



# ANNUAL REPORT

## 2015/16

### **MID-YEAR FINANCIAL STATEMENT as per 31 March 2016**

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# ABOUT BRAIN

BRAIN AG is one of Europe's technological leaders in the field of bioeconomy, applying its key technologies in the area of the industrial, or so-called white, biotechnology, to discover as of yet untapped highly-performing enzymes, microbial producer organisms or natural substances from complex biological systems in order to transform them into industrially usable applications. Innovative solutions and products developed from this "toolbox of nature" are already successfully in use in the chemical industry as well as in the cosmetics and food industries.

BRAIN's business is based on two pillars: "BioScience" and "BiolIndustrial". The "BioScience" pillar includes the company's collaboration business with industrial partners, which is usually concluded on an exclusive basis. The second pillar, "BiolIndustrial", deals with the development and marketing of BRAIN's proprietary products and active product components.

BRAIN AG is one of the key players in the field of bioeconomy which advance the biologisation of the industry. The emergence of bioeconomy as a game-changing global megatrend has been asserted and reconfirmed by the Paris Climate Summit and the Berlin Bioeconomy Summit.

The need for sustainable products and, consequently, the need for new ingredients continues to manifest – as part of the vanguard, the UK government has announced a levy on sugary soft drinks. From April 2018, the sugar tax will be levied on soft drinks containing more than five grams of sugar per 100 ml, increasing pressure on manufacturers to reduce or replace sugar and unhealthy ingredients.

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# SIGNIFICANT EVENTS

**01 October 2015 – 31 March 2016**

## **Changes in the Management Board**

On 1 November 2015, Mr Henricus (Eric) Marks was appointed to the Management Board by the Supervisory Board and named Chief Operating Officer (COO) of the BRAIN Group. Within the BRAIN Group, Dr Marks heads the 'BiolIndustrial' business and in this capacity helps expand BRAIN's proprietary product pipeline thanks to his many years of industry experience gained at Genencor and AB Enzymes.

On 18 December 2015 and with effect from 1 January 2016, Dr Georg Kellinghusen was appointed to the Management Board by the Supervisory Board and named Chief Financial Officer (CFO). Relying on many years of experience serving as CFO of publicly listed companies such as Varta AG, Escada AG, Zapf Creation AG and Alno AG, Dr Kellinghusen joined BRAIN in particular in the light of the company's imminent IPO.

## **Capital Increase Resolution and Capital Increase**

On 20 October 15, the extraordinary general meeting of BRAIN AG resolved to increase its share capital by Euro 188,530.00 from Euro 12,725,818.00 to Euro 12,914,348.00 by issuing new registered shares against contributions in cash. The shares were subscribed against the payment of a total amount of Euro 188.530 while at the same time the subscriber assumed an obligation to contribute its claims against the company in the amount of Euro 1.8 m arising from a shareholder loan agreement into the company's capital reserve. The capital increase was filed with the Commercial Register on 06 November 2015.

## **Annual General Meeting**

The Annual General Meeting of BRAIN AG held on 18 December 2015 adopted the following resolutions:

- formal approval of the actions of the Management Board
- formal approval of the actions of the Supervisory Board
- election of Mr Siegfried L. Drueker to the Supervisory Board for another term of office
- election of Mr Christian Körgen to the Supervisory Board with effect from 01 January 2016
- appointment of PriceWaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as auditors of the financial statements and consolidated financial statements for the fiscal year from 01 October 2015 to 30 September 2016.

On the occasion of the annual general meeting and against the background of his appointment to the Management Board of BRAIN AG with effect from 01 January 2016, Dr Kelling-

husen resigned from the Supervisory Board with effect from 31 December 2015 and resigned from all the positions he held at MP Gruppe, also with effect from 31 December 2015.

