

epigenomics

INTERIM STATEMENT

JANUARY 1 – MARCH 31

**Q1 2018**

## QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

EUR thousand (unless indicated otherwise)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
<b>Statement of Profit or Loss</b>					
Revenue	281	246	346	991	309
Gross profit	251	160	273	934	274
EBIT	-2,693	-4,563	-1,199	-1,834	-3,250
EBITDA	-2,618	-4,487	-1,120	-1,721	-3,175
EBITDA before share-based payment expenses	-2,353	-3,424	-2,047	-1,545	-3,185
Net loss for the period	-2,370	-4,103	-1,139	-2,623	-3,220
<b>Balance Sheet (at the respective reporting dates)</b>					
Non-current assets	3,238	3,602	3,835	2,914	2,992
Current assets	12,105	9,245	18,549	16,859	13,703
Non-current liabilities	103	155	99	43	43
Current liabilities	2,973	4,222	9,280	9,153	8,967
Equity	12,267	8,470	13,005	10,577	7,685
Equity ratio (in %)	80.0	65.9	58.1	53.5	46.0
Total assets	15,343	12,847	22,384	19,773	16,695
<b>Statement of Cash Flows</b>					
Cash flow from operating activities	-1,335	-2,945	-2,376	-2,920	-2,383
Cash flow from investing activities	-283	-87	-296	118	-41
Cash flow from financing activities	-45	0	11,898	-354	-72
Net cash flow	-1,663	-3,032	9,226	-3,156	-2,496
Cash consumption	-1,618	-3,032	-2,672	-2,802	-2,424
Cash and cash equivalents at the end of the period	9,867	6,802	15,993	12,826	10,316
<b>Stock</b>					
Weighted average number of shares issued	22,735,260	22,735,260	23,161,627	24,014,360	24,014,360
Earnings per share (basic and diluted, in EUR)	-0.10	-0.18	-0.05	-0.11	-0.13
Share price at the end of the period (in EUR)	4.98	7.23	4.72	4.25	3.60
<b>Number of employees at the end of the period</b>	43	44	45	46	44

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## INTERIM STATEMENT ON FINANCIAL RESULTS FOR Q1 2018

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

EUR thousand	Q1 2017	Q1 2018
<b>Revenue</b>	<b>281</b>	<b>309</b>
Cost of sales	-30	-35
<b>Gross profit</b>	<b>251</b>	<b>274</b>
<i>Gross margin (in %)</i>	<i>89.3</i>	<i>88.7</i>
Other income	85	10
Research and development costs	-1,066	-1,546
Selling, general and administrative costs	-1,938	-1,812
Other expenses	-25	-176
<b>Operating result/earnings before interest and taxes (EBIT)</b>	<b>-2,693</b>	<b>-3,250</b>
Interest income	4	4
Interest expenses	0	-140
Other financial result	-1	0
<b>Net loss for the period before taxes on income</b>	<b>-2,690</b>	<b>-3,386</b>
Taxes on income	320	166
<b>Net loss for the period</b>	<b>-2,370</b>	<b>-3,220</b>
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of available-for-sale securities	113	-8
Exchange rate differences	-6	120
<b>Other comprehensive income for the period</b>	<b>107</b>	<b>112</b>
<b>Total comprehensive income for the period</b>	<b>-2,263</b>	<b>-3,108</b>
<b>Earnings per share (basic and diluted, in EUR)</b>	<b>-0.10</b>	<b>-0.13</b>

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). In Q1 2018, the weighted-average number of shares issued was 24,014,360 (Q1 2017: 22,735,260).

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

<b>ASSETS</b> EUR thousand	<b>Dec 31, 2017</b>	<b>Mar 31, 2018</b>
<i>Non-current assets</i>		
Intangible assets	668	606
Tangible assets	720	731
Deferred taxes	1,526	1,655
<b>Total non-current assets</b>	<b>2,914</b>	<b>2,992</b>
<i>Current assets</i>		
Inventories	293	351
Trade receivables	937	309
Marketable securities	905	897
Cash and cash equivalents	12,826	10,316
Other current assets	1,898	1,830
<b>Total current assets</b>	<b>16,859</b>	<b>13,703</b>
<b>Total assets</b>	<b>19,773</b>	<b>16,695</b>

