interest in the entity's equity, including the Company's investment in the respective entity's preferred stock, described below in Other Investments.
- (2) Prior to the consummation of the COMPASS IPO in September 2020, COMPASS undertook a corporate reorganization. As part of the corporate reorganization, COMPASS became a wholly owned subsidiary of COMPASS Rx Limited. COMPASS Rx Limited was re-registered as a public limited company and renamed COMPASS Pathways plc.

### Other Investments

The Company has accounted for its other investments that do not have a readily determinable fair value under the measurement alternative. As of March 31, 2022 and December 31, 2021, the carrying values of other investments, which consisted of investments in the investee's preferred stock and common stock not in the scope of ASC 323 were as follows (in thousands):

	March 31, 2022	December 31, 2021
GABA Therapeutics, Inc.	\$ 9,219	\$ 10,260
DemeRx NB, Inc.	1,024	1,024
Juvenescence Limited	344	344
Total	\$ 10,587	\$ 11,628

The Company's investments in the preferred stock of COMPASS through the date of its IPO in September 2020, Neuronasal (through May 2021), Innoplexus, GABA, and DemeRx NB are not considered as in-substance common stock due to the existence of substantial liquidation preferences and therefore did not have subordination characteristics that were substantially similar to the common stock. Although the Company's investment in Juvenescence Limited (Juvenescence) is in common stock, it is not able to exercise significant influence over the operating and financial decisions of Juvenescence. The Company concluded that its ownership interests in above Other Investments do not have a readily determinable fair value and are accounted for under the measurement alternative. Under the measurement alternative, the Company measured its other investments at cost, less any impairment, plus or minus, if any, observable price changes in orderly transactions for an identical or similar investment of the same issuer.

During the three months ended March 31, 2022 and 2021 there were no observable changes in price recorded related to the Company's Other Investments.

During the three months ended March 31, 2022 and 2021, the Company evaluated all of its other investments to determine if certain events or changes in circumstance during these time periods in 2022 and 2021 had a significant adverse effect on the fair value of any of its investments in non-consolidated entities. Based on this analysis, the Company did not note any impairment indicators associated with the Company's Other Investments.

### Innoplexus AG

Innoplexus AG is a technology company that provides "Data as a Service" and "Continuous Analytics as a Service" solutions that aims to help healthcare organizations leverage their technologies and expedite the drug development process across all stages—preclinical, clinical, regulatory and commercial. The Company first acquired investments in Innoplexus in August 2018.

As of December 31, 2020, the Company owned 35.0% of the common stock issued by Innoplexus. The Company has significant influence over Innoplexus through its noncontrolling representation on the investee's supervisory board. Accordingly, the Company's investment in Innoplexus' common stock was accounted for in accordance with the equity method. The Company's investment in Innoplexus' preferred stock did not meet the criteria for in-substance common stock. As such, the investment in Innoplexus' preferred stock was accounted for under the measurement alternative as discussed below.

In February 2021, the Company entered into a Share Purchase and Assignment Agreement (the "Innoplexus SPA") to sell its shares of common and preferred stock held in Innoplexus to a current investor of Innoplexus (the "Purchaser") in exchange for an initial purchase

price of approximately \$2.4 million. In addition, the Company is entitled to receive contingent payments based on the occurrence of subsequent equity transactions or liquidity events at Innoplexus as determined under the Innoplexus SPA.

Pursuant to the Innoplexus SPA, the Purchaser is required to hold a minimum number of shares equivalent to the number of shares purchased from the Company through December 31, 2026. In the event that the Purchaser is in breach of this requirement, the purchaser is required to pay the Company an additional purchase price of approximately \$9.6 million. The transaction was accounted for as a secured financing as it did not qualify for sale accounting under ASC Topic 860, *Transfers and Servicing* (ASC 860), due to the provision under the Innoplexus SPA which constrained the Purchaser from its right to pledge or exchange the underlying shares and provided more than a trivial benefit to the Company. The initial proceeds from the transaction were reflected as a secured borrowing liability of \$2.4 million as of March 31, 2022, which is included in Other liabilities in the Company's consolidated balance sheet. The Company will continue to account for its investment in Innoplexus' common stock under the equity method of accounting and its investment in Innoplexus' preferred shares under the measurement alternative.

In addition, the Innoplexus SPA also provides the rights for the Company to receive additional consideration with a maximum payment outcome of \$22.3 million should the equity value of Innoplexus exceed certain thresholds upon the occurrence of certain events. The Company concluded that this feature met the definition of a derivative which required bifurcation. As the probability of the occurrence of certain events defined in the Innoplexus SPA was less than remote, the Company concluded that the fair value of the embedded derivative ascribed to this feature was de minimis as of March 31, 2022.

The carrying value of the Company's investment in Innoplexus was zero as of March 31, 2022 and December 31, 2021.

### ***COMPASS Pathways plc***

COMPASS Pathways plc is a mental health care company dedicated to pioneering the development of a new model of psilocybin therapy with its product COMP360. The Company first acquired investments in COMPASS in December 2018.

### ***Equity Investment***

Through a series of open market transactions between November 23, 2021 and December 7, 2021, the Company purchased an additional 1,490,111 of COMPASS ADS at an aggregate purchase price of \$47.4 million. The additional shares acquired resulted in an increase in the Company's ownership of COMPASS ADS to 22.8%. The Company applied the cost accumulation model and recorded its investment at cost. At the date of the investment, a basis difference was identified as the cost basis of the Company's investment in COMPASS exceeded the Company's proportionate share of the underlying net assets in COMPASS. The Company concluded that the basis differences were primarily attributable to COMPASS's IPR&D associated with COMP360, a psilocybin therapy, which recently completed its Phase IIb clinical trial. As the Company's investment in COMPASS did not meet the definition of a business due to substantially all of the estimated fair value of the gross assets being concentrated in COMP360 and the associated IPR&D, the basis differences were attributable to the IPR&D with no alternative future use, and were immediately expensed at the time of the additional investment. For the three months ended March 31, 2022, the Company recognized losses from investments in equity method investees, net of tax of \$4.8 million in association with our equity pick-up in COMPASS, on the Company's consolidated statements of operations. As of March 31, 2022, the Company owned 22.5% of COMPASS ADS. Based on quoted market prices, the market value of the Company's ownership in COMPASS was \$123.3 million as of March 31, 2022.

Upon the completion of the COMPASS IPO and through March 31, 2022, the Company is deemed to continue to have significant influence over COMPASS primarily through its ownership interest in COMPASS' equity and representation on COMPASS board of directors. Accordingly, the Company's investment in COMPASS' common stock was accounted for in accordance with the equity method through March 31, 2022.

During the three months ended March 31, 2022 and 2021, the Company recognized its proportionate share of COMPASS' net loss of \$4.8 million and \$0, respectively, as losses from investments in equity method investees, net of tax on the consolidated statements of operations. During the three months ended March 31, 2022, the Company's proportionate share of COMPASS' net loss was more than the Company's proportionate share using the common stock ownership percentage described above because the aggregate net losses attributable to the Company's investment in COMPASS common stock reduced the carrying amount to zero in the first quarter of 2020.

### ***GABA Therapeutics, Inc.***

GABA is a California based biotechnology company focused on developing GRX-917 for anxiety, depression and a broad range of neurological disorders. The Company is deemed to have significant influence over GABA through its total ownership interest in GABA's equity, including the Company's investment in GABA's preferred stock, and the Company's noncontrolling representation on GABA's board of directors.

### *Common Stock Investment*

The Company's investment in GABA's common stock was accounted for in accordance with the equity method. The Company's investment in GABA's preferred stock did not meet the criteria for in-substance common stock. As such, the investment in GABA's preferred stock is accounted for under the measurement alternative as discussed below.

The carrying value of the investment in GABA common stock was reduced to zero as of December 31, 2020 due to IPR&D charges with no alternative future use and remained zero as of March 31, 2022. Accordingly, GABA's net losses attributable to the Company were determined based on the Company's ownership percentage of preferred stock in GABA and recorded to the Company's investments in GABA preferred stock discussed below. During the three months ended March 31, 2022, the Company recognized its proportionate share of GABA's net loss of \$0.8 million as losses from investments in equity method investees, net of tax on the consolidated statements of operations.

### *Preferred Stock Investment*

In August 2019, GABA and the Company entered into the Preferred Stock Purchase Agreement (the "GABA PSPA"), whereby GABA issued shares of its Series A preferred stock to the Company at a price of approximately \$5.5 million. At closing, the Company had an overall ownership interest of over 20% in GABA and a noncontrolling representation on the board. On May 15, 2021, GABA and the Company entered into an Amendment to Preferred Stock Purchase Agreement (the Amended GABA PSPA") under which the GABA PSPA was amended. Pursuant to the Amended PSPA, GABA issued additional shares of its Series A preferred stock to the Company at a price of approximately \$0.6 million. As of March 31, 2022 and December 31, 2021, the investment in GABA's preferred stock was recorded in Other Investments on the consolidated balance sheets under the measurement alternative under ASC 321.

Pursuant to the GABA PSPA, the Company is obligated to purchase additional shares of Series A preferred stock for up to \$10.0 million with the same price per share as its initial investment, upon the achievement of specified contingent clinical development milestones. On April 13, 2021, pursuant to the GABA PSPA, the Company purchased additional shares of Series A preferred stock of GABA, for an aggregate cost of \$5.0 million based on the achievement of certain development milestones. On May 21, 2021, the Company exercised its option to purchase additional shares of Series A preferred stock prior to the achievement of certain development milestone for an aggregate cost of \$5.0 million. As of December 31, 2021, the Company completed the purchase of the additional shares of Series A preferred stock for \$10.0 million pursuant to the GABA PSPA. Pursuant to the Amended GABA PSPA, the Company is obligated to purchase additional shares of Series A preferred stock from GABA for up to \$1.5 million with the same price per share as its initial investment upon the achievement of specified contingent clinical development milestones.

In accordance with the amended GABA PSPA, the Company also has the option but not the obligation to purchase the aforementioned additional shares of Series A preferred stock at any time prior to the achievement of any milestone at the same price per share as its initial investment. In August 2019, pursuant to the Right of First Refusal and Co-Sale Agreement, the Company has the option but not the obligation to purchase additional shares of common stock for up to \$2.0 million from the existing common shareholders.

In November 2020 the Company exercised its option to purchase additional shares of common stock of GABA at a price of approximately \$1.8 million pursuant to an Omnibus Amendment Agreement under which the Right of First Refusal and Co-Sale Agreement was amended.

The Company has evaluated the contingent obligation (forward) and option and concluded that they both: (i) represent freestanding financial instruments as they are legally detachable and separately exercisable from the underlying shares; and (ii) are equity securities under ASC 321. The Company accounted for the contingent obligation based on the measurement alternative under ASC 321 which is included in Other Investments as of March 31, 2022 and December 31, 2021.

### ***Neuronasal, Inc.***

Neuronasal is developing a novel intranasal formulation of N-acetylcysteine ("NAC") for acute mild traumatic brain injury.

### *Common Stock Investment*

In October 2020, upon the achievement of certain development milestones, the Company made a cash contribution of \$0.3 million in exchange for 9.8% of the outstanding common stock of Neuronasal. The carrying value of the investment in Neuronasal common stock was reduced to zero as of December 31, 2020 due to IPR&D charges with no alternative future use. Accordingly, Neuronasal's net losses attributable to the Company was determined based on the Company's ownership percentage of preferred stock in Neuronasal and recorded to the Company's investments in Neuronasal preferred stock discussed below.

On March 10, 2021, upon the achievement of certain development milestones, the Company made another cash contribution of \$0.5 million in exchange for 10.8% of the outstanding common stock of Neuronasal. The Company recorded its investment in Neuronasal

common stock at the carrying cost basis of \$0.5 million. At the date of the investment, a basis difference was identified as the cost basis of the Company's investment in Neuronasal exceeded the Company's proportionate share of the underlying net assets in Neuronasal. The Company concluded that the basis differences were primarily attributable to Neuronasal's IPR&D associated with Neuronasal's novel intranasal formulation of NAC. As the Company's investments in Neuronasal did not meet the definition of a business due to substantially all of the estimated fair value of the gross assets being concentrated in NAC, the basis differences were attributable to the IPR&D with no alternative future use, and were immediately expensed on the dates of investments. The Company's proportionate share of the basis difference exceeded its carrying value of the equity method investment in Neuronasal and as a result, the March 2021 equity investment balance of \$0.5 million was reduced to zero. For the three months ended March 31, 2021, the Company recognized losses from investments in equity method investees, net of tax of \$0.5 million in association with the basis difference charge in the Company's consolidated statements of operations.

The Company was deemed to have significant influence over Neuronasal through its total ownership interest in Neuronasal's equity through the acquisition date of May 17, 2021 (see Note 3), including the Company's investment in Neuronasal's preferred stock, and the Company's noncontrolling representation on Neuronasal's board of directors. Accordingly, the Company's investment in Neuronasal's common stock was accounted for in accordance with the equity method. Immediately prior to the acquisition, the Company recognized its proportionate share of Neuronasal's year to date net loss of \$1.0 million, as losses from investments in equity method investees, net of tax on the consolidated statements of operations.

The Company's investment in Neuronasal's preferred stock did not meet the criteria for in-substance common stock. As such, the investment in Neuronasal's preferred stock was accounted for under the measurement alternative as discussed below.

#### *Preferred Stock Investment*

In December 2019, Neuronasal and the Company entered into the Neuronasal PSPA and the Neuronasal Secondary Sale Agreement, whereby Neuronasal issued shares of its Series A preferred stock to the Company at a price of approximately \$0.5 million. At closing, the Company had a less than 20% of ownership interest in Neuronasal and a noncontrolling representation on the board. In October 2020, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares at a price of approximately \$0.8 million. The investment in Neuronasal preferred shares was recorded in Other Investments on the consolidated balance sheets under the measurement alternative under ASC 321 as of March 31, 2022 and December 31, 2021.

In October 2020, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares at a price of approximately \$0.8 million upon the achievement of a specified contingent clinical development milestone. On March 10, 2021, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares for approximately \$0.8 million based on the achievement of certain development milestones.

On May 17, 2021, pursuant to the Neuronasal PSPA and the Neuronasal Secondary Sale Agreement, the Company, at its sole option, purchased additional shares of Series A preferred stock of Neuronasal for an aggregate cost of \$1.0 million. Upon the closing of the purchase on May 17, 2021, the Company obtained a controlling financial interest in Neuronasal. The Company derecognized its other investments in Neuronasal and began to consolidate the operations of Neuronasal into its financial statements. See Note 3, "Acquisitions" for further discussion.

#### *DemeRx NB*

In December 2019, the Company jointly formed DemeRx NB with DemeRx. DemeRx and DemeRx NB entered into a Contribution Agreement whereby DemeRx assigned all of its rights, title, and interests in and to all of its assets relating to DMX-1002, Noribogaine, in exchange for shares of common stock of DemeRx NB. DemeRx NB will use the contributed intellectual property to develop Noribogaine. Noribogaine is an active metabolite of ibogaine designed to have a longer plasma half-life and potentially reduced hallucinogenic effects compared to ibogaine.

In connection with the Contribution Agreement, the parties entered into a Series A Preferred Stock Purchase Agreement (the "DemeRx NB PSPA") pursuant to which the Company purchased shares of Series A preferred stock of DemeRx NB at a purchase price of \$1.0 million. At closing, the Company has less than 20% of ownership interest in DemeRx NB and a noncontrolling representation on the board. The investment in DemeRx NB was recorded in Other Investments on the consolidated balance sheets under the measurement alternative under ASC 321.

In accordance with the DemeRx NB PSPA, the Company also has the option but not the obligation to purchase additional shares of Series A preferred stock at a purchase price of up to \$19.0 million with the same price per share as its initial investment. As of March 31, 2022, the Company has not exercised its option to purchase any shares of Series A preferred stock of DemeRx NB. The Company has evaluated the option and concluded that it: (i) represents a freestanding financial instrument as it is legally detachable and separately exercisable from



the underlying shares; and (ii) is an equity security under ASC 321. The Company accounted for the option based on the measurement alternative under ASC 321, which is included in Other Investments as of March 31, 2022 and December 31, 2021.

### ***Other Investments Held at Fair Value***

#### ***IntelGenx Technologies Corp.***

IntelGenx is a novel drug delivery company focused on the development and manufacturing of novel oral thin film products for the pharmaceutical market. In March 2021, IntelGenx and the Company entered into the Strategic Development Agreement and Purchaser Rights Agreement (“PPA”). On May 14, 2021, IntelGenx and the Company executed a Securities Purchase Agreement (the “IntelGenx SPA”) after obtaining IntelGenx shareholder approval, whereby IntelGenx issued shares of its common stock and warrants to the Company at a price of approximately \$12.3 million. Each warrant (“the Initial Warrants”) entitles the Company to purchase one share at a price of \$0.35 for a period of three years from the closing of the initial investment. Pursuant to the IntelGenx SPA, the Company has the right to purchase (in cash, or in certain circumstances, the Company’s equity) additional units for a period of three years from the closing of the initial investment (the “Additional Unit Warrants”). Each Additional Unit Warrant will be comprised of (i) one share of common stock and (ii) one half of one warrant (the “Additional Warrants”). The price for the Additional Unit Warrants will be (i) until the date which is 12 months following the closing and the purchase does not result in the Company owning more than 74,600,000 common shares of IntelGenx, \$0.331 (subject to certain exceptions), and (ii) until the date which is 12 months following the closing and the purchase results in the Company owning more than 74,600,000 common shares of IntelGenx or following the date which is 12 months following the closing regardless of the number of shares held by the Company, the lower of (A) a 20% premium to the volume weighted average price of the common share for the thirty trading days immediately preceding the news release of the additional closing, and (B) \$0.50 if purchased in the second year following closing or \$0.75 if purchased in third year following closing. Each Additional Warrant will entitle the Company, for a period of three years from the date of issuance, to purchase one share at the lesser of either (i) a 20% premium to the price of the corresponding additional share, or (ii) the price per share under which shares of IntelGenx are issued under convertible instruments that were outstanding on February 16, 2021, provided that the Company may not exercise Additional Warrants to purchase more than the lesser of (x) 44,000,000 common shares of IntelGenx, and (y) the number of common shares issued by IntelGenx under outstanding convertibles held by other investors as of February 16, 2021. Following the initial closing, the Company held a 25% voting interest in IntelGenx. Pursuant to the PPA, the Company is entitled to designate a number of directors to the IntelGenx’s board of directors in the same proportion as the shares of common stock held by the Company to the outstanding of IntelGenx common shares.

Pursuant to the Strategic Development Agreement, the Company engages IntelGenx to conduct research and development projects (“Development Project”) using IntelGenx’s proprietary oral thin film technology. Under the terms of the Strategic Development Agreement, the Company can select four (4) program products. As of the effective date of the Strategic Development Agreement, the Company nominated two (2) program products - DMT and Salvinorin A. 20% of any funds that IntelGenx received or will receive through the Company’s equity investment under the IntelGenx SPA will be available to be credited towards research and development services that IntelGenx conducts for the Company under the Development Projects. For the three months ended March 31, 2022, the Company recorded \$0.6 million of research & development expense in its consolidated statement of operations in relation to the IntelGenx projects described above.

The Company has significant influence over IntelGenx through ownership interest in IntelGenx’s equity and the Company’s noncontrolling representation on IntelGenx’s board of directors. The Company qualified for and elected to account for its investment in the IntelGenx common stock under the fair value option. The Company believes that the fair value option better reflects the underlying economics of the IntelGenx common stock investment. The Initial Warrants and Additional Units Warrant, (collectively the “Warrants”) are accounted for at fair value under ASC 321 and recorded in Other investments held at fair value on the consolidated balance sheets. The Company applied a calibrated model and determined that the initial aggregate fair value is equal to the transaction price and recorded the common shares at \$3.0 million, the Initial Warrants at \$1.2 million and the Additional Unit Warrants at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the consolidated statements of operations. The Company recognizes subsequent changes in fair value of the common shares and the Warrants as a component of other income (expense), net in the consolidated statement of operations. Since the carrying amount of investment was already reduced to zero during the three months ended December 31, 2021, during the three months ended March 31, 2022, the Company recognized a \$0 mark-to-market (“MTM”) loss in the consolidated statements of operations. The carrying value of the investment remained at zero as of March 31, 2022 and December 31, 2021, respectively.

### ***Summarized Financial Information***

The following is a summary of financial data for investments accounted for under the equity method of accounting (in thousands):

#### ***Balance Sheets***

	March 31, 2022	
	Compass	GABA
Current assets	\$ 266,552	\$ 6,133
Non-current assets	5,545	—
Total assets	\$ 272,097	\$ 6,133
Current liabilities	\$ 11,680	\$ 475
Non-current liabilities	843	—
Total liabilities	\$ 12,523	\$ 475

  

	December 31, 2021	
	Compass	GABA
Current assets	\$ 295,300	\$ 7,673
Non-current assets	5,598	—
Total assets	\$ 300,898	\$ 7,673
Current liabilities	\$ 15,107	\$ 199
Non-current liabilities	1,379	—
Total liabilities	\$ 16,486	\$ 199

### Statements of operations

	Three Months Ended March 31, 2022		
	Compass	Neuronasal <sup>(1)</sup>	GABA
Revenue	\$ —	\$ —	\$ —
Loss from continuing operations	\$ (25,420)	\$ —	\$ (1,606)
Net loss	\$ (21,171)	\$ —	\$ (1,606)

  

	Three Months Ended March 31, 2021		
	Compass	Neuronasal <sup>(1)</sup>	GABA
Revenue	\$ —	\$ —	\$ —
Loss from continuing operations	\$ (13,602)	\$ (576)	\$ (659)
Net loss	\$ (12,715)	\$ (576)	\$ (659)

(1) Results from operations for Neuronasal are through May 17, 2021 at which point the entity is consolidated.

## 6. Notes Receivable

### *Long Term Notes Receivable – related party*

#### *Loan to IntelGenx Corp.*

On March 8, 2021, the Company and IntelGenx entered into a loan agreement under which the Company provided the aggregate principal amount of \$2.0 million (the “March Term Loan”). Pursuant to the loan agreement, IntelGenx may, by written notice, request an advance up to an additional \$0.5 million as an additional term loan if no event of default has occurred as defined in the loan agreement. On May 11, 2021, the Company paid an additional advance of \$0.5 million as an additional term loan (the “May Term Loan”, and together with the March Term Loan the “Term Loans”). The Term Loans were originally due to mature 120 days following the special shareholder meeting of IntelGenx Tech Corp. to approve additional investment in IntelGenx Tech Corp. by the Company. On May 14, 2021, the Company amended the Term Loans under which the Maturity Date will be the first business day following the first closing of a subscription for additional units if the proceeds from such subscription amount to at least \$3.0 million. The loan bears an annualized interest rate of 8% and such interest is accrued daily. The principal amount of the Term Loans plus any accrued interest shall become due and payable on the Maturity Date. On September 14, 2021, the Company entered into an amended and restated loan agreement, which amended the Term Loans, and among other things, increased the principal amount of loans available to IntelGenx by \$6.0 million, up to a total of \$8.5 million. The additional loan amount of \$6.0 million will be funded via two separate tranches of \$3.0 million each in the beginning of 2022 and 2023 respectively, subject to certain conditions. In addition, the amendment further extended the Maturity Date to January 5, 2024. The first tranche was funded in January 2022.

Pursuant to the terms of the Term Loans, upon the occurrence of an event of default, the Company may accelerate the Term Loans and declare the principal and any accrued and unpaid interests of the Term Loans to be immediately due and payable. In addition, IntelGenx may prepay the Term Loans in whole or in part at any time without premium or penalty. Any prepayment of the principal shall be

accompanied by a payment of interest accrued to date thereon. The Company concluded that these embedded features do not meet the criteria to be bifurcated and separately accounted for as derivatives.

The Company recorded the Term Loans at cost which included the principal balance of the note and accrued interest, net of any payments received, in Long term notes receivables – related parties on its consolidated balance sheets. As of March 31, 2022, the Term Loans have an outstanding balance of \$5.7 million. During the three months ended March 31, 2022, the recognized interest income associated with the Term Loans was immaterial.

