

epigenomics



6-MONTH REPORT
JANUARY 1 - JUNE 30, 2020

**SAVING LIVES
THROUGH BLOOD-BASED
CANCER DETECTION**

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

- according to the financial reporting -

in EUR thousand except where indicated

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Statement of Profit or Loss					
Revenue	348	168	278	239	83
Gross profit	276	129	229	182	68
EBIT	-4,666	-2,844	-3,850	-2,966	-3,356
EBITDA	-4,528	-2,706	-3,716	-2,828	-3,220
EBITDA before share-based payment costs	-4,287	-2,487	-3,555	-2,641	-3,018
Net loss for the period	-4,398	-2,594	-7,010	-2,982	-3,373
Balance Sheet (at the respective reporting dates)					
Non-current assets	4,985	5,247	1,866	1,748	1,606
Current assets	10,562	7,716	12,123	11,803	9,435
Non-current liabilities	851	806	741	687	625
Current liabilities	2,993	3,232	3,619	6,592	3,099
Equity	11,703	8,925	9,629	6,272	7,314
Equity ratio (in %)	75.3	68.8	68.8	46.3	66.3
Total assets	15,547	12,963	13,989	13,551	11,041
Statement of Cash Flows					
Cash flow from operating activities	-3,468	-3,067	-2,665	-3,272	-2,244
Cash flow from investing activities	-17	26	65	-12	18
Cash flow from financing activities	-77	-73	7,460	3,363	-213
Net cash flow	-3,563	-3,114	4,860	79	-2,439
Cash consumption	-3,485	-3,041	-2,601	-3,284	-2,226
Cash and cash equivalents at the end of the period	8,437	5,501	10,155	10,252	7,809
Stock					
Weighted-average number of shares issued	36,021,540	36,021,540	37,272,565	43,527,692	43,527,692
Earnings per share (basic and diluted, in EUR)	-0.12	-0.07	-0.19	-0.07	-0.07
Share price at the end of the period (in EUR)	1.79	1.35	1.37	1.14	1.41
Number of employees at the end of the period					
	44	42	41	40	39

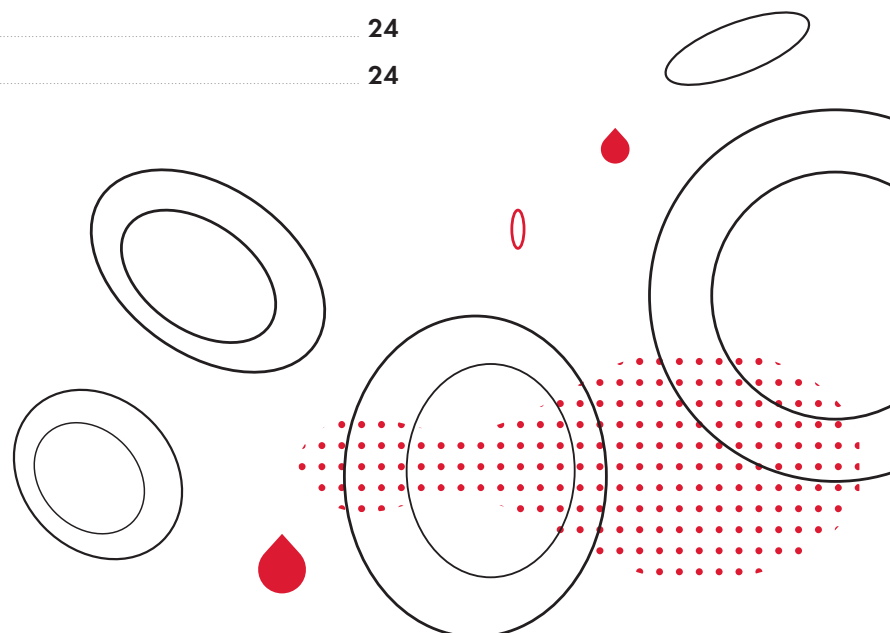
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REPORT ON THE FIRST SIX MONTHS OF 2020

DEAR SHAREHOLDERS,

In February of this year the Centers for Medicare & Medicaid Services (CMS) initiated the National Coverage Determination (NCD) review process for blood-based colorectal cancer (CRC) tests at the request of Epigenomics to review Epi proColon. This milestone will result in a proposed NCD by August 28th and a final reimbursement decision on Epi proColon by the end of November. To date CMS has indicated they are on track to issue the decisions on-time despite the Covid-19 pandemic.

