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2021/22

QUARTERLY STATEMENT as of 30 June 2022

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B·R·A·I·N

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 April 2022 to 30 June 2022

Successful genome editing in mammalian cells using BRAIN-Metagenome-Cas (BMC) and BRAIN-Engineered Cas (BEC)

BRAIN has reached a major milestone by successfully performing genome editing in mammalian cell lines using its proprietary CRISPR-Cas genome editing nucleases, BRAIN-Metagenome-Cas (BMC) and BRAIN-Engineered-Cas (BEC). This is expected to pave the way for the potential launch of BRAIN's genome editing technology in very large addressable markets such as livestock breeding, cell lines, pharmacology and therapeutic applications. The company will continue to develop this technology with partners for a variety of end markets and applications.

These BRAIN-developed genome editing nucleases are already being deployed successfully in customer projects in the BioScience area, and are used to optimize highly efficient microbial producer strains that drive biological production in so-called microbial cell factories. Together with partners, these proprietary genome editing nucleases are currently being further developed for applications in agriculture, pharmaceutical cell lines, marine applications and industrial producer strains.

Inaugural ESG and Sustainability Report published

BRAIN Biotech AG has published its first ESG and sustainability report. BRAIN sees the accelerated development towards sustainable business conduct as a clear opportunity for the company's further development. The BRAIN Group companies develop innovative products and services based on enzymes, microorganisms and bioactive natural compounds that help drive the economic transformation towards a sustainable circular economy. In addition to a detailed presentation of the company's sustainability strategy, the sustainability report also contains numerous examples of developments, products and cooperation's from the BRAIN Group that are already helping industrial partners to achieve their own sustainability goals more quickly, or will do so in the future. With breakthrough innovations from its own incubator, the BRAIN Group can also make a significant contribution to sustainability in society. Material ESG issues are of central importance for the business model and also the long-term financial success of BRAIN Biotech. They form an integral part of the company's risk assessment and planning. BRAIN has set itself ambitious targets for sustainable corporate development. In addition to environmental, social and governance issues, the strategy for sustainable value enhancement also includes economic and impact targets.

Change in the Supervisory Board of BRAIN Biotech AG

Professor Dr. Bernhard Hauer had informed the Chairman of the Supervisory Board of BRAIN Biotech AG that, for personal reasons, he wishes to resign from his position as a member of the Supervisory Board of BRAIN Biotech AG. The Supervisory Board has regretfully complied with this request and Prof. Dr. Hauer has resigned from the Board as per his wishes as of May 31, 2022. The search for a successor to Prof. Hauer has been initiated by the Supervisory Board and it is intended to present a suitable candidate to the shareholders for election at the Annual General Meeting for the current fiscal year 2021/22.

FINANCIAL POSITION AND PERFORMANCE

1 October 2021 to 30 June 2022

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

In the first nine months of the 2021/22 financial year, BRAIN Group revenues increased by 29.2% year-on-year from € 278 million to € 36.0 million. This strong revenue development is characterized both by significant organic growth and by the acquisition of Breatec in February of this year. In the third quarter, sales revenues increased by 29.1% from € 9.8 million in the same period last year to € 12.7 million. Organically, i.e. without taking Breatec into account, turnover increased by 6.2% to € 10.5 million in the third quarter.

The total operating performance (sales revenues, research and development funding, changes in inventories, other income) increased by 24.1% or € 7.2 million from € 30.0 million to € 37.2 million compared to the same period last year. In the third quarter, total operating performance increased by 27.6% to € 13.0 million compared to the same quarter of the previous year.

The aforementioned developments are explained in more detail below.

The **"BioScience"** segment generated revenue of € 8.5 million in the reporting period and was thus 15.2% higher than in the same period of the previous year. This growth mainly reflected a higher number of contracts signed for Tailor-Made-Solutions projects. A large proportion of the new projects and contracts are based on the use of BRAIN's proprietary genome editing tools. In the third quarter, revenues remained stable year-on-year at € 2.8 million compared to € 2.7 million. Adjusted EBITDA improved from € -4.6 million to € -3.8 million.

Revenue generated by the **"BioIndustrial"** segment reported growth of 33.9% from € 20.6 million to € 27.5 million in the reporting period. This strong increase in the segment in the nine-month period is partly due to inorganic growth from the acquisition of Breatec in February 2022, but also to strong organic growth in the enzymes business compared to the same period in the previous year. In the third quarter, revenue amounted to € 10.0 million, 39.8% above the previous year's figure. Organically, turnover in the third quarter increased by € 0.6 million from € 7.2 million to € 7.8 million. The adjusted EBITDA increased by 54.9% from € 2.4 million to € 3.7 million. The improved segment EBITDA is not only due to the increased revenue but also to an improved cost of materials ratio. As such, this

strategically important segment makes a significant positive contribution to the improved adjusted consolidated EBITDA.