#### *Investment in DemeRx Promissory Note—Related Party*

On January 3, 2020, DemeRx IB loaned to DemeRx \$1.0 million pursuant to the terms of a separate Promissory Note ("DemeRx Note"). Pursuant to the terms of the DemeRx Note, the aggregate principal amount of \$1.0 million together with all accrued and unpaid interest and any other amounts payable are due to be paid on the date that is the earlier of (i) 5 years from the initial closing and (ii) the closing of an initial public offering or a deemed liquidation event of DemeRx IB (the "DemeRx Maturity Date"). Pursuant to the terms of the DemeRx Note, DemeRx may, in the sole discretion pay any amount due under this note, in cash or through cancellation shares of common stock of DemeRx IB, par value \$0.0001 per share, of the fair market value of such shares.

The Company recorded the DemeRx Note at cost which included the principal balance of the note and accrued interest, net of any payments received, on its consolidated balance sheets. As of March 31, 2022, and 2021, respectively, the DemeRx Note had an outstanding balance of \$1.1 million. For the three months ended March 31, 2022 and 2021, respectively, the Company recognized an immaterial amount of interest income associated with the DemeRx note as a component of Other Income in the consolidated statements of operations.

## 7. Fair Value Measurement

The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation (in thousands):

	Fair Value Measurements as of March 31, 2022 Using:			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents:				
Cash & Money market funds	\$ 123,975	\$ —	\$ —	\$ 123,975
Investment in debt securities at fair value:				
U.S. Treasuries	—	68,482	—	68,482
Commercial Paper	—	75,389	—	75,389
Corporate Notes/Bonds	—	64,103	—	64,103
U.S. Government Agencies	—	2,965	—	2,965
Other investment at fair value	—	—	—	—
	<u>\$ 123,975</u>	<u>\$ 210,939</u>	<u>\$ —</u>	<u>\$ 334,914</u>
<b>Liabilities:</b>				
Contingent consideration liability - related parties	\$ —	\$ —	2,433	\$ 2,433
Warrant Liability	—	—	336	336
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,769</u>	<u>\$ 2,769</u>

**Fair Value Measurements as of  
December 31, 2021 Using:**

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents:				
Cash & Money market funds	\$ 271,856	\$ —	\$ —	\$ 271,856
Investment in debt securities at fair value:				
U.S. Treasuries	—	—	—	—
Commercial Paper	—	—	—	—
Corporate Notes/Bonds	—	—	—	—
U.S. Government Agencies	—	—	—	—
Other investment at fair value	—	—	—	—
	<u>\$ 271,856</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 271,856</u>
<b>Liabilities:</b>				
Contingent consideration liability - related parties	\$ —	\$ —	\$ 2,483	\$ 2,483
Warrant liability	—	—	336	336
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,819</u>	<u>\$ 2,819</u>

During the three months ended March 31, 2022 and 2021, there were no transfers between Level 1, Level 2 or Level 3.

***Investment Securities Portfolio - Fair Value Option***

The Company elected the fair value option for the debt securities in the investment portfolio. The fair value is based on quoted market prices, when available. When a quoted market price is not readily available, the Company uses the market price from its last sale of similar assets. The cash and cash equivalents held by the Company are categorized as Level 1 investments as quoted market prices are readily available for these investments. All other investments in the investment portfolio are categorized as Level 2 investments as inputs utilized to fair value these securities are either directly or indirectly observable, such as quoted prices for identical or similar assets.

The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical credit rating organizations in accordance with its investment policy. This policy is designed to minimize the Company's exposure to credit losses and to ensure that the adequate liquidity is maintained at all times to meet anticipated cash flow needs.

The unrealized gains and losses on the available-for-sale debt securities, represented by change in the fair value of the investment portfolio, is reported in the earnings. Since the investment in the available-for-sale debt securities are already measured at fair value, no separate credit losses would be recorded in the financials.

***Contingent Consideration Liability—Related Parties—Perception, Innaris Bio, and TryptageniX***

The contingent consideration liability—related parties in the table above relates to milestone and royalty payments in connection with the acquisition of Perception, InnarisBio and TryptageniX. The fair value of the contingent consideration liability—related parties was determined based on significant inputs not observable in the market, which represent Level 3 measurements within the fair value hierarchy. The fair value of the contingent milestone and royalty liabilities was estimated based on the discounted cash flow valuation technique. The technique considered the following unobservable inputs:

- the probability and timing of achieving the specified milestones and royalties as of each valuation date,
- the probability of executing the license agreement,
- the expected first year of revenue, and
- market-based discount rates

The fair value of the contingent milestone and royalty liabilities for InnarisBio was estimated to be \$0.1 million and \$0.1 million as of March 31, 2022 and December 31, 2021, respectively.

The fair value of the Perception contingent milestone and royalty liabilities could change in future periods depending on prospects for the outcome of R-Ketamine milestone meetings with the FDA or other regulatory authorities, and whether the Company realizes a significant increase or decrease in sales upon commercialization. The most significant assumptions in the discounted cash flow valuation technique that impacts the fair value of the milestone contingent consideration are the projected milestone timing and the probability of the milestone being met. Further, significant assumptions in the discounted cash flow that impacts the fair value of the royalty contingent consideration are the projected revenue over ten years, the timing of royalties on commercial revenue, and the probability of success rate for a commercial R-Ketamine product. The valuations as of March 31, 2022 and December 31, 2021, respectively, used inputs that were unobservable inputs with the most significant being the discount rates for royalties on projected commercial revenue and clinical

milestones and probability of success estimates over the following ten years, which represent Level 3 measurements within the fair value hierarchy.

The fair value of the contingent milestone and royalty liabilities for Perception was estimated to be \$1.5 million and \$1.5 million as of March 31, 2022 and December 31, 2021, respectively.

The fair value of the Perception contingent consideration liability - related parties was calculated using the following significant unobservable inputs:

Valuation Technique	Significant Unobservable Inputs	March 31, 2022	December 31, 2021
		Input Range	Input Range
Discounted cash flow	Milestone contingent consideration:		
	Discount rate	12.2%	11.4%
	Probability of the milestone	51.9%	51.9%
Discounted cash flow with SBM	Royalty contingent consideration:		
	Discount rate for royalties	20.6% - 20.8%	19.2% - 20.1%
	Discount rate for royalties on milestones	12.1% - 12.2%	10.9% - 11.8%
	Probability of success rate	26.5% to 51.9%	26.5% to 100.0%

The fair value of the contingent liability for TryptageniX was estimated to be \$0.9 million as of March 31, 2022. The contingent liability is comprised of R&D milestone success fee payments and royalties payments. The fair value of the success fee liability was estimated based on the scenario-based method within the income approach. The fair value of the contingent liability for TryptageniX was determined based on significant unobservable inputs, including the discount rate, estimated probabilities of success, and timing of achieving certain clinical milestones. The fair value of the royalties liability was determined to be de minimis as the products are in the early stages of development. The Company will continue to assess the appropriateness of the fair value of the contingent liability as the products continue through development. The Company determined that the change in fair value from December 31, 2021 to March 31, 2022 was not material.

#### **Warrant Liability**

The warrant liability in the table above relates to issued and outstanding warrants to purchase shares of Neuronasal's common stock acquired in connection with the acquisition of Neuronasal. The warrants were classified within other liabilities in the accompanying consolidated balance sheet as the underlying common stock was determined to be contingently, but not currently, redeemable. The warrant liability was recorded at fair value utilizing the Black-Scholes option pricing model. As summarized below, certain key inputs in connection with the Black-Scholes option pricing model represent Level 3 measurements within the fair value hierarchy. The Black Scholes option pricing model is based on the estimated market value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrant, risk-free interest rates, expected dividends, and expected volatility of the price of the underlying common stock. The Company adjusted the carrying value of the warrant to its estimated fair value at each reporting date, with any related increase or decrease in the fair value recorded as a component of other income (expense), net in the condensed consolidated statement of operations.

The fair value of the warrant liability was estimated to be \$0.3 million and \$0.3 million as of March 31, 2022 and December 31, 2021, respectively.

The following table summarizes significant unobservable inputs that are included in the valuation of the warrant liability as of March 31, 2022:

	March 31, 2022
Stock Price	\$ 48.13
Expected Volatility	105%

The following table summarizes significant unobservable inputs that are included in the valuation of the warrant liability as of December 31, 2021:

	December 31, 2021
Stock Price	\$ 50.56
Expected Volatility	100%

### **IntelGenx Common Stock, Initial Warrants and Additional Units Warrant**

The Company's investment in IntelGenx consists of Common Shares, Initial Warrants and Additional Units Warrant (collectively the "Warrants"). The Company determined that the Warrants do not meet the definition of derivative instrument per ASC 815. The Company has classified the Common Shares as Level 2 assets and the Warrants as Level 3 assets in the fair value hierarchy. The Company determined that the initial aggregate fair value was equal to the transaction price and recorded the Common Shares at \$3.0 million, the Initial Warrants at \$1.2 million and the Additional Units Warrant at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the consolidated statements of operations. The Warrants are measured at fair value on a quarterly basis and any changes in the fair value will be recorded as a component of other income (expense), net in the condensed consolidated statement of operations.

The fair value of Common Shares is estimated by applying a discount for lack of marketability (DLOM) of 5.0% as of December 31, 2021 and March 31, 2022. The Company estimated a DLOM in connection with the valuation of the Common Shares at initial recognition and as of March 31, 2022 to reflect the restrictions associated with the Common Shares. As of March 31, 2022 the only restriction that remains is the unregistered nature of the Common Shares. The fair value of Common Shares, which is included in Other investments held at fair value in the consolidated balance sheet, was zero as of March 31, 2022 and December 31, 2021, respectively.

The Initial Warrant asset was recorded at fair value utilizing the Black-Scholes option pricing model. The Black Scholes option pricing model is based on the estimated market value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrant, risk-free interest rates, expected dividends, and expected volatility of the price of the underlying common stock. The expected volatility is based on a peer group volatility which is a Level 3 input within the fair value hierarchy. The fair value of the Initial Warrants, which is included in Other investments held at fair value in the consolidated balance sheet, was zero as of March 31, 2022 and December 31, 2021, respectively.

The following table summarizes significant unobservable inputs that are included in the valuation of the Initial Warrants as of March 31, 2022:

	<u>March 31, 2022</u>
Value of Underlying	\$ 0.26
Expected Volatility	110 %

The following table summarizes significant unobservable inputs that are included in the valuation of the Initial Warrants as of December 31, 2021:

	<u>December 31, 2021</u>
Value of Underlying	\$ 0.34
Expected Volatility	105 %

The fair value of the Additional Units is estimated using a Binomial Lattice in a risk-neutral framework (a special case of the Income Approach). Specifically, the future stock price of the IntelGenx is modeled assuming a Geometric Brownian Motion (GBM) in a risk-neutral framework. For each modeled future price, the Additional Unit is calculated based on the contractual terms (incorporating any optimal early exercise), and then discounted at the term-matched risk-free rate. Finally, the value of the Additional Units is calculated as the probability-weighted present value over all future modeled payoffs. The fair value of the Additional Units, which is included in Other investments held at fair value in the consolidated balance sheet, was zero as of March 31, 2022 and December 31, 2021, respectively.

The following table summarizes significant unobservable inputs that are included in the valuation of the Additional Units Warrant as of March 31, 2022:

	<u>March 31, 2022</u>
Value of Underlying	0.26
Expected Volatility	110 %

The following table summarizes significant unobservable inputs that are included in the valuation of the Additional Units Warrant as of December 31, 2021:

	<u>December 31, 2021</u>
Value of Underlying	0.34
Expected Volatility	105 %

The following table provides a roll forward of the aggregate fair values of the Company's financial instruments described above, for which fair value is determined using Level 3 inputs (in thousands):

	Contingent Consideration Liability - Related Parties	Warrant Liability
Balance as of December 31, 2021	\$ 2,483	\$ 336
Initial fair value of instrument	—	—
Change in fair value	—	—
Extinguishment of liability	(50)	—
Balance as of March 31, 2022	<u>\$ 2,433</u>	<u>\$ 336</u>

	Contingent Consideration Liability - Related Parties	Derivative Liability
Balance as of December 31, 2020	\$ 1,705	\$ 214
Initial fair value of instrument	101	304
Change in fair value	(251)	(41)
Balance as of March 31, 2021	<u>\$ 1,555</u>	<u>\$ 477</u>

## 8. Prepaid Expenses and Other Current Assets

Prepaid expenses consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Prepaid research and development related expenses	\$ 3,960	\$ 2,692
Research and development tax credit	233	742
Sales tax receivables	5,977	4,664
Prepaid insurance	1,426	3,049
Other	1,389	756
Total	<u>\$ 12,985</u>	<u>\$ 11,903</u>

## 9. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Accrued accounting, legal, and other professional fees	\$ 4,240	\$ 2,667
Taxes payable	7,781	8,137
Accrued external research and development expenses	4,703	861
Accrued payroll	1,108	2,832
Accrued advisory fees	78	169
Other liabilities	342	163
Total	<u>\$ 18,252</u>	<u>\$ 14,829</u>

## 10. Convertible Promissory Notes

### 2018 Convertible Promissory Notes—Related Parties

Convertible promissory notes—related parties, net of discounts and deferred issuance costs, consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Convertible notes issued in November 2018	\$ 117	\$ 125
Convertible notes issued in October 2020	608	623
Unamortized discount and deferred issuance costs	—	(5)
Total	\$ 725	\$ 743

During November 2018, the Company executed a terms and conditions agreement (the “Convertible Note Agreement”) under which it would issue up to €1.0 million or \$1.2 million in convertible promissory notes to investors. An investor would become a party to the Convertible Note Agreement and would be issued a convertible promissory note by executing and delivering a subscription form. In November 2018, certain investors subscribed to the Convertible Note Agreement and the Company issued convertible promissory notes in the aggregate principal amount of €0.2 million or \$0.2 million.

In October 2020, certain investors subscribed to the Convertible Note Agreement and the Company issued the remainder of the 2018 Convertible Notes in the aggregate principal amount of €0.8 million or \$1.0 million (collectively, the “2018 Convertible Notes”). The total aggregate principal amount of the 2018 Convertible Notes is \$1.2 million as of December 31, 2020. The 2018 Convertible Notes are non-interest-bearing, unsecured and are due and payable on September 30, 2025, unless previously redeemed, converted, purchased or cancelled (the “Maturity Date”). Each 2018 Convertible Note has a face value of €1 and is convertible into one share of ATAI Life Sciences AG upon the payment of €17.00. Conversion rights may be exercised by a noteholder at any time prior to maturity, except during certain periods subsequent to the consummation of the IPO. The 2018 Convertible Notes may be declared for early redemption by the noteholders upon occurrence of specified events of default, including payment default, insolvency and a material adverse change in the Company’s business, operations or financial or other condition. Upon early redemption, the conversion right with respect to the 2018 Convertible Notes may no longer be exercised.

In connection with the Convertible Note Agreement, the Company issued convertible notes in the principal amounts of €0.1 million or \$0.1 million to the founders of Perception, who are also related parties of the Company in November 2018 (See Note 17). Perception is a biotech firm acquired by the Company on November 5, 2018. Upon the purchase of certain assets of Perception in November 2018, Perception was deemed to have been a VIE, of which the Company is the primary beneficiary (See Note 4).

In addition, in connection with the Convertible Note Agreement, the Company issued convertible notes in the principal amounts of €0.5 million or \$0.6 million to Apeiron, the family office of the Company’s founder, and €0.3 million or \$0.4 million to one other shareholder of the Company and the founder of COMPASS in October 2020.

The Company concluded that both the embedded conversion feature, which is exercisable by the investor at any time during the maturity, and the contingent put option, which would trigger upon the occurrence of an event of default of the 2018 Convertible Notes, do not meet the criteria to be bifurcated and separately accounted for as derivatives and the notes were recorded net of discount and issuance costs, or a reduction to the carrying value of the notes issued in November 2018, with a corresponding adjustment to additional paid in capital. The discount is being amortized using the effective interest method over the period from the respective date of issuance to the Maturity Date.

The Company determined that the October 2020 notes were issued in exchange for services previously provided by the Company’s founders and other shareholders and were fully vested and non-forfeitable upon issuance. These instruments were therefore considered share based compensation awards to non-employees, and the instruments were initially measured and recorded at their grant date fair value based on a Black-Scholes option- pricing model.

The fair value of the October 2020 notes exceeded the principal amount that will be due at maturity. Therefore, at initial recognition, the October 2020 notes were accounted for as convertible debt issued at a substantial premium, such that the face value of the note is recorded as a liability and the premium was recorded as paid-in capital.

### Conversion of 2018 Convertible Promissory Notes - Related Parties

As described in Note 1, the Company undertook a corporate reorganization. Upon the Corporate Reorganization, ATAI Life Sciences N.V became the sole shareholder of ATAI Life Sciences AG. In connection with the Corporate Reorganization, all former shareholders of ATAI Life Sciences AG contributed their shares in ATAI Life Sciences AG to ATAI Life Sciences N.V. and received sixteen shares in ATAI Life Sciences N.V. for one share in ATAI Life Sciences AG. In September and October 2021, several noteholders elected to convert their convertible promissory notes into shares of ATAI Life Sciences N.V. These investors paid €17.00 per share for the aggregate amount of €5.8 million or \$6.9 million in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which



was in accordance with the original terms of the 2018 Convertible Note Agreements. The Company accounted for the conversion of the 2018 Convertible Notes as a conversion such that carrying values of these notes were derecognized with an offset to common stock at par of ATAI Life Sciences AG and the excess of the carrying values of these notes over the common stock at par of ATAI Life Sciences AG was recorded as additional paid-in capital. Concurrently, with the conversion of the 2018 Convertible Notes into ATAI Life Sciences AG shares, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for shares of ATAI Life Sciences N.V. through a transfer and sale arrangement. As ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V., the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition.

#### ***Perception Convertible Promissory Notes***

On March 16, 2020, Perception entered into a convertible promissory note agreement with the Company and other investors, including related parties, which provided for the issuance of convertible notes of \$3.9 million (the "Perception Note Purchase Agreement").

The notes bear interest at an annual rate of 5% and are due and payable on June 30, 2022, unless earlier converted (the "Perception March 2020 Notes").

On December 1, 2020, Perception entered into an additional convertible promissory note agreement (the "Perception December 2020 Convertible Note Agreement") with the Company and other investors, including related parties, which provided for the issuance of convertible notes of up to \$12.0 million. Pursuant to the Perception December 2020 Convertible Note Agreement, the convertible notes are issued in two tranches: (i) up to \$7.0 million under the first tranche funding (the "First Tranche Funding"), with \$6.2 million and \$0.8 million issued in December 2020 and January 2021, respectively, and (ii) up to an additional \$5.0 million under the second tranche funding (the "Second Tranche Funding"), was issued in May 2021.

Under the Second Tranche Funding, Perception issued \$4.2 million to the Company, \$0.2 million to Apeiron, and \$0.3 million to Sonia Weiss Pick and Family, and \$0.4 million to other investors.

The notes bear interest at an annual rate of 5% and are due and payable on February 28, 2022, unless earlier converted (the "Perception December 2020 Notes" and together with the Perception March 2020 Notes, the "Perception Convertible Notes").

In the event of a qualified sale of preferred stock resulting in gross proceeds to Perception of at least \$5.0 million, all the principal and accrued and unpaid interest under the Perception Convertible Notes will automatically convert, into the same equity securities issued by Perception at a 25% discount from the lowest price of the security issued. In the event that Perception receives upfront proceeds of \$5.0 million or more in a licensing transaction, all the principal and accrued and unpaid interest under the Perception convertible notes will automatically convert, into shares of Series A Preferred Stock of Perception at a price per share of \$0.75 for the Perception March 2020 Notes and 75% of the fair market value of the Series A Preferred Stock of Perception for the Perception December 2020 Notes. Upon a change in control of Perception, all the principal and accrued and unpaid interest under the Perception Convertible Notes will automatically convert into shares of Series A Preferred Stock of Perception at a price per share of \$0.75. The Perception Convertible Notes issued to the Company represent intercompany debt and are eliminated upon consolidation.

The Perception March 2020 Notes contained an embedded conversion features in the event of a qualified financing whereas the Perception December 2020 Notes contained both embedded conversion features in the event of a qualified financing and upon the occurrence of a licensing transaction. The Company concluded that both the embedded conversion features met the definition of embedded derivatives that were required to be bifurcated and accounted for as a separate unit of accounting.

As of December 31, 2020, the Company recorded the fair value of the derivative liabilities of \$0.4 million as a liability with the offset being recorded as a debt discount on the issuance dates of the Perception Convertible Notes.

Both the liability and the offsetting debt discount are presented together in convertible promissory notes and derivative liability on the consolidated balance sheets. The resulting debt discount is being amortized to interest expense using the effective interest method over the terms of the Perception Convertible Notes. This interest expense is recorded in other income (expense), net in the consolidated statements of operations. The derivative liabilities are subsequently remeasured to fair value at each reporting date with changes in fair value recognized as a component of other income (expense), net in the consolidated statements of operations.

Upon issuance of the notes under the Second Tranche Funding, the Company recorded the fair value of the derivative liabilities of \$0.3 million as a liability with an offset being recorded as a debt discount.

On June 10, 2021, Perception received proceeds of \$20.0 million pursuant to the license and collaboration arrangement between Perception and Otsuka Pharmaceutical Co., LTD ("Otsuka") (See Note 16). Upon receipt of the proceeds, the Perception Convertible Notes automatically converted into 6,456,595 shares of Series A preferred stock of Perception pursuant to their original terms. The Company, Sonia Weiss Pick and Family, Apeiron, and other investors received 5,403,791 shares, 440,415 shares, 27,809 shares and 584,580 shares of Perception Series A preferred stock, respectively, upon conversion of the Perception Convertible Notes. The amounts associated with the

shares of Perception Series A preferred stock issued to the Company represent intercompany transactions and are eliminated upon consolidation.

Upon receipt of the proceeds described above, the Company remeasured the derivative liability immediately prior to the conversion of the Perception Notes and recorded a net gain of \$41,000 resulting from the change in fair value of the derivative liability in June 2021. The conversion of the Perception December 2020 Notes was accounted for as an extinguishment as the notes were converted pursuant to an embedded conversion feature upon a licensing transaction, which was determined to be a redemption feature. Accordingly, the Company recorded a loss on extinguishment of notes of \$0.5 million in the consolidated statements of operations in June 2021. The loss on extinguishment of notes represents the difference between (i) carrying value including derivative liability of the Perception December 2020 Notes of \$2.2 million and (ii) the fair value of Perception Series A preferred stock into which the notes converted of \$2.7 million.

The conversion of the Perception March 2020 Notes was accounted for as a conversion as the notes converted pursuant to a conversion feature. Accordingly, the Company derecognized the carrying amount of the Perception March 2020 notes issued to Sonia Weiss and Family and other investors in the aggregate amount of \$0.6 million with an offset to Series A preferred stock, and no gain or loss was recognized. The shares issued upon conversion of the Perception March 2020 and December 2020 Notes issued to the Company represent an intercompany transaction and, therefore, eliminate in consolidation.

The Company recognized an immaterial amount interest expense, including the amortization of debt discount during the three months ended March 31, 2022. As of March 31, 2022, there was no unamortized debt discount due to the conversion of the Perception Convertible Notes into Series A convertible preferred stock of Perception on June 10, 2021.

As of March 31, 2021, the carrying amount and fair value amount for the Perception convertible promissory notes was \$1.3 million and \$6.5 million, respectively. The Company recognized interest expense of \$0.1 million, including amortization of debt discount of \$88,000 during the three months ended March 31, 2021. As of March 31, 2021, the unamortized debt discount on the Perception Convertible Notes was \$0.5 million. The debt issuance costs associated with the Perception Convertible Notes were not material.

