

epigenomics

INTERIM STATEMENT

JANUARY 1 – SEPTEMBER 30

**9M 2018**

## QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

EUR thousand (unless indicated otherwise)	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
<b>Statement of Profit or Loss</b>					
Revenue	346	991	309	462	544
Gross profit	273	934	274	337	416
EBIT	-1,199	-1,834	-3,250	-2,578	-3,038
EBITDA	-1,120	-1,721	-3,175	-2,502	-2,961
EBITDA before share-based payment expenses	-2,047	-1,545	-3,185	-2,200	-2,618
Net loss for the period	-1,139	-2,623	-3,220	-2,554	-2,974
<b>Balance Sheet (at the respective reporting dates)</b>					
Non-current assets	3,835	2,914	2,992	3,189	3,372
Current assets	18,549	16,859	13,703	10,977	9,116
Non-current liabilities	99	43	43	43	44
Current liabilities	9,280	9,153	8,967	9,083	10,067
Equity	13,005	10,577	7,685	5,040	2,377
Equity ratio (in %)	58.1	53.5	46.0	35.6	19.0
Total assets	22,384	19,773	16,695	14,166	12,488
<b>Statement of Cash Flows</b>					
Cash flow from operating activities	-2,376	-2,920	-2,383	-1,763	-2,674
Cash flow from investing activities	-296	118	-41	7	-17
Cash flow from financing activities	11,898	-354	-72	-2	-65
Net cash flow	9,226	-3,156	-2,496	-1,758	-2,755
Cash consumption	-2,672	-2,802	-2,424	-1,756	-2,691
Cash and cash equivalents at the end of the period	15,993	12,826	10,316	8,579	5,829
<b>Stock</b>					
Weighted average number of shares issued	23,161,627	24,014,360	24,014,360	24,014,360	24,014,360
Earnings per share (basic and diluted, in EUR)	-0.05	-0.11	-0.13	-0.11	-0.12
Share price at the end of the period (in EUR)	4.72	4.25	3.60	2.21	2.19
<b>Number of employees at the end of the period</b>					
	45	46	44	42	43

# CONTENTS

## INTERIM STATEMENT ON FINANCIAL RESULTS FOR 9M 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	3
Consolidated Balance Sheet .....	4
Consolidated Statement of Cash Flows .....	5
Financials 9M 2018 .....	7
Opportunities and Risks .....	8
Outlook .....	9
Report on Post-Balance Sheet Date Events .....	9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30

EUR thousand	Q3 2017	Q3 2018	9M 2017	9M 2018
<b>Revenue</b>	346	544	874	1,315
Cost of sales	-73	-128	-190	-288
<b>Gross profit</b>	273	416	684	1,027
<i>Gross margin (in %)</i>	78.9	76.5	78.3	78.1
Other income	160	221	704	712
Research and development costs	-635	-1,416	-3,148	-4,459
Selling, general and administrative costs	-842	-2,163	-6,209	-6,046
Other expenses	-155	-96	-487	-102
<b>Operating result/earnings before interest and taxes (EBIT)</b>	-1,199	-2,038	-8,456	-8,868
Interest income	4	4	13	13
Interest expenses	-35	-143	-35	-423
Other financial result	0	-1	-2	-1
<b>Net loss for the period before taxes on income</b>	-1,230	-3,178	-8,480	-9,279
Taxes on income	91	204	867	532
<b>Net loss for the period</b>	-1,139	-2,974	-7,613	-8,747
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of available-for-sale securities	2	22	130	-102
Exchange rate differences	84	-50	262	-248
<b>Other comprehensive income for the period</b>	86	-28	392	-350
<b>Total comprehensive income for the period</b>	-1,053	-3,002	-7,221	-9,097
<b>Earnings per share (basic and diluted, in EUR)</b>	-0.05	-0.12	-0.33	-0.36

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 Q3 2018, the weighted-average number of shares issued was 24,014,360 (Q3 2017: 23,161,627). In 9M 2018, the weighted-average number of shares issued was 24,014,360 (9M 2017: 22,877,382).

## CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30 (UNAUDITED)

<b>ASSETS</b> EUR thousand	<b>Dec. 31, 2017</b>	<b>Sept. 30, 2018</b>
<i>Non-current assets</i>		
Intangible assets	668	512
Property, plant and equipment	720	719
Deferred taxes	1,526	2,141
<b>Total non-current assets</b>	<b>2,914</b>	<b>3,372</b>
<i>Current assets</i>		
Inventories	293	289
Trade receivables	937	835
Marketable securities	905	803
Cash and cash equivalents	12,826	5,829
Other current assets	1,898	1,360
<b>Total current assets</b>	<b>16,859</b>	<b>9,116</b>
<b>Total assets</b>	<b>19,773</b>	<b>12,488</b>

<b>EQUITY AND LIABILITIES</b> EUR thousand	<b>Dec. 31, 2017</b>	<b>Sept. 30, 2018</b>
<i>Equity</i>		
Subscribed capital	24,014	24,014
Capital reserve	59,509	60,405
Retained earnings	-62,880	-73,114
Net loss for the period	-10,235	-8,747
Other comprehensive income	169	-181
<b>Total equity</b>	<b>10,577</b>	<b>2,377</b>
<i>Non-current liabilities</i>		
Provisions	43	44
<b>Total non-current liabilities</b>	<b>43</b>	<b>44</b>
<i>Current liabilities</i>		
Trade payables	952	1,555
Deferred income	0	40
Convertible notes issued	6,536	6,957
Other liabilities	562	733
Provisions	1,103	782
<b>Total current liabilities</b>	<b>9,153</b>	<b>10,067</b>
<b>Total equity and liabilities</b>	<b>19,773</b>	<b>12,488</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30 (UNAUDITED)

EUR thousand	9M 2017	9M 2018
<b>Cash and cash equivalents at the beginning of the period</b>	11,531	12,826
<i>Operating activities</i>		
<b>Net loss for the period</b>	<b>-7,613</b>	<b>-8,747</b>
Adjustments for:		
Depreciation of property, plant and equipment	87	83
Amortization of intangible assets	143	145
Stock option expenses	321	897
Financial income	-13	-13
Financial expenses	38	425
Taxes	-867	-532
<b>Operating result before changes in operating assets and liabilities</b>	<b>-7,904</b>	<b>-7,742</b>
Inventories	13	5
Trade receivables	2,026	107
Other assets	-847	541
Non-current and current provisions	-548	-329
Trade payables and other liabilities	614	574
Deferred income	-6	39
Tax paid	-5	-16
<b>Cash flow from operating activities</b>	<b>-6,657</b>	<b>-6,821</b>
<i>Investing activities</i>		
Payments to acquire intangible assets	-37	-3
Payments to acquire property, plant and equipment	-172	-65
Capitalization of development costs	-491	0
Proceeds from grants/subsidies received	17	0
Interest received	18	18
<b>Cash flow from investing activities</b>	<b>-665</b>	<b>-50</b>

EUR thousand	9M 2017	9M 2018
<i>Financing activities</i>		
Proceeds from the issue of new shares	5,475	0
Payments for the issue of new shares	-80	-136
Proceeds from the conversion of convertible notes	6,461	0
Payments for the issue of convertible notes	-3	-2
<b>Cash flow from financing activities</b>	<b>11,853</b>	<b>-138</b>
<b>Net cash flow</b>	<b>4,531</b>	<b>-7,009</b>
Currency translation effects	-69	12
<b>Cash and cash equivalents at the end of the period</b>	<b>15,993</b>	<b>5,829</b>

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

## FINANCIALS 9M 2018

---

### FINANCIAL POSITION AND CASH FLOW

The cash outflow from operating activities increased by EUR 164 thousand from EUR 6,657 thousand in 9M 2017 to EUR 6,821 thousand in the first nine months of 2018.

The cash outflow from investing activities decreased by EUR 615 thousand to EUR 50 thousand in the first nine months of 2018 compared to EUR 665 thousand in 9M 2017. The higher payments in the previous year were largely due to activities relating to the development of our blood-based Epi proLung product in the amount of EUR 491 thousand, which were still ongoing at the time.

