

epigenomics

Epigenomics AG Reports Financial Results for Fiscal Year 2006

Date: Friday, 30.03.2007

Focus on early detection of colorectal cancer – New Strategy aims at fastest route to market and commercialization

- **Financials in line with latest expectations:**
 - ◆ Full year revenue EUR 3.5 million, EBIT at EUR -15.8 million
 - ◆ Operational costs EUR 21.2 million
 - ◆ Liquidity of EUR 17.3 million as of December 31 2006
 - ◆ Dedicated project evaluating all strategic and tactical financing options started in Q4-2006
- **Strategy and organization realigned with focus on key value drivers and fastest route to market**
- **Positive clinical data from colorectal and prostate cancer screening programs**
- **Roche Diagnostics ended partnership despite positive clinical data – all rights reverted to Epigenomics**
- **Qiagen launched EpiTect® Bisulfite Kit for research use**
- **Affymetrix became strategic diagnostics platform partner and shareholder**
- **Seven new biomarker R&D collaborations**
- **New CEO Geert Nygaard joined early 2007 to succeed founder Alex Olek**

Press release, Berlin, Germany and Seattle, WA, USA

Epigenomics AG (Frankfurt, Prime Standard: ECX), a cancer molecular diagnostics company developing tests based on DNA methylation, today reported its financial results for the fiscal year ending December 31, 2006, and presented its strategy realignment aiming at the fastest route to commercialization.

Strategy Realignment

Under the lead of Epigenomics' new CEO, Geert Walther Nygaard, Epigenomics has realigned its strategy and operational focus. The company has decided to further streamline its product development pipeline in an attempt to pursue the fastest possible route to market for Epigenomics' lead products. Accordingly, Epigenomics aims at establishing multiple non-exclusive partnerships for its screening products to ensure a faster route to market and broader market penetration.

“Epigenomics' main focus is to turn the impressive development work that it has done in both core businesses, screening and specialty diagnostics, into products. I am convinced that Epigenomics' DNA methylation technology is ideally positioned to fill the large unmet need in early cancer diagnosis, probably one of the most attractive market segments in diagnostics today,” commented Geert Walther Nygaard, CEO of Epigenomics. „We are now focusing all our strength, expertise and resources on progressing our lead product for colorectal cancer screening and identifying new diagnostics industry partners for the broad commercialization of our pipeline of screening products.“

Financial Review 2006

Epigenomics' full year 2006 revenue was EUR 3.5 million, a decrease compared to fiscal year 2005 of EUR 9.6 million. This development was mainly due to a one-time multi-million Euro milestone payment in Q4 of 2005 under the Roche Diagnostics partnership, the termination of the Roche Diagnostics agreement, as well as lower than expected new business collaborations.

Throughout 2006, Epigenomics continued its strong commitment to building and maintaining a leadership position in DNA methylation-based products, science and technology. A total of EUR 8.7 million in research and development (R&D) expenditures was spent versus EUR 8.1 million for fiscal 2005. This reflects a resource shift towards Epigenomics' prostate cancer classification program and the development of a proprietary diagnostics platform for tissue testing.

Marketing and business development costs increased to EUR 2.7 million compared to EUR 1.5 million in 2005. The increase was driven by a build out of a dedicated marketing function, significant market research for our most advanced products, and a strengthening of our business development and licensing team. General and administrative expenses of EUR 4.1 million were slightly above the EUR 3.8 million in 2005.

Earnings before interest and taxes (EBIT) totaled EUR -15.8 million in 2006, a drop from previous year's EUR -10.2 million. Net loss increased from EUR 8.8 million in 2005 to EUR 15.4 million in 2006. The increase in the Company's net loss is driven primarily by lower revenue in 2006 as operating costs were tightly controlled. Epigenomics' total operating expenses in 2006 of EUR 21.2 million were similar to 2005 operating costs of EUR 21.3 million. Net loss per share was EUR 0.92 in 2006 compared to a EUR 0.54 net loss per share in 2005.