## 11. Common Stock

In January 2021, pursuant to an additional closing from the common stock issuance in November and December 2020, the Company issued and sold 2,133,328 shares of common stock to Apeiron, for cash proceeds of \$12.2 million. In March 2021, the Company issued and sold 13,419,360 shares of common stock to new and existing investors, including related parties, at a price of €9.69 or \$11.71 per share, for cash proceeds of \$152.2 million, net of issuance costs of \$4.9 million.

On June 22, 2021, atai closed the IPO of its common stock on Nasdaq. As part of the IPO, the Company issued and sold 17,250,000 shares of its common stock, which included 2,250,000 shares sold pursuant to the exercise of the underwriters' over-allotment option, at a public offering price of \$15.00 per share. The Company received net proceeds of \$231.6 million from the IPO, after deducting underwriters' discounts and commissions of \$18.1 million and offering costs of \$9.0 million.

All common shareholders have identical rights. Each share of common stock entitles the holder to one vote on all matters submitted to the stockholders for a vote.

All holders of common stock are entitled to receive dividends, as may be declared by the Company's board of directors. Upon liquidation, common stockholders will receive distribution on a pro rata basis. As of March 31, 2022 and December 31, 2021, no cash dividends have been declared or paid.

## 12. Stock-Based Compensation

### *Atai Life Sciences 2020 Equity Incentive Plan*

Effective August 21, 2020, the Company adopted an equity-based compensation plan, the 2020 Employee, Director and Consultant Equity Incentive Plan (as amended from time to time, "2020 Incentive Plan"). The 2020 Incentive Plan is administered by the Company's Board. The plan is intended to encourage ownership of shares by employees, directors and certain consultants to the Company in order to attract and retain such individuals, to induce them to work for the benefit of the Company and to provide additional incentive for them to promote the success of the Company. The 2020 Incentive Plan enables the Company to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to executive officers, directors and employees and consultants of the Company.

The Company has reserved up to 22,658,192 shares of common stock, excluding any shares issued under its Hurdle Share Option Program ("HSOP") described below, for issuance to executive officers, directors, other employees and consultants of the Company pursuant to the 2020 Incentive Plan. Shares that are expired, terminated, surrendered, or canceled without having been fully exercised will be available for future awards. As of March 31, 2022, 0 shares were available for future grants under the 2020 Incentive Plan and any shares subject to outstanding options originally granted under the 2020 Equity Incentive Plan that terminate, expire or lapse for any reason without the delivery of shares to the holder thereof shall become available for issuance pursuant the atai Life Sciences 2021 Incentive Award Plan discussed below.

#### *Atai Life Sciences 2021 Incentive Award Plan*

Effective April 23, 2021, the Company adopted and our shareholders approved the 2021 Incentive Award Plan ("2021 Incentive Plan"). The 2021 Incentive Plan is administered by the Company's Board. The plan is intended to encourage ownership of shares by employees, directors, and certain consultants to the Company in order to attract and retain such individuals, to induce them to work for the benefit of the Company or of an affiliate and to provide additional incentive for them to promote the success of the Company. The 2021 Incentive Plan enables the Company to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to executive officers, directors and other employees and consultants of the Company.

The Company has reserved up to 46,738,794 shares of common stock, for issuance to executive officers, directors and employees and consultants of the Company pursuant to the 2021 Incentive Plan. In accordance with the evergreen clause in the Company's 2021 Incentive Plan, effective as of January 1, 2022, the number of shares initially available for issuance was increased by 8,033,850 shares of common stock. Shares that are expired, terminated, surrendered, or canceled without having been fully exercised will be available for future awards. As of March 31, 2022, 36,104,338 shares were available for future grants under the 2021 Incentive Plan.

#### *Stock Options*

The stock options outstanding noted below consist primarily of both service and performance-based options to purchase Common Stock. These stock options have a five-year contractual term. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company.

The following is a summary of stock option activity from December 31, 2021 to March 31, 2022:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	26,687,620	\$ 6.85	4.85	\$ 74,525
Granted	6,868,769 <sup>(1)</sup>	5.79	—	—
Exercised	(42,827)	3.12	—	—
Cancelled or forfeited	(913,094)	12.06	—	—
Outstanding as of March 31, 2022	<u>32,600,468</u> <sup>(2)</sup>	<u>\$ 6.49</u>	<u>5.67</u>	<u>\$ 34,836</u>
Options exercisable as of March 31, 2022	<u>11,189,260</u>	<u>\$ 2.75</u>	<u>3.39</u>	<u>\$ 29,024</u>

(1) Includes (a) 6,113,859 stock options that will vest over a four-year service period, and (b) 754,910 stock options that will vest immediately upon the satisfaction of specified performance-based vesting conditions, which are not considered probable of achievement as of March 31, 2022.

(2) The 21,411,208 outstanding unvested stock options includes (a) 17,184,544 that will continue to vest over a one to four-year service period, (b) 3,271,754 that will continue to vest over a three to four-year service period and upon the satisfaction of specified performance-based vesting conditions, (c) 200,000 stock options that will continue to vest over a two-year service period and upon the satisfaction of specified market-based conditions tied to price of the Company's publicly traded shares, and (d) 754,910 stock options that will vest immediately upon the satisfaction of specified performance-based vesting conditions, which are not considered probable of achievement.

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2022 was \$3.67.

The Company estimated the fair value of each option on the date of grant using the Black-Scholes option pricing model applying the weighted-average assumptions in the following table:

	March 31,	
	2022	2021
Weighted average expected term in years	5.98	3.40
Weighted average expected stock price volatility	70.8%	82.5%
Risk-free interest rate	1.46% - 1.88%	(0.76)% - (0.74)%
Expected dividend yield	0%	0%

For the three months ended March 31, 2022 and 2021, the Company recorded stock-based compensation expense of \$8.6 million and \$0.0 million, respectively.

As of March 31, 2022, total unrecognized compensation cost related to the unvested stock-based awards was \$100.5 million, which is expected to be recognized over a weighted average period of 2.24 years.

#### *Atai Life Sciences Hurdle Share Option Plan*

On August 21, 2020, the Partnership (as defined below) approved and implemented an employee stock option plan for selected executives, employees, and consultants of the Partnership (so-called Hurdle Share Options Program or “HSOP Plan”), which became effective on January 2, 2021, the date the first grants under the HSOP Plan were made (“HSOP Options”). This plan is primarily aimed at German-based executives, employees, and consultants of the Company (collectively as “HSOP Participants”). The purpose of the HSOP Plan is to permit these individuals to indirectly participate in the appreciation in value of the Company through a German law private partnership, ATAI Life Sciences HSOP GbR (the “Partnership”). The HSOP Plan was established under the Partnership Agreement of the Partnership. The HSOP Plan requires the exercise price to be equal to the fair value of the shares on the date of grant.

The Partnership acquired 7,281,376 shares of atai common stock (“HSOP Shares”) pursuant to the HSOP Plan. HSOP Options that are canceled or forfeited without having been fully exercised will be available for future awards. As of March 31, 2022, 132,752 HSOP Options were available for future grants under the HSOP Plan.

The HSOP Plan mimics the economics of a typical stock option plan, however, with the HSOP Shares to which the HSOP Options refer already being issued to the Partnership. Each HSOP Option contains both service and performance-based vesting conditions, including a liquidity-based condition, and gives the holder the option to request the distribution of HSOP Shares under its vested HSOP Options. The nominal amount paid at the grant date is refundable if the HSOP Options do not vest or are forfeited. Otherwise, the nominal amount is refundable until the later of the occurrence of a Liquidity Event (as defined in the “HSOP Plan”) or the exercise date.

The HSOP Shares issued under the HSOP Plan to the Partnership are indirectly owned by HSOP Participants (being the holders of HSOP Options) via their interest in the Partnership. The grantee is required to pay a nominal value (€0.06 per share) for the shares upon grant (“Nominal Upfront Payment”). Accordingly, the HSOP Shares issued to the Partnership and allocated to the HSOP Options holders are not considered outstanding for accounting purposes. Therefore, the Company accounted for the Nominal Upfront Payment as an in-substance early exercise provision under ASC 718 as the nominal amount is deducted from the exercise price upon exercise. As of March 31, 2022, the remaining \$0.5 million Nominal Upfront Payment was recorded as an Other liability on the consolidated balance sheets.

#### *HSOP Options*

The HSOP Options outstanding noted below consist of service and performance-based options to request the distribution of HSOP Shares. These HSOP Options have a fifteen-year contractual term. These HSOP Options vest over a three to four-year service period, only if and when a “Liquidity Event” (as defined in the Partnership agreement) occurs within fifteen years of the date of grant. If a Change in Control (as defined in the Partnership agreement) or in the event the holder’s service with the Partnership is terminated due to his death or disability by June 30, 2021 or December 31, 2021, an additional 25% or 12.5%, respectively, HSOP Options will accelerate and vest upon the occurrence of the transaction. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company.

The liquidity-based performance condition contingent upon the achievement of a Liquidity Event was satisfied in June of 2021, therefore, the Company began recognizing expense for all associated options that were previously deemed improbable of vesting.

The following is a summary of stock option activity for from December 31, 2021 to March 31, 2022:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	7,046,496	6.64	14.01	\$ 6,961
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled or forfeited	—	—	—	—
Outstanding as of March 31, 2022	7,046,496	\$ 6.64	13.76	\$ —
Options exercisable as of March 31, 2022	5,230,681	\$ 6.64	13.76	—

For the three months ended March 31, 2022 and 2021, the Company recorded stock-based compensation expense of \$1.4 million and \$0.0 million, respectively.

As of March 31, 2022, total unrecognized compensation cost related to the unvested stock-based awards was \$7.2 million which is expected to be recognized over a weighted average period of 1.00 years.

#### ***Subsidiary Equity Incentive Plans***

Certain controlled subsidiaries of the Company adopt their own equity incentive plan (“EIP”). Each EIP is generally structured so that the applicable subsidiary, and its affiliates’ employees, directors, officers and consultants are eligible to receive non-qualified and incentive stock options and restricted stock unit awards under their respective EIP. Standard option grants have time-based vesting requirements, generally vesting over a period of four years with a contractual term of ten years. Such time-based stock options use the Black-Scholes option pricing model to determine grant date fair value.

For the three months ended March 31, 2022 and 2021, the Company recorded share-based compensation expense of \$0.2 million and \$0.2 million, respectively, in relation to subsidiary EIPs. As of March 31, 2022, there was \$1.0 million of total unrecognized stock-based compensation expense related to unvested EIP awards to employees and non-employee directors expected to be recognized over a weighted-average period of approximately 1.63 years. As of March 31, 2022, the unrecognized stock-based compensation expense from EIP’s awards with liquidity-based performance vesting conditions issued to employees and non-employee directors was approximately \$0.4 million, which will be recognized only upon the satisfaction of the vesting conditions.

#### ***Stock-Based Compensation***

Stock-based compensation expense is allocated to either Research and development or General and administrative expense on the consolidated statements of operations based on the cost center to which the option holder belongs.

The following table summarizes the total stock-based compensation expense by function for the three months ended March 31, 2022, which includes expense related to stock options and restricted stock awards (in thousands):

	Three Months Ended March 31, 2022			
	Atai ESOP	Atai HSOP	Other Subsidiaries Equity Plan	Total
Research and development	\$ 3,627	\$ —	\$ 146	\$ 3,773
General and administrative	5,007	1,350	78	6,435
Total share based compensation expense	\$ 8,634	\$ 1,350	\$ 224	\$ 10,208

The following table summarizes the total stock-based compensation expense by function for the three months ended March 31, 2021, which includes expense related to stock options and restricted stock awards (in thousands):

	Three Months Ended March 31, 2021			
	Atai ESOP	Atai HSOP	Other Subsidiaries Equity Plan	Total
Research and development	\$ —	\$ —	\$ 150	\$ 150
General and administrative	—	—	62	62
Total share based compensation expense	\$ —	\$ —	\$ 212	\$ 212

### 13. Income Taxes

The Company records its quarterly income tax expense by utilizing an estimated annual effective tax rate applied to its period to date earnings as adjusted for any discrete items arising during the quarter. The tax effect for discrete items are recorded in the period in which they occur. The Company recorded \$41,000 and \$6,000 income tax expense for the three months ended March 31, 2022 and 2021, respectively. The income tax expense during these periods was primarily driven by current tax on earnings of subsidiaries in Australia, the United States, and the United Kingdom. The primary difference between the effective tax rate and the statutory tax rate is a result of certain income tax deductions available in the United States that are permanent in nature. The Company continues to maintain a full valuation allowance against its deferred tax assets with the exception of certain deferred tax assets relating to certain subsidiaries in Australia, the United States and the United Kingdom.

### 14. Net Income (Loss) Per Share

Basic and diluted net loss per share attributable to atai stockholders were calculated as follows (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net income (loss)	\$ (37,558)	\$ 4,044
Net income (loss) attributable to redeemable noncontrolling interests and noncontrolling interests	(689)	3,356
Net income (loss) attributable to ATAI Life Sciences N.V. shareholders - basic	\$ (36,869)	\$ 688
Effect of conversion of the 2018 Convertible Promissory Notes - Related Parties	\$ —	(75)
Net income (loss) attributable to ATAI Life Sciences N.V. shareholders - diluted	\$ (36,869)	\$ 613
Denominator:		
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. Stockholders - basic	153,529,268	119,258,529
Effect of dilutive stock options to purchase common stock	-	2,115,901
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. Stockholders - diluted	153,529,268	121,374,430
Net income (loss) per share attributable to ATAI Life Sciences N.V. shareholders - basic	\$ (0.24)	\$ 0.01
Net income (loss) per share attributable to ATAI Life Sciences N.V. shareholders - diluted	\$ (0.24)	\$ 0.01

HSOP Shares issued to the Partnership and allocated to the HSOP Participants are not considered outstanding for accounting purposes and not included in the calculation of basic weighted average common shares outstanding in the table above because the HSOP Participants have a forfeitable right to distributions until the HSOP Options vest and are exercised, at which time the right becomes nonforfeitable.

The following also represents maximum amount of outstanding shares of potentially dilutive securities that were excluded from the computation of diluted net income (loss) per share attributable to common shareholders for the periods presented because including them would have been antidilutive:

Potentially dilutive securities to the Company's common shares:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Options to purchase common stock	32,600,468	16,285,696
HSOP options to purchase common stock	7,046,496	7,281,376
2018 Convertible Promissory Notes - Related Parties (Note 10)	10,521,824	—
	<u>50,168,788</u>	<u>23,567,072</u>

The remaining 2018 Convertible Notes would be issuable upon the exercise of conversion rights of convertible note holders for 657,614 shares of common stock of ATAI Life Sciences AG, respectively. Upon conversion, it is expected that the remaining 2018 Convertible Notes would be exchanged on a one-for-sixteen basis for shares of ATAI Life Sciences N.V. which is reflected in the table above. See Note 10 for additional discussion.

## **15. Commitments and Contingencies**

### ***Research and Development Agreements***

The Company may enter into contracts in the ordinary course of business with clinical research organizations for clinical trials, with contract manufacturing organizations for clinical supplies and with other vendors for preclinical studies, supplies and other services and products for operating purposes.

### ***Indemnification***

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, lessors, business partners, board members, officers and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company, negligence or willful misconduct of the Company, violations of law by the Company, or intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements, and thus, there are no claims that the Company is aware of that could have a material effect on the Company's consolidated financial statements.

The Company also maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify the Company's directors. To date, the Company has not incurred any material costs and has not accrued any liabilities in the consolidated financial statements as a result of these provisions.

### ***Contingencies***

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of business. The Company is unable to predict the outcome of these matters or the ultimate legal and financial liability, and at this time cannot reasonably estimate the possible loss or range of loss and accordingly has not accrued a related liability. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. The Company currently believes that the outcome of these legal proceedings, either individually or in the aggregate, will not have a material effect on its consolidated financial position, results of operations or cash flows.

## **16. License Agreements**

### ***Otsuka License and Collaboration Agreement***

On March 11, 2021, the Company entered into a license and collaboration agreement (the "Otsuka Agreement") with Otsuka under which the Company granted exclusive rights to Otsuka to develop and commercialize products containing arketamine, known as PCN-101, in Japan for the treatment of any depression, including treatment-resistant depression, or major depressive disorder or any of their related symptoms or conditions. Under the terms of the Otsuka Agreement, Otsuka received an exclusive right to develop and commercialize products containing PCN-101 in Japan at its own cost and expense. The Company retained all rights to PCN-101 outside of Japan.

Otsuka owed the Company an upfront, non-refundable payment of \$20.0 million as of the execution of the Otsuka Agreement. The Company is also entitled to receive aggregate payments of up to \$35.0 million if certain development and regulatory milestones are achieved for the current or a new intravenous formulation of a product and up to \$66.0 million in commercial milestones upon the

achievement of certain commercial sales thresholds. Otsuka is obligated to pay the Company a tiered, double-digit royalties on net sales of products containing PCN-101 in Japan, subject to reduction in certain circumstances.

The Otsuka Agreement will expire upon the fulfillment of Otsuka's royalty obligations on a product-by-product basis. Otsuka shall have the right to terminate this agreement in its entirety for convenience at any time (a) on ninety (90) days' prior written notice to Perception if such notice is given before the first regulatory approval of the first licensed product in the Otsuka territory, or (b) on one hundred and eighty (180) days' prior written notice to Perception if such notice is given on or after the first regulatory approval of the first licensed product in the Otsuka territory. The Otsuka Agreement may be terminated in its entirety at any time during the term upon written notice by either party if the other party is in material breach of its obligations and has not cured such breach within thirty (30) days in the case of a payment breach, or within ninety (90) days in the case of all other breaches.

The Company first assessed the Otsuka Agreement under ASC 808 to determine whether the Otsuka Agreement or units of accounts within the Otsuka Agreement represent a collaborative arrangement based on the risks and rewards and activities of the parties.

The Company concluded that Otsuka is a customer in the context of the Otsuka Agreement and the units of account are within the scope of ASC 606. The Company determined that the combined promise of the exclusive license to PCN-101 and non-exclusive license to conduct clinical trials in Asia are a single performance obligation. The Company determined that the option rights for CMC study data, additional research services and development supply do not represent material rights to Otsuka as these options were issued at standalone selling prices. As such, they are not performance obligations at the outset of the arrangement.

Based on this assessment, the Company concluded three performance obligations exist at the outset of the Otsuka Agreement: (i) the exclusive license to PCN-101 and exclusive license to conduct clinical trials in Japan, (ii) Global Requested Ongoing Clinical Studies and (iii) Global Ongoing Clinical Studies. The Company determined that the upfront payment of \$20.0 million constitutes the transaction price at the outset of the Otsuka Agreement. Future potential milestone payments were fully constrained as the risk of significant revenue reversal related to these amounts has not yet been resolved. The achievement of the future potential milestones is not within the Company's control and is subject to certain research and development success or regulatory approvals and therefore carry significant uncertainty. The Company will reevaluate the likelihood of achieving future milestones at the end of each reporting period. As all performance obligations will have been satisfied in advance of the achievement of the milestone events, if the risk of significant revenue reversal is resolved, any future milestone revenue from the arrangement will be added to the transaction price (and thereby recognized as revenue) in the period the risk is resolved.

For the three months ended March 31, 2022, no additional milestones were achieved under the Otsuka Agreement and we did not recognize any license revenue. The remaining deferred revenue balance related to the Otsuka Agreement is not material as of March 31, 2022. For the three months ended March 31, 2021 the Company satisfied the performance obligation related to the license upon delivery of the license and recognized the amount of \$19.7 million allocated to the license as license revenue. Additionally, the Company recognized revenues of \$0.2 million related to certain research and development services during the three months ended March 31, 2021.

#### ***National University Corporation Chiba University License Agreement***

In August 2017, Perception entered into a license agreement (the "CHIBA License"), with the National University Corporation Chiba University or CHIBA, relating to Perception's drug discovery and development initiatives. Under the CHIBA License, Perception has been granted a worldwide exclusive license under certain patents and know-how of CHIBA to research, develop, manufacture, use and commercialize therapeutic products.

During the three months ended March 31, 2022 and 2021, respectively, the Company made no material payments pursuant to the CHIBA License.

#### ***Allergan License Agreement***

In February 2020, Recognify entered into an amended and restated license agreement (the "Allergan License Agreement"), with Allergan Sales, LLC, or Allergan, under which Allergan granted Recognify an exclusive (non-exclusive as to know-how), sublicensable and worldwide license under certain patent rights and know-how controlled by Allergan to develop, manufacture and commercialize certain products for use in all fields including the treatment of certain diseases and conditions of the central nervous system.

During the three months ended March 31, 2022 and 2021, respectively, the Company made no material payments pursuant to the Allergan License Agreement.



### ***Columbia Stock Purchase and License Agreement***

In June 2020, Kures entered into a license agreement with Columbia, pursuant to which, Kures obtained an exclusive license under certain patents and technical information to discover, develop, manufacture, use and commercialize such patents or other products in all uses and applications ("Columbia IP"). In addition, in consideration for the rights to the Columbia IP, Kures entered into a Stock Purchase Agreement (the "SPA") with Columbia in contemplation of the license agreement. Pursuant to the SPA, Kures issued to Columbia certain shares of the Kures' capital stock, representing 5% of Kures common stock on a fully diluted basis, in accordance with the terms and conditions of the SPA. Kures shall, from time to time, issue to Columbia additional shares of Kures' common stock, at a per share price equal to the then fair market value of each such share. The antidilution protection provision shall be maintained up to and through the achievement of certain milestone events.

During the three months ended March 31, 2022, and 2021, respectively, the Company made no material payments pursuant to the Allergan License Agreement.

### ***Accelerate License Agreement***

On April 27, 2021, Psyber entered into a license arrangement with Accelerate Technologies Pte. Ltd. ("Accelerate"), whereby Accelerate grants Psyber non-exclusive rights to license and use the technology to commercialize of Psyber's BCI-enabled companion digital therapeutics in United States of America, Singapore, Member Countries of the European Union, Canada, Australia and New Zealand as a potential treatment for mental health and behavior change, such as substance use disorders including opioid use disorder, mood and anxiety disorders including post-traumatic stress disorder, and treatment-resistant depression.

During the three months ended March 31, 2022, and 2021, respectively, the Company made no material payments pursuant to the Accelerate License agreement.

### ***Dalriada License Agreement***

On December 10, 2021, Invyxis, Inc. ("Invyxis"), a wholly owned subsidiary of atai, entered into an exclusive services and license agreement (the "Invyxis ESLA") with Dalriada Drug Discovery Inc. ("Dalriada"). Under the Invyxis ESLA, Dalriada is to exclusively collaborate with Invyxis to develop products, services and processes with the specific purpose of generating products consisting of new chemical entities. Invyxis will pay Dalriada up to \$12.8 million in service fees for research and support services. In addition, Invyxis will pay Dalriada success milestone payments and low single digit royalty payments based on net product sales. atai has the right, but not the obligation, to settle future royalty payments based on net product sales with the Company's common stock. atai and Dalriada will determine the equity settlement based on a price per share determined by both parties.

In January 2022, in accordance with the Invyxis ESLA, Invyxis paid an upfront deposit of \$1.1 million, which was capitalized as prepaid research and development expense. The Company will expense the upfront deposit as the services are performed as a component of research and development expense in the consolidated statements of operations. During the three months ended March 31, 2022, the Company recorded \$0.2 million as research and development expense. During the three months ended March 31, 2022, Invyxis made no other service fee payments to Dalriada.

## **17. Related Party Transactions**

### ***atai Formation***

In connection with the formation of atai in 2018, the Company entered into a series of transactions with its shareholders, Apeiron, Galaxy Group Investments LLC. ("Galaxy") and HCS Beteiligungsgesellschaft mbH ("HCS") whereby these shareholders contributed their investments in COMPASS, Innoplexus and Juvenescence to the Company in exchange for atai's common stock of equivalent value. Apeiron is the family office of the Company's founder who owns 18.0% and 18.0% of the outstanding common stock in the Company as of March 31, 2022 and December 31, 2021, respectively. Galaxy is a NYC-based multi-strategy investment firm that owns 6.7% and 6.7% of the outstanding common stock in the Company as of March 31, 2022 and December 31, 2021, respectively.