The public response during the initial 30-day public comment period in March where overwhelmingly positive. Recognized scientific figures, representatives of medical clinics and specialized laboratories, as well as patient advocacy groups used a variety of arguments in favor of reimbursing our blood test for colorectal cancer (CRC) screening. We are confident that the strong support from these groups, combined with the results of the microsimulation model developed by experts at Harvard Medical School and the major FDA approval studies, will lead CMS to make a positive reimbursement decision.

In addition, the National Comprehensive Cancer Network (NCCN) – a major medical society in the U.S.A. – included Epi proColon in April 2020 in its CRC guidelines. NCCN updated their CRC guidelines in a manner consistent with Epi proColon's (Septin9) FDA-approved indications. The new NCCN guidelines state that the Septin9 blood test "can be considered for patients who refuse other screening modalities".

The Covid-19 pandemic has and will continue to have a drastic effect on our world. Epigenomics AG has response to this global crisis like many other organizations by initiating cost reduction measures across the Company including reduction in Executive Board and Supervisory Board compensation. Additionally, short-time work was introduced for all employees at the Company's headquarters in Berlin until further notice. These cost-cutting measures have enabled us to further reduce cash consumption in the second quarter, so that we still had liquid funds of EUR 8.7 million at the end of June and are thus fully financed well into the first quarter of 2021. As in many companies, our employees performed a large part of their work at home in the second quarter. Fortunately, we have so far managed to get through the crisis without any cases of sickness among our employees.

The effects of the pandemic also led to a temporary halt of nearly all our clinical trials in the U.S.A. – especially the post-approval study for Epi proColon – because patient inclusion in the trials was no longer possible due to quarantine and safety regulations. Our sales of Epi proColon in the United States also declined sharply in the second quarter, as many patients initially missed their screening appointments and probably postponed them to later dates.

Our Annual General Meeting was held in June this year. Due to the pandemic and the resulting changes in German law, the meeting was held four weeks later than originally planned and took place virtually via the Internet without the physical presence of our shareholders. This unusual situation fortunately resulted in a fairly high attendance of around 40% of the share capital, with shareholders approving all of the management proposed agenda items. Among those items was the expansion of our Supervisory Board from five to six seats. We would like to take this opportunity to welcome Alexander Link, who was elected as a new member of the Supervisory Board.

We are looking forward to the next few months, which will be of decisive importance for our Company, with great anticipation and confidence.

Yours sincerely,

Greg Hamilton
(CEO)

Jorge Garces
(CSO)

Albert Weber
(EVP Finance)

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	Pareto Securities AS
Analysts	Pareto Securities AS (Dennis Berzhanin) First Berlin Equity Research GmbH (Simon Scholes) M.M. Warburg & Co. (Ulrich Huwald) Encode Ideas L.P. (Hogan Mullally)

Market data (XETRA/Frankfurt)	June 30, 2019	Sept 30, 2019	Dec 31 2019	Mar 31, 2020	June 30, 2020
Numbers of shares outstanding	36,021,540	36,021,540	43,527,692	43,527,692	47,129,846
Closing price (in EUR)	1.79	1.35	1.37	1.09	1.41
Market capitalization (in EUR)	64,478,557	48,629,079	59,632,938	59,632,938	66,453,083
	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Average daily trading volume (units)	49,648	32,707	167,413	58,643	66,459
Highest closing price (in EUR)	2.08	1.90	1.51	1.58	1.45
Lowest closing price (in EUR)	1.77	1.35	0.93	0.90	1.00

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
Depository bank/PAL	BNY Mellon

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

In the first half year of 2020, cash outflow from operating activities decreased significantly by EUR 2,257 thousand from EUR 7,773 thousand in the first half year 2019 to EUR 5,516 thousand. This is due to the operating result (EBIT) in the first half year 2020 which improved by EUR 1,659 thousand compared to the previous year, on the one hand, and to changes in current assets which exceeded the previous year's number by EUR 620 thousand, on the other hand, which noticeably contributed to the reduction of the operative cash outflow.

Cash outflow from investing activities of EUR 44 thousand in the first half of 2019 was offset by a cash inflow of EUR 6 thousand in the first six months of 2020.

Cash inflow from financing activities amounted to EUR 3,149 thousand in the first half year 2020, compared to a cash outflow of EUR 268 thousand in the same period of the previous year. This was due to the capital increase in the first quarter of 2020. Payments for lease agreements are included in the financing cash flow in the amount of EUR 123 thousand (6M 2019: EUR 94 thousand).

