6M 2018/19

HALF-YEAR REPORT as of 31 March 2019

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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, in February 2016 B.R.A.I.N. Biotechnology Research and Information Network AG (BRAIN AG; ISIN DE0005203947 / WKN 520394) became the first bioeconomy company to be listed in the Prime Standard of the Frankfurt Stock Exchange.

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SIGNIFICANT EVENTS

01.01.2019 – 31.03.2019

Global beverage company joins DOLCE program

BRAIN AG, AnalytiCon Discovery GmbH and Roquette – which together form the core DOLCE team – announced on 12 March 2019 that a further consumer goods company has joined the DOLCE partnership for natural sweeteners. The new partner – with its broad range of brands – is a globally active European beverage company. The new partner gains access to DOLCE sweeteners in the beverages category.

INTERIM GROUP MANAGEMENT REPORT

01.10.2018 – 31.03.2019

I. GROUP BASIS AND CONDITIONS

The remarks made in the consolidated financial statements for the financial year ending 30 September 2018 about the Group's basis and conditions continue to be applicable.

II. ECONOMIC AND BUSINESS REPORT

1. Results of operations

During the first six months of the 2018/19 financial year, the BRAIN Group generated € 19.8 million of total operating performance (revenue, research and development grant revenue, changes in inventories, and other income), compared with € 12.3 million in the previous year's reporting period, representing growth of 60.7 %. Revenue was up by 73.0 % year-on-year, from € 10.7 million to € 18.5 million. The aforementioned developments are explained in more detail below.

The **"BioScience"** segment recorded € 6.2 million of total operating performance in the reporting period, representing an increase of 10.4 % compared with the previous year's period. This growth is attributable to a higher number of contracts concluded for Tailor-Made Solutions projects and Strategic Product Development projects. Examples in this context include a global beverages group joining the FRESCO program during the first quarter of BRAIN's financial year with the aim of identifying natural-based preservatives, and the addition of a further consumer goods company to BRAIN's DOLCE program. Adjusted EBITDA decreased from € –2.9 million to € –3.1 million. The change in adjusted EBITDA is mainly due to the expansion of the Management Board of BRAIN AG and the recruitment of additional sales staff. The 14.0 % (€ 0.5 million) improvement in unadjusted EBITDA compared with the previous year reflects the aforementioned effects as well as higher acquisition and integration costs, and consequently higher adjustment effects in the previous year.

The **"BioIndustrial"** segment, which includes the development and commercialization of the company's own products and active product components, grew its total operating performance by 102.1 % to € 13.7 million in the first six months of the financial year under review compared with € 6.8 million in the prior-year period. The increases in the segment are partly due to inorganic growth from the acquisition of the Biocatalysts Group in March 2018 and to significant organic growth in the enzymes and cosmetics businesses compared to the prior-year period. Adjusted EBITDA also improved considerably from € 0.1 million to € 1.4 million and thereby reached the EBITDA breakeven level again for the strategically important BioIndustrial segment. In addition to the higher total operating performance, this improvement is attributable to a significantly improved cost of materials ratio.

Adjusted Group EBITDA consequently improved from € –2.8 million in the previous year to € –1.7 million in the first six months of the 2018/19 financial year.

The unadjusted consolidated operating result (EBIT) amounted to € –3.2 million in the reporting period (prior-year period: € –4.5 million). Adjusted for expenses from share-based employee compensation (see the notes to the financial statements) as well as what the company sees as standard market costs connected with the preparation, implementation, arrangement and integration of M&A transactions, the adjusted consolidated operating result thereby stood at € –3.1 million, compared with € –3.6 million in the previous year. Here, the improvement at Group level reflects the better adjusted operating result (EBIT) in the BioIndustrial segment.

The net financial result amounted to € –822 thousand, compared with € –184 thousand in the prior-year period. The increase in finance costs from € –214 thousand to € –577 thousand derives mainly from interest expenses and the subsequent measurement of financial liabilities. The consolidated net result stood at € –4.1 million during the first six months, compared with € –4.7 million in the previous year's period. Non-controlling interests accounted for a € 70 thousand share of results, compared with € –7 thousand in the previous year.

