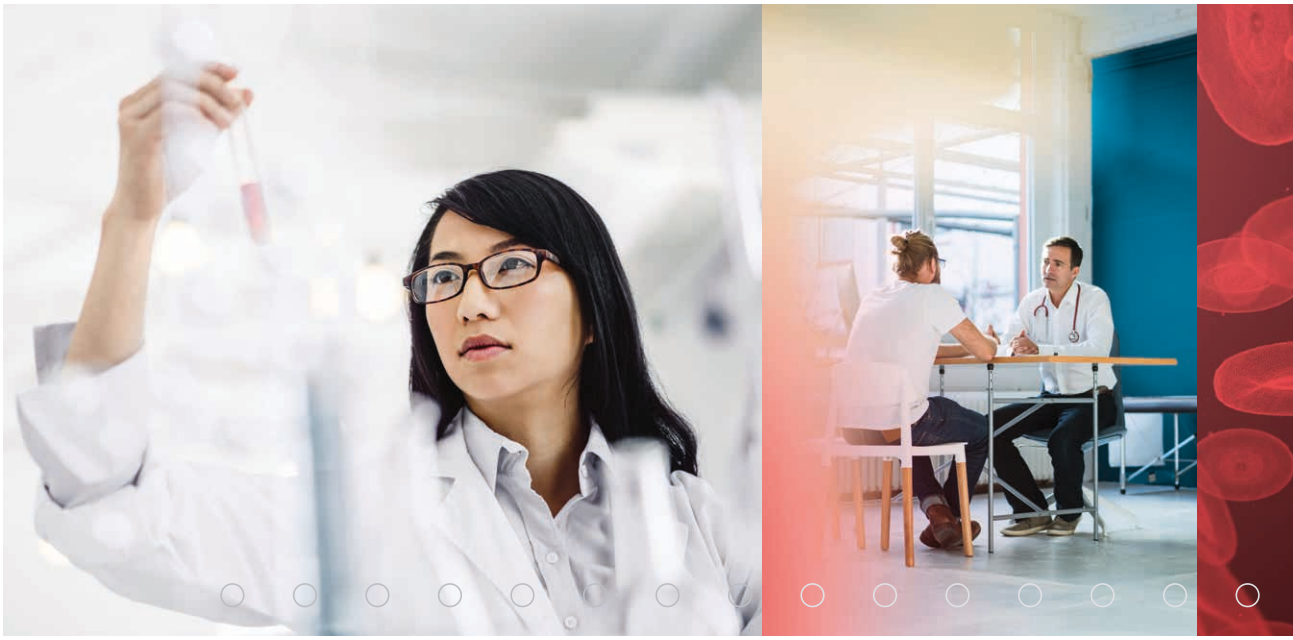
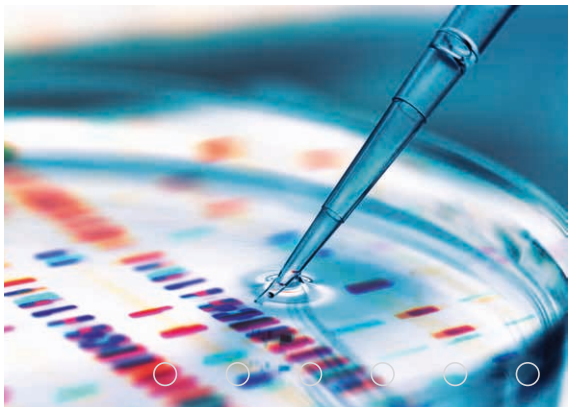
epigenomics



Saving lives through blood-based cancer detection

Annual Report 2022

We revolutionize the way of cancer diagnostics using our unique, proprietary DNA methylation biomarker technology. Epigenomics develops patient-friendly, blood-based diagnostic tests across multiple cancer indications with high medical need. Using blood as a liquid biopsy can improve patient access to cancer screening and thereby contribute to the early detection of today's deadliest cancer types such as colorectal, liver, and lung cancer, and boost treatment outcomes.



CONTENTS

FOREWORD BY THE EXECUTIVE BOARD

Securing our financing and seizing opportunities!

DEAR SHAREHOLDERS,

Our goal was to build a low-cost annual blood-based test with superior performance to FIT (74% sensitivity) and thus achieve Medicare reimbursement upon FDA approval. In December we announced pre-clinical data of 84% sensitivity and 90% specificity. These data give us confidence that we will be able to exceed the performance of FIT in the prospective trial and deliver one of the most clinically effective CRC solutions in the U.S. market. However, over the course of 2022 we were forced to concede that we were unable to secure the necessary funding for this. At the end of 2022, we realized that there had been a significant deterioration in the conditions for venture capital. Consequently, in February 2023, we were compelled to resolve an extensive restructuring to reduce our cash consumption. This situation has prompted us to look into all options to monetize our research and development achievements.

"NEXT-GEN" CLINICAL TRIAL INITIATED BUT PLACED ON HOLD In September 2022, Epigenomics initiated the CRC-Draw clinical trial for "Next-Gen". The FDA provided clear guidance on the trial design, statistical plan, and assay comparator for approval. The study will require approximately 15,000 participants and will take about two years to complete. In addition to the improved performance of "Next Gen", the test extends our IPs by more than 15 years by incorporating the additional biomarkers. We believe that this test presents us with a very large, untapped opportunity in the cancer screening market. Due to the financial situation, Epigenomics has put the trial on hold.

OPPORTUNITIES FROM "NEXT-GEN" The U.S. CRC market is significant at 100 million patients. Even at a mid-single digit market share, the market opportunity could exceed half a billion dollars per year. We are looking into options for out-licensing "Next-Gen", as in our view Epigenomics will not be in a position to raise the necessary funding for this, estimated to be between EUR 80 million and EUR 100 million.

FINANCIAL POSITION In February 2023 we announced restructuring activities to significantly reduce the cash consumption of the Company. Considering the restructuring actions taken to reduce costs, the Executive Board assumes that the available funds will be sufficient until the first half of 2025. However, the Executive Board of Epigenomics AG expressly states that this assessment is based on current forecasts and that the success of the action taken is subject to uncertainties. As such, the actual results could differ materially from these assumptions.

Andrew Lukowiak, PhD, Greg Hamilton, Jens Ravens

LOOKING AHEAD & SAYING THANK-YOU The future success of the Company will depend on our ability to create value for shareholders by out-licensing "Next-Gen" or by selling patents and biobanks. We recognize the difficult financial situation of the Company and the impact of the restructuring on our employees, customers, and investors. We will look to maximize the opportunities in front of us with the limited resources available at this time.

The Company recently announced the resignation of our Chairman of the Supervisory Board Heino von Prondzynski due to health reasons. As an Executive Committee we would like to thank him for his commitment, guidance and leadership throughout his time at Epigenomics. He has been a mentor to all of us and we wish him the best health and many happy years ahead. Due to the strained financial situation, Franz Walt has offered to step down from the Supervisory Board at the end of April. We would like to express our heartfelt gratitude to him as well. We would also like to take this opportunity to thank you, our shareholders, for your support and our employees for their continued dedication to the Company.

Yours sincerely,

Greg Hamilton
(Chief Executive Officer)

Andrew Lukowiak, PhD
(President and Chief Scientific Officer)

Jens Ravens
(Chief Financial Officer)

Report of the Supervisory Board

DEAR SHAREHOLDERS,

Things remained challenging for Epigenomics AG in fiscal year 2022.

There were positive developments for our advanced Epi proColon "Next-Gen" test. We initiated the prospective clinical approval study of the "Next-Gen" test at several centers in September 2022, and are confident that the results obtained from the study would support an application for market approval from the U.S. Food and Drug Administration (FDA). Because the Company lacks sufficient funds to conduct the study, we are looking into options for out-licensing "Next-Gen".

In terms of financing, a number of the convertible bonds placed in the previous year were converted into 831,506 new shares in 2022, increasing the number of outstanding shares to 16,371,243 (prior to capital reduction). Our Company also made preparations for future capital increases. To that end, the extraordinary General Shareholders' Meeting in October 2022 resolved a capital reduction in a ratio of 4:1, which was implemented in December 2022 and reduced the number of outstanding shares to 4,092,810 (after capital reduction). Despite the announcement of good pre-clinical trial results in December 2022, the share price continued to decline, and is currently below EUR 1.

The Supervisory Board kept a close eye on all of these transactions and was in regular contact with the Executive Board.

There was one major change on the Executive Board in the reporting period. Our EVP Finance Albert Weber left the Company at the end of 2021 at his own request. Jens Ravens assumed the new role of Chief Financial Officer (CFO) in February 2022.

WORK OF THE SUPERVISORY BOARD This fiscal year, the Supervisory Board of Epigenomics AG fulfilled all of the duties incumbent upon it in accordance with the law, the Articles of Association and its Rules of Procedure. It advised and monitored the Executive Board in managing the Company and kept itself apprised at all times of the Company's operating performance, the key challenges it faced, and the Executive Board's assessment as to the overall financial position and risk management of the Company. All corporate planning, including financial, capital expenditure and human resources planning, as well as general business performance was reported on a regular basis by the Executive Board. To the extent that German corporate law or the applicable Rules of Procedure required consent for certain decisions or actions by the Executive Board, such consent was granted by the Supervisory Board after thorough deliberation and careful examination of oral reports and written documentation, which were provided.

The key issues regularly discussed at Supervisory Board meetings in fiscal year 2022 included primarily the planned project to obtain market approval for Epi proColon "Next-Gen" in the U.S.A., which was of major strategic importance for the future. Other significant points included the capital reduction resolved in October, the overall financial situation of the Company, and discussions of legal issues.

The main focus was and remains the search for alternative strategic options. These include an out-licensing of the Epi proColon "Next-Gen" test to market participants, and the sale or out-licensing of patents and biobanks.

The Supervisory Board adopted the annual financial statements and approved the consolidated financial statements. The Supervisory Board always took into account in its work the interests of Epigenomics AG's shareholders.

Dr. Helge Lubenow

The Supervisory Board held ten meetings in 2022. These took place on January 18, March 23, April 28, June 15, September 9, October 11, October 21, December 7, December 16 and December 23, and were each attended by the Executive Board. All members of the Supervisory Board attended all of the meetings. Both our Annual General Shareholders' Meeting on June 15, 2022 and the Company's extraordinary General Shareholders' Meeting on October 21, 2022 were held in video format without the physical presence of shareholders.

In addition to the very close dialog between all members of the Supervisory and the Executive Board in joint plenary meetings, detailed written and oral reports of the Executive Board were provided to the Supervisory Board as part of supplementary conference and video calls and individual discussions. Thus, the Supervisory Board was continually kept up to date on the Company's current business situation and key events throughout the year.

At its meeting on December 7, 2022, the Supervisory Board considered in detail the operational budget, financial planning, human resource allocation plan and the Company's targets for fiscal year 2023.

For each formal meeting of the Supervisory Board in the presence of the Executive Board, all members of the Supervisory Board received comprehensive written reports in advance in order to prepare. Written minutes of all official meetings and telephone conferences were prepared. Whenever necessary, resolutions were also passed by written vote in accordance with the Company's Articles of Association.

ORGANIZATIONAL CHANGES IN 2022 At the Annual General Shareholders' Meeting on June 15, 2022, which in this reporting period was again held online and not in person, Dr. Heikki Lanckriet (PhD) was elected as a new member of the Supervisory Board. This increased the number of Supervisory Board members to five, and was also approved by the shareholders at the General Shareholders' Meeting. Dr. Heikki Lanckriet (PhD) has more than 20 years' commercial and scientific experience in life sciences and has a track record of developing high-growth technology businesses.

CONFLICTS OF INTEREST No conflicts of interest for the members of the Supervisory Board arose during the reporting period.

COMMITTEES The Supervisory Board established an Audit Committee that was chaired in the reporting period by Alexander Link, who holds this position as the main expert for accounting and financial reporting matters in accordance with section 100 of the German Stock Corporation Act (Aktiengesetz – AktG). Dr. Helge Lubenow is designated as the main expert on audit matters. The Chairman of the Audit Committee is responsible for communicating regularly with the Executive Board, the Senior Manager Controlling and with the auditor of the Company, in order to provide advice on the preparation of financial reports, audits and quarterly financial statements. He reports regularly to the full Supervisory Board, highlighting any findings and observations in this area.

CORPORATE GOVERNANCE The Supervisory Board continuously reviewed all issues of legal and regulatory compliance by the Company. Given the rapidly and constantly changing economic environment and in light of the current financial position of the Company, the Supervisory Board also discussed in detail issues relevant to an effective risk management system. Both the Executive Board and the Supervisory Board regard the commitment to sound corporate governance as crucial to reinforcing the Company's credibility with current and future shareholders, business partners and employees. In October 2022, the Executive Board and the Supervisory Board published the Declaration of Compliance with the German Corporate Governance Code (the "Code") pursuant to section 161 AktG, which is permanently available on Epigenomics' website (www.epigenomics.com/news-investors/corporate-governance).

In its declaration, the Company has committed itself to adherence to the Code, and only deviates in explicitly mentioned, Company-specific cases from its recommendations. Within the Supervisory Board, Dr. Helge Lubenow is designated as the main expert on remuneration, nomination and corporate governance matters.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS The audit firm Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Baker Tilly), Düsseldorf, audited the 2022 annual financial statements and the corresponding management report of Epigenomics AG for fiscal year 2022, which were prepared in accordance with the principles of German commercial law, as well as the consolidated financial statements and the Group management report for fiscal year 2022, which were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The consolidated financial statements and the Group management report were prepared in accordance with section 315e HGB in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU. Baker Tilly performed its audit of the annual financial statements and the management report in accordance with section 317 HGB and the EU Audit Regulation (no. 537/2014), taking into account the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V., "IDW"). The audit reports and the audit opinions were submitted to the Supervisory Board by the Executive Board in a timely manner.

Baker Tilly's audit reports were presented to all members of the Supervisory Board and were discussed in depth at the meeting on April 25, 2023, in the presence of the auditor, who reported on the main findings of the audit. At this meeting, the Executive Board presented the 2022 annual financial statements and 2022 consolidated financial statements, as well as the Company's early risk identification system. Baker Tilly also provided a report on the scope, focal points and findings of the audit. As a result of its own observations and examinations, the Supervisory Board raised no objections, accepted and confirmed the findings of the audit. In light of the Company's situation, the Supervisory Board received regular reports on the preparation of the consolidated financial statements. The Supervisory Board, in the presence of the auditor, formally approved the annual financial statements and the consolidated financial statements as of December 31, 2022, without raising any objections or making any amendments. By the Supervisory Board's approval, the 2022 annual financial statements of Epigenomics AG are thus adopted as submitted in accordance with section 172 AktG.

With respect to the Company's existing internal control and early risk identification system, the auditor stated to the Supervisory Board that in its opinion these systems are suitable to meet all legally intended requirements.

The Supervisory Board offers its sincere thanks to the Executive Board, the senior management and all employees of Epigenomics for their commitment and dedication throughout the challenging fiscal year 2022. This applies in particular given the restructuring and reduction of the Company's business operations announced on February 15, 2023. The Supervisory Board wishes the Executive Board and all remaining employees the best of luck in making a success of this very difficult time for the Company.

Heino von Prondzynski informed the Supervisory Board on January 27, 2023 that he would regretfully have to resign for health reasons with effect from March 31, 2023. He then stepped down from the Board with immediate effect on February 15, 2023. The Supervisory Board subsequently elected Dr. Helge Lubenow as Chairwoman. The Supervisory Board sincerely regrets the resignation of long-term Chairman von Prondzynski and would like to thank him for his tireless commitment to the Company's objectives.

Franz Walt resigned from his role on February 15, effective April 30, 2023, as part of the restructuring cost reduction efforts. The Supervisory Board would also like to thank him for his commitment and cooperation.

Berlin, April 2023

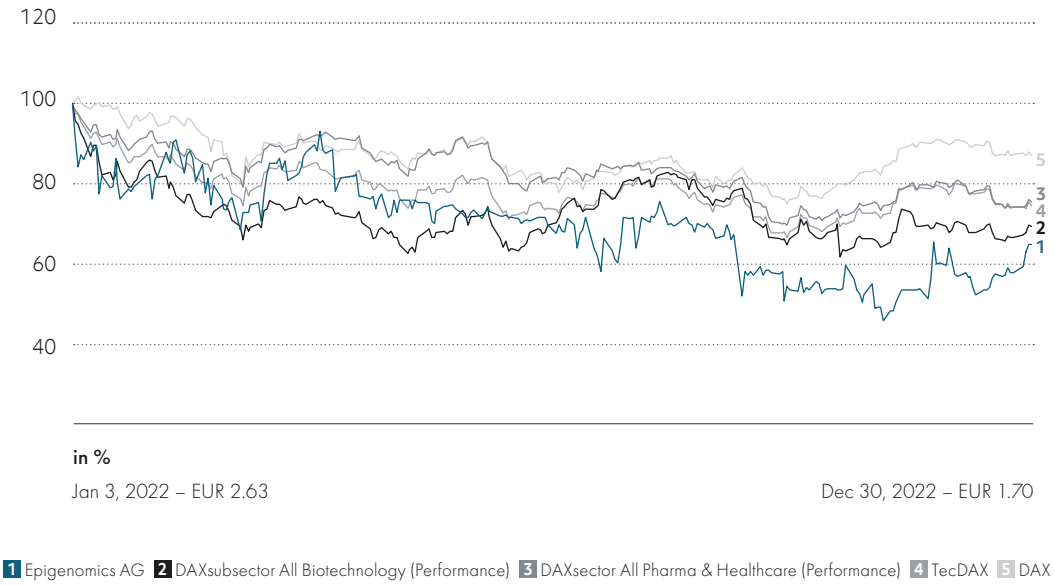
On behalf of the Supervisory Board

Dr. Helge Lubenow
(Chairwoman of the Supervisory Board)

Our Stock

SHARE PRICE PERFORMANCE MARKED BY NEGATIVE NCD DECISION IN PREVIOUS YEAR AND CMS REIMBURSEMENT EFFORTS AS WELL AS CORPORATE ACTIONS

SHARE PRICE PERFORMANCE IN 2022



1 Epigenomics AG 2 DAXsubsector All Biotechnology (Performance) 3 DAXsector All Pharma & Healthcare (Performance) 4 TecDAX 5 DAX

Due to multiple geopolitical crises, first and foremost the Russia-Ukraine war, the global equity markets largely reported downward trends in the reporting period and closed the year significantly below the previous year's levels.

The DAX in Frankfurt began the year at 15,947 points and closed at the year-end with a loss of around 13%, at 13,924 points. The TecDAX index for technology stocks also experienced a major slump, falling by roughly 25% through the year to 2,921 points. Overall, the first three quarters were characterized by a broad sell-off on the equity markets, while the fourth quarter saw initial signs of recovery as inflation fears subsided and the indications were of a less severe recession.

Sentiment on the most important international stock exchanges was also predominantly negative in 2022. The leading U.S. Dow Jones index fell by 8.8%, and the technology-oriented NASDAQ slid 33%. Japan's leading Nikkei index also declined in 2022, by 9.4%. The London FTSE 100 was the only one with a slight gain of 0.9%, due primarily to the high proportion of energy and commodity companies in the index, which far outperformed the market in light of rising energy costs.

A capital reduction was resolved at the extraordinary General Shareholders' Meeting on October 21, 2022 at the proposal of the Executive Board of Epigenomics AG, according to which four old shares (ISIN: DE000A3H218) were combined to create one new share (ISIN: DE000A32VN83). The new shares were traded on the Frankfurt Stock Exchange for the first time on December 27, 2022.

For reasons of comparability, all share prices from reporting dates before December 27, 2022 have been adjusted in the following to account for the capital reduction.

Epigenomics' share price peaked right at the beginning of the year at EUR 2.63 (Xetra) on January 3, 2022. It moved in a range between EUR 2.00 and EUR 2.50 in the weeks that followed, listing above the EUR 2.00-mark for the last time on April 29, 2022 at EUR 2.04. The share price only approached that mark once more after that, at EUR 1.99 on August 12, before dropping to EUR 1.36 on September 12 following the announcement of the capital reduction. After bottoming out at EUR 1.20 on November 4, the shares made a significant recovery over the last two months and closed the year on December 30 at EUR 1.70.

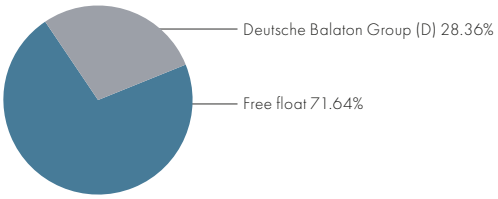
In our view, the performance of Epigenomics AG shares is largely disconnected from the general sentiment on the capital markets and, during the year under review, affected by the progress made in developing "Next Gen" as well as the Company's funding. A comparison with the performance of the various equity indices is therefore only of limited use.

CHANGES IN THE SHARE CAPITAL/CORPORATE ACTIONS

The number of outstanding Epigenomics shares decreased in fiscal year 2022 due to the capital reduction, and amounted to 4,092,810 as of December 31, 2022. The market capitalization amounted to around EUR 7.0 million at the end of 2022.

SHAREHOLDER STRUCTURE ON FEBRUARY 25, 2023

The following shareholder held more than 3% of Epigenomics AG



Just over 72% of the Epigenomics shares are in free float. The largest proportion is held by private investors. Recent voting rights notifications are available on Epigenomics' website under "News & Investors".

Key data on Epigenomics' shares

ISIN	DE000A32VN83
Security code number	A32VN8
Ticker symbol	ECX1
Exchange	Frankfurt Stock Exchange Regulated Market (Prime Standard likely until June 11, 2023)
Issued shares (December 31, 2022)	4,092,810 shares
Free float (February 25, 2023)	71.64%
Market capitalization (December 31, 2022)	EUR 7.0 million
Year-end closing price	EUR 1.70

TRANSPARENT DIALOG WITH SHAREHOLDERS

Epigenomics maintains ongoing and active dialog with investors, analysts and the financial media. Throughout 2022, the Company hosted regular conference calls for investors and analysts to discuss the financial results and provide updates on the Company's business development.

At Epigenomics AG's Annual General Meeting on June 15, 2022 and the extraordinary General Shareholders' Meeting on October 21, 2022 – which due to the COVID-19 pandemic were held in virtual form without the physical presence of shareholders – the shareholders voted by a large majority in favor of each of the Company's proposals.

ANALYST COVERAGE AND ADR PROGRAM

In 2022, the analysts at Pareto Securities and Warburg Research followed the performance of Epigenomics' shares and regularly published their appraisals and recommendations. The analysts' price targets are available on Epigenomics' website under "News & Investors".

Epigenomics' ADRs are traded on the OTCQX International market in the U.S.A., a segment reserved for high-quality non-U.S. companies. These ADRs are tradable U.S. dollar-denominated certificates representing ordinary shares of the Company at a ratio of five ordinary shares to one Epigenomics ADR. Bank of New York Mellon acts as the Company's "Principal American Liaison" (PAL) on OTCQX and is responsible for providing professional guidance on OTCQX requirements. The ADR program was suspended with effect from 7 April 2023.

Epigenomics AG – ADR	OTCQX Trading
Structure	Sponsored Level 1 ADR
Ratio	1 ADR = 5 ordinary shares
Ticker	EPGNY
CUSIP	29428N300
ISIN	US29428N3008
Depositary bank/PAL	BNY Mellon

Key Figures

– in accordance with the consolidated financial statements –

EUR thousand (unless indicated otherwise)	2018	2019	2020	2021	2022
Statement of Profit or Loss					
Revenue	1,533	1,125	842	6,203	**485**
Gross profit	1,093	872	697	6,067	**365**
EBIT	-12,895	-14,673	-11,627	-2,354	**-12,050**
EBITDA	-12,587	-14,160	-11,092	-1,935	**-11,302**
EBITDA before sharebased payments	-11,436	-13,287	-10,461	-1,833	**-11,301**
Net loss for the period	-12,692	-17,020	-11,686	-2,428	**-12,024**
Balance Sheet					
Non-current assets	3,553	1,866	1,328	951	**5,037**
Investments in non-current assets	106	122	21	35	**1,365**
Current assets	18,274	12,123	5,469	23,712	**10,815**
Non-current liabilities	47	741	496	400	**606**
Current liabilities	3,167	3,619	2,437	2,143	**5,074**
Equity	18,613	9,629	3,864	22,120	**10,172**
Equity ratio (in %)	85,3	68,8	56,8	89,7	**64,2**
Total assets	21,827	13,989	6,797	24,663	**15,852**
Cash Flow Statement					
Cash flow from operating activities	-10,351	-13,506	-9,571	-4,152	**-12,024**
Cash flow from investing activities	724	47	3	961	**-1,700**
Cash flow from financing activities	13,274	7,120	2,982	21,619	**-359**
Net cash flow	3,647	-6,339	-6,586	18,428	**-14,083**
Cash consumption	9,627	13,459	9,568	4,175	**13,724**
Cash and cash equivalents at the end of the year	16,487	10,155	3,566	23,049	**10,126**
Stock[1]					
Weighted-average number of shares issued	844,255	1,164,768	1,444,666	2,801,853	**4,066,613**
Earnings per share (basic and diluted, in EUR)	-15.03	-14.61	-8.08	-0.87	**-2.96**
Share price at the end of the year (in EUR)	56.64	43.84	13.60	2.56	**1.70**
Number of employees at the end of the year	44	41	37	32	**34**

[1] For reasons of comparability, the figures for 2018–2021 have been adjusted retrospectively.

CONTENTS GROUP MANAGEMENT REPORT

Group Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP – ORGANIZATION, BUSINESS ACTIVITIES AND STRATEGY

GROUP STRUCTURE, BUSINESS ACTIVITIES AND PRODUCTS

Epigenomics AG (the "Company", the "Group" or "we") is a molecular diagnostics company focusing on developing and, prior to February 2023, commercializing in vitro diagnostic (IVD) liquid biopsy tests for the screening, early detection and diagnosis of cancer. We develop our products based on a unique and proprietary technology platform using DNA methylation. Our research and development (R&D) activities are aimed at identifying suitable biomarkers in human tissue and developing and patenting the corresponding IVD tests.

In light of the tense situation on the capital markets and the resulting limited options for winning over investors, in February 2023 we decided, in the interest of safeguarding the Company and its value, to scale our operations down to a minimum and put the CRC-Draw study on hold. The future success of the Company will depend on our ability to create value for shareholders by out-licensing "Next-Gen" or by selling patents and biobanks.

Our lead product during the reporting period and until suspension of commercialization in February 2023 was Epi proColon, a blood-based test for the early detection of CRC using our proprietary DNA methylation biomarker Septin9. Due to the fact that Epi proColon did not obtain a favorable coverage decision from the U.S. public health insurer CMS, it can only be commercialized in small quantities. Accordingly, we have decided to pull this product from the market as part of our restructuring measures. In addition, we will also be withdrawing our second product from the market: EpiproiLung, a test used to screen for lung cancer.

During the reporting period and until February 2023, we worked on refining the test, under the name Epi proColon "Next-Gen", following a multiomics approach that employed both DNA methylation and protein analysis, enabling us to use different technologies within a single test. The combination of DNA methylation biomarkers, including Septin9, and several protein biomarkers, significantly improves screening and thus also the effectiveness of the test. The new updated version of the "Next-Gen" test achieved 84% sensitivity at 90% specificity and an advanced adenoma detection rate of 20% in pre-clinical testing.

Epigenomics AG is headquartered in Berlin, Germany, and operates a wholly owned subsidiary in the U.S.A., Epigenomics, Inc., which is registered in Delaware and primarily operates in San Diego, CA. Epigenomics AG, the parent company, oversees the Group's central business functions (e.g., accounting, human resources and intellectual property). The Group's research and development (R&D) activities were predominantly conducted from Berlin. Epigenomics, Inc., was primarily active in marketing and distributing our products in North America, and in establishing and developing our activities and business relationships on the international markets outside of Europe, as well as leading the clinical study on Epi proColon "Next-Gen". In addition to our laboratory in Berlin, we had opened a second laboratory in 2022, in San Diego, CA, that specialized in developing protein markers.

Considering the restructuring actions taken to reduce costs, the Executive Board assumes that the available funds will be sufficient until the first half of 2025. However, the Executive Board of Epigenomics AG expressly states that this assessment is based on current forecasts and that the success of the action taken is subject to uncertainties. As such, the actual results could differ materially from those assumptions. These events and conditions indicate the existence of a material uncertainty; they may cast significant doubt on the Company's ability to continue as a going concern and constitute a going concern risk.

MANAGEMENT

Epigenomics AG is managed by a team comprised of industry experts with long-standing experience in the diagnostics industry and extensive scientific and management expertise.

As a stock corporation under German law, the Company is led by an experienced Executive Board under the oversight of a Supervisory Board elected by our shareholders. Greg Hamilton has been Chief Executive Officer (CEO) since July 2016. He has over 20 years of management experience in the molecular diagnostics, manufacturing and professional services industries. Prior to joining Epigenomics, Mr. Hamilton was Chief Executive Officer and Director of AltheaDx, Inc., Chief Operating Officer and Chief Financial Officer of Enigma Diagnostics Inc., Vice President of Operations and Finance at Third Wave Technologies, Inc. and Vice President of Operations at Hologic, Inc. He has been responsible for multiple FDA-approved products including a human papilloma virus (HPV) high risk screening assay and the first-ever approved HPV genotyping assay.

Since December 1, 2021, Andrew Lukowiak, PhD, has been a member of the Executive Board of Epigenomics AG as President and Chief Scientific Officer (CSO) and is responsible for operations and research and development. Andrew Lukowiak, PhD, has over 20 years' professional experience in molecular diagnostics and the life sciences industry. Prior to joining Epigenomics, Andrew Lukowiak, PhD, was CEO and member of the Management Board of Millennium Health, a leading laboratory company for toxicology. Before that he was Chief Operating Officer at AltheaDx, Inc., responsible for the development, validation and market launch of various real-time PCR tests, and held management positions at GenMark Diagnostics and Hologic, Inc. Andrew Lukowiak, PhD, received his doctorate in genetics from the University of Georgia and holds a Bachelor of Science in biology from Pennsylvania State University.