Our net cash outflow for the first six months of 2020 was EUR 2,361 thousand (6M 2019: EUR 8,085 thousand).

Cash consumption decreased to EUR 5,510 thousand in the first half of 2020, compared to EUR 7,817 thousand in the same period of the previous year.

Cash and cash equivalents amounted to EUR 7,809 thousand as of the reporting date (December 31, 2019: EUR 10,155 thousand).

RESULTS OF OPERATIONS

In Q2 2020, we recorded revenue of EUR 83 thousand, a significant decrease compared to Q2 2019 (EUR 348 thousand), which is mainly due to the almost complete loss of our U.S. business as a result of the Covid-19 pandemic. In the first six months of 2020, total revenue declined by 53% from EUR 679 thousand in the first half of 2019 to EUR 322 thousand. Product revenue dropped from EUR 339 thousand in Q2 2019 to EUR 73 thousand in Q2 2020. In the 6-month period, they declined by 56% - from EUR 660 thousand to EUR 293 thousand.

Cost of sales amounted to EUR 15 thousand in Q2 2020 (Q2 2019: EUR 72 thousand) and to EUR 71 thousand in the first half of 2020 (6M 2019: EUR 165 thousand). Our gross margin increased from 79% in Q2 2019 to 82% in the same period of 2020 and from 76% in H1 2019 to 78% in H1 2020.

Other income of EUR 289 thousand in Q2 2020 (Q2 2019: EUR 269 thousand) was mainly due to exchange rate gains from currency translation.

R&D costs decreased from EUR 2,284 thousand in Q2 2019 to EUR 1,151 thousand in Q2 2020, mainly due to the fact that almost all clinical trials in the U.S. came to a standstill. This affected as well - among other things - our post-approval study for Epi proColon. Between April and June 2020, R&D-related expenses for internal projects were also reduced noticeably due to short-time work at the Berlin site. In the 6-month period, R&D costs decreased by EUR 1,113 thousand from EUR 3,867 thousand in the previous year to EUR 2,754 thousand in the reporting period.

Our selling, general and administrative (SG&A) costs fell to EUR 1,908 thousand in the second quarter of 2020, down from EUR 2,465 thousand in the same period of 2019. In the six-month period, SG&A expenses decreased by EUR 958 thousand from EUR 4,859 thousand in the previous year to EUR 3,901 thousand in the reporting period. This was primarily due to the reduction in sales and marketing activities in the U.S.A., as virtually all relevant events (such as conferences and trade fairs) were cancelled due to the pandemic, which also brought travel activities to a standstill.

Other expenses of EUR 654 thousand in Q2 2020 (Q2 2019: EUR 462 thousand) were exclusively due to exchange rate losses from currency translation.

Overall, our operating costs decreased to EUR 3.7 million in Q2 2020 for the reasons mentioned above, compared to EUR 5.3 million in the same period of the previous year. On a half-yearly comparison, total operating costs decreased from EUR 9.4 million in the first half of 2019 to EUR 7.4 million in the same period of the year under review.

A net loss of EUR 3.4 million was recorded in Q2 2020 (Q2 2019: EUR 4.4 million), resulting in a net loss of EUR 6.4 million for the first half of 2020 (6M 2019: EUR 7.4 million). The net loss per share decreased to EUR 0.07 in Q2 2020 (Q2 2019: EUR 0.12) and to EUR 0.14 for the first half of 2020 (6M 2019: EUR 0.21) due to the capital increase and the resulting increase in the number of shares.

NET ASSET POSITION

As of the reporting date, non-current assets declined from EUR 1.9 million on December 31, 2019, to EUR 1.6 million due to the ongoing very subdued investment activity. Current assets declined from EUR 12.1 million at the beginning of the reporting period to EUR 9.4 million as of June 30, 2020, mainly due to the cash outflow for operating activities.

Total equity decreased by EUR 2.3 million to EUR 7.3 million as of the reporting date (December 31, 2019: EUR 9.6 million). The net loss of EUR 6.4 million was partly offset by the capital increase at the end of the first quarter of 2020. The equity ratio declined to 66.3% as of the reporting date (December 31, 2019: 75.3%).

Compared to the closing balance sheet of 2019, non-current liabilities decreased to EUR 625 thousand as of June 30, 2020 (December 31, 2019: EUR 741 thousand). This mainly includes lease liabilities in the amount of EUR 581 thousand.

Current liabilities fell from EUR 3.6 million as of December 31, 2019, to EUR 3.1 million as of June 30, 2020.