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

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

€ thousand	6M 2018/19	6M 2017/18
EBITDA	**–1,756**	**–3,719**
Personnel expenses from the employee share scheme at AnalytiCon Discovery GmbH	–35	–119
Share-based employee compensation	–41	0
Acquisition and integration costs incurred in the expansion of the BRAIN Group	–6	–799
Adjusted EBITDA	**–1,673**	**–2,800**

2. Net assets

Non-current assets increased slightly compared with 30 September 2018, from € 33.4 million to € 35.3 million as at 31 March 2019, due mainly to investments in property, plant and equipment and the expansion of the production capacity in Cardiff. Current assets reduced from € 41.0 million to € 34.4 million. This reduction is mainly attributable to a decrease in trade receivables and a decline in cash and cash equivalents.

Equity reduced from € 30.6 million as at 30 September 2018 to € 26.8 million as at 31 March 2019. As a consequence, this reduction of € 3.9 million is almost entirely attributable to the result for the period.

Non-current liabilities decreased from € 32.9 million to € 31.1 million, which reflects a reduction in non-current financial liabilities. Non-current financial liabilities reduced by € 1.1 million due to a reclassification of a liability to current financial liabilities to reflect the passage of time. Accordingly, current liabilities reported a slight increase from € 11.0 million to € 11.8 million.

3. Financial position

The Group's gross cash flow improved significantly from € –5.3 million in the previous year to € –3.4 million in the reporting period. This improvement is mainly attributable to the € 0.6 million improvement in the net result for the period and € 0.6 million higher depreciation and amortization costs. The increase in this item results from the amortization of the disclosed hidden reserves from the acquisition of the Biocatalysts Group in March 2018.

Cash flow from operating activities reduced slightly from € –2.8 million to € –2.9 million.

Cash flow from investing activities in the first six months of the current financial year mainly reflects the aforementioned investments in a production facility in Cardiff, leading to cash flow from investing activities of € –2.9 million.

As in the previous year, cash flow from financing activities mainly results from the repayment of financial liabilities in the reporting period and amounted to € –1.4 million in the period under review compared to € –0.5 million in the previous year.

II. SIGNIFICANT OPPORTUNITIES AND RISKS

No significant changes occurred compared with the 2017/18 Annual Report.

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

II. OUTLOOK

No significant changes are identifiable concerning the business outlook compared with the outlook report contained in the 2017/18 annual report.

CONSOLIDATED INCOME STATEMENT [UNAUDITED]

€ thousand	6M 2018/19	6M 2017/18	Q2 2018/19	Q2 2017/18
Revenue	18,519	10,705	9,079	5,422
Research and development grant revenue	803	957	380	462
Change in inventories of finished goods and work in progress	55	38	268	141
Other income	439	627	228	279
	19,816	**12,328**	**9,955**	**6,305**
Cost of materials				
Cost of raw materials and supplies, and purchased merchandise	–7,247	–4,271	–4,125	–2,263
Cost of purchased services	–1,307	–1,278	–916	–619
	–8,554	**–5,549**	**–5,041**	**–2,882**
Personnel expenses				
Wages and salaries	–7,249	–5,444	–3,792	–2,773
Share-based employee compensation	–41	0	–6	0
Social security and post-employment benefit costs	–1,511	–1,090	–761	–537
	–8,801	**–6,534**	**–4,559**	**–3,310**
Other expenses	–4,217	–3,964	–1,995	–2,097
EBITDA	**–1,756**	**–3,719**	**–1,640**	**–1,984**
Depreciation and amortization	–1,449	–816	–726	–423
Operating result (EBIT)	**–3,205**	**–4,535**	**–2,366**	**–2,407**
Share of profit or loss from equity-accounted investments	–250	0	–152	0
Finance income	4	30	2	27
Finance costs	–577	–214	–270	–69
	–822	**–184**	**–420**	**–42**
Pretax loss for the reporting period	**–4,027**	**–4,719**	**–2,786**	**–2,449**
Income tax expense/income				
a) Current tax expense	–200	–43	–107	74
b) Deferred tax expense (-)/ income (+)	165	89	94	43
	–35	**45**	**–13**	**117**
Net loss for the reporting period	**–4,062**	**–4,674**	**–2,799**	**–2,331**
of which attributable to:				
Non-controlling interests	70	–7	16	27
Shareholders of BRAIN AG	–4,132	–4,667	–2,815	–2,358
Earnings per share, basic (undiluted)	–0.23	–0.26	–0.16	–0.13
Number of shares taken as basis	18,055,782	18,055,782	18,055,782	18,055,782
Earnings per share, diluted	–0.23	–0.26	–0.16	–0.13
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 2018/19	6M 2017/18	Q2 2018/19	Q2 2017/18
Net loss for the reporting period	**–4,062**	**–4,674**	**–2,799**	**–2,331**
of which attributable to:				
Non-controlling interests	70	–7	16	27
Shareholders of BRAIN AG	–4,132	–4,667	–2,815	–2,358
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Deferred tax	–7	0	–5	0
Differences from the translation of foreign-currency financing instruments	–434	0	–584	0
Differences from the translation of foreign operations	465	87	675	0
Other comprehensive income (loss), net	24	87	86	0
Consolidated total comprehensive income (loss)	**–4,038**	**–4,587**	**–2,712**	**–2,331**
of which attributable to:				
Non-controlling interests	213	–7	237	27
Shareholders of BRAIN AG	–4,251	–4,581	–2,950	–2,358

