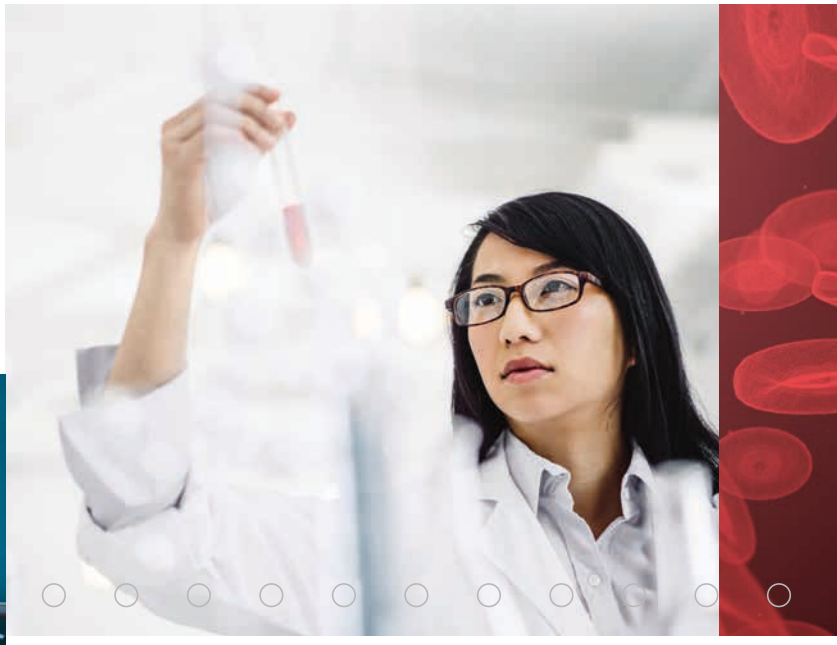
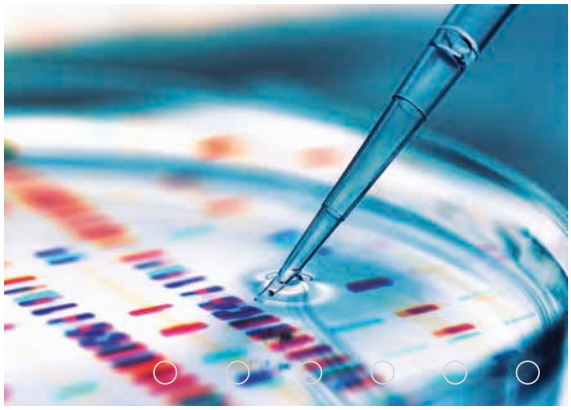
epigenomics



Saving lives through blood-based cancer detection

Annual Report 2021

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. The focus of our commercialization activities is on colorectal cancer screening. 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. By leveraging our product pipeline and strong intellectual property, we aim to make a key contribution to blood-based cancer detection.



CONTENTS

epi pro colon®

Epi proColon is indicated for colorectal cancer (CRC) screening in average-risk patients who are unwilling or unable to perform colorectal cancer screening by colonoscopy and stool-based methods. It is a qualitative, in vitro diagnostic blood test for CRC that uses real-time PCR to detect methylation of a target DNA sequence within the Septin9 gene promoter; methylation of this DNA sequence is associated with the occurrence of CRC and can be detected in cell-free DNA that circulates in the plasma. For patients, the test only requires a simple blood sample draw as part of routine healthcare provider visits. There are no dietary restrictions or alterations in medication required for the test. The sample will be analyzed at a national or regional diagnostic laboratory.

CorporateLiveWire
INNOVATION & EXCELLENCE AWARDS 2019

TOP 10 IN-VITRO DIAGNOSTIC 2019
MED TECH OUTLOOK

Epi proColon is recipient of the 2019 Excellence in Molecular Diagnostics Award by Corporate LiveWire's Innovation and Excellence Awards.

FOREWORD BY THE EXECUTIVE BOARD

We look ahead!

DEAR SHAREHOLDERS,

We are excited about the future of Epigenomics and our potential for success. With the development of our improved blood-based CRC screening test Epi proColon "Next-Gen", we have a great opportunity to achieve FDA approval and Centers for Medicare and Medicaid Services (CMS) reimbursement simultaneously after completion of the clinical trial and FDA review period. While we disagree with the clinical requirements in the National Coverage Determination (NCD) issued by the CMS in early January 2021, it does provide a clear roadmap for future commercial success. We will focus our efforts on the activities required to bring Epi proColon "Next-Gen" to market while also continuing to pursue Medicare reimbursement through our legislative initiative.

The Company will focus on these areas with a new composition of the Executive Board. We look forward to working together and are convinced that we are well positioned to master the challenges to make the company successful.