On February 1, 2022, Jens Ravens joined the Executive Board of Epigenomics as Chief Financial Officer and heads up the financial and administrative functions. He previously held various positions at the Hermes Group, primarily as Vice President Controlling & Finance as well as Compliance & Risk Management Officer. In his earlier appointments, Jens Ravens was CFO and Managing Director at Pleon Germany as well as CFO of Pleon Europe in London, following his role as Finance Director and member of the Management Board at Interseroh CDI S.A. in Paris. He began his career at Deutsche Bank, where he worked in equity sales and investment banking.

As of December 31, 2022, the Supervisory Board of Epigenomics comprised five members with the required industry experience and expertise. For further details on the current members of the Executive and Supervisory Boards, please see the Corporate Governance section of this management report.

GOALS AND STRATEGY

In the 2022 reporting period and prior to announcement of the restructuring in February 2023, Epigenomics AG's primary corporate objective was to develop and commercialize in vitro diagnostic products for detecting cancer. We took a goal-oriented approach to managing and monitoring operational progress when executing our strategy. The Supervisory Board and the Executive Board of Epigenomics AG regularly define milestones and deliverables including revenue, operating result and business targets as well as product development, clinical and regulatory milestones against which performance of the Company and its employees is regularly monitored.

Our medium-term corporate strategy was to become a leader in the market for diagnostic CRC tests based on "liquid biopsies". Based on a solid level of patent protection in DNA methylation, we intended to drive market adoption for Epi proColon and expand our product pipeline in the long term. Our focus was thus on obtaining approval for our Epi proColon "Next-Gen" test, which combines DNA methylation biomarkers, including Septin9, and several protein biomarkers that have proved complementary to our existing technology.

Our commercial strategy was initially focused on the United States, as this was where we saw the greatest economic opportunities.

In the past, we have successfully demonstrated that patients who refuse a colonoscopy and are subsequently asked to choose between a stool test (FIT) and our blood test to take part in screening overwhelmingly choose the blood test. In reality, however, this choice currently also involves an additional cost for the patient. A FIT test comes at little or no cost to the patient, while currently they still have to pay for our blood test themselves. It is clear that a coverage decision in the U.S.A. is key to the success of such a test. On an encouraging note, it is now clear that all FDA-approved blood-based CRC screening tests which achieve a sensitivity of 74% and specificity of 90% are automatically eligible for coverage through the U.S. Centers for Medicare & Medicaid Services (CMS).

Since then, our business development activities have primarily focused on initiating the CRC-Draw approval study (CRC-Detection Reliable Assessment With Blood), which went ahead with the first subjects in September. The results of the clinical study will be used to support the planned application for market approval with the U.S. Food and Drug Administration (FDA). The new updated version of the "Next-Gen" test achieved 84% sensitivity at 90% specificity and an advanced adenoma detection rate of 20% in pre-clinical testing.

Epi proColon had been available throughout the U.S.A. since it received FDA approval in 2016. The test was since offered through major laboratory chains (e.g., LabCorp and ARUP).

The new blood-based test features performance characteristics that meet the latest requirements for sensitivity and specificity outlined in the final National Coverage Determination (NCD) issued by CMS. Assuming that the study would take two years and the approval process by the authority six to twelve months, "Next-Gen" could be on the market at the start of 2026, and would automatically obtain coverage given compliance with the sensitivity and specificity requirements in accordance with the CMS determination.

In light of the tense situation on the capital markets and the resulting limited options for winning over investors, in February 2023 we decided, in the interest of safeguarding the Company and its value, to scale our operations down to a minimum and put the CRC-Draw study on hold. The future success of the Company will depend on our ability to create value for shareholders by out-licensing "Next-Gen" or by selling patents and biobanks. This includes out-licensing the patent for "Next-Gen", selling or out-licensing patents other than "Next-Gen", and selling biobanks.

We operated outside of the U.S.A. only as and when the opportunity to do so arose. The European market for IVD products is highly fragmented and characterized by specific national factors in each country. Moreover, in many European countries CRC screening is organized at a governmental level and the barriers to entry into such systems are therefore typically very high. There are few direct payors in most markets, and patients therefore have to be approached individually at the level of physicians and/or patients. In these markets, too, we have suspended our marketing activities for these products.

RESEARCH AND DEVELOPMENT (R&D)

OVERVIEW

Research & Development efforts in 2022 were focused on the continued development of the Company's "Next-Gen" colorectal cancer (CRC) screening test, including the screening and licensing of complementary biomarkers, establishing the preliminary, pre-clinical performance for the current version of test, and the initiation of the clinical (pivotal) trial, which was put on hold in February 2023.

LICENSING AGREEMENT WITH MD ANDERSON

As announced in December of 2022, Epigenomics completed a licensing agreement with MD Anderson, Houston, Texas, U.S.A., for the use of several blood-based, protein biomarkers correlated with the detection of CRC. MD Anderson is one of the leading cancer research centers in the world and is the number one ranked cancer hospital in the United States. Epigenomics' first blood-based CRC test, Epi proColon, was based on only a single DNA methylation marker (Septin9). Since that time, both Epigenomics and MD Anderson have identified protein biomarkers as being associated with CRC. "Multiomics" approaches combine methylation and biomarkers and are considered promising. Bundling the expertise of Epigenomics and MD Anderson made it possible to further optimize "Next-Gen".

ONGOING DEVELOPMENT OF EPI PROCOLON "NEXT-GEN" CRC SCREENING TEST

The Centers for Medicare and Medicaid (CMS) explicitly defined the required performance criteria for CRC screening in the National Coverage Determination (NCD) in the U.S.A. in 2021, requiring a minimum of 74% sensitivity at 90% specificity for reimbursement. This regulatory framework provided clear guidance for the Company's ongoing development efforts for enhancing the analytical performance of the test throughout 2021 and 2022. The current version of the "Next-Gen" test involves two DNA methylation biomarkers (including Septin9) and three protein biomarkers, and therefore represents a blood-based "Multiomics" approach to CRC screening.

In December of 2022, the company released initial, non-clinical performance data for the optimized version of "Next-Gen", achieving 84% sensitivity at 90% specificity using a total of 70 CRC-positive samples.

INITIATION OF CRC-DRAW, THE COMPANY'S CLINICAL (PIVOTAL) TRIAL

Based on the projected timing of future clinical guideline updates in the U.S.A., the Company initiated the clinical (pivotal) trial for the "Next-Gen" assay (named CRC-Draw) in September of 2022. Throughout the course of the trial, Epigenomics expects to enroll over 15,000 subjects in CRC-Draw to achieve the number of CRC-positive patients necessary to meet the threshold of statistical significance. We have agreed on the trial design with the FDA and feel the Company has received meaningful feedback for a path forward.

The Epi proColon "Next-Gen" clinical study was provisionally suspended due to the decision to restructure in February 2023.

HANDLING OF THE POST-APPROVAL STUDY

Enrollment for our post-approval study, which is required by the FDA to provide longitudinal clinical performance data for Epi proColon, was suspended at the end of 2022. At the time the study was placed on hold, it was believed that we may have already met certain statistical thresholds required to begin the analysis without incurring costs related to the recruitment of additional subjects.

QUALITY MANAGEMENT

Our day-to-day work conforms to the strictest regulatory standards. Our well-established, comprehensive quality management system covers the design, development, manufacturing and global distribution of molecular in-vitro diagnostics (IVD), and in doing so meets the specific requirements of 21 CFR 820 and ISO 13485.

ISO 13485 is the internationally recognized quality management standard developed for medical devices by the International Organization for Standardization (ISO), an international association of national standard-setting bodies. The extremely demanding requirements for complying with this standard are regularly certified and monitored by an independent, appointed authority for medical products.

In addition to ISO 13485, our quality management system also fulfills the specific requirements for manufacturers of medical devices laid down in the current Good Manufacturing Practices (cGMP) of U.S. Code of Federal Regulations Title 21 Part 820 on quality systems (21 CFR 820).

Complying with both of these ensures an organization's ability to provide medical devices and associated services that meet statutory requirements.

The implementation of a quality management system compliant with 21 CFR 820 and ISO 13485 expressly demonstrates our ongoing commitment to having developed safe and effective diagnostic products.

Following our decision in February 2023 to suspend the production and distribution of Epi proColon, going forward it will only be necessary to document our past development activities as well as the few remaining current development activities. We will continue to ensure that this documentation is kept up to date in order to safeguard our development achievements.

REPORT ON ECONOMIC POSITION

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Macroeconomic Environment in 2022

2022 was characterized by global uncertainties and higher inflation than had been experienced for decades. In contrast to 2021, the COVID-19 pandemic was no longer the biggest challenge to the global economy, but was still a factor shaping global economic development. First and foremost, there were three main factors that impacted the global economy in 2022: the Russian invasion of Ukraine, the ongoing and increasing inflationary pressure and the reintroduction of lockdowns in China under the strict zero-Covid strategy. Given the size of the Chinese economy and its significance for global supply chains, the country's zero-Covid strategy interrupted supply chains around the world, impacting global trade and economic activity. Global economic growth of 3.4% was reported at the end of the year – compared with 6.0% growth in 2021 – which, aside from the financial crisis and the peaks of the COVID-19 pandemic, was the weakest economic growth since the turn of the millennium. Economic growth in Germany was 1.9% at year-end, and was similarly low in the U.S.A., at 2.0%.

Germany was impacted by inflation and rising consumer prices in 2022, as was the entire global economy. Policymakers negotiated and adopted various packages of measures for this reason. There are currently no other effects on healthcare policy relevant to Epigenomics.

Many of the price increases triggered by the outbreak of war in Ukraine in February 2022 and the resulting supply bottlenecks and transportation issues have been passed on to end consumers. This led to steadily rising inflation, which peaked at 10.4% for the year in Germany in October 2022. The year ended with a slightly lower rate of 8.6% in December 2022. Goods and services in the U.S.A. also became significantly more expensive in the second half of the year.

The main issues in the U.S.A. in addition to inflation included the midterm elections for members of Congress on November 8, 2022. The Democrats held their majority in the Senate, contrary to expectations, however, the Republicans gained a majority in a neck-and-neck race for the House of Representatives. We assume that the Republican victory in the Congressional elections will make future legislative processes more difficult. U.S. inflation peaked at 9.1% in June 2022. It has since declined to 6.5% as of December 2022, due in part to the flattening gasoline prices since August. However, inflation was still a problem in the remainder of the year. The U.S. housing market plays a decisive role here as a key element of core inflation, and it is assumed that prices will remain high for some time yet after a steep climb during the COVID-19 pandemic.

Labor market data proved stable in 2022 despite the impact of the war in Ukraine. In Germany, the total number of registered unemployed fell by just under 195,000 year on year to an annual average of 2.4 million . The decline in the unemployment rate is a result of the positive previous year and first half of 2022. It increased again from mid-year, due largely to the inclusion of refugees from Ukraine. While just under 1.85 million working people were registered in the partial furlough scheme in the previous year, their numbers dropped to an annual average of 430,000 in 2022. More employees were signed up to the scheme again due to the energy crisis in the second half of the year, keeping the total above the pre-pandemic level. The shortage of skilled workers is still evident in biotechnology, however, which explains the weak overall performance in the sector. According to the sector association of the biotechnology industry, BIO Deutschland, this is due, aside from the geopolitical crises and skills shortage, to a lack of funding options in the industry. At the end of 2022, we realized that there had been a significant deterioration in the conditions for venture capital. In 2022, German biotech firms managed to raise only half as much fresh capital as in 2021.

The unemployment rate in the U.S.A. declined to 3.5% in December 2022, representing an absolute figure of around 5.7 million people unemployed. This was the lowest unemployment rate in the U.S.A. in almost three years.

Industry environment

Beyond the pandemic, developments in the global healthcare sector – an environment of steadily increasing spending – are being driven not just by aging and growing populations, but also by continuous technological innovation. As in previous years, the highest rates of growth for the sector in the future are likely to be in Asia and the Middle East. Among other developments, India in particular is currently investing larger sums in further developing and improving its own healthcare system. Growth in Europe is likely to be more moderate.

Even if out of necessity there was a strong focus on the development of vaccines in the last three years, innovative diagnostic and therapeutic methods with improved outcomes for patients and greater benefits for healthcare systems continue to feature among the most promising technologies in the life sciences. Nevertheless, the environment in affluent countries around the world continues to be marked by healthcare reform and pressure on cost and price. In the world's biggest market, the U.S.A., cost developments in healthcare (first and foremost drug prices) frequently played a major role in the previous years, which was also reflected in President Biden's Moonshot initiative, which in turn was halted by the Republicans.

In contrast to the previous year, when the COVID-19 pandemic was still helping the healthcare sector to achieve substantial growth, the MSCI-World-Pharma & Biotech-Index fell slightly by approximately 1% in 2022 . There was a sharper drop of around 12% in the NASDAQ Biotechnology Index in the reporting period . After the consistently strong growth trends of the preceding years and the boom during the COVID-19 pandemic, this represented a weak performance on the part of the biotech sector in the reporting period. According to BIO Deutschland, this was due not only to the geopolitical crises, such as the war in Ukraine, the energy crisis and inflation, but also to the skills shortage and a lack of funding options in the industry. The European MSCI Europe Pharmaceuticals, Biotechnology and Life Sciences Index reported a drop of around 5% in 2022, compared with a significant increase of 14% in the previous year .

As observed in the previous years, the development in the healthcare sector is now also driven by players perceived as being industry outsiders, such as tech giants Alphabet (Google) and Amazon. That trend will remain prevalent as artificial intelligence (AI) continues to grow in importance, including in life sciences. AI is set to become more widespread in diagnostics in particular, where given the demand for precise analysis of large quantities of complex data, new technologies hold the promise of quantum leaps in the development of new tests.

The in-vitro diagnostics market as a whole remains fairly consolidated, with competitors ranging from large European players (e.g., Roche, Bayer, Qiagen, BioMerieux), Sysmex from Japan and U.S. companies (e.g., Abbott, Hologic, Becton Dickinson) to small companies like Epigenomics. The push towards consolidation already observed in this sector in recent years continued to be felt. The buy-side interest is mainly focused on manufacturers of R&D instruments and supplies for next generation sequencing or drug discovery, and companies that make new and unique diagnostic tests – among them Epigenomics.

M&As also remain important exit options, particularly for investors in German biotech firms, since the German capital market continues to lag far behind its U.S. counterpart in this segment. The trend for German biotech firms to list on the stock exchange in the U.S.A. rather than in Germany continues as before.

There continues to be a lack of interest and expertise in biotechnology in Germany. Traditional German investors have an eye for dividend potential, not opportunities for substantial gains that involve a higher risk of loss.

The specific implications of the global economic situation on our business and our Group are discussed in the Report on Opportunities and Risks and the Report on Expected Developments sections of this Group Management Report.

BUSINESS DEVELOPMENT 2022

The Company's business largely depends on product development, and is only marginally affected by the macroeconomic situation and the industry environment.

Epi proColon „Next-Gen"

Epigenomics primarily focused on refining and initiating the study on Epi proColon "Next-Gen" in fiscal year 2022. After the negative decision on CMS coverage for Epi proColon "Next-Gen" in the previous year, the Company now has clear targets to achieve for Epi proColon "Next-Gen", given that all FDA-approved blood-based CRC screening tests which achieve a sensitivity of 74% and specificity of 90% are automatically eligible for CMS coverage. We have used the knowledge and experience gained in developing previous cancer screening blood tests to add more biomarkers to Epi proColon "Next-Gen" and thereby improve performance.

Epigenomics followed a multiomics approach with the new "Next-Gen" test, which employs both DNA methylation and protein analysis. This means that the test will include both DNA methylation biomarkers, including Septin9, and two protein biomarkers that have proved complementary to the existing technology at Epigenomics.

We initiated the CRC-Draw clinical study for "Next-Gen" in September 2022 on the basis of the progress made thus far in the "Next-Gen" program. The study has already gotten off to a good start at the first selected locations. It is expected that about 15,000 patients will have to be signed up to the study in order to get the number of cancer diagnoses required to reach the necessary threshold of statistical significance. We also had a pre-submission-meeting with the FDA, in which we agreed on the study design, and therefore believe that there is a clear path ahead for Epi proColon "Next-Gen".

Funding increasingly represented a limiting factor to the study. A number of funding alternatives were examined in 2022. Because we found no way to fund the study, it was put on hold in February 2023, after the reporting date.

Corporate announcements

On August 15, 2022 we announced that according to our best judgment a loss of more than half the share capital had been incurred. We explained that this expected development was primarily due to budgeted operating losses. In accordance with section 92 (1) of the German Stock Corporation Act (Aktiengesetz – AktG), a loss amounting to half of the share capital triggers a legal obligation to immediately convene a general shareholders' meeting, which the Executive Board notifies of the loss. Accordingly, and within the required deadline, on September 14, 2022 we called our shareholders to an extraordinary General Shareholders' Meeting on October 21, 2022. The key agenda items for this virtual extraordinary General Shareholders' Meeting were the notification of loss in accordance with section 92 (1) AktG and the reduction of the Company's share capital to EUR 4,092,810.00.

Executive Board appointments 2022

In January, the Supervisory Board of Epigenomics AG confirmed Greg Hamilton as CEO until December 31, 2025, thereby underscoring the Company's commitment to the improved blood-based CRC screening test Epi proColon "Next-Gen", as Hamilton will continue to lead the Company through the development, FDA approval and commercialization of the product.

The Company's Supervisory Board appointed Jens Ravens as Chief Financial Officer and member of the Executive Board responsible for the financial and administrative functions with effect from February 1, 2022, after Albert Weber resigned his position as member of the Executive Board and left the Company as of December 31, 2021.

OUR STOCK IN THE REPORTING PERIOD

Capital reduction

With regard to the following disclosures on our stock in the reporting period, please note that we implemented a capital reduction shortly prior to the end of the year by means of a reverse stock split in a ratio of 4:1 (in other words, four "old" shares were consolidated to form one "new" share), on the basis of a resolution of our extraordinary General Shareholders' Meeting on October 21, 2022.

The share capital was reduced in accordance with the rules on ordinary capital reduction in accordance with sections 222 et seq. of the German Stock Corporation Act (Aktiengesetz – AktG).

As explained in detail at the above-mentioned extraordinary General Shareholders' Meeting, the focus was firstly on the loss amounting to more than 50% of the subscribed capital of the stock corporation (Aktiengesellschaft) reported in its annual financial statements prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB). In its interim balance sheet as of August 31, 2022, the Company reported capital reserves of EUR 72,489,216.37, losses totaling EUR 81,264,096.21 (accumulated losses brought forward of EUR 75,876,617.60 and net loss for the current 2022 fiscal year of EUR 5,387,478.61). Consequently, the loss not covered by capital reserves amounted to EUR 8,774,879.84 and thus more than 50% of the subscribed capital of EUR 16,371,243.00 at that time.

Secondly, our share price had constantly been well under EUR 1.00 for the entire year. This restricted what for us is the key ability to raise new funds quickly and flexibly, since a capital increase by means of issuing new shares is only possible if the new shares can be sold at a price above their notional value of EUR 1.00.

Following the resolutions of the extraordinary General Shareholders' Meeting, we began by taking the preparatory step of redeeming three individual shares so that the total number of "old" shares could be divided by exactly four.

The three redeemed shares were transferred to us by a single shareholder for no consideration.

This reduced the number of outstanding shares to 16,371,240.

The shares were then consolidated so that four of these "old" shares created one "new" share, reducing our subscribed capital to EUR 4,092,810.00 (composed of 4,092,810 non-par value registered shares with the ISIN DE000A32VN83 / WKN A32VN8). EUR 8,774,879.84 of the difference between this and the "old" subscribed capital was then used to cover losses, in other words the net accumulated losses in accordance with the HGB were reduced by that amount. The remaining difference of EUR 3,503,550.16 was subsequently transferred to the capital reserves. As a result, there was no change to the Company's equity for accounting purposes. In relation to the subscribed capital, however, after the capital reduction it amounted to a multiple of the subscribed capital that eliminated the "deficit" in accordance with section 92 (1) AktG.

This did not affect the Company's market value on the stock exchange, which following the reduction was now distributed over the new number of shares outstanding (that had been divided by four). As such, the listed price of the individual shares (adjusted for other effects) rose by a factor of four and thus clearly exceeded the notional value threshold of EUR 1.00 significant to the Company.

The distribution of share ownership between the shareholders was not affected.

Convertible bond issue

The convertible bonds of Epigenomics AG (2021/24 and 2021/27) were converted into 831,506 new shares in the conversion windows during the reporting period. The number of outstanding shares increased accordingly to 16,371,243 (prior to the capital reduction).

Stock exchange listing and market data

The new shares were traded on the regulated market of the Frankfurt Stock Exchange under ISIN DE000A32VN83 for the first time on December 27, 2022. The ticker symbol for the new shares is ECX1.

In order to ensure consistency in the following market data from the reporting period, all relevant figures and data for the period prior to the capital reduction have been adjusted or recalculated as if the capital reduction had already been completed at the beginning of the fiscal year.

Market data	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**
Number of shares outstanding (year-end)	3,884,934	3,994,945	4,089,325	4,089,325	4,092,810
Total trading volume (shares)	4,885,772	2,885,454	1,121,280	1,737,012	3,798,479
Average daily trading volume	75,166	44,392	17,798	26,318	58,438

XETRA prices in EUR	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**
Highest price	4.80	2.63	2.45	1.99	1.72
Lowest price	2.17	1.80	1.84	1.33	1.20
Closing price	2.56	2.28	1.88	1.40	1.70
Market capitalization in EUR thousands (year-end)	9,961	9,108	7,688	5,725	6,958

Epigenomics' share price hit its high for 2022 of EUR 2.63 on Xetra in January. The shares closed 2022 at EUR 1.70 in Xetra trading.

FINANCIAL REPORTING IN THE REPORTING PERIOD

Epigenomics AG shares are expected to be listed in the Prime Standard segment of the Frankfurt Stock Exchange until June 11, 2023 before being transferred to the General Standard. The Exchange Rules impose the obligation to prepare interim financial reports. During the reporting period, we published quarterly reports on May 11, 2022 (first quarter) and November 9, 2022 (third quarter), and a half-yearly report on August 10, 2022. All reports can be accessed on our website at https://www.epigenomics.com/news-investors/financial-reports/.

The following section gives an overview of the material financial KPIs in the individual reporting quarters (the figures for the fourth quarter were calculated by subtracting the cumulative nine-month figures from the annual figures):

EUR thousand (except where indicated otherwise)	Q1	Q2	Q3	Q4	2022
Revenue	115	126	145	99	485
Earnings before interest and taxes (EBIT)	-2,647	-1,286	-1,550	-6,567	-12,050
EBIT before depreciation and amortization (EBITDA)	-2,537	-1,031	-1,319	-6,415	-11,302
EBITDA before share-based payment expenses	-2,574	-1,037	-1,306	-6,384	-11,301
Earnings per share (in EUR)	-0.66	-0.32	-0.38	-1.60	-2.96
Net cash flow	-3,504	-2,987	-2,856	-4,736	-14,083
Cash consumption	3,408	2,875	2,635	4,806	13,724
Total liquidity at end of period	20,039	18,043	15,773	10,126	10,126

In the Outlook section of our prior-year Group Management Report we forecast that revenue would amount to between EUR 0.3 million and EUR 0.8 million for fiscal year 2022. The forecast was based on the fact that there was no Medicare coverage and Epi proColon could therefore not be actively commercialized. We finished the year with revenue of EUR 485 thousand, within the forecast range.

Our EBIT in 2022 amounted to EUR -12.1 million and EBITDA before share-based payment expenses to EUR -11.3 million and turned out considerably better than expected at the start of the year due to exchange rate gains from currency translation and the less sharp increase in research and development costs; the forecast for adjusted EBITDA lay within a range of EUR -15.0 million to EUR -17.0 million and was revised in the fourth quarter to between EUR -10.2 million and EUR -10.8 million.

In the course of preparing the financial statements, a change of accounting estimate by the management within the meaning of IAS 8, pursuant to which the Group's consolidated receivables from and liabilities to its U.S. subsidiary Epigenomics, Inc. are classified as the net investment in that foreign operation in accordance with IAS 21.15 since settlement is neither planned nor likely to occur in the foreseeable future. By contrast to the prior-year consolidated financial statements and the published quarterly reports, exchange differences arising on monetary items that are receivable from Epigenomics, Inc. are no longer recognized in profit or loss, but rather in other comprehensive income. The change of accounting estimate gave rise to a one-off reclassification of EUR 1 million in net exchange differences from profit or loss (operating result) to other comprehensive income. This had no effect on consolidated equity. The outlook was adjusted accordingly in Q1 2023, prior to publication of the report, to between EUR -11.0 million and EUR -11.6 million.

Cash consumption also developed better than initially expected in line with the earnings position and amounted in total to EUR 13.7 million over the year as a whole. Our forecast for this item also lay within a range of EUR 15.0 million to EUR 17.0 million, which we revised to between EUR 13.5 million and EUR 14.0 million in the fourth quarter, meaning that we were within the revised range at EUR 13.7 million.

The equity ratio amounted to EUR 64.2% at the end of the reporting period after starting at 89.7%. We ended fiscal year 2022 with EUR 12.9 million less in available liquidity than we had begun with (EUR 10.1 million as of December 31, 2022 versus EUR 23.0 million at the start of the year).

In conclusion, the developments in our financial position in the reporting period were different than we had budgeted for. This was largely due to currency gains and lower costs than budgeted.

FINANCIALS

Results of operations

In the course of the preparation of the financial statements and due to a change in management's assessment within the meaning of IAS 8, the receivables from the U.S. subsidiary Epigenomics, Inc. consolidated in the Group are reclassified as part of the net investment in the foreign operation according to IAS 21.15. The settlement of these receivables is neither planned nor probable in the future. Currency translation differences from these receivables are, compared to the financial statements of previous years and the published quarterly financial statements, no longer recognized in profit and loss but are shown in other comprehensive income. The change in this assessment results in a one-time reclassification of foreign exchange losses netted with foreign exchange gains in the amount of EUR 1 million from consolidated net operating profit to other comprehensive income. Overall, this results in a decrease in adjusted EBITDA of EUR 1 million, while other comprehensive income in equity increases by EUR 1 million. As a result, Group equity remains unchanged. The earnings situation can therefore only be compared with the previous year to a limited extent.

Revenues from our test kits remained at the same low level as in 2021, amounting in total in the fiscal year to EUR 0.4 million (2021: EUR 0.4 million), only the lower end of our forecast range at the beginning of the fiscal year.

Our gross margin fell from 98% the previous year to 75% in the reporting period, as the sale of the biobank had incurred only minor revenue-related expenses.

Other income was attributable for the main part to exchange rate volatility in the EUR/USD pair. Since we were holding above average levels of liquidity in the U.S. currency during the reporting period (in order to avoid negative interest charged by the banks), we also took into account the risk of having to recognize significant effects in net currency gains/losses due to currency fluctuations. Of total other income amounting to EUR 1.9 million in 2022, EUR 1.8 million was therefore attributable to unrealized exchange rate gains (2021: EUR 2.8 million). This was partly offset by currency-related other expenses, however (see below). The remaining other income of EUR 0.1 million mostly reflected reversals of provisions and the adjustment of accrued liabilities (2021: EUR 0.4 million).

Research and development ("R&D") costs increased sharply year on year in 2022 from EUR 3.1 million to EUR 6.7 million. This was primarily due to the discontinuation of the partial furlough scheme, the initiation of the pre-clinical study on Epi proColon "Next-Gen" and the new employees hired in the U.S.A. to conduct the study. For further details, please refer to the "Research and Development (R&D)" section of this management report.

Selling, general and administrative (SG&A) costs amounted to EUR 6.6 million (2021: EUR 7.5 million). In the previous year, these still included costs connected with the biobank sale.

In addition, subsidies granted in 2017 in the amount of EUR 429 thousand were repaid in 2022.

Other expenses, which were due exclusively to foreign currency effects, fell from EUR 1.0 million in 2021 to EUR 0.9 million in 2022.

Operating costs increased from EUR 11.8 million in 2021 to EUR 14.4 million in the reporting period due to the above-mentioned factors

Earnings before interest and taxes (EBIT) amounted to EUR -12.1 million in 2022 (2021: EUR -2.4 million). In the reporting year, our interest income increased from EUR 12 thousand to EUR 99 thousand. Our interest expenses from the compounding of long-term leases increased from EUR 52 thousand to EUR 149 thousand. After other financial costs, the financial result amounted to EUR 50 thousand (2021: EUR -56 thousand). Adjusted for depreciation and amortization, EBITDA amounted to EUR -11.3 million (2021: EUR -1.9 million). In 2022, we received a tax refund of EUR 77 thousand from the US subsidiary (tax expense in 2021: EUR 18 thousand).

At the beginning of the year, our forecast for EBITDA before share-based payment for 2022 had been EUR -15.0 million to EUR -17.0 million.

At EUR -11.3 million, we missed and exceeded the forecast. This was mainly due to significantly lower costs for the CRC-Draw clinical trial, lower personnel costs and currency effects.

Financial position and cash flow

Our cash consumption increased from EUR 4.2 million in the previous year to EUR 13.7 million in 2022. This was due primarily to EBITDA of EUR -11.3 million.

The cash flow from investing activities amounted to EUR -1,700 thousand in the reporting period (2021: EUR 961 thousand). The cash flow was negative because of payments to acquire property, plant and equipment (MDA) as well as repayments for investment grants.

The cash flow from financing activities amounted to EUR -0.4 million in 2022 (2021: EUR 21.6 million), largely as a result of payments for leases of EUR 0.3 million.

Our liquidity at the end of 2022 declined to EUR 10.1 million, EUR 12.9 million below the figure of EUR 23.0 million at the start of the year.

Net asset position

Our equity ratio decreased in the reporting period, from 89.7% at the beginning of the year to 64.2% at the end of the year. Equity fell by EUR 11.9 million from EUR 22.1 million to EUR 10.2 million. This was due primarily to the net loss for the year of EUR 12.0 million.

Trade payables increased from EUR 0.5 million to EUR 3.5 million as against the end of the prior-year reporting period, which was largely attributable to the outstanding payment to MD Anderson.

Current liabilities decreased from EUR 0.8 million as of the prior-year reporting date to EUR 0.5 million as of December 31, 2022.

