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2022/23

QUARTERLY STATEMENT

as of 30 June 2023

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B•R•A•I•N

ABOUT BRAIN Biotech

BRAIN Biotech AG is a leading European supplier of biobased products and solutions such as enzymes and proteins, microbial production strains, natural compounds and biotechnological solutions for more sustainable industrial processes. The company focuses on the fields of nutrition, health and environment.

BRAIN Biotech AG is the parent company of the international BRAIN Biotech Group. The Group's business activities are divided into three segments: The BioProducts segment comprises the product business with specialty enzymes and other proteins, for which the Group operates fermentation facilities in the United Kingdom and production facilities in continental Europe and the United States. The BioScience segment offers research-intensive custom solutions based on enzyme technology, strain development, bioprocess development and natural product screening. The BioIncubator segment conducts its own R&D projects or those initiated with partners with high value-added potential. A particularly promising incubator project is the development of the Company's own CRISPR-based gene editing technology platform, which is currently being established and expanded by Akribion Genomics (in foundation).

Through its own R&D activities, the Group is continuously expanding its product portfolio in the field of specialty enzymes and small molecules. The latter are the starting point for screenings, e.g. for novel drug candidates for pharmaceutical applications.

BRAIN Biotech AG has been listed on the Prime Standard of the Frankfurt Stock Exchange since February 9, 2016 (ticker symbol: BNN; securities identification number: ISIN DE0005203947 / WKN 520394). The company employs approximately 330 people and generated revenues of EUR 49.5 million in the fiscal year 2021/22.

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SIGNIFICANT EVENTS

1 April 2023 to 30 June 2023

BRAIN Biotech AG fully acquires Biocatalysts Ltd.

BRAIN Biotech AG has acquired the final two minority interests in Biocatalysts Ltd. Biocatalysts is now fully owned by BRAIN Biotech AG and will form the core of the Group's ambitious growth strategy to create a global multi-specialist enzyme company.

The total purchase price for both minority shares was GBP 8.3 million. The transaction was financed from the Group's own funds and additional debt.

In February 2023, BRAIN Biotech had announced the bundling of the entire group product business under the leadership of Biocatalysts as the One-BioProducts strategy and will now start transferring the companies Breatec B.V., Biosun Biochemicals Inc. and WeissBioTech GmbH to Biocatalysts Ltd.

BRAIN Biotech celebrates 30-year company anniversary

BRAIN Biotech celebrated its 30th anniversary at the Zwingenberg site under the motto "Biotech the Future". During the symposium, international customers and business partners exchanged views on the diverse applications of industrial biotechnology in four moderated panel discussions. Shareholders, customers and guests from business and associations were informed about the "evolution" of the former biotech start-up into an international group of companies at a ceremony and during facility tours.

Akribion Genomics takes second place in Science4Life Venture Cup

The team from Akribion Genomics has taken second place in the Science4Life Venture Cup competition.

The prize was awarded for the team's concept and business plan for its CRISPR-based tools for targeted cell killing for therapeutic applications. These molecular biology tools are established under the brand Akribion Genomics. Science4Life is the largest German business plan competition for start-ups in the fields of life science, chemistry and energy.

FINANCIAL POSITION AND PERFORMANCE

1 October 2022 to 30 June 2023

GROUP BASIS AND GENERAL CONDITIONS

The remarks made in the consolidated financial statement for the financial year ending 30 September 2022 about the Group's basis and general conditions continue to be applicable.

1. Results of Operation

In the first nine months of the 2022/2023 financial year, the BRAIN Biotech Group generated revenues of € 40.4 million compared to € 36.0 million in the same period of the previous year, which represents an increase of 12.3%. Organically, i.e. excluding the consolidation effects of Breatec in the first four months of the financial year and the deconsolidation of L.A. Schmitt GmbH in the previous year, revenues increased by 7.9%.

The revenues in the third quarter of 2022/23 amounted to € 13.2 million. This corresponds to a 4.1% increase in revenue compared to the third quarter of the previous year.

Total operating performance (revenue, research and development grant revenue, changes in inventories, and other income) in the first nine months of the financial year amounted to € 41.8 million compared to € 37.2 million in the same period of the previous year. In the third quarter, total operating performance increased by 5.5% or € 0.7 million from € 13.0 million to € 13.7 million.