### **Initial Public Offering**

On 20 January 2016, BRAIN AG's issuing prospectus, submitted for the purpose of admission to trading on the Regulated Market, was approved by the Federal Financial Services Supervisory Authority (BaFin). The issuing price for the 3.5m registered no-par value ordinary shares, which were realized by means of a capital increase, was Euro 9.00, and despite adverse capital market conditions, all shares were placed in conformity with the issuing prospectus. On 09 February 2016, trading in BRAIN AG stock commenced in the Regulated Market of the Frankfurt Stock Exchange (Prime Standard level of transparency) at a first price of Euro 9.15. The Initial Public Offering (IPO) resulted in total proceeds (including over-allotments) of Euro 32.5 m, of which the company received gross issuing proceeds of Euro 31.5 m. After the deduction of banking fees, net proceeds amounted to Euro 30.4 m.

In addition, the lead managing bank was offered a total of 0.525 m registered shares from the holdings of the selling shareholder MP Beteiligungs-GmbH in connection with a potential over-allotment. The granted Greenshoe option was eligible to be exercised until and including 09 March 2016. As per this day, the lead managing bank exercised its Greenshoe option to an amount of 108,054 shares. Thus these shares, which were originally over-allotted during the IPO, and which at first were provided by MP Beteiligungs-GmbH as a securities loan, were fully placed as well.

Since the IPO, the price of the BRAIN share (WKN: 520394 | ISIN: DE0005203947) constantly remained above Euro 9.00 in the period under review, starting from an issuing price of Euro 9.00 and an initial quotation of Euro 9.15 and peaking at Euro 10.30 on 18 February 2016. On 31 March 2016, the Xetra closing price was Euro 9.45.

### **Successful Interim Review of NatLifE 2020 Strategic Alliance**

The NatLifE 2020 strategic alliance was the first research alliance funded under the German Ministry of Education and Research's "Innovation Initiative for Industrial Biotechnology" programme, with money starting to flow on 01 February 2013. In late 2015, following nearly three years of successful research and development, the alliance had to undergo an interim review by a panel of experts set up by the Ministry of Education and Research. A total of 14 alliance representatives and coordinators from BRAIN AG, the alliance's nerve centre, took the questions from the panel. The group provided insights into the past three years of joint research efforts while at the same time also answering the experts' questions on the plans for the second phase of the NatLifE 2020 programme. The reviewers recommended continuing the funding for the NatLifE 2020 strategic alliance. As per schedule, Phase 2, which is planned to run for three years, began on 01 March 2016 and will end on 28 February 2019. Another three-year phase for the NatLifE 2020 programme is already in the making and will be presented to the reviewer panel in late 2018.

# INTERIM GROUP MANAGEMENT REPORT

01 October 2015 – 31 March 2016

## **GROUP FUNDAMENTALS AND GENERAL CONDITIONS**

The explanatory notes on the group fundamentals and general conditions given in the 2014/2015 financial statement also pertain to the current statement.

### **1. Financial Performance**

During the first six months of the 2015/16 fiscal year, the BRAIN group achieved a total operating performance (revenues, changes in inventory, other income) of Euro 13.0 m compared to Euro 12.8 m in the same period of the previous year.<sup>1</sup>

The “**BioScience**” segment increased its total operating performance by 11 per cent to Euro 6.4 m. The increase reflects the company’s growing collaboration business with globally acting industrial partners, in particular from the field of specialty chemistry and the food industry, as well as the fulfilment of development milestones. The operating result of Euro -5.1 m (Euro -2.3 m same period previous year) achieved in the period under review stems, among other things, from the costs incurred by the stock market flotation (Euro 1.1 m) and from the personnel expenses resulting from a share-based employee compensation scheme pertaining to the AnalytiCon Discovery GmbH subsidiary that had no impact on liquidity (Euro 0.9 m). Adjusted for these effects, the result for this segment (adjusted EBIT) amounts to Euro -3.1 m including the costs for research and development of new products and active ingredients.

In the “**BioIndustrial**” segment, dedicated to the development and marketing of proprietary products and active product components, the total operating performance in the first half of the year amounted to Euro 6.6 m compared to Euro 7.1 m in the same period of the previous year.

