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2019/20

HALF-YEAR REPORT as at 31 March 2020

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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 to transform them into industrially usable applications. Innovative solutions and products developed from this “Toolbox of Nature” are successfully deployed in the chemicals sector, as well as in the cosmetics and food manufacturing industries.

BRAIN's business model 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 list in the Prime Standard of the Frankfurt Stock Exchange.

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SIGNIFICANT EVENTS

01.01.2020 – 31.03.2020

Adriaan Moelker starts as CEO of BRAIN AG

Mr. Adriaan (Aryan) Moelker, from the Netherlands, assumed the office of CEO of BRAIN AG on 1 February 2020. The Supervisory Board appointed Mr. Moelker, who has lived in Germany for many years, to the Management Board on the basis of his many years of managerial experience in industrial biotechnology, and appointed him Chairman of the Management Board (CEO). On 5 March 2020, Mr. Moelker presented himself to the shareholders of BRAIN AG at the Annual General Meeting for the 2018/19 financial year. He announced his intention to better leverage existing potential in the enzyme business, further internationalize the business, and enhance the focus of the project portfolio.

European patent granted in “biological antiperspirants” area

With a European patent granted on 19 February 2020, BRAIN AG has extended its patent protection for its technology “novel calcium-activated chloride channel involved in human perspiration”. This brings the company closer to its goal of developing biological antiperspirants in the form of industrial partnerships.

Change and constancy in the Supervisory Board of BRAIN AG

Dr. Anna C. Eichhorn was elected as Deputy Chair of the Supervisory Board on 23 February 2020. The Supervisory Board member thereby assumed the office of Dr. Martin B. Jager, who had stepped down from the Supervisory Board on 31 January 2020 for professional reasons. On 27 February 2020, Supervisory Board member Dr. Rainer Marquart resigned from the Supervisory Board with immediate effect. Dr. Georg Kellinghusen was re-elected to the Supervisory Board by a large majority of shareholders at the Annual General Meeting on 5 March 2020. The Supervisory Board re-elected him as Supervisory Board Chair at the constitutive meeting following the Annual General Meeting; his term of office runs until the end of the Annual General Meeting for the 2021/22 financial year.

From waste to recyclable materials: pilot phase launched for ZeroCarbFP

On 1 March 2020, the ZeroCarbFP (ZeroCarbFoodPrint) strategic alliance entered its third funding phase after a previous positive review. As of this date, the companies FUCHS PETROLUB and Südzucker were involved in this three-year pilot phase alongside BRAIN. The project deploys microbial transfer in order to convert industrial waste flows such as CO₂ and waste oil into recyclable materials as part of a sustainable recycling economy. The Federal Ministry of Education and Research (BMBF) is the funding entity.

BRAIN AG makes a further investment in SolasCure Ltd.

On 19 March 2020, BRAIN AG participated in a capital increase at SolasCure Ltd. The capital increase amounted to € 1.9 million and did not lead to any change in the interest held by BRAIN AG. SolasCure Ltd. will continue to be accounted for at equity in accordance with IAS 28. BRAIN AG continues to be very confident concerning the successful development of its active ingredient Aurase for chronic wound care, and for this reason participated in this new financing round for SolasCure Ltd. (see also the notes to the financial statements in this report).

INTERIM GROUP MANAGEMENT REPORT

01.10.2019 - 31.03.2020

I. GROUP BASIS AND GENERAL CONDITIONS

The remarks made in the consolidated financial statements for the financial year ending 30 September 2019 about the Group's basis and general conditions continue to be applicable.

II. ECONOMIC AND BUSINESS REPORT

1. Results of operations

In the first six months of the 2019/2020 financial year, the BRAIN Group generated a revenue of € 19.9 million compared to € 18.5 million in the same period of the previous year, representing growth of 7.6%. In organic terms (i.e. excluding Monteil Cosmetics International GmbH in the previous year), revenue increased by 14.1%. Total operating performance (revenue, research and development grant revenue, changes in inventories, and other income) also rose by € 0.4 million (1.9%) quarter-on-quarter from € 19.8 million to € 20.2 million. On an organic basis, total operating performance increased by € 1.4 million, or by 7.5%, from € 18.8 million to € 20.2 million.