### ***Convertible Note Agreements with Perception***

In March 2020, Perception entered into the Perception Note Purchase Agreement with the Company and other investors, including related parties, which provided for the issuance of convertible notes of up to \$3.9 million, among which Perception issued convertible notes in the aggregate principal amount of \$3.3 million to the Company and \$0.3 million to Sonia Weiss Pick and Family, and \$0.3 million to other investors. In addition, in December 2020, Perception entered into the Perception December 2020 Convertible Note Agreement with the Company and other investors, including related parties, which provided for the issuance of convertible notes of up to \$12.0 million in two

tranches. Under the First Tranche Funding of \$7.0 million, Perception issued an aggregate principal amount of \$5.8 million to the Company and \$0.4 million to other investors as of December 31, 2020 and \$0.2 million to Apeiron, \$0.5 million to Sonia Weiss Pick and Family, and \$0.1 million to other investors in January 2021. Under the Second Tranche Funding of \$5.0 million, Perception issued an aggregate of \$4.2 million to the Company, \$0.2 million to Apeiron, \$0.3 million to Sonia Weiss Pick and Family, and \$0.4 million to other investors.

On June 10, 2021, the Company received \$20.0 million pursuant to the Otsuka Agreement. Upon receipt of the proceeds, the Perception Convertible Notes automatically converted into Series A preferred stock pursuant to their original terms. Sonia Weiss Pick and Family and Apeiron received 440,415 shares and 27,809 shares of Perception Series A preferred stock, respectively, upon conversion of the Perception Convertible Notes. The conversion of the Perception December 2020 Notes was accounted for an extinguishment. The March 2020 Notes were accounted for as a conversion. These transactions are further described in Note 10.

### ***Common Stock***

Since 2018, the Company engaged SMC as the underwriting bank to provide banking, advisory services and securities-related technical support of cash and non-cash capital increase transactions. In connection with the issuance of common stock in November 2020, the Company paid SMC an aggregate amount of \$4.5 million of advisory fees, of which approximately \$3.7 million was paid to Apeiron by SMC during the first quarter of 2021.

In January 2021, pursuant to an additional closing from the common stock issuance in November and December 2020, the Company issued and sold 2,133,328 shares of common stock to Apeiron at the same issuance price, for cash proceeds of \$12.2 million. In March 2021, in connection with the Company's issuance of 13,419,360 shares of common stock, at a price of €9.69 or \$11.71 per share, the Company issued common shares to Apeiron for a total purchase price of \$14.5 million, and issued common shares to Presight II, L.P. for a total purchase price of \$13.9 million (See Note 11 ). Apeiron is the co-managing member of the general partner of Presight II, L.P.

### ***Consulting Agreement with Mr. Angermayer***

In January 2021, the Company entered into a consulting agreement, (the "Consulting Agreement"), with Mr. Angermayer, one of the Company's co-founders and supervisory director. Apeiron is the family office and merchant banking business of Mr. Angermayer. Pursuant to the Consulting Agreement, Mr. Angermayer agreed to render services to the Company on business and financing strategies in exchange for 624,000 shares under the 2020 Incentive Plan upon achievement of certain performance targets. The Consulting Agreement expires on March 31, 2024.

As a result of this consulting agreement, the Company recorded \$0.2 million of stock-based compensation included in general and administrative expense in its consolidated statement of operations for the three months ended March 31, 2022. In connection with Mr. Angermayer's service as Chairman of the supervisory board, the Company also recorded \$0.2 million of general and administrative expense in its consolidated statements of operations for the three months ended March 31, 2022.

Additionally, for the three months ended March 31, 2021, the Company recorded an immaterial amount of general and administrative expense in its consolidated statement of operations related to Mr. Angermayer's consulting services and service as Chairman of the supervisory board.

## **18. Defined Contribution Plan**

The Company has a defined contribution retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan allows eligible employees to defer a portion of their annual compensation. The Company made an immaterial amount of 401(k) contributions for the three months ended March 31, 2022 and 2021, respectively.

## **19. Subsequent Events**

### ***Conversion of 2018 Convertible Notes***

In May 2022, a noteholder elected to convert their convertible promissory notes into shares of ATAI Life Sciences N.V. The investor paid €17.00 per share for the aggregate amount of €1.0 million or \$1.1 million in order to convert their convertible promissory notes into ATAI Life Sciences NV common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements.



## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included in this Quarterly Report and our audited financial statements and related notes thereto for the year ended December 31, 2021, included in our Form 10-K.*

*This discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, you can identify these statements by forward-looking words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “should,” “estimate,” or “continue,” and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included in Part I, Item 1A of our Form 10-K and elsewhere in our Form 10-K. The forward-looking statements in this Quarterly Report represent our views as of the date of this Quarterly Report. Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future. All references to years, unless otherwise noted, refer to our fiscal years, which end on December 31. Unless the context otherwise requires, all references in this subsection to “we,” “us,” “our,” “atai” or the “Company” refer to atai and its consolidated subsidiaries.*

### Business Overview

We are a clinical-stage biopharmaceutical company aiming to transform the treatment of mental health disorders. We were founded in 2018 as a response to the significant unmet need and lack of innovation in the mental health treatment landscape, as well as the emergence of therapies that previously may have been overlooked or underused, including psychedelic compounds and digital therapeutics. We have built a pipeline of 13 drug and discovery programs and four enabling technologies, each led by focused teams with deep expertise in their respective fields and supported by our internal development and operational infrastructure. We believe that several of our therapeutic programs’ target indications have potential market opportunities of at least \$1 billion in annual sales, if approved. A summary of our clinical and preclinical programs, including related prior evidence in humans based on third-party clinical trials or studies, recent advancements, and upcoming milestones, as applicable, follows under the heading “Our Emerging Clinical and Preclinical Programs” below.

Our business is organized along three strategic pillars:

- **Rapid acting intervention:** first, second, and third generation compounds that result in rapid-acting improvement of mental health disorders;
- **Ongoing digital support:** additional care that is provided to patients before, during, and after initial treatment interventions; and
- **Biomarker-driven precision mental health:** the identification of patient sub-types using biological and digital biomarkers.

Since our inception in 2018, we have focused substantially all of our efforts and financial resources on acquiring and developing product and technology rights, establishing our platform, building our intellectual property portfolio and conducting research and development activities for our product candidates within our atai companies that we consolidate based on our controlling financial interest of such entities. We operate a decentralized model to enable scalable drug or technological development at our atai companies. Our atai companies drive development of our programs and enabling technologies that we have either acquired a controlling or significant interest in or created de novo. We believe that this model provides our development teams the support and incentives to rapidly advance their therapeutic candidates or technologies in a cost-efficient manner. We look to optimize deployment of our capital in order to maximize value for our stakeholders.

We provide our development teams with access to shared services including scientific, intellectual property, clinical and regulatory support. Our global team of subject matter professionals provides deep domain expertise in areas such as mental health drug development and life sciences intellectual property. Development teams have access to relevant expertise specific to each stage of their development. We believe our knowledge and specialization in psychedelics and mental health continuously enhance the quality of the services we provide through the sharing of learnings and experiences across the teams. Examples of specific services we provide include project management, research and development, market strategy and development and corporate finance.

On June 22, 2021, we completed an IPO on Nasdaq, in which we issued and sold 17,250,000 common shares at a public offering price of \$15.00 per share, including 2,500,000 shares common shares sold pursuant to the underwriters’ exercise of their option to purchase

additional common shares, for aggregate net proceeds of \$231.6 million, after deducting underwriting discounts and commissions of \$18.1 million and offering costs of \$9.0 million. Prior to the IPO, we received gross cash proceeds of \$361.5 million from sales of our common shares and convertible notes.

We have incurred significant operating losses since our inception. Our net loss attributable to ATAI Life Sciences N.V. stockholders was \$36.9 million for the three months ended March 31, 2022. We generated \$0.7 million in net income attributable to ATAI Life Sciences N.V. stockholders for the three months ended March 31, 2021, primarily due to \$19.9 million of license revenue recognized during the period related to the "Otsuka Agreement". Refer to Note 16 for further details. As of March 31, 2022 and December 31, 2021, our accumulated deficit was \$394.7 million and \$357.8 million, respectively. Our ability to generate product revenue sufficient to achieve profitability will depend substantially on the successful development and eventual commercialization of product candidates at our atai companies that we consolidate based on our controlling financial interest of such entities as determined under the variable interest entity model ("VIE model") or voting interest entity model ("VOE model"). We expect to continue to incur significant expenses and increasing operating losses for at least the next several years.

Our historical losses resulted principally from costs incurred in connection with research and development activities and general and administrative costs associated with our operations. In the future, we intend to continue to conduct research and development, preclinical testing, clinical trials, regulatory compliance, market access, commercialization and business development activities that, together with anticipated general and administrative expenses, will result in incurring further significant losses for at least the next several years. Our operating losses stem primarily from development of our mental health research programs. Furthermore, we expect to incur additional costs associated with operating as a public company, including audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs. As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from sales of our product candidates, if ever, we expect to finance our operations through a combination of equity offerings, debt financings, strategic collaborations and alliances or licensing arrangements. Our inability to raise capital as and when needed could have a negative impact on our financial condition and ability to pursue our business strategies. There can be no assurances, however, that our current operating plan will be achieved or that additional funding will be available on terms acceptable to us, or at all.

As of March 31, 2022, we had cash and cash equivalents of \$124.0 million and short-term debt securities of \$210.9 million. We believe that our existing cash and short-term debt securities will be sufficient for us to fund our operating expenses and capital expenditure requirements for at least the next 12 months following the filing of this Quarterly Report. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. See "*Liquidity and Capital Resources—Liquidity Risk*" below.

We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from the sale of our common shares and from issuances of convertible notes.

### ***Our Emerging Clinical and Preclinical Programs***

The table below summarizes the status of our product candidate portfolio as of the filing date of this Quarterly Report. Our pipeline currently consists of therapeutic candidates across multiple neuropsychiatric indications including depression, cognitive impairment associated with schizophrenia, or CIAS, OUD, anxiety, mTBI and PTSD. We rely on third parties to conduct our preclinical and clinical trials and, as such, progress and timing of these preclinical and clinical trials and related milestone events, including those discussed in greater detail below, may be impacted by several factors including, but not limited to, changes in existing or future contractual obligations or arrangements with these third parties, geographic developments, such as site locations or regulatory requirements, and other changing circumstances associated with these third parties and the clinical trial sites. See the section titled "Risk Factors—Risks Related to Reliance on Third Parties" in the Form 10-K. We currently hold at least a majority interest, or have options to obtain a majority interest, in each of these atai companies.

Program	Lead Indication	Discovery	Preclinical	Phase 1	Phase 2	Phase 3	Affiliate Company <sup>1</sup>
PCN-101 / R-ketamine	Treatment-Resistant Depression						Perception Neuroscience
RL-007 / Compound <sup>2</sup>	Cognitive Impairment Associated With Schizophrenia						Recognify Life Sciences
GRX-917 / Deuterated etifoxine	Generalized Anxiety Disorder						GABA Therapeutics
DMX-1002 / Ibogaine	Opioid Use Disorder						DemeRx IB
KUR-101 / Deuterated mitragynine	Opioid Use Disorder						Kures
RLS-01 / Salvinorin A	Treatment-Resistant Depression						Revixia Life Sciences
VLS-01 / DMT	Treatment-Resistant Depression						Viridia Life Sciences
EMP-01 / MDMA derivative	Post-Traumatic Stress Disorder						EmpathBio
NN-101 / N-acetylcysteine	Mild Traumatic Brain Injury						Neuronasal
Undisclosed	Treatment-Resistant Depression						PsyProtix
Discovery engines	Multiple lead indications						Multiple affiliate companies <sup>3</sup>
<b>LIMITED TO EQUITY INTEREST</b>							
Developing COMP360, a formulation of psilocybin, administered with psychological support from specially trained therapists, for treatment-resistant depression. Phase 2b topline data read out in Nov '21.							Compass Pathways
Developing DMX-1001, a formulation of noribogaine, as a potential at-home maintenance therapy for OUD. Preclinical stage.							DemeRx NB

Note: DMT = N,N-dimethyltryptamine; MDMA = 3,4-Methylenedioxyamphetamine; DTx = Digital Therapeutics

- (1) Perception, Recognify, DemeRx IB, Kures, and Neuronasal are all VIEs; GABA is a non-consolidated VIE with operational involvement through MSA model, including Srinivas Rao serving as CMO; EmpathBio, Revixia and Viridia are wholly owned subsidiaries; COMPASS Pathways and DemeRx NB are non-controlling equity interests.
- (2) RL-007 compound is (2R, 3S)-2-amino-3-hydroxy-3-pyridin-4-yl-1-pyrrolidin-1-yl-propan-1-one(L)-(+)-tartrate salts.
- (3) Including EntheogeniX, TryptageniX and Invyxis.

**The following is a summary of our clinical and preclinical programs, including related prior evidence in humans based on third-party clinical trials or studies, recent advancements, and upcoming milestones, as applicable.**

#### **Perception Neuroscience: PCN-101 for TRD**

- **Product concept:** PCN-101 is a parenteral formulation of R-ketamine, a glutamatergic modulator that is a component of racemic ketamine and is being developed as a rapid-acting antidepressant, with the potential to be an at-home non-dissociative alternative to S-ketamine (marketed as SPRAVATO).
- **Prior evidence in humans:** In a third-party clinical trial, another formulation of R-ketamine was observed to produce a rapid and durable response with limited dissociative side effects in patients with TRD. In September 2020, Perception Neuroscience completed a Phase 1 trial of PCN-101 supporting the advancement of PCN-101 into a Phase 2a proof-of-concept trial.
- **Upcoming milestones:** In September 2021, the Phase 2a proof-of-concept trial of PCN-101 for TRD was initiated. This randomized, double-blind, placebo-controlled Phase 2a proof-of-concept trial is designed to assess the efficacy, safety, dose response, and duration of response in patients with TRD. A topline data readout of this trial is expected by the end of 2022. In December 2021, the FDA gave Investigational New Drug ("IND") clearance to conduct a clinical DDI study of PCN-101, which is being advanced alongside the Phase 2a proof-of-concept trial, to assess the pharmacokinetics of PCN-101 when used concurrently with other drugs. Enrollment of the study was initiated in April 2022. We also anticipate results from a PCN-101 Phase 1 trial that bridges between the current intravenous formulation to a subcutaneous formulation to support at-home use, by the end of 2022.

#### **Recognify Life Sciences: RL-007 for CIAS**

- **Product concept:** RL-007, a cholinergic, glutamatergic and GABA-B receptor modulator, is an orally available compound that is thought to alter the excitatory/inhibitory balance in the brain to produce pro-cognitive effects. We are developing this compound for the treatment of CIAS.
- **Prior evidence in humans:** In third-party studies, other formulations of this compound have been shown to effect a significant improvement in aspects of cognitive function in both experimental paradigms involving healthy subjects as well as in a Phase 2 trial in patients suffering from diabetic peripheral neuropathic pain. In April 2021, Recognify initiated a Phase 2 proof-of-mechanism study for RL-007 in 32 CIAS patients, after receiving IND clearance from the U.S. Food and Drug Administration

to commence clinical trials for the treatment of CIAS. The study was designed to evaluate the effects of RL-007 on safety, tolerability, electroencephalogram-based biomarkers and cognition.

- **Recent advancements:** In December 2021, we announced positive biomarker data from the Phase 2a proof-of-mechanism study of RL-007 in CIAS patients. RL-007 was well tolerated and demonstrated a clinically meaningful behavioral pro-cognitive profile consistent with previous Phase 1 and 2 trials of this compound. Changes in quantitative electroencephalogram ("qEEG") consistent with a previous Phase 1 trial involving a scopolamine challenge were noted. These results support the progression of RL-007 to a double-blind, placebo-controlled Phase 2a proof-of-concept trial with the goal of demonstrating the pro-cognitive benefit of RL-007 in CIAS.
- **Upcoming milestones:** We anticipate the Phase 2a proof-of-concept trial to be initiated in the second half of 2022.

#### ***GABA: GRX-917 for GAD***

- **Product concept:** GRX-917 is an oral formulation of a deuterated version of etifoxine, a compound that has a long history of prescription use in France and other countries for treating anxiety disorders. GRX-917 is designed to provide rapid anxiolytic activity with improved tolerability compared to current treatments for anxiety available in the United States.
- **Prior evidence in humans:** Etifoxine has been observed to have the rapid onset of anxiolytic activity of benzodiazepines without their sedating or addicting properties. Furthermore, etifoxine is not associated with abuse, dependence or respiratory depression and has been observed to have no significant impact on motor skills or cognition.
- **Recent advancements:** In June 2021, GABA initiated a Phase 1 single and multiple ascending dose trial of GRX-917. The ongoing Phase 1 trial is a randomized, double-blind, placebo-controlled study of the safety, tolerability and pharmacokinetics of single-ascending and multiple-ascending doses of GRX-917 administered orally to healthy volunteers.
- **Upcoming milestones:** Topline data for this trial is expected by mid-year 2022 and the initiation of a Phase 2a proof-of-concept trial is anticipated to follow in the second half of this year.

#### ***DemeRx IB: DMX-1002 for OUD***

- **Product concept:** DMX-1002 is an oral formulation of ibogaine, a cholinergic, glutamatergic and monoaminergic receptor modulator that is a naturally occurring psychedelic product isolated from a West African shrub, that we are developing for the treatment of OUD.
- **Prior evidence in humans:** In third-party studies evaluating other formulations of ibogaine, significant reductions in opioid cravings were observed, both at discharge and at one month post treatment, and were associated with improved mood in patients with OUD.
- **Recent advancements:** DMX-1002 is being tested in an ongoing Phase 1/2 trial to evaluate its safety, tolerability, pharmacokinetics, and efficacy in recreational drug users and healthy volunteers, to help inform future studies in patients with opioid use disorder.
- **Upcoming milestones:** We expect safety data from the phase 1 element of the trial in the second half of 2022.

#### ***Kures: KUR-101 for OUD***

- **Product concept:** KUR-101 is an oral formulation of deuterated mitragynine being developed for the treatment of OUD. Mitragynine is a component of the leaves of kratom (*Mitragynyna speciosa*).
- **Prior evidence in humans:** Kratom has a long history of traditional medicine use as an analgesic in parts of Southeast Asia, and its use in the United States has increased in recent years, particularly amongst individuals seeking to reduce prescription opioid consumption or manage opioid withdrawal symptoms. Published third-party human data involving isolated mitragynine are limited, but recent mechanistic insights suggest that this compound may be well-suited for the medically assisted therapy of OUD.
- **Recent advancements:** KUR-101 is a Phase 1 randomized, double-blind, two-part study of the safety, tolerability, pharmacokinetics, analgesic and respiratory effects of KUR-101 in healthy volunteers. Part 1 is a five-cohort, single ascending dose study of KUR-101. Part 2 is a three-period crossover study to compare the analgesic and respiratory effects of a single oral dose of KUR-101, a single oral dose of immediate release oxycodone (OxyNorm®), and a single oral dose of placebo in healthy male volunteers.
- **Upcoming milestones:** A Phase 1 single ascending dose trial to evaluate the maximum tolerable dosage was initiated, with first patient dosed in March and topline results expected in the second half of 2022.

### ***Revixia Life Sciences: RLS-01 for TRD***

- **Product concept:** RLS-01 is a formulation of SalA, a naturally occurring dissociative hallucinogenic compound, with pharmacology differentiated from that of psilocybin or DMT, being developed for the treatment of TRD and other indications.
- **Prior evidence in humans:** In a third-party study of another formulation of SalA, the effects of the compound were observed to be similar to those of psilocybin based upon functional brain imaging. We believe these data combined with anecdotal usage reports suggest that SalA may possess rapid-acting antidepressant properties.
- **Upcoming milestones:** RLS-01 is in preclinical development for TRD with a Phase 1 trial expected to be initiated in the first half of 2023.

### ***Viridia Life Sciences: VLS-01 for TRD***

- **Product concept:** VLS-01 is a formulation of DMT, the active moiety of the traditional, hallucinogenic drink ayahuasca. DMT is characterized by an intrinsically short duration of psychedelic effect with a serum half-life estimated at less than 10 minutes. VLS-01 is formulated to provide a psychedelic experience lasting 30 to 45 minutes, thus potentially allowing for a shorter clinic visit compared to many other psychedelic compounds that may require a patient to be monitored for four or more hours.
- **Prior evidence in humans:** Ayahuasca administration was shown to provide significant antidepressant effects compared with placebo at one, two and seven days after dosing in a double-blind, randomized, placebo-controlled third-party clinical trial in patients with TRD.
- **Upcoming milestones:** VLS-01 is in preclinical development for TRD with a Phase 1 trial expected to be initiated in the middle of 2022. The study will utilize buccal and IV formulations in healthy adult volunteers to assess the relative bioavailability of the buccal versus IV formulations, the safety and tolerability of VLS-01 administered by both routes, as well as pharmacodynamics using qEEG and other measures.

### ***EmpathBio: EMP-01 for PTSD***

- **Product concept:** EMP-01 is an oral formulation of an MDMA derivative being developed for the treatment of PTSD. We are developing EMP-01 for the potential to have an improved therapeutic index compared to racemic MDMA.
- **Prior evidence in humans:** In a meta-analysis of 21 third-party trials of other formulations of MDMA-combined with psychotherapy for the treatment of PTSD, the benefits of such treatment were statistically significant versus placebo or active placebo-assisted therapy alone. In addition, a recent third-party randomized, double-blind, placebo-controlled phase 3 study with 90 patients with severe PTSD, showed statistically significant reduction in PTSD symptoms in the MDMA-assisted psychotherapy group versus placebo.
- **Upcoming milestones:** EMP-01 is in preclinical development for PTSD with a Phase 1 trial expected to be initiated in the second half of 2022.

### ***Neuronasal: NN-101 for mTBI***

- **Product concept:** NN-101 is a novel intranasal formulation of NAC. NAC is believed to stimulate the synthesis of GSH, an endogenous antioxidant that plays a protective role in the pathogenesis of mTBI.
- **Prior evidence in humans:** An orally administered formulation of NAC was shown to increase the probability of mTBI symptom resolution at seven days in a third-party study conducted by the U.S. Army. Neuronasal has also completed a pilot study of NN-101 in nine healthy volunteers. In this pilot study, NN-101 was observed to be approximately 20 times and 100 times more brain-penetrant compared to IV and oral NAC, respectively, and was well tolerated.

### ***Our Ownership Position in COMPASS***

In addition to our emerging clinical and preclinical programs and enabling technologies, we led the Series A financing round in 2018 for COMPASS, co-led their Series B financing round in 2020 and continue to hold a significant equity ownership position in COMPASS. COMPASS is developing its investigational COMP360 psilocybin therapy, which comprises administration of COMP360 with psychological support from specially trained therapists, with an initial focus on TRD. The therapeutic potential of psilocybin administered in conjunction with psychological support has been shown in multiple academic-sponsored studies, which did not involve COMP360, specifically exhibiting rapid reductions in depression symptoms after a single high dose with no SAEs. COMPASS evaluated COMP360 in conjunction with psychological support in a Phase 2b trial that concluded in July 2021 and reported its topline data in November 2021. The Phase 2b trial produced positive results that showed patient improvements beyond reduction of depression symptoms, including in positive affect and quality of life. The randomized, double-blind, dose-ranging study investigated the safety and efficacy of psilocybin therapy in



233 patients, the largest clinical trial with psilocybin to date. In May 2022, COMPASS announced its end-of-phase 2 meeting with the FDA in April and also announced it anticipates the initiation of a Phase 3 program in the second half of 2022. COMPASS also launched a Phase 2 study of COMP360 psilocybin therapy for post-traumatic stress disorder. As of March 31, 2022, we beneficially owned 9,565,774 shares representing a 22.5% equity interest in COMPASS. Certain of our founding investors were also seed investors and founders of COMPASS. Our interest in the product candidates of COMPASS is limited to the potential appreciation of our equity interest.