BRAIN Biotech AG announced at the Capital Markets Day on 27 February 2023 that it would be changing its reporting structure to three segments plus the holding company with the publication of the half-year figures. This aligns with the already implemented operational leadership of the Group and further increases transparency for the capital market. The following changes have been made in the segment reporting compared to the consolidated financial statements as at 30 September 2022. The composition of the "**BioIndustrial**" segment remained unchanged, with the exception of the sale of L.A. Schmitt per 30 September 2022, and was renamed to "**BioProducts**". From the "**BioScience**" segment the business unit "**BioIncubator**" and "**BRAIN Biotech Holding**" have been excluded and are presented separately going forward. The BioScience segment continues to include the activities of BRAIN Biotech Zwingenberg (i.e. excluding the Holding and excluding the BioIncubator) and AnalytiCon Discovery. The previous year's figures were adjusted accordingly.

Revenues in the **BioProducts** segment increased by 10.2% from € 27.5 million to € 30.3 million in the reporting period. In the third quarter of the financial year, revenues amounted to € 9.5 million. This corresponds to a decrease of € 0.5 million or 5.1% compared to the same quarter of the previous year. The adjusted EBITDA decreased from € 3.7 million to € 3.3 million in the first nine months. The weaker operating momentum in the product business in the second quarter is due to production interruptions and upfront operating costs in connection with the commissioning of the second large-scale fermenter at Biocatalysts Ltd. that now extend into the third quarter. Due to malfunctioning production equipment, the commissioning of the second large-scale fermenter was further delayed into the fourth quarter. We expect that lost revenues can only be partially recovered in the fourth quarter of the financial year. In addition, inflation-driven labour and pre-product costs can only be passed on to end customers with a certain time lag in some cases.

Revenues in the **BioScience** segment amounted to € 9.6 million in the reporting period and were thus € 1.0 million or 12.0% higher than in the same period of the previous year. This increase is essentially due to a larger sales volume with existing customers in Tailor-Made Solutions projects. Both BRAIN Biotech Zwingenberg and AnalytiCon Discovery contributed to this positive development of the segment. Adjusted EBITDA was a solid € 0.4 million, as in the previous year.

The **BioIncubator** segment generated revenues of € 0.5 million in the reporting period. These revenues were mainly generated by licence income in the genome editing area. The segment's adjusted EBITDA is essentially characterised by investments in the genome editing area under the brand name Akribion Genomics; it amounts to € -2.2 million in the first nine months of the financial year and is below the adjusted EBITDA of € -1.9 million in the previous year.

The **BRAIN Biotech Holding** segment mainly includes personnel expenses and other expenses for Group administration, further development of the BRAIN Biotech Group, the stock exchange listing and M&A activities. The adjusted EBITDA of the segment amounted to € -2.4 million and thus remained constant at the previous year's level. Inflationary trends were offset by continuous cost management.

Adjusted Group EBITDA in the first nine months of the 2022/23 financial year deteriorated by € 0.7 million from € -0.2 million in the previous year to € -0.9 million.

This mainly reflects the weaker adjusted EBITDA in the first half of the financial year. The main reasons for this were, as described above, start-up costs for the production expansion in fermentation and investments in personnel, as well as investments in the BioIncubator, primarily attributable to Akribion Genomics. The adjusted EBITDA in the third quarter was € 0.0 million. Compared to the second quarter of the current financial year, this is an improvement of € 0.5 million.

Basic and diluted earnings per share in the first nine months of the financial year amounted to € -0.30 analogue to the same period of the previous year.

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

€ thousand	9M 2022/23	9M 2021/22
EBITDA	-1,609	-1,442
<i>Share-based employee compensation</i>	-557	-825
<i>Acquisition and integration costs incurred in the expansion of the BRAIN Biotech Group</i>	-132	-425
Adjusted EBITDA	-920	-192

2. Net assets

Non-current assets decreased from € 47.6 million as at 30 September 2022 to € 46.2 million as at 30 June 2023, due to depreciation and amortisation of property, plant and equipment and intangible assets.