The **"BioScience"** segment generated revenue of € 6.8 million in the reporting period, up 31.9% from the prior-year period. This growth is attributable to higher volumes generated with existing customers and the entering into new contracts for Tailor Made Solutions projects. Adjusted EBITDA improved from € -3.1 million to € -2.3 million. This improvement in underlying EBITDA occurred mainly due to higher revenue, as well as improved ratios for the cost of materials, personnel expenses and other expenses in the BioScience segment.

Revenue generated by the **"BioIndustrial"** segment reported a slight decrease of 1.8% from € 13.3 million to € 13.1 million in the reporting period. On an organic basis, revenue rose by € 0.8 million or by 6.5% from € 12.3 million to € 13.1 million. Total operating performance decreased by 6.0%, from € 13.7 million to € 12.8 million. On an organic basis, total operating performance increased by € 0.2 million or by 1.7% from € 12.6 million to € 12.8 million. Adjusted EBITDA rose by 8.6%, from € 1.4 million to € 1.5 million. Despite start-up costs for the start-up of the new production facilities in Cardiff (UK) and Büttelborn, the adjusted EBITDA margin increased from 10.6% to 11.7%.

Adjusted Group EBITDA consequently improved by 57.3%, from € -1.7 million in the previous year to € -0.7 million in the first six months of the 2019/20 financial year.

Undiluted (basic) and diluted earnings per share during the first six months of the financial year amounted to € -0.26, compared with € -0.23 in the previous year's period.

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

€ thousand	6M 2019/20	6M 2018/19
EBITDA	-869	-1,756
Personnel expenses from the employee share scheme at AnalytiCon Discovery GmbH	0	-35
Share-based employee compensation	-155	-41
Acquisition and integration costs incurred in the expansion of the BRAIN Group	0	-6
Adjusted EBITDA	-714	-1,673

2. Net assets

Compared to 30 September 2019, non-current assets increased from € 35.2 million to € 42.8 million as of 31 March 2020, which is attributable to the first-time application of IFRS 16, investments in property, plant and equipment, as well as investments in expanded production capacities at the sites in Cardiff, UK, and in Büttelborn, Germany. Current assets decreased from € 31.0 million to € 22.0 million. This reduction mainly reflects the decrease in cash and cash equivalents. As part of further investment in the equity-accounted interest in SolasCure Ltd., BRAIN AG rendered a cash capital contribution of € 1.9 million. In addition, € 1.6 million of liabilities from put options in connection with AnalytiCon Discovery GmbH fell due.

Equity decreased from € 17.1 million as at 30 September 2019 to € 12.9 million as at 31 March 2020. This reduction of € 4.2 million is almost entirely attributable to the result for the period. No capital measures were implemented during the reporting period.

Non-current liabilities rose from € 34.2 million to € 39.2 million, reflecting the first-time application of IFRS 16. Current liabilities decreased from € 14.9 million to € 12.7 million due to the net effect of the first-time application of IFRS 16 as well as a reduction in deferred income.

3. Financial position

The Group's gross cash flow decreased slightly from € -3.4 million in the previous year to € -3.5 million in the reporting period. This change mainly reflects the € 1.2 million positive result from equity accounted investments, and the receipt of deferred income of € -0.7 million.

Owing to the sharp reduction in capital employed in the previous year, it was not possible to repeat the positive effect on cash flow from operating activities. As a consequence, cash flow from operating activities was € 1.3 million lower than in the same period of the previous year.

Cash flow from investing activities in the first six months of the current financial year mainly reflects investments in property, plant and equipment, investments in expanded production

capacities at the sites in Cardiff, UK, and Büttelborn, Germany, as well as the share capital contribution in SolasCure Ltd., leading to cash flow from investing activities of € –4.5 million.

Cash flow from financing activities, which in the reporting period mainly reflects the proceeds from borrowings made, amounted to € –0.2 million, compared with € –1.4 million in the previous year.

Compared to 30 September 2019, cash and cash equivalents decreased from € 15.2 million to € 6.4 million, which is attributable to the aforementioned effects.

III. SIGNIFICANT OPPORTUNITIES AND RISKS

For a presentation of the risk management system and of potential opportunities and risks, please refer to the remarks made on pages 121 ff. of the 2018/19 annual report of BRAIN AG. It is not possible to forecast how the spread of the coronavirus will affect global economic growth trends at the time of the preparation of this half-year report. However, it is foreseeable that the impact on global economic growth in 2020 could be significant. Nevertheless, from today's perspective, BRAIN AG does not expect any significant changes compared to the opportunities and risks as presented in the 2018/19 annual report.

