

epigenomics

3-MONTH REPORT

JANUARY 1 – MARCH 31

**Q1 2015**

## QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

in EUR thousand (except where indicated)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
<b>Statement of Profit or Loss</b>					
Revenue	407	405	284	411	367
Gross profit	210	237	185	144	238
EBIT	-2,000	-1,616	-1,773	-2,994	-3,164
EBITDA	-1,809	-1,429	-1,588	-2,787	-2,956
Net loss for the period	-2,240	-1,823	-1,842	-2,949	-3,164
<b>Balance Sheet (at the respective reporting dates)</b>					
Non-current assets	1,977	1,937	2,463	2,352	2,196
Current assets	9,492	7,991	5,333	8,968	8,354
Non-current liabilities	699	596	816	1,407	1,895
Current liabilities	4,022	4,406	3,955	3,805	4,284
Equity	6,748	4,926	3,025	6,108	4,371
Equity ratio (in %)	58.8	49.6	38.8	54.0	41.4
Total assets	11,469	9,928	7,796	11,320	10,550
<b>Statement of Cash Flows</b>					
Cash flow from operating activities	-1,475	-1,622	-2,158	-1,966	-2,243
Cash flow from investing activities	0	-43	-649	-182	-45
Cash flow from financing activities	1,866	-4	17	5,724	1,042
Net cash flow	391	-1,669	-2,790	3,576	-1,246
Cash consumption	-1,475	-1,665	-2,807	-2,148	-2,288
Cash and cash equivalents at the end of the period	7,598	5,929	3,137	6,715	5,469
<b>Stock</b>					
Weighted-average number of shares issued	13,261,225	13,510,892	13,513,114	14,239,821	15,616,372
Earnings per share (basic and diluted, in EUR)	-0.17	-0.13	-0.14	-0.21	-0.20
Share price at the end of the period (in EUR)	5.40	3.47	3.73	5.10	5.93
<b>Number of employees at the end of the period</b>					
	37	38	38	37	37

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## EPIGENOMICS AG – REPORT ON THE FIRST THREE MONTHS OF 2015

### **DEAR SHAREHOLDERS,**

Our activities during the first quarter of 2015 were very much centered on implementing and successfully completing the ADMIT clinical trial. This trial was requested by the U.S. Food and Drug Administration (FDA) in the context of the approval process for Epi proColon® in the U.S. and we had enrolled the first patients in Q4 2014. Together with our partners at Kaiser Permanente and Geisinger Health Systems, who actively manage colorectal cancer (CRC) screening programs in their patient populations, we identified and enrolled 420 patients that have historically been non-compliant with recommended screening options. These patients were randomly split into two groups. The first group received the fecal immunochemical test (FIT) to complete at home and send back within six weeks. For the second group, a blood sample for the Epi proColon® test was taken during their visit to the clinic. On March 25, 2015, we were able to announce the successful completion of the enrollment into this study and are now awaiting the final results, which we expect to become available in early to mid-May.

Once the data from this latest study becomes available and is submitted to the FDA for review, we expect the FDA will be in a position to take its final decision on approval of Epi proColon® in the U.S..

Since the approval of Epi proColon® in China obtained by our partner BioChain, we have been assisting them in their efforts to work with the provincial governments to secure adequate pricing and reimbursement decisions to support the market adoption and to secure the commercial success of this innovative blood-based test for early detection of CRC. While we expect it will take some time before we see widespread adoption, it is encouraging that we already have received the first product orders for delivery in Q2 2015, indicating that the initial steps are being taken in conquering the emerging Chinese CRC screening market.

In parallel to the regulatory approval pathways, we are also investing considerable efforts into strengthening our manufacturing capabilities to support the commercial launch of our main product. We have secured a second source for the manufacturing of our product, which mitigates potential risks in connection with our supply chain and are furthermore evaluating steps to bring certain supply chain activities back in-house from current external partners, in order to further shorten manufacturing time frames and reduce costs.