Current assets decreased from € 30.4 million to € 23.2 million. This reduction is mainly due to lower cash and cash equivalents.

Equity decreased from € 34.2 million as at 30 September 2022 to € 24.6 million as at 30 June 2023, mainly due to the negative net result for the period and the decrease in "non-controlling interests" as a result of the purchase of the two remaining minority interests in Biocatalysts Ltd. No capital measures were implemented during the reporting period.

The increase non-current liabilities from € 22.4 million to € 30.0 million is due to an increase in long-term financial liabilities. Current liabilities dropped from € 21.4 million to € 14.8 million. The main reasons for this are lower trade payables and reduced short-term financial liabilities.

3. Financial position

The Group's gross cash flow amounted to € -4.0 million in the reporting period compared to € -3.7 million in the previous year.

Cash flow from operating activities deteriorated from € -1.0 million in the previous year to € -4.5 million. This decline is mainly due to the weaker result for the period and a higher cash outflow from the change in trade payables and other liabilities.

Cash flow from investing activities in the first nine months of the current financial year amounts to € 1.1 million compared to € -8.7 million in the same period of the previous year. The cash flow from investing activities is positively influenced by the receipt of the disposal price from the sale of L.A. Schmitt GmbH. On the other hand, there were investments in property, plant and equipment. These were lower than in the same period of the previous year.

Cash flow from financing activities amounts to € 0.2 million compared to € -1.6 million in the same period of the previous year. This is due to a net effect of, on the one hand, cash inflow from taking up additional financial liabilities and, on the other hand, payments made for the acquisition of the two remaining minority shares in Biocatalysts Ltd. and ongoing repayments of financial liabilities.

Cash and cash equivalents decreased from € 8.4 million to € 5.3 million compared to 30 September 2022 due to the aforementioned effects.

CONSOLIDATED INCOME STATEMENTS [UNAUDITED]

1 October 2022 to 30 June 2023 and 1 April 2023 to 30 June 2023

€ thousand	9M 2022/23	9M 2021/22	Q3 2022/23	Q3 2021/22
Revenue	40,393	35,974	13,223	12,707
Research and development grant revenue	639	655	250	296
Change in inventories of unfinished and finished goods and work in progress	69	-120	-67	-227
Other income	676	678	277	199
	41,777	37,188	13,683	12,975
Cost of materials				
Costs of raw materials and supplies, and purchased merchandise	-17,820	-15,007	-5,365	-5,578
Cost of purchased services	-828	-952	-288	-269
	-18,649	-15,959	-5,654	-5,847
Personnel expenses				
Wages and salaries	-13,884	-12,830	-4,652	-4,577
Share-based employee compensation	-557	-825	-124	-297
Social security and post-employment benefit costs	-2,600	-2,441	-869	-863
	-17,041	-16,096	-5,645	-5,737
Other expenses	-7,697	-6,575	-2,645	-2,108
EBITDA	-1,609	-1,442	-260	-717
Depreciation and amortization and impairment	-3,349	-3,198	-1,133	-1,140
Operating result (EBIT)	-4,958	-4,640	-1,394	-1,857
Share of profit or loss from equity-accounted investments	-1,485	-1,781	-488	-564
Finance income	548	625	-3	-30
Finance costs	-570	-538	40	-248
	-1,508	-1,695	-451	-841
Pretax loss for the reporting period	-6,466	-6,335	-1,844	-2,699
Income tax expense / income				
a) Current tax expense(-) / income(+)	-246	-131	-80	138
b) Deferred tax expense(-) / income(+)	268	261	88	104
	22	130	8	242
Net loss for the reporting period	-6,445	-6,205	-1,836	-2,456
of which attributable to:				
Non-controlling interests	196	367	7	160
Shareholders of BRAIN Biotech AG	-6,640	-6,571	-1,844	-2,616
Earnings per share, basic (undiluted)	-0.30	-0.30	-0.08	-0.12
Number of shares taken as basis	21,847,495	21,847,495	21,847,495	21,847,495
Earnings per share, diluted	-0.30	-0.30	-0.08	-0.12
Number of shares taken as basis	21,847,495	21,847,495	21,847,495	21,847,495