FDA APPROVAL STUDY FOR EPI PROCOLON "NEXT-GEN" ABOUT TO START As painful and non-transparent as the negative NCD reimbursement decision by CMS for our blood-based test Epi proColon was, it is also associated with a great success: Thanks to our efforts, there are now clear reimbursement criteria for future blood-based colorectal cancer tests. Any FDA-approved blood-based test that meets 74% sensivity and 90% specificity will automatically receive Medciare reimbursement. We are confident Epi proColon "Next-Gen" will be able to meet these criteria. As such, we have begun preparations for the FDA clinical trial and we expect to start enrollment in the summer of 2022. The study will require approximately 16,000 participants and will take about two years to complete. During this period, we will also have the opportunity to optimize the test through automation or the addition of further biomarkers. In addition to the improved performance of Epi proColon "Next-Gen", the test extends our IP by more than 15 years by incorporating one or more additional biomarkers. We believe that this test presents us with a very large, previously untapped opportunity in the cancer screening market.

OPPORTUNITIES FOR EPI PROCOLON Until FDA approval of Epi proColon "Next-Gen", we also continue to have the opportunity to obtain CMS reimbursement for our current test Epi proColon via legislation. Following the passage of the infrastructure bill by the U.S. Congress last year, going forward we hope that the government will focus more closely on healthcare issues. Inclusion in a bill to reimburse a blood test for CRC screening would serve two core goals of the Biden administration: Fighting racial healthcare discrimination and the COVID-19 pandemic, since CRC affects a disproportionate number of People of Color, and the pandemic has significantly reduced CRC screening participation rates in the United States.

FINANCIAL POSITION In 2021, the Company has focused on maximizing our financial position to enable us to pivot to our Epi proColon "Next-Gen" test. Cost cutting measures, the sale of a portion of our biobank and the issuance of convertible bonds have strengthed our balance sheet and given the Company the ability to move forward with the FDA trial in 2022. We will need to raise additional capital to complete the trial and the subsequent FDA approval.

Greg Hamilton

Jens Ravens

Andrew Lukowiak, Ph.D.

LOOKING AHEAD We are convinced that Epigenomics' improved Epi proColon "Next-Gen" test represents a major untapped opportunity in the cancer screening market. Thanks to the established CMS reimbursement criteria, the roadmap is clear: With FDA approval of our enhanced test – which we will focus on over the next two years – and the fulfillment of these criteria, Epi proColon "Next-Gen" will be reimbursed by CMS and we can start commercialization immediately. We have the expertise on the Executive Board and among our employees to implement the necessary measures in order to achieve this goal. We would also like to take this opportunity to thank you, our shareholders, for your support and our employees for their continuous commitment and look forward to successfully mastering the next steps together with all our stakeholders.

Yours sincerely,

Greg Hamilton
(Chief Executive Officer)

Andrew Lukowiak, Ph.D.
(President and Chief Scientific Officer)

Jens Ravens
(Chief Financial Officer)

Report of the Supervisory Board

DEAR SHAREHOLDERS,

Things remained anything but straightforward for Epigenomics AG in fiscal year 2021.

The reporting period was overshadowed by the negative final reimbursement decision for Epi proColon in the U.S.A. by the Centers for Medicare and Medicaid Services (CMS) in January. Together with the Executive Board of Epigenomics AG, the Supervisory Board has taken a clear public position: we consider this to be the wrong decision by the CMS and believe that the reasons arguing in favor of reimbursement for our test were not properly acknowledged or appreciated. While we reviewed our legal options to appeal or take other action against this decision over the course of the year, the Company was working in parallel on refining an improved colorectal cancer screening test – Epi proColon "Next-Gen" – and has begun to design an approval study that is expected to launch in 2022 once it has been coordinated with the FDA in the U.S.A. We are very confident that this is how we can achieve our goal, albeit with a delay.

Despite the COVID-19 pandemic, which began to subside halfway through the year before flaring back up in the final quarter, the Company's day-to-day routines and workflows were safeguarded at all times such that there was practically no impact on our operations. All the same, the demand for medical screening among patients in the U.S.A. and Europe remained below pre-pandemic levels, which was reflected in the demand for Epi proColon.

By contrast, the Company successfully raised funding during 2021. We succeeded in placing EUR 22 million in convertible bonds and new shares worth more than EUR 2 million with our shareholders. We also raised funds by selling parts of our "biobank", enabling Epigenomics AG to make a highly solvent start to the year with more than EUR 23 million in cash and giving it a solid financial foundation to tackle its further tasks this year. The Supervisory Board kept a close eye on all of these transactions and was in regular contact with the Executive Board. These successful moves meant that in September 2021 we could finally put an end to the partial furloughs that had affected our staff in Germany for almost a year-and-a-half.

There were also major changes on the Executive Board in the reporting period. CSO Jorge Garces departed in January and EVP Finance Albert Weber left at the end of the year, each at their own request. The Supervisory Board gave its consent in both cases, albeit with a deep sense of regret. Nevertheless, we are certain that we have found excellent successors for both of them. In December, we appointed Andrew Lukowiak, Ph.D., a scientific expert with deep industry knowledge, as the new CSO. On the finance side, we found another excellent candidate in Jens Ravens, who we welcomed to the Executive Board as the new CFO in February 2022. Thus, the Supervisory Board sees the Company as very well positioned in its senior management and ready to take the next steps.

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

Heino von Prondzynski

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 2021 included the ongoing reimbursement issues for Epi proColon and the project now in the pipeline to obtain market approval for Epi proColon "Next-Gen" in the U.S.A., which will assume major strategic importance in the years to come. Other significant points included the various corporate actions in the form of convertible bond issues and a rights issuance, the overall financial situation of the Company, discussions of alternative strategic options and legal issues. Last but not least, the impact of the COVID-19 pandemic on the Company, the associated consequences and action taken were regularly discussed and coordinated with the Executive Board.