In our WeissBioTech subsidiary, strategic focus is placed on the highly profitable “specialty enzymes” area, such as enzymes for the food and fruit juice industries, to a great extent. This, in turn, gradually counteracts the increasing commodisation of volume-driven “bulk enzymes”. This emphasis on specialty enzymes permitted us to post double-digit growth in all market segments, with the exception of enzymes for the production of bioethanol. This market segment of biofuels, which mainly deals with bulk enzymes, saw a considerable fall in demand during the period under review, driven by a extremely low price of crude oil and the resulting weak position of the bioethanol industry as a buyer of enzymes. During the period under review, the positive growth results in the field of specialty enzymes still were eclipsed by the decline in bulk enzymes, which led to a decrease in the enzyme part of the business during the period under review. This confirms the strategic decision taken to focus on the specialty enzymes market segments.

<sup>1</sup> The financial figures of the first half of the 2015/16 fiscal year are comparable with the figures of the same period the previous year only to a limited extent since the same period of the previous year only includes the financial figures of the WeissBioTech GmbH and WeissBioTech S.A.R.L. subsidiaries from the beginning of November 2014 due to the acquisitions.

The segment's operating result (EBIT) decreased from Euro 0.2 m in the same period previous year to Euro -0.2 m in the first half of the 2015/16 fiscal year, mainly due to the reduced contribution margins from the bioethanol enzyme business.

In the period under review, the unadjusted group operating result (EBIT) of Euro -5.3 m (Euro -2.1 m in the same period previous year) is, *inter alia*, marked by the IPO costs. Adjusted for the one-off costs incurred by BRAIN AG's IPO (Euro 1.1 m) and the personnel expenses resulting from a share-based employee compensation scheme pertaining to the AnalytiCon Discovery GmbH subsidiary that had no impact on liquidity (Euro 0.9 m), the adjusted group EBIT is Euro -3.3 m.

BRAIN will continue to pursue its course of profitable growth and, from today's perspective, the company expects to reach EBIT break-even as planned in the course of the fiscal year 2017/18 even if the commodisation of bioethanol enzymes attributable to the low oil price were to continue.

The group's net financial result amounted to Euro -414 k over Euro -442 k in the same period of the previous year. Finance expenditure decreasing from Euro 448 k to Euro 425 k results, among other things, from the regular repayment of loans and the repatriation of a shareholder advance.

In the first six months, the group's consolidated result was Euro -6.1 m over Euro -2.7 m same period previous year. A share of Euro -63 k (after Euro -39 k previous year) is attributable to non-controlling interest.

The basic and diluted earnings per share in the first six months of the fiscal amounted to Euro -0.44 compared to Euro -0.21 in the same period of the previous year.

## **2. Assets and Liabilities Situation**

On 31 March 2016, non-current assets were valued at Euro 15.1 m, remaining almost unchanged compared to 30 September 2015. Current assets increased from Euro 15.1 m to Euro 35.6 m. The increase is mostly due to liquid funds and other current financial assets. Equity increased from Euro 5.7 m on 30 September 2015 to Euro 31.8 m on 31 March 2016. Due to a premarket capital increase in the first quarter of the fiscal and the capital increase during the IPO, the group's nominal capital grew from Euro 12.7 m to Euro 16.4 m. The company's capital reserve rose from Euro 16.8 m to Euro 45.4 m on account of the capital increases.

Long-term liabilities decreased from Euro 16.9 m to Euro 12.0 m, mostly due to the conversion of a shareholder advance into equity and the full repatriation of the remaining shareholder advance.

Current liabilities decreased from Euro 7.7 m to Euro 6.8 m. This decrease is mainly attributable to the reduction of current financial liabilities from Euro 2.1 m to Euro 1.0 m due to the regular repayment of loans and a dormant holding.

### **3. Financial Situation**

The group's consolidated gross cash flow was below the previous year's at Euro -5.2 m over Euro -1.9 m. This decline is essentially due to the lower period result. Cash flows from operating activities went down from Euro -2.7 m to Euro -4.6 m.