Adjusted consolidated EBITDA improved significantly from € -2.2 million in the previous year to € -0.2 million in the first nine months of the 2021/22 financial year.

Undiluted (basic) and diluted earnings per share during the first nine months of the financial year amounted to € -0.30 compared with € -0.17 in the prior-year period. Earnings per share deteriorated due to the lower financial result compared to the previous year. On the one hand, the at-equity result was lower driven by the development at SolasCure Ltd. and its planned rising costs for Phase 2 clinical trials. On the other hand, there was a one-time positive effect in the previous year from the revaluation of financial liabilities due to the partial exercise of put option rights by minority shareholders of Biocatalysts Ltd.

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

€ thousand	9M 2021/22	9M 2020/21
EBITDA	-1,442	-2,061
Share-based employee compensation	-825	-511
Acquisition and integration costs incurred in the expansion of the BRAIN Group	-425	-170
Gain on bargain purchase	0	858
Adjusted EBITDA	-192	-2,238

2. Net assets

Non-current assets increased from € 38.6 million as at 30 September 2021 to € 46.5 million as at 30 June 2022. This was due, firstly, to the acquisition of Breatec and the intangible assets thereby determined as part of the acquisition-related preliminary purchase price allocation. Secondly, property, plant and equipment increased due to the further investments in fermentation capacities at the Cardiff site. In addition, a share capital contribution of € 1.2 million was rendered in cash as part of a further Series B capitalization at SolasCure Ltd., which is equity accounted. Current assets decreased from € 39.1 million to € 31.5 million. This decrease is mainly due to the decrease in cash and cash equivalents.

Equity decreased from € 41.8 million as at 30 September 2021 to € 32.7 million as at 30 June 2022. This is mainly due to the reduction in capital reserves in connection with the recognition of a potential obligation (liability) from put option rights of non-controlling interest in Breatec and the negative result for the period. No capital measures were implemented during the reporting period.

Non-current liabilities increased from € 24.6 million to € 28.2 million. On the one hand, this increase is due to higher long-term financial liabilities for the put option liabilities for the acquisition of minority interests in Breatec. On the other hand, the put option liabilities for the acquisition of minority interests in Biocatalysts were reclassified from non-current to current financial liabilities due to the time elapse. Current liabilities increased accordingly from € 11.3 million to € 17.0 million.

3. Financial position

The Group's gross cash flow amounts to € -3.7 million compared to € -4.1 million in the same period of the previous year.

Cash flow from operating activities improved strongly from € -3.0 million to € -1.0 million compared to the same period of the previous year. This positive development is mainly due to the improved EBITDA as well as an improvement in the operating working capital.

Cash flow from investing activities amounted to € -8.7 million in the first nine months of the current financial year compared to € -2.0 million in the previous year and mainly reflects the acquisition of Breatec (€ 3.1 million), a participation in a capital increase of SolasCure Ltd. (€ 1.2 million) and the investment in the expanded production capacity at the Cardiff, UK site (€ 3.7 million).

The cash flow from financing activities reflects the repayment of financial liabilities in the reporting period and amounted to € -1.6 million compared to € -6.8 million in the previous year.

Compared to 30 September 2021, cash and cash equivalents decreased from € 24.5 million to € 13.3 million, which is attributable to the aforementioned effects.