While freeing up research and development resources with the imminent completion of key regulatory activities around Epi proColon<sup>®</sup>, we are starting to focus on future product opportunities in this area. Most notably, we will be devoting intensified efforts towards the development of a blood-based lung cancer test. We draw upon the work we and academic collaborators have already done with our second product, Epi proLung<sup>®</sup>. In this regard, we are very happy to have received a grant in the amount of up to EUR 2.8 million from the European Commission within the framework of the Horizon 2020 program for the development of a CE marked, blood-based IVD test for lung cancer diagnosis and screening.

As we approach the expected regulatory approval decision by the FDA, our financial situation in 2015 remains stable, partly through additional funds that could be raised through the conversion of outstanding convertible bonds originally offered in December 2013. During the first quarter, our net cash flow of EUR 2.3 million was reduced to EUR 1.2 million by additional conversions requiring premium payments by the holders of these bonds. At the end of the quarter, a total of 16 bonds were still outstanding, potentially providing us with access to up to EUR 8.5 million of additional funds. We are clearly seeing a significant interest in our stock, especially outside the German capital market. To address this growing interest, we are constantly in discussion with international investors and will keep exploring measures to further strengthen the financial situation of our Company.

Yours sincerely,

Dr. Thomas Taapken  
(CEO/CFO)

Dr. Uwe Staub  
(COO)

## OUR STOCK

**Epigenomics AG – Common Shares** Frankfurt Stock Exchange, Regulated Market (Prime Standard)

ISIN	DE000A11QW50
Security code number	A11QW5
Ticker symbol	ECX
Reuters	ECXG.DE
Bloomberg	ECX:GR
Designated sponsor	equinet Bank AG
Analyst coverage	equinet Bank AG (Marietta Miemietz) First Berlin Equity Research (Jens Hasselmeier) Kempen & Co. (Sachin Soni, Mark Pospisilik) Maxim Group (Bryan Brokmeier)

<b>Market Data (Xetra/Frankfurt)</b>	Mar 31, 2014	June 30, 2014	Sept 30, 2014	Dec 31, 2014	<b>Mar 31, 2015</b>
Number of shares outstanding	13,510,892	13,510,892	13,517,558	15,480,422	15,888,272
Closing price (in EUR)	5.40	3.47	3.73	5.10	5.93
Market capitalization (in EUR)	72,958,817	46,882,795	50,379,939	78,950,152	94,217,453

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	<b>Q1 2015</b>
Average daily trading volume (units)	112,069	118,516	24,864	58,005	81,160
Highest closing price (in EUR)	8.25	7.14	3.89	5.57	6.63
Lowest closing price (in EUR)	5.18	3.39	3.06	3.08	4.93

**Epigenomics AG – American Depositary Receipts (ADRs)** OTCQX Trading

Structure	Sponsored Level 1 ADR
Ratio	1 ADR = 5 shares
Ticker symbol	EPGNY
CUSIP	29428N102
ISIN	US29428N1028
Depositary Bank	BNY Mellon
Investment Bank PAL	BNY Mellon

## FINANCIALS

### FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 2.2 million in Q1 2015 – an increase of EUR 0.7 million compared to Q1 2014 (EUR 1.5 million) which was mainly attributable to the ADMIT study and to building up our stock for expected product demand in the months to come. Cash consumption increased to EUR 2.3 million in Q1 2015, up from EUR 1.5 million in the comparable period of 2014. Cash inflow from financing activities amounted to EUR 1.0 million (Q1 2014: EUR 1.9 million) due to the conversion of two convertible notes by their holder. Cash and cash equivalents amounted to EUR 5.5 million at the reporting date (Dec 31, 2014: EUR 6.7 million).

### RESULTS OF OPERATIONS

In Q1 2015 we recognized revenue in the amount of EUR 367 thousand – a slight decrease compared to Q1 2014 (EUR 407 thousand). While licensing income decreased in the reporting period compared to the first quarter of 2014 due to expired licensing agreements, R&D income increased by 15% year on year from EUR 137 thousand to EUR 157 thousand at the same time. Product sales decreased by 21% year on year (from EUR 215 thousand to EUR 169 thousand) however the order backlog for the Chinese market significantly increased and will lead to appreciably higher revenue in the subsequent months when products will be delivered.