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

30 June 2023

€ thousand	30.06.2023	30.09.2022
Non-current assets	46,274	47,608
Current assets	23,210	30,384
ASSETS	69,484	77,992
Equity (Interests of shareholders of BRAIN Biotech AG)	23,322	29,638
Non-controlling interests	1,273	4,610
Total Equity	24,595	34,248
Non-current liabilities	30,044	22,356
Current liabilities	14,845	21,388
EQUITY AND LIABILITIES	69,484	77,992

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS [UNAUDITED]

1 October 2022 to 30 June 2023

€ thousand	9M 2022/23	9M 2021/22
Gross cash flow	-4,026	-3,695
Cash flow from operating activities	-4,480	-1,032
Cash flow from investing activities	1,070	-8,653
Cash flow from financing activities	203	-1,584
Net change in cash and cash equivalents	-3,207	-11,269
Cash and cash equivalents at start of period	8,443	24,545
Cash and cash equivalents at end of period ¹	5,321	13,309

¹ An € +86 thousand change in the cash position arose as at 30 June 2023, reflecting changes in currency exchange rates

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

1 October 2022 to 30 June 2023

Accounting policies

The accounting policies on which the consolidated financial statements as at 30 September 2022 were based were also applied for the first nine months of 2022/23.

Segment reporting

The following changes have been made in the Segment reporting compared to the consolidated financial statements as at 30 September 2022. The composition of the **"BioIndustrial"** segment remained unchanged, with the exception of the sale of L.A. Schmitt per 30 September 2022, and was renamed to **"BioProducts"**. From the **"BioScience"** segment the business unit **"BioIncubator"** and **"BRAIN Biotech Holding"** have been excluded and are presented separately going forward. The BioScience segment continues to include the activities of BRAIN Biotech Zwingenberg (i.e. excluding the Holding and excluding the BioIncubator) and AnalytiCon Discovery. The previous year's figures were adjusted accordingly. The segment results² are presented as follows.

€ thousand	BioProducts		BioScience		BioIncubator		BRAIN Biotech Holding		Reconciliation		Group	
	9M 22/23	9M 21/22	9M 22/23	9M 21/22	9M 22/23	9M 21/22	9M 22/23	9M 21/22	9M 22/23	9M 21/22	9M 22/23	9M 21/22
Revenue	30,346	27,530	9,564	8,543	495	0	0	0	-13	-98	40,393	35,974
<i>adjusted EBITDA</i>	3,266	3,686	432	390	-2,177	-1,869	-2,428	-2,369	-13	-29	-920	-192

² After partial elimination within the segment

Number of employees in the Group³

Average of the reporting period	9M 2022/23	FY 2021/22
Total employees, of which	308	309
- Salaried employees	300	284
- Industrial employees	8	24

³ Excluding the members of the parents company's Management Board and the subsidiaries' managing directors

Furthermore BRAIN Biotech Group employees scholarship / grant holders (4; FY 21/22: 1), temporary employees (14; FY 21/22: 12) and trainees (4; FY 21/22: 6).

General business risk

Supply chains have proved to be largely stable despite the constraints in global logistics, although long delivery times for certain products have already had a dampening effect on the half-year results in the BioProducts segment due to the tight supply situation. Almost the entire global economy is currently influenced by high inflationary dynamics for raw materials, intermediate products as well as salary and service costs. In some cases, higher salary and input product costs can only be passed on to end customers with a certain time lag. In addition, a general slowdown in economic momentum poses a further challenge for the corporate sector. The general financing situation and financing conditions have deteriorated further in particular for high growth companies.

No significant changes are identifiable concerning the business outlook compared with the outlook report presented in the 2021/22 annual report (page 93). Despite ongoing selected supply chain issues, inflationary pressures and a cooling global economy, BRAIN Biotech AG is confident that it will be able to achieve the qualitative targets it has set for this financial year.

Zwingenberg, 30 August 2023

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FINANCIAL CALENDAR

17.01.2024

**Publication of the annual report
as at 30.09.2023 (12M)**

28.02.2024

**Publication of the quarterly
statement as at 31.12.2023 (3M)**

12.03.2024

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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