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2021/22

QUARTERLY STATEMENT as at 31 December 2021

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ABOUT BRAIN

BRAIN Biotech AG ("BRAIN") is a leading European specialist in industrial biotechnology. As a technology provider and developer of bio-based products and solutions for nutrition, health and the environment, the company supports the biologization of industry and contributes to a more sustainable economy. BRAIN is the parent company of the BRAIN Group. Two pillars form BRAIN Group's business: The BioScience segment includes contract research for renowned industrial partners as well as an incubator for the development of the company's own highly innovative products. In the BioIndustrial segment, the company focuses on specialty business in the production and refinement of enzymes, microorganisms and bioactive natural products and the respective distribution.

The BRAIN Group maintains its own diverse collection of natural resources: the BRAIN Bioarchive comprises microorganisms, genetic material and natural substances. Based on this collection and with a comprehensive technology portfolio, BRAIN addresses technological challenges and develops bio-based products and solutions that are already successfully employed in the industry. The BRAIN Group has its own production facilities in Germany, UK and the US, which together with the associated biotechnological production expertise, complete the value chain within the Group.

Since its IPO in 2016, BRAIN Biotech AG has been listed in the Prime Standard of the Frankfurt Stock Exchange (ISIN DE0005203947 / WKN 520394).

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SIGNIFICANT EVENTS

1 October 2021 to 31 December 2021

Additional Differentiated Genome-Editing Nuclease: BRAIN-Metagenome-Cas 01 (BMC01)

BRAIN Biotech AG has successfully expanded its proprietary genome-editing toolbox with the addition of BRAIN-Metagenome-Cas 01 (BMC01) nuclease. The company's goal is to develop a genome editing platform with significant commercial and scientific potential. The BMC01 nuclease complements BRAIN-Engineered Cas (BEC), which was introduced to the public in May 2021.

BMC01 and BEC are different types of Class 2 nucleases that differ in their overall protein structure and mode of action on DNA. This allows to address different markets and applications more effectively.

BRAIN and SAMS apply BEC genome editing technology to Omega-3 Compounds from Marine Organisms

A research cooperation between BRAIN Biotech AG and the marine research institute SAMS will apply the genome editing tool BEC to find new ways to produce essential fatty acids more sustainably and cost-effectively. The collaborators will initially focus on marine sources of omega-3 fatty acids. One of the main aims of the research strategy is to look for new and more efficient ways to express existing marine compounds without altering their genetic structure.

BRAIN Biotech AG makes a further investment in SolasCure Ltd.

On 29 November 2021, BRAIN Biotech AG participated in a capital increase at SolasCure Ltd. The total capital increase amounted to GBP 3.7 million, in which BRAIN participated with GBP 1.3 million, with the cash-effective portion amounting to GBP 1.0 million. This led to a change in the interest held from 41.27% to 40.56%. SolasCure Ltd. will continue to be accounted for using the IAS 28 equity method. BRAIN Biotech AG remains very confident about the successful development of its active ingredient Aurase for chronic wound debridement and therefore also supported the recent financing of SolasCure Ltd. This financing round took place with a further significant increase in SolasCure's pre-money valuation (+ approx. 50% since the last financing round).

FINANCIAL POSITION AND PERFORMANCE

1 October 2021 to 31 December 2021

GROUP BASIS AND GENERAL CONDITIONS

The remarks made in the consolidated financial statements for the financial year ending 30 September 2021 about the Group's basis and general conditions continue to be applicable.

1. Results of operations

During the first three months of the 2021/22 financial year, BRAIN Group revenues increased by 26.0% year-on-year from €8.1 million to €10.2 million. Organically, i.e. excluding Biosun Biochemicals Inc., revenues increased by 18.6% or €1.5 million. Total operating performance (revenue, research and development grant revenue, changes in inventories and other income) also improved by €1.9 million, compared to the same period last year, to €10.4 million.

The BioScience segment generated revenues of €2.8 million in the reporting period, corresponding to an increase of 38.6% compared to the same period of the previous year (€2.0 million). This increase is mainly attributable to a higher number of contracts acquired for Tailor-Made Solutions projects. The adjusted EBITDA of the BioScience segment improved accordingly by €0.5 million to €-1.2 million. The segment EBITDA also includes ongoing investments into the CRISPR technology platform and amounts to €0.6 million.

Revenues in the BioIndustrial segment improved by 20.9% from €6.1 million in the same period of the previous year to €7.4 million in the reporting period. The segment's increase is partly due to inorganic growth from the acquisition of Biosun Biochemicals Inc. in January 2021 and organic growth in the enzymes business. Adjusted EBITDA increased by €0.6 million to €0.9 million. As such, the strategically important BioIndustrial segment made a significant positive contribution to the improved adjusted Group EBITDA.

As a consequence of the factors mentioned above, adjusted Group EBITDA improved from €-1.4 million in the previous year to €-0.3 million in the first three months of the 2021/22 financial year.