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.

The Supervisory Board held eight meetings in 2021. These took place on January 20, January 29, March 24, May 13, June 16, August 10, September 27 and November 30, and were each attended by the Executive Board. Given the global travel bans and social distancing rules due to the pandemic, all meetings with the exception of the one on June 16 were held as video conferences. All members of the Supervisory Board attended all of the meetings. Our 2021 Annual General Shareholders' Meeting was held in video format on June 16 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. A large number of additional telephone and video conferences were held in the reporting period due to the particular significance of the reimbursement issue and the new strategic positioning in its wake.

At its meeting on November 30, 2021, the Supervisory Board considered in detail the operational budget, financial planning and human resource allocation plan for the fiscal year 2022 and approved the Company's targets for 2022.

It also approved the Executive Board's remuneration. Furthermore, it engaged a well-known consulting firm (Willis Towers Watson) to prepare an opinion on the appropriateness of the Executive Board remuneration. This was in response to the increased significance of the issue due to factors such as the German Act Implementing the Second Shareholder Rights Directive (ARUG II), which entered into force in the previous year.

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, prepared by the Executive Board with the input of the respective managers of the Company. These detailed documents were suitable for analyzing and discussing all relevant topics of the respective agenda of the Supervisory Board meetings and for adopting all required resolutions. 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 2021 At the Annual General Shareholders' Meeting on June 16, 2021, which in this reporting period was again held online and not in person, a resolution was adopted to reduce the size of the Supervisory Board from six members to four. Long-term Supervisory Board members Ann Clare Kessler, Ph.D. and Prof. Günther Reiter opted not to stand for reelection and left the board without being replaced. At the first meeting of the newly elected Supervisory Board held after the Annual General Shareholders' Meeting, Heino von Prondzynski was elected as Chairman of the Supervisory Board and Alexander Link as his deputy.

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

COMMITTEES The Supervisory Board established an Audit Committee that until June 16, 2021 was chaired by Prof. Günther Reiter, who held this position as the main expert for financial reporting and audit matters in accordance with section 100 of the German Stock Corporation Act (Aktiengesetz – AktG). After his departure from the Supervisory Board on June 16, 2021, he was replaced in this function by Alexander Link. 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. Within the Supervisory Board, Heino von Prondzynski is designated as the main expert on remuneration, nomination and corporate governance matters.

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 2021, 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 included in this annual report and is also 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.

Following the reduction in Supervisory Board positions to four, the Supervisory Board set a new target proportion of female board members in accordance with section 111 (5) AktG. This now stands at 25%, down from the 33% set at the Annual General Shareholders' Meeting on June 16, 2021. The number of female Supervisory Board members prior to the General Shareholders' Meeting was two and afterwards one, thus corresponding to the target value.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS The audit firm Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Baker Tilly), Düsseldorf, audited the annual financial statements and the corresponding management report of Epigenomics AG for fiscal year 2021, 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 2021, which were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Baker Tilly did not raise any objections in relation to either the annual or consolidated financial statements and issued an unqualified audit opinion for each.

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's audit was conducted in accordance with 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."). 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 March 23, 2022, in the presence of the auditor, who reported on the main findings of the audit. At this meeting, the Executive Board presented the 2021 annual financial statements and 2021 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. The Supervisory Board, in the presence of the auditor, formally approved the annual financial statements and the consolidated financial statements as of December 31, 2021, without raising any objections or making any amendments. By the Supervisory Board's approval, the 2021 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 difficulties faced in fiscal year 2021.