Cash investments first and foremost include expenses for current financial assets (Euro 15.0 m) and property, plants and equipment (Euro 289 k), mainly for enhancing the organization's laboratory and technology infrastructure.

The inflow of funds from the stock flotation during the IPO amounted to Euro 30.4 m after the deduction of banking fees. In October 2015, the company had already received Euro 0.2 m from a capital increase entered into the commercial register on 06 November.

Cash flows from financing activities include the repatriation of a shareholder advance carried out in order to reduce interest load (Euro 5.7 m), the regular repayment of a dormant holding (Euro 0.8 m) and other financial liabilities (Euro 0.8 m) within the framework of contractual agreements.

Liquid funds including current financial assets increased from Euro 3.2 m to Euro 23.5 m compared to 30 September 2015. Thus, the company's liquidity improved by Euro 20.3 m compared to 30 September 2015 thanks to the successful IPO.

### **4. Significant Opportunities and Challenges**

Compared to the 2014/15 fiscal, there were no significant changes with regard to opportunities and challenges.

There currently are no discernible risks threatening the continuation of the company in accordance with Article 91 Section 2 of the German Stock Corporation Act.

### **5. Forecast Report**

Compared to the 2014/15 fiscal, no significant changes with regard to the business forecast are discernible.

# CONSOLIDATED PROFIT AND LOSS STATEMENT [UNAUDITED]

in €	6M 2015/16	6M 2014/15	Q2 2015/16	Q2 2014/15
Revenue	11 160 269	10 933 981	5 112 547	5 302 951
Grant Revenue	1 242 132	1 311 823	676 159	642 986
Change in inventories of finished and unfinished goods and unfinished services	22 350	-94 096	26 200	86 692
Other income	527 118	638 876	165 083	493 013
	<b>12 951 869</b>	<b>12 790 584</b>	<b>5 979 988</b>	<b>6 525 643</b>
<b>Cost of materials and services</b>				
Cost of materials	-3 975 249	-4 413 413	-1 711 714	-2 644 663
Cost of purchased services	-1 471 555	-1 288 683	-751 772	-558 337
	<b>-5 446 803</b>	<b>-5 702 096</b>	<b>-2 463 486</b>	<b>-3 203 000</b>
<b>Personnel expenses</b>				
Salaries and wages (thereof share-based employee compensation schemes pertaining to AnalytiCon Discovery GmbH)	-5 897 125 (-891 379)	-4 380 133 (-12 262)	-3 090 957 (-441 649)	-2 392 060 (-6 131)
Social security and post-employment benefit costs	-998 368	-892 806	-498 955	-455 637
	<b>-6 895 493</b>	<b>-5 272 939</b>	<b>-3 589 912</b>	<b>-2 847 696</b>
Depreciation and amortisation	-726 728	-707 458	-363 039	-376 359
Other expenses (thereof IPO expenses)	-5 153 527 (-1 126 113)	-3 207 314 (0)	-2 722 104 (-363 541)	-1 650 596 (0)
<b>Earnings before interest and tax (EBIT)</b>	<b>-5 270 683</b>	<b>-2 099 223</b>	<b>-3 158 553</b>	<b>-1 552 008</b>
<b>Adjusted earnings before interest and tax (EBIT)<sup>2</sup></b>	<b>(-3 253 191)</b>	<b>(-2 086 961)</b>	<b>(-2 353 363)</b>	<b>(-1 545 877)</b>
Finance income	11 750	5 685	3 011	3 942
Finance cost	-425 253	-448 046	-194 862	-325 473
	<b>-413 503</b>	<b>-442 361</b>	<b>-191 850</b>	<b>-321 531</b>
<b>Loss for the period under review before taxes</b>	<b>-5 684 186</b>	<b>-2 541 585</b>	<b>-3 350 403</b>	<b>-1 873 539</b>
<b>Income tax expense/income</b>				
a) Current tax expense/income	-65 174	-103 113	-19 089	-108 059
b) Deferred tax expense/income	-375 506	-103 167	-360 238	9 080
	<b>-440 680</b>	<b>-206 281</b>	<b>-379 327</b>	<b>-98 981</b>
<b>Loss for the period under review</b>	<b>-6 124 866</b>	<b>-2 747 866</b>	<b>-3 729 730</b>	<b>-1 972 520</b>
Thereof attributable to:				
Non-controlling interest	-63 011	-39 023	-37 602	-14 477
Shareholders of BRAIN AG	-6 061 854	-2 708 843	-3 692 128	-1 958 043
Basic earnings per share	-0.44	-0.21	-0.25	-0.15
Number of shares used to calculate BEPS	13 843 846	12 725 818	14 837 425	12 725 818
Diluted earnings per share	-0.44	-0.21	-0.25	-0.15
Number of shares used to calculate DEPS	13 843 846	12 725 818	14 837 425	12 725 818

