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2020/21

QUARTERLY STATEMENT as of 31 December 2020

Significant events · Financial position and performance · Consolidated income statement · Condensed presentation of the Group financial position · Condensed consolidated cash flow statement · Selected information about the Group · Events after the end of the quarter · Contact · Financial calendar

B·R·A·I·N

ABOUT BRAIN

BRAIN AG ranks among the technologically leading companies in Europe in the bioeconomy area, and operates in industrial – so-called “white” – biotechnology with its key technologies. BRAIN identifies previously untapped high-performing enzymes, microbial producer organisms and natural materials derived from complex biological systems in order to transform them into industrially usable applications. Innovative solutions and products developed from “Nature’s Toolbox” are successfully deployed in the chemicals sector, as well as in the cosmetics and food manufacturing industries.

The business model of BRAIN stands on two pillars: “BioScience” and “BioIndustrial”. The “BioScience” pillar includes the company’s collaboration business with industrial partners, usually arranged on an exclusive basis. The second pillar, “BioIndustrial”, comprises the development and marketing of the company’s own products and product components through direct access to markets and licensing partnerships.

As part of its growth-oriented industrialization strategy, B.R.A.I.N. Biotechnology Research and Information Network AG (BRAIN AG; ISIN DE0005203947 / WKN 520394) in February 2016 became the first bioeconomy company to be listed in the Prime Standard of the Frankfurt Stock Exchange.

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SIGNIFICANT EVENTS

1 October 2020 to 31 December 2020

Change in the Management Board of BRAIN AG

Lukas Linnig assumes office as the new Chief Financial Officer. Linnig, who had been Head of Finance, Controlling and Legal at BRAIN since April 2017, had already supported BRAIN as an external advisor during its IPO. The Supervisory Board had announced Linnig's appointment in May 2020.

Two new experts join the Supervisory Board of BRAIN AG

Prof. Dr.-Ing. Wiltrud Treffenfeldt and Mr. Stephen Catling were appointed by the Darmstadt District Court as new members of the Supervisory Board with effect as of 14 October 2020 and until the next Annual General Meeting on 10 March 2021. With Treffenfeldt, a Swiss national, and Catling, a British national, the BRAIN Supervisory Board has not only hired further specialist expertise in bioprocess technology and food technology, but has also more gained greater internationality and increased its proportion of women.

FINANCIAL POSITION AND PERFORMANCE

1 October 2020 to 31 December 2020

GROUP BASIS AND GENERAL CONDITIONS

The remarks made in the consolidated financial statements for the financial year ending 30 September 2020 about the Group's basis and general conditions continue to be applicable.

1. Results of operations

During the first three months of the 2020/21 financial year, the total operating performance (revenue, research and development grant revenue, changes in inventories, and other income) of the BRAIN Group reduced by 18.3% from € 10.4 million in the prior-year period to € 8.5 million. Revenue decreased by € 2.2 million year-on-year to € 8.1 million.

The BioScience" segment generated total operating performance of € 2.3 million in the reporting period, down 44.7% from the prior-year period. This decrease is mainly attributable to the scheduled expiry of major projects as well as one-off effects from the previous year, and delays in the completion of new and follow-up projects. The adjusted EBITDA of the BioScience segment reduced accordingly by € -1.1 million to € -1.7 million.

The total operating performance of the BioIndustrial segment remained almost unchanged at € 6.2 million in the reporting period. Adjusted EBITDA reported a slight reduction of € 0.1 million to € 0.3 million. Within the segment, Biocatalysts Ltd. reported a very dynamic double-digit positive trend, whereas WeissBioTech GmbH experienced a significant reduction in revenue due to both negative pandemic effects and structural challenges.

As a consequence of the factors mentioned above, adjusted Group EBITDA reduced from € -0.2 million in the previous year to € -1.4 million in the first three months of the 2020/21 financial year.

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

€ thousand	3M 2020/21	3M 2019/20
EBITDA	-1,587	-313
Share-based employee compensation	-160	-79
Acquisition and integration costs incurred in the expansion of the BRAIN Group	0	-8
Adjusted EBITDA	-1,428	-226

2. Net assets

Total assets decreased from € 72.2 million to € 67.4 million as at 31 December 2020.