Berlin, March 2022

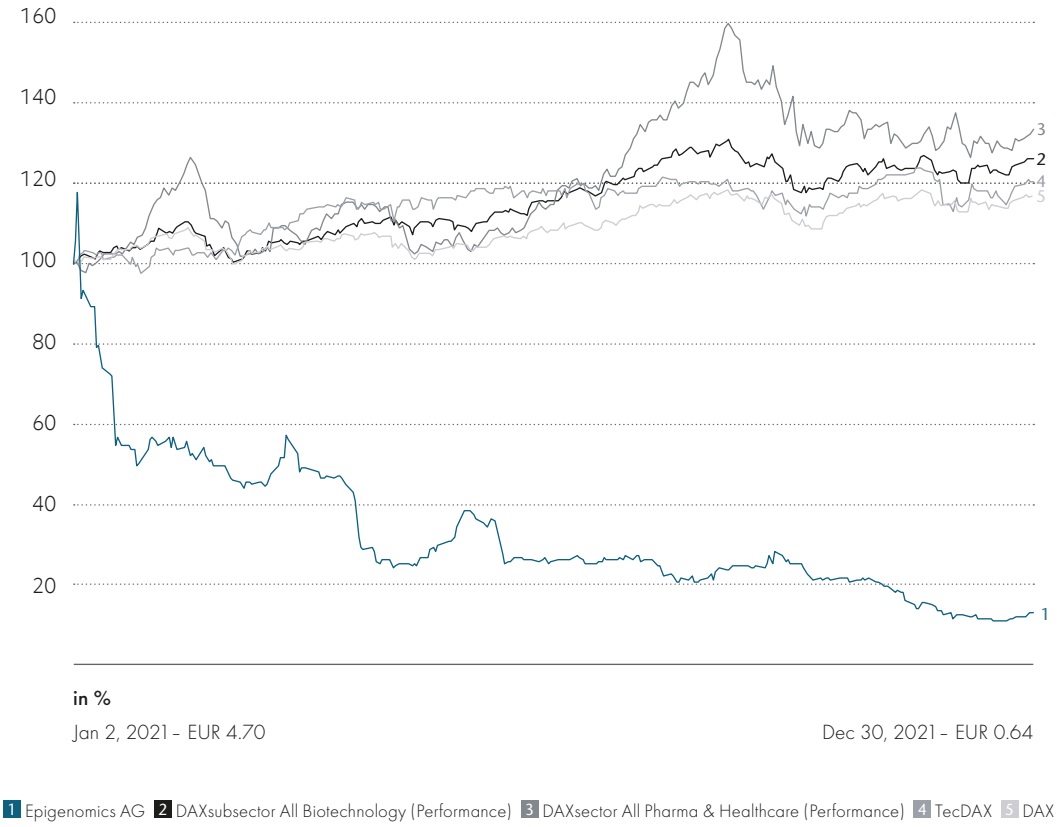
On behalf of the Supervisory Board

Heino von Prondzynski
(Chairman of the Supervisory Board)

Our Stock

SHARE PRICE PERFORMANCE MARKED BY NEGATIVE CMS REIMBURSEMENT DECISION IN THE U.S.A. AND CORPORATE ACTIONS

SHARE PRICE PERFORMANCE IN 2021



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

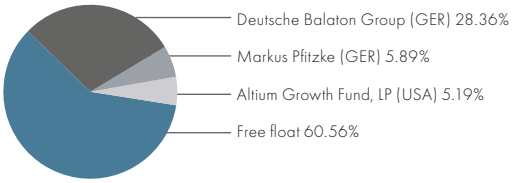
Epigenomics' shares kicked off the year at EUR 4.70 (Xetra) and hit their high for the period shortly afterwards, at EUR 5.55 on January 6, 2021. In the run-up to the expected final reimbursement decision by U.S. public health insurer the Centers for Medicare & Medicaid Services (CMS), the announcement of a mandatory convertible bond issue was already causing the stock to lose ground before the negative decision pushed the price down to EUR 2.38 at the end of January. By the end of August, Epigenomics AG raised additional funds by means of a capital increase and a second mandatory convertible bond. After staging a brief rally to hit EUR 2.70 on March 25, the share price dwindled as the year progressed to hit its low for the period of EUR 0.54 on December 15. Epigenomics' shares closed at EUR 0.64 on December 30.

CHANGES IN THE SHARE CAPITAL/CORPORATE ACTIONS

The number of outstanding Epigenomics shares rose in fiscal year 2021 due to the issuance of two mandatory convertible bonds and a capital increase, and amounted to 15,539,737 as of December 31, 2021. The market capitalization amounted to around EUR 10.0 million at the end of 2021.

SHAREHOLDER STRUCTURE ON JANUARY 28, 2022

The following shareholders held more than 3% each of Epigenomics AG.



Just over 60% 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	DE000A3H2184
Security code number	A3H218
Ticker symbol	ECX
Exchange	Frankfurt Stock Exchange Regulated Market (Prime Standard)
Issued shares (December 31, 2021)	15,539,737 shares
Free float (January 28, 2022)	59.76%
Market capitalization (December 31, 2021)	EUR 10.0 million
Year-end closing price	EUR 0.64

TRANSPARENT DIALOG WITH SHAREHOLDERS

Epigenomics maintains ongoing and active dialog with investors, analysts and the financial media. Throughout 2021, 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 the Company's Annual General Meeting on June 16, 2021 – which due to the COVID-19 pandemic was 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 2021, 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.

Epigenomics AG – ADR	OTCQX Trading
Structure	Sponsored Level 1 ADR
Ratio	1 ADR = 5 ordinary shares
Ticker	EPGNY
CUSIP	29428N102
ISIN	US29428N1028
Depositary bank/PAL	BNY Mellon

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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 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 particular, we are currently developing and commercializing IVD tests for colorectal cancer (CRC) and liver cancer. Our cancer molecular diagnostic products address a significant but largely unmet medical need, providing patients and physicians with the benefits of more user-friendly, superior diagnostic tests.

Our lead product – Epi proColon – is a blood-based test for the early detection of CRC using our proprietary DNA methylation biomarker Septin9. The test is CE-marked and has been on the European market in its current version since 2012. In April 2016, the U.S. Food and Drug Administration (FDA) approved Epi proColon as the first and, thus far, only blood-based CRC screening test for commercialization on the U.S. market.