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

€ thousand	31.03.2019	30.09.2018
Non-current assets		
Intangible assets	18,753	19,075
Property, plant and equipment	14,444	12,042
Equity-accounted investments	1,734	1,984
Other non-current assets	334	347
Deferred tax	10	0
	35,274	**33,448**
Current assets		
Inventories	8,417	8,037
Trade receivables	6,085	6,451
Other current assets	1,164	672
Current tax assets	56	57
Other financial assets	200	260
Cash and cash equivalents	18,504	25,539
	34,426	**41,016**
ASSETS	**69,700**	**74,464**
Equity		
Subscribed capital	18,056	18,056
Capital reserves	64,657	64,606
Retained earnings	–59,963	–55,789
Other reserves	–1,095	–1,119
	21,656	**25,755**
Non-controlling interests	5,097	4,884
Total equity	**26,753**	**30,639**
Non-current liabilities		
Deferred tax	2,793	2,887
Provisions for post-employment benefits for employees	1,395	1,395
Financial liabilities	24,302	25,353
Other liabilities	691	1,355
Pension commitments	1,944	1,862
	31,126	**32,852**
Current liabilities		
Provisions	395	512
Current tax liabilities	831	618
Financial liabilities	2,943	2,442
Prepayments received	175	41
Trade payables	3,924	2,872
Other liabilities	2,667	3,017
Deferred income	887	1,471
	11,822	**10,973**
EQUITY AND LIABILITIES	**69,700**	**74,464**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY [UNAUDITED]

1 October 2017 to 31 March 2018	Interests of shareholders of BRAIN AG							
	Subscribed capital	Capital reserves	Retained earnings	Other reserves		Total	Non-controlling interests	Total
€ thousand				Pension plans	Currency translation			
Balance at 30 September 2017	**18,056**	**77,950**	**–47,736**	**–1,090**	**0**	**47,180**	**182**	**47,361**
Net loss for the reporting period			–4,667			–4,667	–7	–4,674
Total comprehensive income (loss) (1.10.2017 – 31.03.2018)			–4,667		87	–4,581	–7	–4,587
Addition of non-controlling interest as part of the acquisition of fully consolidated Group companies						0	2,336	2,336
Addition of liability from put/call agreement relating to the acquisition of non-controlling interests in fully consolidated Group companies		–12,899				–12,899		–12,899
Balance at 31 March 2018	**18,056**	**65,051**	**–52,403**	**–1,090**	**87**	**29,700**	**2,512**	**32,212**

1 October 2018 to 31 March 2019	Interests of shareholders of BRAIN AG							
	Subscribed capital	Capital reserves	Retained earnings	Other reserves		Total	Non-controlling interests	Total
€ thousand				Pension plans	Currency translation			
Balance at 30 September 2018	**18,056**	**64,606**	**–55,789**	**–1,118**	**–1**	**25,755**	**4,884**	**30,639**
Total comprehensive income (loss) 01.10.2018–31.03.2019			–4,132	–7	31	–4,108	213	–3,895
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**	**–59,963**	**–1,125**	**30**	**21,656**	**5,097**	**26,753**

CONSOLIDATED CASH FLOW STATEMENT [UNAUDITED]