Risks pursuant to Section 91 (2) of the German Stock Corporation Act (AktG) that might comprise going concern risks for the BRAIN Group are not identifiable at present.

IV. OUTLOOK

No significant changes are identifiable concerning the business outlook compared with the outlook report presented on page 120 of the 2018/19 annual report. Despite the coronavirus pandemic, BRAIN AG is confident that further progress, albeit perhaps at a slightly slower pace, will proceed in the forecasted direction.

CONSOLIDATED INCOME STATEMENT [UNAUDITED]

€ thousand	6M 2019/20	6M 2018/19	Q2 2019/20	Q2 2018/19
Revenue	19,930	18,519	9,607	9,079
Research and development grant revenue	447	803	270	380
Change in inventories of finished goods and work in progress	-462	55	-230	268
Other income	275	439	152	228
	20,190	19,816	9,799	9,955
Cost of materials				
Cost of raw materials and supplies, and purchased merchandise	-6,639	-7,247	-3,347	-4,125
Cost of purchased services	-1,409	-1,307	-510	-916
	-8,048	-8,554	-3,857	-5,041
Personnel expenses				
Wages and salaries	-7,388	-7,249	-3,716	-3,792
Share-based employee compensation	-155	-41	-76	-6
Social security and post-employment benefit costs	-1,628	-1,511	-891	-761
	-9,171	-8,801	-4,682	-4,559
Other expenses	-3,840	-4,217	-1,816	-1,995
	-869	-1,756	-556	-1,640
Depreciation, amortization and impairment	-1,740	-1,449	-866	-726
	-2,608	-3,205	-1,422	-2,366
Share of profit or loss from equity-accounted investments	-1,499	-250	-620	-152
Finance income	15	4	7	2
Finance costs	-394	-577	-208	-270
	-1,878	-822	-821	-420
Pretax loss for the reporting period	-4,487	-4,027	-2,243	-2,786
Income tax expense/income				
a) Current tax expense	-245	-200	-163	-107
b) Deferred tax expense (-)/ income (+)	179	165	87	94
	-66	-35	-76	-13
Net loss for the reporting period	-4,553	-4,062	-2,319	-2,799
of which attributable to:				
Non-controlling interests	199	70	175	16
Shareholders of BRAIN AG	-4,752	-4,132	-2,494	-2,815
Earnings per share, basic (undiluted)	-0,26	-0,23	-0,14	-0,16
Number of shares taken as basis	18,055,782	18,055,782	18,055,782	18,055,782
Earnings per share, diluted	-0,26	-0,23	-0,14	-0,16
Number of shares taken as basis	18,055,782	18,055,782	18,055,782	18,055,782

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [UNAUDITED]

€ thousand	6M 2019/20	6M 2018/19	Q2 2019/20	Q2 2018/19
Net loss for the reporting period	-4,553	-4,062	-2,319	-2,799
of which attributable to:				
Non-controlling interests	199	70	175	16
Shareholders of BRAIN AG	-4,752	-4,132	-2,494	-2,815
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Deferred tax	0	-7	0	-5
Differences from the translation of foreign-currency financing instruments	-69	-434	595	-584
Differences from the translation of foreign operations	196	465	-698	675
Other comprehensive income (loss), net	127	24	-102	86
Consolidated total comprehensive income (loss)	-4,426	-4,038	-2,422	-2,712
of which attributable to:				
Non-controlling interests	194	213	-18	237
Shareholders of BRAIN AG	-4,619	-4,251	-2,404	-2,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) [UNAUDITED]

€ thousand	31.03.2020	30.09.2019
Non-current assets		
Intangible assets	15,122	15,794
Property, plant and equipment	24,966	17,144
Equity-accounted investments	1,933	1,438
Other non-current assets	812	791
Deferred tax	0	0
	42,834	35,167
Current assets		
Inventories	7,737	8,032
Trade receivables	6,712	6,388
Other current assets	848	1,154
Current tax assets	77	10
Other financial assets	212	213
Cash and cash equivalents	6,386	15,160
	21,972	30,957
ASSETS	64,806	66,123
Equity		
Subscribed capital	18,056	18,056
Capital reserves	64,961	64,806
Retained earnings	-75,338	-70,648
Other reserves	152	20
	7,831	12,234
Non- controlling interests	5,050	4,857
Total equity	12,881	17,091
Non-current liabilities		
Deferred tax	2,425	2,593
Provisions for post-employment benefits for employees	4,381	4,563
Financial liabilities	30,904	24,775
Other liabilities	3	764
Deferred income	1,487	1,466
	39,200	34,160
Current liabilities		
Provisions	307	381
Current tax liabilities	1,076	784
Financial liabilities	2,873	3,603
Prepayments received	51	170
Trade payables	3,592	4,428
Other liabilities	3,611	2,919
Deferred income	1,214	2,588
	12,725	14,873
EQUITY AND LIABILITIES	64,806	66,123