In 2017 we received CE certification for our second product, Epi proLung, a test used to screen for lung cancer, thus completing its development. The product is a reflex test that is aimed at clarifying indeterminate results with the aim of enabling earlier identification of illness, improving the outcome of therapy and lowering costs of treatment. In 2018, our HCCBloodTest became another product in the portfolio to receive the CE mark, thereby opening the door to its commercialization in Europe. The blood test is used to detect liver cancer in patients with cirrhosis of the liver. At the present time, we are not actively pushing ahead with the commercialization of Epi proLung and the HCCBloodTest, but are concentrating our limited resources on developing Epi proColon "Next-Gen".

The primary input factors in developing and manufacturing our products are our qualified staff and intangible assets in the form of intellectual property, i.e., patents and licenses.

Epigenomics AG is headquartered in Berlin, Germany, and operates a wholly owned subsidiary in the U.S.A., Epigenomics, Inc., which is registered in Seattle, WA and primarily operates in San Diego, CA. Our business activities consist primarily of targeting the important international markets of North America, Asia and Europe. 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 are also conducted from Berlin. Epigenomics, Inc., is 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.

MANAGEMENT

Epigenomics AG is managed by a team comprised of industry experts with long-standing experience in the diagnostics industry, extensive scientific and management expertise, and the unequivocal commitment to building a world-leading cancer molecular diagnostics company in the medium term.

As a stock corporation under German law, Epigenomics 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.

In addition, Mr. Albert Weber was a member of the Company's Executive Board from January 2018 as Executive Vice President (EVP) Finance. He therefore held responsibility for finance, human resources and IT. Prior to this appointment, Mr. Weber spent 17 years as Senior Vice President with responsibility for Finance, Accounting and Controlling for Epigenomics. Before joining the Company he held various management functions in controlling and accounting in the IT and music industries. He has comprehensive experience across all corporate finance functions, as well as in a range of corporate actions and IPOs in particular. At the end of the reporting year, Mr. Weber stepped down from his position on the Executive Board and left the Company in order to focus on new challenges outside Epigenomics.

Since February 1, 2022, Mr. Jens Ravens has sat on the Company's Executive Board 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 and 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.

Since December 1, 2021, Mr. Andrew Lukowiak, Ph.D., 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. Mr. Lukowiak has over 20 years' professional experience in molecular diagnostics and the life sciences industry. Prior to joining Epigenomics, Mr. Lukowiak 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 leading management positions at GenMark Diagnostics and Hologic, Inc.. Mr. Lukowiak received his doctorate in genetics from the University of Georgia and holds a Bachelor of Science in biology from Pennsylvania State University.

Mr. Jorge Garces, Ph.D., was also a member of the Executive Board of Epigenomics AG as President and Chief Scientific Officer (CSO) until January 31, 2021. Mr. Garces was responsible for the operations, research and development, clinical affairs, regulatory and quality areas. Mr. Garces subsequently stepped down from his position on the Executive Board and left the Company.

The Supervisory Board of Epigenomics currently comprises four 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, STRATEGIES AND BUSINESS DEVELOPMENT

Epigenomics AG's primary corporate objective is to develop and commercialize in vitro diagnostic products for detecting cancer. We take a goal-oriented approach to managing and monitoring operational progress when executing our strategy. The Supervisory Board and the Executive Board of the Company 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 is to become a leader in the market for diagnostic CRC tests based on "liquid biopsies". With the first ever and still the only FDA-approved blood test for colon cancer screening, we have positioned Epigenomics as a pioneer in this fast-growing market. Based on a solid level of patent protection in DNA methylation, we intend to drive market adoption for Epi proColon and expand our product pipeline in the long term. The successfully completed development of Epi proLung and the HCCBloodTest again showcased our innovation expertise in recent years.

To execute our strategy we are committed to taking all the appropriate steps necessary for product development and global commercialization.

Our commercial strategy is initially focused on the United States, as this is where we see the greatest economic opportunities for our products. The U.S.A. is a key market, as new diagnostic technology is typically adopted there first.

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 reimbursement decision in the U.S.A. is key to the success of such a test. With respect to the reimbursement price, in the summer of 2018 CMS incorporated our Septin9 test in the fee schedule at USD 192.00.

Since then, our business development activities thus primarily focused on activities to support and/or expedite the reimbursement decision still pending in the reporting period. To this end, we actively sought dialog with decision-makers – the CMS, private insurers, screening guideline groups and, of course, politicians. Our activities in the recent past therefore also included announcing the results of a "microsimulation" by renowned experts from Harvard Medical School (HMS). These models are utilized by various screening guideline groups, such as the United States Preventive Services Task Force (USPSTF) and the American Cancer Society (ACS) to aid in the development of screening guidelines. The model developed by the experts at HMS demonstrates good results for the use of Epi proColon in screening programs. It primarily shows the equivalence of different screening methods (colonoscopy, stool- and blood-based tests), as long as the screening frequency is taken into consideration using the criteria and measures (e.g., "life-years gained") also applied by the screening guideline groups. These results were then corroborated in the previous year by a publication in the Journal of the National Cancer Institute. This related to the results of a study by the Cancer Intervention and Surveillance Modeling Network (CISNET), which is sponsored by the National Cancer Institute (NCI). The study compared the incremental cost effectiveness of four relevant CRC screening alternatives to establish that annual screening with Epi proColon is the most cost-effective. This study adds to the growing body of evidence that Epi proColon administered annually can reduce the incidence and mortality of colorectal cancer as effectively or better than other approved methods. We remain confident that the model will assist us in further discussions with the ACS and USPSTF to have the Septin9 test included in their screening guidelines.

