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# M

2022/23

## **QUARTERLY STATEMENT as at 31 December 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 October 2022 to 31 December 2022

## **BRAIN Biotech and Bonumose collaborate on enzymes for the production of rare monosaccharides**

BRAIN Biotech AG, a leading European industrial biotechnology specialist, and rare sugars expert Bonumose, announced today that they have reached initial project milestones as part of their strategic collaboration. The companies aim to improve the performance of several enzymes that catalyze cascade reactions in the continuous production of low-calorie, ultra low-glycemic, naturally occurring sweeteners.

Bonumose has developed a patented process for producing tagatose and allulose which eliminates several processing steps and significantly increases yields during the production process. The company uses multiple enzymes within the synthesis cascades and BRAIN Biotech is optimizing several of these enzymes using enzyme engineering.

## **MP Beteiligungs-GmbH Increases Stake in BRAIN Biotech AG**

BRAIN Biotech AG was informed by its anchor investor MP Beteiligungs-GmbH, Kaiserslautern, that MP Beteiligungs-GmbH now holds approximately 45% of the total share capital in BRAIN Biotech AG. The shareholding of MP Beteiligungs-GmbH in BRAIN Biotech AG has been continuously expanded over the course of the year through acquisitions in the open market. Due to the completion of a recent major block transaction, the total shareholding has grown to approximately 45%. MP Beteiligungs-GmbH intends to continue to accompany the development of BRAIN Biotech AG on the capital market in the long-term and considers the currently weak capital market environment for the BRAIN Biotech AG share price as a good investment opportunity.

# FINANCIAL POSITION AND PERFORMANCE

1 October 2022 to 31 December 2022

## GROUP BASIS AND GENERAL CONDITIONS

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

### 1. Results of operations

During the first three months of the 2022/23 financial year, BRAIN Group revenues increased by 34.5% year-on-year from €10.2 million to €13.7 million. Organically, i.e. excluding Breatec in the first quarter of the fiscal year and excluding the quarterly figures for L.A. Schmitt GmbH (sold / deconsolidated as of September 30, 2022) in the first quarter of the previous year, revenues increased by 19.4% or €1.8 million. Total operating performance (revenue, research and development grant revenue, changes in inventories and other income) also improved by €3.1 million, compared to the same period last year, to €13.5 million.

The BioScience segment generated revenues of €3.1 million in the reporting period, corresponding to an increase of 10.5% compared to the same period of the previous year (€2.8 million). This increase was mainly due to higher volumes with existing customers and successful price increases in Tailor-Made Solutions projects. Adjusted EBITDA of the BioScience segment decreased due to rising investment in personnel by €0.2 million to €-1.4 million. The segment EBITDA also includes ongoing investments into the CRISPR technology platform under the brand name Akribion Genomics and amount to €0.7 million.

Revenues in the BioIndustrial segment improved by 43.5% from €7.4 million in the same period of the previous year to €10.6 million in the reporting period. About half of the increase in the segment is attributable to organic growth in the enzymes business and has been further strengthened by the acquisition of the Breatec Group in February 2022. Adjusted EBITDA increased by 18.8% or €0.2 million to €1.1 million. As such, the strategically important BioIndustrial segment continues to show dynamic growth.

As a consequence of the factors mentioned above, adjusted Group EBITDA decreased from €-0.3 million in the previous year to €-0.4 million in the first three months of the 2022/23 financial year.

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

€ thousand	3M 2022/23	3M 2021/22
<b>EBITDA</b>	<b>-703</b>	<b>-646</b>
Share-based employee compensation	-315	-261
Acquisition and integration costs incurred in the expansion of the BRAIN Group	0	-86
<b>Adjusted EBITDA</b>	<b>-388</b>	<b>-299</b>

## **2. Net assets**

Total assets decreased from €78.0 million to €75.5 million as at 31 December 2022.

Non-current assets decreased from €47.6 million as at 30 September 2022 to €46.4 million as at 31 December 2022. This increase is driven by the current depreciation and amortization as well as lower investments in companies accounted for using the At-Equity valuation.

Current assets decreased from €30.4 million to €29.1 million. This reduction is mainly due to lower trade receivables and the decrease in other current assets. This was offset by an increase in cash and cash equivalents.

Equity decreased from €34.2 million as at 30 September 2022 to €31.7 million as at 31 December 2022. This reduction of €2.6 million is almost entirely attributable to the result for the period. No capital measures were implemented during the reporting period.

Non-current liabilities increased from €22.4 million to €24.5 million which is mainly attributable to an increase in non-current financial liabilities. Current liabilities decreased to €19.3 million compared to €21.4 million as of September 30, 2022, mainly due to lower trade payables.