### ***Our Enabling Technologies***

We believe our enabling technologies have the potential to support the development of our pipeline and be used as patient support tools. We currently have four enabling technologies housed at our atai companies: Introspect Digital Therapeutics, InnarisBio and Psyber, as well as IntelGenx Technologies, a strategic investment of ours. None of our existing programs were developed using these enabling technologies, and many of these technologies remain in early stage testing and development. We intend to use these enabling technologies to support the future development of our programs. For more information regarding our enabling technologies, see the section titled “Enabling Technologies” in Part 1, Item 1 of our Form 10-K filed with the SEC.

### ***Our Drug Discovery Companies***

We also believe in the development of innovative and scalable solutions to better meet patient needs. In November 2019, we acquired a majority interest in EntheogeniX Biosciences, a controlled variable interest entity, that is an AI-enabled computational biophysics platform designed to optimize and accelerate drug discovery. PsyProtix, a majority owned subsidiary we launched in February 2021, is developing metabolomics-based biomarkers that stratify TRD patients with the aim to improve patient outcomes through a precision psychiatry approach. In addition, in December 2021 and January 2022, respectively, we announced the launch of two new companies to support this commitment in driving next-generation approaches in the treatment of mental health disorders, TryptageniX and Invyxis. These two companies’ approaches to drug discovery are highly complementary to that of EntheogeniX, our existing AI-enable drug discovery company, of which we acquired a majority interest in 2019. TryptageniX will specialize in both the discovery of new chemical entities (“NCEs”) for our pipeline through bioprospecting and on biosynthesis of our naturally derived development candidates and Invyxis will bring proven medicinal chemistry tools and comprehensive biological screening approaches to our growing enterprise of drug discovery and design. Expanding intellectual property has been essential to our strategy since inception, with key investments made to unlock NCEs. We have already made substantial progress in our drug discovery efforts to date, synthesizing and screening approximately 300 compounds and identifying novel scaffolds that display potential in targeting mental health disorders. For more information regarding our drug discovery companies, see the section titled “Drug Discovery Companies” in Part 1, Item 1 our Form 10-K filed with the SEC.

### **Financial Overview**

Since our inception in 2018, we have focused substantially all of our efforts and financial resources on acquiring and developing product and technology rights, establishing our platform, building our intellectual property portfolio and conducting research and development activities for our product candidates within our atai companies that we consolidate based on our controlling financial interest of such entities. We operate a decentralized model to enable scalable drug or technological development at our atai companies. Our atai companies drive development of our programs and enabling technologies that we have either acquired a controlling or significant interest in or created *de novo*. We believe that this model provides our development teams the support and incentives to rapidly advance their therapeutic candidates or technologies in a cost-efficient manner. We look to optimize deployment of our capital in order to maximize value for our stakeholders.

Wholly owned subsidiaries and VIEs with greater than 50% ownership and deemed control are consolidated in our financial statements, and our net income (loss) is reduced for the non-controlling interest of the VIE’s share, resulting in net income (loss) attributable to atai stockholders.

Investments, where we have ownership in the underlying company’s equity greater than 20% and less than 50%, or where we have significant influence, are recorded under the equity method. We then record losses from investments in equity method investees, net of tax, for our proportionate share of the underlying company’s net results until the investment balance is adjusted to zero. If we make subsequent additional investments in that same company, we may record additional gains(losses) based on changes to our investment basis and also may record additional income(loss) in equity method investments.

We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from the sale of our common shares and from issuances of convertible notes.

### **Factors Affecting our Results**

We believe that the most significant factors affecting our results of operations include:

### ***Research and Development Expenses***

Our ability to successfully develop innovative product candidates through our programs will be the primary factor affecting our future growth. Our approach to the discovery and development of our product candidates is still being demonstrated. As such, we do not know whether we will be able to successfully develop any of our product candidates. Developing novel product candidates requires a significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. We have chosen to leverage our platform to initially focus on advancing our product candidates in the area of mental health.

All of our product candidates are still in development stages, and we have incurred and will continue to incur significant research and development costs for preclinical studies and clinical trials. We expect that our research and development expenses will constitute the most substantial part of our expenses in future periods in line with the advancement and expansion of the development of our product candidates.

### ***Acquisitions/Investments***

To continue to grow our business and to aid in the development of our various product candidates, we are continually acquiring and investing in companies that share our common goal towards advancing transformative treatments, including psychedelic compounds and digital therapeutics, for patients that suffer from mental health disorders.

### ***Acquisition of In-Process Research and Development Expenses***

In an asset acquisition, including the initial consolidation of a VIE that is not a business, acquired in-process research and development, or IPR&D, with no alternative future is charged to the consolidated statements of operations as a component of operating expenses at the acquisition date.

Since inception, we have grown primarily by continually acquiring and investing in other companies. Our IPR&D expenses were \$0 and \$1.0 million, representing 0% and 6.1% of our total operating expenses for the three months ended March 31, 2022 and 2021, respectively. As we continue to acquire and invest in companies, we expect our IPR&D expenses to increase.

### ***Stock-Based Compensation***

In August 2020, we adopted the 2020 Equity Incentive Plan and the Hurdle Share Option Plan, which allowed us to grant stock-based awards to executive officers, directors, employees and consultants. Prior to our IPO, we issued stock options that vest over a two to four-year service period, only if and when a "Liquidity Event" (as defined in the plans) occurs, with accelerated vesting if a Liquidity Event occurred by specified dates. Upon the closing of our IPO, the stock-based award vesting contingent upon a Liquidity Event was no longer deferred.

Effective April 23, 2021, the Company adopted and our shareholders approved the 2021 Incentive Award Plan. The 2021 Incentive Plan enables the Company to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to executive officers, directors and other employees and consultants of the Company. Any shares subject to outstanding options originally granted under the 2020 Equity Incentive Plan that terminate, expire or lapse for any reason without the delivery of shares to the holder thereof shall become available for issuance pursuant to the atai Life Sciences 2021 Incentive Award Plan. For the three months ended March 31, 2022 and 2021, we incurred \$10.2 million and \$0.2 million of stock-based compensation expense, respectively.

### ***Impact of COVID-19***

The COVID-19 pandemic has continued to present global public health and economic challenges. Although some research and development timelines have been impacted by delays related to the COVID-19 pandemic, we have not experienced material financial impacts on our business and operations as a result. The full extent to which the COVID-19 pandemic will continue to directly or indirectly impact our results of operations and financial condition, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain or treat it, the success or failure of ongoing vaccination programs worldwide, the emergence and spread of additional variants of COVID-19, as well as the overall impact on local, regional, national and international markets and the global economy. We continue to monitor the impact of the COVID-19 pandemic on our employees and business, including working remotely on a part or full time basis, and have, and will continue to, undertake business continuity measures to mitigate potential disruption to our operations and safety of our employees. For a discussion of the risks related to COVID-19 and impact to our Company's business and operations, including our research and development programs and related clinical trials, refer to the section titled "Risk Factors" in Part I, Item 1A of the Form

## **Basis of Presentation and Consolidation**

Since our inception, we have created wholly owned subsidiaries or made investments in certain controlled entities, including partially-owned subsidiaries for which we have majority voting interest under the VOE model or for which we are the primary beneficiary under the VIE model, which we refer to collectively as our consolidated entities. Ownership interests in entities over which we have significant influence, but not a controlling financial interest, are accounted for as cost and equity method investments. Ownership interests in consolidated entities that are held by entities other than us are reported as redeemable convertible noncontrolling interests and noncontrolling interests in our condensed consolidated balance sheets. Losses attributed to redeemable convertible noncontrolling interests and noncontrolling interests are reported separately in our condensed consolidated statements of operations.

## **Components of Our Results of Operations**

### *Revenue*

On March 11, 2021, we entered into a license and collaboration agreement (the "Otsuka Agreement"), with Otsuka Pharmaceutical Co., LTD ("Otsuka"), under which we granted exclusive rights to Otsuka to develop and commercialize certain products containing arketamine in Japan for the treatment of depression and other select indications. We received an upfront, non-refundable payment of \$20.0 million in June 2021 and we are also eligible to receive up to \$35.0 million if certain development and regulatory milestones are achieved and up to \$66.0 million in commercial milestones upon the achievement of certain commercial sales thresholds. We are eligible to receive tiered, royalties ranging from low-teens to high-teens on net sales of licensed products subject to reduction in certain circumstances.

The Company did not recognize license revenue for the three months ended March 31, 2022. The remaining deferred revenue balance related to the Otsuka Agreement is not material as of March 31, 2022. To date, there have been no milestones achieved under the Otsuka Agreement. In March 2021, we satisfied the performance obligation related to the license upon delivery of the license and recognized the amount of \$19.7 million allocated to the license as license revenue. Additionally, we recognized revenues of \$0.2 million related to certain research and development services in March 2021.

For the foreseeable future, we may generate revenue from reimbursements of services under the Otsuka Agreement, as well as milestone payments under our current and/or future collaboration agreements. We do not expect to generate any revenue from the sale of products unless and until such time that our product candidates have advanced through clinical development and regulatory approval, if ever. We expect that any revenue we generate, if at all, will fluctuate from year-to-year as a result of the timing and amount of payments relating to such services and milestones and the extent to which any of our products are approved and successfully commercialized. Our ability to generate future revenues will also depend on our ability to complete preclinical and clinical development of product candidates or obtain regulatory approval for them.

### *Operating Expenses*

#### *Research and Development Expenses*

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts and the development of our product candidates, which include:

- employee-related expenses, including salaries, related benefits and stock-based compensation, for employees engaged in research and development functions;
- expenses incurred in connection with the preclinical and clinical development of our product candidates, including our agreements with third parties, such as consultants and CROs;
- expenses incurred under agreements with consultants who supplement our internal capabilities;
- the cost of lab supplies and acquiring, developing and manufacturing preclinical study materials and clinical trial materials;
- costs related to compliance with regulatory requirements;
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other operating costs; and
- payments made in connection with third-party licensing agreements.

Research and development costs, including costs reimbursed under the Otsuka Agreement, are expensed as incurred, with reimbursements of such amounts being recognized as revenue. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received.

Our direct research and development expenses are tracked on a program-by-program basis for our product candidates and consist primarily of external costs, such as fees paid to outside consultants, CROs, CMOs and research laboratories in connection with our preclinical development, process development, manufacturing and clinical development activities. Our direct research and development expenses by program also include fees incurred under third-party license agreements.

We do not allocate internal research and development expenses consisting of employee and contractor-related costs, to specific product candidate programs because these costs are deployed across multiple product candidate programs under research and development and, as such, are separately classified.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase for the foreseeable future in connection with our planned preclinical and clinical development activities in the near term and in the future.

The successful development of our product candidates is highly uncertain. As such, at this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from our product candidates. This is due to the numerous risks and uncertainties associated with developing products, including the uncertainty of whether (i) any clinical trials will be conducted or progress as planned or completed on schedule, if at all, (ii) we obtain regulatory approval for our product candidates and (iii) we successfully commercialize product candidates.

#### *Acquisition of In-Process Research and Development Expenses*

Acquisition of IPR&D expenses consist of acquired in-process research and development with no future alternative use based on the probability of clinical success. We expect our acquisition of IPR&D expenses to increase as we continue to grow and expand.

#### *General and Administrative Expenses*

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions, professional fees for legal, patent, accounting, auditing, tax and consulting services, travel expenses and facility-related expenses, which include allocated expenses for rent and maintenance of facilities, advertising, and information technology-related expenses.

We expect that our general and administrative expenses will increase in the future as we increase our general and administrative headcount to support our continued research and development and potential commercialization of our product candidates. We also have incurred increased expenses associated with being a public company, including increased costs for accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance costs, and investor and public relations costs.

#### *Other Income (Expense), Net*

##### *Interest Income*

Interest income consists of interest earned on cash balances held in interest-bearing accounts and interest earned on notes receivable. We expect that our interest income will fluctuate based on the timing and ability to raise additional funds as well as the amount of expenditures for our research and development of our product candidates and ongoing business operations.

##### *Change in Fair Value of Contingent Consideration Liability—Related Parties*

Changes in fair value of contingent consideration liability—related parties, consists of subsequent remeasurement of our contingent consideration liability—related parties with Perception, TryptageniX and InnarisBio for which we record at fair value. See “—Liquidity and Capital Resources—Indebtedness” below for further discussion of our contingent consideration liability—related parties.

##### *Change in Fair Value of Derivative Liability*

Changes in fair value of derivative liability consists of subsequent remeasurement of our derivative liability relating to certain embedded features contained in the Perception convertible promissory notes for which we record at fair value. The Perception convertible promissory

notes were converted during June 2021. See “—Liquidity and Capital Resources—Indebtedness” below for further discussion the Perception convertible promissory notes.

#### *Change in Fair Value of Debt Securities carried at Fair Value*

Changes in fair value of debt securities consists of changes in fair value of available for sale debt securities purchased in the first quarter of 2022.

#### *Foreign exchange gain (loss), net*

Foreign exchange gain (loss), net consists of the impact of changes in foreign currency exchange rates on our foreign exchange denominated assets and liabilities, relative to the U.S. dollar. The impact of foreign currency exchange rates on our results of operations fluctuates period over period based on our foreign currency exposures resulting from changes in applicable exchange rates associated with our foreign denominated assets and liabilities.

#### *Other Income (Expense), net*

Other income (expense), net consists principally of interest expense and impairment related to our other investments.

#### *Provision For Income Taxes*

For our consolidated entities, deferred income taxes are provided for the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

We regularly assess the need to record a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Accordingly, we maintain a full valuation allowance against net deferred tax assets for all entities except for certain subsidiaries in Australia, the United States, and the United Kingdom as of March 31, 2022 which primarily relate to German and international tax loss carryforwards. In assessing the realizability on deferred tax assets, we consider whether it is more-likely-than-not that some or all of deferred tax assets will not be realized. The future realization of deferred tax assets is subject to the existence of sufficient taxable income of the appropriate character (e.g., ordinary income or capital gain) as provided under the carryforward provisions of local tax law. We consider the scheduled reversal of deferred tax liabilities (including the effect in available carryback and carryforward periods), future projected taxable income, including the character and jurisdiction of such income, and tax-planning strategies in making this assessment.

Unrecognized tax benefits arise when the estimated benefit recorded in the financial statements differs from the amounts taken or expected to be taken in a tax return because of the considerations described above. As of March 31, 2022 and December 31, 2021, we had no unrecognized tax benefits.

#### *Losses from Investments in Equity Method Investees, Net of Tax*

Losses from investments in equity method investees, net of tax consists of our share of equity method investees losses on the basis of our equity ownership percentage, IPR&D charges resulting from basis differences and impairment related to our equity method investments.

#### *Net Loss Attributable to Redeemable Noncontrolling Interests and Noncontrolling Interests*

Net loss attributable to redeemable noncontrolling interests and noncontrolling interests in our consolidated statements of operations is a result of our investments in certain of our consolidated VIEs, and consists of the portion of the net loss of these consolidated entities that is not allocated to us. Net losses in consolidated VIEs are attributed to redeemable noncontrolling interests and noncontrolling interests considering the liquidation preferences of the different classes of equity held by the shareholders in the VIE and their respective interests in the net assets of the consolidated VIE in the event of liquidation, and their pro rata ownership. Changes in the amount of net loss attributable to redeemable noncontrolling interests and noncontrolling interests are directly impacted by changes in the net loss of our VIEs and our ownership percentage changes.

## Results of Operations

### Comparison of the Three Months Ended March 31, 2022 and 2021 (unaudited)

	Three Months Ended March 31, (unaudited)		\$ Change	% Change
	2022	2021		
	(in thousands, except percentages)			
License revenue	\$ —	\$ 19,880	(19,880)	(100%)
Operating expenses:				
Research and development	15,460	5,585	9,875	176.8%
Acquisition of in-process research and development	—	972	(972)	(100.0%)
General and administrative	17,982	9,273	8,709	93.9%
Total operating expenses	33,442	15,830	17,612	111.3%
Income (loss) from operations	(33,442)	4,050	(37,492)	(925.7%)
Other income (expense), net:				
Interest income	98	37	61	164.9%
Change in fair value of contingent consideration liability - related parties	—	251	(251)	(100.0%)
Change in fair value of derivative liability	—	41	(41)	(100.0%)
Change in fair value of debt securities carried at fair value	(740)	—	(740)	100.0%
Foreign exchange gain (loss), net	2,163	1,491	672	45.1%
Other income (expense), net	—	(117)	117	(100.0%)
Total other income (expense), net	1,521	1,703	(182)	(10.7%)
Net income (loss) before income taxes	(31,921)	5,753	(37,674)	(654.9%)
Provision for income taxes	(41)	(6)	(35)	583.3%
Losses from investments in equity method investees, net of tax	(5,596)	(1,703)	(3,893)	228.6%
Net income (loss)	\$ (37,558)	\$ 4,044	(41,602)	(1028.7%)
Net income (loss) attributable to redeemable noncontrolling interests and noncontrolling interests	(689)	3,356	(4,045)	(120.5%)
Net loss attributable to ATAI Life Sciences N.V. stockholders	\$ (36,869)	\$ 688	\$ (37,557)	(5458.9%)

### License Revenue

The Company did not recognize license revenue for the three months ended March 31, 2022. The remaining deferred revenue balance related to the Otsuka Agreement is not material as of March 31, 2022. During the three months ended March 31, 2021, we satisfied the performance obligation related to the license upon delivery of the license and recognized the amount of \$19.7 million allocated to the license as license revenue. Additionally, we recognized revenues of \$0.2 million related to certain research and development services during the three months ended March 31, 2021.

## Research and Development Expenses

The table and discussion below present research and development expenses for the three months ended March 31, 2022 and 2021:

	<u>Three Months Ended March 31,</u>		<u>Change</u>	<u>% Change</u>
	<u>2022</u>	<u>2021</u>		
(in thousands, except percentages)				
Direct research and development expenses by program:				
PCN-101 (Perception)	\$ 2,193	\$ 1,700	\$ 493	29.0%
VLS-01 (Viridia)	1,795	421	1,374	326.4%
EMP-01 (EmpathBio Inc)	1,364	83	1,281	1542.8%
KUR-101 (Kures)	796	294	502	170.6%
DMX-1002 (DemeRx IB)	568	886	(318)	(35.8%)
RL-007 (Recognify)	397	400	(3)	(0.7%)
RLS-01 (Revixia)	394	91	303	332.5%
Novel drug compounds (Invyxis)	366	—	366	100.0%
Novel drug delivery (InnarisBio)	240	25	216	873.7%
Novel compounds (EntheogeniX)	216	112	104	93.2%
Novel compounds (TryptageniX)	199	—	199	100.0%
Other (IntroSpect, Psyber, Psyprotix, Neuronasal)	321	(20)	341	(1706.5%)
Unallocated research and development expenses:				
Personnel expenses	6,331	1,535	4,796	312.4%
Professional and consulting services	227	56	171	305.4%
Other	52	2	50	2500.0%
Total research and development expenses	<u>\$ 15,460</u>	<u>\$ 5,585</u>	<u>\$ 9,875</u>	176.8%

Research and development expenses were \$15.5 million for the three months ended March 31, 2022, compared to \$5.6 million for the three months ended March 31, 2021. The increase of \$9.9 million was primarily attributable to an increase of \$4.8 million of personnel costs, which included a \$3.6 million increase in stock-based compensation and an increase of \$4.9 million of direct costs at the platform companies as discussed below.

The \$0.5 million increase in direct costs for PCN-101 was primarily due to an increase of \$1.1 million in clinical development costs, offset by a reduction of \$0.3 million of manufacturing expenses and \$0.3 million of preclinical expenses.

The \$1.4 million increase in direct costs for VLS-01 was primarily due to a \$1.1 million increase in manufacturing costs, a \$0.2 million increase in preclinical and \$0.1 million in clinical costs.

The \$1.3 million increase indirect costs for EMP-001 was primarily due to a \$0.9 million increase in preclinical activities cost and a \$0.4 million increase in manufacturing costs.

The \$0.5 million increase in direct costs for KUR-101 was primarily due to an increase in clinical and preclinical activities.

The reduction of direct costs for DMX-1002 program of \$0.3 million primarily relates to clinical development costs and preclinical activities costs.

The direct costs for RL-007 program were consistent with prior year, with a \$0.1 million increase in clinical, offset by a \$0.1 million decrease in manufacturing costs.

The increase of direct costs for RLS-01 by \$0.3 million was primary attributable to manufacturing costs.

The direct costs of \$0.4 million for Invyxis relate to preclinical and discovery activities.

The direct costs of \$0.2 million for InnarisBio relate to preclinical activities cost.

The \$0.1 million increase is direct costs for EntheogeniX was primarily due to \$0.2 million increase in preclinical activities cost, partially offset by a \$0.1 million decrease in manufacturing costs.

The direct costs of \$0.2 million for TryptageniX relate to preclinical and discovery activities.

During the three months ended March 31, 2022, we incurred \$0.3 million of direct costs in association with IntroSpect, Psyber, Psyprotix, and Neuronasal ; direct costs associated with these programs were related to preclinical development and initial clinical-stage activities.

## Acquisition of In-Process Research and Development Expense

	Three Months Ended March 31, (unaudited)		Change	% Change
	2022	2021		
Acquisition of in-process research and development expense by program:				
Novel drug delivery (InnarisBio)	—	972	(972)	-100.00%
Total acquisition of in-process research and development expense	<u>\$ —</u>	<u>\$ 972</u>	<u>\$ (972)</u>	<u>-100.0%</u>

Acquisition of in-process research and development expenses was \$0 million for the three months ended March 31, 2022. Acquisition of in-process research and development expenses was \$1.0 million for the three months ended March 31, 2021, which was primarily due to IPR&D acquired from InnarisBio. The acquired IPR&D was considered to have no future alternative use.

## General and Administrative Expenses

General and administrative expenses were \$18.0 million for the three months ended March 31, 2022 compared to \$9.3 million for the three months ended March 31, 2021. The increase of \$8.7 million was largely attributable to an increase of \$6.4 million in stock-compensation expense, a \$0.7 million increase in personnel and facilities costs, a \$1.7 million increase in insurance costs.

## Interest Income

Interest income for the three months ended March 31, 2022 and 2021 primarily consisted of interest earned on our cash balances, investment balances and notes receivable during these periods. We had interest income for the three months ended March 31, 2022 and 2021 of \$98,000 and \$37,000, respectively.

## Change in Fair Value of Contingent Consideration Liability—Related Parties

The milestone and royalty payments in relation to the acquisition of Perception Neuroscience, InnarisBio and TryptageniX were recorded at the acquisition date or at the exercise date related to the call option, and is subsequently remeasured to fair value. For the three months ended March 31, 2022, there were no change in the fair value of our Contingent Consideration Liabilities due to the fact that no material changes in any of the significant assumptions used to determine the TryptageniX or InnarisBio Contingent Consideration Liability occurred during the three months ended March 31, 2022. We recognized \$0.3 million of income for the three months ended March 31, 2021, which was primarily attributable to Perception's completion of its Phase 1 clinical trial in September 2020. The completion of this Phase 1 trial increased the probability of the milestone event occurring and a potential license agreement with a third-party pharmaceutical company, which would include an upfront payment and additional milestone payments.

## Change in Fair Value of Derivative Liability

Change in fair value of derivative liability was \$0 for the three months ended March 31, 2022, compared to \$41,000 for the three months ended March 31, 2021. The \$41,000 decrease was primarily due to the additional issuance of convertible promissory notes in January 2021 and the increased probability of a potential licensing transaction with a third-party pharmaceutical company and a decrease in the probability of a potential preferred equity financing round.

## Foreign Exchange Gain (Loss), Net

We recorded a gain of \$2.2 million related to foreign currency exchange rates for the three months ended March 31, 2022 compared to a gain of \$1.5 million for the three months ended March 31, 2021. The delta of \$0.7 million was a result of the impact of fluctuations in the foreign currency exchange rate between the Euro and the U.S. dollar on our foreign denominated balances.

## Other Income (Expense), Net

Other expense, net for the three months ended March 31, 2022 was \$0, compared to other expense, net, of \$0.1 million for the three months ended March 31, 2021.