€ thousand	6M 2018/19	6M 2017/18
Net profit (loss) for the period, after tax	–4,062	–4,674
Depreciation and amortization	1,449	816
Deferred tax expense (income)	–165	–89
Conversion of deferred income into revenue	–1,271	–1,416
Income from the release of provisions and liabilities	–103	–176
Share of profit or loss from equity-accounted investments	250	0
Change in net pension provisions recognized in profit or loss	0	0
Other non-cash expenses (income)	467	205
Losses on disposals of intangible assets and property, plant and equipment	–6	2
Gross cash flow	–3,442	–5,331
Change in trade receivables	390	2,361
Change in inventories	–380	204
Change in tax assets and liabilities	190	–407
Change in other assets and financial assets	–457	–425
Change in trade payables	1,043	343
Change in prepayments received	134	132
Change in provisions and other liabilities	–1,106	–1,017
Additions from deferred income	747	1,325
Cash flow from operating activities	**–2,881**	**–2,814**
Net cash inflows from acquisitions (less cash and cash equivalents acquired)	0	–10,458
Payments to acquire intangible assets	–6	–57
Payments to acquire property, plant and equipment	–2,899	–278
Investments in interests in affiliates	0	0
Net proceeds from other non-current assets	16	–122
Payments to acquire financial assets	0	0
Disposals of financial assets	0	0
Proceeds from disposal of property, plant and equipment	8	1
Cash flow from investing activities	**–2,882**	**–10,914**
Proceeds from borrowings	31	0
Repayments of borrowings	–1,391	–507
Cash flow from financing activities	–1,360	–507
Net change in cash and cash equivalents	**–7,122**	**–14,235**
Cash and cash equivalents at start of reporting period	25,539	38,954
Exchange-rate-related change in cash	88	7
Cash and cash equivalents at end of reporting period	**18,504**	**24,726**
Cash flows from operating activities include:		
Interest paid	214	120
Interest received	3	5
Income taxes paid	22	140
Income taxes received	30	9

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

Accounting and valuation principles

The interim consolidated financial statements of BRAIN AG as at 31. March 2019 were 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 2018, BRAIN AG applied the accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time. The effects of the introduction of these standards 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 as at 1 October 2018 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.

Updated version of IFRS 9 – Financial Instruments

IFRS 9 provides regulations for the accounting treatment of financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 pursues a new approach for the classification and measurement of financial assets. Accordingly, the classification and measurement of financial assets are determined on the basis of the cash flow characteristics and the business model operated. IFRS 9 was adopted at BRAIN AG by applying the retrospective method and without adjusting the comparative figures for the previous year.

Classification

Financial assets held within a business model, whose objective is to hold assets in order to collect contractual cash flows, are measured at amortized cost. If the business model provides for the recognition of contractual cash flows and the sale of financial assets, such assets are measured at fair value through equity. If neither of the two business models applies, or if the financial assets do not exclusively contain interest and principal payments, the financial assets are measured at fair value through profit or loss.

As per the Standard, investments in equity instruments are to be measured at fair value through profit or loss. Here, the option to report fair value changes in other comprehensive income exists solely at the start and is subsequently irrevocable.

At BRAIN, loans and trade receivables continue to meet the criteria for recognition at amortized cost.

Measurement

IFRS 9 introduces a new impairment model applicable to all financial assets measured either at amortized cost or at fair value through profit or loss. This model provides for the recognition of expected credit losses at the time of initial recognition. This therefore leads to an increase in risk provisions. For trade receivables, the simplified impairment model of IFRS 9 has been applied, which takes into account an expected credit loss over the lifetime of the respective financial assets. To assess the expected credit risk, receivables are grouped based on the existing credit risk and the respective term structure.

The effect of the new impairment model on trade receivables amounting to € 42 thousand was recognized directly in equity for the first time, so that accumulated impairment losses increased from € 143 thousand as at 30 September 2018 to € 185 thousand as at 1 October 2018.

The regulations governing the classification and measurement of financial liabilities in accordance with IFRS 9 are essentially in line with the previous regulations in IAS 39, so that this does not result in any changes.

The Group held no hedged items in the 2017/18 financial year. If hedges exist, the Group does not apply hedge accounting. For this reason, hedge accounting regulations have no significant effects on the financial position and performance of BRAIN AG.

The transition effects resulting from the first-time application led to a reduction of € 42 thousand in retained earnings as at 1 October 2018 excluding deferred tax.