Non-current assets increased from EUR 1.0 million as of December 31, 2021 to EUR 5.0 million as of December 31, 2022. Regular depreciation and amortization, which also included rights of use for leased office and warehouse space, were offset by the capitalization of the payment obligation under the contract with MD Anderson, the capitalization of the lease agreement of Epigenomics, Inc. as well as the installed laboratory equipment of Epigenomics, Inc. This led to an overall increase in non-current assets of EUR 4.0 million.

Current assets decreased sharply by EUR 12.9 million to EUR 10.8 million as of the balance sheet date, mainly reflecting our reduced liquidity position.

Total assets declined by EUR 8.8 million to EUR 15.9 million as of December 31, 2022 (December 31, 2021: EUR 24.7 million).

EMPLOYEES

At the end of the reporting year we had 34 employees (December 31, 2021: 32). The average figure for the year was 34 (2021: 31). 24 employees are under contract with the German company, the remaining ten with the U.S. subsidiary.

All of our employees in Germany work at the Company's headquarters in Berlin. Operating activities in the U.S.A. are managed from our location in San Diego, California. The 34 employees as of the end of 2022 included 21 employees across the areas of research, product development, IP, regulatory affairs, quality assurance and manufacturing. Their activities are reported as R&D costs in the financial statements. The remaining 13 employees engaged in selling, general and administrative functions are active in the areas of business and commercial development, customer and technical service, accounting and finance, legal, human resources, IT as well as general management.

We comply with all legal requirements regarding our employees, including compliance with the General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz – AGG). Our employees are hired and promoted solely on the basis of their suitability, qualifications, motivation, willingness to perform and willingness to learn. The age structure and gender of our employees remained very well balanced in 2022.

Epigenomics supports its employees by offering flexible working (time) models, for example to improve work-life balance. Among other things, these include agreements on flexible working hours, part-time work and mobile working. We also offer our staff regular personnel development measures and training opportunities. Our employees receive ongoing occupational medical support from medical professionals.

Total personnel costs amounted to EUR 5.0 million in 2022. It was thus below budget, albeit above the prior-year figure of EUR 4.1 million. The increase was due in part to the end of the German partial furlough scheme in 2021, which had led to significantly lower wage and salary expenses at the Berlin location, and was accompanied by Executive Board members forgoing a portion of their salaries. We also hired new staff at Epigenomics, Inc. in the U.S.A. for our "Next-Gen" study.

In April 2022, we granted a total of 108,500 virtual stock options to the Executive Board and Company employees. The rights derive from the phantom stock program 22/24 which, like the stock option plan from the previous years, was introduced as an incentive scheme for all employees, in particular senior management. The exercise price of the newly issued rights, which cannot be exercised before January 2029, has been set at EUR 6.20 per share (after capital reduction). Details of this plan and the stock option programs of previous years can be found in the notes to the consolidated financial statements for 2022.

Because no follow-up financing could be secured between the end of the 2022 reporting period and February 2023, the Executive Board and Supervisory Board were compelled to initiate a restructuring program in order to ensure that Epigenomics could continue to function as a going concern. It was decided that the workforce would be scaled back to an absolute minimum. Therefore, 21 employees at the Company's headquarters in Berlin were laid off, although a number of them will remain in active employment into the fourth quarter of 2023. All ten employees in the U.S.A. were laid off, some of whom will remain in active employment into the fourth quarter of 2023.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

Epigenomics' goal is to increase stakeholder value by systematically pursuing our mission and strategy. We use financial and non-financial performance indicators to control and monitor the success of our activities on an ongoing basis.

The financial indicators used to manage our operations include financial figures which are recognized by the international investor community. These include revenue, gross margin, EBIT, EBITDA adjusted for share-based payments, the operating result, and earnings per share. Revenue and gross margin will no longer be included as indicators from the end of February 2023 due to the announced suspension of sales of Epi proColon from this date. EBIT and EBITDA before share-based payment expenses is therefore our key indicator with regard to managing the Company and, therefore, our financial market reporting.

The aforementioned indicators are monitored closely on a monthly basis and published in our mandatory and voluntary financial reports. They are regularly compared against planned and forecast values, and against external benchmarks where appropriate. As we remain reliant on external funding from investors to support our business operations, our cash consumption is among the important financial indicators and is therefore monitored extremely closely and reported regularly.

The non-financial performance indicators important for our business primarily related thus far to our R&D and commercial activities. This set of indicators includes sensitivity and specificity numbers for our products as obtained from scientific studies and the results of studies published in renowned scientific journals as well as the number of tests performed using our products. Progress in obtaining market approval from health authorities, the successful passing of audits of our quality management system, and reaching benchmarks and milestones in our development activities were important indicators in measuring achievement of our targets and in helping us manage our internal activities and external communication. Due to the restructuring program initiated after the end of the 2022 reporting period, these non-financial performance indicators are no longer used. The safeguarding of intellectual property, such as patents and know-how, will be the primary non-financial performance indicator going forward.

OVERALL ASSESSMENT OF THE 2022 FISCAL YEAR

The major focus of fiscal year 2022 was the optimization of the Epi proColon "Next-Gen" test and the initiation of the related clinical trial. In September 2022 the Company announced the start of the clinical trial and the enrollment of the first patient. This was a significant milestone because it meant the company had completed important prerequisite steps including the pre-submission meeting with the FDA and IRB (Institutional Review Board) approval for the trial. The FDA provided clear guidance on the trial design, statistical plan, and assay comparator for approval.

During the course of the year the company validated additional biomarkers that would improve the performance of the "Next-Gen" test. The Company believes it was critical to increase the clinical sensitivity of the test while not impacting specificity to exceed the 74% sensitivity threshold for Medicare reimbursement. Both Epigenomics and MD Anderson have identified protein biomarkers as being associated with CRC. "Multiomics" approaches combine methylation and biomarkers and are considered promising. Bundling the expertise of Epigenomics and MD Anderson made it possible to further optimize "Next-Gen".

In December 2022, the Company announced the licensing of protein biomarkers and the supporting technology from MD Anderson. This technology coupled with the Company's own proprietary biomarkers resulted in the development of an optimized "Next-Gen" test with 84% sensitivity, 90% specificity and 20% advanced adenoma detection rate on a large robust pre-clinical data set. These data are highly significant for an annual test. On the whole, the Company is satisfied with the technical progress made with Epi proColon "Next-Gen" in the 2022 reporting period.

Since we were not able to announce the pre-clinical data until December of 2022 upon completion of the in-licensing from MD Anderson, we have only been able to try and raise capital for a relatively short period of time. While the data has been extremely well received to date, the capital markets at this time are difficult. At the end of 2022, we realized that there had been a significant deterioration in the conditions for venture capital. Consequently, in February 2023, we were compelled to resolve an extensive restructuring to reduce our cash consumption. As a result of this situation, we are looking into all options to monetize our research and development successes.

REPORT ON EXPECTED DEVELOPMENTS AND ON OPPORTUNITIES AND RISKS

REPORT ON EXPECTED DEVELOPMENTS

Macroeconomic outlook for 2023

Aside from a potential further escalation in the Russia-Ukraine war, upheavals in the banking sector could result in economic risks. Moreover, tighter global financing costs could worsen global debt distress, and further geopolitical fragmentation could hamper economic progress, meaning that forecasts for 2023 are subject to great uncertainty. At the same time, in most economies, amid the cost-of-living crisis, the priority remains on fighting inflation in 2023.

The IMF predicts GDP growth of just 1.2% year on year in the industrialized nations for 2023 as a whole. For the U.S.A., in turn, the IMF forecasts a slight increase of 1.4% in economic output, compared with almost stagnant output for Germany of 0.1%. The IMF expects only a slight increase in gross domestic product for the eurozone (0.7%). These forecasts are also subject to great uncertainty given the volatile situation.

Global efforts to fight inflation will affect 2023, which is why the ongoing trend of higher consumer prices will initially continue. However, the recession forecast at the end of 2022 is no longer expected. The IMF experts instead predict declining inflation in 2023 and 2024 amid weak economic growth . Accordingly, the ifo Business Climate Index has risen consistently since Q4 2022, reaching 90.2 points in January 2023, compared with its low of 84.3 in September 2022.

Structural price drivers such as strengthening value chains (e.g., the expansion of storage capacity), demographics (lack of specialist staff) or necessary investments in the green transformation of the economy will have a greater effect over the long term.

Triggered by the collapse of Silicon Valley Bank (SVB) in March 2023 and the debate surrounding bank stability (Credit Suisse and regional banks in the U.S.A.), further upheaval is expected on the financial markets.

Planned strategic direction of Epigenomics in the coming years

"Next-Gen" and a broad portfolio of intellectual property are assets that we intend to retain for the Company in the long term. As such, the restructuring is aimed at creating a lean administrative organization.

On that basis, the Company is looking into all options to monetize its assets. This includes out-licensing the patents for "Next-Gen", selling or out-licensing patents other than "Next-Gen", and selling biobanks. Potential partners may include both global and regional players. As things stand at present, the limited resources make it unlikely that the Company will develop, obtain authorization for and market "Next-Gen" and other products in-house.

Outlook on earnings

We expect to generate EBIT of between EUR -7.0 million and EUR -9.0 million in 2023, as well as EBITDA before share-based payment expenses of between EUR -7.0 million and EUR -9.0 million.

Outlook on financial position

Based on our business plans for 2023, we expect cash consumption in line with our EBITDA guidance (between EUR -7.0 and EUR -9.0 million). The planned cash expenditures for 2023 are connected with maintaining proper administrative business operations. We ended the 2022 fiscal year with EUR 10.1 million in cash. Considering the restructuring actions taken to reduce costs, the Executive Board assumes that the available funds will be sufficient until the first half of 2025. However, the Executive Board of Epigenomics AG expressly states that this assessment is based on current forecasts and that the success of the action taken is subject to uncertainties. As such, the actual results could differ materially from those assumptions. These events and conditions indicate the existence of a material uncertainty; they may cast significant doubt on the Company's ability to continue as a going concern and constitute a going concern risk.

Outlook on non-financial performance indicators

Due to the restructuring program initiated after the end of the 2022 reporting period, the previous non-financial performance indicators are no longer used. The safeguarding of intellectual property, such as patents and know-how, will be the primary non-financial performance indicator going forward. Therefore, a valid outlook is not possible at this point in time.

Mid-term opportunities

In the view of the Executive Board, the Company has sufficient funding to see it through the first half of 2025. Depending on the outcome of the exploratory stage in 2023, a range of different development opportunities could arise for Epigenomics. As things stand at present, the limited resources make it unlikely that the Company will develop, obtain authorization for and market "Next-Gen" and other products in-house.

Overall outlook for the Epigenomics Group

The decision to restructure entailed giving up on the original objective of developing Epi proColon "Next-Gen" in-house due to the limited funds. At the same time, systematically implementing the restructuring will secure the Company's funding into the first half of 2025.

The strategic focus in 2023 will lie on evaluating various monetization models for partnership arrangements for the sale or out-licensing of patents and the sale of biobanks. Potential partners may include both global players and regional firms. As things stand at present, the limited resources make it unlikely that the Company will develop, obtain authorization for and market "Next-Gen" and other products in-house. Depending on the outcome of the strategy process, a range of different development opportunities could arise for Epigenomics in the future.

REPORT ON OPPORTUNITIES AND RISKS

Risk management system

Epigenomics is a globally operating cancer molecular diagnostics company and, as such, subject to many industry and company-specific opportunities and risks. In line with the German Corporate Control and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG), Epigenomics has an established, comprehensive and effective system to enable early identification, assessment, communication and management of opportunities and risks across all of its functions and operations. The underlying principles and guidelines have been documented in a Group-wide Risk Management Policy. The goal of this policy and all related instruments is to identify risks systematically at the earliest possible stage, estimate their likelihood of occurrence as well as potential qualitative and quantitative impact, and design and implement effective countermeasures. The risk management system is regularly discussed and refined on an ongoing basis at the operational level, senior management level and the Executive Board and Supervisory Board levels. The core principles are transparency of risks and opportunities across all functions and operations, interactive evaluation of these risks and opportunities and a culture of seizing opportunities and accepting risks as an integral part of doing business in cancer molecular diagnostics, but doing so responsibly and striving for an optimal balance between opportunities and risks.

Every risk has a clearly identified risk owner whose responsibility it is to continuously monitor and control risks as well as manage the implementation of any countermeasures. At quarterly intervals, these risk owners report to the corporate risk manager who communicates the risks to the Executive Board, which in turn reports to the Supervisory Board. In case of any material risk, this risk is immediately brought to the attention of the corporate risk manager and discussed at the appropriate board levels. Significant risks and the risk management system itself were also discussed in broader management groups as well as between the Company's auditor and the Supervisory Board throughout the year.

Our management structure, our organizational measures for identifying and assessing opportunities and risks, the monthly internal and the quarterly external reporting and our control systems therefore all form an integral part of the overall risk management system which is standardized across all functions and locations. All of these tools are regularly monitored for effectiveness and optimized. They are also reviewed by our external auditor and the Supervisory Board.

Alongside the opportunities that our business model offers, there are a number of significant risks to which Epigenomics is exposed, which individually or when combined could permanently impact our results of operations, financial position and net assets, as well as our share price. The main opportunities and risks are described below.

Business-related opportunities and risks

The decision to restructure entailed giving up on the original objective of developing Epi proColon "Next-Gen" in-house due to the limited funds. At the same time, systematically implementing the restructuring will secure the Company's funding into the first half of 2025.

The U.S. CRC market is significant at 100 million patients. Even at a mid-single digit market share, the market opportunity could exceed half a billion dollars per year. We are looking into options for out-licensing "Next-Gen", as in our view Epigenomics will not be in a position to raise the necessary funding to achieve this, estimated to be between EUR 80 million and EUR 100 million.

On that basis, the Company is looking into all options to monetize its assets. This includes out-licensing the patents for "Next-Gen", selling or out-licensing patents other than "Next-Gen", and selling biobanks. Potential partners may include both global and regional players. As things stand at present, the limited resources make it unlikely that the Company will develop, obtain authorization for and market "Next-Gen" and other products in-house.

Since Epigenomics would in all likelihood have a stake in the partner's revenue through licensing income in the event of monetization, this gives rise (indirectly) to the same risks and opportunities as in the case the products were developed in-house. This includes risks and opportunities in relation to funding, conducting and receiving approval for the clinical trial, but also downstream risks such as regulatory requirements regarding the product approval, manufacturing, reimbursement by payor organizations and marketing in a growing, albeit increasingly competitive market.

In addition to these CRC screening studies, a number of companies are also developing pan-cancer screening products at the moment. These tests are designed to detect several forms of cancer, including CRC. Some of these companies have significant capital and are investing billions of dollars in these solutions, among them Illumina (Grail) and Exact Sciences. These tests have thus far focused on forms of cancer that do not have institutionalized screening programs. We do not believe that these tests will replace targeted screening tests, but they do present a potential risk.

IP-related opportunities and risks

Our business relies heavily on commercializing our intellectual property as well as on licenses based on our know-how, licenses to third-party patents and our own patent applications. Any negative impact on the scope, duration, depth and breadth of any single claim granted, on their regional coverage, on competing IP that we might depend on, as well as difficulties in enforcing protection, inadvertent infringement of other IP, preventing others from infringing our IP, our inability to in-license key IP, etc., would negatively impact our cost base, our competitiveness and our ability to commercialize our products and to enter into partnerships, our revenue and ultimately our earnings and overall commercial success..

In light of this, we face the possible risk of a challenge to the validity, ownership or enforceability of our patents in court. This type of litigation itself can result in substantial costs, delay the commercialization of our products and divert our management's attention and resources. In China, for example, where in 2018 an investigation department at the patent office declared that our Septin9 patent was partially invalid, our patent has since been rescinded and competitors mimicking and copying us are consequently free to bypass us and develop the market for themselves. The Chinese market – which originally seemed very important for us – is hard to monitor from the outside, whether due to complexity caused by its sheer size or other factors such as language barriers. Thus, when intellectual property rights are ultimately found to have been infringed or patents declared invalid, the process of defending and asserting our rights and rejecting and prosecuting infringers can prove drawn-out and costly. It may also happen in the future in other markets that a competitor successfully challenges our patents or that a challenge results in limiting the coverage of our patents. As a result, we could lose important patent protection for our technologies and we could lose the ability to prevent others from utilizing these technologies without compensating us.

Patent protection is important for us to prevent competitors from launching competing products based on our biomarkers. As a precautionary measure, we constantly monitor the status of patent applications deemed to be relevant and work closely with our IP lawyers to ensure the best possible protection of our IP rights in light of ongoing developments in the field.

We consider the extensive patent protection on our biomarkers and underlying technologies to be a competitive advantage over many of our competitors. While other companies partly rely on generic technologies or products, we have the distinct advantage of having secured an extensive proprietary intellectual property position, setting us apart from other companies in the field of DNA-based diagnostics.

At the same time, the progress made in managing our IP portfolio and obtaining several key patents for cancer testing (such as our Septin9 biomarker) puts Epigenomics in a unique position to provide attractive licensing opportunities for the growing number of commercial players active in DNA methylation and secure a significant increase in the Company's value.

One major challenge of the restructuring process that has been initiated lies in ensuring this level of protection with only a scaled-back workforce.

Opportunities and risks related to the regulatory environment

The regulatory environment for cancer molecular diagnostics in the U.S.A. is complex, poses high barriers for new products to enter the market, and is affected by numerous entities including the FDA, CMS, United States Preventive Services Task Force (USPSTF), and Congress. New or modified regulations from any of these institutions could have a considerable impact on diagnostic tests and thus represent a key risk factor for potential strategic partners.

Financial opportunities and risks

As of December 31, 2022, our available liquidity amounted to EUR 10.1 million and was therefore lower than at the end of the previous year. The decline in liquidity was due largely to the planned use for maintaining proper business operations, including in particular research and product development on Epi proColon "Next-Gen", initiating an accompanying clinical study, selling Epi proColon, and administrative costs.

The Executive Board is aware of the risk of not having sufficient liquid resources for the adequate continuation of business operations over the medium term. The negative coverage decision issued by CMS in the U.S.A. means that we can no longer assume that our main product will achieve a commercial breakthrough in the immediate future. Instead, we are now in a situation where we have to keep our cash consumption as low as possible through cost-cutting measures and cost savings.

Given that the share price has fallen below the minimum issue price and in light of the current capital market upheavals as well as the current reluctance on the part of venture capital providers and the low chances of being able to develop a revenue-generating product in-house, there is little likelihood that the Company will be able to refinance through debt or equity.

We have invested our liquid funds exclusively in money market instruments (i.e., demand deposits, daily and time deposits) on a euro or U.S. dollar basis to maximize the availability of liquidity.

In March 2023, the financial difficulties at Silicon Valley Bank (SVB) caused market turmoil. Epigenomics also has an account at SVB, where funds of USD 1.2 million were held on March 14, 2023. Our deposits were safeguarded by the Federal Deposit Insurance Corporation (FDIC) and the establishment of a bridge bank successor. Epigenomics, Inc. regained full control of all of its deposits after three business days. Our cash reserves are distributed between two banks, which diversifies the risk. Management does not expect any further consequences from the SVB crisis.

As a Germany-based global company which reports in euros and has operations in the U.S.A., we are exposed to foreign exchange rate risks, predominantly stemming from the euro/U.S. dollar exchange rate. We regularly monitor these risks and evaluate on a case-by-case basis whether hedging transactions are required to reduce our exposure to them. Additionally, it should be mentioned that transactions in foreign currencies might entail opportunities as well.

Other opportunities and risks

We continuously monitor all applicable environmental, health and safety, operational and other applicable statutory and industrial guidelines, and have implemented functions to comply with all of these effectively at each of our business locations. To minimize the potential impact from a variety of tax, corporate, employment, competition, IP and other legal frameworks, we base our decision-making and design of our policies and processes on the advice of internal experts and recognized external advisors in each of these areas. There are also risks that are directly associated with our share price development. Comparatively low levels of liquidity in the stock, very high volatility based on all of the factors described above, as well as external influences and negative perceptions by others pose a risk of being wrongly assessed by capital markets participants (particularly analysts and investors). This could lead to stock sales by shareholders and to a sharp decline in our share price, which could negatively impact the capital market's perception of us as a listed company.

There could potentially be other risks as well as significant opportunities beyond those described here that we currently either deem of lesser importance or of which we were not aware of when preparing this Group management report.

Summary of the opportunity and risk situation of the Epigenomics Group

Considering the restructuring actions taken to reduce costs, the Executive Board assumes that the available funds will be sufficient until the first half of 2025. However, the Executive Board of Epigenomics AG expressly states that this assessment is based on current forecasts and that the success of the action taken is subject to uncertainties. As such, the actual results could differ materially from those assumptions. These events and conditions indicate the existence of a material uncertainty; they may cast significant doubt on the Company's ability to continue as a going concern and constitute a going concern risk.

The Company's newly launched restructuring program and the abandonment of its objective of developing products in-house have changed its risk and opportunities profile. Our direct operating risks are limited to the protection of our intellectual property. Indirectly, Epigenomics' earnings potential also depends on the risk profile and risk management of any potential external partner. The out-licensing of patents also considerably reduces our earnings potential.

CORPORATE GOVERNANCE

For the Executive Board and the Supervisory Board of Epigenomics, corporate governance lies at the heart of responsible and ethical management. The Executive Board and the Supervisory Board maintained a very active exchange throughout 2022 in order to generate long-term value for our shareholders. This represents a key element of sound corporate governance. Moreover, openness and transparency in our corporate communications with shareholders, employees, the authorities, the general public and other stakeholder groups represent an overarching principle in our approach towards sound corporate governance.

We welcome the German Corporate Governance Code (also referred to below as the "Code") and we systematically and regularly monitor compliance with the principles, making amendments wherever possible to ensure fair and responsible corporate management in line with the most recent version of the Code.

In certain aspects, Epigenomics' corporate governance principles go beyond the legal requirements and the recommendations of the Code. For example, we have established binding internal guidelines on insider trading and made these part of all employment agreements. Corporate governance compliance matters are overseen by our Manager Legal Affairs, who ensures adherence to the corporate governance principles. The Manager Legal Affairs maintains a regular dialog with the Executive Board and the Supervisory Board on all compliance-related matters.

While, going forward, we are clearly committed to adhering to the Code to the furthest extent possible, there are a few exceptions based on certain Company-specific factors and peculiarities where we chose or had to deviate from the Code.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 (1) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Declaration of Compliance for 2022 and our declarations of compliance for earlier years have been made permanently accessible to the general public in German and English on Epigenomics AG's website. The updated Declaration of Compliance for 2022 has also been published on our website at:

www.epigenomics.com/news-investoren/corporate-governance

DECLARATION OF GOVERNANCE

In accordance with section 289f of the German Commercial Code (Handelsgesetzbuch – HGB), the Declaration of Governance has been made permanently accessible to the general public in German and English on Epigenomics AG's website at:

www.epigenomics.com/news-investoren/corporate-governance

DISCLOSURES RELATING TO THE EXECUTIVE BOARD OF EPIGENOMICS AG AND ITS REMUNERATION

The Executive Board of Epigenomics AG consisted of the following members during the reporting period:

Executive Board member	Function	Contract start	Contract term until
Greg Hamilton	Chief Executive Officer	July 2016	December 2025
Jens Ravens	Chief Financial Officer	February 2022	January 2025
Andrew Lukowiak, PhD	Chief Scientific Officer	December 2021	December 2024

The Executive Board of Epigenomics AG is responsible for independently managing and running operations, developing and implementing corporate strategy and budgetary planning, appointing and guiding senior management and overseeing the general management of the Company. There is a continuous and intensive dialog between the Executive Board and the Supervisory Board and their respective members. In its charter, the Executive Board has been given a clear set of rules and procedures for certain actions and decisions that require Supervisory Board approval.

Executive Board members' shareholdings in the Company:

Executive Board member	Report-ing year	held as of Jan 1	Number of shares acquired	pro forma (prior to reverse stock split)	effect of reverse stock split	held as of Dec 31
Greg Hamilton	**2022**	**2,656**	**0**	**2,656**	**-1,992**	**664**
	2021	2,656	0	n/a	n/a	2,656
Andrew Lukowiak, PhD	**2022**	**0**	**0**	**0**	**0**	**0**
(since December 2021)	2021	n/a	n/a	n/a	n/a	0
Jens Ravens	**2022**	**n/a**	**2,000**	**0**	**2,000**	**2,000[1]**
(since February 2022)	2021	n/a	n/a	n/a	n/a	n/a
Albert Weber	**2022**	**12**	**n/a**	**n/a**	**n/a**	**n/a**
(until December 2021)	2021	12	0	n/a	n/a	12
Jorge Garces, PhD	**2022**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
(until January 2021)	2021	125	n/a	n/a	n/a	n/a
Total Executive Board	**2022**	**2,656**	**2,000**	**2,656**	**8**	**2,664**
	2021	2,793	0	n/a	n/a	2,668

[1] purchased after reverse stock split

Detailed disclosures on how the Executive Board works, its remuneration system and the remuneration report for fiscal year 2022 have been made permanently accessible to the general public in German and English on Epigenomics AG's website at:

www.epigenomics.com/news-investoren/corporate-governance

DISCLOSURES RELATING TO THE SUPERVISORY BOARD OF EPIGENOMICS AG AND ITS REMUNERATION

Since the General Shareholders' Meeting of the Company on June 15, 2022, the Supervisory Board of Epigenomics AG now consists of five members with broad experience in the pharmaceutical, diagnostics or financial sectors. All members are currently appointed until the Company's General Shareholders' Meeting in 2024.

- **Dr. Helge Lubenow** – Bad Nauheim (GER) – Chairwoman (since February 15, 2023)
  CEO of ProteomediX AG, Zürich (CH) and former Head of the Molecular Diagnostic Business Area at Qiagen (GER)
  Supervisory Board member since May 2016; Chairwoman since February 15, 2023;
  Member of the Audit Committee

  Dr. Helge Lubenow is a member of other mandatory supervisory boards:
  - Biofrontera AG, Leverkusen, Germany.

  Dr. Helge Lubenow is a member of comparable boards with supervisory function of the following German and foreign undertakings:
  - Neracare GmbH, Frankfurt, Germany;
  - Evorion Biotechnologies GmbH, Münster, Germany;
  - tesaLabtec GmbH, Langenfeld, Germany;
  - Human Gesellschaft für Biochemica und Diagnostica mbH, Wiesbaden, Germany;
  - Avelo AG, Schlieren, Switzerland.

- **Heino von Prondzynski** – Einsiedeln (CH) – Chairman (from May 2, 2012 to February 15, 2023)
  Independent consultant and former member of the group management of F. Hoffmann-La Roche Ltd. (CEO of the Division Roche Diagnostics at F. Hoffmann-La Roche Ltd., Basel, CH)
  Supervisory Board member from May 2007 until March 2010 and from May 2012 to February 15, 2023

  Heino von Prondzynski is not a member of other mandatory supervisory boards. He is a member of comparable boards with supervisory function of the following foreign undertakings:
  - Quotient Ltd., Eysins, Switzerland (Chairman of the Board of Directors).

- **Alexander Link** – Frankfurt am Main (GER) – Vice-Chairman (since June 16, 2021)
  CEO of Deutsche Balaton AG (Heidelberg)
  Supervisory Board member since June 2020

  Alexander Link is a member of other mandatory supervisory boards:
  - SPK Süddeutsche Privatkapital AG, Heidelberg, Germany (Chairman of the Supervisory Board);
  - HW Verwaltungs AG, Halberstadt, Germany (Chairman of the Supervisory Board);
  - PWI Pure System AG, Heidelberg, Germany (Chairman of the Supervisory Board);
  - Tabalon Mobile Technologies AG, Heidelberg, Germany (Chairman of the Supervisory Board);
  - Nordic SSW 1000 Verwaltungs AG, Heidelberg, Germany;
  - DIO Deutsche Immobilien Opportunitäten AG, Frankfurt am Main, Germany;
  - Mistral Media, Frankfurt am Main, Germany;
  - CARUS AG, Heidelberg, Germany;
  - Nestmedic S.A. Warsaw, Poland.

  Alexander Link is a member of comparable boards with supervisory function of the following German undertakings:
  - CornerstoneCapital Beteiligungen GmbH i.L., Frankfurt am Main, Germany (Liquidator).

- **Franz Walt** – Flims Dorf (CH) (from May 2019 to April 30, 2023)
  Supervisory Board member; Member of the Audit Committee

  Franz Walt is not a member of other mandatory supervisory boards. He is a member of comparable boards with supervisory function of the following German and foreign undertakings:
  - amedes Holding GmbH, Hamburg, Germany;
  - Aragon Holding JV S. a r. l., Luxembourg.

- **Dr. Heikki Lanckriet (PhD) –** Cambridge (UK)
  CEO of 4basebio PLC, Cambridge, UK
  Supervisory Board member since June 2022

  Dr. Heikki Lanckriet is a member of the mandatory supervisory board of Biofrontera AG, Leverkusen, Germany, and member of comparable boards with supervisory function of the following German and foreign commercial undertakings:
  - 4basebio UK Ltd and 4basebio Discovery Limited, both Cambridge, UK;
  - 4basebio SLU, Madrid, Spain;
  - I2I Capital Limited, Cambridge, UK;
  - KITHER BIOTECH S.R.L., Turin, Italy;
  - NeoPhore Ltd, Cambridge, UK.

In the period from January 1, 2022 to June 15, 2022, the Supervisory Board of the Company consisted of four members. These included all the above-mentioned members with the exception of Dr. Heikki Lanckriet.

