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2020/21

QUARTERLY STATEMENT as of 30 June 2021

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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 2021 to 30 June 2021

Promising Genome Editing Tool developed by BRAIN

BRAIN Biotech AG has completed the first development phase for a novel genome editing system based on a Non-Cas9 nuclease. Our scientists have achieved this breakthrough by combining long standing experience and R&D skills in genome editing throughout the group. This novel CRISPR associated nuclease has been validated internally as well as with partners and it has demonstrated DNA targeting activity in selected bacteria, fungi and yeast. Activity in plants has been achieved but still needs to be validated. Genome editing tests for additional application fields such as mammalian cell lines have been initiated and a first IP application to protect our nuclease sequence is already submitted. It is expected that this novel genome editing system will give BRAIN freedom to operate for internal as well as customer projects and that it promises significant economic upside if the next development steps prove to be successful and a patent is granted.

Increase share in Biocatalysts

BRAIN Biotech AG has expanded its shareholdings in the successful enzyme producer Biocatalysts Ltd., Wales, with 16.7% by the purchase of additional shares from minority shareholders. Due to the strong business performance at Biocatalysts Ltd. current production capacity will be fully utilised although only coming on stream in early 2021. The 2nd phase of expansion is planned to be accelerated as a result. The purchase price was GBP 3.9 million.

FINANCIAL POSITION AND PERFORMANCE

1 October 2020 to 30 June 2021

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

In the first nine months of the 2020/21 financial year, the BRAIN Group generated revenue of € 27.8 million compared to € 29.6 million in the same period of the previous year, representing decline of 5.8%. In the third quarter, revenue grew by 2.3%, from € 9.6 million in the same period of the previous year to € 9.8 million. Organically, i.e. excluding Biosun Biochemicals Inc., third quarter revenues decreased by 5.5% to € 9.1 million.

Total operating performance (revenue, research and development grant revenue, changes in inventories, other income) decreased by 1.1% year-on-year, or by € 0.3 million, from € 30.3 million to € 30.0 million. In the third quarter, total operating performance remained stable at € 10.2 million compared to € 10.1 million last year.

The aforementioned developments are explained in more detail below.

The **"BioScience"** segment generated revenue of € 7.4 million in the reporting period, down 29.2% from the prior-year period. This decline is mainly due to some larger projects reaching their planned end phase and delays in the completion of new/follow-up projects in the Tailor-Made-Solutions business. In the third quarter, revenue decreased by € 0.9 million to € 2.7 million. The adjusted EBITDA decreased from € -3.1 million to € -4.6 million. The lower adjusted EBITDA is mainly due to the decline in sales in the BioScience segment mentioned above, however, because a large part of the costs in the BioScience segment can de-facto be classified as fixed, achieved cost savings were able to partially counteract this decline.

Revenue generated by the **"BioIndustrial"** segment reported an increase of 7.5% from € 19.1 million to € 20.6 million in the reporting period. In the third quarter, revenue increased by 18.8% to € 7.2 million. On an organic basis, revenue increased in the third quarter by € 0.4 million from € 6.0 million to € 6.4 million. Adjusted EBITDA decreased by 6.8% from € 2.6 million to € 2.4 million. Within the segment, Biocatalysts Ltd. showed a strong development at the level of revenues. WeissBioTech GmbH continued to record significant revenue declines in the bioethanol business and in wine enzymes. The latter is due, among other things, to effects in connection with the corona pandemic.

Adjusted Group EBITDA consequently decreased from € –0.6 million in the previous year to € –2.2 million in the first nine months of the 2020/21 financial year.

Undiluted (basic) and diluted earnings per share during the first nine months of the financial year amounted to € –0.17, compared with € –0.36 in the previous year's period.