EMPLOYEES

The total headcount of the Company as of June 30, 2020, was 39 (December 31, 2019: 41) and comprised 20 employees in R&D and 19 employees in SG&A functions.

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 2019 consolidated financial statements, which are available on the Company's website (www.epigenomics.com). There were no significant changes to the opportunities and risks during the reporting period.

OUTLOOK

Due to the continued uncertainty surrounding the effects of Covid-19 and like many publicly traded companies, we are pulling our revenue guidance for 2020, however, we maintain our previous Adjusted EBITDA and cash consumption guidance:

- EBITDA before share-based payment expenses 2020: between EUR -10.5 million and EUR -12.5 million.
- Cash consumption 2020: between EUR 10.5 million and EUR 12.5 million.

CORPORATE GOVERNANCE

ANNUAL GENERAL SHAREHOLDERS' MEETING 2020

Epigenomics AG held this year's Annual General Shareholders' Meeting (AGM) on June 12, 2020 in Munich as a virtual event without physical presence of the shareholders. Of the share capital, approximately 40% was represented. The shareholders approved the management's amended proposals on all items of the agenda. The actions of the members of the Company's Executive Board and the Supervisory Board in the 2019 fiscal year were ratified.

Supervisory Board

In addition, the number of Supervisory Board seats was increased from five to six. The expansion is intended to gain additional expertise for the Company - also taking into account the constantly increasing demands on the Supervisory Board's activities and with a view to the operational and financial challenges facing the Company and the goals the Company is pursuing with regard to the reimbursement and marketing of Epi proColon in the U.S. as well as the development and marketing of additional products.

Mr Alexander Link was elected by the shareholders as a new member of the Company's Supervisory Board. Mr. Link is a member of the Executive Board of Balaton AG, who directly and indirectly through its subsidiaries holds more than 10 % of the voting shares of the Company. Furthermore, there are no personal and business relationships of Mr. Link within the meaning of Recommendation C.13 of the German Corporate Governance Code with the enterprise, the governing bodies of the Company, and any shareholders with a material interest in the Company. The term of his membership ends in 2021.

Pursuant to Section 111 Paragraph 5 AktG, the Supervisory Board has set a target of one third for the proportion of women on the Supervisory Board. The election proposal is in line with this target for the proportion of women on the Supervisory Board. If Mr. Link is elected, the Supervisory Board, which will then consist of six members, will comprise a total of two women (which corresponds to a quota of one third). Mr. Link also corresponds to the profile of skills and expertise prepared by the Supervisory Board.

Authorized and Conditional Capital

The new Authorized Capitals 2020/I and 2020/II were created as part of the resolutions passed at the Annual General Meeting. Conditional Capitals IX and X were cancelled and Conditional Capital XIV was created. Further information on these resolutions can be found in the invitation to the 2020 Annual General Meeting, which is published on the Company's website (www.epigenomics.com/news-investors/general-shareholder-meeting).

Auditor

Based on the recommendation issued by the Audit Committee, the audit firm Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed to serve

- a) as auditor for the 2020 annual financial statements and the 2020 consolidated financial statements as well as
- b) for the review of interim (condensed) financial statements and interim management reports for the fiscal year 2020 and for the first and second quarter of the fiscal year 2021, if and to the extent that such interim financial statements and interim management reports are reviewed.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 TO JUNE 30 (UNAUDITED)

EUR thousand	Q2 2019	Q2 2020	6M 2019	6M 2020
Revenue	348	83	679	322
Cost of sales	-72	-15	-165	-71
Gross profit	276	68	514	251
Gross margin (in %)	79.3	81.9	75.7	78.0
Other income	269	289	768	764
Research and development costs	-2,284	-1,151	-3,867	-2,754
Selling, general and administrative costs	-2,465	-1,908	-4,859	-3,901
Other expenses	-462	-654	-536	-681
Operating result/Earnings before interest and taxes (EBIT)	-4,666	-3,356	-7,980	-6,321
Interest income	55	4	112	12
Interest expenses	-18	-14	-29	-30
Other financial result	-1	-1	-1	-1
Net loss for the period before taxes on income	-4,630	-3,367	-7,898	-6,340
Taxes on income	232	-6	482	-14
Net loss for the period	-4,398	-3,373	-7,416	-6,354
Items that may be reclassified subsequently to profit or loss:				
Exchange rate differences from the conversion of foreign entities	132	372	-37	-22
Fair value adjustment of financial instruments measured at fair value through other comprehensive income	-47	123	47	-27
Other comprehensive income for the period	85	495	10	-49
Total comprehensive income for the period	-4,313	-2,878	-7,406	-6,403
Earnings per share (basic and diluted, in EUR)	-0.12	-0.07	-0.21	-0.14