The cash flow from financing activities amounted to EUR -138 thousand in the first nine months of 2018 and related to expenses in connection with the capital increase completed in October 2018 (9M 2017: EUR 11,853 thousand).

Our net cash flow amounted to EUR -7,009 thousand in the first nine months of 2018 (9M 2017: EUR 4,531 thousand). Cash consumption declined to EUR 6,871 thousand in the first nine months of 2018, compared to EUR 7,322 thousand in the comparable period of the previous year. Cash and cash equivalents amounted to EUR 5,829 thousand at the reporting date (December 31, 2017: EUR 12,826 thousand).

---

### RESULTS OF OPERATIONS

We recognized revenue in the amount of EUR 544 thousand in Q3 2018, an increase of 57% compared to Q3 2017 (EUR 346 thousand). In the nine month period, total revenue rose by 51% from EUR 874 thousand in 2017 to EUR 1,315 thousand in 2018. This was due to higher product revenue in the U.S.A. and licensing income in China.

Product revenue increased by 73%, from EUR 164 thousand in Q3 2017 to EUR 283 thousand in Q3 2018. This climbed from EUR 393 thousand to EUR 641 thousand in the first nine months of the year. Licensing income increased from EUR 138 thousand in Q3 2017 to EUR 213 thousand in Q3 2018, and from EUR 436 thousand to EUR 626 thousand in the first nine months of the year.

Cost of sales amounted to EUR 128 thousand in Q3 2018 (Q3 2017: EUR 73 thousand) and EUR 288 thousand in 9M 2018 (9M 2017: EUR 190 thousand). Our gross margin remained level year on year at 77% in Q3 2018 (Q3 2017: 79%) and 78% in 9M 2018 (9M 2017: 78%).

Other income of EUR 221 thousand in Q3 2018 (Q3 2017: EUR 160 thousand) was attributable to the reversal of provisions, exchange rate gains from currency translation and third-party research grants.

R&D costs increased from EUR 635 thousand in Q3 2017 to EUR 1,416 thousand in Q3 2018. During the first nine months of the year, R&D costs grew by EUR 1,311 thousand, from EUR 3,148 thousand in the previous year to EUR 4,459 thousand in the reporting period. On the one hand, the increase was a result of expenses associated with the post-approval study for Epi proColon in the U.S.A. On the other hand R&D costs were relatively low in Q3 2017 due to an offsetting effect from share-based payments.

Selling, general and administrative costs increased to EUR 2,163 thousand in Q3 2018 from EUR 842 thousand in the same period of 2017, primarily driven by legal and consulting costs. The figure for Q3 2017 had likewise seen a considerable offsetting effect from share-based payments.



Overall, our operating costs rose by EUR 2.1 million year on year to EUR 3.8 million in Q3 2018 for the reasons set out above. Of this figure, EUR 1.4 million resulted from the non-recurring share-based payment effect in the previous year. Total operating costs increased from EUR 10.0 million to EUR 10.9 million in the first nine months of the year.

The reported tax income of EUR 204 thousand in Q3 2018 (Q3 2017: EUR 91 thousand) and EUR 532 thousand in 9M 2018 (9M 2017: EUR 867 thousand) related exclusively to deferred taxes on loss carry-forwards recognized by the U.S. subsidiary.

We closed Q3 2018 with a net loss of EUR 3.0 million (Q3 2017: EUR 1.1 million). The net loss amounted to EUR 8.7 million for 9M 2018 (9M 2017: EUR 7.6 million). The net loss per share for the quarter was up year on year from EUR 0.05 to EUR 0.12, and to EUR 0.36 for the first nine months of 2018 (9M 2017: EUR 0.33).

---

## NET ASSET POSITION

Total non-current assets increased from EUR 2.9 million as of December 31, 2017 to EUR 3.4 million as of the reporting date on the back of the increase in deferred tax assets. Current assets fell from EUR 16.9 million at the beginning of the period to EUR 9.1 million as of September 30, 2018 – this was due for the most part to cash consumption during that period.

