

epigenomics

INTERIM STATEMENT

JANUARY 1 – MARCH 31

**Q1 2019**

## QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

EUR thousand (unless indicated otherwise)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
<b>Statement of Profit or Loss</b>					
Revenue	309	462	544	218	331
Gross profit	274	337	416	66	238
EBIT	-3,250	-2,578	-3,038	-4,029	-3,313
EBITDA	-3,175	-2,502	-2,961	-3,949	-3,210
EBITDA before share-based payment expenses	-3,185	-2,200	-2,618	-3,433	-2,958
Net loss for the period	-3,220	-2,554	-2,974	-3,944	-3,018
<b>Balance Sheet (at the respective reporting dates)</b>					
Non-current assets	2,992	3,189	3,372	3,553	4,472
Current assets	13,703	10,977	9,116	18,274	14,185
Non-current liabilities	43	43	44	47	646
Current liabilities	8,967	9,083	10,067	18,274	2,226
Equity	7,685	5,040	2,377	18,613	15,785
Equity ratio (in %)	46.0	35.6	19.0	85.3	84.6
Total assets	16,695	14,166	12,488	21,827	18,657
<b>Statement of Cash Flows</b>					
Cash flow from operating activities	-2,383	-1,763	-2,674	-3,531	-4,305
Cash flow from investing activities	-41	7	-17	775	-27
Cash flow from financing activities	-72	-2	-65	13,413	-190
Net cash flow	-2,496	-1,758	-2,755	10,656	-4,522
Cash consumption	-2,424	-1,756	-2,691	-2,756	-4,332
Cash and cash equivalents at the end of the period	10,316	8,579	5,829	16,487	12,126
<b>Stock</b>					
Weighted average number of shares issued	24,014,360	24,014,360	24,014,360	36,021,540	36,021,540
Earnings per share (basic and diluted, in EUR)	-0.13	-0.11	-0.12	-0.11	-0.08
Share price at the end of the period (in EUR)	3.60	2.21	2.19	1.77	1.80
<b>Number of employees at the end of the period</b>	44	42	43	44	43

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

EUR thousand	Q1 2018	Q1 2019
<b>Revenue</b>	<b>309</b>	<b>331</b>
Cost of sales	-35	-93
<b>Gross profit</b>	<b>274</b>	<b>238</b>
<i>Gross margin (in %)</i>	<i>88.7</i>	<i>71.9</i>
Other income	10	499
Research and development costs	-1,546	-1,583
Selling, general and administrative costs	-1,812	-2,393
Other expenses	-176	-74
<b>Operating result/earnings before interest and taxes (EBIT)</b>	<b>-3,250</b>	<b>-3,313</b>
Interest income	4	57
Interest expenses	-140	-10
Other financial result	0	-1
<b>Net loss for the period before taxes on income</b>	<b>-3,386</b>	<b>-3,267</b>
Taxes on income	166	249
<b>Net loss for the period</b>	<b>-3,220</b>	<b>-3,018</b>
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of financial instruments measured at fair value through other comprehensive income	-8	94
Exchange rate differences from the conversion of foreign entities	120	-170
<b>Other comprehensive income for the period</b>	<b>112</b>	<b>-76</b>
<b>Total comprehensive income for the period</b>	<b>-3,108</b>	<b>-3,094</b>
<b>Earnings per share (basic and diluted, in EUR)</b>	<b>-0.13</b>	<b>-0.08</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 2019, the weighted-average number of shares issued was 36,021,540 (Q1 2018: 24,014,360).

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

<b>ASSETS</b> EUR thousand	<b>Dec 31, 2018</b>	<b>Mar 31, 2019</b>
<i>Non-current assets</i>		
Intangible assets	474	439
Property, plant and equipment	701	1,353
Deferred taxes	2,378	2,680
<b>Total non-current assets</b>	<b>3,553</b>	<b>4,472</b>
<i>Current assets</i>		
Inventories	364	462
Trade receivables	164	132
Marketable securities	653	747
Cash and cash equivalents	16,487	12,126
Other current assets	606	718
<b>Total current assets</b>	<b>18,274</b>	<b>14,185</b>
<b>Total assets</b>	<b>21,827</b>	<b>18,657</b>

<b>EQUITY AND LIABILITIES</b> EUR thousand	<b>Dec 31, 2018</b>	<b>Mar 31, 2019</b>
<i>Equity</i>		
Subscribed capital	36,022	36,022
Capital reserve	68,802	69,068
Retained earnings	-73,115	-85,807
Net loss for the period	-12,692	-3,018
Other comprehensive income	-404	-480
<b>Total equity</b>	<b>18,613</b>	<b>15,785</b>
<i>Non-current liabilities</i>		
Liabilities from leasing agreements	0	599
Provisions	47	47
<b>Total non-current liabilities</b>	<b>47</b>	<b>646</b>
<i>Current liabilities</i>		
Trade payables	1,411	986
Liabilities from leasing agreements	0	69
Deferred income	23	38
Other liabilities	771	769
Provisions	962	364
<b>Total current liabilities</b>	<b>3,167</b>	<b>2,226</b>
<b>Total equity and liabilities</b>	<b>21,827</b>	<b>18,657</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JANUARY 1 TO MARCH 31