Epi proColon has been available throughout the U.S.A. since it received FDA approval in 2016. The test has since been offered through major laboratory chains there (e.g., LabCorp and ARUP). We and our customers were again unable to gain certainty during the reporting period regarding its approval for reimbursement by the Centers for Medicare & Medicaid Services (CMS) in the U.S.A. However, the position was clarified in January 2021, when CMS published its negative reimbursement decision for Epi proColon.

Accordingly, we changed our plans. Having reviewed the possibility of taking legal steps against this decision, which was incomprehensible not only to us but also to many experts, and after careful consideration, we have concluded that an appeal or lawsuit against the decision would not make sense for us. Such proceedings involve substantial costs (estimated to be a low seven-figure dollar amount) and the outcome of those proceedings would be long-drawn-out and subject to considerable uncertainty. While work was ongoing on the CMS application process, good progress was also made in recent years on the next generation of Epi proColon, the "Epi proColon Next-Gen" product. The new blood-based test will feature performance characteristics that meet the latest requirements for sensitivity and specificity outlined in the final NCD issued by CMS. The intention is to commence a major clinical study for this new product, as required by the FDA for market approval of the test in the U.S.A., as early as summer 2022. Assuming that the study would take two years and the approval process by the authority six to twelve months, we could be on the market with Epi proColon "Next-Gen" at the start of 2025, and would automatically obtain reimbursement given compliance with the sensitivity and specificity requirements in accordance with the CMS determination. Given the shortage of funding and resources, investing in a successor project is a more promising option – in particular than a long-drawn-out appeals process.

We will continue to only engage in activities outside the U.S.A. as opportunities arise and will not pursue an expansionary strategy for the moment, as it would be unlikely to succeed in view of our limited financial resources. 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. Direct payor segments are small in most markets and need to be addressed individually at the level of physicians and/or patients. Therefore, for the time being we only have a limited focus on commercializing Epi proColon in Europe. We sell the product ourselves in selected countries (e.g., in Germany, France and Spain) and use distribution partners in other markets.

We are assuming successful development and approval and a positive reimbursement decision in the USA, going forward we also expect strong interest in our test on the part of physicians and patients in other markets.

RESEARCH AND DEVELOPMENT (R&D)

OVERVIEW

Research efforts in 2021 were focused on the continued development of the "Next-Gen" version of the Epi proColon assay and the continued screening of potentially complementary biomarkers that could improve the overall performance of the test. Additional areas of R&D activity in 2021 included the identification of methylation-based markers for liquid biopsy applications outside of colorectal cancer (CRC) and providing technical curation and documentation in support of the biobank sale.

NEXT-GENERATION CRC SCREENING ASSAY DEVELOPMENT

In 2020, the Company developed an improved version of Epi proColon with performance characteristics addressing the criteria outlined by CMS in the national reimbursement determination (NCD) entitled "Decision Memo for Screening for Colorectal Cancer – Blood-based Biomarker Tests (CAG-00454N)". These explicitly defined performance criteria provided clear guidance for the Company's ongoing development efforts for enhancing the analytical performance of the test throughout 2021. In addition to design enhancements associated with the assay, the "Next-Gen" version of Epi proColon is also being optimized for automated application.

BIOMARKER SCREENING PROGRAM

The Company's research efforts in 2021 focused on assessing and leveraging various methylation biomarkers discovered over the last several years to complement the performance of the "Next-Gen" version of Epi proColon and identify any novel correlations between these new biomarkers and other diagnostic applications.

The Company's research into new biomarkers continues to focus on identifying blood-based biomarkers. As published in BMC Cancer in September this year, of the 460 participants ultimately offered the opportunity for screening, no participant accepted the offer of colonoscopy, 30 (6.5%) chose FIT screening and 430 (93.5%) selected blood-based testing[1]. Hence, the study results continue to show that blood-based testing for CRC screening, when compared to FIT, would prove to be well-accepted by the participants because of convenience and clinical performance. The result is another important contribution to the realization that FDA approved CRC screening blood tests should be incorporated into the screening paradigm, as this would be a tangible solution to reduce CRC mortality.

Outside of improving diagnostic applications for colorectal cancer, research activities have assessed the performance of more than 200 marker sites on blood plasma and urine to enable future products in cancer diagnosis in liquid biopsies with additional analysis based on next-generation sequencing (NGS) (referred to as "multiplexed marker panels"). Of note, the results of a multiplex methylation marker panel based on seven markers for detecting early-stage hepatocellular carcinoma (HCC) in blood plasma were published in BMC Gastroenterology in March of 2021.

BIOBANK SALE SUPPORT

In 2021, Epigenomics executed a biobank Sale Agreement with New Horizon Health Limited. Following the execution of the agreement, R&D activities were successfully performed regarding sample integrity verification and corresponding documentation.

POST-APPROVAL STUDY MANAGEMENT

Our ongoing post-approval study, which is required by the FDA in order to establish longitudinal clinical performance data for Epi proColon, is still active although the ongoing COVID-19 pandemic continues to cause delays in patient enrollment. Nevertheless, we exceeded 60% of our enrollment target as of the end of the reporting period.