<sup>2</sup> Adjusted for one-off costs incurred by the IPO and personnel expenses resulting from a share-based employee compensation scheme pertaining to the AnalytiCon Discovery GmbH subsidiary.

# CONSOLIDATED AGGREGATE INCOME STATEMENT [UNAUDITED]

in €	6M 2015/16	6M 2014/15	Q2 2015/16	Q2 2014/15
<b>Loss for the period under review</b>	<b>-6 124 866</b>	<b>-2 747 866</b>	<b>-3 729 730</b>	<b>-1 972 520</b>
Thereof attributable to:				
Non-controlling interest	-63 011	-39 023	-37 602	-14 477
Shareholders of BRAIN AG	-6 061 854	-2 708 843	-3 692 128	-1 958 043
<b>Other Results:</b>				
<b>Items which are not allocated to profit or loss afterwards</b>				
Result from the revaluation of liabilities from post-employment payments to employees	-52 910	0	0	0
Deferred taxes	15 410	0	0	0
<b>Other results, net</b>	<b>-37 500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Consolidated aggregate income</b>	<b>-6 162 366</b>	<b>-2 747 866</b>	<b>3 729 730</b>	<b>-1 972 520</b>
Thereof attributable to:				
Non-controlling interest	-63 011	-39 023	-37 602	-14 477
Shareholders of BRAIN AG	-6 099 354	-2 708 843	-3 692 128	-1 958 043

# CONSOLIDATED ASSETS AND LIABILITIES SITUATION (BALANCE SHEET) [UNAUDITED]

in €	31.03.2016	30.09.2015
<b>Non-current assets</b>		
Intangible assets	7 844 674	8 034 883
Property, plants and equipment	6 892 865	6 877 750
Shares in investments valued at equity	1	1
Deferred taxes	274 215	274 740
Financial assets available for sale	1	1
Other non-current assets	93 308	148 760
	<b>15 105 065</b>	<b>15 336 134</b>
<b>Current assets</b>		
Inventories	6 404 736	6 517 145
Receivables from deliveries and services	4 486 413	3 934 268
Other current assets	1 117 940	1 348 917
Income tax receivables	67 982	22 938
Other financial assets	15 000 000	0
Cash and cash equivalents	8 509 168	3 247 352
	<b>35 586 239</b>	<b>15 070 620</b>
	<b>ASSETS</b>	<b>50 691 304</b>
		<b>30 406 755</b>
<b>Equity</b>		
Subscribed capital	16 414 348	12 725 818
Capital reserves	45 427 909	16 882 871
Revenue reserves	-29 501 148	-23 439 294
Other reserves	-756 172	-718 673
	<b>31 584 936</b>	<b>5 450 723</b>
Non-controlling interest	241 460	304 471
	<b>Total equity</b>	<b>31 826 397</b>
		<b>5 755 194</b>
<b>Long term liabilities</b>		
Deferred taxes	1 352 164	1 442 520
Reserves for post-employment payments	1 098 260	1 014 000
Financial liabilities	8 488 861	14 251 256
Other liabilities	1 087 839	196 460
Accrued income	14 624	20 000
	<b>12 041 748</b>	<b>16 924 236</b>
<b>Current liabilities</b>		
Other reserves	185 445	289 221
Income taxes payable	158 515	86 736
Financial liabilities	1 040 226	2 106 081
Prepayments received	194 017	281 822
Liabilities from deliveries and services	3 141 328	3 081 895
Other liabilities	1 566 368	1 493 242
Accrued income	537 262	388 328
	<b>6 823 159</b>	<b>7 727 324</b>
	<b>LIABILITIES</b>	<b>50 691 304</b>
		<b>30 406 755</b>