Supervisory Board members' shareholdings in the Company:

Member of the Supervisory Board	Report-ing year	held as of Jan 1	Number of shares acquired	pro forma (prior to reverse stock split)	effect of reverse stock split	effect of reverse stock split
Heino von Prondzynski	**2022**	**166,260**	**124,946**	**291,206**	**-218,405**	**72,801**
	2021	75,000	91,260	n/a	n/a	166,260
Alexander Link	**2022**	**11,490**	**–**	**11,490**	**-8,618**	**2,872**
	2021	1,500	9,990	n/a	n/a	11,490
Dr. Helge Lubenow	**2022**	**2,193**	**5,000**	**7,193**	**-5,395**	**1,798**
	2021	2,193	–	n/a	n/a	2,193
Franz Walt	**2022**	**2,437**	**–**	**2,437**	**-1,828**	**609**
	2021	2,437	–	n/a	n/a	2,437
Dr. Heikki Lanckriet (PhD)	**2022**	**n/a**	**–**	**–**	**–**	**0**
(since June 15, 2022)	2021	n/a	n/a	n/a	n/a	n/a
Dr. Ann C. Kessler	**2022**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
(until June 23, 2021)	2021	19,975	–	n/a	n/a	n/a
Prof. Dr. Günther Reiter	**2022**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
(until June 23, 2021)	2021	–	–	n/a	n/a	n/a
Total Supervisory Board	**2022**	**182,380**	**129,946**	**312,326**	**-234,246**	**78,080**
	2021	101,105	101,250	n/a	n/a	182,380

The members of the Supervisory Board did not sell any shares of the Company in the reporting period or in the previous year. During the previous year, Mr. Link also acquired 50 convertible bonds of the Company from the 21/27 issue which he still held at the balance sheet date of the 2022 reporting period.

Detailed disclosures on how the Supervisory Board works, its remuneration system and the remuneration report for fiscal year 2022 have been made permanently accessible to the general public in German and English on Epigenomics AG's website at:

www.epigenomics.com/news-investoren/corporate-governance

DISCLOSURES RELATING TO THE TARGETS FOR THE QUOTA OF WOMEN IN THE SUPERVISORY BOARD, THE EXECUTIVE BOARD AND THE TWO LEVELS OF MANAGEMENT BELOW THE EXECUTIVE BOARD AND THEIR ACHIEVEMENT

At its meeting on December 1, 2021, the Supervisory Board set a target of 25% for the quota of women on the Supervisory Board and December 31, 2024 as the date for achieving the target. The Supervisory Board currently has five members, of whom one is female. This represents a quota of 20% women. At the same meeting, the Supervisory Board set a target of 0% for the quota of women in the Executive Board and December 31, 2024 as the date for achieving the target. The proportion of women in the Executive Board is currently 0%.

At its meeting on December 1, 2021, the Executive Board set targets for the quota of women in the two levels of management below the Executive Board and December 31, 2024 as the date for achieving the targets. It set a target of 50% for the quota of women in the first and second levels of management taken together. The proportion of women in the first and second levels of management taken together currently amounts to 50% and therefore meets the target set.

COMPLIANCE MANAGEMENT

Compliance denotes the lawful conduct of companies, their governing bodies and employees. For the Executive Board, its corporate leadership and culture is based on complying with legal regulations and adhering to internal policies. The aim is to ensure the integrity of employees, customers and business partners and avoid adverse consequences for the Company.

Epigenomics AG's corporate management and oversight is based on the relevant provisions of law, the Company's Articles of Association, and the rules of procedure for the Supervisory Board and the Executive Board. These form the basis of its internal policies, rules and regulations. As well as internal policies, standard operating procedures and work instructions, in sensitive areas in particular this is specifically expressed in the code of conduct, which applies to both management and the employees as a whole, is based on the legal requirements and strengthens employees' personal responsibility.

For preventative purposes, the Compliance department advises employees on specific issues and provides training in selected areas. External legal counsel is sought were required.

Epigenomics has established the principle of separation of functions as far as reasonable in a commercial organization with this number of employees. This principle is supplemented by the principle of dual control. Neither Executive Board members nor any employees are authorized to represent and sign on behalf of the Company on their own.

Due to its small size, the Company has not established its own Compliance department. Currently, the appropriateness and effectiveness of internal guidelines are systematically guaranteed in discussions between management and the Legal department.

With the help of established compliance activities, the Company is able to monitor compliance with the rules and regulations, carry out the requisite investigative action on a regular basis and ascertain the factual basis in concrete cases of suspicious activity.

KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATED TO THE GROUP ACCOUNTING PROCEDURES OF THE COMPANY

The internal control and risk management system (ICR) of Epigenomics has been set up by the Company's Executive Board, which also takes responsibility for it. The ICR is not defined as a comprehensive standardized system across the Company as a whole, but rather the scope of control and intensity are adjusted according to the respective risk. In addition, control options are used at all Company levels and supervision by management is ensured. Epigenomics has developed an individual top-down approach for Company-wide controls and supervision, including verification of effectiveness. The flexible structure of the reporting system – supported by established tools and adjusted to the Company's needs – ensures transparency and targeted supervision by the internal control system. Financial and non-financial indicators are taken into account.

The Supervisory Board and the Executive Board continuously monitor the ICR. Apart from the true and fair view presented by the financial reporting it also ensures the efficiency and cost-effectiveness of the daily business as well as compliance with relevant regulations and internal guidelines. The supervision of the accounting procedures goes hand in hand with the monitoring of the ICR.

Within the organization of the company, various departments and employees were involved in the development, coordination and monitoring of control measures prior to the restructuring measures. The risk management function and the controlling and quality assurance departments were of particular importance in this respect. Due to the small size of the company, the company currently does not have an internal audit department.

The adequacy and the effectiveness of the ICR are continuously ensured by discussions with relevant employees, by benchmarking with other organizations and also by way of a regular dialog with the Company's auditor and consultations with the Company's lawyers as required. Regular employee training and internal team meetings ensure that legislative changes are anticipated in good time and implemented in conformity with the rules and regulations. Moreover, there is nothing to indicate that the ICR is not adequate or effective.

For routine internal activities, instructions and regulations are provided where possible. Those instructions and regulations can be found within so-called "standard operating procedures" (SOPs) as well as in guidelines such as an employee's manual, detailed job descriptions, a travel policy or an accounting manual. The guidelines have been made permanently accessible to all concerned employees of the Company via the intranet. All guidelines are checked continuously and amended if necessary. Legal advice from experts is taken as needed to ensure conformity of the internal regulations with the applicable legal requirements or regulations.

The Company's management and controlling system is primarily based on various planning, monitoring and reporting tools. Qualitative information is derived from an internally-developed project documentation database, and quantitative information is processed by all Group entities using Microsoft Dynamics Navision™, a widely used enterprise resource planning (ERP) software program. Our accounting and controlling departments provide all relevant management and controlling information to the Executive Board on a monthly basis. The ongoing training of the team members is ensured.

For internal management and control purposes, we set up an annual budget, usually based on the current long-term strategic business plan of the Company and a corresponding set of goals. The budget is developed bottom-up from all cost centers and R&D projects. All budgets are extensively reviewed internally by the senior management team and the Executive Board, and a final approval of the annual budget by our Supervisory Board is mandatory. The primary focus of our regular internal management reporting lies in comparing actual versus budgeted values for a comprehensive set of metrics. From these, we compile the external quarterly reports. These are usually accompanied by an internal forecast, which provides us with an updated estimate of expected full-year results and performance vis-à-vis target numbers and public guidance. Actual versus budget comparisons of financial performance indicators are also prepared on a regular basis within the framework of the internal reporting system and are reported monthly to the senior management team of the Company. The focus is on cost and liquidity control. Deviations versus budget or historical values are analyzed on a short-term basis and supplemented by a presentation of alternative options. The reporting is supplemented as needed with additional data requested by the Supervisory Board or the Executive Board as well as the controlling team.

The Company's assets are tested for impairment on a regular basis in accordance with the appropriate accounting standards or if there are indications of possible impairment.

FINANCIAL REPORTING

In line with fair and open disclosure and the requirements of the Prime Standard segment of the Frankfurt Stock Exchange, quarterly interim statements and half-year financial reports are made available within two months after quarter-/half-year-end and annual financial statements within four months after year-end. All information is made available simultaneously on our website www.epigenomics.com. All material facts are published in conformity with the applicable guidelines and statutory provisions as ad hoc announcements, directors' dealings notifications, voting rights notifications or notifications of transactions with related parties.

As announced in February 2023, Epigenomics AG is leaving the Prime Standard segment and transferring to the General Standard segment. Once the first half-yearly financial report for 2023 has been published, the Company will then only prepare annual and half-yearly financial statements thereafter. All other provisions concerning financial market reporting will remain unaffected by the switch.

ADDITIONAL MANDATORY DISCLOSURES FOR LISTED COMPANIES IN ACCORDANCE WITH SECTION 315A (1) OF THE GERMAN COMMERCIAL CODE (HGB)

In accordance with section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB), the Company is required to report on certain structures governed by the German Stock Corporation Act (Aktiengesetz – AktG) and other legal frameworks, in order to provide a better overview of the Company and disclose any impediments to a takeover.

SHAREHOLDERS WITH DIRECT OR INDIRECT SHAREHOLDINGS OF MORE THAN 10% OF THE VOTING RIGHTS

Based on the information available, Deutsche Balaton AG, Heidelberg held 28.36% of the voting rights in Epigenomics AG as of the balance sheet date. Moreover, there were no additional shareholders with direct or indirect shareholdings of more than 10% of the voting rights.

COMPOSITION OF SHARE CAPITAL, VOTING RIGHTS AND RESTRICTIONS ON VOTING RIGHTS

As of December 31, 2022, the share capital of Epigenomics AG consisted exclusively of non-par value registered shares with a pro rata notional share in the share capital of EUR 1.00 each. The total number of outstanding shares as of that date was 4,092,810.

The Company's Articles of Association does not place restrictions either on voting rights or on the transfer of shares. The Executive Board is not aware of restrictions on voting rights or the transferability of shares resulting from agreements between the shareholders.

Statutory restrictions on voting rights may arise, for instance under section 71b and 134 (2) AktG, section 44 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and section 59 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG). The Executive Board is not aware of restrictions on voting rights pursuant to these provisions. Furthermore, in accordance with section 136 (1) AktG, members of the Executive Board and the Supervisory Board may not exercise voting rights in relation to resolutions ratifying their actions, discharging them from a liability, or concerning the Company asserting a claim against them. Under section 136 AktG, shareholders are not entitled to vote in certain circumstances. We are not aware of any contractual restrictions related to voting rights or the transfer of shares.

LEGISLATION AND PROVISIONS OF THE ARTICLES OF ASSOCIATION GOVERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Executive Board is subject to the provisions of sections 84 and 85 AktG.

The Supervisory Board shall appoint members of the Executive Board for a maximum period of five years. It is permissible to appoint members to the Executive Board on more than one occasion or to extend their period of office, on each occasion for a maximum of five years.

The Executive Board may consist of one or more persons. The number of members of the Executive Board shall be determined by the Supervisory Board in accordance with the statutory provisions. The Supervisory Board may appoint a member of the Executive Board as its chairperson ("CEO") and one or more members of the Executive Board as his/her deputy/deputies. Deputy members of the Executive Board may be appointed. The statutory provisions regarding the amendment of the Articles of Association are governed in sections 179 to 181 AktG.

Pursuant to Article 14 of the Articles of Association, the Supervisory Board may adopt amendments or supplements to the Articles of Association if the changes are merely editorial in nature.

MATERIAL AGREEMENTS OF THE COMPANY SUBJECT TO THE CONDITION OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

In the event of a change of control, each member of the Executive Board has the right to terminate their service agreement without observance of a notice period and resign from their position as a member of the Executive Board. If a member of the Executive Board exercises this right, they have a claim to payment of their fixed salary plus STI for the remaining term of their service agreement, however up to a maximum of 150% of the cap on severance pay within the meaning of recommendation G.13 of the German Corporate Governance Code. This clause was renegotiated with Jens Ravens when he joined the Company during the reporting period, and in his case the clause applies to both a change of control and the closing of an asset deal.

AUTHORIZATION OF THE EXECUTIVE BOARD TO ISSUE AND BUY BACK SHARES

The Company does not have in place any authorization for the Executive Board to acquire and redeem treasury shares.

Authorized Capital 2020/I

The Executive Board is authorized until June 11, 2025, to increase, with the consent of the Supervisory Board, the share capital of the Company once or several times by up to a total of EUR 4,712,984.00 against cash and/or in-kind contributions by issuing new non-par value registered shares (Authorized Capital 2020/I). Subscription rights shall be granted to the shareholders. The new shares can also be subscribed by one or more credit institutions or undertakings acting pursuant to section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz – KWG) under the obligation to offer the shares to the shareholders for subscription (indirect subscription right). The Executive Board is, however, authorized to exclude, with the consent of the Supervisory Board, the shareholders' statutory subscription rights in the following events:

- for fractional amounts;
- if the new shares are issued according to section 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz – AktG) against contribution in cash at an issue price which is not significantly below the stock exchange price of the shares already listed and the pro rata notional portion of the share capital represented by the new shares does not exceed ten per cent (10%) of the share capital at the time this authorization is registered with the commercial register, or, if lower, at the respective time when the authorization is exercised. The 10% limitation shall include other shares which have been newly issued by the Company by way of a capital increase against contribution in cash during the term of this authorization pursuant to section 186 (3) sentence 4 AktG or pursuant to section 203 in conjunction with section 186 (3) sentence 4 AktG, or which have been sold following a repurchase in accordance with section 71 (1) no. 8 AktG in conjunction with section 186 (3) sentence 4 AktG, in each case under exclusion of subscription rights. Furthermore, the 10% limitation shall include shares for which there is an option or conversion right or obligation, or a share delivery right in favor of the Company, based on bonds with warrants or convertible bonds or participation rights or combinations of those instruments that have been issued during the term of this authorization under exclusion subscription rights pursuant to section 221 (4) sentence 2 in conjunction with section 186 (3) sentence 4 AktG by the Company or a dependent entity of the Company within the meaning of section 17 AktG;
- to the extent necessary to grant subscription rights for new shares to holders or creditors of option rights, convertible bonds or participation rights or combinations of those instruments issued by the Company or a dependent entity of the Company within the meaning of section 17 AktG in the amount in which they would be entitled thereto upon the exercise of the option or conversion rights or the exercise of share delivery rights, or performance of conversion or option obligations.

The Executive Board is further authorized to determine, with the consent of the Supervisory Board, the dividend rights of the new shares in deviation from section 60 (2) AktG as well as the further details of the implementation of capital increases from Authorized Capital 2020/I. The Supervisory Board is authorized to amend the wording of the Articles of Association, as appropriate, after implementation of a capital increase from the Authorized Capital 2020/I in accordance with the respective share capital increase or after expiry of the term of the authorization.

Authorized Capital 2020/II

The Executive Board is authorized until June 11, 2025, to increase, with the consent of the Supervisory Board, the share capital of the Company once or several times by up to a total of EUR 16,881,402.00 against cash and/or in-kind contributions by issuing new non-par value registered shares (Authorized Capital 2020/II). Subscription rights shall be granted to the shareholders. The Company shall organize stock market trading of the subscription rights. The new shares can also be subscribed by one or more credit institutions or undertakings acting pursuant to section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz – KWG) under the obligation to offer the shares to the shareholders for subscription (indirect subscription right). The Executive Board is, however, authorized to exclude, with the consent of the Supervisory Board, the shareholders' statutory subscription rights for fractional amounts. The Executive Board is further authorized to determine, with the consent of the Supervisory Board, the dividend rights of the new shares in deviation from section 60 (2) AktG as well as the further details of the implementation of capital increases from Authorized Capital 2020/II. The Supervisory Board is authorized to amend the wording of the Articles of Association, as appropriate, after implementation of a share capital increase from Authorized Capital 2020/II in accordance with the respective share capital increase or after expiry of the term of the authorization.

The Company has in place the following conditional capital:

Conditional Capital XI

The share capital is conditionally increased by up to EUR 29,102.00, composed of up to 29,102 new non-par value registered shares (Conditional Capital XI). The conditional capital increase will be implemented only if subscription rights are issued in accordance with the authorization resolution on the Company's Stock Option Program 16–18 by the General Shareholders' Meeting dated May 25, 2016 until April 30, 2018, and only to the extent that the holders of these subscription rights exercise them and the Company does not grant any treasury shares or cash compensation to fulfill these subscription rights. The new shares are issued against payment of the exercise price to be determined in accordance with the authorization resolution on the Company's Stock Option Program 16–18 by the General Shareholders' Meeting dated May 25, 2016. The new shares issued carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board may determine, as far as legally permissible and with the consent of the Supervisory Board, that, if no resolution on the appropriation of net profit for the fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall be entitled to dividends from the beginning of the fiscal year immediately preceding the year of issue; if the new shares are issued to members of the Executive Board, the Supervisory Board is authorized to do so. The Supervisory Board is also authorized to determine the further details concerning the implementation of the conditional capital increase where the granting of subscription rights to members of the Executive Board is concerned. In all other cases, the Executive Board is authorized to determine such details. The Supervisory Board is authorized to amend the wording of the Articles of Association to reflect the respective share capital increase from Conditional Capital XI.

Conditional Capital XII

The share capital is conditionally increased by up to EUR 52,547.00, composed of up to 52,547 new non-par value registered shares (Conditional Capital XII). The conditional capital increase will be implemented only if subscription rights are issued in accordance with the authorization resolution on the Company's Stock Option Program 11–19 by the General Shareholders' Meeting dated May 30, 2017 until May 31, 2019, and only to the extent that the holders of these subscription rights exercise them and the Company does not grant any treasury shares or cash compensation to fulfill these subscription rights. The new shares are issued against payment of the exercise price to be determined in accordance with the authorization resolution on the Company's Stock Option Program 17–19 by the General Shareholders' Meeting dated May 30, 2017. The new shares issued carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board may determine, as far as legally permissible and with the consent of the Supervisory Board, that, if no resolution on the appropriation of net profit for the fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall be entitled to dividends from the beginning of the fiscal year immediately preceding the year of issue; if the new shares are issued to members of the Executive Board, the Supervisory Board is authorized to do so. The Supervisory Board is also authorized to determine the further details concerning the implementation of the conditional capital increase where the granting of subscription rights to members of the Executive Board is concerned. In all other cases, the Executive Board is authorized to determine such details. The Supervisory Board is authorized to amend the wording of the Articles of Association to reflect the respective share capital increase from Conditional Capital XII.

Conditional Capital XIII

The share capital is conditionally increased by up to EUR 141,516.00, composed of up to 141,516 new non-par value registered shares (Conditional Capital XIII). The conditional capital increase will be implemented only if subscription rights are issued in accordance with the authorization resolution on the Company's Stock Option Program 19–21 by the General Shareholders' Meeting dated May 15, 2019 until May 31, 2021, and only to the extent that the holders of these subscription rights exercise them and the Company does not grant any treasury shares or cash compensation to fulfill these subscription rights. The new shares are issued against payment of the exercise price to be determined in accordance with the authorization resolution on the Company's Stock Option Program 19–21 by the General Shareholders' Meeting dated May 15, 2019. The new shares issued carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board may determine, as far as legally permissible and with the consent of the Supervisory Board, that, if no resolution on the appropriation of net profit for the

fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall be entitled to dividends from the beginning of the fiscal year immediately preceding the year of issue; if the new shares are issued to members of the Executive Board, the Supervisory Board is authorized to do so. The Supervisory Board is also authorized to determine the further details concerning the implementation of the conditional capital increase where the granting of subscription rights to members of the Executive Board is concerned. In all other cases, the Executive Board is authorized to determine such details. The Supervisory Board is authorized to amend the wording of the Articles of Association to reflect the respective share capital increase from Conditional Capital XIII.

Conditional Capital XIV

The share capital is conditionally increased by up to EUR 12,055,447.00, composed of up to 12,055,447 new non-par value registered shares (Conditional Capital XIV). The conditional capital increase will be implemented only if

(a) the holders or creditors of option or conversion rights from bonds or participation rights issued by the Company in the period to the end of June 11, 2025 on the basis of the Executive Board's authorization by resolution of the General Shareholders' Meeting dated June 12, 2020, or issued or guaranteed by the Company, or a Group company within the meaning of section 18 AktG in which the Company directly and/or indirectly holds an interest of at least 90%, exercise their option or conversion rights, or the holders or creditors of conversion rights from bonds issued by the Company in the period to the end of March 31, 2021 on the basis of the Executive Board's authorization by resolution of the General Shareholders' Meeting dated November 27, 2020 exercise their conversion rights, or

(b) the holders or creditors of bonds or participation rights issued by the Company in the period to the end of June 11, 2025 on the basis of the Executive Board's authorization by resolution of the General Shareholders' Meeting dated June 12, 2020, or issued or guaranteed by the Company, or a Group company within the meaning of section 18 AktG in which the Company directly and/or indirectly holds an interest of at least 90%, are under an obligation to exercise their option or conversion, or the holders or creditors of bonds issued by the Company in the period to the end of March 31, 2027 on the basis of the Executive Board's authorization by resolution of the General Shareholders' Meeting dated November 27, 2020 are under an obligation to exercise their conversion and meet this obligation, or

(c) the Company exercises its optional right to deliver shares of the Company instead of paying the cash amount due (or parts thereof) to the holders or creditors of bonds or participation rights issued in the period to the end of June 11, 2025 and guaranteed by the Company or a Group company within the meaning of section 18 AktG, in which the Company directly and/or indirectly holds an interest of at least 90%, on the basis of the Executive Board's authorization by resolution of the General Shareholders' Meeting dated June 12, 2020, and to the extent that no cash settlement is granted and no shares from an authorized capital, treasury shares or shares of another listed company are delivered. The new shares are issued at the respective option or conversion price to be determined in accordance with the authorization resolution of the General Shareholders' Meeting dated June 12, 2020 or the authorization resolution of the General Shareholders' Meeting dated November 27, 2020. The new shares issued carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board is authorized, as far as legally permissible and with the consent of the Supervisory Board, to determine that, if no resolution on the appropriation of net profit for the fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall carry dividend rights from the beginning of the fiscal year immediately preceding the year of issue. The Executive Board is also authorized, with the consent of the Supervisory Board, to determine the further details concerning the implementation of the conditional capital increase. The Supervisory Board is authorized to amend the wording of the Articles of Association to reflect the respective share capital increase from Conditional Capital XIV.

Significant events that occurred between the balance sheet date and the publication date are explained in the supplementary report in the notes to the consolidated financial statements.

Berlin, April 25, 2023

The Executive Board

Consolidated Financial Statements 2022

– in accordance with International Financial Reporting Standards (IFRSs) –

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME)

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31

EUR thousand	Note	2022	2021
Revenue	1	**485**	**6,203**
Cost of sales	3	-120	-136
Gross profit		**365**	**6,067**
Gross margin (in %)		*75.3*	*97.8*
Other income	2	1,904	3,212
Research and development costs	3	-6,748	-3,111
Selling, general and administrative costs	3	-6,624	-7,509
Other expenses	3;6	-948	-1,013
Operating result/earnings before interest and taxes (EBIT)	7	**-12,051**	**-2,354**
Interest income	8	*99*	*12*
Interest expenses	8	-149	-52
Other financial result	8	0	-16
Net loss for the year before taxes on income		**-12,101**	**-2,410**
Taxes on income	9	77	-18
Net loss for the year		**-12,024**	**-2,428**
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	23	143	-1,341
Changes in fair value of financial instruments measured at fair value through other comprehensive income	23	0	39
Other comprehensive income for the year		**143**	**-1,302**
Total comprehensive income for the year		**-11,881**	**-3,730**
Earnings per share (basic and diluted, in EUR)	10	**-2.96**	**-0.87**

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31

ASSETS EUR thousand	Note	Dec 31, 2022	Dec 31, 2021
Non-current assets			
Intangible assets	11	2,980	60
Property, plant and equipment	12	2,057	891
Total non-current assets		**5,037**	**951**
Current assets			
Inventories	15	61	176
Trade receivables	16	83	73
Cash and cash equivalents	17	10,126	23,049
Other current assets	18	545	414
Total current assets		**10,815**	**23,712**
Total assets		**15,852**	**24,663**

EQUITY AND LIABILITIES EUR thousand	Note	Dec 31, 2022	Dec 31, 2021
Equity			
Subscribed capital	19	4,093	15,540
Capital reserve	20	102,361	99,756
Retained earnings	21	-84,385	-90,732
Net loss for the year		-12,024	-2,428
Other comprehensive income	22	127	-16
Total equity		**10,172**	**22,120**
Non-current liabilities			
Lease liabilities		517	369
Provisions	24	89	31
Total non-current liabilities		**606**	**400**
Current liabilities			
Trade payables	25	3,540	503
Lease liabilities		324	91
Deferred income		56	69
Other liabilities	26	648	650
Provisions	24	506	830
Total current liabilities		**5,074**	**2,143**
Total equity and liabilities		**15,852**	**24,663**

As of the balance sheet date, EUR 90 thousand of cash and cash equivalents was restricted cash.

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

EUR thousand	Note	2022	2021
Cash and cash equivalents at the beginning of the year		**23,049**	**3,566**
Operating activities			
Net loss for the year		**-12,024**	**-2,428**
Adjustments for:			
Depreciation of property, plant and equipment	5; 12	720	335
Amortization of intangible assets	5; 11	29	84
Share-based payment expenses	4	-35	98
Loss from the disposal of non-current assets	6	0	7
Foreign currency exchange results		19	-1,302
Financial income	8	-99	-35
Financial expenses	8	149	92
Taxes	9	-77	18
Operating result before changes in operating assets and liabilities		**-11,318**	**-3,131**
Changes in operating assets and liabilities:			
Inventories	15	118	-52
Trade receivables	16	-11	176
Other assets	18	-117	161
Non-current and current provisions	24	-277	-69
Trade payables and other liabilities	25; 26	-404	-1,194
Deferred income		-14	-10
Interest paid		0	-16
Tax paid		-1	-17
Cash flow from operating activities	29	**-12,024**	**-4,152**

EUR thousand	Note	2022	2021
Investing activities			
Payments to acquire intangible assets		-518	0
Payments to acquire property, plant and equipment		-847	-35
Proceeds from the sale of marketable securities		0	984
Repayments for investment grants received		-411	0
Interest received	8	76	12
Cash flow from investing activities	30	**-1,700**	**961**
Financing activities			
Proceeds from the issue of new shares	19; 20	0	2,168
Payments for the issue of new shares	20	0	-79
Proceeds from the issue of convertible bonds		0	22,000
Payments for the issue of convertible bonds		-18	-2,198
Payments for the capital reduction		0	0
Payments for leases		-341	-272
Cash flow from financing activities	31	**-359**	**21,619**
Net cash flow		**-14,083**	**18,428**
Currency translation effects		1,160	1,055
Cash and cash equivalents at the end of the year		**10,126**	**23,049**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF DECEMBER 31

EUR thousand	Note	Subscribed capital	Capital reserve	Retained earnings	Net loss for the year	Other comprehensive income	Group equity
Dec 31, 2020		**5,891**	**87,419**	**-79,046**	**-11,686**	**1,286**	**3,864**
Total comprehensive income 2021	23	**–**	**–**	**–**	**-2,428**	**-1,302**	**-3,730**
Transfer of net loss for the year 2020 to retained earnings		–	–	-11,686	11,686	–	0
Capital increase with subscription rights	19	1,971	–	–	–	–	1,971
Premium from the capital increase with subscription rights	19; 20	–	197	–	–	–	197
Costs for the creation of new shares	20	–	-79	–	–	–	-79
Issue of convertible bonds	19	–	22,000	–	–	–	22,000
Conversion of convertible bonds	19	7,678	-7,678	–	–	–	0
Costs for the issue of convertible bonds	20	–	-2,201	–	–	–	-2,201
Share-based payment expenses	4; 20	–	98	–	–	–	98
Dec 31, 2021		**15,540**	**99,756**	**-90,732**	**-2,428**	**-16**	**22,120**
Total comprehensive income 2022	22	**–**	**–**	**–**	**-12,024**	**143**	**-11,881**
Transfer of net loss for the year 2021 to retained earnings		–	–	-2,428	2,428	–	0
Conversion of convertible bonds	19	831	-831	–	–	–	0
Costs for the conversion of convertible bonds	20	–	-15	–	–	–	-15
Reverse stock split (4:1)	19	-12,278	3,503	8,775	–	–	0
Costs for the reverse stock split	20	–	-17	–	–	–	-17
Share-based payment expenses	4; 21	–	-35	–	–	–	-35
Dec 31, 2022		**4,093**	**102,361**	**-84,385**	**-12,024**	**127**	**10,172**

Notes to the Consolidated Financial Statements 2022

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 reorganized as a stock corporation under German law (Aktiengesellschaft – AG) and entered into the commercial register (Handelsregister) of Charlottenburg Local Court 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 of biological, diagnostic and pharmacological parameters, in 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 enable doctors to diagnose cancer earlier and more accurately, leading to improved outcomes for patients.

GENERAL PRINCIPLES

The consolidated financial statements of Epigenomics AG have been prepared in accordance with Section 315e of the German Commercial Code (Handelsgesetzbuch – HGB) and in application of the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, in effect as of the December 31, 2022 balance sheet date, as adopted by the European Union (EU).

Since being founded, the Company has incurred accounting losses of EUR 96,409 thousand (following capital decreases in 2020 and 2022). The Company generated a net loss of EUR 12,024 thousand for 2022 (2021: EUR 2,428 thousand). The "going concern" principle in accordance with IAS 1.25 *Presentation of Financial Statements* was applied. The Company had liquid funds (cash and cash equivalents) of EUR 10.1 million as of the end of 2022.

At the end of 2022, we realized that there had been a significant deterioration in the conditions for venture capital. Consequently, in February 2023, we were compelled to resolve an extensive restructuring to reduce our cash consumption. This situation has prompted us to look into all options to monetize our research and development achievements. Factoring in the restructuring actions taken to reduce costs, the Executive Board assumes that the available funds will be sufficient until the first half of 2025. However, the Executive Board of Epigenomics AG expressly states that this assessment is based on current forecasts and that the success of the action taken is subject to uncertainties. As such, the actual results could differ materially from those assumptions.

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and represents a going concern risk.

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, 2022 (2021). 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 was registered in the U.S. state of Washington until June 30, 2022, and since July 1, 2022 has been registered in Delaware. The subsidiary's operations are based in 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, 2022 and December 31, 2022.

For the reporting year and the previous year, the two companies each prepared separate financial statements which were either audited or reviewed, independent of their inclusion in the consolidated financial statements.

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 FISCAL YEAR 2022

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, 2022. Generally, the new standards and amendments mentioned below require prospective application.