CONSOLIDATED BALANCE SHEET AS OF JUNE 30 (UNAUDITED)

ASSETS EUR thousand	Dec 31, 2019	June 30, 2020
Non-current assets		
Intangible assets	333	239
Property, plant and equipment	1,533	1,367
Total non-current assets	1,866	1,606
Current assets		
Inventories	313	241
Trade receivables	89	56
Marketable securities	880	854
Cash and cash equivalents	10,155	7,809
Other current assets	686	475
Total current assets	12,123	9,435
Total assets	13,989	11,041

EQUITY AND LIABILITIES EUR thousand	Dec 31, 2019	June 30, 2020
Equity		
Subscribed capital	43,528	47,130
Capital reserve	69,251	69,740
Retained earnings	-85,807	-102,827
Net loss for the period	-17,020	-6,354
Other comprehensive income	-323	-372
Total equity	9,629	7,317
Non-current liabilities		
Lease liabilities	697	581
Provisions	44	44
Total non-current liabilities	741	625
Current liabilities		
Trade payables	1,430	906
Lease liabilities	216	226
Deferred income	5	120
Other liabilities	1,368	896
Provisions	600	951
Total current liabilities	3,619	3,099
Total equity and liabilities	13,989	11,041

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30 (UNAUDITED)

EUR thousand	6M 2019	6M 2020
Cash and cash equivalents at the beginning of the period	16,487	10,155
Operating activities		
Net loss for the period	-7,416	-6,354
Adjustments for:		
Share-based payment expenses	507	389
Amortization of intangible assets	99	99
Depreciation of property, plant and equipment	141	175
Foreign currency exchange results	-30	0
Financial income	-112	-12
Financial expenses	30	31
Taxes	-481	14
Operating result before changes in operating assets and liabilities	-7,262	-5,658
Changes in operating assets and liabilities:		
Inventories	-66	73
Trade receivables	-162	36
Other assets	-71	212
Non-current and current provisions	-460	349
Trade payables and other liabilities	263	-629
Deferred income	1	115
Tax paid	-16	-14
Cash flow from operating activities	-7,773	-5,516

EUR thousand	6M 2019	6M 2020
Investing activities		
Payments to acquire intangible assets	-32	-11
Payments to acquire property, plant and equipment	-56	-7
Interest received	44	24
Cash flow from investing activities	-44	6
Financing activities		
Proceeds from the issue of new shares	0	3,998
Payments for the issue of new shares	-174	-726
Payments for leases	-94	-123
Cash flow from financing activities	-268	3,149
Net cash flow	-8,085	-2,361
Currency translation effects	35	15
Cash and cash equivalents at the end of the period	8,437	7,809

At the reporting date, EUR 87 thousand of cash and cash equivalents included restricted cash.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF JUNE 30 (UNAUDITED)

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehensive income	Group equity
Dec 31, 2018	36,022	68,802	-73,115	-12,692	-404	18,613
Total comprehensive income	0	0	0	-7,416	10	-7,406
Transfer of net loss for the year 2018 to retained earnings	0	0	-12,692	12,692	0	0
Costs for the creation of new shares	0	-10	0	0	0	-10
Share-based payment expenses	0	507	0	0	0	507
June 30, 2019	36,022	69,299	-85,807	-7,416	-395	11,703
Dec 31, 2019	43,528	69,251	-85,807	-17,020	-323	9,629
Total comprehensive income	0	0	0	-6,354	-49	-6,403
Transfer of net loss for the year 2019 to retained earnings	0	0	-17,020	17,020	0	0
Costs for the creation of new shares	0	-296	0	0	0	-296
Capital increase without subscription rights	3,602	0	0	0	0	3,602
Premium from capital increase without subscription rights	0	396	0	0	0	396
Share-based payment expenses	0	389	0	0	0	389
June 30, 2020	47,130	69,740	-102,827	-6,354	-372	7,317

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION, PRINCIPLES AND METHODS

DESCRIPTION OF BUSINESS ACTIVITY

Epigenomics ("Epigenomics", the "Group" or the "Company") was founded as a limited liability company under German law (Gesellschaft mit beschränkter Haftung - GmbH) in 1998 and has its registered office in Berlin, Germany. In 2000, the Company was converted into a stock corporation under German law (Aktiengesellschaft - AG) and entered into the commercial register (Handelsregister) of Charlottenburg under HRB 75861. It has been listed in the Prime Standard segment of the Frankfurt Stock Exchange since July 19, 2004 (ticker symbol: ECX).