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

€ thousand	9M 2020/21	9M 2019/20
EBITDA	-2,061	-907
Share-based employee compensation	-511	-354
Acquisition and integration costs incurred in the expansion of the BRAIN Group	-170	0
Gain on bargain purchase	858	0
Adjusted EBITDA	-2,238	-553

2. Net assets

Non-current assets increased from € 39.1 million as at 30 September 2020 to € 39.9 million as at 30 June 2021, due to the acquisition of Biosun Biochemicals Inc. and the intangible assets determined as part of the acquisition-related preliminary purchase price allocation. Current assets decreased from € 33.1 million to € 20.1 million. This reduction is mainly due to the decrease in cash and cash equivalents. In the current financial year, the put option liabilities in connection with AnalytiCon Discovery GmbH, amounting to € 1.6 million, became due. In addition, the put option liabilities to the minority shareholders of Biocatalysts Ltd., in the amount of € 4.6 million, fell due in the third quarter.

Equity decreased from € 26.1 million as at 30 September 2020 to € 24.1 million as at 30 June 2021. This decrease of € 2.0 million is mainly the net effect of the negative result of the period, the positive currency translation effects in other comprehensive income and an increase in the capital reserve as a result of the employee stock option programme. No capital measures were implemented during the reporting period.

Non-current liabilities decreased from € 33.7 million to € 26.5 million, due to a reduction in non-current financial liabilities. This reduction resulted from the payment of put option liabilities of € 4.6 million to two minority shareholders of Biocatalysts Ltd. and a financial income from a valuation effect of this liability of € 3.0 million, which is reported in Finance income.

Current liabilities decreased from € 12.4 million to € 9.4 million. The reduction is mainly due

to the scheduled repayments in current financial liabilities and lower other liabilities.

3. Financial position

The Group's gross cash flow improved from € -4.6 million in the previous year to € -4.1 million in the reporting period. This movement reflects the net effect of the improved result for the period and the non-cash revaluation of put option liabilities due to the exercise of two minority shareholders of Biocatalysts Ltd.

Cash flow from operating activities has improved compared to the same period of the previous year. This improvement is mainly the effect of improved operating working capital and was € -3.0 million compared to € -5.7 million in the same period last year.

Cash flow from investing activities in the first nine months of the current financial year was € -2.0 million compared to € -4.5 million in the same period last year.

Cash flow from financing activities, which in the reporting period mainly reflects the repayments of financial liabilities, amounted to € -6.8 million. This amount includes € 4.6 million relating to the payment of put option liabilities to the minority shareholders of Biocatalysts Ltd.

Compared to 30 September 2020, cash and cash equivalents decreased from € 18.9 million to € 7.2 million, which is attributable to the aforementioned effects.

CONSOLIDATED INCOME STATEMENT

[UNAUDITED] 1 October 2020 to 30 June 2021 and 1 April 2021 to 30 June 2021

€ thousand	9M 2020/21	9M 2019/20	Q3 2020/21	Q3 2019/20
Revenue	27,845	29,554	9,844	9,625
Research and development grant revenue	472	616	107	169
Change in inventories of finished goods and work in progress	170	-304	23	158
Other income ¹	1,479	444	192	169
	29,966	30,310	10,167	10,121
Cost of materials				
Costs of raw materials and supplies, and purchased merchandise	-11,341	-10,259	-3,739	-3,620
Cost of purchased services	-1,089	-1,980	-288	-571
	-12,430	-12,239	-4,026	-4,192
Personnel expenses				
Wages and salaries	-11,859	-11,218	-4,085	-3,830
Share-based employee compensation	-511	-354	-210	-199
Social security and post-employment benefit costs	-2,257	-2,253	-764	-625
	-14,627	-13,825	-5,059	-4,654
Other expenses	-4,969	-5,153	-1,576	-1,313
EBITDA	-2,061	-907	-495	-38
Depreciation and amortization and impairment	-2,947	-2,604	-1,061	-864
Operating result (EBIT)	-5,008	-3,511	-1,556	-902
Share of profit or loss from equity-accounted investments	-567	-2,025	-206	-526
Finance income	3,091	127	-1	112
Finance costs	-425	-537	-135	-143
	2,099	-2,436	-342	-557
Pretax loss for the reporting period	-2,909	-5,946	-1,899	-1,459
Income tax expense / income				
a) Current tax expense	-257	-429	-91	-184
b) Deferred tax income	224	268	88	88
	-33	-162	-3	-96
Net loss for the reporting period	-2,942	-6,108	-1,902	-1,555
of which attributable to:				
Non-controlling interests	375	397	129	198
Shareholders of BRAIN Biotech AG	-3,317	-6,504	-2,031	-1,753
Earnings per share, basic (undiluted)	-0.17	-0.36	-0.10	-0.10
Number of shares taken as basis	19,861,360	18,253,473	19,861,360	18,253,473
Earnings per share, diluted	-0.17	-0.36	-0.10	-0.10
Number of shares taken as basis	19,861,360	18,253,473	19,861,360	18,253,473