<b>EQUITY AND LIABILITIES</b> EUR thousand	<b>Dec 31, 2017</b>	<b>Mar 31, 2018</b>
<i>Equity</i>		
Subscribed capital	24,014	24,014
Capital reserve	59,509	59,725
Retained earnings	-62,880	-73,114
Net loss for the period	-10,235	-3,220
Other comprehensive income	169	280
<b>Total equity</b>	<b>10,577</b>	<b>7,685</b>
<i>Non-current liabilities</i>		
Provisions	43	43
<b>Total non-current liabilities</b>	<b>43</b>	<b>43</b>
<i>Current liabilities</i>		
Trade payables	952	796
Deferred income	0	93
Convertible notes issued	6,536	6,674
Other liabilities	562	544
Provisions	1,103	860
<b>Total current liabilities</b>	<b>9,153</b>	<b>8,967</b>
<b>Total equity and liabilities</b>	<b>19,773</b>	<b>16,695</b>

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

EUR thousand	Q1 2017	Q1 2018
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11,531</b>	<b>12,826</b>
<i>Operating activities</i>		
<b>Net loss for the period</b>	<b>-2,370</b>	<b>-3,220</b>
Adjustments for:		
Depreciation of tangible assets	30	28
Amortization of intangible assets	45	48
Stock option expenses	106	217
Foreign currency exchange results	-32	0
Financial income	-3	-4
Financial expenses	0	140
Taxes	-320	-166
<b>Operating result before changes in operating assets and liabilities</b>	<b>-2,544</b>	<b>-2,957</b>
Inventories	-213	-57
Trade receivables	2,001	625
Other current assets	-242	65
Non-current and current provisions	-101	-232
Trade payables and other liabilities	-228	82
Deferred income	-7	93
Tax paid	-1	-2
<b>Cash flow from operating activities</b>	<b>-1,335</b>	<b>-2,383</b>
<i>Investing activities</i>		
Payments to acquire intangible assets	-1	-1
Payments to acquire tangible fixed assets	-13	-40
Payments related to capitalized development costs	-269	0
<b>Cash flow from investing activities</b>	<b>-283</b>	<b>-41</b>
<i>Financing activities</i>		
Payments for the issue of new shares	-45	-70
Payments for the issue of convertible notes	0	-2
<b>Cash flow from financing activities</b>	<b>-45</b>	<b>-72</b>
<b>Net cash flow</b>	<b>-1,663</b>	<b>-2,496</b>
Currency translation effects	-1	-14
<b>Cash and cash equivalents at the end of the period</b>	<b>9,867</b>	<b>10,316</b>

At the reporting date, EUR 24 thousand of cash and cash equivalents included restricted cash.

## FINANCIALS Q1 2018

The Group's financial transactions are predominantly settled in euros (EUR) or U.S. dollars (USD). The rate of exchange for this currency pair as of March 31, 2018 was EUR/USD 1.2321 (March 31, 2017: EUR/USD 1.0691), and the average foreign currency exchange rate applied during the reporting period was EUR/USD 1.2331 (Q1 2017: EUR/USD 1.0681).

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### RESULTS OF OPERATIONS

We recognized revenue of EUR 309 thousand in Q1 2018, up 10% on the first quarter of the previous year (EUR 281 thousand). Our product revenue rose by approximately 38%, from EUR 78 thousand in the previous year to EUR 108 thousand in 2018. Licensing income remained level year on year, at EUR 201 thousand (Q1 2017: EUR 203 thousand).

The cost of sales rose slightly to EUR 35 thousand (Q1 2017: EUR 30 thousand) due to higher revenue in Q1 2018. Our gross margin remained nearly unchanged year on year at 89% in the first quarter.

Other income of EUR 10 thousand reported in Q1 2018 (Q1 2017: EUR 85 thousand) was derived primarily from refunds of litigation costs. The decrease was mainly due to lower third-party research grants as against the same period last year, at EUR 2 thousand (Q1 2017: EUR 42 thousand) due to the expiration of the corresponding contracts in 2017.

The increase in R&D costs to EUR 1,546 thousand from EUR 1,066 thousand in Q1 2017 resulted from expenses in the context of the post-approval study for Epi proColon in the U.S. in the reporting period.

Our selling, general and administrative costs decreased from EUR 1,938 thousand in Q1 2017 to EUR 1,812 thousand in the reporting quarter.

Other expenses amounting to EUR 176 thousand in the reporting period (Q1 2017: EUR 25 thousand) related almost exclusively to foreign exchange rate losses attributable to the depreciation of the U.S. dollar against the euro in the current year.

Our operating costs totaled EUR 3,569 thousand in Q1 2018 (prior-year period: EUR 3,059 thousand).