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY [UNAUDITED]

1 October 2018 to 31 March 2019	Interests of shareholders of BRAIN AG						Non-controlling interests	
	Subscribed capital	Capital reserves	Retained earnings	Other reserves		Total		Total
€ thousand				Pension plans	Currency translation			
Balance at 30 September 2018¹	18,056	64,606	-59,133	0	-1	23,528	4,884	28,412
Total comprehensive income (loss) 01.10.2018 - 31.03.2019			-4,132	0	31	-4,101	213	-3,888
Effects from the first-time application of IFRS 9		10	-42			-32		-32
Addition of non-controlling interests as part of the acquisition of fully consolidated Group companies							0	0
Addition of liability from put/call agreement relating to the acquisition of non-controlling interests in fully consolidated Group companies		0				0		0
Transfers due to employee share scheme		41				41		41
Balance at 31 March 2019	18,056	64,657	-63,307	0	30	19,436	5,097	24,533

1 October 2019 to 31 March 2020	Interests of shareholders of BRAIN AG						Non-controlling interests	
	Subscribed capital	Capital reserves	Retained earnings	Other reserves		Total		Total
€ thousand				Pension plans	Currency translation			
Balance at 30 September 2019	18,056	64,806	-70,648	0	20	12,234	4,857	17,091
Total comprehensive income (loss) 01.10.2019 - 31.03.2020			-4,752	0	132	-4,619	194	-4,426
Effects from the first-time application of IFRS 16		0	62			62		62
Transfers due to employee share scheme		155				155		155
Balance at 31 March 2020	18,056	64,961	-75,338	0	152	7,831	5,050	12,881

¹ IAS 8 adjustment

CONSOLIDATED STATEMENT OF CASH FLOWS

[UNAUDITED]

In Tsd. €	6M 2019/20	6M 2018/19
Net profit (loss) for the period, after tax	-4,553	-4,062
Depreciation and amortization	1,732	1,449
Deferred tax expense (income)	-179	-165
Conversion of deferred income into revenue	-2,011	-1,271
Income from the release of provisions and liabilities	-49	-103
Share of profit or loss from equity-accounted investments	1,499	250
Change in net pension provisions recognized in profit or loss	-182	0
Other non-cash expenses (income)	238	467
Losses on disposals of intangible assets and property, plant and equipment	39	-6
Gross cash flow	-3,465	-3,442
Change in trade receivables	-322	390
Change in inventories	297	-380
Change in tax assets and liabilities	227	190
Change in other assets and financial assets	322	-457
Change in trade payables	-813	1,043
Change in prepayments received	-119	134
Change in provisions and other liabilities	-920	-1,106
Additions from deferred income	650	747
Cash flow from operating activities	-4,141	-2,881
Net cash outflows for acquisitions of companies (less cash and cash equivalents acquired)	0	0
Payments to acquire intangible assets	-5	-6
Payments to acquire property, plant and equipment	-2,586	-2,899
Investments in interests in affiliates	0	0
Net proceeds from other non-current assets	-21	16
Investments in equity-accounted shareholdings	-1,874	0
Payments to acquire financial assets	0	0
Disposals of financial assets	0	0
Proceeds from disposal of property, plant and equipment	15	8
Cash flow from investing activities	-4,472	-2,882
Proceeds from borrowings	944	31
Repayments of borrowings	-1,121	-1,391
Cash flow from financing activities	-177	-1,360
Net change in cash and cash equivalents	-8,790	-7,122
Cash and cash equivalents at start of reporting period	15,160	25,539
Exchange-rate-related change in cash	15	88
Cash and cash equivalents at end of reporting period	6,386	18,504
Cash flows from operating activities include:		
Interest paid	264	214
Interest received	6	3
Income taxes paid	25	22
Income taxes received	11	30

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

Accounting policies

The Group interim report of BRAIN AG as at 31 March 2020 was prepared on the basis of IAS 34 (Interim Financial Reporting). All International Financial Reporting Standards (IFRS) that were binding as at the reporting date and had been adopted into European law by the European Commission were applied. The interim consolidated financial statements have not been audited in accordance with Section 317 of the German Commercial Code (HGB), nor have they been reviewed by an auditor.