Cost of sales amounted to EUR 129 thousand in Q1 2015 (Q1 2014: EUR 197 thousand). The increase of the gross margin from 52% in Q1 2014 to 65% in Q1 2015 is mainly attributable to a larger share of high-margin R&D income in Q1 2015 compared to Q1 2014.

Other income of EUR 122 thousand in Q1 2015 (Q1 2014: EUR 111 thousand) was mainly attributable to income from third-party research grants in the amount of EUR 86 thousand (Q1 2014: EUR 73 thousand).

Our R&D costs in Q1 2015 increased significantly from EUR 1,277 thousand in Q1 2014 to EUR 2,214 thousand in the reporting period. This increase was mainly attributable to conducting the ADMIT study and an increase in provisions relating to our phantom stock programs. Selling, general and administrative (SG&A) costs increased from EUR 1,036 thousand in Q1 2014 to EUR 1,282 thousand in Q1 2015. This increase was mainly attributable to an increase in provisions relating to our phantom stock programs and legal and consulting expenses with regard to our targeted U.S. market entry.

Other expenses of EUR 28 thousand in the reporting quarter (Q1 2014: EUR 8 thousand) are almost exclusively attributable to foreign exchange rate losses.

Altogether, our operating costs increased completely in line with our forecast to EUR 3.7 million in Q1 2015 from EUR 2.5 million in the first three months of 2014. Along with this increase in operating costs, EBIT for Q1 2015 amounted to EUR -3.2 million (Q1 2014: EUR -2.0 million).

In total, a net loss of EUR 3.2 million was recognized in the reporting period (Q1 2014: EUR 2.2 million). Due to the increased number of shares outstanding at the end of Q1 2015, the net loss per share for this period increased only slightly to EUR 0.20 compared to Q1 2014 (EUR 0.17).

### NET ASSET POSITION

Total non-current assets decreased from EUR 2.4 million at December 31, 2014, to EUR 2.2 million at the reporting date. Current assets decreased from EUR 9.0 million at the end of 2014 to EUR 8.4 million at the reporting date mainly due to utilization of liquidity for operating and investing activities, partly compensated by an increase in inventories of EUR 0.5 million in the reporting period and cash inflows from the conversion of convertible notes in the amount of EUR 1.0 million.

The increase in subscribed capital (up by EUR 0.4 million in Q1 2015) and the capital reserve (up by EUR 0.8 million in Q1 2015) was attributable to the conversion of convertible notes. Together with the net loss for Q1 2015 in the amount of EUR 3.2 million, this led to a decrease in total equity of EUR 1.7 million to EUR 4.4 million at the balance sheet date (Dec 31, 2014: EUR 6.1 million). The equity ratio was down to 41.4% at the reporting date (Dec 31, 2014: 54.0%).

The increase in non-current liabilities from EUR 1.4 million at December 31, 2014 to EUR 1.9 million at the reporting date was attributable to an increase in the valuation of the provision for outstanding phantom stock rights.

Current liabilities increased from EUR 3.8 million at December 31, 2014, to EUR 4.3 million at March 31, 2015.

## EMPLOYEES

The total headcount of the Company as of March 31, 2015, was unchanged from year-end 2014 at 37 and comprised 21 employees in R&D and 16 employees in SG&A functions.

## REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

After the end of the reporting period, on April 15, 2015, a further convertible note was converted by its holder. As a consequence, the Company's share capital was increased by 203,925 shares and subsequently, the Company received a cash inflow from financing in the amount of EUR 0.5 million.

## OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's business operations are described in detail in the management report published with the 2014 consolidated financial statements which are available on the Company's website ([www.epigenomics.com](http://www.epigenomics.com)). There were no significant changes in these opportunities and risks in the current reporting period.