¹ Other income in 9M 2020/21 includes € 858k Gain on bargain purchase. For more details reference is made to the Selected notes to the consolidated financial statements from page 10 onwards.

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

30 June 2021

€ thousand	30.06.2021	30.09.2020
Non-current assets	39,943	39,067
Current assets	20,146	33,083
ASSETS	60,089	72,150
Equity	24,142	26,143
Non-current liabilities	26,541	33,650
Current liabilities	9,407	12,357
EQUITY AND LIABILITIES	60,089	72,150

CONDENSED CONSOLIDATED CASH FLOW STATEMENT [UNAUDITED]

1 October 2020 to 30 June 2021

€ thousand	9M 2020/21	9M 2019/20
Gross cash flow	-4,061	-4,610
Cash flow from operating activities	-3,000	-5,734
Cash flow from investing activities	-1,999	-4,548
Cash flow from financing activities	-6,826	13,914
Net change in cash and cash equivalents	-11,824	3,632
Cash and cash equivalents at start of reporting period	18,943	15,160
Cash and cash equivalents at end of reporting period ²	7,249	18,787

² An € +130 thousand change in the cash position arose as at 30 June 2021, reflecting changes in currency exchange rates.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

1 October 2020 to 30 June 2021

Accounting policies

The accounting policies on which the consolidated financial statements as at 30 September 2020 were based were also applied for the first nine months of 2020/21.

Business combinations

On 1 January 2021, BRAIN Biotech AG acquired 100% of the shares of Biosun Biochemicals Inc. (Biosun) based in Tampa, Florida. Biosun is a distributor, formulator and blender of enzymes, flavours, food ingredients and natural colours in the US market, and is a selected US distributor for Givaudan's flavours. The acquisition of Biosun gives BRAIN Biotech AG improved access to the US market, brings many established customer relationships into the Group, and supports BRAIN Biotech AG's growth trajectory in North America.

The acquisition has been accounted for using the acquisition method. The interim condensed financial statements include the results of Biosun for the six-month period from the acquisition date.

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

€ thousand	Fair value recognized on acquisition
Assets	
Intangible assets (Customer relationships)	1,178
Property, plant and equipment	63
Inventories	96
Trade receivables	262
Other current assets	5
Cash & cash equivalents	149
Total assets	1,753
Liabilities	
Trade payables	-108
Short term liabilities (interest bearing)	-3
Deferred tax liabilities	-273
Total liabilities	-384
Total identifiable net assets at fair value	1,369
Gain on bargain purchase	-858
Purchase consideration transferred	511

€ thousand	Cash flow on acquisition
Cash & cash equivalents acquired with the subsidiary	149
Cash paid	-511
Net cash flow on acquisition	-362

The gain on bargain purchase is mostly driven by the seller's wish to sell the company within a limited time frame including a quick signing for personal reasons. In addition, only limited information was available until the closing. The gain on bargain purchase has been recognised under Other Income.

At the date of acquisition, the fair value of the trade receivables equals the carrying amount.

From the date of acquisition, Biosun has contributed € 1.6 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 been € 28.3 million and the Net result for the reporting period would have been € -2.9 million.

Transaction costs of € 0.1 million were expensed and are included in the Other expenses in the Consolidated income statement and are part of the Cash flow from operating activities in the Consolidated statement of cash flows.