Summary

The following table shows the reconciliation of the original IAS 39 measurement categories and carrying amounts of financial assets and liabilities as at 30 September 2018 to the new IFRS 9 measurement categories and carrying amounts as at 1 October 2018.

Reconciliation: IFRS 9 – "Classification and Measurement"

€ thousand	IAS 39 measurement category	IAS 39 carrying amount 30.09.2018	Reclassifications	Not in IFRS 9 application scope	Measurement adjustments	IFRS 9 measurement category	IFRS 9 carrying amount 01.10.2018
Assets							
Trade receivables	LaR	6,451			–42	AC	6,409
Other current and non-current assets	LaR	252				AC	252
Other financial assets	LaR	301				AC	301
Cash and cash equivalents	LaR	25,539				AC	25,539
Total		32,543	0	0	–42		32,501
Equity and liabilities							
Trade payables	OL	2,872				AC	2,872
Financial liabilities		25,385				AC	25,385
Other liabilities	OL	155				AC	155
Total		28,412	0	0	0		28,412

Below are presented the effects from the first-time application of IFRS 9 on the reserves as of 30 September 2018 and on the reserves as at 1 October 2018.

Effect on the reserves as at 30 September 2018/1 October 2018 in € thousand

Balance at 30 September 2018 (as reported)	**7,699**
Impairment losses applied to trade receivables	–42
IFRS 9 tax effect	10
Balance at 1 October 2018 (after adjustment)	**7,667**

IFRS 15 – "Revenue from Contracts with Customers" including published clarifications

The IFRS 15 regulations and definitions relating to revenue recognition replace the contents of both IAS 18 Revenue and IAS 11 Construction Contracts, as well as related interpretations. Pursuant to IFRS 15, revenue is to be recognized if the customer attains control over the agreed goods and services, and can draw benefits from them. Revenue is to be measured at the amount of consideration that the company expects to receive. The new standard includes a five-step method to calculate revenue to be recognized:

- Step 1: Identify the contract(s) with the customer,
- Step 2: Identify the separate performance obligations in the contract,
- Step 3: Determine the transaction price,
- Step 4: Allocate the transaction price to the individual performance obligations,
- Step 5: Recognize revenue at the level of the allocated proportional transaction price as soon as the agreed performance is rendered, or the customer has gained control over the goods or services.

The new IFRS 15 also includes numerous disclosure requirements relating to the type, amount, occurrence and uncertainty of revenue, as well as cash flows arising from contracts with customers.

Accordingly, BRAIN AG applied the provisions of IFRS 15 for the first time from the financial year beginning on 1 October 2018. The modified retrospective method was used for the transition to IFRS 15. Under the modified retrospective method, the cumulative adjustment amounts from the first-time adoption are recognized in retained earnings with no effect on the profit or loss. Comparative figures for prior-year periods are not adjusted under this transition method. The option for simplified initial application was also utilized, with IFRS 15 being applied solely to contracts that had not yet been fulfilled as at 1 October 2018.

The first-time application of IFRS 15 did not result in a material need for retrospective adjustments within the Group. The material effects relate to the disclosures in the notes to the financial statements at the end of the year. In accordance with the option under IFRS 15.109, contractual liabilities continue to be reported in the statement of financial position as deferred income and are disclosed in the notes to the consolidated financial statements. As at 31 March 2019, current contract liabilities under current deferred income amounted to € 746 thousand and non-current contract liabilities under non-current deferred income amounted to € 1,192 thousand.

BioScience

The first-time application of IFRS 15, and the related evaluation of the accounting treatment of research, development and licensing agreements, necessitated several discretionary decisions. The initial analysis concerned the extent to which such agreements fall into the application scope of IFRS 15. An analysis was subsequently performed in order to establish whether the promises identified result in individual performance obligations and how they are satisfied (at a point in time or over time). In addition, the determination of the transaction price required discretionary decisions and estimates in light of uncertainties typical of the sector, which are associated with future milestone and license payments. These discretionary decisions relate to the assessment of the inclusion of milestone payments in the transaction price. Accordingly, milestones are only included in the transaction price if it is highly probable that the milestone will be reached when the contract is concluded. However, this usually contradicts the concept of milestone payments, which represent a remuneration for certain achievements within a project. One-off prepaid license payments are recognized immediately if the license grants a right-of-use and the licensed technology is not developed further (static licenses). One-off prepaid license payments are realized over time if and to the extent that the license grants access rights to the technology, and the licensed technology is developed further (dynamic licenses). License income from royalties will continue to be recognized when the relevant products are sold. In the accounting treatment for revenues from research and development projects, no changes were identified in relation to previous accounting treatment.