In accordance with its Articles of Association, the object of the Company is the development and marketing of procedures and devices for the production in quantity of particular epigenetic parameters such as DNA methylation patterns as well as the information technology bases necessary for their procurement and evaluation. Epigenomics AG is a molecular diagnostics company developing and commercializing a pipeline of proprietary products for screening, early detection and diagnosis of cancer. The Company's products will enable doctors to diagnose cancer earlier and more accurately, leading to improved outcomes for patients.

General Principles

This unaudited interim report of the Epigenomics Group comprises the condensed interim consolidated financial statements and the interim Group management report in accordance with Section 115 of the German Securities Trading Act (WpHG). The condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), taking into account IAS 34 Interim Financial Reporting, which were effective as of the reporting date June 30, 2020 and which are mandatory in the European Union. The interim financial statements also comply with the German Accounting Standards (DRS) and DRS 16 Interim Financial Reporting, which were in force and applicable as of the reporting date June 30, 2020.

These condensed consolidated interim financial statements are based on the reporting period from January 1 to June 30, 2020. The Group currency is the euro (EUR).

This interim report should be read in conjunction with the annual report for the 2019 financial year, which contains a more detailed description of the Group's business activities and explanatory notes on the Group's accounting policies for the reporting period.

The consolidated statement of comprehensive income (consolidated statement of profit or loss and other comprehensive income) has been prepared using the cost of sales method.

Reporting Period, Reporting Currency, and Rounding

The reporting period (comparative period) as defined in these consolidated financial statements is the period from January 1 to December 31, 2020 (2019). The reporting currency is the euro (EUR). Many figures are rounded to the nearest thousand euros, which may give rise to rounding differences in the figures presented in these notes.

Scope of Consolidation

The consolidated Group consists of Epigenomics AG as the parent company (registered office: Geneststrasse 5, 10829 Berlin, Germany) and Epigenomics, Inc., as its sole subsidiary during the reporting period. The subsidiary is registered in the U.S. state of Washington and has based its operations out of San Diego (11055 Flintkote Ave, Suite A, San Diego, CA 92121). Epigenomics AG held 100% of the share capital and the voting rights of Epigenomics, Inc. between January 1, 2020 and June 30, 2020.

Principles of Consolidation

In acquisition accounting, the carrying amount of the investment is offset against the share of equity of the subsidiary attributable to the parent as at the date of acquisition. Any resulting difference is added to the assets and liabilities in the amount in which their market value deviates from their carrying amount at the time of the initial consolidation. Any amount in excess is recognized as goodwill.

All intercompany transactions and interim results, income and expenses, profits and losses, receivables and payables are eliminated in full on consolidation.

Application of New and Revised IFRSs and Interpretations and Effects on the Company's Consolidated Financial Statements for the First Six Months of 2020

In the reporting year, the Group for the first time applied the following new and amended IFRSs and Interpretations issued by the IASB and endorsed by the EU that are effective for accounting periods beginning on or after January 1, 2020. Generally, the new standards and amendments mentioned below require prospective application.

- Amendments to IFRS 3 Definition of a Business (endorsed by the EU on April 21, 2020)
- Amendments to IAS 1 and IAS 8 Definition of Material (endorsed by the EU on November 29, 2019)
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (endorsed by the EU on January 15, 2020)
- Revisions to Conceptual Framework for Financial Reporting in accordance with IFRSs (endorsed by the EU on November 29, 2019)

The Amendments to IFRS 3 are intended to resolve the problems that arise when an entity determines whether it has acquired a business or a group of assets. Such problems may arise due to the fact that the accounting requirements for goodwill, acquisition costs and deferred taxes differ on the acquisition of a business and on the acquisition of a group of assets.

The Amendments to IAS 1 and IAS 8 clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards themselves.

The amendments to IFRS 9, IAS 39 and IFRS 7 were necessitated by capital market developments that have brought into question the long-term viability of the established interest reference rates currently in use (e.g., LIBOR). Firstly, they modify specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. Secondly, the amendments will be mandatory for all hedging relationships that are affected by the interest rate benchmark reform. In addition, they require specific disclosures about the extent to which entities' hedging relationships are affected by the amendments.