Application of new accounting standards

With effect from 1 October 2019, BRAIN applied IFRS 16 "Leases" for the first time. The effects of the introduction of this standard on the financial reporting are presented below. Further adjustments to standards and new interpretations that are also mandatory for BRAIN AG for the first time from 1 October 2019 have no material impact on the financial position and performance of BRAIN AG. The company has not voluntarily applied accounting standards that have been published but are not yet mandatory.

IFRS 16 - "Leases"

On 13 January 2016, the International Accounting Standards Board (IASB) published its new accounting standard on lease accounting (IFRS 16 "Leases"). According to this standard, all leases and accompanying contractual rights and obligations are to be recognized on the lessee's balance sheet. For leases with a term of up to one year and low-value leases, the lessee has the option to apply accounting in accordance with current operating leases.

For all leases, the lessee recognizes on its balance sheet a lease liability for the obligation to render lease payments in the future. At the same time, the lessee capitalizes a right-of-use to the underlying asset corresponding to the present value of the future lease payments, including any directly attributable costs. During the term of the lease agreement, the lease liability is carried forward applying a financial-mathematical method similar to IAS 17 "Leases" regulations for financing leases, while the right-of-use is amortized on a straight-line basis over the term of the lease contract, which generally leads to higher expenses at the start of a lease term. The regulations on lease accounting on the lessor's side remain largely unchanged.

The new regulations are to be applied to the entire contract portfolio, whereby with some practical expedients the initial application is to be implemented either fully retrospectively, or with a cumulative effect in equity at the start of the year of first-time application, without restating the previous year's figures. IFRS 16 also includes a number of further regulations on reporting and in relation to disclosures to be made in the notes to the financial statements, as well as on sale-and-leaseback transactions.

The new regulations of IFRS 16 apply to BRAIN AG primarily as a lessee and in connection with leasing agreements for buildings and vehicles. The transition to IFRS 16 was made

using the modified retrospective approach with recognition of the cumulative transition effect as at 1 October 2019. Comparative figures for the previous year were not adjusted.

On transition to IFRS 16, payment obligations from existing operating leases were discounted at the corresponding incremental borrowing rates. The interest rates were determined on the basis of the leases' remaining terms. The weighted average interest rate applied to discount the leases existing as at 1 October 2019 was 3.3%. The resulting present values were recognized as lease liabilities. The leased assets' rights-of-use were adjusted to reflect the amount of the lease liabilities, with directly attributable costs being capitalized. In determining the term of the leases, hindsight information was taken into account in determining the probability of extension or termination options being exercised.

BRAIN AG has made use of the following IFRS 16 practical expedients:

- Rights-of-use and corresponding lease liabilities with a term of up to one year have not been, and will not be, recognized on the balance sheet;
- Rights-of-use and corresponding liabilities from low-value leases have not been, and will not be, recognized on the balance sheet;
- For some asset classes the rights-of-use relating to assets, a separation of leasing and non-leasing components has not been, and will not be, applied;
- Leases that previously fell within the scope of IAS 17 and its associated interpretations were, and will continue to be, treated as leases in the meaning of IFRS 16;
- No impairment testing of the right-of-use was performed as part of initial application; instead, existing provisions for onerous contracts were offset against the right-of-use.

Summary

The following table shows the adjustments resulting from the first-time application of IFRS 16 on the consolidated balance sheet as at 1 October 2019.