Mandatory application for fiscal years beginning on or after January 1, 2022:

Amendments to IFRS 3 Reference to the Conceptual Framework (endorsed by the EU on June 28, 2021)

The proposed amendments to IFRS 3 concern references to the 2018 Framework as opposed to the 1989 Framework, which has been referenced to date. A requirement is also being added to the standard that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. In a further supplement to the standard, clarification was added that an acquirer is prohibited from recognizing contingent assets acquired in a business combination.

Applying the Amendments to IFRS 3 did not have any effect on the Company's financial statements in fiscal year 2022. Nor are any effects currently expected in future fiscal years.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (endorsed by the EU on June 28, 2021)

The proposed amendments to IAS 16 introduce a prohibition on deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Applying the Amendments to IFRS 16 did not have any effect on the Company's financial statements in fiscal year 2022. Nor are any effects currently expected in future fiscal years.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract (endorsed by the EU on June 28, 2021)

The amendments to IAS 37 stipulate that, going forward, the costs a company must include as the cost of fulfilling a contract when assessing whether a contract is onerous cover the incremental costs of the contract as well as other costs that relate directly to fulfilling the contract, however not general administrative costs.

Applying the Amendments to IFRS 37 did not have any effect on the Company's financial statements in fiscal year 2022. Going forward, the Company will apply the amendments to IAS 37 to contracts for which not all of the obligations have been fulfilled as of the date of initial application. However, it appears very unlikely that any potential impact will be significant.

Annual Improvements to IFRS Standards (2018–2020 Cycle) (endorsed by the EU on June 28, 2021)

The annual improvements (2018–2020 cycle) contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 41 *Agriculture*.

The amendments to IFRS 10 concern translation differences at subsidiaries upon the parent's transition to IFRSs. The amendments to IFRS 9 concern the fees an entity includes when it derecognizes financial liabilities in accordance with paragraph B3.3.6 of the standard.

The amendments to IFRS 16 remove an illustrative example from the standard concerning the reimbursement of leasehold improvements by the lessor.

The amendments to IAS 41 remove the requirement in force to date for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This serves to ensure consistency with the requirements in IFRS 13.

Applying the Annual Improvements to IFRS Standards (2018–2020 Cycle) did not have any effect on the Company's financial statements in fiscal year 2022. Nor are any effects currently expected in future fiscal years.

Mandatory application for fiscal years beginning on or after January 1, 2023:

IFRS 17 Insurance Contracts and amendments to insurance contracts (endorsed by the EU on November 19, 2021)

The new IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that a reporting entity provides relevant information and faithfully represents those contracts.

The Company does not expect that the application of the Amendments to IFRS 17 will have any effect on its financial statements for fiscal years from 2023 onward.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (endorsed by the EU on September 8, 2022)

The planned amendments to IFRS 17 are aimed at giving entities that simultaneously apply IFRS 17 and IFRS 9 for the first time the opportunity to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. An entity that elects to apply the amendment applies it when it first applies IFRS 17.

The Company does not expect that the application of the Amendments to IFRS 17 and IFRS 9 will have any effect on its financial statements for fiscal years from 2023 onward.

Amendments to IAS 1 Disclosure of Accounting Policies (endorsed by the EU on March 2, 2022)

The amendments to IAS 1 are aimed at developing guidance and examples to help entities apply materiality assessments in disclosing accounting policies. To support this amendment, the Board has also amended IFRS Practice Statement 2 to explain and demonstrate the application of the "four-step materiality process" to accounting policy disclosures.

The Company does not expect that the application of the Amendments to IAS 1 will have any effect on its financial statements for fiscal years from 2023 onward.

Amendments to IAS 8 Accounting Policies, Definition of Accounting Estimates (endorsed by the EU on March 2, 2022)

The amendments to IAS 8 are aimed at helping entities distinguish between accounting policies and accounting estimates and to introduce a definition of estimates.

The Company does not expect that the application of the Amendments to IAS 8 will have any effect on its financial statements for fiscal years from 2023 onward.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (endorsed by the EU on August 11, 2022)

The planned amendments to IAS 12 address the practical uncertainties surrounding how entities apply the initial recognition exemption in IAS 12.15 and IAS 12.24 to transactions in which both an asset and a liability arise on initial recognition and which may result in equal amounts of temporary differences. In some cases the exemption is applied, in others it is not. In accordance with the planned amendments, the initial recognition exemption in IAS 12 does not apply to transactions in which equal amounts of taxable and deductible temporary differences arise on the transaction date.

The Company does not expect that the application of the Amendments to IAS 12 will have any effect on its financial statements for fiscal years from 2023 onward.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (endorsed by the EU on September 8, 2022)

The aim of the amendments to IFRS 17 is to provide a transition option in relation to comparative information on financial assets presented on initial application of IFRS 17. The purpose of the amendment is to help entities avoid temporary accounting mismatches between financial assets and liabilities from insurance contracts, and thus increase the usefulness of the comparative information presented for users of financial statements.

The Company does not expect that the application of the Amendments to IFRS 17 will have any effect on its financial statements for fiscal years from 2023 onward.

The Company does not envisage early application of these new or amended accounting standards that are effective for accounting periods beginning on or after January 1, 2023.

Mandatory application for fiscal years beginning on or after January 1, 2024:

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback (not yet endorsed by the EU)

The aim of the amendments to IFRS 16 is to specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in the sale and leaseback transaction.

The Company does not expect that the application of the Amendments to IFRS 16 will have any effect on its financial statements for fiscal years from 2024 onward.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (not yet adopted by the EU

The planned amendments to IAS 1 more precisely define the classification of liabilities as current or non-current. Classifying liabilities as current depends on the entity's rights at the end of the reporting period to defer settlement by at least twelve months after the end of the reporting period. If such rights are substantial, the liabilities must be recognized as non-current. If certain conditions must be fulfilled to exercise such rights, these must be fulfilled at the end of the reporting period, otherwise the liability is classified as current. The recognition as current or non-current is unaffected by management's intention or expectation as to whether the liabilities will actually be settled within twelve months following the end of the reporting period.

The Company does not expect that the application of the Amendments to IAS 1 will have any effect on its financial statements for fiscal years from 2024 onward.

The Company does not envisage early application of these new or amended accounting standards that are effective for accounting periods beginning on or after January 1, 2023.

Management's Judgment, Assumptions and Expectations

The management of the Company has made several judgments in the process of applying the entity's accounting policies that have a significant effect on the amounts recognized in the financial statements. Those judgments concern the capitalization of development costs and the recognition of deferred taxes. The judgments are described for each relevant position in the enumeration of accounting and valuation principles.

Management's expectations on the future are usually based on the current economic outlook according to the consensus prognoses by leading economic and financial research institutions and independent analysts.

"Next-Gen" and a broad portfolio of intellectual property are assets that we intend to retain for the Company in the long term. As such, the restructuring is aimed at creating a lean administrative organization.

The decision to restructure entailed giving up on the original objective of developing Epi proColon "Next-Gen" in house due to the limited funds. At the same time, systematically implementing the restructuring will secure the Company's funding into the first half of 2025.

On that basis, the Company is looking into all options to monetize its assets. This includes out-licensing the patents for "Next-Gen", selling or out-licensing patents other than "Next-Gen", and selling biobanks. Potential partners may include both global and regional players. As things stand at present, the limited resources make it unlikely that the Company will develop, obtain authorization for and market "Next-Gen" and other products in-house.

The expectation is that the EUR/USD exchange rate will remain volatile in the short to medium term. Management's plans for 2022 are based on an average exchange rate of EUR/USD 1.00. It also took note of the predictions of financial experts and banks as of the date on which the budget was drawn up.

The preparation of the consolidated financial statements in accordance with IFRSs requires, in the case of several items, that assumptions or estimates be made that affect the carrying amounts in the consolidated balance sheet and/or the amounts recognized in the consolidated statement of comprehensive income (consolidated statement of profit or loss and comprehensive income). This also applies to the presentation of contingent assets and liabilities. The actual amounts may vary from these assumptions and estimates.

Management has made a change of accounting estimate within the meaning of IAS 8, pursuant to which the Group's consolidated receivables from and liabilities to its US subsidiary are classified as the net investment in that foreign operation in accordance with IAS 21.15, since the settlement of these items is neither planned nor likely to occur in the foreseeable future. By contrast to the prior year consolidated financial statements and the published quarterly reports, exchange differences arising on monetary items that are receivable from or payable to that foreign operation are no longer recognized in profit or loss, but rather in other comprehensive income until disposal of the foreign operation. The change of accounting estimate gave rise to a one-off reclassification of EUR 1.0 million in net exchange differences from profit or loss (operating result) to other comprehensive income. This increased the consolidated net loss by EUR 1.0 million to EUR 12.0 million. Group equity remains unchanged.

Movements in the EUR/USD exchange rate mean that the effects in terms of amount cannot be estimated for future periods.

Determining the useful life of capitalized development costs of the Company's products requires a long-term estimation of the market approval timelines for the products, their market acceptance and/or the speed of their market penetration, regulatory developments in key markets, the timing and the extent of reimbursement decisions, and competition just to name some of the most important parameters. Particularly for novel products like blood-based cancer tests there are no empirical values and less experience available, which makes any estimations difficult. The Group's management closely observes developments on the key markets and regularly reviews its own projections. Reaching or not reaching a milestone – like a market approval decision – will therefore lead to remeasurements which may possibly be decisive for a change of the previously assumed useful lives.

In particular, further assumptions and estimates are required for:

- determining the useful lives of other property, plant and equipment and non-current intangible assets,
- determining whether the criteria for the capitalization of development costs and the recoverability of internally generated intangible assets are met,
- testing assets for impairment (particularly regarding intangible assets),
- the incremental borrowing rate to be applied in calculating the present values of lease liabilities,
- assessing the possible exercise of contractual extension options,
- determining the terms of in-licensed intellectual property rights,
- determining if deferred taxes are realizable,
- determining whether financial instruments are to be classified as measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss,
- determining the fair value of financial instruments,
- setting the parameters regarding the measurement of share-based payment instruments, and
- accounting for provisions (particularly the determination of the likelihood of occurrence).

ACCOUNTING AND VALUATION PRINCIPLES

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 bonds 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.

Revenue recognition

Revenue from contracts with customers is recognized for the sale of goods and property rights (e.g., patents) or the rendering of other services when the customer obtains the control of the distinct goods or service and the customer has the ability to direct the use of and obtain the benefits from the goods or services received. The revenue recognized is the amount of the consideration that the entity would expect to be entitled to in exchange for these goods or services. If a contract includes a series of distinct goods or services, the transaction price is allocated to each performance obligation on the basis of the stand-alone selling price. If a stand-alone selling price is not directly observable, the entity reasonably estimates the stand-alone selling price. Revenue is recognized for each performance obligation either at a specific point in time or over a specific period of time.

Non-refundable prepayments received for delivering goods or performing services in the future are deferred and subsequently recognized as revenue when the goods are delivered or the services performed. Optional prolongation terms are considered individually in accordance with the underlying exercise conditions and anticipated likelihood of their exercise.

License revenue is generated by granting third parties exclusive and non-exclusive licenses in technologies and biomarkers that the Company has patented or has itself licensed. For each instance in which a license is granted, it must be determined whether the license transfers to the customer at a point in time or over time. License revenue is recognized on an accrual basis in accordance with the substance of the underlying contract. License revenue determined over time is recognized on a straight-line basis over the term of the contract. License revenue that is based on product sales and/or other reference values is recognized on the basis of the underlying contract, to the extent that those reference values can reliably be determined.

In the case of sales with a right of return, the revenue is only recognized in full when the right of return expires. At this date, the revenue is only recognized at cost less any costs of return. There were no sales with a right of return in the reporting period.

Cost of sales

Cost of sales includes expenses for material used in products sold, changes in inventories, services received in connection with product sales or other types of revenue, royalties to be paid to third parties and triggered by product sales or other types of revenue. In addition, cost of sales includes directly allocable portions of personnel costs, costs of intellectual property, depreciation, amortization and impairment, as well as pro rata overheads.

Other income

Other income includes third-party research grants, income from the reversal of provisions, income from the sale of assets outside of the Company's ordinary business activities, reimbursements from suppliers and insurance companies, foreign exchange rate gains not relating to the net investment in a foreign operation in accordance with IAS 21.15, and other non-operating earnings.

Government grants

In individual cases, cost contributions from public authorities are granted for research projects. These grants are partially paid in advance and then reported as deferred income. To some extent, grants will only be paid after the work has been performed and proven. A current asset is recorded in such cases.

Subsidies received for product development activities are deducted from capitalized development costs, and investment grants and subsidies are offset directly against the acquisition costs of the subsidized assets, i.e. in both cases the carrying amount of the asset is reduced. The grant is thus recognized as a reduced depreciation expense over the remaining useful life.

Government grants usually come with certain requirements, which the Company has consistently met so far. In 2022, a review by Investitionsbank Berlin in relation to the investment subsidy for the investment project completed in 2017 found that not all conditions had been fulfilled for subsequent years. The decision granting the subsidy was rescinded, necessitating a repayment of EUR 429 thousand plus interest amounting to EUR 65 thousand. The interest will be paid in 2023. Should the requirements for other projects cease to be met in the future, further repayment obligations could arise which have not been recognized yet.

Research and development costs

Research and development costs (R&D costs) include the personnel costs for the R&D staff, costs of R&D material, depreciation, amortization and impairment, service fees, licensing fees and other direct expenses in connection with the Company's research and/or development activities (including clinical studies) which cannot be classified as revenue-generating activities. In addition, R&D costs include pro rata overhead costs charged to the R&D departments.

Selling, general and administrative costs

Selling, general and administrative costs (SG&A costs) include:

- all direct personnel and material expenses of the corresponding departments,
- depreciation and amortization expenses of the corresponding departments,
- other direct expenses of the corresponding departments, and
- pro rata overheads of the corresponding departments as well as the Company's statutory costs.

Other expenses

Other expenses consist of all operating expenses which do not classify as cost of sales, R&D costs or SG&A costs as defined above. This includes in particular but not exclusively

- foreign exchange rate losses not relating to the net investment in a foreign operation in accordance with IAS 21.15,
- losses from the disposal of assets outside of the ordinary business activities, and
- expenses due to extraordinary effects or measures such as restructuring expenses or write-downs of non-current assets (e.g., goodwill impairment).

Share-based payment expenses

The fair value of granted stock options is determined in accordance with IFRS 2 *Share-based Payment* by simulation of the future movement in the Company's share capital on the basis of market parameters (e.g., volatility and risk free rate) and normal distributed random numbers ("Monte Carlo simulation"). The fair value of the stock options is expensed over the expected option term of up to four years against the capital reserve. The measurement is based on the fair value as of the grant date.

The fair value of phantom stock rights granted in previous years and to be granted in the future is calculated using the binomial model based on the Cox-Ross-Rubinstein model in accordance with IFRS 2 *Share-based Payment*, and recognized pro rata temporis as expenses and as a provision due to the obligation of the Company for a cash settlement in the future. If phantom stock rights are held by current employees of the Group, the related expenses are recorded as personnel costs and included in the payroll provisions. If phantom stock rights are held by former employees of the Group, the related expenses are recorded as other costs and included in other provisions.

Intangible assets

Intangible assets other than goodwill and capitalized development costs are measured at cost less straight-line amortization. Depending on the investment, the useful life of between three years (software) and twenty years (patents) will be defined. For patents, the useful life in individual cases depends on the term of the patent protection. Amortization of intangible assets is allocated in the consolidated statement of comprehensive income (consolidated statement of profit or loss and comprehensive income) to the functional area in which they are used. IAS 38 *Intangible Assets* is applied. In accordance with this standard, an intangible asset is reported if it is likely that a future economic benefit is associated with the use of such asset and that its cost can be reliably determined.

Intangible assets with indefinites useful lives and intangible assets not yet available for use are tested for impairment annually. In addition, assets or groups of assets are tested for impairment if there are any indications at the measurement date that they may be impaired. If the carrying amount of an intangible asset exceeds the recoverable amount of this asset as of the balance sheet date, this will be taken into account by means of a write-down, the amount of which is determined by the result of the impairment test. If there is no longer any indication of impairment, the impairment loss is reversed up to a maximum of the asset's amortized cost.

Right-of-use assets and leases

The Company has opted not to recognize short-term leases or leases for which the underlying asset is of low value. Instead, the associated lease payments are recognized as an expense. The material leases entered into by the Company are recognized and measured using a uniform model. The right-of-use assets representing the right to use the underlying assets are measured at cost less accumulated depreciation and are regularly tested for impairment. The right-of-use assets are depreciated on a straight-line basis over the term of the underlying leases.

At the commencement date, the lease liabilities arising from the leases are recognized at the present value of the lease (rent) payments to be made over the term of the lease. The Company calculates the present value using an incremental borrowing rate valid as of that date.

For leases with terms exceeding 12 months as of the measurement date, the corresponding lease liabilities are divided into and recognized as current liabilities (due in less than 12 months) and non-current liabilities (due after 12 months).

Capitalized development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from internal development is recognized if, and only if, all of the following requirements in accordance with IAS 38.*57 Intangible Assets* have been fulfilled:

- proof of the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- proof of the intention to complete the intangible asset to use or sell it;
- proof of the ability to use or sell the intangible asset;
- proof of how the intangible asset will generate probable future economic benefits;
- proof of the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- demonstration of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for the capitalization of development costs is the sum of expenditure incurred from the date when the intangible assets first met the aforementioned recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, capitalized development costs are reported at cost less accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately. The useful life of such capitalized development costs is assumed under consideration of the business plan and amounts to up to ten years for the currently capitalized assets. Amortization is recorded on a straight-line basis.

Property, plant and equipment

Property, plant and equipment is measured at cost less depreciation. Apart from directly attributable costs and pro rata overhead costs are also included in the cost of internally produced items of property, plant and equipment. The cost is reduced by public and governmental investment grants. Repair costs are immediately recorded as an expense. Leasehold improvements are depreciated on a straight-line basis over the remaining term of the underlying leases (including optional extension periods). Movable items of property, plant and equipment are depreciated on a straight-line basis. The useful life is three to ten years for technical and electronic equipment and five to ten years for operating and office equipment.

Once disposed of, the asset and its accumulated depreciation are reported as a disposal. Income or expenses resulting from the disposal of assets (proceeds less residual carrying amount) is reported in the consolidated statement of comprehensive income (consolidated statement of profit or loss and comprehensive income) under other income/other expenses.

If, based on external or internal sources of information, there are indications that the carrying amount at the balance sheet date of an item of property, plant or equipment measured as described above exceeds its recoverable amount upon disposal, the asset is tested for impairment and, if necessary, written down. The amount of the impairment is determined on the basis of the fair value of the item of property, plant and equipment less costs to sell or – if higher – the net present value of future cash flows estimated from the value in use of the item of property, plant and equipment. An impairment test will be carried out annually for assets or groups of assets for which an impairment is assumed. If there is no longer any indication of impairment, the impairment loss is reversed up to a maximum of the asset's amortized cost.

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 *Income Taxes*. They are recognized on the basis of temporary differences between the carrying amount of assets and liabilities in the financial statements in accordance with IFRS of the companies involved and in their tax accounts. Furthermore, deferred tax assets are recognized for unutilized tax loss carryforwards and unutilized tax credits to the extent that deferred tax liabilities exist, or that taxable income is likely to be available against which to utilize the benefits of the temporary differences and that these are expected to reverse in the foreseeable future. At each balance sheet date, it is determined whether or not these requirements are still met. If such a realization in the foreseeable future is not likely, a valuation allowance is recognized against the tax loss carryforwards.

Deferred tax assets and tax liabilities from temporary differences associated with investments in subsidiaries are not recognized when the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using the local tax rates applicable on the balance sheet date or the local tax rates which are expected to apply at the future point in time when the asset is realized or the liability settled. Tax rates are used that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are only offset if they relate to taxes levied by the same tax authority and if the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories consist of finished and unfinished products, raw materials, low-value consumables as well as other production supplies. They are measured at the lower of cost and net realizable value. The manufacturing costs of the finished and semi-finished products include directly attributable unit costs, depreciation, amortization of capitalized development costs and overheads attributable to the production process. For finished and semi-finished products the principle of item-by-item measurement applies.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset for one contracting party and a financial liability or equity instrument for another contracting party.

At initial recognition, trade receivables without significant financing components are measured at their transaction price. All other financial assets and liabilities are initially measured at fair value.

When the Company first recognizes a financial asset, it assigns it to one of the following measurement categories:

- at amortized cost
- debt instruments at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVTPL)

In the case of assets not at fair value through profit or loss, these are measured at initial recognition on the basis of the transaction costs directly attributable to their acquisition or issue.

Financial assets are only reclassified following initial recognition when the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is not classified as at fair value through profit or loss and both of the following conditions are met:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income if it is not classified as at fair value through profit or loss and both of the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in an equity instrument that is not held for trading, the Company can make the irrevocable election to present in other comprehensive income subsequent changes in the fair value of that investment. The Company makes this election on a case-by-case basis for each investment.

All financial assets not measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets. The Company may, at initial recognition, irrevocably designate as measured at fair value through profit or loss financial assets that would otherwise have fulfilled the criteria for measurement at amortized cost or fair value through other comprehensive income, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).

The Company assesses the objectives of the business model within which the financial assets is held. It does so at portfolio level since this is the best way to reflect how the business is managed and how information is passed on to management. The information to be taken into consideration includes:

- the disclosed policies and objectives of the portfolio and the practical implementation of those policies;
- how the portfolio's performance is measured and reported to management;
- the risks to which the performance of the business model (and the financial assets held under that business model) is exposed and how those risks are managed;
- the frequency, extent and timing of sales of financial assets in prior periods and expectations in respect of future sales activities.

Financial assets held or managed for trading whose performance is assessed on the basis of fair value are measured at fair value through profit or loss.

In order to determine whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administration costs), as well as a profit margin. In determining whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Company takes into consideration the contractual terms underlying the instrument. This includes determining whether the financial asset includes a contractual term that could change the timing or amount of the contractual cash flows and thus cause this condition to no longer be met. In its assessment, the Company takes into consideration:

- specific events that would trigger a change in the timing or amount of the cash flows,
- terms that would cause the interest rate (including variable interest rate) to be adjusted,
- options for early repayment or extensions, and
- terms that limit the Company's claim to the cash flows from a specified asset.

A prepayment option fulfills the criterion of solely payments of principal and interest on the principal amount outstanding if the prepayment amount substantially represents only unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for the early termination of the contract.

Financial liabilities are classified and measured at amortized cost or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is held for trading, is a derivative or is designated as such at initial recognition. Measuring financial liabilities at fair value through profit or loss means that they are carried at fair value and any net gains or losses, including interest expenses, are recognized through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains or losses are recognized through profit or loss. Gains or losses on derecognition are likewise recognized through profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the right to receive the cash flows as part of a transaction in which substantially all of the risks and rewards of ownership of the financial asset are also transferred. Derecognition also applies if the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the transferred asset. The Company executes transactions in which it transfers the recognized assets but retains either all or substantially all of the risks and rewards of ownership of the transferred asset. In these cases, the transferred assets are not derecognized. Write-downs are generally recognized on trade receivables if they are more than one year overdue and are not subject to enforcement action.

The Company derecognizes a financial liability if the obligations specified in the contract are discharged or canceled or expire, or if the terms of the contract have been amended and the cash flows from the modified liability are significantly different. In this case, a new financial liability is recognized at fair value on the basis of the modified contractual terms. When derecognizing a financial liability, the difference between the carrying amount of the repaid liability and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized through profit or loss.

The Company invoices its customers in accordance with the individual contractual arrangements or the valid general terms and conditions of business. The invoices are generally payable net within 30 days. Prepayment is generally a condition for new customers. In the case of license receivables, the payment terms are determined on the basis of the underlying licensing agreements. The resulting payments are either payable on demand or within a period of up to 90 days.

Cash equivalents

A cash equivalent is defined as a financial instrument which is readily convertible on a short-term basis to a known amount of cash and which is subject to an insignificant risk of changes in value (IAS 7.6 Statement of Cash Flows). Financial instruments generally qualify as cash equivalents when they are more closely related to the money markets than to the bond markets and have a remaining term of less than three months. They are measured at amortized cost.

Prepaid expenses

Payments before the balance sheet date in respect of expenses for a specific period after that date are deferred and reported at amortized cost as prepaid expenses in other current assets.

Deferred income

Deferred income is recognized for grants and for research and development payments ("R&D payments") received in advance. Grants received in advance for research expenses which were provided by governmental or comparable national, regional or local authorities are recognized through profit or loss as other income over the subsidized terms of each grant project according to its stage of completion. Subsidies received in advance for product development activities are deducted from capitalized development costs. Payments received in advance from customers for R&D services to be rendered by the Company in the future or for licenses are deferred and recognized through profit or loss under the terms and conditions of the contract according to the stage of project completion (cost-to-cost method).

Provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognized if a present obligation exists as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation and if a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows expected to be required to settle the present obligation, its carrying amount is the present value of these cash flows. Obligations arising from share-based payment programs that provide for awards payable in cash (i.e., the Company's phantom stock programs) are measured at fair value and recognized as current or non-current provisions based on the remaining term of the underlying rights until these can be exercised.

ALTERNATIVE PERFORMANCE INDICATORS

The operating result, or rather earnings before interest and taxes (EBIT), is defined as the total comprehensive income for the year/period before other comprehensive income for the year/period, income taxes, the other financial result, interest expenses and interest income. EBITDA is defined as EBIT before depreciation and amortization. Share-based payment is defined as the expenses resulting from the change in the total fair value of all stock options and phantom stock rights granted over the fiscal year/the period. EBITDA before share-based payment expenses is defined as EBITDA before expenses resulting from share-based payment.

EBIT, EBITDA and EBITDA before share-based payment expenses are all non-IFRS measures used and defined by Epigenomics that are standard practice in global capital market communication and are sought after by analysts and investors.

CURRENCY TRANSLATION

When preparing the financial statements of each individual Group company, transactions denominated in a currency other than the Group company's functional currency (foreign currencies) are translated using the exchange rate at the date of the transaction published by the European Central Bank. At the end of each reporting period, foreign currency monetary items are translated using the exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Non-monetary items measured in terms of historical cost are translated using the exchange rate at the date of initial recognition.

The functional and reporting currency of our U.S. subsidiary is the U.S. dollar.

Exchange differences arising on monetary items are recognized in profit or loss in the period in which they arise. This does not apply to exchange differences arising on monetary items that are receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and as such form part of the net investment in that foreign operation. These are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal.

For the purposes of preparing the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into euros (EUR) using the spot exchange rates at the end of the reporting period. Income and expenses are translated at the average rate for the period, unless the exchange rates fluctuated significantly during the period. In this case, the exchange rate at the date of the transaction is used. Exchange differences on the translation of foreign operations into the Group's currency are recognized in other comprehensive income and accumulated in equity (currency translation reserve).

On the disposal of a foreign operation, the cumulative amount of all exchange differences attributable to the Group from that foreign operation are reclassified to profit or loss. The following transactions are accounted for as the disposal of a foreign operation, such as the disposal of the Group's entire interest in a foreign operation, a partial disposal with loss of control of a foreign subsidiary, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the proportionate share of the amount of exchange differences attributable to the disposed share is re-attributed to the non-controlling interests as at the disposal date. By contrast, on the partial disposal of shares in associates or joint arrangements without change of status, the proportionate share of the amount of exchange differences is reclassified to profit or loss.

Foreign currency exchange rates applied in the reporting period:

Closing rates	**Dec 31, 2022**	**Dec 31, 2021**
EUR/USD	1.0666	1.1326

Average rates	**2022**	**2021**
EUR/USD	1.0500	1.1816

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

1 REVENUE

Revenue by type:

	2022		2021	
	EUR thousand	in %	EUR thousand	in %
R&D revenue and reimbursements	0	0.0	5,716	92.1
Product sales (own and third-party)	465	95.9	465	7.5
License revenue	20	4.1	22	0.4
Total revenue	**485**	**100.0**	**6,203**	**100.0**

License revenue is generated by out-licensing of own intellectual property (e.g., technologies, biomarkers) to third parties. Revenue from product sales is generated by the sale of the Group's products through own sales channels, through distribution partners or by the rendering of services by third parties based on the Company's products. R&D revenue and reimbursements are generated by rendering services in connection with contract research and by charging pass-through costs to third parties.

In 2021, EUR 5,716 thousand resulted from selling parts of our biobank.

Revenue by geographical market:

	2022		2021	
	EUR thousand	in %	EUR thousand	in %
North America	263	54.1	297	4.8
Europe	187	38.6	189	3.0
Asia	35	7.3	5,717	92.2
Total revenue	**485**	**100.0**	**6,203**	**100.0**

In the reporting year, 48% of total revenue (2021: 95%) was generated by the Company's three largest customers.

2 OTHER INCOME

EUR thousand	2022	2021
Foreign exchange rate gains	1,756	2,821
Income from the reversal of provisions	47	234
Correction of deferred liabilities	76	102
Recoveries and refunds	3	36
Third-party research grants from public authorities	15	12
Other	7	7
Total other income	**1,904**	**3,212**

3 COST ALLOCATION BY FUNCTION

	2022				
EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	120	852	277	0	1,249
Depreciation, amortization and impairment	0	557	192	0	749
Personnel costs	0	2,827	2,136	0	4,963
Other costs	0	2,512	4,019	948	7,479
Total	**120**	**6,748**	**6,624**	**948**	**14,440**

	2021				
EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	116	117	131	0	364
Depreciation, amortization and impairment	0	170	249	0	419
Personnel costs	18	1,247	2,823	0	4,088
Other costs	2	1,577	4,306	1,013	6,898
Total	**136**	**3,111**	**7,509**	**1,013**	**11,769**

4 PERSONNEL COSTS

EUR thousand	2022	2021
Wages and salaries	4,224	3,459
Share-based payment expenses	1	102
Social security expenses	738	527
of which employer's contribution to a national pension fund (Germany)	113	128
of which employer's contribution to a 401(k) savings plan (U.S.A.)	81	63
Total personnel costs	**4,963**	**4,088**

The Group employed an average of 34 employees in 2022 (2021: 31). The 34 employees as of the end of 2022 included 21 employees across the areas of research, product development, IP, regulatory affairs, quality assurance and manufacturing. Their activities are reported as R&D costs in the financial statements. The remaining 13 employees reported as selling, general and administrative functions work in business and commercial development, customer and technical service, accounting, finance, legal, human resources, IT and general management.