# CONSOLIDATED CHANGES IN EQUITY STATEMENT [UNAUDITED]

01 October 2014 to 31 March 2015	Share of BRAIN AG shareholders						
in €	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total	Non-controlling interest	Gesamt
<b>As of 30 September 2014</b>	<b>12 725 818</b>	<b>16 882 871</b>	<b>-17 353 416</b>	<b>0</b>	<b>11 998 799</b>	<b>127 663</b>	<b>12 126 462</b>
Overall result 6M 2014/15			-2 708 843		-2 708 843	-39 023	-2 747 866
Reduction of non-controlling interests in the course of a share increase of fully consolidated subsidiaries			37 143		37 143	-37 143	
Addition of non-controlling interests in the course of a share increase of fully consolidated subsidiaries			-47 503		-47 503	47 503	
<b>As of 31 March 2015</b>	<b>12 725 818</b>	<b>16 882 871</b>	<b>-20 329 094</b>	<b>0</b>	<b>9 279 595</b>	<b>99 001</b>	<b>9 378 596</b>

01 October 2015 to 31 March 2016	Share of BRAIN AG shareholders						
in €	Subscribed capital	Capital reserves	Revenue reserves	Other reserves	Total	Non-controlling interest	Gesamt
<b>As of 30 September 2015</b>	<b>12 725 818</b>	<b>16 882 871</b>	<b>-23 439 294</b>	<b>-718 673</b>	<b>5 450 723</b>	<b>304 471</b>	<b>5 755 194</b>
Result from the revaluation of liabilities from post-employment payments to employees after taxes				-37 500	-37 500		-37 500
Loss for the period under review			-6 061 854		-6 061 854	-63 011	-6 124 866
Overall result 01 October 2015 to 31 March 2016			-6 061 854	-37 500	-6 099 354	-63 011	-6 162 366
Cash capital increase by issuing new shares	188 530				188 530		188 530
Payments to free capital reserves in the course of conversion of shareholder advances		1 811 470			1 811 470		1 811 470
Capital increase by issuing new shares – increase in subscribed capital	3 500 000				3 500 000		3 500 000
Premium less costs of raising equity capital after taxes		26 733 568			26 733 568		26 733 568
<b>As of 31 March 2016</b>	<b>16 414 348</b>	<b>45 427 909</b>	<b>-29 501 148</b>	<b>-756 173</b>	<b>31 584 936</b>	<b>241 460</b>	<b>31 826 396</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