The following table shows the reconciliation of reported EBITDA to adjusted EBITDA.

€ thousand	3M 2021/22	3M 2020/21
EBITDA	-646	-1,587
Share-based employee compensation	-261	-160
Acquisition and integration costs incurred in the expansion of the BRAIN Group	-86	0
Adjusted EBITDA	-299	-1,428

2. Net assets

Total assets decreased from €77.7 million to €76.2 million as at 31 December 2021.

Non-current assets increased from €38.6 million as at 30 September 2021 to €39.8 million as at 31 December 2021. This increase is driven by the participation in the capital increase of SolasCure Ltd. and the increase in the At-Equity valuation of the related financial asset. Current assets decreased from €39.1 million to €36.5 million. This reduction is mainly due to the decrease in cash and cash equivalents.

Equity decreased from €41.8 million as at 30 September 2021 to €40.1 million as at 31 December 2021. This reduction of €1.7 million is almost entirely attributable to the result for the period. No capital measures were implemented during the reporting period.

Non-current liabilities increased slightly from €24.6 million to €25.0 million which is mainly attributable to an increase in the financial liabilities. Current liabilities remained almost the same at €11.2 million compared to €11.3 million as at 30 September 2021.

3. Financial position

The Group's gross cash flow remained almost unchanged at €-1.6 million as at 31 December 2021 compared to 31 December 2020 (€-1.7 million).

Cash flow from operating activities improved from €-2.1 million to €-0.2 million year-on-year, which is mainly due to the improved net result for the period and an improvement in the operating working capital.

Cash flow from investing activities amounted to € -1.6 million in the reporting period compared to € -0.2 million in the same period of the previous year. This increase is mainly driven by the participation in the capital increase of SolasCure Ltd. with € 1.2 million.

Cash flow from financing activities, which in the reporting period mainly reflects the cash outflow for the repayment of financial liabilities, amounted to € -0.2 million in the first quarter, compared with € -0.5 million in the previous year.

Compared to 30 September 2021, cash and cash equivalents decreased from € 24.5 million to € 22.7 million, which is attributable to the aforementioned effects.

CONSOLIDATED INCOME STATEMENT

[UNAUDITED] 1 October 2021 to 31 December 2021

€ thousand	3M 2021/22	3M 2020/21
Revenue	10,177	8,078
Research and development grant revenue	214	196
Change in inventories of finished goods and work in progress	-216	76
Other income	261	138
Total operating performance	10,436	8,488
Cost of materials		
Cost of raw materials, consumables and supplies, and purchased merchandise	-3,827	-3,709
Cost of purchased services	-333	-259
	-4,160	-3,968
Personnel expenses		
Wages and salaries	-3,928	-3,664
Share-based employee compensation	-261	-160
Social security and post-employment benefit costs	-790	-725
	-4,979	-4,548
Other expenses	-1,943	-1,559
EBITDA	-646	-1,587
Depreciation, amortization and impairment	-977	-905
Operating result (EBIT)	-1,623	-2,492
Share of profit or loss from equity-accounted investments	-701	-559
Finance income	272	18
Finance costs	-215	-224
Net financial result	-644	-765
Pretax loss for the reporting period	-2,267	-3,258
Income tax expense/income		
a) Current tax expense / income	-137	-80
b) Deferred tax expense / income	73	69
	-63	-11
Net loss for the reporting period	-2,330	-3,269
of which attributable to:		
Non-controlling interests	28	87
Shareholders of BRAIN Biotech AG	-2,358	-3,356
Earnings per share, basic undiluted (in €)	-0.11	-0.17
Number of shares taken as basis	21,847,495	19,861,360
Earnings per share, diluted (in €)	-0.11	-0.17
Number of shares taken as basis	21,847,495	19,861,360

CONDENSED PRESENTATION OF THE GROUP FINANCIAL POSITION (BALANCE SHEET) [UNAUDITED]

31 December 2021

€ thousand	31.12.2021	30.09.2021
Non-current assets	39,784	38,623
Current assets	36,453	39,114
ASSETS	76,237	77,737
Equity	40,090	41,828
Non-current liabilities	24,974	24,575
Current liabilities	11,173	11,335
EQUITY AND LIABILITIES	76,237	77,737

CONDENSED CONSOLIDATED CASH FLOW STATEMENT [UNAUDITED]

1 October 2021 to 31 December 2021

€ thousand	3M 2021/22	3M 2020/21
Gross cash flow	-1,573	-1,719
Cash flow from operating activities	-193	-2,132
Cash flow from investing activities	-1,556	-194
Cash flow from financing activities	-247	-523
Net change in cash and cash equivalents	-1,996	-2,849
Cash and cash equivalents at start of reporting period	24,545	18,943
Cash and cash equivalents at end of reporting period ¹	22,678	16,113

¹ A € +129 thousand change in the cash position arose as at 31 December 2021, reflecting changes in currency exchange rates.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

1 October 2021 to 31 December 2021

Segment reporting

Compared with the consolidated financial statements as at 30 September 2021, no changes have occurred in relation to segment reporting. The segment results are presented in the following overview.