[1] Loannou, S. et al. 2021, 'Increasing uptake of colon cancer screening in a medically underserved population with the addition of blood-based testing' BMC Cancer, vol. 21, no. 966, https://doi.org/10.1186/s12885-021-08678-8

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 developing safe and effective diagnostic products. The Company works continuously to improve its quality management system, thereby creating a solid foundation to obtain global regulatory approval for its products.

REPORT ON ECONOMIC POSITION

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Macroeconomic environment in 2021

As in the previous year, the global macroeconomic environment in 2021 was once again overshadowed by the COVID-19 pandemic. In contrast to 2020, however, most market participants had already become accustomed to this situation and had adjusted their behavior accordingly. This was reflected in strong global economic growth of 5.9% in the end-of-year statistics despite significant adverse factors (including raw material shortages and supply bottlenecks). In addition, the International Finance Forum (IFF) stated in its first Global Finance and Development Report in December 2021 that following the significant decline in economic output in the previous year, it would now once again return to approximately its level in the last year prior to the pandemic (2019).

In the previous year, many countries throughout the world had still been forced to respond to the spread of the virus with lockdowns lasting weeks and, in the absence of vaccines, the death toll was also alarmingly high in some cases. However, the first vaccines were approved in 2021 and, at least in the industrialized countries, large parts of the population were also able to receive their vaccinations. This time, lockdowns were considered unnecessary in many cases; only towards the end of the year did some countries feel obligated to shut down economic and cultural life once again for a certain period of time due to the so-called fourth wave of the pandemic (e.g., Austria). In general, there was also a learning process in how to deal with the pandemic in private and public life. Events that had been canceled completely in the previous year took place again during the reporting period (e.g., conferences, sporting and cultural events). Other events that had been held in virtual form in the previous year (e.g., annual general meetings) could be organized much more smoothly and effectively in 2021 thanks to greater experience and lower initial costs. Moreover, the virtual form of many events has also been increasingly accepted and seen as normal, as has the transfer of many office activities to staff working from home. In fact, working from home is generally considered to have made some contribution to economic growth.

In addition to the consequences of the pandemic for the global economy addressed only superficially here, however, other events occurred during 2021 that in retrospect had noticeable effects on many national economies. The first is the raw materials shortage which clearly intensified across the globe during the reporting period and just as clearly resulted in price increases above all in manufacturing industries. A survey of affected businesses by the Association of German Chambers of Commerce and Industry (DIHK) identified a number of reasons for the shortages. The most frequently mentioned were increases in demand in the face of insufficient production capacity, transportation problems and production losses at suppliers. Trade policy measures were also a factor causing supply bottlenecks and price rises.

The price increases resulting from supply bottlenecks and transport problems were passed on to the end consumer in many cases. As a result, inflation rose again for the first time in a very long while. The rate of inflation in Germany increased to more than 5% in the last quarter. Energy costs were the main driving factor. Oil and gas prices rose across the board. The cessation of the previous year's temporary reduction in VAT due to the pandemic was specifically relevant here. The rates of inflation in some EU states were even higher, reaching 8–9% in the Baltic region for example. The prices of goods and services in the U.S.A. also rose significantly in the second half of the year (by around 7% in November), and the Federal Reserve then indicated towards the year-end that it might discontinue the highly expansionary monetary policy it had pursued to date.

In Germany, the most important topic from a political point of view in 2021 was the Bundestag election in September. At present, there is no identifiable impact on the aspects of health policy relevant to Epigenomics.

The leading topic in the U.S.A. from an economic point of view was the project launched by President Biden for a trillion-dollar infrastructure and economic program, the Build Back Better Act, which he attempted to push through in the face of fierce opposition from the Republican Party. He achieved this in the end only by accepting a large number of compromises and a significant reduction of the originally budgeted amount to USD 1.75 trillion. The funds are intended to repair and modernize the partially decaying U.S. infrastructure (e.g., roads and bridges) over the next few years, but large amounts are also earmarked for combating climate change and promoting investment in clean energy sources. Health policy aspects were removed. In addition, however, the new President is also continuing his predecessor's strategy of strengthening the domestic economy against international competition and promoting the slogan "buy American". The primary reason he now gives for this is that the U.S.A. needs to reduce its dependence on global supply chains. While the intention is to conduct a review of existing customs tariffs, however, many aspects of tax policy indicate that it will continue to be used to strengthen national businesses and the U.S.A. as a business location.

Labor market figures recovered significantly in 2021, countering the negative effects of the pandemic in the previous year. In Germany, the total number of registered unemployed fell by just under 0.4 million year-on-year to 2.3 million in November 2021. It therefore returned to approximately its level prior to the outbreak of the pandemic. The introduction of the German partial furlough scheme (Kurzarbeit) as an emergency measure in the previous year was successful in preventing unemployment from rising further. While almost 6 million employees were working under the partial furlough scheme in April 2020, their numbers dropped to 2.0 million by November 2020 and then fell sharply again in the reporting period, with the result that in November 2021 fewer than 0.8 million employees were registered for the partial furlough scheme. The unemployment rate in the U.S.A. declined to 4.2% in November 2021, representing an absolute figure of around 6.9 million people unemployed. This was still more than 1 million higher than the level prior to the pandemic, however.