The first-time application of IFRS 15 does not have any significant effects on the Group's revenues or net income in relation to existing research, development and license agreements.

BioIndustrial
Under IFRS 15, revenue from product sales is also recognized when the control over the products transfers to the customer. As previously, this will continue to occur when the product is delivered to the customer.

Due to the generally simply structured contracts and typically short contract terms, the application of IFRS 15 does not to have a significant effect on the Group's revenues or results.

The new IFRS 15 regulations have no or very minor significance for BRAIN in the following areas:

- Separable performance obligations from warranty obligations, transport and other logistics services
- Sales with rights of return
- Consignment arrangements
- Principal versus agent considerations
- Bill-and-hold arrangements
- Financing components
- Costs of obtaining and fulfilling a contract

Segment reporting

Compared with the consolidated financial statements as at 30 September 2018, no changes have occurred in relation to segment reporting. The segment results[1] are presented in the following overview.

€ thousand	BioScience		BioIndustrial		Reconciliation		Group	
	6M 18/19	6M 17/18	6M 18/19	6M 17/18	6M 18/19	6M 17/18	6M 18/19	6M 17/18
Total revenue	5,180	4,092	13,344	6,647	–6	–33	18,519	10,705
Of which: Revenue generated with other segments	5	21	1	12	–6	–33	0	0
Of which: Revenue generated with external customers	5,176	4,071	13,343	6,634	0	0	18,519	10,705
R&D grant revenue[2] [external]	695	921	108	35	0	0	803	957
Changes in inventories[3]	–31	139	86	–101	0	0	55	38
Other income	344	451	114	176	–19	0	439	627
Total operating performance	**6,188**	**5,603**	**13,653**	**6,757**	**–25**	**–33**	**19,816**	**12,328**
EBITDA	**–3,167**	**–3,682**	**1,409**	**–31**	**2**	**–6**	**–1,756**	**–3,719**
Adjusted EBITDA	**–3,084**	**–2,855**	**1,409**	**61**	**2**	**–6**	**–1,673**	**–2,800**
Operating result *(EBIT)*	**–3,743**	**–4,217**	**535**	**–312**	**2**	**–6**	**–3,205**	**–4,535**
Adjusted operating result (adjusted EBIT)	***–3,660***	***–3,390***	***535***	***–220***	***2***	***–6***	***–3,123***	***–3,616***
Finance income							4	30
Finance costs							–577	–214
Result before taxes							**–4,027**	**–4,719**

Number of employees in the Group[4]

Average for the reporting period	6M 2018/19	FY 2017/18
Total employees, of which	**284**	**247**
Salaried employees	260	230
Industrial employees	24	17

Furthermore, BRAIN employs scholarship/grant holders (3, FY 17/18: 6), temporary employees (12, FY 17/18: 11) and trainees (7, FY 17/18: 6).

Related party transactions

During the first six months of the 2018/19 financial year, no new transactions with related parties were concluded that were not already presented in the financial statements as at 30 September 2018, and that had a significant effect on the financial position and performance of the BRAIN Group.

1 After partial elimination within the segment
2 Research and development grant revenue
3 Changes in inventories of finished goods and work in progress
4 Excluding the members of the parent company's Management Board and the subsidiaries' managing directors

Events after the end of the quarter

The Management Board is not aware of any events of particular significance, or with considerable effects on the financial position and performance, after the balance sheet date on 31 March 2019.

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 2019

The Management Board

Dr. Jürgen Eck | Manfred Bender | Ludger Roedder

CONTACT

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

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FINANCIAL CALENDAR

29.05.2019	**Publication of the half-year report for the period ending 31.03.2019 (6M)**
30.08.2019	**Publication of the quarterly statement for the period ending 30.06.2019 (9M)**
14.01.2020	**Publication of the annual report as of 30.09.2019 (12M)**
28.02.2020	**Publication of the quarterly statement as of 31.12.2019 (3M)**
05.03.2020	**AGM, 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 prepared originally in German. Where differences occur, preference shall be given to the original German version.

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