## **Provision For Income Taxes**

We incurred current income tax expense of \$41,000 for the three months ended March 31, 2022. We incurred income tax expense of \$6,000 for the three months ended March 31, 2021. Our current income tax expense relates to book profits and thus taxable profits generated in one of our United States subsidiaries and our United Kingdom subsidiary.

## **Losses from Investments in Equity Method Investees**

Losses from investment in equity method investees for the three months ended March 31, 2022 and 2021 were \$5.6 million and \$1.7 million, respectively. Loss from investment in equity method investees represents our share of equity method investee losses on the basis of our equity ownership percentages or based on our proportionate share of the respective class of securities in our other investments in the event that the carrying amount of our equity method investments was zero.

## **Liquidity and Capital Resources**

### ***Sources of Liquidity***

#### *Initial Public Offering*

In June 2021, we completed our IPO and issued and sold 17,250,000 of our common shares at a price to the public of \$15.00 per share, which included the exercise in full by the underwriters of their option to purchase 2,250,000 additional common shares. We received aggregate net proceeds of \$231.6 million, after underwriting discounts and commissions of \$18.1 million and offering costs of \$9.0 million. As of March 31, 2022, we had cash and cash equivalents of \$124.0 million and short-term debt securities of \$210.9 million.

#### *Convertible Promissory Notes*

In November 2018, we issued an aggregate principal amount of \$0.2 million of convertible notes, or the 2018 Convertible Notes. The 2018 Convertible Notes are non-interest-bearing and have a maturity date of September 30, 2025, unless previously redeemed, converted, purchased or cancelled. In October 2020, we issued an additional principal amount of \$1.0 million of the 2018 Convertible Notes. Each note has a face value of €1 and is convertible into one ordinary share of ATAI Life Sciences AG upon the payment of €17.00. In September and October 2021, several investors agreed to convert their 2018 Convertible Notes into common shares of ATAI Life Sciences N.V. and paid an aggregate amount of €5.8 million (\$6.9 million). Concurrently, with the conversion of the 2018 Convertible Notes into ATAI Life Sciences AG shares, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for shares of ATAI Life Sciences N.V. through a transfer and sale arrangement such that ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V. and the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition. The remaining convertible promissory notes balance as of March 31, 2022 was \$0.7 million.

#### *Investments*

While a significant potential source of liquidity resides in our investment in COMPASS ordinary shares, we do not expect that our investment in COMPASS will be a material source of liquidity in the near term. Based on quoted market prices, the market value of our ownership in COMPASS was \$123.3 million as of March 31, 2022. As of March 31, 2022, the carrying value of our investment in COMPASS was \$9.8 million under the equity method. Through a series of open market transactions between November 23, 2021 and December 7, 2021 we purchased additional equity investments in COMPASS common stock. As of March 31, 2022, our voting interest in COMPASS was 22.5%.

## **Liquidity Risks**

As of March 31, 2022, we had cash and cash equivalents of \$124.0 million and short-term debt securities of \$210.9 million. We believe that our cash and cash equivalents will be sufficient to fund our projected operating expenses and capital expenditures through at least the next 12 months from the date of this Quarterly Report.

We expect to incur substantial additional expenditures in the near term to support our ongoing activities. Additionally, we expect to incur additional costs as a result of operating as a public company. We expect to continue to incur net losses for the foreseeable future. Our ability to fund our product development and clinical operations as well as commercialization of our product candidates, will depend on the amount and timing of cash received from planned financings.

Our future capital requirements will depend on many factors, including:

- the time and cost necessary to complete ongoing and planned clinical trials;
- the outcome, timing and cost of meeting regulatory requirements established by the FDA, the EMA and other comparable foreign regulatory authorities;
- the progress, timing, scope and costs of our preclinical studies, clinical trials and other related activities for our ongoing and planned clinical trials, and potential future clinical trials;
- the costs of commercialization activities for any of our product candidates that receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities, or entering into strategic collaborations with third parties to leverage or access these capabilities;
- the amount and timing of sales and other revenues from our product candidates, if approved, including the sales price and the availability of coverage and adequate third party reimbursement;
- the cash requirements for purchasing additional equity from certain of our atai companies upon the achievement of specified development milestone events;
- the cash requirements for developing our programs and our ability and willingness to finance their continued development;
- the cash requirements for any future acquisitions or discovery of product candidates; and
- the time and cost necessary to respond to technological and market developments, including other products that may compete with one or more of our product candidates.

A change in the outcome of any of these or other variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. Further, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans. If we are unable to obtain this funding when needed and on acceptable terms, we could be forced to delay, limit or terminate our product development efforts.”

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity financings, debt financings, collaborations with other companies and other strategic transactions. We do not currently have any committed external source of funds. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated product development programs.

### Cash Flows

The following table summarizes our cash flows for three months ended March 31, 2022 and 2021:

	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in thousands)</b>	
Net cash used in operating activities	\$ (23,986)	\$ (16,524)
Net cash used in investing activities	(214,736)	(3,721)
Net cash provided by financing activities	132	30,499
Effect of foreign exchange rate changes on cash	299	(3,131)
Net increase (decrease) in cash	<u>\$ (238,291)</u>	<u>\$ 7,123</u>

### *Net Cash Used in Operating Activities*

Net cash used in operating activities was \$24.0 million for the three months ended March 31, 2022, which consisted of a net loss of \$37.6 million, adjusted by non-cash charges of \$15.0 million and net cash outflows from the change in operating assets and liabilities of \$1.5 million. The non-cash charges primarily consisted of \$10.2 million of stock-based compensation, \$5.6 million of losses from our equity

method investments and a \$0.7 million loss relating to the change in the fair value of our short-term debt securities during the period, partially offset by \$1.5 million of unrealized foreign exchange gains. The net cash outflows from the change in operating assets and liabilities were primarily due to a \$1.3 million increase in prepaid expenses and other current assets and a \$1.9 million decrease in accounts payable, partially offset by a \$1.7 million increase in accrued liabilities.

Net cash used in operating activities was \$16.5 million for the three months ended March 31, 2021, which consisted of net income of \$4.0 million, adjusted by non-cash charges of \$2.7 million and net cash outflows from the change in operating assets and liabilities of \$23.2 million. The non-cash charges primarily consisted of \$1.7 million of losses from our equity method investments, \$0.2 million related to our stock-based compensation, \$0.9 million of IPR&D considered to have no future alternative use, \$0.1 million of loss on asset acquisition of a variable interest entity and partially offset by \$0.2 million of changes in fair value related to our contingent consideration liability with related parties. The net cash outflows from the change in operating assets and liabilities were primarily due to a \$20.0 million increase to accounts receivable, a \$1.8 million increase in prepaid expenses driven by materials and non-clinical trials, and \$5.4 million decrease in accrued liabilities, offset by a \$3.8 million increase in accounts payable and \$0.2 million increase in deferred revenue.

#### ***Net Cash Used in Investing Activities***

Net cash used in investing activities was \$214.7 million for the three months ended March 31, 2022, primarily driven by \$211.7 million of cash paid for debt securities carried at fair value and \$3.0 million of loans remitted to related parties.

Net cash used in investing activities was \$3.7 million for the three months ended March 31, 2021, primarily driven by additional investments of \$0.7 million in our other investments, \$0.2 million of purchases of property, plant and equipment, \$0.5 million additional investments into equity-method investees, and \$2.1 million purchases of notes receivable and \$0.2 million purchase of other assets.

#### ***Net Cash Provided by Financing Activities***

Net cash provided by financing activities was \$0.1 million for the three months ended March 31, 2022, due to \$0.1 million of proceeds from stock option exercises.

Net cash provided by financing activities was \$30.5 million for the three months ended March 31, 2021, primarily due to \$28.4 million of proceeds from the issuance of our common stock, \$0.7 million of proceeds from the issuance of convertible promissory notes, including convertible promissory notes issued to related parties, \$0.6 million for share option awards exercised, and \$2.4 million of proceeds from the sale of Innoplexus investments treated as a secured financing, offset by \$0.8 million paid to related party and \$0.8 million paid for deferred offering costs.

### **Indebtedness**

#### ***Convertible Notes***

Between November 2018 and March 31, 2022, we issued an aggregate of \$34.3 million of convertible notes.

In November 2018, we issued an aggregate principal amount of \$0.2 million of convertible notes, or the 2018 Convertible Notes. The 2018 Convertible Notes are non-interest-bearing and have a maturity date of September 30, 2025, unless previously redeemed, converted, purchased or cancelled. In October 2020, we issued an additional principal amount of \$1.0 million of 2018 Convertible Notes. Each note has a face value of €1 and is convertible into one ordinary share of ATAI Life Sciences AG upon the payment of €17.00. Conversion rights may be exercised by a noteholder at any time prior to maturity, except during certain periods subsequent to the consummation of the IPO. In September and October 2021, several noteholders elected to convert their convertible promissory notes into shares of ATAI Life Sciences N.V. These investors paid €17.00 per share for the aggregate amount of €5.8 million (\$6.9 million) in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements. Concurrent, with the conversion of the 2018 Convertible Notes into ATAI Life Sciences AG shares, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for 5,478,176 shares of ATAI Life Sciences N.V. through a transfer and sale arrangement such that ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V. and the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition. As of March 31, 2022 an aggregate principal amount of \$0.7 million remained outstanding under the 2018 Convertible Notes.

In March 2020, we received proceeds of \$0.6 million from the issuance of Perception Notes, as defined below, to third party investors. In December 2020, January 2021, and May 2021 we received \$0.4 million, \$0.8 million, and \$0.8 million respectively, in proceeds from the issuance of additional Perception Notes. The Perception Notes are convertible upon mandatory conversion events into shares of Perception. The Perception Notes converted in June 2021 in connection with the receipt of proceeds of \$20.0 million pursuant to the licensing and collaboration arrangement between Perception and Otsuka Pharmaceutical Co., LTD.

### ***Investment in Convertible Promissory Notes—Related Party***

On September 27, 2019, we purchased convertible promissory notes from COMPASS for an aggregate principal amount of \$4.0 million, and on November 6, 2019, we purchased an additional convertible promissory note for \$4.2 million, together, the COMPASS Notes. The COMPASS Notes bear interest at an annual rate of 3%, which was considered contingent in nature and therefore no earned interest was recorded. We qualified for and elected the fair value option. All principal amounts under the COMPASS Notes were converted into shares of COMPASS Series B preferred stock in connection with COMPASS' sale of Series B preferred stock in April 2020.

On March 16, 2020, Perception Neuroscience entered into a convertible promissory note agreement with us and certain other unrelated investors, or the Perception Note Purchase Agreement, pursuant to which Perception Neuroscience issued \$3.9 million in principal amount of convertible notes in aggregate. Under the Perception Note Purchase Agreement, Perception Neuroscience issued convertible notes, or the Perception Notes, in the aggregate principal amount of \$3.3 million to us and \$0.6 million to other investors, including related parties. The Perception Notes bear interest at an annual rate of 5% and are due and payable on June 30, 2022 unless earlier converted. In December 2020, Perception Neuroscience issued additional convertible notes to us, certain related parties and third party investors in the aggregate principal amount of \$7.0 million, of which \$5.8 million was issued to us and \$1.2 million was issued to other investors, including related parties. In January 2021, pursuant to the Perception Note Purchase Agreement, Perception issued an aggregate principal amount of \$0.8 million to other investors, including related parties, as part of its first tranche funding. In May 2021, Perception Neuroscience issued additional convertible notes to us, certain related parties and third party investors in the aggregate principal amount of \$5.0 million, of which \$4.2 million was issued to us and \$0.8 million was issued to other investors, including related parties, as part of its second tranche funding. The notes bear interest at an annual rate of 5% and are due and payable on February 28, 2022, unless earlier converted. Perception Neuroscience may not prepay in whole or in part without our consent.

In June 2021, Perception received proceeds of \$20.0 million pursuant to the licensing and collaboration arrangement between Perception and Otsuka Pharmaceutical Co., LTD. Upon receipt of the proceeds, the convertible promissory notes automatically converted into 6,456,595 shares of Series A preferred stock of Perception pursuant to their original terms.

### **Material Cash Requirements from Known Contractual and Other Obligations and Commitments**

Our commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the Securities and Exchange Commission, or SEC, on March 30, 2022. There have been no material changes from the contractual commitments and obligations previously disclosed in our Form 10-K.

### **Off-Balance Sheet Arrangements**

As of March 31, 2022, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K. While we have investments classified as VIEs, their purpose is not to provide off-balance sheet financing.

### **Recently Adopted Accounting Pronouncements**

See Note 2, "Summary of Significant Accounting Policies—Recently Adopted Accounting Pronouncements" to our unaudited condensed consolidated financial statements appearing under Part 1, Item 1 for more information.

### **Critical Accounting Policies and Estimates**

We believe that the assumptions and estimates associated with licenses of intellectual property, research and development expenses, acquisitions and share-based compensation have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting estimates. Our critical accounting policies are detailed in our Form 10-K.

### **JOBS Act**

We are an emerging growth company, as defined in the JOBS Act. We intend to rely on certain of the exemptions and reduced reporting requirements provided by the JOBS Act. As an emerging growth company, we are not required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, and (ii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis). We have elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that (i) we are no longer an

emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

As described in Note 2 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report, we have early adopted certain accounting standards, as the JOBS Act does not preclude an emerging growth company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. We expect to use the extended transition period for any other new or revised accounting standards during the period in which we remain an emerging growth company.

We will remain an emerging growth company until the earliest to occur of: (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering, or December 31, 2026, (b) in which we have total annual gross revenues of \$1.07 billion or more, or (c) in which we are deemed to be a large accelerated filer under the rules of the SEC, which means the market value of our outstanding common shares held by non-affiliates equal or exceeds \$700 million as of last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates. In addition, our portfolio of notes receivables is exposed to credit risk in the form of non-payment or non-performance. In mitigating our credit risk, we consider multiple factors, including the duration and terms of the note and the nature of and our relationship with the counterparty.

#### ***Interest Rate Sensitivity***

Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. As of March 31, 2022, we had cash and cash equivalents of \$124.0 million and short-term debt securities of \$210.9 million. We generally hold our cash in interest-bearing demand deposit accounts and short-term debt securities. Due to the nature of our cash and investment portfolio, a hypothetical 100 basis point change in interest rates would not have a material effect on the fair value of our cash. Our cash is held for working capital purposes. The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical credit rating organizations in accordance with its investment policy. This policy is designed to minimize the Company's exposure to credit losses and to ensure that the adequate liquidity is maintained at all times to meet anticipated cash flow needs.

As of March 31, 2022, we had \$0.7 million in convertible promissory notes – related parties, net, which was comprised of non-interest-bearing borrowings under the 2018 Convertible Notes. Based on the principal amounts of the convertible promissory notes and the interest rate assigned to the convertible promissory notes, an immediate 10% change in interest rates would not have a material impact on our convertible promissory notes, financial position or results of operations.

As of March 31, 2022, the carrying amount of our short and long-term notes receivables was an aggregate amount of \$7.8 million. Based on the principal amounts of the notes receivable and the interest rates assigned to each note receivable as per their respective contracts, an immediate 10% change in the interest rates would not have a material impact on our notes receivables, financial position or results of operations.

#### ***Foreign Currency Exchange Risk***

Our reporting and functional currency is the U.S. dollar, and the functional currency of our foreign subsidiaries is generally the respective local currency. The assets and liabilities of each of our foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at each balance sheet date. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the condensed consolidated statements of comprehensive loss. Equity transactions are translated using historical exchange rates. Expenses are translated using the average exchange rate during the previous month. Gains or losses due to transactions in foreign currencies are included in interest and other income, net in our condensed consolidated statements of operations.

The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in foreign exchange gains and losses related to changes in foreign currency exchange rates. In the event our foreign currency denominated assets, liabilities, revenue, or expenses increase, our results of operations may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business, resulting in unrealized foreign exchange gains or losses. We have not engaged in the hedging of foreign currency transactions to date, although we may choose to do so in the future.

A hypothetical 10% change in the relative value of the U.S. dollar to other currencies during any of the periods presented would not have had a material effect on our consolidated financial statements, but could result in significant unrealized foreign exchange gains or losses for any given period.

#### **Item 4. Controls and Procedures.**

##### ***Limitations on Effectiveness of Controls and Procedures***

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

##### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report, the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at reasonable assurance level as of March 31, 2022 as a result of the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the preparation of our consolidated financial statements for the fiscal years ended December 31, 2020 and 2021, we identified material weaknesses in our internal control over financial reporting. The material weaknesses that were identified were related to the design of internal controls as follows: (1) the lack of a sufficient number of trained professionals with the expertise to design, implement and execute a formal risk assessment process and formal accounting policies, procedures and controls over accounting and financial reporting to ensure the timely recording, review, and reconciliation of financial transactions while maintaining a segregation of duties; (2) the lack of formal processes and controls specific to the identification and recording of expense transactions, including stock-based compensation, completely and accurately, and in the appropriate period; and (3) the lack of a sufficient number of trained professionals with the appropriate U.S. GAAP technical expertise to identify, evaluate and account for complex transactions and review valuation reports prepared by external specialists. As a result, we did not design and maintain formal accounting policies, processes and controls related to complex transactions necessary for an effective financial reporting process. These deficiencies constitute material weaknesses in the design of our internal controls over financial reporting. As a result of the material weaknesses, we have relied, in part, on the assistance of outside advisors with expertise in these matters to assist us in the preparation of our consolidated financial statements and in our compliance with SEC reporting obligations and expect to continue to do so while we remediate these material weaknesses.

##### ***Management's Remediation Efforts***

As disclosed herein, we have identified and begun to implement several steps, as further described below, designed to remediate the material weaknesses described in this Item 4 and to enhance our overall control environment. Although we intend to complete the remediation process as promptly as possible, we cannot at this time estimate how long it will take to remediate these material weaknesses, and our remediation plan may not prove to be successful. We will not consider the material weaknesses remediated until our enhanced controls are operational for a sufficient period of time and tested, enabling management to conclude that the enhanced controls are operating effectively. As of March 31, 2022 the material weaknesses had not been remediated.

Our remediation plan to date includes, but is not limited to, the following measures:

- Formalizing our processes and internal control documentation and strengthening supervisory reviews by our financial management.
- Hiring additional qualified accounting personnel and engaging consultants to enable the implementation of internal control over financial reporting and segregating duties amongst accounting personnel.
- Implementing certain accounting systems to automate manual processes.
- We will also continue to engage third parties as required to assist with technical accounting, application of new accounting standards, tax matters, and valuations of our equity instruments, contingent consideration, notes receivable and acquired in-process research and development.

While the foregoing measures are intended to effectively remediate the material weaknesses described in this Item 9A, it is possible that additional remediation steps will be necessary. As such, as we continue to evaluate and implement our plan to remediate the material weaknesses, our management may decide to take additional measures to address the material weaknesses or modify the remediation steps described above. Until these material weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to help ensure that our consolidated financial statements are prepared in accordance with GAAP.

***Changes in Internal Control over Financial Reporting***

We are taking actions to remediate the material weaknesses relating to our internal controls over financial reporting, as described above. Except as discussed above, there were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(d) or 15d-15(d) of the Exchange Act) identified in connection with management's evaluation pursuant to during the quarter ended March 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II- OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse impact on our financial position, results of operations or cash flows. Regardless of the outcome, litigation can have an adverse effect on us because of defense and settlement costs, diversion of management resources and other factors.



**Item 1A. Risk Factors.**

*Investing in our common shares involves a high degree of risk. In addition to the other information set forth in this Quarterly Report and in other documents that we file with the SEC, you should carefully consider the factors described in the section titled "Risk Factors" in our Form 10-K. There have been no material changes to the risk factors described in Part I, Item 1A of our Form 10-K. If any of the risk factors described in the Form 10-K actually materializes, our business, financial condition and results of operations could be materially adversely affected. In such an event, the market price of our common shares could decline and you may lose all or part of your investment. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.*

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None

**Item 6. Exhibits.**

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Articles of Association of ATAI Life Sciences N.V. (translated into English), currently in effect</a>	10-Q	001-40493	3.1	8/16/2021	
3.2	<a href="#">Rules of the Management Board of ATAI Life Sciences N.V.</a>	S-1/A	333- 255383	3.2	6/11/2021	
3.3	<a href="#">Rules of the Supervisory Board of ATAI Life Sciences N.V.</a>	S-1/A	333- 255383	3.3	6/11/2021	
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)</a>					*
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)</a>					*
32.1**	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350</a>					**
32.2**	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350</a>					**
101.INS*	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document					*
101.SCH*	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

\* Filed herewith.

\*\* Furnished herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### ATAI LIFE SCIENCES N.V.

Date: May 16, 2022

By:

\_\_\_\_\_  
/s/ Florian Brand

Florian Brand  
Chief Executive Officer and Managing Director  
*(Principal Executive Officer)*

Date: May 16, 2022

By:

\_\_\_\_\_  
/s/ Greg Weaver

Greg Weaver  
Chief Financial Officer and Managing Director  
*(Principal Financial Officer and Principal Accounting Officer)*

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF  
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

ATAI Life Sciences N.V. (the "Company," "we," "us" and "our") has the following class of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, par value €0.10 per share	ATAI	The Nasdaq Global Market

**DESCRIPTION OF SHARE CAPITAL AND ARTICLES OF ASSOCIATION**

The following is a summary of relevant information concerning our share capital and our articles of association and applicable Dutch law. This summary does not constitute legal advice regarding those matters and should not be regarded as such. The following summary is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of our articles of association, as amended from time to time, and which have been publicly filed with the U.S. Securities and Exchange Commission ("SEC").

**General**

We are a Dutch public company (*naamloze vennootschap*). Our affairs are governed by the provisions of our articles of association and internal rules, regulations and policies, as amended and restated from time to time, and by the provisions of applicable Dutch law. As provided in our articles of association, subject to Dutch law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction consistent with the objects specified in our articles of association, and, for such purposes, full rights, powers and privileges.

**Share Capital**

As of December 31, 2021, our authorized share capital amounted to €75,000,000, consisting of 750,000,000 shares, each with a nominal value of €0.10.

**Common Shares**

The following summarizes the main rights of holders of our common shares:

- each holder of common shares is entitled to one vote per share on all matters to be voted on by shareholders generally, including the appointment of managing directors and supervisory directors;
- there are no cumulative voting rights;
- the holders of our common shares are entitled to dividends and other distributions as may be declared from time to time by us out of funds legally available for that purpose, if any;
- upon our liquidation, dissolution or winding-up, the holders of common shares will be entitled to share ratably in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities;
- the holders of common shares have preemptive rights in case of share issuances or the grant or rights to subscribe for shares, except if such rights are limited or excluded by the corporate body authorized to do so and except in such cases as provided by Dutch law and our articles of association; and

- the Company may not make calls on shareholders in excess of the aggregate nominal value of the shares a shareholder has subscribed for.

### **Amendment of Articles of Association**

The articles of association can only be amended by a general meeting of the shareholders proposed by the management board, with the approval of the supervisory board. A resolution of the general meeting of shareholders to amend the articles of association requires a majority of at least two thirds of the votes cast whereas that majority must represent more than half of the issued capital.

### **Shareholders' Register**

Pursuant to Dutch law and our articles of association, we must keep our shareholders' register accurate and current. The board keeps our shareholders' register and records names and addresses of all holders of shares, showing the date on which the shares were acquired, the date of the acknowledgement by or notification of us as well as the amount paid on each share. The register also includes the names and addresses of those with a right of use and enjoyment (*vruchtgebruik*) on shares belonging to another or a pledge (*pandrecht*) in respect of such shares. Part of the Shareholders Register may be kept outside The Netherlands to comply with applicable local law or pursuant to stock exchange rules. Our common shares shall be in registered form (*op naam*).