## OUTLOOK

We confirm our prognosis for fiscal 2015 as outlined in the Group Management Report of our 2014 Annual Report. The ADMIT trial has been completed within our expected time frame and the results of the study will be published in due course. The overall likelihood of a positive approval decision by the FDA and our expectations regarding the timing of this decision remain unchanged. We expect revenue to increase in the second half of 2015 as soon as the approval is granted in the U.S. and important pricing and reimbursement decisions have been reached in China. With regard to the financial situation of the Company, we are convinced that a positive FDA decision will open up further financing options to us on the capital markets and we are determined to exercise such options in the Company's best interest.



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of March 31, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)

EUR thousand	Q1 2014	Q1 2015
<b>Revenue</b>	<b>407</b>	<b>367</b>
Cost of sales	-197	-129
<b>Gross profit</b>	<b>210</b>	<b>238</b>
<i>Gross margin (in %)</i>	52	65
Other income	111	122
Research and development costs	-1,277	-2,214
Selling, general and administrative costs	-1,036	-1,282
Other expenses	-8	-28
<b>Operating result/Earnings before interest and taxes (EBIT)</b>	<b>-2,000</b>	<b>-3,164</b>
Interest income	5	4
Interest expenses	-238	0
Other financial result	0	0
<b>Net loss for the period before taxes on income</b>	<b>-2,233</b>	<b>-3,160</b>
Taxes on income	-7	-4
<b>Net loss for the period</b>	<b>-2,240</b>	<b>-3,164</b>
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of available-for-sale securities	74	171
<b>Other comprehensive income for the period</b>	<b>74</b>	<b>171</b>
<b>Total comprehensive income for the period</b>	<b>-2,166</b>	<b>-2,993</b>
<b>Earnings per share (basic and diluted, in EUR)</b>	<b>-0.17</b>	<b>-0.20</b>

## CONSOLIDATED BALANCE SHEET AS OF MARCH 31 (UNAUDITED)

<b>ASSETS</b> (EUR thousand)	<b>Dec 31, 2014</b>	<b>Mar 31, 2015</b>
<i>Non-current assets</i>		
Intangible assets	1,291	1,141
Tangible assets	1,013	1,001
Deferred tax assets	48	54
<b>Total non-current assets</b>	<b>2,352</b>	<b>2,196</b>
<i>Current assets</i>		
Inventories	753	1,270
Trade receivables	307	113
Marketable securities	780	952
Cash and cash equivalents	6,715	5,469
Other current assets	413	550
<b>Total current assets</b>	<b>8,968</b>	<b>8,354</b>
<b>Total assets</b>	<b>11,320</b>	<b>10,550</b>

<b>EQUITY AND LIABILITIES</b> (EUR thousand)	<b>Dec 31, 2014</b>	<b>Mar 31, 2015</b>
<i>Equity</i>		
Subscribed capital	15,480	15,888
Capital reserve	33,582	34,430
Retained earnings	-33,880	-42,734
Net loss for the period	-8,854	-3,164
Other comprehensive income	-220	-49
<b>Total equity</b>	<b>6,108</b>	<b>4,371</b>
<i>Non-current liabilities</i>		
Provisions	1,407	1,895
<b>Total non-current liabilities</b>	<b>1,407</b>	<b>1,895</b>
<i>Current liabilities</i>		
Trade payables	897	1,415
Deferred income	55	6
Convertible notes issued	1,926	1,712
Other liabilities	511	474
Provisions	416	677
<b>Total current liabilities</b>	<b>3,805</b>	<b>4,284</b>
<b>Total equity and liabilities</b>	<b>11,320</b>	<b>10,550</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)