The new Conceptual Framework includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. These revisions result in amendments to multiple standards and interpretations that refer to the Conceptual Framework.

As expected, the first-time adoption of the above-mentioned new or amended standards has not yet had any significant impact on the Company's financial statements. The application of all new or amended standards is not expected to have any significant impact on the Company's financial statements in the future either.

In addition, the IASB proposed a further amendment to IFRS 16 "Leases" in the second quarter of 2020 in connection with Covid-19-related rental concessions. This amendment is to be applied from June 1, 2020; it has not yet been adopted by the EU. However, the Company does not expect these amendments to have any impact on its reporting either.

FAIR VALUE MEASUREMENT

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or their fair values at the end of each reporting period.

For determining and disclosing the fair value of financial instruments, the Company uses the following hierarchy in accordance with IFRS 13 Fair Value Measurement:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs)

The carrying amounts of financial assets and liabilities such as cash and cash equivalents, marketable securities, trade receivables, trade payables, convertible notes and other current liabilities approximate their fair values due to their short-term maturities. The fair value of marketable securities is based on quoted market prices (level 1). There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the reporting period.

CURRENCY TRANSLATION

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

Closing rates	Dec 31, 2019	June 30, 2020
EUR/USD	1.1234	1.1198
Average rates	6M 2019	6M 2020
EUR/USD	1.1315	1.1033

This interim report of the Company has been reviewed by the Company's auditors.

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

REVENUE

Revenue by type

	Q2 2019		Q2 2020		6M 2019		6M 2020	
	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %
Product sales (own and third party)	339	97.3	73	88.6	660	97.2	293	90.9
Licensing income	9	2.7	10	11.4	19	2.8	19	6.0
R&D income	0	0.0	0	0.0	0	0.0	10	3.1
Total revenue	348	100.0	83	100.0	679	100.0	322	100.0

Revenue by geographical market

	Q2 2019		Q2 2020		6M 2019		6M 2020	
	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %
Europe	61	17.6	38	45.5	139	20.4	135	41.9
North America	287	82.4	42	50.5	504	74.3	184	57.1
Rest of the world	0	0.0	3	4.0	36	5.3	3	1.0
Total revenue	348	100.0	83	100.0	679	100.0	322	100.0

Other Income

EUR thousand	Q2 2019	Q2 2020	6M 2019	6M 2020
Foreign exchange rate gains	210	274	689	737
Income from the reversal of provisions	0	22	20	22
Correction of deferred liabilities	25	3	25	4
Recoveries and refunds	25	-10	25	0
Third-party research grants	9	0	9	0
Other	0	0	0	1
Total other income	269	289	768	764

Cost Allocation by Function

EUR thousand	Q2 2019				
	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	69	362	7	0	438
Depreciation and amortization	0	67	70	0	137
Personnel costs	0	678	1,154	0	1,832
Other costs	3	1,177	1,234	462	2,876
Total	72	2,284	2,465	462	5,283

EUR thousand	Q2 2020				
	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	13	67	1	0	81
Depreciation and amortization	0	64	72	0	136
Personnel costs	2	579	964	0	1,545
Other costs	0	441	871	654	1,966
Total	15	1,151	1,908	654	3,728

EUR thousand	6M 2019				
	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	158	463	9	0	630
Depreciation and amortization	0	138	103	0	241
Personnel costs	0	1,357	2,365	0	3,722
Other costs	7	1,909	2,382	536	4,834
Total	165	3,867	4,859	536	9,427

EUR thousand	6M 2020				
	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	64	289	2	0	355
Depreciation and amortization	0	127	146	0	273
Personnel costs	4	1,229	2,005	0	3,238
Other costs	3	1,109	1,748	681	3,541
Total	71	2,754	3,901	681	7,407

Personnel costs in Q2 2020 included share-based payment expenses of EUR 202 thousand (Q2 2019: EUR 241 thousand) and in 6M 2019 of EUR 389 thousand (6M 2019: EUR 494 thousand).

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q2 2019	Q2 2020	6M 2019	6M 2020
Operating result/Earnings before interest and taxes (EBIT)	-4,666	-3,356	-7,980	-6,321
Amortization and depreciation	138	136	240	273
EBIT before amortization and depreciation (EBITDA)	-4,528	-3,220	-7,740	-6,048
Share-based payment costs	241	202	494	389
EBITDA before share-based payment costs	-4,287	-3,018	-7,246	-5,659

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).

