

Q&A regarding fault detection by “Deutsche Prüfstelle für Rechnungslegung“ (“DPR“)

1. What fault detection was made by DPR regarding Elanix BT?

In the context of a random sample audit, the DPR has detected that Elanix BT has failed to correctly report its financial statements for the financial year 2015 with regard to the balance sheet item "intangible assets". According to DPR the accounting of the underlying amortized costs of the intangible assets have not been proven either by a business merger, by a separate acquisition or by the investment of a shareholder. Therefore, in the opinion of DPR, our exclusive patent right combined with our own GMP-certified cell banks should not be valued as intangible assets in our balance sheet of the 2015 consolidated financial statements.

2. How does DPR justify its fault detection regarding the intangible assets in the 2015 consolidated financial statements of Elanix BT?

DPR is of the opinion that the accounting for the underlying amortized costs of the intangible assets of Elanix BT has not been proven either by a business merger or by a separate acquisition or by investment by a shareholder. The fault detection by DPR is based on an assessment of the capitalization according to accounting standards.

3. How has the Management of Elanix BT reacted to this fault detection?

We cannot agree to the fault detection of DPR because we firmly believe that the exclusive patent right combined with our own GMP-certified master and working cell banks are significant assets that should be reflected in our balance sheets. We are confident that we have correctly presented these two assets in the balance sheet of the 2015 financial statements, as the contribution, activation and capitalization were also performed properly under the premises of IFRS. In assessing these assets, we ordered a business potential analysis by the renowned auditing firm Ernst & Young on the one hand and consulted and used external experts on the other hand. Our auditors at Baker Tilly also audited the correct presentation of these assets in the 2015 consolidated financial statements.

Now the Management has dealt intensively with the consequences of this fault detection, the occurring costs and the resulting uncertainty. Ultimately, we came to the conclusion that it cannot be in the interests of the Company and the Company's shareholders to enter into a legal dispute with BaFin with an uncertain outcome.

Therefore, Elanix BT will now make the correction of intangible assets as requested by DPR and will also correct according to the fault detection the still open 2017 financial statements in accordance with IAS-8. However, the Company reserves the right to continue to communicate the presentation of the Company's intangible assets, which from its point of view is correct, in a pro forma presentation to the annual financial statements. At the same time, the Management Board intends to define a well-known audit company to revalidate the certified cell banks owned by the Company according to the latest status.

4. What changes for the consolidated financial statements would the required correction by DPR mean?

The intangible assets previously stated in the balance sheets for the exclusive patent right combined with the own GMP-certified cell banks would have to be set to zero. As a result, the assets in the balance sheets would be massively reduced. In the opinion of DPR, the balance sheet item "intangible assets" is therefore too high by EUR 22.5 million in the consolidated financial statements of the company as of 31 December 2015. On the other hand, this would also eliminate the annual amortization of these intangible assets and relieve the consolidated profit and loss account of the company by EUR 1.26 million per year. This would reduce annual losses by EUR 1.26 million or increase future planned profits by this amount each year.

5. What impact on the operating business activities would the correction in the annual financial statements required by DPR have?

The fault detection by DPR has no impact on the operating business activities of Elanix BT. The exclusive patent right and GMP-certified cell banks will continue to be fully used for the further industrialization of First Cover and the further development of the Elanix planned product portfolio.

6. Why has the annual financial statement for 2017 not yet been published?

Discussions with DPR regarding the valuation of intangible assets have been ongoing for many months. As the results of the DPR decision have a significant impact on the 2017 consolidated financial statements, this is the main reason why the consolidated financial statements and management report for the 2017 financial year have not yet been published.

7. Why has the semi-annual report for the first half of 2018 not yet been published?

The fault detection by DPR has considerable influence and needs for correction not only for the 2017 consolidated financial statements but also for the financial statements for 2018 (see also the answer to question 6.) That is why we plan to publish the semi-annual financial statements for 2018 together with the audited annual financial statements for 2017.

8. When do you expect to be able to publish the 2017 financial statements after the DPR fault detection?

We are already working on the correction requested by DPR according to their fault detection. We are now aiming to publish the consolidated financial statements and management report for 2017 as well as the half-year figures for 2018 until the mid of December 2018.