EUR thousand	Q1 2014	Q1 2015
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7,207</b>	<b>6,715</b>
<i>Operating activities</i>		
<b>Net loss for the period</b>	<b>-2,240</b>	<b>-3,164</b>
Corrections for:		
Depreciation of tangible assets	28	52
Amortization of intangible assets	163	156
Changes in provisions for phantom stock rights	105	628
Changes in other provisions	80	121
Foreign currency exchange results	0	-7
Interest income	-5	-4
Interest expenses	238	0
Taxes	7	4
<b>Operating result before changes in net current assets</b>	<b>-1,624</b>	<b>-2,214</b>
Changes in trade receivables and other current assets not attributable to investing or financing activities	-163	60
Changes in inventories	54	-517
Changes in current liabilities not attributable to investing or financing activities	265	432
Tax paid	-7	-4
<b>Cash flow from operating activities</b>	<b>-1,475</b>	<b>-2,243</b>
<i>Investing activities</i>		
Payments for investments in tangible assets	0	-5
Payments for investments in intangible assets	0	-40
<b>Cash flow from investing activities</b>	<b>0</b>	<b>-45</b>
<i>Financing activities</i>		
Proceeds from the issue of convertible notes	200	0
Proceeds from conversion of convertible notes	2,084	1,042
Payments for the issue of convertible notes	-418	0
<b>Cash flow from financing activities</b>	<b>1,866</b>	<b>1,042</b>
<b>Total net cash flow</b>	<b>391</b>	<b>-1,246</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,598</b>	<b>5,469</b>

At the balance sheet date, an amount of EUR 24 thousand of cash and cash equivalents was restricted cash.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS OF MARCH 31 (UNAUDITED)

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehensive income	Consolidated equity
<b>December 31, 2013</b>	<b>13,083</b>	<b>27,506</b>	<b>-26,469</b>	<b>-7,411</b>	<b>-250</b>	<b>6,459</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,240</b>	<b>74</b>	<b>-2,166</b>
Conversion of convertible notes	428	0	0	0	0	428
Option premium on convertible notes	0	2,027	0	0	0	2,027
Transfer of net loss for the year 2013 to retained earnings	0	0	-7,411	7,411	0	0
<b>March 31, 2014</b>	<b>13,511</b>	<b>29,533</b>	<b>-33,880</b>	<b>-2,240</b>	<b>-176</b>	<b>6,748</b>
<b>December 31, 2014</b>	<b>15,480</b>	<b>33,582</b>	<b>-33,880</b>	<b>-8,854</b>	<b>-220</b>	<b>6,108</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,164</b>	<b>171</b>	<b>-2,993</b>
Conversion of convertible notes	408	0	0	0	0	408
Option premium on convertible notes	0	848	0	0	0	848
Transfer of net loss for the year 2014 to retained earnings	0	0	-8,854	8,854	0	0
<b>March 31, 2015</b>	<b>15,888</b>	<b>34,430</b>	<b>-42,734</b>	<b>-3,164</b>	<b>-49</b>	<b>4,371</b>

# NOTES

## to the Interim Consolidated Financial Statements

### BASIC INFORMATION, PRINCIPLES AND METHODS

#### GENERAL PRINCIPLES

The present unaudited Interim Report for the Epigenomics Group comprises Condensed Interim Consolidated Financial Statements and an Interim Group Management Report in accordance with Section 37x (3) of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*). The Condensed Interim Financial Statements have been prepared according to the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) under consideration of IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU), applicable and effective at the closing date March 31, 2015. Further, these Interim Financial Statements are in accordance with German Accounting Standards (GASs) under consideration of GAS 16 *Interim Financial Reporting*, applicable and effective at the closing date March 31, 2015.

The reporting period as defined in these Condensed Interim Consolidated Financial Statements is the period from January 1, 2015, to March 31, 2015. The reporting currency is the euro (EUR).

This Interim Report should be read in conjunction with the Annual Report for fiscal 2014, which presents a more detailed analysis of the Group's business and a comprehensive disclosure of the Group's accounting principles and methods, which have been applied accordingly in the reporting period.

A critical review of this Interim Report was performed by an independent auditor.

#### APPLICATION OF NEW STANDARDS IN THE REPORTING PERIOD

The Group has mandatorily applied the following new or amended IFRS standards during the reporting period:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs	2010–2012 Cycle (Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38)
Annual Improvements to IFRSs	2011–2013 Cycle (Amendments to IFRS 3, IFRS 13 and IAS 40)

The adoption of these new or amended standards did not have a material impact on the Group's accounting.