Non-current assets reduced from € 39.1 million as at 30 September 2020 to € 38.2 million as at 31 December 2020, which is attributable to depreciation and amortization. Current assets decreased from € 33.1 million to € 29.2 million. This reduction is mainly due to the decrease in cash and cash equivalents. This decrease in cash and cash equivalents reflects not only the net result for the period but also the acquisition of Biosun Biochemicals Inc. and related payment of the purchase price. BRAIN AG paid a purchase price of € 0.5 million in cash, and the transaction was completed on 1 January 2021. Further details on the purchase are provided in the section "Events after the end of the quarter".

Equity decreased from € 26.1 million as at 30 September 2020 to € 23.1 million as at 31 December 2020. This reduction of € 3.0 million is almost entirely attributable to the result for the period. No capital measures were implemented during the reporting period.

Non-current liabilities decreased slightly from € 33.7 million to € 33.4 million, which is attributable to a slight reduction in non-current deferred tax. Current liabilities decreased from € 12.4 million to € 10.8 million, primarily reflecting the reduction in liabilities.

3. Financial position

The Group's gross cash flow remained almost unchanged at € -1.7 million as at 31 December 2020 compared to 31 December 2019.

Cash flow from operating activities decreased from € -0.6 million to € -2.1 million year-on-year, mainly due to the lower net result for the period and the effect of the acquisition of Biosun Biochemicals Inc.

Cash flow from investing activities reduced from € -1.6 million in the previous year to € -0.2 million in the period under review. In the previous year, a higher volume of investments were made in property, plant and equipment, as well as for the expansion of production capacities at the sites in Cardiff in the UK and at Büttelborn in Germany.

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

Compared to 30 September 2020, cash and cash equivalents decreased from € 18.9 million to € 16.1 million, which is attributable to the aforementioned effects.

CONSOLIDATED INCOME STATEMENT

[UNAUDITED] 1 October 2020 to 31 December 2020

€ thousand	3M 2020/21	3M 2019/20
Revenue	8,078	10,323
Research and development grant revenue	196	177
Change in inventories of finished goods and work in progress	76	-231
Other income	138	122
	8,488	10,390
Cost of materials		
Cost of raw materials and supplies, and purchased merchandise	-3,709	-3,292
Cost of purchased services	-259	-899
	-3,968	-4,191
Personnel expenses		
Wages and salaries	-3,664	-3,673
Share-based employee compensation	-160	-79
Social security and post-employment benefit costs	-725	-737
	-4,548	-4,488
Other expenses	-1,559	-2,024
EBITDA	-1,587	-313
Depreciation, amortization and impairment	-905	-874
Operating result (EBIT)	-2,492	-1,186
Share of profit or loss from equity-accounted investments	-559	-879
Finance income	18	7
Finance costs	-224	-186
	-765	-1,058
Pretax loss for the reporting period	-3,258	-2,244
Income tax expense/income		
a) Current tax expense	-80	-82
b) Deferred tax income	69	92
	-11	10
Net loss for the reporting period	-3,269	-2,234
of which attributable to:		
Non-controlling interests	87	24
Shareholders of BRAIN AG	-3,356	-2,258
Earnings per share, basic (undiluted)	-0.19	-0.13
Number of shares taken as basis	18,055,782	18,055,782
Earnings per share, diluted	-0.19	-0.13
Number of shares taken as basis	18,055,782	18,055,782

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

31 December 2020

€ thousand	31.12.2020	30.09.2020
Non-current assets	38,190	39,067
Current assets	29,177	33,083
ASSETS	67,367	72,150
Equity	23,104	26,143
Non-current liabilities	33,438	33,650
Current liabilities	10,826	12,357
EQUITY AND LIABILITIES	67,367	72,150

CONDENSED CONSOLIDATED CASH FLOW STATEMENT [UNAUDITED]

1 October 2020 to 31 December 2020

€ thousand	3M 2020/21	3M 2019/20
Gross cash flow	-1,719	-1,690
Cash flow from operating activities	-2,132	-574
Cash flow from investing activities	-194	-1,572
Cash flow from financing activities	-523	199
Net change in cash and cash equivalents	-2,849	-1,947
Cash and cash equivalents at start of reporting period	18,943	15,160
Cash and cash equivalents at end of reporting period ¹	16,113	13,249

¹ An € 18 thousand change in the cash position arose as at 31 December 2020, reflecting changes in currency exchange rates.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

1 October 2020 to 31 December 2020

Segment reporting

Compared with the consolidated financial statements as at 30 September 2020, no changes have occurred in relation to segment reporting. The segment results are presented in the following overview.