EUR thousand	Q1 2018	Q1 2019
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12,826</b>	<b>16,487</b>
<i>Operating activities</i>		
<b>Net loss for the period</b>	<b>-3,220</b>	<b>-3,018</b>
Adjustments for:		
Depreciation of property, plant and equipment	28	52
Amortization of intangible assets	48	51
Stock option expenses	217	266
Foreign currency exchange results	0	-151
Financial income	-4	-57
Financial expenses	140	11
Taxes	-166	-249
<b>Operating result before changes in operating assets and liabilities</b>	<b>-2,957</b>	<b>-3,095</b>
Inventories	-57	-100
Trade receivables	625	33
Other current assets	65	-110
Non-current and current provisions	-232	-599
Trade payables and other liabilities	82	-442
Deferred income	93	15
Tax paid	-2	-7
<b>Cash flow from operating activities</b>	<b>-2,383</b>	<b>-4,305</b>
<i>Investing activities</i>		
Payments to acquire intangible assets	-1	-8
Payments to acquire property, plant and equipment	-40	-23
Interest received	0	4
<b>Cash flow from investing activities</b>	<b>-41</b>	<b>-27</b>
<i>Financing activities</i>		
Payments for the issue of new shares	-70	-164
Payments for the issue of convertible notes	-2	0
Payments for leasing agreements	0	-26
<b>Cash flow from financing activities</b>	<b>-72</b>	<b>-190</b>
<b>Net cash flow</b>	<b>-2,496</b>	<b>-4,522</b>
Currency translation effects	-14	161
<b>Cash and cash equivalents at the end of the period</b>	<b>10,316</b>	<b>12,126</b>

As of the balance sheet date, EUR 24 thousand of cash and cash equivalents included restricted cash.

## FINANCIALS Q1 2019

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, 2019 was EUR/USD 1.1235 (March 31, 2018: EUR/USD 1.2321), and the average foreign currency exchange rate applied during the reporting period was EUR/USD 1.1380 (Q1 2018: EUR/USD 1.2331).

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### RESULTS OF OPERATIONS

In the first quarter of 2019, we recorded revenue of EUR 331 thousand, an increase of 7% compared to the first quarter of the previous year (EUR 309 thousand). Product revenue increased disproportionately by approximately 198% – from EUR 108 thousand in the previous year to EUR 322 thousand in 2019. Licensing revenue, on the other hand, decreased from EUR 201 thousand in the first quarter of 2018 to EUR 9 thousand in the reporting quarter. It has to be considered that we terminated the licensing agreement for Septin9 with our Chinese licensing partner in the reporting quarter. This had been published already in the post-balance-sheet-day-report of our Group financial statements 2018.

Cost of sales increased from EUR 35 thousand in the first quarter of 2018 to EUR 93 thousand in the first quarter of 2019 due to higher product revenue. Our gross margin therefore decreased to 72% (Q1 2018: 89%).

Other income in the first quarter of 2019 of EUR 499 thousand (Q1 2018: EUR 10 thousand) resulted primarily from exchange rate gains.

In the first quarter of 2019 the R&D costs remained nearly unchanged at EUR 1,583 thousand (Q1 2018: EUR 1,546 thousand). The expenses for research and development projects increased, which was partly compensated by lower expenses for intellectual property rights in the reporting quarter.

Our selling and administrative expenses increased from EUR 1,812 thousand (Q1 2018) to EUR 2,393 thousand as a result of higher marketing expenses compared to the same quarter of the previous year, after the amended contract with our U.S. partner Polymedco, among other things, has now come into effect in the USA, whereby Polymedco is now remunerated with a sales commission. In addition, numerous congresses and specialist events were used to present our product to medical professionals and laboratories.

Other expenses of EUR 74 thousand in the reporting quarter (Q1 2018: EUR 176 thousand) related exclusively to exchange rate losses.

In total, our operating costs amounted to EUR 4,031 thousand in the first quarter of 2019 compared to EUR 3,569 thousand in the same period of the previous year.

At EUR 3,313 thousand, the operating loss (EBIT) for the first quarter of 2019 was slightly higher than in the comparable quarter of 2018 (EUR 3,250 thousand). The very positive currency result largely compensated for the higher operating expenses. EBITDA before share-based payment expenses amounted to EUR -2,958 thousand (Q1 2018: EUR -3,185 thousand). The effect from the first-time application of IFRS 16 in 2019 amounted to EUR 27 thousand (i.e. EBITDA before share-based payment in Q1 2019: EUR -2,985 thousand without IFRS 16 application).