The Group has mandatorily applied the following new GAS during the reporting period: GAS No. 21 *Cash Flow Statements*. The adoption of this standard led to a change in the presentation of the consolidated statement of cash flows. According to GAS No. 21.44, the reporting line "interest received" must now be attributed to the "cash flow from investing activities". In former periods, the Group had chosen to attribute "interest received" to the "cash flow from operating activities" in accordance with the option provided by IFRS. The adoption of GAS No. 21 has no significant impact on the presentation of the consolidated statement of cash flows for the reporting period and the comparable period.

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### SCOPE OF CONSOLIDATION

The scope of consolidation remained unchanged compared to December 31, 2014, and comprises the two companies Epigenomics AG, Berlin, Germany, and Epigenomics, Inc., Seattle, WA, U.S.A..

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### CURRENCY TRANSLATION

Foreign currency exchange rates applied in the reporting period are as follows:

Reporting date rates	Dec 31, 2014	Mar 31, 2015
EUR/USD	1.2141	1.0759

Average rates	Q1 2014	Q1 2015
EUR/USD	1.3706	1.1101

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### REVENUE

Revenue by type:

	Q1 2014		Q1 2015	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	215	52.9	169	46.1
Licensing income	55	13.5	41	11.0
R&D income	137	33.6	157	42.9
<b>Total revenue</b>	<b>407</b>	<b>100.0</b>	<b>367</b>	<b>100.0</b>

Revenue by geographical market:

	Q1 2014		Q1 2015	
	EUR thousand	in %	EUR thousand	in %
Europe	262	64.3	340	92.7
North America	31	7.7	27	7.3
Rest of the world	114	28.0	0	0.0
<b>Total revenue</b>	<b>407</b>	<b>100.0</b>	<b>367</b>	<b>100.0</b>

### OTHER INCOME

EUR thousand	Q1 2014	Q1 2015
Third-party research grants	73	86
Foreign exchange rate gains	3	29
Correction of deferred liabilities	3	5
Income from the reversal of provisions	24	0
Recoveries and refunds	7	0
Other	1	2
<b>Total other income</b>	<b>111</b>	<b>122</b>

## COST ALLOCATION BY FUNCTION

### Q1 2014

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	96	57	1	0	154
Depreciation and amortization	1	171	19	0	191
Personnel costs	55	359	452	0	866
Other costs	45	690	564	8	1,307
<b>Total</b>	<b>197</b>	<b>1,277</b>	<b>1,036</b>	<b>8</b>	<b>2,518</b>

### Q1 2015

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	38	47	1	0	86
Depreciation and amortization	1	179	28	0	208
Personnel costs	80	706	705	0	1,491
Other costs	10	1,282	548	28	1,868
<b>Total</b>	<b>129</b>	<b>2,214</b>	<b>1,282</b>	<b>28</b>	<b>3,653</b>

Personnel costs in Q1 2015 include share-based payment expenses of EUR 628 thousand (Q1 2014: EUR 127 thousand).



## OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q1 2014	Q1 2015
<b>Operating result/Earnings before interest and taxes (EBIT)</b>	<b>-2,000</b>	<b>-3,164</b>
Depreciation of tangible assets	28	52
Amortization of intangible assets	163	156
<b>EBIT before depreciation and amortization (EBITDA)</b>	<b>-1,809</b>	<b>-2,956</b>

## EARNINGS PER SHARE

The earnings per share (basic and diluted) are calculated by dividing the Group's net loss for the period by the weighted-average number of shares issued and admitted to trading in the respective period. The outstanding stock options and convertible notes issued by the Company are anti-dilutive according to IAS 33.41 and 33.43. Therefore, the earnings per share (diluted) equal the earnings per share (basic).