The operating loss (EBIT) of EUR 3,250 thousand in Q1 2018 was higher than in 2017 (EUR 2,693 thousand). EBITDA before share-based payment expenses amounted to EUR -3,185 thousand (Q1 2017: EUR -2,353 thousand).

The financial result declined to EUR -136 thousand in the reporting period (Q1 2017: EUR 3 thousand) due to the recognition of interest expense for the issued convertible notes. Deferred tax income amounted to EUR 166 thousand in Q1 2018 (Q1 2017: EUR 322 thousand).

The net loss amounted to EUR 3,220 thousand in Q1 2018 (Q1 2017: EUR 2,370 thousand). The loss per share widened to EUR 0.13 in Q1 2018 (Q1 2017: EUR 0.10).

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## FINANCIAL POSITION AND CASH FLOW

The cash outflow from operating activities increased by EUR 1,048 thousand from EUR 1,335 thousand in Q1 2017 to EUR 2,383 thousand in Q1 2018. This growth was mainly attributable to the year-on-year rise in R&D and distribution costs. Notwithstanding, the comparison is distorted by non-recurring effects from the sale of patents. Adjusted for these one-off effects, the increase in cash outflow amounts to only EUR 147 thousand.

The cash outflow from investing activities declined to EUR 41 thousand in Q1 2018 (Q1 2017: EUR 283 thousand), due primarily to payments in connection with the capitalization of development costs which affected only previous year's first quarter.

The cash outflow from financing activities amounted to EUR 72 thousand in Q1 2018 (Q1 2017: EUR 45 thousand).

Our net cash outflow in Q1 2018 was EUR 2,496 thousand, compared to a net cash outflow of EUR 1,663 thousand in Q1 2017. Higher operating cash outflows caused cash consumption to increase to EUR 2,424 thousand in Q1 2018, compared to EUR 1,618 thousand in the comparable period of the previous year. Cash and cash equivalents amounted to EUR 10,316 thousand at the reporting date (December 31, 2017: EUR 12,826 thousand).

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## NET ASSET POSITION

Non-current assets increased slightly to EUR 3.0 million from EUR 2.9 million as of December 31, 2017. Current assets decreased from EUR 16.9 million at the beginning of the reporting period to EUR 13.7 million as of March 31, 2018, due to cash consumption in the operating business.

Subscribed capital amounted to EUR 24.0 million at the reporting date – unchanged as against December 31, 2017, while the capital reserve increased in the reporting quarter from EUR 59.5 million to EUR 59.7 million due to the valuation of stock options. Offset against the net loss of EUR 3.2 million in the first quarter of 2018, this resulted in total equity of EUR 7.7 million as of the reporting date (December 31, 2017: EUR 10.6 million). The equity ratio declined to EUR 46.0% (December 31, 2017: 53.5%).

Compared with the closing balance for 2017, non-current liabilities remained constant at EUR 43 thousand as of March 31, 2018.

Current liabilities decreased from EUR 9.2 million as of December 31, 2017 to EUR 9.0 million as of March 31, 2018, and contained principally the outstanding convertible notes (EUR 6.7 million).



## REPORT ON POST-BALANCE SHEET DATE EVENTS

No events of special significance occurred after the reporting date that could affect the presentation of the Company's net assets, financial position and results of operations.

## OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's business operations are described in detail in the management report published with our 2017 consolidated financial statements, which are available on the Company's website ([www.epigenomics.com](http://www.epigenomics.com)).

## OUTLOOK

We confirm our outlook for fiscal year 2018, as presented in the Group management report section of the Annual Report 2017:

Revenue: between EUR 2.0 million and EUR 4.0 million.

EBITDA before share-based payment expenses and cash consumption: between EUR -11.5 million and EUR 14.0 million.

Berlin, May 4, 2018

## DISCLAIMER

This interim statement 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 expected 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.

## CORPORATE CALENDAR 2018

Annual General Shareholders' Meeting 2018 in Berlin ..... Wednesday, May 30, 2018

Half-yearly Report 2018 – January 1–June 30, 2018 ..... Wednesday, August 8, 2018

Interim Statement 2018 – January 1–September 30, 2018 ..... Wednesday, November 7, 2018



### KONTAKT

Epigenomics AG  
Peter Vogt  
Vice President  
Corporate Communications &  
Investor Relations

Phone: +49 30 24345-0

Fax: +49 30 24345-555

[ir@epigenomics.com](mailto:ir@epigenomics.com)

This interim statement is also available  
in both German and English on the Com-  
pany's website ([www.epigenomics.com](http://www.epigenomics.com)).