Measurement of the stock options and virtual stock options granted gave rise to share-based payment expenses amounting to EUR 1 thousand (2021: EUR 102 thousand).

5 DEPRECIATION AND AMORTIZATION

EUR thousand	2022	2021
Amortization of intangible assets	29	84
of which amortization of capitalized development costs	8	45
Depreciation of property, plant and equipment	720	335
of which depreciation of right-of-use assets	322	230
Total depreciation and amortization	**749**	**419**

6 OTHER EXPENSES

EUR thousand	2022	2021
Foreign exchange rate losses	948	1,006
Losses from the disposal of assets	0	7
Total other expenses	**948**	**1,013**

7 OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	2022	2021
Operating result/earnings before interest and taxes (EBIT)	**-12,051**	**-2,354**
Total depreciation and amortization	749	419
EBIT before depreciation and amortization (EBITDA)	**-11,302**	**-1,935**
Share-based payment expenses	1	102
EBITDA before share-based payment expenses	**-11,301**	**-1,833**

8 FINANCIAL RESULT

Net gains and losses on all financial instruments:

EUR thousand	2022	2021
Interest from financial assets	0	3
Interest on time deposits	99	9
Interest and related income	**99**	**12**
Total financial income	**99**	**12**
Other interest expenses	-130	-52
of which from leases	-64	-37
Interest and related expenses	**-130**	**-52**
Other finance costs	-19	-16
Total financial expenses	**-149**	**-68**
Financial result	**-50**	**-56**

9 TAXES ON INCOME

The reported taxes on income in the amount of EUR -77 thousand (2021: EUR 18 thousand) consist solely of taxes relating to the Company's U.S. subsidiary. In the reporting period, EUR 77 thousand was refunded for the years 2018 to 2021.

EUR thousand	2022	2021
Current tax expenses	-77	18
Total taxes on income	**-77**	**18**

Calculation of the applicable tax rate in Germany for the purpose of deferred taxes:

in %	2022	2021
Corporate income tax	15.0	15.0
Solidarity surcharge	5.5	5.5
Trade tax	14.35	14.35
underlying trade tax rate of assessment	410	410
Total applicable tax rate in Germany for the purpose of deferred taxes	**30.2**	**30.2**

Tax reconciliation:

EUR thousand	2022	2021
Net loss for the year before taxes on income	-12,101	-2,410
Expected tax income	**3,655**	**728**
applicable tax rate for the Group	30.2%	30.2%
permanent differences	-25	-29
other foreign taxes	77	-18
effect of foreign taxes	-314	-214
unrecognized tax loss carryforwards	-3,316	-484
Effective tax income/(expense)	**77**	**-18**
Effective tax rate	**0.6%**	**0.7%**

The expected tax income/expense for the reporting year is calculated by applying the individual tax rates for the Group companies to the net results before taxes on income. The allowance on deferred tax assets from prior periods means that the effective tax rate for the reporting period is of little informational value. Permanent differences result from non-deductible expenses in accordance with German tax law.

10 EARNINGS PER SHARE

Earnings per share (basic) are calculated by dividing the net loss for the year by the weighted average number of shares issued. For reasons of comparability given the capital reduction with reverse stock split carried out in December 2022, the number of shares outstanding was adjusted retrospectively with a corresponding effect on the earnings per share reported for prior periods. The outstanding stock options and convertible bonds issued by the Company are antidilutive in accordance with IAS 33.41 and 33.43 *Earnings per Share*. Therefore, the earnings per share (diluted) equal the earnings per share (basic). The number of shares issued as of the balance sheet date amounted to 4,092,810 (December 31, 2021: 3,994,945).

	2022	2021
Net loss for the year (in EUR thousand)	-12,051	-2,428
Weighted average number of shares issued	4,066,613	2,801,853
Earnings per share (basic and diluted, in EUR)	-2.96	-0.87

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

11 INTANGIBLE ASSETS

EUR thousand		Software	Licenses/ patents	Development costs	Total intangible assets
Jan 1, 2021	**Cost**	**483**	**0**	**3,639**	**4,122**
	Additions	0	0	0	0
	Disposals	-2	0	0	-2
	Currency translation	-1	0	0	-1
Dec 31, 2021	**Cost**	**480**	**0**	**3,639**	**4,119**
	Additions	32	2,918	0	2,950
	Disposals	-137	0	0	-137
	Currency translation	0	-1	0	-1
Dec 31, 2022	**Cost**	**375**	**2,917**	**3,639**	**6,931**
Jan1, 2021	**Accumulated amortization and impairment**	**431**	**0**	**3,546**	**3,977**
	Additions	39	0	45	84
	Disposals	-2	0	0	-2
	Currency translation	0	0	0	0
Dec 31, 2021	**Accumulated amortization and impairment**	**468**	**0**	**3,591**	**4,059**
	Additions	13	7	8	28
	Disposals	-137	0	0	-137
	Currency translation	1	0	0	1
Dec 31, 2022	**Accumulated amortization and impairment**	**345**	**7**	**3,599**	**3,951**
Dec 31, 2021	**Carrying amounts**	**12**	**0**	**48**	**60**
Dec 31, 2022	**Carrying amounts**	**30**	**2,910**	**40**	**2,980**

The capitalized development costs for Epi proColon and Epi proLung are assumed to have a useful life of ten years. The annual amortization for Epi proLung amounted to EUR 8 thousand, and the capitalized development costs for Epi proColon have been written off.

The additions for acquisition costs for licenses and patents are due to the capitalization of the licenses from the MD Anderson contract.

12 PROPERTY, PLANT AND EQUIPMENT

EUR thousand		Fixtures/ leasehold improvements	Technical equipment	Other property, plant and equipment	Right-of-use assets resulting from leases	Total property, plant and equipment
Jan 1, 2021	**Cost**	**569**	**1,284**	**91**	**1,045**	**2,989**
	Additions	0	36	5	0	41
	Disposals	0	-29	-1	0	-30
	Currency translation	0	4	2	30	36
Dec 31, 2021	**Cost**	**569**	**1,295**	**97**	**1,075**	**3,036**
	Additions	803	374	51	637	1,865
	Disposals	0	-6	-1	-390	-397
	Currency translation	-28	9	-1	38	18
Dec 31, 2022	**Cost**	**1,344**	**1,672**	**146**	**1,360**	**4,522**
Jan 1, 2021	**Accumulated depreciation and impairment**	**315**	**1,013**	**60**	**417**	**1,805**
	Additions	44	52	8	230	334
	Disposals	0	-23	-1	0	-24
	Currency translation	0	3	3	23	29
Dec 31, 2021	**Accumulated depreciation and impairment**	**359**	**1,045**	**70**	**670**	**2,144**
	Additions	258	114	25	322	719
	Disposals	0	-6	-1	-390	-397
	Currency translation	-1	3	1	-4	-1
Dec 31, 2022	**Accumulated depreciation and impairment**	**616**	**1,156**	**95**	**598**	**2,465**
Dec 31, 2021	**Carrying amounts**	**210**	**250**	**27**	**405**	**892**
Dec 31, 2022	**Carrying amounts**	**728**	**516**	**51**	**762**	**2,057**

Subsidies received in previous years reduced the cost of individual items of property, plant and equipment. These subsidies constitute public financial assistance for businesses under the joint program for the improvement of regional economic structures (Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur") granted from German federal and state funds. The funding period ended on April 8, 2017. In 2022, a review by Investitionsbank Berlin found that not all conditions for financial support in subsequent years had been met. These conditions included preserving the current permanent jobs at the Company's Berlin site and the obligation to keep the subsidized assets for a period of at least five years after the end of the project at the subsidized location. The decision granting the subsidy was rescinded, necessitating a repayment of EUR 429 thousand. Of that figure, EUR 363 related to fixed assets that still had a remaining useful life and as such were reported in the assets schedule. The remaining EUR 66 thousand was immediately recognized through profit or loss for assets that had already been written off.

The right-of-use assets were recognized in relation to the Group's leases for office and laboratory premises at the Berlin and San Diego location that were subject to initial recognition in 2019 as part of the mandatory initial application of IFRS 16 Leases. On initial application, the Company exercised the practical expedient to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The lease for the Berlin location currently runs until April 2023. In 2022, the Company exercised the extension option and extended the lease by three years until April 2026. In the valuation, the Company assumed that the extension option would be exercised. The new lease for the San Diego location commenced in January 2022 and currently runs until December 2024. In accordance with the recognition exemption, leases of low-value assets were not recognized. Instead, an expense of EUR 34 thousand was recognized through profit or loss. Short-term leases were likewise not recognized, with EUR 9 thousand instead being recognized as an expense.

13 ASSETS SCHEDULE

TEUR		Intangible assets	Property, plant and equipment	Total intangible assets and property, plant and equipment
Jan 1, 2021	**Cost**	**4,122**	**2,989**	**7,111**
	Additions	0	41	41
	Disposals	-2	-30	-32
	Currency translation	-1	36	35
Dec 31, 2021	**Cost**	**4,119**	**3,036**	**7,155**
	Additions	2,950	1,865	4,815
	Disposals	-137	-397	-534
	Currency translation	-1	18	17
Dec 31, 2022	**Cost**	**6,931**	**4,522**	**11,453**
Jan. 1, 2021	**Accumulated depreciation/ amortization and impairment**	**3,977**	**1,805**	**5,782**
	Additions	84	334	418
	Disposals	-2	-24	-26
	Currency translation	0	29	29
Dec 31, 2021	**Accumulated depreciation/ amortization and impairment**	**4,059**	**2,144**	**6,203**
	Additions	28	719	747
	Disposals	-137	-397	-534
	Currency translation	1	-1	0
Dec 31, 2022	**Accumulated depreciation/ amortization and impairment**	**3,951**	**2,465**	**6,416**
Dec 31, 2021	**Carrying amounts**	**60**	**892**	**952**
Dec 31, 2022	**Carrying amounts**	**2,980**	**2,057**	**5,037**

14 DEFERRED TAXES

For the Group, deferred taxes arise as described in the following table:

	Deferred tax assets from temporary differences		Deferred tax liabilities from temporary differences	
EUR thousand	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Intangible assets and property, plant and equipment	0	0	88	120
Current assets	0	0	0	0
Non-current liabilities	0	0	70	111
Current liabilities	0	0	30	27
Total	**0**	**0**	**188**	**258**
Total after offsetting	**0**	**0**	**188**	**258**

Overview of tax loss carryforwards (2022 estimated):

EUR thousand	2022	2021
Tax loss carryforwards in Germany (corporate income tax)	230,512	221,692
Tax loss carryforwards in Germany (trade tax)	228,818	219,998
Tax loss carryforwards in the U.S.A. (corporate income tax)	22,201	23,240
R&D tax credits in the U.S.A.	0	4,104

Reconciliation of deferred tax assets (2022 estimated):

EUR thousand	Dec 31, 2022	Dec 31, 2021
Deferred tax assets due to German tax loss carryforwards	69,615	66,783
Deferred tax assets due to U.S. tax credits	0	4,104
Deferred tax assets due to U.S. tax loss carryforwards	4,662	4,880
Total deferred tax assets due to tax loss carryforwards	**74,277**	**75,767**
Deferred tax position (net) from temporary differences	-188	-258
Total deferred tax assets	**74,089**	**75,509**
Allowance on deferred tax assets	-74,089	-75,509
Recognized deferred tax assets	**0**	**0**

Since all deferred tax assets and liabilities arising from temporary differences must be settled with the same tax authority that levied the taxes to which those deferred tax assets and liabilities relate, in accordance with IAS 12.71 *et seq. Income Taxes*, only those deferred tax assets and liabilities which relate to taxes levied by the same tax authority have been offset.

Since its founding through to December 31, 2021, the Company's tax loss carryforwards in Germany amounted to EUR 222 million for corporate income tax and to EUR 220 million for trade tax. Furthermore, the Company estimates that the accumulated tax loss carryforwards in both aforementioned tax categories will increase by approximately EUR 9 million when it files its tax returns for 2022. In accordance with German tax law, such tax losses have an unlimited carryforward period. As a consequence of completed tax audits, tax loss carryforwards in the amount of EUR 167 million are undisputed. The resulting deferred tax asset is therefore sufficient to offset the aforementioned deferred tax liability from temporary differences of EUR 188 thousand as of December 31, 2022. However, a future utilization of these carryforwards could become impossible under certain conditions (e.g., a major change of ownership and a change of business) based on the applicable German tax law. Due to the current financial situation of the Company, without sufficient liquidity to achieve the break-even point, valuation allowances have been recognized for the calculated exceeding amount of deferred tax assets at the balance sheet date.

It is no longer expected that the R&D tax credits in the USA will be utilized.

CURRENT ASSETS

15 INVENTORIES

EUR thousand	Dec 31, 2022	Dec 31, 2021
Consumables, raw materials, supplies	31	96
Finished goods	30	76
Semi-finished goods	0	4
Total inventories	**61**	**176**

The cost of inventories recognized through profit or loss in 2022 amounted to EUR 259 thousand (2021: EUR 122 thousand).

16 TRADE RECEIVABLES

Trade receivables primarily include receivables from development partners, customers and licensees. These receivables do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables correspond to their fair values. The maximum default risk corresponded to the carrying amount as of the balance sheet date.

EUR thousand	Dec 31, 2022	Dec 31, 2021
Trade receivables	83	73
of which not yet due	9	29
of which past due (up to 90 days)	33	5
of which not yet invoiced (assets from contractual relationships)	41	39

No allowances for doubtful accounts had been recognized as of the balance sheet date.

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased to EUR 10,126 thousand as of the balance sheet date (December 31, 2021: EUR 23,049 thousand). 49.7% of those funds was denominated in euros at the balance sheet date, with the remainder denominated in U.S. dollars. The total amount was deposited in current accounts at two different banks.

At the balance sheet date, an amount of EUR 90 thousand of bank deposits was restricted cash.

18 OTHER CURRENT ASSETS

EUR thousand	Dec 31, 2022	Dec 31, 2021
Receivables from tax authorities	264	91
Prepaid expenses	210	222
Claims under enforcement proceedings	28	28
Security deposit	24	42
Interest receivables	7	9
Other	12	22
Total other current assets	**545**	**414**

EQUITY

19 SHARE CATEGORIES AND CAPITAL STRUCTURE

As of December 31, 2022, the share capital of Epigenomics AG consisted exclusively of non-par value ordinary registered shares with equal rights. The reverse stock split approved by the extraordinary General Shareholders' Meeting on October 21, 2022 was carried out on the Company's shares in a ratio of 4:1 in the December of the reporting period. As a result, four old Epigenomics shares (securities identification number: A3H218) were combined to form one new Epigenomics share (securities identification number: A32VN8). This reduced the share capital from EUR 16,371,243 to EUR 4,092,810, composed of 4,092,810 non-par value ordinary registered shares.

Equity structure of the Company as of the balance sheet date:

EUR	Dec 31, 2022	Dec 31, 2021
Subscribed capital	**4,092,810**	**15,539,737**
Authorized Capital	**21,594,386**	**21,594,386**
Authorized Capital 2020/I	4,712,984	4,712,984
Authorized Capital 2020/II	16,881,402	16,881,402
Conditional Capital	**12,278,612**	**15,886,953**
Conditional Capital 2016/I or XI	29,102	1,000,000
Conditional Capital 2017/I or XII	52,547	1,000,000
Conditional Capital 2019/III or XIII	141,516	1,000,000
Conditional Capital 2020/I or XIV	12,055,447	12,886,953

Authorized Capital 2020/I

The Executive Board is authorized until June 11, 2025, to increase, with the consent of the Supervisory Board, the share capital of the Company once or several times by up to a total of EUR 4,712,984.00 against cash and/or in-kind contributions by issuing new non-par value registered shares (Authorized Capital 2020/I). Subscription rights shall be granted to the shareholders. The new shares can also be subscribed by one or more credit institutions or undertakings acting pursuant to section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz – KWG) under the obligation to offer the shares to the shareholders for subscription (indirect subscription right). The Executive Board is, however, authorized to exclude, with the consent of the Supervisory Board, the shareholders' statutory subscription rights in the following events:

- for fractional amounts;
- if the new shares are issued according to section 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz – AktG) against contribution in cash at an issue price which is not significantly below the stock exchange price of the shares already listed and the pro rata notional portion of the share capital represented by the new shares does not exceed ten per cent (10%) of the share capital at the time this authorization is registered with the commercial register, or, if lower, at the respective time when the authorization is exercised. The 10% limitation shall include other shares which have been newly issued by the Company by way of a capital increase against contribution in cash during the term of this authorization pursuant to section 186 (3) sentence 4 AktG or pursuant to section 203 in conjunction with section 186 (3) sentence 4 AktG, or which have been sold following a repurchase in accordance with section 71 (1) no. 8 AktG in conjunction with section 186 (3) sentence 4 AktG, in each case under exclusion of subscription rights. Furthermore, the 10% limitation shall include shares for which there is an option or conversion right or obligation, or a share delivery right in favor of the Company, based on bonds with warrants or convertible bonds or participation rights or combinations of those instruments that have been issued during the term of this authorization under exclusion subscription rights pursuant to section 221 (4) sentence 2 in conjunction with section 186 (3) sentence 4 AktG by the Company or a dependent entity of the Company within the meaning of section 17 AktG;
- to the extent necessary to grant subscription rights for new shares to holders or creditors of option rights, convertible bonds or participation rights or combinations of those instruments issued by the Company or a dependent entity of the Company within the meaning of section 17 AktG in the amount in which they would be entitled thereto upon the exercise of the option or conversion rights or the exercise of share delivery rights, or performance of conversion or option obligations.

The Executive Board is further authorized to determine, with the consent of the Supervisory Board, the dividend rights of the new shares in deviation from section 60 (2) AktG as well as the further details of the implementation of capital increases from Authorized Capital 2020/I. The Supervisory Board is authorized to amend the wording of the Articles of Association, as appropriate, after implementation of a capital increase from the Authorized Capital 2020/I in accordance with the respective share capital increase or after expiry of the term of the authorization.

Authorized Capital 2020/II

The Executive Board is authorized until June 11, 2025, to increase, with the consent of the Supervisory Board, the share capital of the Company once or several times by up to a total of EUR 16,881,402.00 against cash and/or in-kind contributions by issuing new non-par value registered shares (Authorized Capital 2020/II). Subscription rights shall be granted to the shareholders. The Company shall organize stock market trading of the subscription rights. The new shares can also be subscribed by one or more credit institutions or undertakings acting pursuant to section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz – KWG) under the obligation to offer the shares to the shareholders for subscription (indirect subscription right). The Executive Board is, however, authorized to exclude, with the consent of the Supervisory Board, the shareholders' statutory subscription rights for fractional amounts. The Executive Board is further authorized to determine, with the consent of the Supervisory Board, the dividend rights of the new shares in deviation from section 60 (2) AktG as well as the further details of the implementation of capital increases from Authorized Capital 2020/II. The Supervisory Board is authorized to amend the wording of the Articles of Association, as appropriate, after implementation of a share capital increase from Authorized Capital 2020/II in accordance with the respective share capital increase or after expiry of the term of the authorization.

Conditional Capital 2016/I or XI

The share capital is conditionally increased by up to EUR 29,102.00 by means of issuing up to 29,102 new non-par value registered shares (Conditional Capital 2016/I or XI). The conditional capital increase serves to grant or issue shares to members of the Executive Board of the Company, to members of the management of domestic and foreign dependent companies of the Company as defined in sections 15 and 17 AktG and to employees of the Company and of domestic and foreign dependent companies of the Company as defined in sections 15 and 17 AktG who exercise the subscription rights they were granted prior to the end of April 30, 2018 pursuant to the authorization resolution of the General Shareholders' Meeting dated May 25, 2016 (Stock Option Program 16–18). The new shares are issued against payment by the beneficiary to the Company of the respective exercise price to be determined in accordance with the aforementioned authorization resolution.

The conditional capital increase is to be implemented only if subscription rights are issued in accordance with the authorization resolution on the Company's Stock Option Program 16–18 by the General Shareholders' Meeting dated May 25, 2016 and only to the extent that the holders of these subscription rights exercise them and the Company does not grant any treasury shares or cash compensation to fulfill these subscription rights.

The new shares issued carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board may determine, as far as legally permissible and with the consent of the Supervisory Board, that, if no resolution on the appropriation of net profit for the fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall be entitled to dividends from the beginning of the fiscal year immediately preceding the year of issue; if the new shares are issued to members of the Executive Board, the Supervisory Board is authorized to do so.

Between 2016 and 2018 the maximum permitted number of share options were issued based on Conditional Capital 2016/I or XI. In accordance with the terms and conditions of the stock option program, since October 2020 it has been possible to create new shares upon exercise of these stock options. However, no option rights have been exercised under this program to date.

With relation to Conditional Capital 2016/I or XI, 7,272 stock options were still outstanding as of the end of the reporting period.

Conditional Capital 2017/I or XII

The share capital is conditionally increased by up to EUR 52,547.00 by means of issuing up to 52,547 new non-par value registered shares (Conditional Capital 2017/I or XII). The conditional capital increase serves to grant or issue shares to members of the Executive Board of the Company, to members of the management of domestic and foreign dependent companies of the Company as defined in sections 15 and 17 AktG and to employees of the Company and of domestic and foreign dependent companies of the Company as defined in sections 15 and 17 AktG who exercise the subscription rights they were granted prior to the end of April 30, 2019 pursuant to the authorization resolution of the General Shareholders' Meeting dated May 30, 2017 (Stock Option Program 17–19). The new shares are issued against payment by the beneficiary to the Company of the respective exercise price to be determined in accordance with the aforementioned authorization resolution.

The conditional capital increase is to be implemented only if subscription rights are issued in accordance with the authorization resolution on the Company's Stock Option Program 17–19 by the General Shareholders' Meeting dated May 30, 2017 and only to the extent that the holders of these subscription rights exercise them and the Company does not grant any treasury shares or cash compensation to fulfill these subscription rights.

The new shares issued carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board may determine, as far as legally permissible and with the consent of the Supervisory Board, that, if no resolution on the appropriation of net profit for the fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall be entitled to dividends from the beginning of the fiscal year immediately preceding the year of issue; if the new shares are issued to members of the Executive Board, the Supervisory Board is authorized to do so.

Between 2017 and 2019 the maximum permitted number of share options were issued based on Conditional Capital 2017/I or XII. In accordance with the terms and conditions of the stock option program, no new shares can be created upon exercise of these stock options before April 2023.

With relation to Conditional Capital 2017/I or XII, 12,366 stock options were still outstanding as of the end of the reporting period

Conditional Capital 2019/III or XIII

The share capital is conditionally increased by up to EUR 141,516.00 by means of issuing up to 141,516 new non-par value registered shares (Conditional Capital 2019/III or XIII). The conditional capital increase serves to grant or issue shares to members of the Executive Board of the Company, to members of the management of domestic and foreign dependent companies of the Company as defined in sections 15 and 17 AktG and to employees of the Company and of domestic and foreign dependent companies of the Company as defined in sections 15 and 17 AktG who exercise the subscription rights they were granted prior to the end of May 31, 2021 pursuant to the authorization resolution of the General Shareholders' Meeting dated May 15, 2019 (Stock Option Program 19–21). The new shares are issued against payment by the beneficiary to the Company of the respective exercise price to be determined in accordance with the aforementioned authorization resolution.

The conditional capital increase is to be implemented only if subscription rights are issued in accordance with the authorization resolution on the Company's Stock Option Program 19–21 by the General Shareholders' Meeting dated May 15, 2019 and only to the extent that the holders of these subscription rights exercise them and the Company does not grant any treasury shares or cash compensation to fulfill these subscription rights.

The new shares issued carry dividend rights from the beginning of the fiscal year in which they are created. The Executive Board may determine, as far as legally permissible and with the consent of the Supervisory Board, that, if no resolution on the appropriation of net profit for the fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall be entitled to dividends from the beginning of the fiscal year immediately preceding the year of issue; if the new shares are issued to members of the Executive Board, the Supervisory Board is authorized to do so.

The Supervisory Board is also authorized to determine the further details concerning the implementation of the conditional capital increase where the granting of subscription rights to members of the Executive Board is concerned. In all other cases, the Executive Board is authorized to determine such details.

In accordance with the terms and conditions of the stock option program, no new shares can be created upon exercise of these stock options before April 2024.

With relation to Conditional Capital 2019/III or XIII, 31,970 stock options were still outstanding as of the end of the reporting period.

Conditional Capital 2020/I or XIV

The share capital is conditionally increased by up to EUR 12,055,447.00 by means of issuing up to 12,055,447 new non-par value registered shares (Conditional Capital 2020/I or XIV). The conditional capital increase serves to grant shares to the holders or creditors of bonds or participation rights, such shares being issued by the Company, or a Group company within the meaning of section 18 AktG in which the Company directly and/or indirectly holds an interest of at least 90%, until June 11, 2025 on the basis of the authorization resolution of the General Shareholders' Meeting dated June 12, 2020 if option or conversion rights are exercised, if option or conversion obligations are performed or if the Company exercises its optional right to deliver shares of the Company instead of payment of the cash amount due (or parts thereof). The new shares are issued at the respective option or conversion price to be determined in accordance with the authorization resolution of the Annual General Shareholders' Meeting dated June 12, 2020.

The conditional capital increase is only to be implemented if bonds or participation rights are issued in accordance with the authorization resolution of the General Shareholders' Meeting dated June 12, 2020, and only to the extent that

- option or conversion rights are exercised or
- holders or creditors of bonds or participation rights who are under an obligation to exercise an option or under a conversion obligation perform their obligation to exercise the option or their conversion obligation or
- the Company exercises its optional right to deliver shares of the Company instead of paying the cash amount due (or parts thereof)

and to the extent that no cash settlement is granted and no shares from an authorized capital, treasury shares or shares of another listed company are delivered. The new shares issued carry dividend rights from the commencement of the fiscal year in which they are issued. The Executive Board is authorized, as far as legally permissible and with the consent of the Supervisory Board, to determine that, if no resolution on the appropriation of net profit for the fiscal year immediately preceding the year of issue of the new shares has been adopted when the new shares are issued, the new shares shall carry dividend rights from the beginning of the fiscal year immediately preceding the year of issue. The Executive Board is also authorized, with the consent of the Supervisory Board, to determine the further details concerning the implementation of the conditional capital increase.

Based on Conditional Capital 2020/I or XIV, the Company issued bonds in the reporting period that as of the issuance date entitled their holders to convert them into 20,000,000 new shares. The bond terms protect creditors against dilution. This antidilution may cause a change in the conversion price and increase the total conditional capital from its original level of 20,000,000 shares. These bonds had already been converted into 8,509,476 new ordinary shares since being issued. Following the capital decrease conducted in December 2022, the bonds outstanding as of December 31, 2022 can be converted into 2,879,145 new shares.

20 CAPITAL RESERVE

The capital reserve comprises the premiums arising on the issuance of shares, the portion of mandatory convertible bonds not yet converted and the expenses relating to the issuance of shares, as well as expenses from the issue of stock options to Executive Board and staff members.

The capital reserve increased in the reporting period from EUR 99,756 thousand as of December 31, 2021 to EUR 102,361 thousand as of December 31, 2022.

The capital reduction resolved by the extraordinary General Shareholders' Meeting in November was carried out in the fourth quarter of 2022 (see note 19 "Share Categories and Capital Structure"). A portion of the reduction amounting to EUR 3,503 thousand was transferred to the capital reserve. The amount transferred to the reserve was reduced by the associated costs amounting to EUR 17 thousand. The capital reserve also decreased by EUR 831 thousand through the conversion of bonds during the financial year and by EUR 15 thousand due to the costs of these transactions. In 2022, the expense adjustment due to forfeited stock options exceeded the costs incurred by the issue of stock options to members of the Management Board and employees, so that the capital reserve was reduced by EUR 35 thousand. In the previous year, the capital reserve increased by EUR 98 thousand due to the issue of stock options to members of the Management Board and employees.

21 RETAINED EARNINGS

The net loss of EUR 2,428 thousand for 2021 initially added to the retained earnings of EUR -90,732 thousand reported as of December 31, 2021. In the context of the capital reduction (see note 19 "Share Categories and Capital Structure"), a EUR 8,775 thousand portion of the overall reduction was used to top up retained earnings, which consequently fell to EUR -84,385 thousand as of the end of the reporting period.

22 OTHER COMPREHENSIVE INCOME

The other comprehensive income includes unrealized gains and/or losses on marketable securities and exchange rate differences from the remeasurement of the results and the financial position of the Company's subsidiary whose financial statements were prepared in U.S. dollars. The actual disposal of remeasured financial assets and/or liabilities leads to a recognition of the cumulated revaluation differences through profit or loss.

EUR thousand	2022	2021
January 1	**-16**	**1,286**
Remeasurement of marketable securities	0	39
Exchange rate differences	143	-1,341
December 31	**127**	**-16**

23 CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the long-term return to stakeholders. An optimization of the debt/equity ratio is always considered.

The current liabilities, cash and cash equivalents, the marketable securities and equity attributable to equity holders, comprising subscribed capital, capital reserve (including offset retained earnings) and other comprehensive income are subject to the Group's capital management.

In the reporting period, the Group's equity ratio declined from 89.7% as of December 31, 2021 to 64.2% as of December 31, 2022.

The Company is not subject to any statutory capital requirements. However, the Company is obliged to issue new shares in connection with granted option rights from its existing stock option programs.

LIABILITIES

24 PROVISIONS

Statement of changes in provisions:

EUR thousand	Contract-related provisions	Payroll provisions	Provisions for claims from phantom stock rights	Other provisions	Total
Jan 1, 2021	**0**	**613**	**0**	**302**	**915**
of which non-current	0	0	0	36	36
Utilizations	0	-450	0	-31	-481
Reversals	0	-86	0	-148	-234
Additions	0	579	4	78	661
Dec 31, 2021	**0**	**656**	**4**	**201**	**861**
of which non-current	0	0	4	28	32
Utilizations	0	-622	0	-122	-744
Reversals	0	-32	0	-15	-47
Additions	0	77	36	412	525
Dec 31, 2022	**0**	**79**	**40**	**476**	**595**
of which non-current	0	0	40	50	90

Payroll provisions were recognized for obligations from bonus commitments to management and employees of the Company. These provisions may in individual cases also be utilized beyond a twelve-month time frame.