As of December 31, 2006, liquid assets including marketable securities totaled EUR 17.3 million compared with EUR 32.7 million at the end of 2005. The number of outstanding shares as of December 31, 2006 was 16,916,125.

Operational Review 2006

The past year has been challenging for Epigenomics but 2006 has also been a year of outstanding clinical and product development progress as the company worked towards the launch of its diagnostics products. Epigenomics' lead product, a blood-based test for the early detection of colorectal cancer, has been validated in several large clinical studies. With the identification of an additional biomarker and improvement of the assay procedure, Epigenomics has been able to significantly improve the product, which now detects two-thirds of all colorectal cancers patients from a simple blood draw – compared to half of the cancer patients a year ago. In Epigenomics' prostate cancer program, the company demonstrated reliable and accurate detection of cancer using urine samples.

Despite these excellent results and the progress made in 2006, Epigenomics' partner of more than four years, Roche Diagnostics, decided to end the collaboration in December 2006. Since then, all worldwide rights and ownership of the data, licenses and products have returned to Epigenomics.

Epigenomics' tissue-based prostate cancer molecular classification test was successfully transferred onto the IVD platform of our partner, Affymetrix. In the summer of 2006, Epigenomics and Affymetrix entered into a strategic partnership

under the “Powered by Affymetrix”™ program granting Epigenomics access to Affymetrix’s entire installed instrument base. Combined with the Qiagen partnership for sample preparation Epigenomics now has secured access to all modules required for a molecular diagnostics platform using DNA methylation-based diagnostics.

Regarding the Clinical Solutions business, Epigenomics signed seven new biomarker R&D collaboration agreements in 2006. Partnerships include follow-on deals with AstraZeneca and Philip Morris as well as several new collaborations with Johnson & Johnson, Centocor and three undisclosed partners among leading pharma and biotech industry companies.

Epigenomics’ leading DNA methylation technologies and strong IP portfolio of more than 200 filed patent families was further strengthened bringing the total number of patents granted to 61. As part of the Qiagen and Affymetrix partnerships, several key patent families have successfully been out-licensed to leaders in their respective fields.

After the resignation of founder and former CEO Alexander Olek, the management team decided to focus on key value drivers of the business. As a consequence, Epigenomics underwent a corporate restructuring in October 2006, resulting in a streamlined organization with a clear emphasis on later stage clinical research and development programs in oncology, and a reduction of 33 management and staff positions in Berlin.

Since then Epigenomics’ Executive Board has been strengthened with significant operational and commercial diagnostics industry expertise. Moreover, on February 1, 2007 Geert Walther Nygaard, former Managing Director of Abbott Germany, joined the Epigenomics team as the new Chief Executive Officer.

Future Outlook

Under the lead of Epigenomics’ new CEO, Geert Walther Nygaard, Epigenomics will focus on the execution of its key corporate objectives. The main 2007 corporate priority is to prepare the colorectal cancer screening program and make certain that the adapted assay procedure is suitable and ready for routine clinical and reference laboratories. Epigenomics’ goal is to establish a reference lab partnership in the second half of 2007. The first blood based colorectal cancer test is expected to be launched via a reference lab in 2008 as a centralized testing service.

Following the termination of the cooperation with Roche Diagnostics Epigenomics now holds all worldwide rights and ownership of the data, licenses and products. This has opened the way for leveraging Epigenomics’ attractive cancer screening pipeline in multiple non-exclusive partnerships with diagnostics industry players. Discussions with suitable partners are ongoing. The commercialization strategy for the company’s in vitro diagnostic (IVD) kits targeted for mass markets in cancer screening has thus been changed. Epigenomics’ aim is to have multiple non-exclusive partnerships rather than a single, exclusive worldwide R&D and commercialization partnership. This is to ensure broader market penetration, a faster route to market and sales ramp for Epigenomics’ screening products on several diagnostic platforms, which the company believes can be accomplished based on the sales and marketing efforts of several IVD players. The company expects to sign the first of these non-exclusive partnerships by the end of 2007

followed by additional deals in 2008 and beyond.