In the reporting quarter, the financial result developed positively with EUR 46 thousand (Q1 2018: EUR -136 thousand), as due to the increased extent of activities in the U.S., more time deposits were invested in the local currency and due to the U.S. monetary policy, measurable interest income can now be achieved again with U.S. dollar deposits. Deferred tax income of EUR 249 thousand was recorded in Q1 2019 (Q1 2018: EUR 166 thousand).

The net loss in the first quarter of 2019 decreased to EUR 3,018 thousand compared to EUR 3,220 thousand in Q1 2018. The net loss per share thus decreased to EUR 0.08 in Q1 2019 (Q1 2018: EUR 0.13).

## FINANCIAL POSITION AND CASH FLOW

In the first quarter of 2019, cash outflow from operating activities increased by EUR 1,922 thousand from EUR 2,383 thousand in the first quarter of 2018 to EUR 4,305 thousand in the first quarter of 2019. This increase was partly due to higher selling expenses compared to the previous year and payments of bonus entitlements acquired in the previous year. At the same time, the trade payables position at the end of 2018 was significantly reduced in the reporting quarter.

Cash outflow from investing activities amounted to EUR 27 thousand in the first quarter of 2019 (Q1 2018: EUR 41 thousand).

Cash outflow from financing activities amounted to EUR 190 thousand in the first quarter of 2019 (Q1 2018: EUR 72 thousand) and mainly comprised payments made in connection with the capital increase in October 2018.

The net cash outflow in the first quarter 2019 amounted to EUR 4,522 thousand, whereas the net cash outflow in the first quarter 2018 amounted to EUR 2,496 thousand. Cash consumption increased to EUR 4,332 thousand in the first quarter of 2019 due to higher operating cash outflows, compared to EUR 2,424 thousand in the same period of the previous year. Cash and cash equivalents amounted to EUR 12,126 thousand as of the reporting date (December 31, 2018: EUR 16,487 thousand).

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## NET ASSET POSITION

As of the reporting date, non-current assets rose from EUR 3.6 million (December 31, 2018) to EUR 4.5 million. The increase was primarily due to the first-time application of the new accounting standard IFRS 16, under which rights of use from rental and leasing agreements were capitalized and which amounted to EUR 661 thousand at the end of the quarter. Current assets decreased from EUR 18.3 million at the beginning of the reporting period to EUR 14.2 million as of March 31, 2019 due to the use of funds in operating activities.

As at the reporting date, subscribed capital was EUR 36.0 million, unchanged compared to December 31, 2018. The capital reserve increased from EUR 68.8 million as of December 31, 2018 to EUR 69.1 million as of the reporting date due to the valuation of stock options. After deducting the net loss for the three-month period 2019 of EUR 3.0 million, this resulted in total equity of EUR 15.8 million as of the reporting date (December 31, 2018: EUR 18.6 million). The equity ratio remained virtually unchanged at 84.6% (December 31, 2018: 85.3%).

Compared to the closing balance sheet of 2018, non-current liabilities increased to EUR 646 thousand as of March 31, 2019 (December 31, 2018: EUR 47 thousand). Due to the implementation of IFRS 16, this includes liabilities from rental and leasing agreements in the amount of EUR 599 thousand.

Current liabilities decreased from EUR 3.2 million as of December 31, 2018 to EUR 2.2 million as of March 31, 2019.

## 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 2018 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 2019, as presented in the Group management report section of the Annual Report 2018:

Revenue 2019: between EUR 3.0 million and EUR 6.0 million.

EBITDA before share-based payment expenses 2019/ cash consumption: between EUR -11.5 million and EUR 14.0 million.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

On May 3, 2019, after the end of the reporting period, the Company announced that the Centers for Medicare & Medicaid Services (CMS) has accepted the Company's application for a National Coverage Determination (NCD) review of Epi proColon, Epigenomics' blood test for colorectal cancer screening. The NCD is one of two options to obtain CMS coverage for Epi proColon, which would represent a major U.S. market breakthrough for the Company. With this step, no decision has yet been made on coverage, but CMS has determined that there is a rationale to accept the NCD review at this time.

While CMS has accepted the application, due to the limitation of resources, CMS will not "Open" the NCD review process immediately. Once CMS resources are available the NCD will be "Opened" by initiating a 30-day public comment period and CMS will issue a proposed decision within six months per legal statute. If this proposed coverage decision is positive, another 30-day comment period follows. CMS will publish its final decision within 90 days of the initial proposed decision.

This interim report was approved and cleared for publication by the Executive Board of the Company on May 8, 2019.

Berlin, May 8, 2019

The Executive Board

## 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.

Berlin, May 8, 2019

The Executive Board

## CORPORATE CALENDAR 2019

Annual General Shareholders' Meeting 2019 in Berlin ..... Wednesday, May 15, 2019

Half-yearly Report 2019 – January 1–June 30, 2019 ..... Wednesday, August 7, 2019

Interim Statement 2019 – January 1–September 30, 2019 ..... Wednesday, November 6, 2019

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