## [UNAUDITED]

in €	6M 2015/16	6M 2014/15
Period result after income tax	-6 124 866	-2 747 866
Depreciation and amortization of intangible assets and property, plants, and equipment	726 728	707 458
Deferred tax expenses / income	375 506	103 168
Income-relevant change of deferred income	-1 248 186	-42 389
Income from the reversal of reserves and liabilities	-44 242	-74 005
Income-relevant change of net pension provisions	31 350	0
Personnel expenses employee option rights	889 873	0
Other non-cash expenses/income	151 548	188 365
Losses from reduction of intangible assets and property, plants and equipment	634	4 879
<b>Gross Cash Flow</b>	<b>-5 241 654</b>	<b>-1 860 389</b>
Change in pension provisions	-65 129	0
Change in receivables from deliveries and services	-556 593	-1 691 520
Change in inventories	112 409	-268 645
Change in income tax receivables and liabilities	26 736	124 074
Change in other assets (current and non-current)	-201 090	-229 547
Change in liabilities from deliveries and services	49 632	1 140 777
Change in prepayments received	-87 805	66 444
Change in reserves and other liabilities	13 052	4 823
Additions from accrued income	1 382 336	1 075
<b>Cash Flow from operating activities</b>	<b>-4 568 106</b>	<b>-2 712 908</b>
Net payments from company acquisitions (less acquired cash and cash equivalents)	0	40 232
Investments in intangible assets	-131 360	-27 897
Investments in property, plants and equipment	-289 085	-339 650
Inflows from the disposal of property, plants, and equipment	12 000	12 500
Investments in current financial assets	-15 000 000	0
<b>Cash Flow from investing activities</b>	<b>-15 408 445</b>	<b>-314 815</b>
Inflows due to the obtainment of financial liabilities	2 035 010	3 017 883
Outflows from the redemption of financial liabilities	-7 236 658	-1 385 084
Payments into equity less connected costs incurred for capital provision	30 440 015	0
<b>Cash Flow from financing activities</b>	<b>25 238 367</b>	<b>1 632 799</b>
<b>Net change in cash and cash equivalents</b>	<b>5 261 816</b>	<b>-1 394 923</b>
Cash and cash equivalents at the beginning of the period under review	3 247 352	4 458 926
<b>Cash and cash equivalents at the end of the period under review</b>	<b>8 509 168</b>	<b>3 064 003</b>
<b>Cash flow from operating activities includes:</b>		
Interest paid	318 244	262 069
Interest received	3 675	3 850
Income tax paid	38 391	26 339
Income tax received	6 571	17 670

# SELECTED EXPLANATORY GROUP NOTES [UNAUDITED]

The accounting policies used for the consolidated financial statement as per 30 September 2015 were also used for the first six months of 2015/16.

## Segment Reporting

There are no changes in segmentation compared to the consolidated financial statement as per 30 September 2015. The results per segment<sup>3</sup> are shown in the following table.

in €	BioScience		BioIndustrial		Consolidation		Group	
	6M 15/16	6M 14/15	6M 15/16	6M 14/15	6M 15/16	6M 14/15	6M 15/16	6M 14/15
Total revenue and income	4 950	4 157	6 229	6 800	-19	-23	11 160	10 934
Thereof: revenue and income with other segments	11	15	8	8	-19	-23	0	0
Thereof: revenue and income with external clients	4 939	4 142	6 221	6 792	0	0	11 160	10 934
R&D <sup>4</sup> revenue and income [external clients]	1 213	1 302	29	10	0	0	1 242	1 312
Changes in inventory <sup>5</sup>	-25	-129	47	35	0	0	22	-94
Other income	248	407	326	278	-47	-47	527	639
<b>Total [external]</b>	<b>6 375</b>	<b>5 722</b>	<b>6 577</b>	<b>7 068</b>	<b>0</b>	<b>0</b>	<b>12 952</b>	<b>12 791</b>
<b>Operating result (EBIT)</b>	<b>-5 098</b>	<b>-2 258</b>	<b>-173</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>-5 271</b>	<b>-2 099</b>
<b>Adjusted operating result (adjusted EBIT)<sup>6</sup></b>	<b>-3 081</b>	<b>-2 451</b>	<b>-173</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>-3 253</b>	<b>-2 087</b>
Financial income							12	6
Financial expenses							-425	-448
<b>Result before income tax</b>							<b>-5 684</b>	<b>-2 542</b>

## Number of Employees (Group)<sup>7</sup>

	On average during the period under review	6M 2015/16	Geschäftsjahr 2014/15
<b>Employees</b>		<b>220</b>	<b>215</b>
thereof scholarship/grant holders		7	11
thereof temporary employees		11	13

<sup>3</sup> after partial elimination within the segment

<sup>4</sup> revenue from Research and Development grants

<sup>5</sup> changes in inventory of finished and unfinished goods and services

<sup>6</sup> adjusted for the cost of the IPO (Euro 1.126 m) and expenses resulting from a share-based employee compensation scheme pertaining to the Analyticon Discovery GmbH subsidiary (Euro 891k)

<sup>7</sup> without the parent company's members of the board (3) and subsidiaries' managing directors (7)

## **Share-Based Compensation**

The BRAIN group's share-based compensation scheme includes the share-based compensation commitments taken over with the acquisition of the AnalytiCon Discovery GmbH subsidiary at the time of acquisition, namely 20 December 2013, as well as additionally granted in the meantime to the employees and management of the said subsidiary. In addition, it includes compensation from mutually granted options to buy or sell shares in AnalytiCon Discovery GmbH between the employees and management of AnalytiCon Discovery GmbH on the one hand and BRAIN AG on the other hand.