### **Corporate Objectives**

Pursuant to our articles of association, our main corporate objectives are:

- to build biotech companies globally by leveraging a decentralized, technology- and data-driven platform model to serve millions of people suffering with mental health disorders;
- to acquire and efficiently develop innovative treatments that address significant unmet medical needs and lead to paradigm shifts in the mental health space;
- to, either alone or jointly with others, acquire and dispose of affiliations or other interests in legal entities, companies and enterprises, and to collaborate with and to manage such legal entities, companies or enterprises;
- to acquire, manage, turn to account, encumber and dispose of any property—including intellectual property rights—and to invest capital;
- to supply or procure the supply of money loans, particularly—but not exclusively—to our subsidiaries, group companies and/or affiliates, as well as to draw or to procure the drawing of money loans;
- to enter into agreements whereby we commit ourselves as guarantor or severally liable co-debtor, or grant security or declare ourselves jointly or severally liable with or for others, particularly—but not exclusively—to the benefit of companies as referred to above;
- for purposes not related to the conduct of its business to make periodic payments for or towards pension funds or other objectives; and
- to do all such things as are incidental or may be conducive to the above objects or any of them.

### **Limitations on the Rights to Own Securities**

Our common shares may be issued to individuals, corporations, trusts, estates of deceased individuals, partnerships and unincorporated associations of persons. Our articles of association contain no limitation on the rights to own our shares and no limitation on the rights of nonresidents of the Netherlands or foreign shareholders to hold or exercise voting rights.

## **Limitation on Liability and Indemnification Matters**

Under Dutch law, managing directors, supervisory directors and certain other officers may be held liable for damages in the event of improper or negligent performance of their duties. They may be held jointly and severally liable for damages to the company and to third parties for infringement of the articles of association or of certain provisions of Dutch law. In certain circumstances, they may also incur additional specific civil and criminal liabilities. Subject to certain exceptions, our articles of association provide for indemnification of our current and former managing directors and supervisory directors (and other current and former officers and employees as designated by our management board). No indemnification shall be given under our articles of association to an indemnified person:

- (a) if a competent court or arbitral tribunal has established, without having (or no longer having) the possibility for appeal, that the acts or omissions of such indemnified person that led to the financial losses, damages, expenses, suit, claim, action or legal proceedings as described above are of an unlawful nature (including acts or omissions which are considered to constitute malice, gross negligence, intentional recklessness and/or serious culpability attributable to such indemnified person);
- (b) to the extent that his or her financial losses, damages and expenses are covered under insurance and the relevant insurer has settled, or has provided reimbursement for, these financial losses, damages and expenses (or has irrevocably undertaken to do so);
- (c) in relation to proceedings brought by such indemnified person against the company, except for proceedings brought to enforce indemnification to which he is entitled pursuant to our articles of association, pursuant to an agreement between such indemnified person and the company which has been approved by the management board or pursuant to insurance taken out by the company for the benefit of such indemnified person; and
- (d) for any financial losses, damages or expenses incurred in connection with a settlement of any proceedings effected without the company's prior consent.

Under our articles of association, our management board may stipulate additional terms, conditions and restrictions in relation to the indemnification described above.

## **Shareholders' Meetings**

General meetings of shareholders may be held in Amsterdam, or in Rotterdam, the Hague, at Schiphol Airport in the municipality of Haarlemmermeer, all in the Netherlands. The annual general meeting of shareholders must be held within six months of the end of each financial year. Additional extraordinary general meetings of shareholders may also be held, whenever considered appropriate by the management board or the supervisory board and shall be held within three months after our management board has considered it to be likely that our equity has decreased to an amount equal to or lower than half of its paid up and called up share capital, in order to discuss the measures to be taken if so required.

Pursuant to Dutch law, one or more shareholders or others with meeting rights under Dutch law who jointly represent at least one-tenth of the issued share capital may request us to convene a general meeting, setting out in detail the matters to be discussed. If we have not taken the steps necessary to ensure that such meeting can be held within six weeks after the request, the requesting party/parties may, on their application, be authorized by the competent Dutch court in preliminary relief proceedings to convene a general meeting of shareholders. The court shall disallow the application if it does not appear that the applicants have previously requested our management board and our supervisory board to convene a general meeting and neither our management board nor our supervisory board has taken the necessary steps so that the general meeting could be held within six weeks after the request.

General meetings of shareholders must be convened by a notice published in a Dutch daily newspaper with national distribution or by a notice in an electronic communication system, which each shall include an agenda, the time and place of the meeting, the record date (if any), the procedure for participating in the general meeting by proxy, as well as other information as required by Dutch law. The notice must be given at least 15 calendar days prior to the day of the meeting. The agenda for the annual general meeting of shareholders shall include, among other things, the

adoption of the annual accounts, appropriation of our profits and proposals relating to the composition of the management board and supervisory board, including the filling of any vacancies. In addition, the agenda shall include such items as have been included therein by the management board or the supervisory board. The agenda shall also include such items requested by one or more shareholders, or others with meeting rights under Dutch law, representing at least 3% of the issued share capital. Requests must be made in writing or by electronic means and received by us at least 60 days before the day of the meeting. No resolutions shall be adopted on items other than those that have been included in the agenda.

In accordance with the Dutch Corporate Governance Code (DCGC) and our articles of association, shareholders having the right to put an item on the agenda under the rules described above shall exercise such right only after consulting the management board in that respect. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy (for example, the removal of managing directors or supervisory directors), the management board must be given the opportunity to invoke a reasonable period to respond to such intention. Such period shall not exceed 180 days (or such other period as may be stipulated for such purpose by Dutch law and/or the DCGC from time to time). If invoked, the management board must use such response period for further deliberation and constructive consultation, in any event with the shareholders(s) concerned, and shall explore the alternatives. At the end of the response time, the management board shall report on this consultation and the exploration of alternatives to the general meeting of shareholders. This shall be supervised by our supervisory board. The response period may be invoked only once for any given general meeting of shareholders and shall not apply: (a) in respect of a matter for which a response period has been previously invoked or (b) if a shareholder holds at least 75% of the company's issued share capital as a consequence of a successful public bid. The response period may also be invoked in response to shareholders or others with meeting rights under Dutch law requesting that a general meeting of shareholders be convened, as described above.

Moreover, our management board, with the approval of our supervisory board, can invoke a cooling-off period of up to 250 days when shareholders, using their right to have items added to the agenda for a general meeting or their right to request a general meeting, propose an agenda item for our general meeting to dismiss, suspend or appoint one or more managing directors or supervisory directors (or to amend any provision in our articles of association dealing with those matters) or when a public offer for our company is made or announced without our support, provided, in each case, that our management board believes that such proposal or offer materially conflicts with the interests of our company and its business. During a cooling-off period, our general meeting cannot dismiss, suspend or appoint managing directors and supervisory directors (or amend the provisions in our articles of association dealing with those matters) except at the proposal of our management board. During a cooling-off period, our management board must gather all relevant information necessary for a careful decision-making process and at least consult with shareholders representing 3% or more of our issued share capital at the time the cooling-off period was invoked, as well as with our Dutch works council (if we or, under certain circumstances, any of our subsidiaries would have one). Formal statements expressed by these stakeholders during such consultations must be published on our website to the extent these stakeholders have approved that publication. Ultimately one week following the last day of the cooling-off period, our management board must publish a report in respect of its policy and conduct of affairs during the cooling-off period on our website. This report must remain available for inspection by shareholders and others with meeting rights under Dutch law at our office and must be tabled for discussion at the next general meeting. Shareholders representing at least 3% of our issued share capital may request the Enterprise Chamber of the Amsterdam Court of Appeal, or the Enterprise Chamber (*Ondernemingskamer*), for early termination of the cooling-off period. The Enterprise Chamber must rule in favor of the request if the shareholders can demonstrate that:

- our management board, in light of the circumstances at hand when the cooling-off period was invoked, could not reasonably have concluded that the relevant proposal or hostile offer constituted a material conflict with the interests of our company and its business;
- our management board cannot reasonably believe that a continuation of the cooling-off period would contribute to careful policy-making; or
- other defensive measures, having the same purpose, nature and scope as the cooling-off period, have been activated during the cooling-off period and have not since been terminated or suspended within a reasonable period at the relevant shareholders' request (i.e., no 'stacking' of defensive measures).



The general meeting is presided over by the chairperson of the supervisory board or by the CEO or by the person designated thereto by the supervisory board, whether or not from its midst. If the chairperson and the CEO are absent and the supervisory board has not designated another person as aforesaid, the general meeting itself shall appoint its chairperson. Managing directors and supervisory directors may always attend a general meeting of shareholders. In these meetings, they have an advisory vote. The chairperson of the meeting may decide at his or her discretion to admit other persons to the meeting.

All shareholders and others with meeting rights under Dutch law are authorized to attend the general meeting of shareholders, to address the meeting and, in so far as they have such right, to vote pro rata to his or her shareholding. Shareholders may exercise these rights, if they are the holders of shares on the record date, if any, as required by Dutch law, which is currently the 28th day before the day of the general meeting of shareholders. Under our articles of association, shareholders and others with meeting rights under Dutch law must notify us in writing or by electronic means of their identity and intention to attend the general meeting of shareholders. This notice must be received by us ultimately on the seventh day prior to the general meeting, unless indicated otherwise when such meeting is convened.

Each common share confers the right on the holder to cast one vote at the general meeting of shareholders. Shareholders may vote by proxy. No votes may be cast at a general meeting of shareholders on shares held by us or our subsidiaries or on shares for which we or our subsidiaries hold depositary receipts. Nonetheless, the holders of a right of use and enjoyment (*vruchtgebruik*) and the holders of a right of pledge (*pandrecht*) in respect of shares held by us or our subsidiaries in our share capital are not excluded from the right to vote on such shares, if the right of use and enjoyment (*vruchtgebruik*) or the right of pledge (*pandrecht*) was granted prior to the time such shares were acquired by us or any of our subsidiaries. Neither we nor any of our subsidiaries may cast votes in respect of a share on which we or such subsidiary holds a right of use and enjoyment (*vruchtgebruik*) or a right of pledge (*pandrecht*). Shares which are not entitled to voting rights pursuant to the preceding sentences will not be taken into account for the purpose of determining the number of shareholders that vote and that are present or represented, or the amount of the share capital that is provided or that is represented at a general meeting of shareholders.

Decisions of the general meeting of shareholders are taken by an absolute majority of votes cast, except where Dutch law or our articles of association provide for a qualified majority or unanimity.

## **Managing Directors and Supervisory Directors**

### ***Appointment of Managing Directors and Supervisory Directors***

Under our articles of association, the managing directors and supervisory directors are appointed by the general meeting of shareholders upon binding nomination by our supervisory board. Our articles of association provide that only managing directors that are resident in Germany may be appointed as CEO and that at least half of the managing directors should be German resident. However, the general meeting of shareholders may at all times overrule the binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, provided such majority represents more than half of the issued share capital. If the general meeting of shareholders overrules the binding nomination, the supervisory board shall make a new nomination. If the nomination is comprised of one candidate for a vacancy, a resolution concerning the nomination shall result in the appointment of the candidate, unless the nomination is overruled.

Our supervisory board has adopted a diversity policy for the composition of our management board and our supervisory board, as well as a profile for the composition of the supervisory board. The supervisory board shall make any nomination for the appointment of a managing director or supervisory director with due regard to the rules and principles set forth in such diversity policy and profile, as applicable.

At a general meeting of shareholders, a resolution to appoint a managing director or supervisory director can only be passed in respect of candidates whose names are stated for that purpose in the agenda of that general meeting of shareholders or in the explanatory notes thereto.

Under Dutch law, when nominating a person for appointment or reappointment as a supervisory director, the nomination must be supported by reasons (if it concerns a reappointment, past performance must be taken into consideration) and the following information about such person must be provided: (i) age and profession; (ii) the aggregate nominal value of the shares held in the company's capital; (iii) present and past positions, to the extent relevant for the performance of the tasks of a supervisory director and (iv) the name of each entity where such person already holds a position as supervisory director or non-executive director (in case of multiple entities within the same group, the name of the group shall suffice).

### ***Duties and Liabilities of Managing Directors and Supervisory Directors***

Under Dutch law, the management board is charged with the management of the company, subject to the restrictions contained in our articles of association, and the supervisory board is charged with the supervision of the policy of the management board and the general course of affairs of the company and of the business connected with it. Each managing director and supervisory director has a statutory duty to act in the corporate interest of the company and its business. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, customers and suppliers. The duty to act in the corporate interest of the company also applies in the event of a proposed sale or break-up of the company, provided that the circumstances generally dictate how such duty is to be applied and how the respective interests of various groups of stakeholders should be weighed. Any resolution of the management board regarding a material change in our identity or character requires approval of the general meeting of shareholders.

Our board is entitled to represent our company. The power to represent our company also vests in the CEO individually, as well as in any other two managing directors acting jointly.

### **Dividends and Other Distributions**

#### ***Dividends***

We may only make distributions to our shareholders if our shareholders' equity (*eigen vermogen*) exceeds the sum of the paid-up and called-up share capital plus any reserves required by Dutch law or by our articles of association. Under our articles of association, the management board may decide that all or part of the profits shown in our adopted annual accounts are carried to reserves. After reservation by the management board of any profit, the remaining profit will be at the disposal of the general meeting of shareholders at the proposal of our board for distribution, subject to restrictions of Dutch law and approval by our supervisory board.

We only make a distribution of dividends to our shareholders after the adoption of our annual accounts demonstrating that such distribution is legally permitted. The management board is permitted, subject to certain requirements, to declare interim dividends without the approval of the general meeting of shareholders, but only with the approval of the supervisory board.

Dividends and other distributions shall be made payable not later than the date determined by the management board. Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable, will lapse and any such amounts will be considered to have been forfeited to us (*verjaring*).

We have not adopted a dividend policy with respect to future dividends. Subject the restrictions described above, any dividend policy (if we were to adopt one) will depend on many factors, such as our results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by our management board and supervisory board.

We do not anticipate paying any cash dividends for the foreseeable future.

### **Exchange Controls**

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Under Dutch law, there are no exchange controls applicable to the transfer to persons outside of the Netherlands of dividends or other distributions with respect to, or of the proceeds from the sale of, shares of a Dutch company, subject to applicable restrictions under sanctions and measures, including those concerning export control, pursuant to EU regulations, the Sanctions Act 1977 (*Sanctiewet 1977*) or other legislation, applicable anti-boycott regulations, anti-money laundering regulations and similar rules.

### **Squeeze-Out Procedures**

Pursuant to Section 2:92a of the Dutch Civil Code, a shareholder who holds at least 95% of our issued share capital for his own account, alone or together with group companies, may initiate proceedings against the other shareholders jointly for the transfer of their shares to such shareholder. The proceedings are held before the Enterprise Chamber of the Amsterdam Court of Appeal, or the Enterprise Chamber, (*Ondernemingskamer*), and can be instituted by means of a writ of summons served upon each of the other shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze-out in relation to the other shareholders and will determine the price to be paid for the shares, if necessary, after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the other shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to the acquiring person, such person is required to publish the same in a daily newspaper with a national circulation.

### **Dissolution and Liquidation**

Under our articles of association, we may be dissolved by a resolution of the general meeting of shareholders, subject to a proposal of the management board approved by our supervisory board. In the event of a dissolution, the liquidation shall be effected by the management board, under supervision of our supervisory board, unless the general meeting decides otherwise. During liquidation, the provisions of our articles of association will remain in force as far as possible. To the extent that any assets remain after payment of all debts, those assets shall be distributed to the holders of common shares.

### **Dutch Corporate Governance Code**

As a listed Dutch public company (*naamloze vennootschap*), we will be subject to the DCGC. The DCGC contains both principles and best practice provisions that regulate relations between the management board, the supervisory board and the general meeting of shareholders and matters in respect of financial reporting, auditors, disclosure, compliance and enforcement standards. The DCGC is based on a “comply or explain” principle. Accordingly, companies are required to disclose in their statutory annual reports, filed in the Netherlands, whether they comply with the provisions of the DCGC. If they do not comply with these provisions (for example, because of a conflicting Nasdaq requirement), the company is required to give the reasons for such non-compliance.

We will not comply with all principles and best practice provisions of the DCGC, including in order to follow market practice or governance practices in the United States.

### **Dutch Financial Reporting Supervision Act**

On the basis of the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*), or the FRSA, the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*), or the AFM, supervises the application of financial reporting standards by Dutch companies whose securities are listed on a Dutch or foreign stock exchange.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from us regarding our application of the applicable financial reporting standards and (ii) recommend to us the making available of further explanations. If we do not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer*) order us to (a) make available further explanations as recommended by the AFM, (b) provide an explanation of the way we have applied the applicable

financial reporting standards to our financial reports or (c) prepare our financial reports in accordance with the Enterprise Chamber's orders.

### **Foreign Investment Legislation**

Under existing laws of the Netherlands, there are no exchange controls applicable to the transfer to persons outside of the Netherlands of dividends or other distributions with respect to, or of the proceeds from the sale of, shares of a Dutch company, subject to applicable restrictions under sanctions and measures, including those concerning export control, pursuant to EU regulations, the Sanctions Act 1977 (*Sanctiewet 1977*) or other legislation, applicable anti-boycott regulations, anti-money laundering regulations and similar rules.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the common shares will be Computershare Trust Company, N.A.

## **Comparison of Dutch Corporate Law and U.S. Corporate Law**

The following is a comparison between Dutch corporate law, which applies to us, and Delaware corporation law, the law under which many publicly listed corporations in the United States are incorporated. Although we believe this summary is materially accurate, the summary is subject to Dutch law, including Book 2 of the Dutch Civil Code and the DCGC and Delaware corporation law, including the Delaware General Corporation Law, or DGCL.

### **Corporate Governance**

#### ***Duties of Managing and Supervisory Directors***

*The Netherlands.* In the Netherlands, a listed company typically has a two-tier board structure with a management board (*bestuur*) comprised of the managing directors (executive directors) and a supervisory board (*raad van commissarissen*) comprised of the supervisory directors (non-executive directors). We have a two-tier board structure consisting of our management board and a separate supervisory board.

Under Dutch law, the management board is charged with the management of the company, subject to the restrictions contained in our articles of association, and the supervisory board is charged with the supervision of the policy of the management board and the general course of affairs of the company and of the business connected with it. The managing directors may divide their tasks among themselves in or pursuant to the internal rules applicable to the management board. Each managing director and supervisory director has a statutory duty to act in the corporate interest of the company and its business. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, customers and suppliers. The duty to act in the corporate interest of the company also applies in the event of a proposed sale or break-up of the company, provided that the circumstances generally dictate how such duty is to be applied and how the respective interests of various groups of stakeholders should be weighed. Any resolution of the management board regarding a material change in our identity or character requires approval of the general meeting.

The approval of our supervisory board is required for resolutions of the management board, including concerning the following matters: the making of certain proposals to the general meeting (including the issue of shares or the granting of rights to subscribe for shares; the limitation or exclusion of pre-emption rights; the designation or granting of certain authorizations as referred to in our articles of association, the reduction of our issued share capital; the making of a distribution from the Company's profits or reserves; the determination that all or part of a distribution, instead of being made in cash, shall be made in the form of shares or in the form of assets; the amendment of our articles of association; the entering into of a merger or demerger; the instruction of the management board to apply for the Company's bankruptcy and our dissolution); the issue of shares or the granting of rights to subscribe for shares; the limitation or exclusion of pre-emption rights; the acquisition of shares by us in our own capital; the drawing up or amendment of our management board rules; the performance of legal acts relating to non-cash contributions on shares; material changes to the identity or the character of the company or its

business; the charging of amounts to be paid up on shares against the company's reserves; the making of an interim distribution the amendment of the articles of association, the entering into of a merger or demerger, the instruction to apply for the Company's bankruptcy, the Company's dissolution; and such other resolutions as the supervisory board shall have specified in a resolution to that effect and notified to the management board. The absence of the approval of the supervisory board shall result in the relevant resolution being null and void but shall not affect the powers of representation of the management board or of the managing directors.

Our management board is entitled to represent us. The power to represent us also vests in the chief executive officer individually, as well as in any other two managing directors acting jointly.

*Delaware.* The board of directors bears the ultimate responsibility for managing the business and affairs of a corporation. In discharging this function, directors of a Delaware corporation owe fiduciary duties of care and loyalty to the corporation and to its stockholders. Delaware courts have decided that the directors of a Delaware corporation are required to exercise informed business judgment in the performance of their duties. Informed business judgment means that the directors have informed themselves of all material information reasonably available to them. Delaware courts have also imposed a heightened standard of conduct upon directors of a Delaware corporation who take any action designed to defeat a threatened change in control of the corporation. In addition, under Delaware law, when the board of directors of a Delaware corporation approves the sale or break-up of a corporation, the board of directors may, in certain circumstances, have a duty to obtain the highest value reasonably available to the stockholders.

### **Director Terms**

*The Netherlands.* The DCGC provides the following best practice recommendations on the terms for tenure of managing directors and supervisory directors:

- Managing directors should be appointed for a maximum period of four years, without limiting the number of consecutive terms managing directors may serve.
- Supervisory directors should be appointed for two consecutive periods of no more than four years. Thereafter, supervisory directors may be reappointed for a maximum of two consecutive periods of no more than two years, provided that the reasons for any reappointment after an eight-year term of office should be disclosed in the company's annual report.

The general meeting shall at all times be entitled to suspend or dismiss a managing director or supervisory director. Under our articles of association, the general meeting may only adopt a resolution to suspend or dismiss such director by at least a two-thirds majority of the votes cast, provided that such majority represents more than half of the issued share capital, unless the resolution is passed at the proposal of the supervisory board, in which case a simple majority of the votes cast is sufficient. In addition, the supervisory board may at any time suspend a managing director. A suspension by the supervisory board can at any time be lifted by the general meeting. If a managing director is suspended and the general meeting does not resolve to dismiss him or her within three months from the date of such suspension, the suspension shall lapse.

*Delaware.* The DGCL generally provides for a one-year term for directors, but permits directorships to be divided into up to three classes with up to three-year terms, with the years for each class expiring in different years, if permitted by the certificate of incorporation, an initial bylaw or a bylaw adopted by the stockholders. A director elected to serve a term on a "classified" board may not be removed by stockholders without cause. There is no limit in the number of terms a director may serve.

### **Director Vacancies**

*The Netherlands.* Our supervisory board can temporarily fill vacancies in its midst caused by temporary absence or incapacity of supervisory directors without requiring a shareholder vote. If all of our supervisory directors are absent or incapacitated, our management shall be attributed to the person who most recently ceased to hold office as the chairperson of our supervisory board, provided that if such former chairperson is unwilling or unable to accept that position, the our management shall be attributed to the person who most recently ceased to hold office as our Chief

Executive Officer. If such former Chief Executive Officer is also unwilling or unable to accept that position, our management shall be attributed to one or more persons whom the general meeting. The person(s) charged with our management in this manner may designate one or more persons to be charged with our management instead of, or together with, such person(s).

Under Dutch law, managing directors and supervisory directors of a company like ours are appointed and reappointed by the general meeting. Under our articles of association, managing directors and supervisory directors are appointed by the general meeting upon the binding nomination by our supervisory board. However, the general meeting may at all times overrule the binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, provided that such majority represents more than half of the issued share capital. If the general meeting overrules the binding nomination, the supervisory board shall make a new nomination.

Our supervisory board has adopted a diversity policy for the composition of our management board and our supervisory board, as well as a profile for the composition of the supervisory board. The supervisory board shall make any nomination for the appointment of a managing director or supervisory director with due regard to the rules and principles set forth in such diversity policy and profile, as applicable.

Under Dutch law, when nominating a person for appointment or reappointment as a supervisory director, the nomination must be supported by reasons (if it concerns a reappointment, past performance must be taken into consideration) and the following information about such person must be provided: (i) age and profession; (ii) the aggregate nominal value of the shares held in the company's capital; (iii) present and past positions, to the extent relevant for the performance of the tasks of a supervisory director; and (iv) the name of each entity where such person already holds a position as supervisory director or non-executive director (in case of multiple entities within the same group, the name of the group shall suffice).

*Delaware.* The DGCL provides that vacancies and newly created directorships may be filled by a majority of the directors then in office (even though less than a quorum) unless (i) otherwise provided in the certificate of incorporation or bylaws of the corporation or (ii) the certificate of incorporation directs that a particular class of stock is to elect such director, in which case any other directors elected by such class, or a sole remaining director elected by such class, will fill such vacancy.