€ thousand	01.10.2019
Opening balance sheet - IFRS 16 adjustments	
Property, plant and equipment	
Land and buildings	3,010
Operating and office equipment	54
Rights-of-use	3,064
Total assets	3,064
Retained earnings	62
Non-current liabilities	
Leasing liabilities	2,727
Current liabilities	
Leasing liabilities	275
Total equity and liabilities	3,064

Based on the payment obligation for operating leases (IAS 17) as at 30 September 2019, the opening balance sheet value of the lease liability as at 1 October 2019 was reconciled as follows:

€ thousand	01.10.2019
Opening balance sheet - reconciliation of leasing liabilities	
Payment obligations for operating leases as at 30.09.2019 (IAS 17)	1,714
Low-value leases	33
Extension options	1,628
Other	-92
Undiscounted lease liabilities as at 01.10.2019	3,284
Discounting	-270
IFRS 16 lease liabilities as at 01.10.2019	3,003
Liabilities from finance leases as at 30.09.2019 (IAS 17)	1,351
Lease liabilities as at 01.10.2019	4,354

Segment reporting

Compared with the consolidated financial statements as at 30 September 2019, no changes have occurred in relation to segment reporting. The segment results ² are presented in the following overview.

€ thousand	BioScience		BioIndustrial		Reconciliation		Group	
	6M 19/20	6M 18/19	6M 19/20	6M 18/19	6M 19/20	6M 18/19	6M 19/20	6M 18/19
Total revenue	6,833	5,180	13,102	13,344	-6	-6	19,930	18,519
Of which: Revenue generated with other segments	0	5	6	1	-6	-6	0	0
Of which: Revenue generated with external customers	6,833	5,176	13,096	13,343	0	0	19,930	18,519
R&D grant revenue ³ [external]	369	695	78	108	0	0	447	803
Changes in inventories ⁴	12	-31	-473	86	0	0	-462	55
Other income	153	344	122	114	-1	-19	275	439
Total operating performance	7,367	6,188	12,828	13,653	-6	-25	20,190	19,816
EBITDA	-2,437	-3,167	1,530	1,409	39	2	-869	-1,756
Adjusted EBITDA	-2,282	-3,084	1,530	1,409	39	2	-714	-1,673
Operating result (EBIT)	-3,101	-3,743	454	535	39	2	-2,608	-3,205
Adjusted operating result (adjusted EBIT)	-2,946	-3,660	454	535	39	2	-2,454	-3,123
Finance income							15	4
Result from equity-accounted investments							-1,499	-250
Finance costs							-394	-577
Result before taxes							-4,487	-4,027

Number of employees in the Group⁵

Average for the reporting period	6M 2019/20	FY 2018/19
Total employees, of which	276	281
Salaried employees	251	256
Industrial employees	25	25

Furthermore, BRAIN employs scholarship/grant holders (6, FY 18/19: 4), temporary employees (13, FY 18/19: 12) and trainees (7, FY 18/19: 7).

Related party transactions

During the first six months of the 2019/20 financial year, no new transactions with related parties were concluded that were not already presented in the financial statements as at 30 September 2019, and that had a significant effect on the financial position and performance of the BRAIN Group.

² After partial elimination within the segment

³ Research and development grant revenue

⁴ Changes in inventories of finished goods and work in progress

⁵ Excluding the members of the parent company's Management Board and the subsidiaries' managing directors

Events after the end of the quarter

Change in the Management Board of BRAIN AG

On 7 May 2020, BRAIN AG announced that Chief Financial Officer Manfred Bender would leave the company at his own request as of 30 September 2020. Mr. Bender wishes to accept a new role and consequently requested that the Supervisory Board terminate his contract early. The Supervisory Board complied with this request.

The new Chief Financial Officer will be the current Head of Finance, Controlling and Legal, Mr. Lukas Linnig. Mr. Linnig has worked for the Zwingenberg-based company since April 2017 and previously advised it as a consultant during its IPO.

The Management Board is not aware of any further events of particular significance, or with considerable effects on the financial position and performance, after the balance sheet date on 31 March 2020.

Responsibility statement

According to the best of our knowledge and in accordance with applicable principles for interim reporting, the interim consolidated financial statements convey a true and fair view of the Group's financial position and performance. The interim Group management report conveys a true and fair view of the development and course of business operations as well as of the Group's position, and appropriately presents the significant opportunities and risks entailed in the Group's future development during the remaining months of the financial year.

Zwingenberg, 29 May 2020

The Management Board



Adriaan Moelker



Manfred Bender



Ludger Roedder

CONTACT

The following contact person is available to respond to your queries:

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FINANCIAL CALENDAR

29.05.2020 **Publication of the half-year report
as at 31.03.2020 (6M)**

31.08.2020 **Publication of the quarterly statement
as at 30.06.2020 (9M)**

14.01.2021 **Publication of the annual report
as at 30.09.2020 (12M)**

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

10.03.2021 **Annual General Meeting, Zwingenberg**

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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