Epigenomics anticipates 2007 revenue to be similar to 2006 revenue. 2007 revenue will depend on current R&D collaborations, as well as the new partnerships previously outlined. EBIT for the fiscal year 2007 is also expected to be similar to 2006 figures. Net cash burn from operations is expected to be significantly lower than 2006 based on expected deals with certain up-front components. The company expects a net cash consumption of approximately EUR 11 to 12 million in 2007 to execute on the revised strategy.

During 2007, Epigenomics expects to strengthen its financial position and is currently evaluating all options. Timing, structure as well as size will depend on the nature of the strategic business deals the company anticipates closing during 2007.

Further Information

Epigenomics will host an analyst meeting and press conference today at 10 am CET at DZ Bank, Platz der Republik, 60265 Frankfurt am Main to present the fiscal year 2006 results and provide guidance for 2007. Epigenomics' management will also host a conference call at 3 pm CET. The dial-in numbers for the conference call are:

Dial-in number (within Germany.): +49 6958 999 0804

Dial-in number (outside Germany): +1 480 293 1744

Participants are kindly requested to dial in 10 minutes prior to the start of the call.

A recording of the conference call will be provided on Epigenomics' website subsequently: http://www.epigenomics.com/en/download/corporate_material/

The presentation accompanying the meeting and the conference call will be available for download on the Epigenomics website:

English: http://www.epigenomics.com/en/download/corporate_material/

German: http://www.epigenomics.com/de/downloads_firmeninformation/

Also available for download is the Company's Annual Report 2006:

Englisch:

http://www.epigenomics.com/en/investor_relations/Financial_Information/

German:

http://www.epigenomics.com/en/investor_relations/Financial_Information/?lang=1

About Epigenomics AG

Epigenomics is a molecular diagnostics company with a focus on the development of novel products for cancer. Using DNA methylation biomarkers, Epigenomics' tests can potentially diagnose disease at an early stage and help guide physicians to select an appropriate therapy. Epigenomics' defined business strategy covers two complementary core business areas:

In cooperation with industry partners, the company develops diagnostic screening tests for the early detection of cancer, mass-market products with huge potentials. Based on easily obtainable body fluid samples (e.g. blood and urine), these tests

are aimed at finding cancer at an early stage before symptoms occur. Epigenomics' product pipeline contains an extensively validated biomarker panel for the early detection of colorectal cancer in blood plasma, and further proprietary DNA methylation biomarkers at various stages of development for prostate, and lung cancer detection in body fluids. Epigenomics aims at giving patients and doctors early access to these biomarkers through reference laboratory testing services. For development and global commercialization as in vitro diagnostic tests kits, Epigenomics pursues a non-exclusive partnering strategy with diagnostics industry players.

As a second core business area, Epigenomics develops specialty diagnostics for individuals at high risk for cancer and cancer patients. These tests include surveillance applications of our colorectal cancer biomarkers and a tissue-based prognostic cancer molecular classification test for prostate cancer patients. Our tissue-based prostate cancer application is developed in strategic partnerships with Qiagen (pre-analytics) and Affymetrix (diagnostic device platform). The biomarkers for cancer specialty diagnostic applications will be made available through testing services in centralized reference laboratories. Epigenomics retains the flexibility to decide on further commercialization as in vitro diagnostic test kits in Europe and eventually the US midterm.

Pharma, diagnostics and biotech partners can access Epigenomics' portfolio of proprietary DNA methylation technologies and biomarkers protected by more than 200 patent families through Biomarker Services, IVD Development Collaborations, and Licensing. The company is headquartered in Berlin, Germany, and has a wholly owned subsidiary in Seattle, WA, USA. For more information, please visit Epigenomics' website at www.epigenomics.com.

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[back](#)