The net loss for the period caused total equity to fall by EUR 8.2 million to EUR 2.4 million as of the reporting date (December 31, 2017: EUR 10.6 million). The equity ratio decreased to 19.0% as of the reporting date (December 31, 2017: 53.5%).

Non-current liabilities at the reporting date were virtually unchanged as against December 31, 2017, amounting to EUR 44 thousand (December 31, 2017: EUR 43 thousand).

Current liabilities increased from EUR 9.2 million as of December 31, 2017 to EUR 10.1 million as of September 30, 2018. A key item here was the convertible note maturing at the end of 2018 (EUR 7.0 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 our 2017 consolidated financial statements, which are available on the Company's website ([www.epigenomics.com](http://www.epigenomics.com)). Shortly after the end of the reporting period, in early October 2018, we published a prospectus for the capital increase that we had initiated. This includes an updated, detailed description of our opportunities and risks. The prospectus can be also found at the above web address.

The capital increase successfully carried out in October 2018 (see Report on Post-Balance Sheet Date Events below) resulted in a significant increase in cash as against the reporting date. We are now in a position as at December 31, 2018 to repay the convertible bond issued in 2017, which has also now decreased to EUR 6.0 million as a result of the capital increase. According to our current business plan, we therefore have sufficient liquidity to continue our business operations well into 2020.

## OUTLOOK

Given that the reimbursement decisions in the U.S.A. have been delayed further, the annual revenue of EUR 2.0 million to EUR 4.0 million that we had previously announced is no longer within reach. In our prospectus published for the capital increase in October 2018, we therefore adjusted our revenue forecast for 2018 to between EUR 1.5 million and EUR 2.5 million. The range of EUR -11.5 million to EUR -14.0 million previously given for EBITDA before share-based payment expenses and cash consumption was amended to between EUR -11.0 million and EUR -13.0 million in this context.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

At October 3, 2018, after the end of the reporting period Q3 2018, we announced and eventually implemented a capital increase of up to 50% of the outstanding shares by way of a rights issue with subscription rights for existing shareholders and utilization of our authorized capitals as resolved by our Annual General Meeting 2018. The subscription price has been set at EUR 1.86 per new share during the subscription period.

At October 23, 2018, we could announce the successful closing of this transaction. All 12,007,180 offered new shares have been subscribed by existing and new shareholders. Thereby, approximately 66.6% of the new shares (corresponds to a quantity of about 8.0 million) have been signed by the exercise of pre-emptive rights. Subsequently, the remaining 4.0 million new shares have been allocated in a private placement to selected institutional U.S. investors, including healthcare funds.

By way of a pre-emptive rights issue in the aforementioned context, Chinese investor Cathay Fortune International Company Limited (CFICL) – the only holder of the convertible bond we issued in 2017 – contributed a part of this bond in an amount of EUR 1.1 million in kind. The redemption amount of this bond which is due as of December 31, 2018, has now been reduced to EUR 6.0 million, as long as CFICL does not exercise their conversion rights and will reduce the redemption amount even more thereby.

Cash inflow from this transaction amounted to EUR 21.3 million (gross). We intend to use the net proceeds of the offering for the repayment of the aforementioned convertible bond, to satisfy the payment obligations that will fall due within the next twelve months, including those that the Group expects to arise and be payable in the ordinary course of business within the next twelve months, in particular to get a reimbursement decision for Epi proColon in the U.S.A., and to subsequently further commercialize the product as well as for the development of our HCCBloodTest for liver cancer.

The capital increase has been recorded by the commercial register as of October 24, 2018.

This interim statement was approved and cleared for publication by the Executive Board of the Company on November 7, 2018.

Berlin, November 7, 2018

**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 future results, performance or achievements expressed or implied by such forward-looking statements.

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

# CORPORATE CALENDAR 2019

Annual Report 2018 – January 1–December 31 2018 ..... Wednesday, March 27, 2019



## CONTACT

Epigenomics AG  
Peter Vogt  
Vice President  
Corporate Communications &  
Investor Relations

Phone: +49 30 24345-0  
Fax: +49 30 24345-555  
ir@epigenomics.com

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