

PRESS RELEASE

BRAIN achieves double-digit growth in total operating performance and revenues in the 2017/18 financial year

Zwingenberg, Germany
14 December 2018

-)] **Group total operating performance increases by 13.1% and reaches € 30.5 million; revenues increase by 12.2% to € 27.1 million**
-)] **Establishment of the three business units Nutrition & Health, Skin Care and Industrial BioSolutions to focus on the most important fields of application in the product business**
-)] **Successful integration of the leading speciality enzyme producer Biocatalysts Ltd. in the BRAIN Group as pillar of growth of the business unit Nutrition & Health**

BRAIN AG today announces several key figures for the 2017/18 financial year. Accordingly, the BRAIN Group increased its revenues by 12.2% from €24.1 million to €27.1 million. Total operating performance in the reporting period from October 1, 2017, to September 30, 2018, grew by 13.1% year-on-year from € 26.9 million to € 30.5 million. This was mainly due to the business activities of Biocatalysts Ltd. acquired on March 17, 2018. Adjusted EBITDA for the financial year 2017/18 decreased from € -4.7 million in the previous year to € -5.4 million against the backdrop of lower fixed cost depression. The BioIndustrial segment, which is decisive for the achievement of the growth targets of the BRAIN Group for the illustration of product business, made an adjusted EBITDA contribution of € 0.9 million. Cash flow from operating activities increased to € -5.4 million compared with € -5.8 million in the same period of the previous year.

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Valuation of the 2017/18 financial year

“BRAIN continues to grow and we are proud to have achieved double-digit growth. Nevertheless, in the 2017/18 financial year we failed to meet our own expectations in transforming our company into a fully integrated bio-economy player. Therefore, we have further sharpened our strategy and repositioned the Group for sustained growth, especially in the important product business by establishing the three business units Nutrition & Health, Skin Care and Industrial BioSolutions in order to focus on the most promising application areas of industrial biotechnology. Also we created the new position of Chief Business Officer (CBO) to the management board.¹ On the basis of these strategic decisions, the main focus in the financial year 2018/19 remains on both organic and inorganic growth of the Group,” says Dr. Jürgen Eck, CEO of BRAIN AG.

“In the 2017/18 financial year, the forward-looking measures to strengthen growth included the continued focus on our M&A strategy in order to improve global market access. With the acquisition of Biocatalysts Ltd. in March 2018, we took a significant step forward. The product-specific spin-off of a highly advanced BRAIN development program was successfully completed for the first time in August 2018. The spin-off SolasCure Ltd. is now dedicated to the development and commercialization of novel products for the conditioning of chronic wounds based on the wound cleansing enzyme Aurase® which we discovered”, adds Frank Goebel, CFO of BRAIN AG until end of 2018.²

Business Segments & Group

In the BioIndustrial segment, which is product scalable, revenues increased to € 18.8 million in the financial year, compared with € 13.5 million in the same period of the previous year, which represents an increase of 39.0%. The BioIndustrial total operating performance reached € 19.4 million compared to € 13.9 million in the previous year.

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The BioScience segment, based mainly on exclusive research collaborations with industrial partners, saw its revenues decline from € 10.7 million year-on-year to € 8.3 million in the reporting period. In the same period, total operating performance decreased to € 11.1 million compared to € 13.2 million in the previous year.

Adjusted Group EBITDA increased from € -4,7 million to € -5.4 million year-on-year. The lower profitability reflects the partially declining development of revenues and total operating performance in some business areas.

Operating cash flow increased from € -5.8 million to € -5.4 million in line with the business development described above, despite the EBITDA development. Cash decreased from € 39.0 million as of September 30, 2017 to € 25.5 million as of September 30, 2018, mainly through the acquisition of company shares of Biocatalysts Ltd.

Development pipeline & projects

In all three product categories offered by the BRAIN Group, bioactive natural substances, tailor-made enzymes and high-performance microorganisms, projects in the development pipeline made further progress in the 2017/18 financial year - some up to the threshold of market entry.

CEO Dr. Jürgen Eck comments on BRAIN's development pipeline for the future realisation of product business: "A member for a smaller market segment left the DOLCE program for natural sugar substitutes and sweetness enhancers in the 2017/18 financial year. However, the core team anticipates new partnerships for unallocated market segments, driven by the achievement of a significant milestone in early 2018. Significant progress has also been made in the Urban & Green Mining development programs for the biological extraction of precious metals from waste streams and ores. With the successful scale-up of precious metal extraction from ores to the metric tons level, we were able to announce our partnership with Evonik subsidiary CyPlus GmbH in June 2018. Recent development

projects with high market potential include the FRESCO program for bioactive natural products with antimicrobial properties for various industry segments. In December 2018 we were able to announce a first partnership.”

Key Financials (financial year 2017/18)

(in € million)	12M 2017/18	12M 2016/17
Revenues	27.1	24.1
Total operating performance	30.5	26.9
BioScience	11.1	13.2
BioIndustrial	19.4	13.9
Adjusted EBITDA	-5.4	-4.7
Acquisition and integration costs	1.0	0.0
Employee participation program AnalytiCon Discovery GmbH	-0.2	-0.6
Share based compensations	0.0	-2.4
EBITDA	-6.7	-7.7
Operating cash flow	-5.4	-5.8
	30.09.2018	30.09.2017
Cash	25.5	39.0

1 Revenues + change in inventories + other income + R&D grants

More detailed information on the financial results will be available at www.brain-biotech.de/en/investor-relations/financial-publications as part of the Annual Report of BRAIN AG. This will be published as planned on January 10, 2019.

Notes

¹ Designated CBO of BRAIN AG is Ludger Roedder (<https://www.brain-biotech.de/en/press/20181010-Ludger-Roedder-to-become-new-Chief-Business-Officer-at-BRAIN-AG>)

² Frank Goebel's designated CFO successor is Manfred Bender (https://www.brain-biotech.de/en/press/20181121_manfred_bender_set_to_join_brain_ag_s_management_board_as_chief_financial_officer)



About BRAIN

B.R.A.I.N. Biotechnology Research and Information Network AG (BRAIN AG; ISIN DE0005203947 / WKN 520394) is one of Europe's leading technology companies in the field of industrial biotechnology, the core discipline of Bioeconomy. As such, BRAIN identifies previously untapped, efficient enzymes, microbial producer organisms or natural substances from complex biological systems that can be put to industrial use. The innovative solutions and products developed by help of this "Toolbox of Nature" are successfully applied in the chemistry, the cosmetics and the food industries. BRAIN's business model is based on two pillars - BioScience and BioIndustrial. The BioScience comprises its frequently exclusive collaboration business with industrial partners. BioIndustrial comprises the development and commercialization of BRAIN's own products and active product components. Further information is available at www.brain-biotech.de/en.

Disclaimer

This press release contains forward-looking statements. These statements reflect the current views, expectations, and assumptions of the management of BRAIN AG and are based on information currently available to the management. Forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. There are numerous factors which could influence the future performance by and future developments at BRAIN AG and the BRAIN group of companies. Such factors include, but are not limited to, changes in the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, and other factors. BRAIN AG does not undertake any obligation to update or revise any forward-looking statements.