## **3. Financial position**

The Group's gross cash flow remained almost unchanged at €-1.6 million as at 31 December 2022 compared to 31 December 2021 (€-1.6 million).

Cash flow from operating activities deteriorated from €-0.2 million to €-2.0 million year-on-year. This development is mainly attributable to timing effects relating to the payments of trade payables.

Cash flow from investing activities amounted to € 2.4 million in the reporting period and includes investments in fixed assets as well as a positive effect from the receipt of the selling price of L.A. Schmitt GmbH. The previous year amount of € -1.6 million was mainly driven by the participation in the capital increase of SolasCure Ltd. with € 1.2 million.

The cash flow from financing activities in the reporting period reflects the cash inflow from secured mortgages and repayments made for the financial liabilities and amounted to € 2.0 million in the first quarter, compared with € -0.2 million in the previous year.

Compared to 30 September 2022, cash and cash equivalents increased from € 8.4 million to € 10.8 million, which is attributable to the aforementioned effects.

# CONSOLIDATED INCOME STATEMENT

**[UNAUDITED]** 1 October 2022 to 31 December 2022

€ thousand	3M 2022/23	3M 2021/22
Revenue	13,694	10,177
Research and development grant revenue	242	214
Change in inventories of finished goods and work in progress	-627	-216
Other income	188	261
<b>Total operating performance</b>	<b>13,497</b>	<b>10,436</b>
<b>Cost of materials</b>		
Cost of raw materials, consumables and supplies, and purchased merchandise	-5,647	-3,827
Cost of purchased services	-299	-333
	<b>-5,947</b>	<b>-4,160</b>
<b>Personnel expenses</b>		
Wages and salaries	-4,512	-3,928
Share-based employee compensation	-315	-261
Social security and post-employment benefit costs	-877	-790
	<b>-5,705</b>	<b>-4,979</b>
Other expenses	-2,548	-1,943
<b>EBITDA</b>	<b>-703</b>	<b>-646</b>
Depreciation, amortization and impairment	-1,108	-977
<b>Operating result (EBIT)</b>	<b>-1,811</b>	<b>-1,623</b>
Share of profit or loss from equity-accounted investments	-417	-701
Finance income	4	272
Finance costs	-176	-215
<b>Net financial result</b>	<b>-589</b>	<b>-644</b>
<b>Pretax loss for the reporting period</b>	<b>-2,400</b>	<b>-2,267</b>
<b>Income tax expense/income</b>		
a) Current tax expense / income	-148	-137
b) Deferred tax expense / income	92	73
	<b>-57</b>	<b>-63</b>
<b>Net loss for the reporting period</b>	<b>-2,456</b>	<b>-2,330</b>
of which attributable to:		
Non-controlling interests	74	28
Shareholders of BRAIN Biotech AG	-2,530	-2,358
Earnings per share, basic undiluted (in €)	-0.12	-0.11
Number of shares taken as basis	21,847,495	21,847,495
Earnings per share, diluted (in €)	-0.12	-0.11
Number of shares taken as basis	21,847,495	21,847,495

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

31 December 2022

€ thousand	31.12.2022	30.09.2022
Non-current assets	46,443	47,608
Current assets	29,090	30,384
<b>ASSETS</b>	<b>75,533</b>	<b>77,992</b>
<b>Equity</b>	<b>31,694</b>	<b>34,248</b>
Non-current liabilities	24,499	22,356
Current liabilities	19,340	21,388
<b>EQUITY AND LIABILITIES</b>	<b>75,533</b>	<b>77,992</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT [UNAUDITED]

1 October 2022 to 31 December 2022

€ thousand	3M 2022/23	3M 2021/22
Gross cash flow	-1,569	-1,573
Cash flow from operating activities	-2,044	-193
Cash flow from investing activities	2,371	-1,556
Cash flow from financing activities	2,052	-247
Net change in cash and cash equivalents	2,379	-1,996
Cash and cash equivalents at start of reporting period	8,443	24,545
Cash and cash equivalents at end of reporting period <sup>1</sup>	10,762	22,678

<sup>1</sup> An €-59 thousand change in the cash position arose as at 31 December 2022, reflecting changes in currency exchange rates.

# SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

1 October 2022 to 31 December 2022

## Segment reporting

Compared with the consolidated financial statements as at 30 September 2022, no changes have occurred in relation to segment reporting. The segment results are presented in the following overview.