CONSOLIDATED INCOME STATEMENTS

[UNAUDITED] 1 October 2021 to 30 June 2022 and 1 April 2022 to 30 June 2022

€ thousand	9M 2021/22	9M 2020/21	Q3 2021/22	Q3 2020/21
Revenue	35,974	27,845	12,707	9,844
Research and development grant revenue	655	472	296	107
Change in inventories of finished goods and work in progress	-120	170	-227	23
Other income ¹	678	1,479	199	192
	37,188	29,966	12,975	10,167
Cost of materials				
Costs of raw materials and supplies, and purchased merchandise	-15,007	-11,341	-5,578	-3,739
Cost of purchased services	-952	-1,089	-269	-288
	-15,959	-12,430	-5,847	-4,026
Personnel expenses				
Wages and salaries	-12,830	-11,859	-4,577	-4,085
Share-based employee compensation	-825	-511	-297	-210
Social security and post-employment benefit costs	-2,441	-2,257	-863	-764
	-16,096	-14,627	-5,737	-5,059
Other expenses	-6,575	-4,969	-2,108	-1,576
EBITDA	-1,442	-2,061	-717	-495
Depreciation and amortization and impairment	-3,198	-2,947	-1,140	-1,061
Operating result (EBIT)	-4,640	-5,008	-1,857	-1,556
Share of profit or loss from equity-accounted investments	-1,781	-567	-564	-206
Finance income	625	3,091	-30	-1
Finance costs	-538	-425	-248	-135
	-1,695	2,099	-841	-342
Pretax loss for the reporting period	-6,335	-2,909	-2,699	-1,899
Income tax expense / income				
a) Current tax expense (-) / income (+)	-131	-257	138	-91
b) Deferred tax expense (-) / income (+)	261	224	104	88
	130	-33	242	-3
Net loss for the reporting period	-6,205	-2,942	-2,456	-1,902
of which attributable to:				
Non-controlling interests	367	375	160	129
Shareholders of BRAIN Biotech AG	-6,571	-3,317	-2,616	-2,031
Earnings per share, basic (undiluted)	-0.30	-0.17	-0.12	-0.10
Number of shares taken as basis	21,847,495	19,861,360	21,847,495	19,861,360
Earnings per share, diluted	-0.30	-0.17	-0.12	-0.10
Number of shares taken as basis	21,847,495	19,861,360	21,847,495	19,861,360

¹ Other income in 9M 2020/21 includes € 858k Gain on bargain purchase.

CONDENSED CONSOLIDATED STATEMENTS OF THE FINANCIAL POSITION (BALANCE SHEET) [UNAUDITED]

30 June 2022

€ thousand	30.06.2022	30.09.2021
Non-current assets	46,450	38,623
Current assets	31,453	39,114
ASSETS	77,903	77,737
Equity	32,681	41,828
Non-current liabilities	28,202	24,575
Current liabilities	17,020	11,335
EQUITY AND LIABILITIES	77,903	77,737

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS [UNAUDITED]

1 October 2021 to 30 June 2022

€ thousand	9M 2021/22	9M 2020/21
Gross cash flow	-3,695	-4,061
Cash flow from operating activities	-1,032	-3,000
Cash flow from investing activities	-8,653	-1,999
Cash flow from financing activities	-1,584	-6,826
Net change in cash and cash equivalents	-11,269	-11,824
Cash and cash equivalents at start of reporting period	24,545	18,943
Cash and cash equivalents at end of reporting period ²	13,309	7,249

² A € +34 thousand change in the cash position arose as at 30 June 2022, reflecting changes in currency exchange rates.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

1 October 2021 to 30 June 2022

Accounting policies

The accounting policies on which the consolidated financial statements as at 30 September 2021 were based were also applied for the first nine months of 2021/22.

Business combinations

On 1 February 2022, BRAIN Biotech AG acquired a 62% interest in Weriol Group B.V., based in Nieuwkuijk, Netherlands. This acquisition also included Breatec B.V. and Panei B.V. (including Comix activities), both also located in Nieuwkuijk, Netherlands, as wholly owned subsidiaries of Weriol Group B.V. (hereinafter collectively referred to as "Breatec").

Breatec is an established distributor, formulator and blender of functional food ingredients for the baking and milling industries. This acquisition will further accelerate the growth of BRAIN's BioIndustrial business area and expand the enzyme portfolio to include adjacent market segments.

The acquisition price for the acquired 62% interest in Breatec amounted to € 4,170 thousand. The purchase price includes an immediate cash outflow of € 3,494 thousand, an earn-out agreement of € 476 thousand subject to performance conditions for the 2022 calendar year, and a payment of € 200 thousand due in 12 months with no further conditions.

The acquisition generated € 1,526 thousand of partial goodwill on the acquisition date which is attributable to BRAIN Biotech AG shareholders on the basis of the interest held. The hidden reserves disclosed under other intangible assets (excluding goodwill) relate mainly to disclosed customer relationships and brand names.

The preliminary fair values of the identifiable assets and liabilities of Breatec as at the date of acquisition were:

€ thousand	Fair value recognized on acquisition
Assets	
Intangible assets (Customer relationships and trademarks)	3,502
Property, plant and equipment	175
Right-of-use assets	946
Inventories	904
Trade receivables	1,396
Other current assets	64
Cash & cash equivalents	398
Total assets	7,385

Liabilities	
Trade payables	-664
Long term liabilities (interest bearing)	-1,202
Short term liabilities (interest bearing)	-352
Deferred tax liabilities	-902
Total liabilities	-3,120
Total identifiable net assets at fair value	4,265
Fair value of non-controlling interests (38%)	-1,621
Goodwill	1,526
Purchase consideration transferred	4,170

€ thousand	Cash flow on acquisition
Cash & cash equivalents acquired with the subsidiary	398
Cash paid	-3,494
Net cash flow on acquisition	-3,096

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

The acquired lease liabilities were measured at the present value of the remaining lease payments on the acquisition date. The rights-of-use were measured at the same amount as the lease liabilities.