Provisions for claims from phantom stock rights (PSRs) were recognized based on the fair value of all contractually guaranteed rights resulting from the Company's phantom stock program (PSPs).

Other provisions were recognized for various operating obligations which were uncertain as of the reporting date with respect to their exact amounts and/or timing. A utilization of both of these categories of provisions is largely expected within the next twelve months.

25 TRADE PAYABLES

The reported trade payables in the amount of EUR 3,540 thousand as of the balance sheet date (December 31, 2021: EUR 503 thousand) are all non-interest-bearing. The total amount comprises exclusively non-derivative financial liabilities. Of that, EUR 2,448 thousand results from the agreement for licensed protein biomarker technology and will fall due as an upfront payment at the latest in June 2023. The remainder will fall due within two months following the end of the reporting period.

26 OTHER LIABILITIES

EUR thousand	Dec 31, 2022	Dec 31, 2021
Payables due to staff	299	436
Accrued audit fees	225	154
Payables due to tax authorities	59	60
Other	65	0
Total other liabilities	**648**	**650**

The reported other liabilities are exclusively non-interest-bearing. They comprise non-derivative financial liabilities amounting to EUR 352 thousand that are due exclusively within two months following the reporting date.

27 MATURITIES OF FINANCIAL LIABILITIES

The table below shows the maturities of the Company's liabilities as of the end of the reporting period based on undiscounted contractual payments.

EUR thousand as of December 31, 2022	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Trade payables	1,092	2,448	0	0	3,540
Lease liabilities	91	276	545	0	912
Other financial liabilities	350	0	0	0	350
Total	**1,581**	**2,724**	**545**	**0**	**4,850**

EUR thousand as of December 31, 2021	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Trade payables	503	0	0	0	503
Lease liabilities	29	88	408	0	525
Other financial liabilities	265	0	0	0	265
Total	**797**	**88**	**408**	**0**	**1,293**

28 FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES

Primary financial instruments

EUR thousand	Measurement principle	Measurement hierarchy level	as of Dec 31, 2022 Carrying amount	as of Dec 31, 2022 Fair value	as of Dec 31, 2021 Carrying amount	as of Dec 31, 2021 Fair value
Assets						
Cash and cash equivalents	AC		10,126	10,126	23,049	23,049

AC = measured at amortized cost

Net liabilities from financing activities

EUR thousand	Note	Jan 1, 2022	Non-cash changes: Reclassifications (current/non-current)	Non-cash changes: Additions	Non-cash changes: Interest expense	Non-cash changes: Other effects	Cash flows	Dec 31, 2022
Trade payables	25	3	0	0	0	0	-3	0
Non-current lease liabilities	27	369	-331	445	64	-30	0	517
Current lease liabilities	27	91	311	191	0	68	-357	324
Total		**463**	**0**	**636**	**64**	**38**	**-360**	**841**

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.

29 OPERATING ACTIVITIES

Cash flow from operating activities is derived indirectly on the basis of the net profit/loss for the year.

30 INVESTING ACTIVITIES

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

31 FINANCING ACTIVITIES

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

The cash outflow from financing activities amounted to EUR 18 thousand in 2022 (2021: EUR 2,277 thousand) and related to the conversion of convertible bonds. EUR 341 thousand was paid out for leases (2021: EUR 272 thousand).

32 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".

EUR thousand	2022	2021
Cash flow from operating activities	-12,024	-4,152
Cash flow from investing activities	-1,700	961
Net proceeds from transactions in securities	0	-984
Cash consumption	**13,724**	**4,175**

RISKS AND RISK MANAGEMENT

33 GENERAL

For a comprehensive overview of the risks the Company is facing, please refer to the "Report on opportunities and risks" section of the Group management report 2022.

34 LIQUIDITY RISK

The liquidity risk to which Epigenomics is exposed results from the Group's potential inability to meet its financial liabilities, i.e., not being able to pay its suppliers, creditors or lenders. It is therefore the task of cash and liquidity management to ensure the individual Group companies' liquidity at any time. The expected cash inflows and outflows are constantly monitored to ensure short-term liquidity. These activities are supported by internal cash forecasts and a corresponding strategy of managing time deposits with the Company's principal banks.

Furthermore, Epigenomics constantly monitors the capital markets and – if required – makes all necessary efforts to raise fresh capital in order to avoid illiquidity.

Epigenomics has strict cost management in place to avoid unnecessary spending. On the procurement side, the Company always tries to reduce purchase prices by closing favorable contracts and negotiating all relevant conditions and takes advantage of granted terms of payment.

35 FOREIGN CURRENCY EXCHANGE RISK

The Group executes transactions denominated in foreign currencies and is therefore exposed to the risk of exchange rate fluctuations. This risk is due on the one hand to the fact that the German parent company purchases some goods and services in U.S. dollars. On the other hand, Epigenomics markets its primary product – Epi proColon – in the U.S.A., and revenue is generated by the Group's U.S. subsidiary, Epigenomics, Inc., in U.S. dollars, while the kits are manufactured and billed to the contract manufacturer primarily in euros. This leads to an increased foreign currency exchange (FX) risk for the Group. This risk is reduced by utilizing the proceeds generated in U.S. dollars to finance the operating business activities of Epigenomics, Inc. (e.g., to purchase goods and services). With regard to U.S. dollar amounts in excess of the U.S. subsidiary's mid- to long-term cash requirements, the Group will constantly try to mitigate or to eliminate the remaining risk as far as possible, for example through the use of derivative financial instruments (e.g., forward contracts) to minimize this risk. As of the balance sheet date, there was only a very limited number and volume of items denominated in foreign currencies other than the U.S. dollar. and there were no open forward contracts.

The following table shows the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities:

Primary financial instruments	**Dec 31, 2022**			**Dec 31, 2021**		
EUR thousand	Total	of which in USD	in %	Total	of which in USD	in %
Trade receivables	83	70	84.8	73	73	100.0
Cash and cash equivalents	10,126	5,088	50.3	23,049	14,579	63.3
Other current assets	206	112	54.1	155	60	38.9
Non-current lease liabilities	517	248	47.9	-369	0	0.0
Trade payables	3,540	3,215	90.8	-503	-307	61.0
Current lease liabilities	324	224	69.3	-91	0	0.0
Other current liabilities	648	270	41.6	-651	-324	49.9
Total net position	**5,385**	**1,313**	**24.4**	**21,664**	**14,081**	**65.0**
of which in third currencies	-2			-1		

The sensitivity of the Group's net result and of shareholders' equity to foreign currency exchange rate fluctuations is shown in the table below:

Scenario

EUR thousand	Impact on	**2022**	**2021**
10% increase in the EUR/USD rate	Total comprehensive income	-112	-1,130
	Equity	2,642	1,889
10% decrease in the EUR/USD rate	Total comprehensive income	137	1,381
	Equity	-3,229	-2,308

36 CREDIT RISK

Credit risk is the risk that a counterparty will fail to meet its obligations under a financial instrument or customer contract, resulting in a financial loss. The Company is routinely exposed to credit risk arising in its business and investment activities. It also affects deposits at banks and other financial institutions, and other financial instruments.

The Company holds its liquid assets at two different banks, thereby reducing the credit risk with respect to bank deposits.

Customer-related credit risk is managed both centrally and at the level of the respective Group entity responsible for managing the relevant customer relationships. Monitoring covers receivables outstanding from customers and the order volume. The Group currently assesses risk concentrations in relation to trade receivables and receivables due under contracts as low, since on the one hand these are mainly due from well-known business partners with impeccable credit ratings, and on the other only immaterial volumes are due from small clients (primarily laboratories, clinics and universities). Whenever possible, payments are collected upfront. The Company maintains a long-standing, good contractual relationship with its major partners.

To estimate potential credit losses, trade receivables and open order backlogs are grouped together according to common credit risk characteristics (e.g., existing default in days).

The expected rates of loss are based on customers' payment profiles, as measured by sales over a period of at least 12 months before the end of each reporting period and the corresponding historical credit losses that have arisen during that period. Historical rates of loss are adjusted where necessary to reflect current and forward-looking information about macroeconomic factors affecting customers' ability to pay debts as they fall due. Based on these criteria, the Company's customer base exhibits extremely low credit risk and the Company assumes that the economic situation in the U.S.A., China and Europe will remain robust, particularly with regard to the healthcare sector. The expected default rate for trade receivables and contract assets currently amounts to 0%.

37 INTEREST RATE RISK

Given the continuing low interest rates on the international capital markets, the Group is currently not exposed to any interest rate risks from its cash and cash equivalents item.

INFORMATION ON SHARE-BASED PAYMENT PLANS[1]

38 DESCRIPTION OF STOCK OPTION PROGRAMS

As of the balance sheet date, the Company had the following stock option programs (SOPs) in place:

Stock options can no longer be granted from SOP 16–18, SOP 17–19 or SOP 19–21.

On May 25, 2016, the General Shareholders' Meeting resolved to implement a new stock option program (SOP 16–18) based on the new Conditional Capital XI (see also the note "Share Categories and Capital Structure"). Under this program, the Executive Board and the Supervisory Board of the Company were authorized, until the end of April 30, 2018, to issue stock options in accordance with the provisions set forth below to members of the Executive Board and to employees of the Company as well as to members of the management and to employees of domestic and foreign dependent companies of the Company provided that each stock option so issued entitles the beneficiary to subscribe for one non-par value registered share of the Company. Under this authorization, the Executive Board and the Supervisory Board have issued the maximum number of stock options, a total of 31,250, which entitle the beneficiaries to subscribe for no more than 31,250 non-par value registered shares of the Company.

The beneficiaries were the members of the Executive Board of the Company (group 1), the employees of the Company (group 2), the members of the management of subordinated Group companies (group 3) and the employees of subordinated Group companies (group 4).

The subscription rights may only be exercised outside the blackout periods. Blackout periods means the periods between the end of the fiscal year and the publication of the annual report and the consolidated financial statements for the respective fiscal year, and between the end of the first, second and third quarters of a fiscal year and the publication of a quarterly report or a quarterly announcement of the Company for the respective quarter.

A quarter of the subscription rights in every tranche shall vest for the beneficiaries one year, two years, three years and four years, respectively, after the issue date of the respective tranche. In deviation from the above provision, the Supervisory Board may declare full or partial vesting of subscription rights issued in one tranche in favor of any one or all group 1 beneficiaries, and the Executive Board may with the consent of the Supervisory Board declare full or partial vesting of subscription rights issued in one tranche in favor of any one or all group 2 to 4 beneficiaries, at any time after the issue date of the respective tranche. In this case, the subscription rights shall be deemed vested upon receipt by the respective beneficiary of the corresponding declaration by the Executive Board or the Supervisory Board.

Subscription rights of each tranche can be exercised for the first time after their vesting and after expiration of the waiting period. The waiting period ends four years after the issue date of the tranche. The restriction of the exercise of the subscription rights to certain exercise periods and subject to compliance with all exercise conditions shall remain unaffected by the expiration of the waiting period.

The term of the subscription rights of every tranche starts on the issue date of the subscription rights and ends seven years after such issue date. Subscription rights that have not been exercised by the end of their term shall expire without compensation. This shall also apply where the non-exercise of the subscription rights is attributable to the fact that they could not be exercised, and shall also apply to vested subscription rights.

The subscription rights can only be exercised against payment of the exercise price to the Company. The exercise price for a subscription right of the respective tranche equals the non-volume weighted average stock exchange closing price of the shares of the Company on the ten stock exchange trading days preceding the issue date of the tranche in the electronic trading system of the Frankfurt Stock Exchange plus 10%.

[1] With regard to the stock option programs and the phantom stock programs, all figures, share prices and values are based on the capital structure of the Company after the capital reduction in December 2022. For reasons of comparability, the relevant figures for 2021 have been adjusted retrospectively.

After vesting has occurred and after the waiting period has expired, subscription rights may be exercised only if the closing stock exchange price of the shares of the Company in the electronic trading system of the Frankfurt Stock Exchange has exceeded the original price by at least 10% on at least one trading day in the period between the issue date of the tranche and the expiration of the waiting period (performance target). If the performance target has not been reached upon expiration of the waiting period, the subscription rights shall expire without compensation.

Any subscription rights of a beneficiary that have not yet vested shall expire without compensation upon termination of the service or employment contract between the beneficiary and the Company (or a subordinated Group company) if the service or employment contract has been terminated by the beneficiary, or by the Company (or the respective subordinated Group company) for cause. This shall not apply to any termination by group 1 or group 3 beneficiaries on account of a vote of no confidence by the General Shareholders' Meeting. Subscription rights of a beneficiary that have vested but have not yet been exercised or could not yet be exercised by the respective beneficiary shall expire without compensation upon termination of the service or employment contract between the beneficiary and the Company (or a subordinated Group company) if the service or employment contract has been terminated by the Company (or the respective subordinated Group company) for cause. This shall not apply to any termination by group 1 or group 3 beneficiaries on account of a vote of no confidence by the General Shareholders' Meeting.

The Executive Board or, in the case of group 1 beneficiaries, the Supervisory Board, may reserve the right to fulfill subscription rights that have been validly exercised by paying to the beneficiary compensation in cash instead of delivering any newly issued or previously acquired treasury shares of the Company. Such cash compensation shall equal the difference between the exercise price and the closing price of the shares of the Company last determined in the electronic trading system of the Frankfurt Stock Exchange before the exercise of the subscription right. However, the Company has no obligation to offer cash compensation for exercised subscription rights and does not currently intend to offer such cash compensation for exercised subscription rights.

For further details on SOP 16–18, please see the invitation to the General Shareholders' Meeting on May 25, 2016. The document is available on the Company's website (www.epigenomics.com).

On May 30, 2017, the General Shareholders' Meeting resolved to implement a new stock option program (SOP 17–19) based on the new Conditional Capital XII (see also the section "Share Categories and Capital Structure"). Under this program, the Executive Board and the Supervisory Board of the Company were authorized, until the end of May 31, 2019, to issue stock options in accordance with the provisions set forth below to members of the Executive Board and to employees of the Company as well as to members of the management and to employees of domestic and foreign dependent companies of the Company provided that each stock option so issued entitles the beneficiary to subscribe for one non-par value registered share of the Company. Under this authorization, the Executive Board and the Supervisory Board may issue a total of up to 31,250 stock options which entitle the beneficiaries to subscribe for no more than 31,250 non-par value registered shares of the Company. Only the Supervisory Board of the Company is authorized to issue stock options to beneficiaries who are members of the Executive Board of the Company. In all other respects, the Executive Board is authorized to grant stock options, with the Executive Board being required to obtain the Supervisory Board's consent before granting stock options to holders of a general power of attorney (Prokura) of the Company and to members of the management of subordinated Group companies. The shareholders have no subscription rights.

The beneficiaries are the members of the Executive Board of the Company and members of the management of subordinated Group companies (group 1) and the employees of the Company and of subordinated Group companies (group 2). From the total volume of SOP 17–19, the distribution shall be as follows:

- Group 1 all beneficiaries: max. 68% or 21,250 stock options
- Group 2 all beneficiaries: max. 32% or 10,000 stock options

The subscription rights may only be exercised outside the blackout periods.

A quarter of the subscription rights in every tranche shall vest for the beneficiaries one year, two years, three years and four years, respectively, after the issue date of the respective tranche. In deviation from the above provision, the Supervisory Board may declare full or partial vesting of subscription rights issued in one tranche in favor of any one or all group 1 beneficiaries, and the Executive Board may with the consent of the Supervisory Board declare full or partial vesting of subscription rights issued in one tranche in favor of any one or all group 2 beneficiaries, at any time after the issue date of the respective tranche. In this case, the subscription rights shall be deemed vested upon receipt by the respective beneficiary of the corresponding declaration by the Executive Board or the Supervisory Board.

Otherwise, the same terms of SOP 16–18 apply to the term, exercise and expiration of the subscription rights under the SOP 17–19.

For further details on SOP 17–19, please see the invitation to the General Shareholders' Meeting on May 30, 2017. The document is available on the Company's website (www.epigenomics.com).

On May 15, 2019, the General Shareholders' Meeting resolved to implement a new stock option program (SOP 19–21) based on the new Conditional Capital XIII (see also the section "Share Categories and Capital Structure"). Under this program, the Executive Board and the Supervisory Board of the Company were authorized, until the end of May 31, 2021, to issue stock options in accordance with the provisions set forth below to members of the Executive Board and to employees of the Company as well as to members of the management and to employees of domestic and foreign dependent companies of the Company provided that each stock option so issued entitles the beneficiary to subscribe for one non-par value registered share of the Company. Under this authorization, the Executive Board and the Supervisory Board may issue a total of up to 31,250 stock options which entitle the beneficiaries to subscribe for no more than 31,250 non-par value registered shares of the Company. Only the Supervisory Board of the Company is authorized to issue stock options to beneficiaries who are members of the Executive Board of the Company. In all other respects, the Executive Board is authorized to grant stock options, with the Executive Board being required to obtain the Supervisory Board's consent before granting stock options to holders of a general power of attorney (Prokura) of the Company and to members of the management of subordinated Group companies. The shareholders have no subscription rights.

The beneficiaries are the members of the Executive Board of the Company and members of the management of subordinated Group companies (group 1) and the employees of the Company and of subordinated Group companies (group 2). From the total volume of SOP 19–21, the distribution shall be as follows:

- Group 1 all beneficiaries: max. 68% or 21,250 stock options
- Group 2 all beneficiaries: max. 32% or 10,000 stock options

The subscription rights may only be exercised outside the blackout periods.

A quarter of the subscription rights in every tranche shall vest for the beneficiaries one year, two years, three years and four years, respectively, after the issue date of the respective tranche. In deviation from the above provision, the Supervisory Board may declare full or partial vesting of subscription rights issued in one tranche in favor of any one or all group 1 beneficiaries, and the Executive Board may with the consent of the Supervisory Board declare full or partial vesting of subscription rights issued in one tranche in favor of any one or all group 2 beneficiaries, at any time after the issue date of the respective tranche. In this case, the subscription rights shall be deemed vested upon receipt by the respective beneficiary of the corresponding declaration by the Executive Board or the Supervisory Board.

Otherwise, the same terms of SOP 16–18 and SOP 17–19 apply to the term, exercise and expiration of the subscription rights under the SOP 19–21.

For further details on SOP 19–21, please see the invitation to the General Shareholders' Meeting on May 15, 2019 and the amended resolution proposals of the Executive Board and Supervisory Board. These documents are available on the Company's website.

39 STOCK OPTION PROGRAMS – OUTSTANDING RIGHTS

No rights under SOP 16–18, 17–19 and 19–21 were exercised within the reporting year or in the previous year.

SOP 16–18	Options outstanding	Issued	Expired	Forfeited	Exercised	Reclassified	Options outstanding	Options exercisable
Option holder	as of Jan 1, 2022 (2021)	Options in 2022 (2021)					**as of Dec 31, 2022** (2021)	
Greg Hamilton (CEO)	4,970	0	2,109	0	0	0	2,861	2,861
	(7,108)	(0)	(2,138)	(0)	(0)	(0)	(4,970)	(2,861)
Andrew Lukowiak (PhD) (CSO since Dec 1, 2021)	0	0	0	0	0	0	0	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Jens Ravens (CFO since Feb 1, 2022)	n/a	0	0	0	0	0	0	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(n/a)	(n/a)
Albert Weber (EVP Finance until Dec 31 2021)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	(937)	(0)	(937)	(0)	(0)	(0)	(0)	(0)
Other option holders	10,778	0	6,171	196	0	0	4,411	4,411
	(19,358)	(0)	(7,505)	(1,075)	(0)	(0)	(10,778)	(4,411)
All option holders	**15,748**	**0**	**8,280**	**196**	**0**	**0**	**7,272**	**7,272**
	(27,403)	(0)	(10,580)	(1,075)	(0)	(0)	(15,748)	(7,272)
Average exercise price (in EUR)	151.20	n/a	131.84	131.84	n/a	n/a	173.76	173.76
	(155.59)	(n/a)	(163.20)	(144.96)	(n/a)	(n/a)	(151.20)	(173.76)

SOP 17–19	Options outstanding	Issued	Expired	Forfeited	Exercised	Reclassi-fied	Options outstanding	Options exercisable
Option holder	as of Jan 1, 2022 (2021))	Options in 2022 (2021)					**as of Dec 31, 2022** (2021)	
Greg Hamilton (CEO)	4,140	0	1,015	0	0	0	3,125	0
	(5,127)	(0)	(987)	(0)	(0)	(0)	(4,140)	(0)
Andrew Lukowiak (PhD) (CSO since Dec 1, 2021)	0	0	0	0	0	0	0	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Jens Ravens (CFO since Feb 1, 2022)	n/a	0	0	0	0	0	0	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(n/a)	(n/a)
Albert Weber (EVP Finance until Dec 31 2021)	4,375	n/a	n/a	n/a	n/a	-4,375	n/a	n/a
	(4,375)	(0)	(0)	(0)	(0)	(0)	(4,375)	(0)
Jorge Garces (COO until Jan 31, 2021)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	(5,312)	(0)	(0)	(3,320)	(0)	(-1,992)	(n/a)	(n/a)
Other option holders	14,159	0	6,541	2,752	0	4,375	9,241	0
	(14,637)	(0)	(1,594)	(876)	(0)	(1,992)	(14,159)	(0)
All option holders	**22,674**	**0**	**7,556**	**2,752**	**0**	**0**	**12,366**	**0**
	(29,451)	(0)	(2,581)	(4,196)	(0)	(0)	(22,674)	(0)
Average exercise price (in EUR)	92.98	n/a	131.84	75.43	n/a	96.64	61.44	n/a
	(92.98)	(n/a)	(163.20)	(84.38)	(n/a)	(108.37)	(92.98)	(n/a)

SOP 19–21	Options outstanding	Issued	Expired	Forfeited	Exercised	Reclassified	Options outstanding	Options exercisable
Option holder	as of Jan 1, 2022 (2021)	Options in 2022 (2021)					as of Dec 31, 2022 (2021)	
Greg Hamilton (CEO)	9,375	0	0	0	0	0	9,375	0
	(3,125)	(6,250)	(0)	(0)	(0)	(0)	(9,375)	(0)
Andrew Lukowiak (PhD) (CSO since Dec 1, 2021)	0	0	0	0	0	0	0	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Jens Ravens (CFO since Feb 1, 2022)	n/a	0	0	0	0	0	0	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(n/a)	(n/a)
Albert Weber (EVP Finance until Dec 31 2021)	6,562	n/a	n/a	n/a	n/a	-6,562	n/a	n/a
	(2,187)	(4,375)	(0)	(0)	(0)	(0)	(6,562)	(0)
Jorge Garces (COO until Jan 31, 2021)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	(2,656)	(0)	(0)	(2,656)	(0)	(0)	(n/a)	(n/a)
Other option holders	29,334	0	0	13,301	0	6,562	22,595	0
	(10,378)	(25,808)	(0)	(6,852)	(0)	(0)	(29,334)	(0)
All option holders	**45,271**	**0**	**0**	**13,301**	**0**	**0**	**31,970**	**0**
	(18,346)	(36,433)	(0)	(9,508)	(0)	(0)	(45,271)	(0)
Average exercise price (in EUR)	80.00	n/a	n/a	80.00	n/a	80.00	80.00	n/a
	(80.00)	(80.00)	(n/a)	(80.00)	(n/a)	(n/a)	(80.00)	(n/a)

Terms of outstanding stock options of all programs:

	Weighted average exercise price (in EUR)	Stock options issued and outstanding	Weighted average exercise price (in EUR)	Stock options issued and outstanding
Term	Dec 31, 2022		Dec 31, 2021	
2023	173.76	7,272	173.76	7,275
2025	131.84	0	131.84	16,579
2026	61.44	12,366	61.44	14,582
2027	80.00	8,834	80.00	11,848
2028	80.00	23,136	80.00	33,437
Total	**88.76**	**51,608**	**95.18**	**83,721**

40 STOCK OPTION PROGRAMS – VALUATION PARAMETERS

The fair value of SOP 16–18 and SOP 17–19 was determined using the Monte Carlo simulation. It was assumed that the rights will be exercised in the fifth year after the grant date if the market price of the shares exceeds the exercise price of the stock option rights by more than 20% or in the sixth year after the grant date if the market price of the shares exceeds the exercise price of the stock option rights by more than 10%. An earlier exercise of the rights is not permitted under the program terms and conditions.

The following table gives detailed information on both programs active over the balance sheet date and the applied valuation parameters.

SOP 16–18	Dec 31, 2022	Dec 31, 2021
Total number of outstanding options	7,272	15,748
of which vested until end of term	7,272	14,119
of which exercisable	7,272	7,272
Exercise prices (in EUR)	173.76	131.84–173.76
Weighted average term of outstanding rights in years	0.75	2.56
Weighted average fair value per option (EUR)	91.73	75.08
Applied share price volatility in %	84.10	84.13
Risk-free interest rate in %	-0.44	-0.12
Assumed staff turnover in %	0	1.46
Expiry dates	Oct 1, 2023	Oct 1, 2023–Apr 1, 2025

SOP 17–19	Dec 31, 2022	Dec 31, 2021
Total number of outstanding options	12,366	90,745
of which vested until end of term	10,613	14,526
of which exercisable	0	0
Exercise prices (in EUR)	61.44	61.44–131.84
Weighted average term of outstanding rights in years	3.25	3.89
Weighted average fair value per option (EUR)	31.08	39.76
Applied share price volatility in %	77.83	80.09
Risk-free interest rate in %	-0.29	-0.13
Assumed staff turnover in %	1.74	5.07
Expiry dates	Apr 1, 2026	Apr 1, 2025–Apr 1, 2026

SOP 19–21	Dec 31, 2022	Dec 31, 2021
Total number of outstanding options	31,970	45,271
of which vested until end of term	11,872	3,140
of which exercisable	0	0
Exercise prices (in EUR)	80.00	80.00
Weighted average term of outstanding rights in years	4.98	5.99
Weighted average fair value per option (EUR)	5.84	5.64
Applied share price volatility in %	82.65	82.79
Risk-free interest rate in %	-0.57	-0.57
Assumed staff turnover in %	6.49	13.12
Expiry dates	Apr 1, 2027–Apr 1, 2028	Apr 1, 2027–Apr 1, 2028

The risk-free interest rates are derived from the yield curve of German government bonds at the valuation date. The volatility of the share price can be derived from the historical volatility of the shares (in accordance with Bloomberg data) over the most recent past period equaling the remaining term of the rights. For adjustment purposes, a constant staff turnover was assumed based on the historical turnover of the Company's staff over the past four years. No dividend payments were assumed during the term of the rights (i.e., the assumed dividend yield was 0%).

41 PHANTOM STOCK PROGRAMS – DESCRIPTION

The Company has one phantom stock program (PSPs)/virtual stock option plan in place as an incentive scheme for management and staff by granting so-called phantom stock rights (PSRs) from such programs to the beneficiaries. The programs define a PSR as a conditional claim of its holder against the Company for a future payment in cash of a premium to the benefit of the holder. As PSRs will be settled in cash upon their exercise, the Company had to record a provision based on the fair values of the outstanding rights.

Phantom stock program 2022/2024 (PSP 2022/2024)

PSP 2022/2024 was approved by the Executive Board and the Supervisory Board of the Company in June 2021.

A total of 696,794 rights can be issued from PSP 2022/2024. The eligible beneficiaries of these programs are the members of the Executive Board and Group employees with an unterminated service or employment agreement with a Group company. The Executive Board decides on issuing PSRs from these programs to employees of the Company and to executives and employees of the subsidiaries. The Supervisory Board decides on issuing PSRs to the members of the Executive Board.

A certain number of PSRs granted to a beneficiary at a certain point in time is defined as a tranche. A quarter of the PSRs in every tranche (with fractional amounts rounded to whole numbers) vest for the beneficiaries one year, two years, three years and four years, respectively, after the date of issue of the given tranche. Thus, a tranche fully vests at the end of the waiting period. The Company's Supervisory Board (for PSR tranches issued to the Company's management) and the Executive Board with the prior consent of the Supervisory Board (for PSR tranches issued to management at subsidiaries) has the option of setting the vesting conditions individually in each case. PSRs of each tranche can only be exercised after vesting, however at the earliest four years after the beginning of the vesting period ("waiting period"). The term of the PSRs begins with their issuance and ends seven years after the beginning of their vesting period. Rights not exercised upon the end of their term expire without compensation. PSRs can generally be exercised at any time in the three years between the end of their waiting period and the end of their term ("exercise period"). Nevertheless, the Executive Board and Supervisory Board can stipulate adherence to timing restrictions in the exercise periods. This applies in particular to holders of rights who are identified by the Executive Board as an "insider" within the meaning of Article 18 of the Market Abuse Regulation (MAR). The Executive Board of the Company reserves the right to establish such timing restrictions in the exercise periods and to announce such restrictions in the exercise periods to rights holders who are employees of the Company at that date. Timing restrictions in exercise periods as announced by the Executive Board will always apply simultaneously to PSRs held by the Executive Board members themselves.

At the issuance of a PSR tranche, a so-called "base value" of the rights is determined. This base value equals 1.1 times the unweighted average of the Xetra closing prices for Epigenomics shares on the Frankfurt stock exchange on the last five trading days before issuance, however at a minimum EUR 6.20. Holders of PSRs are entitled to exercise their right during the exercise period. The exercise price equals the unweighted average closing price of the Company's shares in electronic trading on the Frankfurt Stock Exchange (XETRA or successor system) on the last five consecutive exchange trading days leading up to the exercise date, provided the Company receives the exercise declaration before 12:00 p.m. CET/CEST. If the Company receives the exercise declaration at 12:00 p.m. CET/CEST or later, the exercise price equals the unweighted average closing price of the Company's shares in electronic trading on the Frankfurt Stock Exchange (XETRA or successor system) on the four consecutive exchange trading days leading up to the date on which the Company receives the exercise declaration, plus the date on which the Company receives the exercise declaration.