	Q1 2014	Q1 2015
Net loss for the period (in EUR thousand)	-2,240	-3,164
Weighted-average number of shares issued	13,261,225	15,616,372
Earnings per share (basic and diluted, in EUR)	-0.17	-0.20

## NOTES TO THE CONSOLIDATED BALANCE SHEET

**NON-CURRENT ASSETS**

EUR thousand	Dec 31, 2014	Mar 31, 2015
Software	29	21
Licenses, patents	152	149
Development costs	1,110	971
<b>Total intangible assets</b>	<b>1,291</b>	<b>1,141</b>
Fixtures/leasehold improvements	754	756
Technical equipment	236	209
Other fixed assets	22	35
Prepayments and assets under construction	1	1
<b>Total tangible assets</b>	<b>1,013</b>	<b>1,001</b>
<b>Deferred tax assets</b>	<b>48</b>	<b>54</b>
<b>Total non-current assets</b>	<b>2,352</b>	<b>2,196</b>

**CURRENT ASSETS**

EUR thousand	Dec 31, 2014	Mar 31, 2015
<b>Inventories</b>	<b>753</b>	<b>1,270</b>
<b>Trade receivables</b>	<b>307</b>	<b>113</b>
<b>Marketable securities</b>	<b>780</b>	<b>952</b>
<b>Cash and cash equivalents</b>	<b>6,715</b>	<b>5,469</b>
Prepaid expenses	150	241
Receivables from tax authorities	156	169
Creditors with debit accounts	40	35
Claims based on projects granted by public authorities	0	32
Deposits	18	20
Interest receivables	9	13
Other	40	40
– thereof with a maturity of > 1 year	38	38
<b>Total other current assets</b>	<b>413</b>	<b>550</b>
<b>Total current assets</b>	<b>8,968</b>	<b>8,354</b>

## EQUITY

As of March 31, 2015, the share capital of Epigenomics AG exclusively comprised 15,888,272 registered common shares with equal rights and a par value of EUR 1.00 each. In Q1 2015, total equity decreased by EUR 1.7 million to EUR 4.4 million at the reporting day (Dec 31, 2014: EUR 6.1 million).

## NON-CURRENT LIABILITIES

### Provisions

In former periods, the Company has issued phantom stock rights to its Executive Board members and to its staff which can be exercised by the beneficiaries under certain conditions from 2016 on.<sup>1</sup> If these conditions are met and the beneficiaries exercise their rights, the Company has the obligation to settle the debt from these rights in cash. The provision for this potential obligation has been calculated in the amount of EUR 1,856 thousand as of March 31, 2015 (Dec 31, 2014: EUR 1,368 thousand), using the binomial model of Cox, Ross and Rubinstein.

## CURRENT LIABILITIES

### Convertible notes issued

In Q1 2015, the Company did not issue any further convertible bonds under the agreement with YA Global Master SPV Ltd. ("YA Global"). For details on this agreement, reference is made to the notes to the Company's 2013 consolidated financial statements. The Company may still issue up to eight further tranches to YA Global before the end of the term of the agreement (August 17, 2015).

In December 2013, the Company had issued 25 convertible notes each denominated at EUR 107 thousand with an issue price of EUR 100 thousand each and an aggregate principal amount of EUR 2,675 thousand. In the course of Q1 2015, two notes of the total issuance were converted by their holders into 407,850 new shares of the Company. The 16 convertible notes remaining are recognized at fair value as liabilities as of March 31, 2015.

### Other liabilities

EUR thousand	Dec 31, 2014	Mar 31, 2015
Payables due to staff	199	223
Accrued audit fees	145	95
Payables due to financial/tax authorities	159	76
Accrued Supervisory Board remuneration	0	74
Payables to social security institutions	1	3
Other	7	3
<b>Total other liabilities</b>	<b>511</b>	<b>474</b>

<sup>1</sup> Please refer to the Company's 2014 annual financial statements for further details.