	Q2 2019	Q2 2020	6M 2019	6M 2020
Net loss for the period (in EUR thousand)	-4,398	-3,373	-7,416	-6,354
Weighted average number of shares issued	36,021,540	47,129,846	36,021,540	45,328,769
Earnings per share (basic and diluted, in EUR)	-0.12	-0.07	-0.21	-0.14

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2019	June 30, 2020
Software	121	87
Development costs	212	152
Total intangible assets	333	239
Fixtures/leasehold improvements	298	276
Technical equipment	318	296
Other fixed assets	40	35
Recognized rights of use assets	877	760
Total property, plant and equipment	1,533	1,367
Total non-current assets	1,866	1,606

CURRENT ASSETS

EUR thousand	Dec 31, 2019	June 30, 2020
Inventories	313	241
Trade receivables	89	56
Marketable securities	880	854
Cash and cash equivalents	10,155	7,809
Prepaid expenses	268	227
Receivables from tax authorities	294	151
Receivables from social security authorities	0	46
Claims under insurance contracts	78	28
Interest receivables	12	0
Other	34	23
Total other current assets	686	475
Total current assets	12,123	9,435

EQUITY

As of June 30, 2020, the share capital of Epigenomics AG consisted exclusively of 47,129,846 no-par value ordinary registered shares with equal rights. In 6M 2020, total equity decreased by EUR 2.3 million to EUR 7.3 million at the reporting date (December 31, 2019: EUR 9.6 million).

CURRENT LIABILITIES

Other liabilities

EUR thousand	Dec 31, 2019	June 30, 2020
Payables due to staff	1,089	692
Payables due to Supervisory Board members	31	80
Accrued audit fees	127	79
Payables due to tax authorities	69	34
Payables due to social security	0	7
Advance payments received from customers	46	0
Other	6	4
Total other liabilities	1,368	896

Provisions

EUR thousand	Dec 31, 2019	June 30, 2020
Payroll provisions	65	438
Other provisions	535	513
Total provisions	600	951

Financial instruments

EUR thousand	Measurement principle	Fair value hierarchy level	as of Dec 31, 2019		as of June 30, 2020	
			Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Marketable securities	FVOCI	1	880	880	854	854
Cash and cash equivalents	n. a.		10,155	10,155	7,809	7,809

FVOCI = measured at fair value through other comprehensive income
n. a. = not applicable

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash consists of 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. As of the balance sheet date, the Company's cash and cash equivalents balance sheet item comprised exclusively cash. For the cash flow consolidation of the U.S. subsidiary, the operating assets and liabilities (excluding cash and cash equivalents) were translated at the average monthly exchange rates.

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

Cash flow from investing activities is calculated based on actual payments.

Cash flow from financing activities is calculated based on actual payments.

Gross proceeds from the issue of new shares in the amount of EUR 3,998 thousand in the reporting period (6M 2019: EUR 0) related to the Company's capital increase from authorized capital in 2019.

Cash consumption

Cash flow from operating activities and cash flow from investing activities less transactions in securities is monitored by the Company as "cash consumption".

Cash consumption amounted to EUR 5.5 million in the first six months of 2020 (6M 2019: EUR 7.8 million). In the first six months of 2020, cash outflow from leases amounted to EUR 0.1 million (6M 2019: EUR 0.1 million).



OTHER INFORMATION

Information on stock options

541,850 new stock options were granted in the reporting period to Executive Board members and employees of the Company. No options were exercised in the reporting period. 2,200 options expired during the reporting period. The total number of stock options still outstanding as of June 30, 2020, amounted to 2,413,325 with an average strike price of EUR 3.52.

This interim statement was approved and cleared for publication by the Executive Board of the Company on August 7, 2020.

Berlin, August 7, 2020

The Executive Board

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the current fiscal year.

Berlin, August 7, 2020

The Executive Board

DISCLAIMER

This publication expressly or implicitly contains certain forward-looking statements concerning Epigenomics AG and its business. Such statements involve certain known and unknown risks, uncertainties and other factors which could cause the actual results, financial condition, 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. Epigenomics AG is providing this statement as of this date and does not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

The information contained in this communication does not constitute nor imply an offer to sell or transfer any product, and no product based on this technology is currently available for sale by Epigenomics in the United States or in Canada. The analytical and clinical performance characteristics of any Epigenomics product based on this technology which may be sold at some future time in the United States have not been established.

Berlin, August 7, 2020

The Executive Board



FINANCIAL CALENDAR

Report on third quarter 2020 Thursday, November 12, 2020



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