€ thousand	BioScience		BioIndustrial		Consolidation 3M 2020/21	
	3M 2020/21	3M 2019/20	3M 2020/21	3M 2019/20	Reconciliation	Group
Total operating performance	2,339	4,227	6,208	6,164	-59	8,488
Adjusted EBITDA	-1,744	-637	313	366	3	-1,428

Number of employees in the Group

Average for the reporting period ²	3M 2020/21	FY 2019/20
Total employees, of which	283	279
Salaried employees	255	253
Industrial employees	28	25

Furthermore, BRAIN employs scholarship/grant holders (5, FY 19/20: 6), temporary employees (13, FY 19/20: 14) and trainees (8, FY 19/20: 7).

² Excluding the members of the parent company's Management Board (3) and the subsidiaries' managing directors

EVENTS AFTER THE END OF THE QUARTER

BRAIN Group acquires Biosun Biochemicals Inc., furthering expanding its product business in the USA

On 7 January 2021, BRAIN AG announced the acquisition of Biosun Biochemicals Inc. based in Tampa, Florida. The transaction was completed on 1 January 2021. The company is a successful distributor, formulator and blender of enzymes, flavors, food ingredients and natural colors in the US market, and is the selected US distributor for Givaudan's flavors. Biosun generates revenues in the low to mid single-digit range in millions of US dollars, and has been consistently profitable since it was founded.

The completion of this acquisition gives BRAIN improved access to the large and important US market, brings many established customer relationships into the Group, and supports BRAIN's growth trajectory in North America. Biosun Biochemicals Inc. will continue to operate under its established name.

BRAIN AG makes further investment in SolasCure Limited

On 19 January 2021, BRAIN AG participated in a capital increase at SolasCure Limited. The total capital increase amounted to GBP 3.0 million, in which BRAIN participated with an amount of GBP 0.5 million. This led to a change in the interest held from 46% to 41%. In the future, SolasCure Limited will continue to be equity accounted in accordance with IAS 28. BRAIN AG continues to be very confident about the successful development of its active ingredient Aurase for chronic wound care, and has consequently participated in this new financing round for SolasCure Limited.

Covid-19 update – business progress and forecast

After the end of the reporting period, BRAIN continued to contain any adverse impact on business performance due to the coronavirus pandemic, focusing its measures primarily on employee safety, supply chain stability, the timely fulfillment of customer contracts, and the maintenance of normal business operations to the greatest extent possible.

The subsidiary SolasCure Ltd, Cardiff/UK, was affected by the pandemic insofar as clinic closures led to continued delays in the scheduling of clinical trials. A reduction in sales of enzymes in the starch processing area (bioethanol) and in products for beer and wine production also had a negative effect.

Travel restrictions and social distancing are making it increasingly difficult for BRAIN AG to visit clients in order to acquire new projects. Our business development team is endeavoring to pursue new approaches in order to minimize the impact on customer acquisition. However, a more significant effect during the coming quarters, as well as beyond, cannot be ruled out.

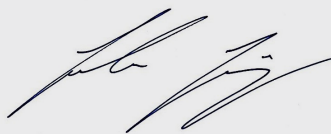
No significant changes are identifiable concerning the business outlook compared with the outlook report presented in the 2019/20 annual report (page 95). Despite the coronavirus pandemic, BRAIN is confident that it will be able to achieve the qualitative targets it has set for this year.

Zwingenberg, 26 February 2021

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

26.02.2021 **Publication of the quarterly statement
as at 31.12.2020 (3M)**

10.03.2021 **Annual General Meeting, virtual**

28.05.2021 **Publication of the half-year report
as at 31.03.2021 (6M)**

30.08.2021 **Publication of the quarterly statement
as at 30.06.2021 (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 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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