By exercising the PSR, the holder earns an entitlement to obtain the "PSR premium" from the Company. The PSR premium equals the absolute difference between the exercise price and the base value of the right, up to a maximum of EUR 20.00. With consideration to the Company's financial position, its funding requirements and the resulting liquidity shortfalls, the Company can make use of any other stock-based instruments at its disposal as of the date the right to the PSR premium arises – in particular stock options (restricted stock units) – to grant the beneficiary such stock-based instruments in lieu of paying the PSR premium with fundamentally the same value as that of the PSR premium. The following terms and conditions for payment of the PSR premium apply respectively to the grant of stock-based instruments.

Any PSRs held by a beneficiary that have not yet vested expire without compensation upon termination of the service or employment agreement by the beneficiary or if the service or employment agreement has been terminated by the Company for cause. Any PSRs held by a beneficiary that have not yet vested shall remain valid if the Company terminates the service or employment agreement due to operational reasons. If the service or employment agreement is terminated by mutual consent, it is left to the sole discretion of the Executive Board or the Supervisory Board to decide whether those PSRs held by the beneficiary that have not yet vested at that point in time remain valid.

The Supervisory Board can specify further details of the PSRs if the beneficiaries are members of the Executive Board. For all other beneficiaries who are commercial attorneys-in-fact of the Company or managing directors of subsidiaries, the Company's Executive Board – with the prior approval of the Supervisory Board – can specify further details. These further details include in particular terms and conditions that apply in the case of a change of control or delisting of the Company.

42 PHANTOM STOCK PROGRAMS – OUTSTANDING RIGHTS

In the reporting period, 108,500 rights were issued under PSP 2022/2024.

PSP 22–24	Options outstanding	Issued	Expired	Forfeited	Exercised	Reclassified	Options outstanding	Options exercisable
Optionsinhaber	as of Jan 1, 2022 (2021)	Options in 2022 (2021)					**as of Dec 31, 2022** (2021)	
Greg Hamilton (CEO)	0	37,500	0	0	0	0	37,500	0
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Andrew Lukowiak (PhD) (CSO since Dec 1, 2021)	0	25,000	0	0	0	0	25,000	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Jens Ravens (CFO since Feb 1, 2022)	n/a	12,500	0	0	0	0	12,500	0
	(n/a)	(0)	(0)	(0)	(0)	(0)	(n/a)	(n/a)
Other option holders	0	33,500	0	1,500	0	0	32,000	0
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
All option holders	**0**	**108,500**	**0**	**1,500**	**0**	**0**	**107,000**	**0**
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Average exercise price (in EUR)	n/a	6.20	n/a	6.20	n/a	n/a	6.20	n/a
	(n/a)	(n/a)	(n/a)	(n/a)	(n/a)	(n/a)	(n/a)	(n/a)

43 PHANTOM STOCK PROGRAMS – VALUATION PARAMETERS

The fair value of all PSR was calculated by using the binomial approach based on the Cox-Ross-Rubinstein model. For PSP 2022/2024 it was assumed that the rights will be exercised in the fourth year after the grant date if the market price of the shares exceeds the base value of the PSR by more than 20% or in the fifth year after the grant date if the market price of the shares exceeds the base value of the PSR by more than 10%. An earlier exercise of the rights is not permitted under the program terms and conditions.

The following table gives detailed information on all programs and the applied valuation parameters.

PSP 2022/2024	Dec 31, 2022	Dec 31, 2021
Total number of outstanding PSRs	107,000	0
of which vested until end of term	7,249	0
of which exercisable	0	0
Base value of PSR (in EUR)	6.20	6.20
Aggregate adjusted fair value of PSRs (in EUR thousand)	111	66
Aggregate maximum payments if PSRs are exercised (in EUR thousand)	8,560	n/a
Weighted average term of outstanding rights (in years)	6.25	n/a
Weighted average fair value (EUR/PSR)	0.50	1.08
Applied share price volatility in %	80.5	85.6
Risk-free interest rate in %	2.51	-0.31
Assumed staff turnover in %	12.3	14.1
Expiry dates	Jan 1, 2029–Oct 1, 2029	n/a

The risk-free interest rates are derived from the yield curve of German government bonds at the valuation date. The volatility of the share price can be derived from the historical volatility of the shares (in accordance with Bloomberg data) over the most recent past period equaling the remaining term of the rights. For adjustment purposes, a constant staff turnover was assumed based on the historical turnover of the Company's staff over the past four years. No dividend payments were assumed during the term of the rights (i.e., the assumed dividend yield was 0%).

OTHER INFORMATION

44 INFORMATION ON THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF THE COMPANY AND THEIR REMUNERATION

In the reporting period, the Company's Executive Board comprised Greg Hamilton as Chief Executive Officer, Andrew Lukowiak, PhD as President and Chief Scientific Officer, and since February 1, 2022 Jens Ravens as Chief Financial Officer.

The remuneration of the members of the Company's Executive Board comprises a fixed and a variable component. The variable amount is determined on the basis of a variety of criteria, including the achievement of individual performance targets and Company performance targets, which are set by the Supervisory Board on a yearly basis. Apart from the fixed and the variable component, a third remuneration component consists of a long-term performance-based compensation in the form of stock options. In addition, the Executive Board members are beneficiaries of a D&O insurance policy with excess set at the statutory minimum amount. They also receive full reimbursement of their business travel expenses and other incidental benefits detailed in the Remuneration Report 2022.

In 2022, total remuneration of the members of the Executive Board based on the benefits granted amounted to EUR 1,217 thousand (2021: EUR 1,090 thousand) and comprised:

EUR thousand	2022	2021
Fixed remuneration	1,217	668
One-year variable remuneration	0	404
Multi-year variable remuneration	0	17
Total remuneration (granted benefits)	**1,217**	**1,090**

The multi-year variable compensation of the Executive Board members in 2022 comprised 75,000 virtual stock options (2021: 10,625).

In the event of a change of control or asset deal, all Executive Board members have a special right to terminate their service agreements and would in such case be entitled to receive payment of their fixed remuneration plus the short-term variable remuneration component (STI) for the remaining term of their service agreements. In no case will such payment exceed 150% of the severance payment cap in accordance with Recommendation G.13 of the German Corporate Governance Code 2022.

The Supervisory Board of the Company comprised the following members in the reporting period: Heino von Prondzynski, Einsiedeln (Switzerland) as Chairman, Alexander Link, Frankfurt am Main (Germany) as Deputy Chairman, Dr. Helge Lubenow, Bad Nauheim (Germany), Franz Thomas Walt, Flims-Dorf (Switzerland) and Dr. Heikki Lanckriet (Ph.D.), Cambridge (United Kingdom).

The remuneration structure for the Supervisory Board is based on an annual cash retainer ("fixed remuneration") and meeting-related payments ("variable remuneration"). The remuneration does not include any performance-related elements or long-term incentive components. In 2022, total remuneration of the members of the Supervisory Board amounted to EUR 163 thousand (2021: EUR 194 thousand) and comprised:

EUR thousand	2022	2021
Fixed remuneration	163	180
Variable remuneration	0	14
Total remuneration	**163**	**194**

Further details to the composition of the Executive Board and the Supervisory Board and details of the remuneration of their members in the reporting year can be found in the Remuneration Report 2022.

45 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

EUR thousand	Term < 1 year	Term 1–5 years
Financial obligations from operating rental, lease, maintenance and service agreements	15	0
Financial obligations from the purchase of goods and services	601	38
Total financial obligations	**616**	**38**

Contingent liabilities amounting to EUR 234 thousand were reported as of December 31, 2022. These were connected with a success fee for lawyers representing us in a patent infringement suit in China.

46 INFORMATION ON THE COMPANY'S AUDITOR APPOINTED BY THE GENERAL SHAREHOLDERS' MEETING

At the Company's Annual General Shareholders' Meeting in June 2022, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft was engaged to audit the Company's annual financial statements and consolidated financial statements for fiscal year 2022. During the reporting year, a total amount of EUR 105 thousand (2021: EUR 184 thousand) was expensed for miscellaneous services of this auditing firm for Epigenomics AG. Details are shown in the following table:

EUR thousand	2022	2021
Costs for audit services	101	131
Costs for other assurance services	4	53
Total	**105**	**184**

The costs disclosed for audit services relate to the audits of the separate financial statements of Epigenomics AG in accordance with German GAAP as well as the consolidated financial statements for the Epigenomics Group in accordance with IFRSs. .

47 DECLARATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF EPIGENOMICS AG PURSUANT TO SECTION 161 AKTG ON THE GERMAN CORPORATE GOVERNANCE CODE

In October 2022, the Executive Board and the Supervisory Board of the Company issued an updated declaration of compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz – AktG). The declaration was published on the Company's website *(www.epigenomics.com/news-investors/corporate-governance/)*.

48 INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

As of the reporting date, the Company's liabilities due to members of its Executive Board amounted to EUR 0 thousand (December 31, 2021: EUR 4 thousand) and liabilities due to members of its Supervisory Board amounted to EUR 0 thousand (December 31, 2021: EUR 0 thousand). There were no other transactions with related parties during the reporting year.

49 REPORT ON POST-BALANCE SHEET DATE EVENTS

Announcement dated January 27, 2023

After the end of the reporting period, on January 27, 2023, we announced that the Chairman of the Supervisory Board of Epigenomics AG, Heino von Prondzynski, had tendered his resignation effective March 31, 2023 and would be leaving the Supervisory Board for health reasons as of that date. Mr. von Prondzynski had been the Chairman of the Supervisory Board of Epigenomics AG since May 2012. The Supervisory Board would be appointing a successor from among its members in the near future.

Announcement dated February 15, 2023

We also announced that Epigenomics AG (Frankfurt Prime Standard: ECX1, OTCQX: EPGNY; the "Company") had decided to restructure the Company and to significantly reduce the Company's operations (the "Restructuring"). The restructuring is being carried out to minimize costs. It is also aimed at extending the time period available to the Company to secure funding for the further development of the "NextGen" test for detecting colorectal cancer (CRC).

The restructuring plans provide for the Company to take the following action in particular:

The Company will cease sales of Epi proColon and recall the product.

The number of employees at the locations in Berlin and San Diego will be reduced to the level required to maintain minimal business operations.

It will be proposed to the General Shareholders' Meeting 2023 that the Supervisory Board be reduced to three members. Furthermore, we reported that Heino von Prondzynski had resigned as Chairman of the Supervisory Board with immediate effect due to health and cost reduction reasons. Franz Walt had also resigned effective April 30, 2023, likewise to reduce costs as part of the restructuring. The Supervisory Board had elected Dr. Helge Lubenow as the new Chairwoman of the Supervisory Board to replace Heino von Prondzynski.

In the near future, the Company will apply for the revocation of its admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard). The revocation, which will in principle take effect three months after publication of the revocation decision by the Management Board of the Frankfurt Stock Exchange, will not otherwise affect the admission to the regulated market (General Standard).

The Company will be terminating its existing American Depository Receipts program.

We also announced that the Company would likely be publishing its annual report, including the consolidated financial statements and the annual financial statements of Epigenomics AG for fiscal year 2022, on April 21, 2023.

On that basis, the Executive Board expected revenues in the region of EUR 60,000–200,000 for fiscal year 2023. We reported that in other respects, the financial outlook for 2023 would be published in the Annual Report for 2022.

In the first quarter of 2023, the restructuring will result in extraordinary write-downs on fixed assets amounting to EUR 2.1 million and additional personnel expenses amounting to approximately EUR 1.7 million.

Announcement dated March 10, 2023

Furthermore, we announced that Deutsche Börse AG had approved the Company's application to revoke the admission of its registered shares (ISIN: DE000A32VN83) to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations ("Prime Standard"). The revocation becomes effective at the end of June 9, 2023.

The admission to the regulated market ("General Standard") will remain in place so that trading (introduction) of the shares in the General Standard is expected to start on June 12, 2023. No restrictions on the trading of Epigenomics AG shares are expected.

As disclosed in the ad hoc announcement dated February 15, 2023, the admission is being revoked in the context of restructuring the Company with the intention of minimizing costs. As a result of the change of stock exchange segment, the additional post-admission obligations of the Prime Standard no longer apply. These include the requirement to publish interim reports for the first and third quarters. This significantly reduces the costs associated with the listing for the Company.

Furthermore, as disclosed in the ad hoc announcement referred to above, Epigenomics AG has also terminated the existing American Depository Receipts (ADR) program (DR ISIN: US29428N3008) with the depositary, the Bank of New York Mellon, effective April 7, 2023.

We also announced that the financial difficulties at Silicon Valley Bank (SVB) in March 2023 had shaken market confidence. Epigenomics also has an account at SVB, where funds of USD 1.2 million were held at that date to finance its US subsidiary, Epigenomics, Inc. Our deposits were safeguarded by the Federal Deposit Insurance Corporation (FDIC) and the establishment of a bridge bank successor. Epigenomic, Inc. regained full control of its deposits after three business days. Our cash reserves are distributed between two banks, which diversifies the risk. Management does not expect any further consequences from the SVB crisis.

Announcement dated March 20, 2023

We also announced that the Executive Board of Epigenomics AG (Frankfurt Prime Standard: ECX1, OTCQX: EPGNY; the "Company") now expects for the entire financial year 2022 an adjusted EBITDA (before share-based payment expenses) in the range of EUR -11.0 million to EUR -11.6 million (previously EUR -10.2 million to EUR -10.8 million). The revenue forecast and the expected cash consumption-rate for 2022 remain unchanged. The adjusted guidance results from the reclassification of unrealized, netted exchange rate profits/expenses made in the fiscal year 2022 in the amount of EUR 1.0 million from the operating consolidated annual earnings to the other comprehensive income. As a result, the adjusted EBITDA is reduced by EUR 1.0 million while the other comprehensive income is increased by EUR 1.0 million. The group equity remains unchanged by the reclassification. The reclassification results from a change of the Executive Board's assessment within the meaning of IAS 8. Consolidated group receivables of the Company against its subsidiary Epigenomics, Inc. are now classified as part of the net investment in a foreign operation according to IAS 21.15, since settlement of these receivables is neither planned nor likely to occur in the foreseeable future. As a consequence, exchange rate profits are now shown as part of other comprehensive income and no longer reported as part of the adjusted EBITDA as in the financial statements of previous financial years and the quarterly financial statements already published for 2022.

Furthermore, duly assessing the circumstances it is assumed that a cumulative loss of more than half of the nominal share capital of the Company within the meaning of sec. 92 of the German Stock Corporation Act (AktG) has been incurred. The loss is mainly attributable to budgeted losses and expenses from the restructuring measures announced on February 15, 2023. A loss amounting to half of the nominal share capital is to be notified to the general meeting of shareholders. This notification of the loss will be made to this year's annual general meeting of the Company, which is scheduled for June. Accordingly, the Company will convene in due time the annual general meeting.

Announcement dated April 12, 2023

In connection with its revised strategy, Epigenomics AG announces changes to its Executive Board. The Chief Executive Officer of Epigenomics AG, Mr. Greg Hamilton, is resigning from the Company and the Executive Board effective June 30, 2023.

Discussions will also be initiated with the other members of the Executive Board about the future composition of the Executive Board with regard to the restructuring of the company.

50 APPROVAL FOR PUBLICATION

On April 25, 2023, the Executive Board approved the consolidated financial statements for submission to the Supervisory Board. The Supervisory Board is tasked with reviewing the consolidated financial statements and stating whether it approves them. The consolidated financial statements and annual financial statements of Epigenomics AG, and the annual report, were approved at the Supervisory Board meeting on April 28, 2023 and published on April 25, 2023.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements for 2022 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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 material opportunities and risks associated with the expected development of the Group.

Berlin, April 25, 2023

The Executive Board

INDEPENDENT AUDITOR'S CERTIFICATE

To Epigenomics AG, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited Epigenomics AG's and its subsidiaries' (the Group) consolidated financial statements, comprising the consolidated balance sheet as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash-flow statement for the financial year from January 1, 2022 through December 31, 2022, as well as the notes to the consolidated financial statements, including a summary of significant accounting methods. In addition, we have audited Epigenomics AG's group management report for the financial year from January 1, 2022 through December 31, 2022. In accordance with German legal requirements, we have not audited the content of the corporate governance statement contained in the Group management report's, the statement of compliance, the comments on the internal control and risk management system's features, and the statement on the appropriateness and effectiveness of these systems in the section "Significant features of the internal control and risk management system".

According to our assessment based on our audit's findings

- the attached consolidated financial statements comply, in all material respects, with IFRS as applicable in the EU and the supplementary German legal requirements applicable pursuant to Art. 315e (1) HGB and provide, by taking into account these requirements, a true and fair view of the Group's assets and financial position as at December 31, 2022 and of its financial performance for the financial year from January 1, 2022 through December 31, 2022; and
- the attached group management report as a whole provides a true and fair view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of the Group's future development. Our audit opinion on the group management report does not cover the content of the aforementioned corporate governance statement or the statement of compliance and the explanations on the internal control and risk management system's features and the statement on the appropriateness and effectiveness of these systems.
- Pursuant to Art. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the consolidated financial statements' and the group management report's legal compliance.

Basis for the audit opinions

We have conducted our audit of the consolidated financial statements and of the group management report in accordance with Art. 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for the Audit of Financial Statements as issued by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer; "IDW"). Our responsibilities pursuant to these requirements and principles are further described in the section "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" in our audit certificate. We are independent from the Group companies in accordance with the requirements pursuant to European law as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, we declare in accordance with Article 10 Sec. 2 lit. f) of the EU Audit Regulation that we have not provided any non-audit services prohibited pursuant to Article 5 Sec. 1 of the EU Audit Regulation. We believe the audit evidence we have obtained is sufficient and appropriate in order to provide a basis for our audit opinions expressed on the consolidated financial statements and on the group management report.

Material uncertainty in connection with the continuation as a going concern

We refer to the disclosures in the notes to the consolidated financial statements in the sections "Basis of preparation, policies and methods" and "Subsequent events" as well as in the sections "Group structure, business activities and products" and "Forecast report" of the group management report, in which the legal representatives describe that the Group was not able to raise any new necessary funds until the end of the financial year 2022 and will be dependent on further financial resources in the future in order to maintain business operations.

Taking into account the current financial forecast and the planned measures to reduce running costs, the legal representatives expect that the available cash and cash equivalents will be sufficient until the first half of 2025. Epigenomics AG's Management Board explicitly points out that this assessment is based on current forecasts and that the success of the measures is subject to uncertainties so that actual results may differ materially from these assumptions. As presented in the aforementioned sections of the notes to the consolidated financial statements and the group management report, these events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and which constitutes a risk jeopardizing the Group's continued existence pursuant to Art. 322 (2) sentence 3 HGB.

Our audit opinions on the consolidated financial statements and the group management report have not been modified with respect to this matter.

The consolidated financial statements of Epigenomics AG have been prepared on a going concern basis. As explained above, there are circumstances which might jeopardize Epigenomics AG's continued existence as a going concern. Due to the significance for the consolidated financial statements and the group management report as well as due to the existing uncertainty about the occurrence of the medium-term corporate planning's underlying assumptions and conditions, the assessment of the going concern assumption's appropriateness was a key audit matter for us within the scope of our audit.

In accordance with Article 10 (2) (c) (ii) EU Audit Regulation, we summarize our audit response to this risk as follows: We have assessed, on the basis of the medium-term earnings and liquidity planning presented to us, whether the Management Board's assessment of the Group's ability to continue as a going concern is appropriate. To this end, we first checked the planning for formal consistency (mathematical accuracy, correct implementation of the underlying assumptions). We obtained appropriate audit evidence for and have assessed the measures already initiated in February 2023 in order to implement the Group restructuring. We critically assessed the plausibility of the planned measures' implementation's prospects of success. In addition, we have convinced ourselves as to the adequacy of the disclosures made in the consolidated financial statements and the group management report. Based on the results of our audit, we consider the going concern assumption made by the legal representatives to be appropriate.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2022 through December 31, 2022. These matters have been taken into account in connection with our audit of the consolidated financial statements as a whole, and in forming our audit opinion related herewith; we do not express a separate audit opinion on such matters. In addition to the matter described in the section "Material uncertainty in connection with the continuation as a going concern", we have not identified any other matter as a key audit matter to be disclosed in our audit opinion.

Other information

The legal representatives are responsible for other information. Other information comprises:

- the following group management report components, the content of which has not been audited by us:
  - compliance statement in the "Corporate Governance" section of the 2022 group management report,
  - declaration on Corporate Governance in the "Corporate Governance" section of the 2022 group management report,
  - the features of the internal control and risk management system and the statement on the appropriateness and effectiveness of these systems in the section "Significant features of the internal control and risk management system".
- Chapter "Foreword by the Management Board" of the Annual Report 2022
- Chapter "Our share" of the Annual Report 2022
- Chapter "Key Figures" of the Annual Report 2022
- the assurances pursuant to Art. 297 (2) sentence 4, Arts. 315 (1) sentence 5 HGB on the consolidated financial statements and group management report

The supervisory board is responsible for the following other information:

- Chapter "Supervisory Board's report" of the Annual Report 2022

Our audit opinions on the consolidated financial statements and on the group management report do not cover other information, and consequently we do not express an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to assess whether the other information

- is materially inconsistent with the consolidated financial statements, the content of the audited group management report disclosures or our knowledge obtained during the audit, or
- otherwise seems to have been materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as applicable in the EU and the supplementary German legal requirements applicable pursuant to Art. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, provide a true and fair view of the Group's net assets, financial position, and profit situation. Furthermore, the executive directors are responsible for such internal controls they have determined as being necessary in order to provide for the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

When preparing the consolidated financial statements, the legal representatives are responsible to assess the Group's ability to continue as a going concern. They also have the responsibility to disclose, as applicable, matters related to continuation a going concern. Furthermore, they are responsible for financial reporting based on the going concern principle unless there is an intention to liquidate the Group or to discontinue business operations or if there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides a true and fair view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of the Group's future development. Furthermore, the legal representatives are responsible for such arrangements and measures (systems) they have deemed necessary in order to provide for the preparation of a group management report that is in accordance with applicable German legal requirements, and in order to provide sufficiently appropriate evidence for the statements contained in the group management report.

The supervisory board is responsible for monitoring the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from any material misstatements, whether due to fraud or error, and whether the group management report as a whole presents a true and fair view of the Group's position and is, in all material respects, consistent with the consolidated financial statements and the knowledge obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of the Group's future development, as well as to issue an audit certificate that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Art. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for the Audit of Financial Statements as issued by the IDW will always detect any material misstatement. Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the group management report.

We exercise professional judgment and maintain professional skepticism throughout the entire audit. We also:

- identify and assess the risks of material misstatements in the consolidated financial statements and the group management report, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting any material misstatements resulting from fraud is higher than the risk of not detecting any material misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- obtain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of arrangements and measures relevant for the audit of the group management report in order to plan audit procedures being appropriate under the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies applied by the executive directors and the reasonableness of estimates made by the executive directors as well as the related disclosures;
- draw conclusions on the appropriateness of the going concern principle applied by the executive directors and, based on the audit evidence obtained, whether there is a material uncertainty in connection with events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in the audit report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements provide, by taking into account IFRS as applicable in the EU and the supplementary German legal requirements applicable pursuant to Art. 315e (1) HGB, a true and fair view of the Group's assets, liabilities, financial position and financial performance of the group;
- obtain sufficiently appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;
- evaluate the group management report's consistency with the consolidated financial statements, its conformity with German law, and its presentation of the Group's position;
- perform audit procedures in connection with the prospective information presented by the executive directors in the group management report. On the basis of sufficiently appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the underlying assumptions. There is a substantial unavoidable risk that future events will differ significantly from the prospective information.

We discuss with those charged with governance, inter alia, the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system we identify during our audit.

We also provide those charged with governance with a declaration that we have complied with the relevant independence requirements and discuss with them all relationships and other circumstances that may reasonably be expected to affect our independence as well as the related measures taken in order to eliminate any risks to our independence or protective measures taken in this regard, if applicable.

From the circumstances discussed with those charged with governance, we determine those matters that were of most significance during the audit of the consolidated financial statements for the current reporting period and therefore constitute key audit matters. We describe these matters in our auditor's report unless the matters public disclosure should be precluded by any law or other regulation.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Note on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for purposes of disclosure pursuant to Art. 317 (3a) HGB

Audit opinion

Pursuant to Art. 317 (3a) HGB, we have performed an audit in order to determine with reasonable assurance whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as the "ESEF documents") contained in the attached file "20-04-2023-15-03_xbrl_file.zip" and prepared for disclosure purposes comply in all material respects with the requirements pursuant to Art. 328 (1) HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, such audit extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

According to our assessment, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements pursuant to Art. 328 (1) HGB. We do not express an audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond the scope of this audit opinion and our audit opinions on the attached consolidated financial statements and the attached group management report for the financial year from January 1, 2022 to December 31, 2022 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report".

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file in accordance with Art. 317 (3a) HGB and in compliance with the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure pursuant to Art. 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibility in accordance with such standard is further described in the section "Group auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice complies with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements to Quality Assurance in Auditing Practice (IDW QMS 1).

Executive directors' and Supervisory Board's responsibilities for the ESEF documents

The Company's executive directors are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the group management report in accordance with Art. 328 (1) sentence 4 no. 1 HGB and for the certification of the consolidated financial statements in accordance with Art. 328 (1) sentence 4 no. 2 HGB.

Furthermore, the Company's executive directors are responsible for such internal controls they have deemed necessary in order to enable the preparation of the ESEF documents that are free from any material non-compliance, whether due to fraud or error, with the provisions pursuant to Art. 328 (1) HGB regarding the electronic reporting format.

The supervisory board is responsible for monitoring the preparation of the ESEF documents as part of the reporting process.

Group auditor's responsibilities for the audit of the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free from any material non-compliance, whether due to fraud or error, with the requirements pursuant to Art. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the entire audit. We also:

- identify and assess the risks of material non-compliance with the requirements pursuant to Art. 328 (1) HGB, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion;
- obtain an understanding of the internal controls relevant for the audit of the ESEF documents in order to plan audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls;
- assess the technical validity of the ESEF documents, i.e., whether the provided file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file;
- assess whether the ESEF documents allow a consistent XHTML reproduction of the audited consolidated financial statements and the audited group management report.
- assess whether the markup of ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 as amended at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 EU Audit Regulation

We were elected as group auditors by the annual general meeting on June 15, 2022. We have been duly engaged by the supervisory board. We have served as Epigenomics AG's group auditors without interruption since the financial year 2015.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation (audit report).

OTHER FACTS – USE OF THE AUDIT REPORT

Our audit report must always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into ESEF format – also the versions to be disclosed in the business register – are mere electronic reproductions of the audited consolidated financial statements and of the audited group management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein must only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The auditor responsible for the audit is Andrej Brandscheid.

Munich, April 25, 2023

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Abel	Brandscheid
German CPA	German CPA

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 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. Epigenomics makes this statement as of the date of this publication and does not intend to update the forward-looking statements contained herein as a result of new information, future events or otherwise.

Berlin, April 25, 2023

The Executive Board

ABBREVIATIONS

ADR	American Depositary Receipts
AI	Artificial Intelligence
AktG	German Stock Corporation Act
ARUP	ARUP Laboratories
CMS	Centers for Medicare & Medicaid Services
CRC	Colorectoral Cancer
DCGK	German Corporate Governance Code
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ERP	Enterprise Resource Planning
FDIC	Federal Deposit Insurance Corporation
FDA	Food and Drug Administration
FIT	Faecal Immunochemical Test
GMP	Good Manufacturing Practice
HGB	German Commercial Code
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICR	Internal Control and Risk Management System
IDW	Institute of Public Auditors in Germany
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
IVD	In Vitro Diagnostic
KonTraG	German Corporate Control and Transparency Act
NCD	National Coverage Determination
NGS	Next Generation Sequencing
OTCQX	Over-the-counter stock exchange
PAL	Principal American Liaison
PCR	Polymerase Chain Reaction
PSP	Phantom Stock Program
PSR	Phantom Stock Right
R&D	Research & Development
Septin9	DNA methylation biomarkers, intellectual property by Epigenomics
SOPs	Standard Operating Procedures
SVB	Silicon Valley Bank
USPSTF	United States Preventive Services Task Force
WKN	Security Code Number
WpHG	German Securities Trading Act
WpÜG	German Securities Acquisition and Takeover Act

FINANCIAL CALENDAR

Report on first quarter 2023 . . . . . Wednesday, May 31 2023

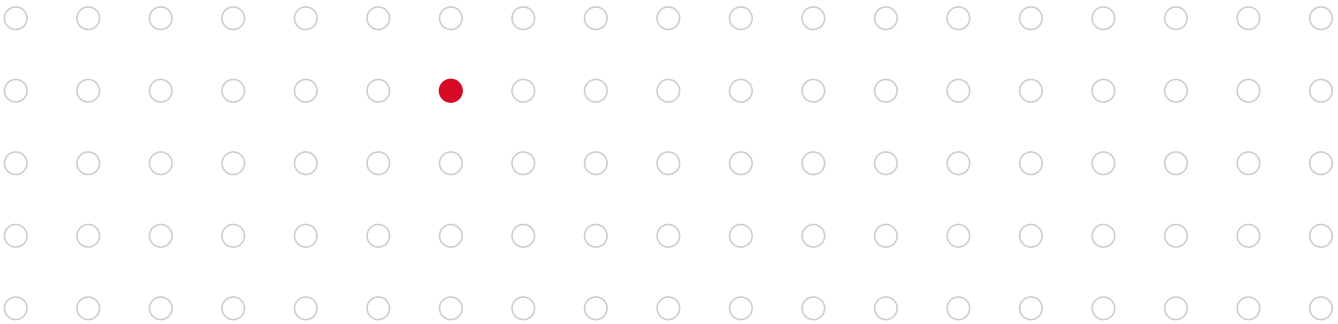
Annual General Meeting 2023 . . . . . Thursday, June 15 2023

Report on second quarter/first half 2023 . . . . . Thursday, August 10 2023

PICTURE CREDITS

Cover: gettyimages: Portra, Westend61

Page 1: gettyimages: Andrew Brookes



CONTACT

Epigenomics AG
Geneststraße 5
10829 Berlin, Germany
Phone: +49 30 24345-0
Fax: +49 30 24345-555
contact@epigenomics.com

Investor Relations
IR.on AG
Frederic Hilke
Phone: +49 221 9140 970
ir@epigenomics.com

Concept & Design
Impacct GmbH
impacct.de