€ thousand	BioScience		BioIndustrial		Consolidation 3M 2022/23	
	3M 2022/23	3M 2021/22	3M 2022/23	3M 2021/22	Reconciliation	Group
Revenue	3,066	2,775	10,636	7,414	-8	13,694
Adjusted EBITDA	-1,430	-1,218	1,051	884	-8	-388

## Number of employees in the Group

Average for the reporting period <sup>2</sup>	3M 2022/23	FY 2021/22
<b>Total employees, of which</b>	<b>307</b>	<b>309</b>
Salaried employees	299	284
Industrial employees	8	24

The BRAIN Group also employs scholarships/grant holders (4, FY 21/22: 1), temporary employees (19, FY 21/22: 12) and trainees (6, FY 21/22: 6).

<sup>2</sup> Excluding the members of the parent company's Management Board (2) and the subsidiaries' managing directors.

## **Covid 19 update; Global supply chain and energy supply risk**

BRAIN has largely been able to contain the direct adverse effects of the Corona pandemic. Nevertheless, there is still a risk that the knock-on effects of the Corona pandemic, for example delays in customer investments, could impact planned sales growth.

Supply chains have proved to be largely stable despite the constraints on global logistics, although long delivery times for certain products are already having a dampening effect on even more dynamic growth in the BioIndustrial segment due to the tight supply situation.

A sufficient and uninterrupted supply of energy is essential for the BRAIN Group and forms a basis for our full-year guidance. BRAIN is a supplier to the food and pharmaceutical industries in major sub-segments and is likely to be classified as systemically important in these areas. The energy volumes required in the research operations and other sub-operations lie in the basic supply range, which makes the risk of a shutdown similar to the household sector. In addition to the risks arising from security of supply, BRAIN also faces cost risks from significant energy price increases and energy price fluctuations. These may not be passed on to customers in full or only with a time delay. In addition, effects from persistently rising labour costs represent a further risk. These effects may have a negative impact on the Group's profitability.

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

# EVENTS AFTER THE END OF THE QUARTER

## **Akribion Genomics will prioritize the development of therapeutic applications within its CRISPR technology platform**

BRAIN Biotech AG announced its intent to prioritize the development of the genome-editing activities bundled under the brand name Akribion Genomics on therapeutic applications, including applications in oncology. The mode of action of the nucleases selected for this purpose allows both the targeted cell enrichment and depletion by selective disruption. Due to the novel mode of action the nuclease G-dase E (previously termed "BEC") is also primed for applications in therapeutics such as the field of oncology.

## **BRAIN Biotech and AMSilk cooperate to develop high-performance bio-based protein fibers**

As part of a strategic collaboration, BRAIN Biotech and AMSilk are combining their expertise to drive the development of high-performance fibers for the performance materials market.

Bio-fabricated products hold enormous potential as sustainable material solutions for the future. New developments, such as those currently being developed by BRAIN Biotech and AMSilk, could revolutionize the performance materials market. Petroleum-based textile fibers made of polyethylene or polyamide, well known to be a main source of microplastics as well as causing the unsustainable disposal of old clothes in landfills.

## **BRAIN Biotech AG terminates contract for natural sweetener solution with Roquette Frères**

BRAIN Biotech AG announced the contract termination with Roquette Frères for the joint development of a natural sweetener solution. BRAIN is convinced of the project's viability and economics of a natural sweetener alternative based on the molecule Brazzein. BRAIN owns the proprietary production technology for the molecule and will look to establish new partnerships on this program.

## **BRAIN Biotech and TransCode Therapeutics join forces to develop a CRISPR-derived technology platform for cancer treatment**

BRAIN Biotech AG announced the signing of a joint development agreement (JDA) with TransCode Therapeutics, Inc. (Nasdaq: RNAZ), the RNA oncology company committed to more effectively

treating cancer using RNA therapeutics. The objective of the JDA is to co-develop a platform technology that combines a Class 2 CRISPR nuclease, the cell-killing G-dase E, developed by BRAIN Biotech's Akribion Genomics unit with TransCode's TTX nucleic acid delivery platform for the treatment of cancer.

TransCode's proprietary TTX platform is designed to enable systemic delivery of targeted nucleic acid-based therapeutics to tumors and metastases. Akribion Genomics' proprietary nuclease is designed to seek out selective genomic characteristics based on the existence of specific RNA biomarkers within target cells. Combining these technologies could unlock the potential of CRISPR-like cell targeting approaches for the treatment of cancer.

Zwingenberg, 27 February 2023

The Management Board



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# CONTACT

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# FINANCIAL CALENDAR

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

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**27.02.2023**    **Capital Markets Day**

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**08.03.2023**    **Annual General Meeting, virtual**

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**25.05.2023**    **Publication of the half-year report  
as at 31.03.2023 (6M)**

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**30.08.2023**    **Publication of the quarterly statement  
as at 30.06.2023 (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 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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