Segment reporting

In the segment reporting Biosun Biochemicals Inc. has been added to the Segment BioIndustrial. Compared with the consolidated financial statements as at 30 September 2020, 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 2020/21	
	9M 2020/21	9M 2019/20	9M 2020/21	9M 2019/20	Reconciliation	Group
Revenue	7,416	10,476	20,566	19,127	-137	27,845
Adjusted EBITDA	-4,602	-3,119	2,379	2,553	-15	-2,238

Number of employees in the Group⁴

Average for the reporting period	9M 2020/21	FY 2019/20
Total employees, of which	289	279
Salaried employees	262	253
Industrial employees	25	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 (3, FY 19/20: 6), temporary employees (12, FY 19/20: 14) and trainees (8, FY 19/20: 7).

EVENTS AFTER THE END OF THE QUARTER

Additional CRISPR Genome Editing Nucleases Identified

BRAIN Biotech AG has identified around 2,000 so far untapped additional Class 2 CRISPR Nucleases using metagenomics sequencing which could be deployed for genome editing. With a focused investment approach the company has so far analysed a limited number in detail and has already filed a first IP protection for 15 nucleases. BRAIN recently selected and announced a prime candidate, the so-called BRAIN Engineered Cas Nuclease (BEC), which is already applied in different organisms and projects. In addition, BRAIN has started initial partnering discussions and is open for further partners to accelerate the detailed screening of its further promising CRISPR Nuclease candidates.

BRAIN Engineered Cas: Filing of International Patent Application

Positive data evaluation from recently conducted experiments has increased confidence of BRAIN Biotech AG's management in the valuable IP position of its Non-Cas9 genome editing nuclease, the BRAIN Engineered CAS Nuclease (BEC). In order to secure a broad intellectual property position on a global scale BRAIN has now advanced in the international patent filing process under the Patent Cooperation Treaty (PCT) formalities. BRAIN is striving for an extended patent family around its BEC genome editing tool to further progress on the IP position already within the course of this year. On May 6th, 2021, BRAIN had announced the development of the novel CRISPR Cas tool using metagenomics sequencing and protein engineering to isolate the Non-Cas9 genome editing nuclease BEC.

Sartorius and BRAIN jointly researching and adapting novel CRISPR Cas-nucleases

The life science group Sartorius and BRAIN Biotech AG are jointly researching and adapting novel CRISPR-Cas genome editing nucleases for specific applications in the field of life sciences. Within the research project Sartorius is testing the novel CRISPR-Cas genome editing nucleases on a range of cell lines. To this end, Sartorius and BRAIN are collaborating on a promising early-stage genome editing technology portfolio. Novel CRISPR-Cas genome editing nucleases can be used to modify the genetic material of cells by specifically altering genes, inserting them into the genome or removing them from it. Scientists can use this biotechnological gene editing process, for example, to make plants more resistant to pests and drought or to produce biological fuels. In biopharmaceuticals, the gene scissors could lead to new therapies and thus improve the chances of curing a wide range of diseases such as cancer, neurodegenerative diseases or hereditary diseases.

Covid-19 update

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. The first participants have been enrolled in the Clinical Phase 2 tests and are being treated. A reduction in sales of enzymes in the starch processing area (bioethanol) and in products for beer and wine production continues to have a negative effect at WeissBioTech GmbH. Travel restrictions and social distancing are making it increasingly difficult for BRAIN Biotech 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.

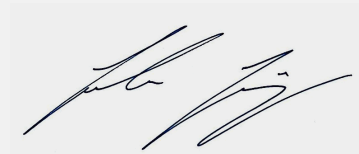
Compared to the outlook report presented on page 95 of the 2019/20 annual report, no significant changes are identifiable concerning the business outlook which are not related to the development of the new Genome Editing Tool of BRAIN Biotech AG. As such, the forecast remains unchanged except for the elimination of the investments in this project. Despite the coronavirus pandemic, BRAIN Biotech AG is confident that further business progress, albeit perhaps at a slightly slower pace, will proceed in the forecasted direction.

Zwingenberg, 30 August 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

30.08.2021 **Publication of the quarterly statement
as at 30.06.2021 (9M)**

03.09.2021 **Capital Markets Day**

17.01.2022 **Publication of the annual report
as at 30.09.2021 (12M)**

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

09.03.2022 **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.

Publication date: 30 August 2021

Published by:

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