**Provisions**

EUR thousand	Dec 31, 2014	Mar 31, 2015
Provisions for claims from phantom stock rights	199	339
Payroll provisions	128	187
Statutory provisions	50	75
Contract-related provisions	0	36
Other provisions	39	40
<b>Total provisions</b>	<b>416</b>	<b>677</b>

## NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash comprises bank deposits and cash in hand. Cash equivalents are defined as instruments convertible to a known amount of cash on a short-term basis and carrying a very low risk of changes in value.

Cash flow from operating activities is derived indirectly from the net result for the period.

Cash flow from investing activities is based on actual payments.

Cash flow from financing activities is based on actual payments.

In Q1 2014, share-based payment expenses of EUR 157 thousand have been reported under "changes in non-current liabilities". To meet the requirements of GAS 21 *Cash Flow Statements*, the presentation has been amended accordingly in the reporting period.

**CASH CONSUMPTION**

The total of cash flow from operating activities and cash flow from investing activities less transactions in securities is monitored by the Company as "cash consumption". It amounted to EUR 2.3 million in the first three months of 2015 (Q1 2014: EUR 1.5 million).

## OTHER INFORMATION

### INFORMATION ON STOCK OPTIONS

In Q1 2015, no new stock options were granted. Furthermore, no options were exercised, cancelled or forfeited. The total number of stock options still outstanding as of March 31, 2015, amounted to 21,065 with an average strike price of EUR 15.65.

### INFORMATION ON PHANTOM STOCK PROGRAMS

No further phantom stock rights were issued in the reporting quarter.

The number of outstanding phantom stock rights from the Company's phantom stock programs PSP 03–15, PSP 2013 and PSP 2014 remained unchanged in the reporting period compared to December 31, 2014, and amounted to 344,833 from PSP 2014, 740,000 from PSP 2013 and to 194,879 from PSP 03–15.

### INFORMATION ON "DIRECTORS' DEALINGS"

No "Directors' Dealings" announcements were published by the Company in the reporting quarter.

### HOLDINGS OF EPIGENOMICS AG'S EQUITY INSTRUMENTS AND PHANTOM STOCK RIGHTS BY THE COMPANY'S BOARD MEMBERS

<i>(in units as of March 31, 2015)</i>	Shares	Phantom stock rights
Dr. Thomas Taapken (CEO/CFO)	43,000	223,333
Dr. Uwe Staub (COO)	5,000	213,800
<b>Executive Board total</b>	<b>48,000</b>	<b>437,133</b>
Heino von Prondzynski (Chairman)	100,100	0
Ann Clare Kessler, Ph.D. (Vice Chairwoman)	7,800	0
<b>Supervisory Board total</b>	<b>107,900</b>	<b>0</b>

This Interim Report was approved and cleared for publication by the Executive Board of the Company on May 5, 2015.

*Berlin, May 5, 2015*

**The Executive Board**

## DISCLAIMER

This interim report expressly or implicitly contains certain forward-looking statements concerning Epigenomics AG and its business. Such statements are not historical facts and sometimes are expressed by the words “will”, “believe”, “expect”, “predict”, “plan”, “want”, “assume” or similar expressions. Forward-looking statements are based on the current plans, estimates, forecasts and expectations of the Company and on certain assumptions, and they involve certain known and unknown risks, uncertainties and other factors which could cause the actual results, financial position, performance or achievements of Epigenomics AG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers of this interim report are explicitly warned not to place undue reliance on these forward-looking statements, which are only valid as of the date of this interim report. Epigenomics AG does not intend to and will not undertake to update any forward-looking statements contained in this interim report as a result of new information, future events or otherwise.

## FINANCIAL CALENDAR 2015

Annual General Shareholders' Meeting 2015 in Berlin .....	Wednesday, May 13, 2015
6-Month Report 2015 – January 1–June 30, 2015 .....	Thursday, August 6, 2015
9-Month Report 2015 – January 1–September 30, 2015 .....	Tuesday, Nov 10, 2015



### CONTACT

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This Interim Report is also available  
on the Company's website  
([www.epigenomics.com](http://www.epigenomics.com)) in both a  
German and an English version.