### **Conflict-of-Interest Transactions**

*The Netherlands.* Under Dutch law and our articles of association, our managing directors and supervisory directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he or she has a direct or indirect personal conflict of interest with us. Such a conflict of interest would generally arise if the managing director or supervisory director concerned is unable to serve our interests and business connected with it with the required level of integrity and objectivity due to the existence of the conflicting personal interest. Our articles of association provide that a managing director shall not participate in the deliberations and decision-making of the management board on a matter in relation to which he has a direct or indirect personal interest that conflicts with our interests and of the business connected with it. If, as a result thereof, no resolution can be passed by the management board, the resolution shall be passed by the supervisory board. Our articles of association further provide that a supervisory director shall not participate in the deliberations and decision-making of the supervisory board on a matter in relation to which he has a direct or indirect personal interest that conflicts with our interests and of business connected with it. If, as a result thereof, no resolution can be passed by the supervisory board, the resolution may nevertheless be passed by the supervisory board as if none of the supervisory directors has such conflict of interests.

The DCGC provides the following best practice recommendations in relation to conflicts of interests in respect of managing directors or supervisory directors:

- A managing director should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such person to the chairperson of the supervisory board and to the other members of the management board without delay. The managing director should provide all relevant information in that regard, including the information relevant to the situation concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.

- A supervisory director should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such person to the chairman of the supervisory board without delay and should provide all relevant information in that regard, including the relevant information pertaining to his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the supervisory board has a conflict of interest or potential conflict of interest, he or she should report this to the vice-chairman of the supervisory board without delay.
- The supervisory board should decide, outside the presence of the managing director or supervisory director concerned, whether there is a conflict of interest.
- All transactions in which there are conflicts of interest with managing directors or supervisory directors should be agreed on terms that are customary in the market.
- Decisions to enter into transactions in which there are conflicts of interest with managing directors or supervisory directors that are of material significance to the company and/or to the relevant managing directors or supervisory directors should require the approval of the supervisory board. Such transactions should be published in the annual report, together with a description of the conflict of interest and a declaration that the relevant best practice provisions of the DCGC have been complied with.

*Delaware.* The DGCL generally permits transactions involving a Delaware corporation and an interested director of that corporation if:

- the material facts as to the director's relationship or interest are disclosed and a majority of disinterested directors consent;
- the material facts are disclosed as to the director's relationship or interest and a majority of shares entitled to vote thereon consent; or
- the transaction is fair to the corporation at the time it is authorized by the board of directors, a committee of the board of directors or the stockholders.

### **Proxy Voting by Directors**

*The Netherlands.* An absent managing director may issue a proxy for a specific management board meeting but only to another managing director in writing or by electronic means. An absent supervisory director may issue a proxy for a specific supervisory board meeting but only to another supervisory director in writing or by electronic means.

*Delaware.* A director of a Delaware corporation may not issue a proxy representing the director's voting rights as a director.

### **Shareholder Rights**

#### ***Voting Rights***

*The Netherlands.* In accordance with Dutch law and our articles of association, each issued common share confers the right to cast one vote at the general meeting. Each holder of shares may cast as many votes as it holds shares. No votes may be cast on shares that are held by us or our direct or indirect subsidiaries or on shares for which we or our subsidiaries hold depository receipts. Nonetheless, the holders of a right of use and enjoyment (*vruchtgebruik*) and the holders of a right of pledge (*pandrecht*) in respect of shares held by us or our subsidiaries in our share capital are not excluded from the right to vote on such shares, if the right of use and enjoyment (*vruchtgebruik*) or the right of

pledge (*pandrecht*) was granted prior to the time such shares were acquired by us or any of our subsidiaries. Neither we nor any of our subsidiaries may cast votes in respect of a share on which we or such subsidiary holds a right of use and enjoyment (*vruchtgebruik*) or a right of pledge (*pandrecht*). Shares which are not entitled to voting rights pursuant to the preceding sentences will not be taken into account for the purpose of determining the number of shareholders that vote and that are present or represented, or the amount of the share capital that is provided or that is represented at a general meeting of shareholders.

In accordance with our articles of association, for each general meeting, the management board may determine that a record date will be applied in order to establish which shareholders are entitled to attend and vote at the general meeting. Such record date shall be the 28th day prior to the day of the general meeting. The record date and the manner in which shareholders can register and exercise their rights will be set out in the notice of the meeting which must be published in a Dutch daily newspaper with national distribution at least 15 calendar days prior to the meeting (and such notice may therefore be published after the record date for such meeting). Under our articles of association, shareholders and others with meeting rights under Dutch law must notify us in writing or by electronic means of their identity and intention to attend the general meeting. This notice must be received by us ultimately on the seventh day prior to the general meeting, unless indicated otherwise when such meeting is convened.

*Delaware.* Under the DGCL, each stockholder is entitled to one vote per share of stock, unless the certificate of incorporation provides otherwise. In addition, the certificate of incorporation may provide for cumulative voting at all elections of directors of the corporation, or at elections held under specified circumstances. Either the certificate of incorporation or the bylaws may specify the number of shares and/or the amount of other securities that must be represented at a meeting in order to constitute a quorum, but in no event will a quorum consist of less than one-third of the shares entitled to vote at a meeting.

Stockholders as of the record date for the meeting are entitled to vote at the meeting, and the board of directors may fix a record date that is no more than 60 nor less than 10 days before the date of the meeting, and if no record date is set then the record date is the close of business on the day next preceding the day on which notice is given, or if notice is waived then the record date is the close of business on the day next preceding the day on which the meeting is held. The determination of the stockholders of record entitled to notice or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, but the board of directors may fix a new record date for the adjourned meeting.

### **Shareholder Proposals**

*The Netherlands.* Pursuant to our articles of association, extraordinary general meetings will be held whenever required under Dutch law or whenever our management board or supervisory board deems such to be appropriate or necessary. Pursuant to Dutch law, one or more shareholders or others with meeting rights under Dutch law representing at least one-tenth of the issued share capital may request us to convene a general meeting, setting out in detail the matters to be discussed. If we have not taken the steps necessary to ensure that such meeting can be held within six weeks after the request, the requesting party or parties may, on their application, be authorized by the competent Dutch court in preliminary relief proceedings to convene a general meeting. The court shall disallow the application if it does not appear that the requesting party or parties has/have previously requested our board to convene a general meeting of shareholders and our board has not taken the necessary steps so that the general meeting of shareholders could be held within six weeks after the request.

Also, the agenda for a general meeting shall include such items requested by one or more shareholders, and others with meeting rights under Dutch law, representing at least 3% of the issued share capital, except where the articles of association state a lower percentage. Our articles of association do not state such lower percentage. Requests must be made in writing or by electronic means and received by us at least 60 days before the day of the meeting.

In accordance with the DCGC and our articles of association, a shareholder shall exercise the right of putting an item on the agenda only after consulting the management board in that respect. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy (for example, the removal of managing directors or supervisory directors), the management board must be given the opportunity to invoke a reasonable period to respond to such intention. Such period shall not exceed 180 days (or such other period as may be stipulated for such purpose by Dutch law and/or the DCGC from time to time). If invoked, the



management board must use such response period for further deliberation and constructive consultation, in any event with the shareholders(s) concerned, and shall explore the alternatives. At the end of the response time, the management board shall report on this consultation and the exploration of alternatives to the general meeting. This shall be supervised by our supervisory board. The response period may be invoked only once for any given general meeting and shall not apply: (a) in respect of a matter for which a response period has been previously invoked; or (b) if a shareholder holds at least 75% of the company's issued share capital as a consequence of a successful public bid. The response period may also be invoked in response to shareholders or others with meeting rights under Dutch law requesting that a general meeting be convened, as described above.

*Delaware.* Delaware law does not specifically grant stockholders the right to bring business before an annual or special meeting. However, if a Delaware corporation is subject to the SEC's proxy rules, a stockholder who owns at least \$2,000 in market value, or 1% of the corporation's securities entitled to vote, may propose a matter for a vote at an annual or special meeting in accordance with those rules.

### **Action by Written Consent**

*The Netherlands.* Under Dutch law, shareholders' resolutions may be adopted in writing without holding a meeting of shareholders, provided that (i) the articles of association allow such action by written consent, (ii) the company has not issued bearer shares or, with its cooperation, depository receipts for shares in its capital, and (iii) the resolution is adopted unanimously by all shareholders that are entitled to vote. Although our articles of association allow for shareholders' resolutions to be adopted in writing, the requirement of unanimity renders the adoption of shareholder resolutions without holding a meeting not feasible for us as a publicly traded company.

*Delaware.* Although permitted by Delaware law, publicly listed companies do not typically permit stockholders of a corporation to take action by written consent.

### **Appraisal Rights**

*The Netherlands.* Subject to certain exceptions, Dutch law does not recognize the concept of appraisal or dissenters' rights. However, Dutch law does provide for squeeze-out procedures as described under "Dividends and Other Distributions — Squeeze-Out Procedures." Also, Dutch law provides for cash exit rights in certain situations for dissenting shareholders of a company organized under Dutch law entering into certain types of mergers. In those situations, a dissenting shareholder may file a claim with the Dutch company for compensation. Such compensation shall then be determined by one or more independent experts. The shares of such shareholder that are subject to such claim will cease to exist as of the moment of entry into effect of the merger.

*Delaware.* The DGCL provides for stockholder appraisal rights, or the right to demand payment in cash of the judicially determined fair value of the stockholder's shares, in connection with certain mergers and consolidations.

### **Shareholder Suits**

*The Netherlands.* In the event a third-party is liable to a Dutch company, only the company itself can bring a civil action against that party. The individual shareholders do not have the right to bring an action on behalf of the company. Only in the event that the cause for the liability of a third-party to the company also constitutes a tortious act directly against a shareholder does that shareholder have an individual right of action against such third-party in its own name. Dutch law provides for the possibility to initiate such actions collectively, in which a foundation or an association can act as a class representative and has standing to commence proceedings and claim damages if certain criteria are met. The court will first determine if those criteria are met. If so, the case will go forward as a class action on the merits after a period allowing class members to opt out from the case has lapsed. All members of the class who are residents of the Netherlands and who did not opt-out will be bound to the outcome of the case. Residents of other countries must actively opt in in order to be able to benefit from the class action. The defendant is not required to file defenses on the merits prior to the merits phase having commenced. It is possible for the parties to reach a settlement during the merits phase. Such a settlement can be approved by the court, which approval will then bind the members of the class, subject to a second opt-out. This new regime applies to claims brought after January 1, 2020 and which relate to certain events that occurred prior to that date. For other matters, the old Dutch

class actions regime will apply. Under the old regime, no monetary damages can be sought. Also, a judgment rendered under the old regime will not bind individual class members. Even though Dutch law does not provide for derivative suits, directors and officers can still be subject to liability under U.S. securities laws.

*Delaware.* Under the DGCL, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. An individual also may commence a class action suit on behalf of himself and other similarly situated stockholders where the requirements for maintaining a class action under Delaware law have been met. A person may institute and maintain such a suit only if that person was a stockholder at the time of the transaction which is the subject of the suit. In addition, under Delaware case law, the plaintiff normally must be a stockholder at the time of the transaction that is the subject of the suit and throughout the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff in court, unless such a demand would be futile.

### **Repurchase of Shares**

*The Netherlands.* Under Dutch law, when issuing shares, a public company such as ours may not subscribe for newly issued shares in its own capital. Such company may, however, subject to certain restrictions of Dutch law and its articles of association, acquire shares in its own capital. A listed public company such as ours may acquire fully paid shares in its own capital at any time for no valuable consideration. Furthermore, subject to certain provisions of Dutch law and its articles of association, such company may repurchase fully paid shares in its own capital if (i) the company's shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-in and called-up share capital plus any reserves required by Dutch law or its articles of association and (ii) the aggregate nominal value of shares of the company which the company acquires, holds or on which the company holds a pledge (*pandrecht*) or which are held by a subsidiary of the company, would not exceed 50% of its then-current issued share capital. Such company may only acquire its own shares if its general meeting has granted the management board the authority to effect such acquisitions.

An acquisition of common shares for a consideration must be authorized by our general meeting. Such authorization may be granted for a maximum period of 18 months and must specify the number of common shares that may be acquired, the manner in which common shares may be acquired and the price limits within which common shares may be acquired. The actual acquisition may only be effected pursuant to a resolution of our management board, with the approval of our supervisory board. Our management board, subject to approval by our supervisory board, is authorized, for a period of 18 months after we converted into the legal form of an N.V. to cause the repurchase of common shares by us of up to 20% of our issued share capital, for a price per share not exceeding 110% of the average market price of our common shares on Nasdaq (such average market price being the average of the closing prices on each of the five consecutive trading days preceding the date the acquisition is agreed upon by us). These shares may be used to deliver shares underlying awards granted pursuant to our equity-based compensation plans.

No authorization of the general meeting is required if fully paid common shares are acquired by us with the intention of transferring such common shares to our employees under an applicable employee share purchase plan.

*Delaware.* Under the DGCL, a corporation may purchase or redeem its own shares unless the capital of the corporation is impaired or the purchase or redemption would cause an impairment of the capital of the corporation. A Delaware corporation may, however, purchase or redeem out of capital any of its preferred shares or, if no preferred shares are outstanding, any of its own shares if such shares will be retired upon acquisition and the capital of the corporation will be reduced in accordance with specified limitations.

### **Anti-Takeover Provisions**

*The Netherlands.* Under Dutch law, various protective measures are possible and permissible within the boundaries set by Dutch law and Dutch case law. In this respect, certain provisions of our articles of association may make it more difficult for a third-party to acquire control of us or effect a change in our management board and supervisory board. These provisions include:

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- a provision that our managing directors and supervisory directors are appointed on the basis of a binding nomination prepared by our supervisory board which can only be overruled by a two-thirds majority of votes cast representing more than 50% of our issued share capital;
- a provision that our managing directors and supervisory directors may only be dismissed by the general meeting by a two-thirds majority of votes cast representing more than 50% of our issued share capital (unless the dismissal is proposed by the supervisory board in which case a simple majority of the votes would be sufficient);
- a provision allowing, among other matters, the former chairman of our supervisory board or our former CEO, as applicable, to manage our affairs if all of our managing directors and supervisory directors are removed from office and to appoint others to be charged with the management and supervision of our affairs, until new managing directors and supervisory directors are appointed by the general meeting on the basis of a binding nomination discussed above; and
- a requirement that certain matters, including an amendment of our articles of association, may only be brought to our shareholders for a vote upon a proposal by our management board.

In addition, Dutch law allows for staggered multi-year terms of our managing directors and supervisory directors, as a result of which only part of our managing directors and supervisory directors may be subject to appointment or re-appointment in any one year.

*Delaware.* In addition to other aspects of Delaware law governing fiduciary duties of directors during a potential takeover, the DGCL also contains a business combination statute that protects Delaware companies from hostile takeovers and from actions following the takeover by prohibiting some transactions once an acquirer has gained a significant holding in the corporation.

Section 203 of the DGCL Law prohibits “business combinations,” including mergers, sales and leases of assets, issuances of securities and similar transactions by a corporation or a subsidiary with an interested stockholder that beneficially owns 15% or more of a corporation’s voting stock, within three years after the person becomes an interested stockholder, unless:

- the transaction that will cause the person to become an interested stockholder is approved by the board of directors of the target prior to the transactions;
- after the completion of the transaction in which the person becomes an interested stockholder, the interested stockholder holds at least 85% of the voting stock of the corporation not including shares owned by persons who are directors and officers of interested stockholders and shares owned by specified employee benefit plans; or
- after the person becomes an interested stockholder, the business combination is approved by the board of directors of the corporation and holders of at least 66.67% of the outstanding voting stock, excluding shares held by the interested stockholder.

A Delaware corporation may elect not to be governed by Section 203 by a provision contained in the original certificate of incorporation of the corporation or an amendment to the original certificate of incorporation or to the bylaws of the company, which amendment must be approved by a majority of the shares entitled to vote and may not be further amended by the board of directors of the corporation. Such an amendment is not effective until 12 months following its adoption.

### **Inspection of Books and Records**

*The Netherlands.* The management board and the supervisory board provide the general meeting, within a reasonable amount of time, all information that the shareholders require for the exercise of their powers, unless this would be contrary to an overriding interest of our company. If the management board or supervisory board invokes such an overriding interest, it must give reasons.

*Delaware.* Under the DGCL, any stockholder may inspect for any proper purpose certain of the corporation's books and records during the corporation's usual hours of business.

### **Dismissal of Directors**

*The Netherlands.* Under our articles of association, the general meeting shall at all times be entitled to dismiss a managing director or supervisory director. The general meeting may only adopt a resolution to suspend or dismiss a managing director or supervisory director by at least a two-thirds majority of the votes cast, provided that such majority represents more than half of the issued share capital, unless the proposal was made by the supervisory board, in which latter case a simple majority is sufficient. The DCGC recommends that the general meeting can pass a resolution to dismiss a director by simple majority, representing no more than one-third of the issued share capital.

*Delaware.* Under the DGCL, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except (i) unless the certificate of incorporation provides otherwise, in the case of a corporation whose board is classified, stockholders may effect such removal only for cause, or (ii) in the case of a corporation having cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors, or, if there are classes of directors, at an election of the class of directors of which he or she is a part.

### **Issuance of Shares**

*The Netherlands.* Under Dutch law, a company's general meeting is the corporate body authorized to resolve on the issuance of shares and the granting of rights to subscribe for shares. The general meeting can delegate such authority to another corporate body of the company, such as the management board, for a period not exceeding five years; this authorization may only be extended from time to time for a maximum period of five years. Our management board, with the approval of our supervisory board, is authorized, for a period of five years after we converted into the legal form of an N.V., to issue shares or grant rights to subscribe for shares up to our authorized share capital from time to time. We may not subscribe for our own shares on issue.

*Delaware.* All creation of shares require the board of directors to adopt a resolution or resolutions, pursuant to authority expressly vested in the board of directors by the provisions of the company's certificate of incorporation.

### **Preemptive Rights**

*The Netherlands.* Under Dutch law, in the event of an issuance of common shares, each shareholder will have a pro rata preemptive right in proportion to the aggregate nominal value of the common shares held by such holder (with the exception of common shares to be issued to employees or common shares issued against a contribution other than in cash or pursuant to the exercise of a previously acquired right to subscribe for shares). Under our articles of association, the preemptive rights in respect of newly issued common shares may be restricted or excluded by a resolution of the general meeting. Another corporate body, such as the management board, may restrict or exclude the preemptive rights in respect of newly issued common shares if it has been designated as the authorized body to do so by the general meeting. Such designation can be granted for a period not exceeding five years. A resolution of the general meeting to restrict or exclude the preemptive rights or to designate another corporate body as the authorized body to do so requires a majority of not less than two-thirds of the votes cast, if less than one-half of our issued share capital is represented at the meeting. Our management board, with the approval of our supervisory board, is authorized, for a period not exceeding five years after we converted into the legal form of an N.V. to limit or exclude preemptive rights in relation to an issuance of shares or a grant of rights to subscribe for shares that the management board is authorized to resolve upon (see "Issuance of Shares" above).

*Delaware.* Under the DGCL, stockholders have no preemptive rights to subscribe for additional issues of stock or to any security convertible into such stock unless, and to the extent that, such rights are expressly provided for in the certificate of incorporation.

### **Dividends**

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*The Netherlands.* Dutch law provides that dividends (if it concerns a distribution of profits) may be distributed after adoption of the annual accounts by the general meeting from which it appears that such dividend distribution is allowed. Moreover, dividends may be distributed, whether as a distribution of profits or of freely distributable reserves, only to the extent the shareholders' equity exceeds the amount of the paid-in and called-up issued share capital and the reserves that must be maintained under the law or the articles of association. Interim dividends may be declared as provided in the articles of association and may be distributed to the extent that the shareholders' equity exceeds the amount of the paid-in and called-up issued share capital plus any reserves as described above as apparent from our interim financial statements prepared under Dutch law.

Under our articles of association, our management board, with the approval of our supervisory board, may decide that all or part of the profits are carried to reserves. After reservation of any profit, the remaining profit will be at the disposal of the general meeting for distribution, subject to restrictions of Dutch law and approval by our supervisory board. Our management board is permitted, subject to certain requirements, to declare interim dividends without the approval of the general meeting, but only with the approval of the supervisory board. Dividends and other distributions shall be made payable not later than the date determined by the management board. Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable will lapse and any such amounts will be considered to have been forfeited to us (*verjaring*).

*Delaware.* Under the DGCL, a Delaware corporation may pay dividends out of its surplus (the excess of net assets over capital), or in case there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year (provided that the amount of the capital of the corporation is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets). In determining the amount of surplus of a Delaware corporation, the assets of the corporation, including stock of subsidiaries owned by the corporation, must be valued at their fair market value as determined by the board of directors, without regard to their historical book value. Dividends may be paid in the form of common stock, property or cash.

### **Shareholder Vote on Certain Reorganizations**

*The Netherlands.* Under Dutch law, the general meeting must approve resolutions of the management board relating to a significant change in the identity or the character of the company or the business of the company, which includes:

- a transfer of the business or virtually the entire business to a third party;
- the entry into or termination of a long-term cooperation of the company or a subsidiary with another legal entity or company or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of a far-reaching significance for the company; and
- the acquisition or divestment by the company or a subsidiary of a participating interest in the capital of a company having a value of at least one-third of the amount of its assets according to its balance sheet and explanatory notes or, if the company prepares a consolidated balance sheet, according to its consolidated balance sheet and explanatory notes in the last adopted annual accounts of the company.

*Delaware.* Under the DGCL, the vote of a majority of the outstanding shares of capital stock entitled to vote thereon generally is necessary to approve a merger or consolidation or the sale of all or substantially all of the assets of a corporation. The DGCL permits a corporation to include in its certificate of incorporation a provision requiring for any corporate action the vote of a larger portion of the stock or of any class or series of stock than would otherwise be required.

Under the DGCL, no vote of the stockholders of a surviving corporation to a merger is needed, however, unless required by the certificate of incorporation, if (i) the agreement of merger does not amend in any respect the certificate of incorporation of the surviving corporation, (ii) the shares of stock of the surviving corporation are not changed in the merger and (iii) the number of shares of common stock of the surviving corporation into which any other shares, securities or obligations to be issued in the merger may be converted does not exceed 20% of the surviving corporation's common stock outstanding immediately prior to the effective date of the merger. In addition,

stockholders may not be entitled to vote in certain mergers with other corporations that own 90% or more of the outstanding shares of each class of stock of such corporation, but the stockholders will be entitled to appraisal rights.

### **Remuneration of Managing Directors and Supervisory Directors**

*The Netherlands.* Dutch law does not provide for limitations with respect to the aggregate annual compensation paid to our directors, provided that such compensation is consistent with our compensation policy. Changes to such compensation policy will require a vote of our general meeting by simple majority of the votes cast. The supervisory board determines the remuneration of individual managing directors with due observance of the compensation policy at the recommendation of our compensation committee. A proposal with respect to remuneration schemes in the form of shares or rights to shares in which managing directors may participate is subject to approval by our general meeting. Such a proposal must set out at least the maximum number of shares or rights to subscribe for shares to be granted to the managing directors and the criteria for granting or amendment. The compensation for our supervisory directors is set by the general meeting.

*Delaware.* Under the DGCL, the stockholders do not generally have the right to approve the compensation policy for directors or the senior management of the corporation, although certain aspects of the compensation policy may be subject to stockholder vote due to the provisions of U.S. federal securities and tax law.

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## CERTIFICATION

I, Florian Brand, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ATAI Life Sciences N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [omitted];
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

By: \_\_\_\_\_  
/s/ Florian Brand  
Florian Brand  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

I, Greg Weaver, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ATAI Life Sciences N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [omitted];
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

By: \_\_\_\_\_  
/s/ Greg Weaver  
Greg Weaver  
Chief Financial Officer  
(Principal Financial Officer)



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of ATAI Life Sciences N.V. (the "Company") for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2022

By: \_\_\_\_\_ /s/ Florian Brand  
Florian Brand  
Chief Executive Officer  
(Principal Executive Officer)

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