## **Transactions with Related Parties**

As of 31 March 2016, MP Beteiligungs-GmbH, Kaiserslautern, holds more than 25 per cent, but less than 50 per cent, of BRAIN AG shares. In order to reduce the company's interest load, the subordinated loans of Euro 5.7 m granted by MP Beteiligungs-GmbH were fully repatriated as per 31 March 2016. The interest load for these loans amounted to Euro 102,497 in the period under review. The subordinated loan framework of up to Euro 10 m granted by MP Beteiligungs-GmbH continues to be available to the company until 31 December 2017 and may be used if necessary.

In the first six months of the 2015/16 fiscal year, there were no other transactions with related parties which might have had a significant impact on the earnings, property, and financial situation of the BRAIN group.

At the balance sheet date of 31 March 2016 there were receivables of Euro 88,041 towards companies consolidated in the group. At the balance sheet date, there were no liabilities towards companies consolidated in the BRAIN group.

## **Events after the end of the current half year**

As of 01 April 2016, Ms. Christine Kiefer, an acknowledged sales expert, has taken over management of MONTEIL, thus strengthening the BRAIN group's product business activities in the Biolndustrial segment. After years of gaining experience in KAO Germany's international brand business, she is moving to Monteil, the anti-aging specialist, and will assume responsibility for international sales together with Stefan Vogels. Her acknowledged sales expertise will allow Ms. Kiefer to take corporate development and the company's positioning based on highly efficient active ingredients to the next level.

One focus of BRAIN AG's product development portfolios is the field of "biological sugar substitutes". Based on three corresponding letters of intent with two large consumer goods

companies and one manufacturer, negotiations about a product development partnership are proceeding on schedule. Currently, the company assumes that – should the negotiations come to a successful conclusion – the cooperation programme might kick off in one of the next two quarters.

#### **Responsibility Statement**

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group provides a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and challenges associated with the expected development of the group for the remaining months of the fiscal year.

Zwingenberg 27 May 2016

The Board of Management



Dr. Jürgen Eck



Dr. Georg Kellinghusen

Henricus (Eric) Marks

# CONTACT

For further information please contact:

**Corporate Development & Investor Relations**  
**Dr. Martin Langer**  
**Fon: +49-6251-9331-16**

# FINANCIAL CALENDAR

**29 February 2016**

**Release of the quarterly report for the period ending 31 December 2015 (3M)**

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**31 May 2016**

**Release of the interim report for the period ending 31 March 2016 (6M)**

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**31 August 2016**

**Release of the quarterly report for the period ending 30 June 2016 (9M)**

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**20 December 2016**

**Release of the annual report for the period ending 30 September 2016 (12M)**

## Disclaimer

This interim report may contain forward-looking statements. These statements reflect the current views, expectations and assumptions of the management of the BRAIN Group 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. The company does not undertake any obligation to update or revise any forward-looking statements. This interim report may contain various disclosures that are not required by the relevant reporting standards. These disclosures should be regarded as a supplement, rather than as a substitute for the information to be disclosed under IFRS. Due to rounding, individual numbers presented in this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures they relate to. This document is an English language translation of the German original. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

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Biotechnology Research And Information Network AG  
Darmstädter Straße 34–36  
64673 Zwingenberg · Germany

phone +49 (0) 62 51 / 9331-0  
fax +49 (0) 62 51 / 9331-11  
e-mail [public@brain-biotech.de](mailto:public@brain-biotech.de)  
web [www.brain-biotech.de](http://www.brain-biotech.de)