€ thousand	BioScience		BioIndustrial		Consolidation 3M 2021/22	
	3M 2021/22	3M 2020/21	3M 2021/22	3M 2020/21	Reconciliation	Group
Revenue	2,775	2,002	7,414	6,134	-12	10,177
Adjusted EBITDA	-1,218	-1,744	884	313	35	-299

Number of employees in the Group

Average for the reporting period ²	3M 2021/22	FY 2020/21
Total employees, of which	293	288
Salaried employees	269	264
Industrial employees	24	25

The BRAIN Group also employs scholarships/grant holders (1, FY 20/21: 3), temporary employees (13, FY 20/21: 12) and trainees (6, FY 20/21: 8).

² Excluding the members of the parent company's Management Board (2) and the subsidiaries' managing directors.

EVENTS AFTER THE END OF THE QUARTER

BRAIN-Engineered-Cas considered as a patentable technology

BRAIN Biotech AG has received an international search report and a written opinion from the European Patent Office (EPO) as International Searching Authority (ISA). The favorable written opinion states that the BRAIN-Engineered-Cas (BEC) nucleases for which patent protection is sought under the Patent Corporation Treaty (PCT) are – with respect to the BEC nuclease sequences – inventive, are industrially applicable and are also not otherwise excluded from patent protection. Hence, the respective sequences of the BEC nucleases are considered patentable by the EPO.

BRAIN Group significantly expands its food enzymes business with the acquisition of Breatec B.V. and Comix business

BRAIN has acquired an initial stake of 62% in Breatec B.V. including the Comix business via Weriol Group B.V. (hereafter 'Breatec'), Nieuwkuijk, Netherlands. Breatec is a successful distributor, formulator and blender of functional food ingredients for the baking and milling industry. This acquisition will further accelerate the growth course of BRAIN's BioIndustrial business unit and expand the enzyme portfolio to adjacent market segments.

A put/call structure has been negotiated to acquire the business in full latest until the end of the first quarter of 2027. The initial purchase price amounts to €3.7 million and will be financed from existing cash. Breatec had a turnover of around €7.0 million in the calendar year 2021 and was EBITDA positive.

BRAIN Biotech and Formo: Strategic partnership of European biotech experts for the production of animal-free protein

BRAIN Biotech AG and Formo Bio GmbH are launching a strategic collaboration to further advance the fermentative production of animal-free milk proteins. Formo aims to accelerate the scaling of its bioidentical milk protein production with a genome editing technology, leveraging BRAIN Biotech's expertise and its proprietary BEC platform. The strategic alliance aims to optimize microorganisms to expand novel and sustainable protein production for commercial use through precision fermentation.

Covid 19 update - business performance and outlook

BRAIN has been able to largely contain any disruption from the Corona pandemic. However, travel restrictions and maintaining physical distance may continue to make it difficult for BRAIN to visit its clients in order to acquire new projects. This can lead to delays in the acquisition of new customer and in the conclusion of new contract. The company's investment in SolasCure Ltd. was affected by the pandemic insofar as clinic closures led to delays in the processing of clinical trials. Further negative impacts beyond this cannot be ruled out. In addition, risks arising from the currently stressed supply chains and higher inflation rates cannot be ruled out for the course of this financial year.

With regard to the business forecast, no significant changes are identifiable compared to the forecast report in the 2020/21 annual report (page 97). Despite the Corona virus pandemic and the supply chain situation, BRAIN is very confident that it will be able to achieve the qualitative targets set for this year.

Zwingenberg, 23 February 2022

The Management Board



Adriaan Moelker



Lukas Linnig

CONTACT

The following contact person is available to respond to your queries:

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FINANCIAL CALENDAR

23.02.2022 **Publication of the quarterly statement
as at 31.12.2021 (3M)**

09.03.2022 **Annual General Meeting, virtual**

30.05.2022 **Publication of the half-year report
as at 31.03.2022 (6M)**

29.08.2022 **Publication of the quarterly statement
as at 30.06.2022 (9M)**

Disclaimer

This interim report might contain certain forward-looking statements that are based on current assumptions and forecasts made by the management of the BRAIN Group and other currently available information. Various known and unknown risks and uncertainties as well as other factors can cause the company's actual results, financial position, development or performance to diverge significantly from the estimates provided here. BRAIN Biotech AG does not intend and assumes no obligation of any kind to update such forward-looking statements and adapt them to future events or developments. The interim report can include information that does not form part of accounting regulations. Such information is to be regarded as a supplement to, but not a substitute for, information prepared according to IFRS. Due to rounding, it is possible that some figures in this and other documents do not add up precisely to the stated sum, and that stated percentages do not reflect the absolute figures to which they relate. This document is a translation of a document originally prepared in German. Where differences occur, precedence is given to the original German version.

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