Deferred tax liabilities comprise the effects of temporary differences between the fair values of the assets and liabilities identified as part of purchase price allocation, and their carrying amounts on the tax balance sheet.

Goodwill derives primarily from the synergies arising at Group level. The BRAIN Group possesses extensive product expertise and market access in the enzymes area. It is expected that the acquisition of Breatec's activities will enable the Group to realize both extended cost synergies and revenue synergies. Breatec was allocated to the "BioIndustrial" segment.

The entire goodwill is not tax deductible.

The condensed interim financial statements include the results of Breatec for the five-month period from the acquisition date. Since the acquisition date, Breatec has contributed € 3.4 million to the BRAIN Group's revenue and € +0.1 million to the net result for the reporting period. If the acquisition had taken place at the beginning of the financial year, BRAIN Group's revenue would have amounted to € 38.7 million, and the net result for the reporting period would have amounted to € -6.2 million.

Transaction costs of € 0.4 million were expensed and are included in other expenses in the consolidated income statement. They also form part of cash flow from operating activities in the consolidated statement of cash flows.

The non-controlling interests were as follows as at the acquisition date:

€ thousand	Interest in %	Interest in book equity	Share of revalued equity
Non-controlling interests	38.00	635	1,621

Put/call option agreements were also arranged between the remaining non-controlling interests and BRAIN Biotech AG, which enable BRAIN Biotech AG to acquire the remaining non-controlling interests at a contractually agreed EBITDA multiple during three exercise periods between 1 January 2025 and 31 March 2027. The put option gives the non-controlling interests the right to tender shares to the BRAIN Group at a contractually agreed EBITDA multiple in three exercise periods between 1 January 2025 and 31 March 2027.

The financial liability is recognized so as to reflect the highest probable liability, as the actual exercise dates are uncertain. The present value of the resultant contingent acquisition consideration amounted to € 5,199 thousand as at 1 February 2022. The capital reserves were reduced by € 5,199 thousand accordingly. The liability is subsequently remeasured with recognition in profit or loss.

Segment reporting

In the segment reporting Breatec has been added to the Segment BioIndustrial. Compared with the consolidated financial statements as at 30 September 2021, no other changes have occurred in relation to the segment reporting. The segment results³ are presented in the following overview.

€ thousand	BioScience		BioIndustrial		Consolidation 9M 2021/22	
	9M 2021/22	9M 2020/21	9M 2021/22	9M 2020/21	Reconciliation	Group
Revenue	8,543	7,416	27,530	20,566	-98	35,974
Adjusted EBITDA	-3,848	-4,602	3,686	2,379	-29	-192

Number of employees in the Group⁴

Average for the reporting period	9M 2021/22	FY 2020/21
Total employees, of which	306	288
Salaried employees	282	264
Industrial employees	24	25

³ After partial elimination within the segment

⁴ Excluding the members of the parent company's Management Board and the subsidiaries' managing directors

Furthermore, BRAIN employs scholarship/grant holders (1, FY 2020/21: 3), temporary employees (11, FY 2020/21: 12) and trainees (5, FY 2020/21: 8).

**Covid-19 update, the supply chain situation and price inflation –
Business performance and forecast**

BRAIN has been able to largely contain any adverse effects from the coronavirus pandemic. However, potential future travel restrictions and renewed social distancing rules may continue to make it difficult for BRAIN to visit clients in order to acquire new projects in the course of the financial year. This can lead to delays in customer acquisition and the signing of new contracts. The associated company SolasCure Ltd. was affected by the pandemic insofar as clinic closures led to delays in clinical trials. The tense supply chain situation has already had a dampening effect on even more dynamic growth in the BioIndustrial segment.

A sufficient and uninterrupted energy supply is essential for the BRAIN Group and forms the basis of our full-year forecast. No significant changes are identifiable concerning the business outlook compared with the outlook report presented in the 2020/21 annual report (page 97). Despite the ongoing coronavirus pandemic, the supply chain situation and price inflation, BRAIN is confident that it will be able to achieve the targets it has set for this financial year.

Zwingenberg, 29 August 2022

The Management Board



Adriaan Moelker



Lukas Linnig

CONTACT

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FINANCIAL CALENDAR

16.01.2023 **Publication of the annual report
as at 30.09.2022 (12M)**

27.02.2023 **Publication of the quarterly statement
as at 31.12.2022 (3M)**

08.03.2023 **Annual General Meeting**

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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