Macroeconomic outlook for 2022

The dangers of the coronavirus pandemic continue to affect the performance of the economy. This has been illustrated by the rapid spread of the new omicron variant of the virus. It nevertheless seems the influence on the global economy reduces.

We expect the war in Ukraine to have a significant negative impact on raw material prices, supply chains and financial markets, among other things, as well as on overall economic developments, which we cannot estimate at the time the report is prepared.

Before the war in the Ukraine began, economic research institutes and experts were expecting clear economic growth in 2022.

Overall, leading banks were estimating a growth of 4.6 percent in the euro zone for 2022 – provided that the infection dynamics of the coronavirus decrease seasonally from spring and there is a relaxation in the supply chains.

The inflation that has occurred in many industrialized countries will affect the year 2022. Before the war in Ukraine broke out, leading banks were expecting consumer prices to rise to 2.8% in 2022. In the euro zone, inflation should then be 2.6% in 2022 and thus at the expected level of the previous year. The period of persistently low consumer prices seemed to be over for the time being, even if temporary factors such as corona-related supply shortages and excess demand should abate. Structural price drivers such as the strengthening of value chains (e.g. the expansion of warehousing), demographics (lack of skilled workers) or necessary investments in the green transformation of the economy are likely to have a longer-term effect.

Overall, however, private consumer spending remains the most important driver for the economic recovery. Risks could also arise here in the short term from further increases in energy prices and supply bottlenecks. However, the latter should ease off in the second or third quarter of 2022. The significantly improved situation on the US labor market, in turn, could lead to further increases in wages and support demand.

These assessments are likely to deteriorate further as a result of the war in Ukraine.

Capital market environment

Global equity markets were largely stable during the reporting period and recorded gains across the board. The DAX in Frankfurt began the year at around 13,700 points and closed at the year-end with a gain of around 16%, at 15,900 points. The composition of the leading German index was revised during the year and expanded for the first time since it was launched. It now comprises 40 individual stocks compared with 30 previously. The TecDAX, which has also been revised, even managed to outperform the DAX and closed the stock exchange year with growth of around 21%.

The mood was also very positive on the major stock exchanges in London and New York in 2021. Minor falls were rapidly reversed on many occasions. In London, the FTSE index recorded growth of more than 14% over the year as a whole, but the Dow Jones in the U.S.A. performed even better. The technology-oriented NASDAQ even chalked up a rise of around 26% over the whole year. Only the Nikkei in Tokyo achieved no more than a small increase of around 4%.

A trend was observed towards a significantly younger investing public on the stock exchanges in Germany, and globally. "Millennials" in particular are increasingly paying attention to the topic of investment. It is true that pure speculation and day-trading also play a part here in some cases, reflecting the attitudes of a generation of computer gamers. However, this development is also driven to a large extent by a tendency to engage with the topic of old-age pensions at an earlier stage. The affluence of the younger generation – which is higher than ever before – is confronted by a lack of investment alternatives in traditional money market products (due to low interest rates) or in real estate (due to rocketing prices). At the same time, this new investment clientele is also bringing its own notions of value to the market. Accordingly, criteria such as ESG (environmental, social and governance), sustainability and a focus on the future are becoming significantly more important for issuers on the capital markets. Examples of this include the boom in green finance, also observed in Germany in particular, and the growth in issues of green bonds.

The search for opportunities to invest the high levels of available liquidity around the world continued to be a factor that produced another record year for IPOs on the stock exchanges in 2021. The global figures for the number of IPOs and the issue volumes were the highest recorded for more than 20 years. Overall, the annual EY study counted just under 2,400 IPOs, up 64% on the figure for 2020. The aggregate issue volume on the capital markets amounted to nearly EUR 400 billion, of which one-third was accounted for by the technology sector. While China once again took first place in the regional distribution of IPOs, the European market nevertheless recorded the highest rate of growth. The issue volume here in 2021 was three times higher than in the previous year. Germany once again featured among the lower positions in these statistics with only 30 IPOs, but this was nevertheless the highest figure since 2007.

Industry environment

The pandemic aside, 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 huge 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 two 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.

The COVID-19 pandemic helped the healthcare sector continue to achieve substantial growth in 2021. Even shortly before the year-end, experts were anticipating year-on-year growth in global revenues of 15% to 20% for the pharmaceutical sector. The MSCI World Pharmaceuticals, Biotechnology and Life Sciences index recorded growth of around 17% in 2021. In this context, the decline in the NASDAQ Biotechnology Index during the reporting period is likely due to the fact that the effects of the pandemic were responsible for growth of around 26% in this subsector in the year before, leaving little room for further improvement in the past year but reflecting the effects of corrections. The growth trend in this sector has remained very stable in recent years and even continued to record positive development at times when prices were declining elsewhere. The industry also recorded consistently good growth rates on Europe's capital markets: the MSCI Europe Pharmaceuticals, Biotechnology & Life Sciences index rose by around 14% in 2021.

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.

Diagnostics represented a lucrative segment of the life sciences industry precisely in times of a global pandemic. Around the world, various biotechnology firms contributed their expertise not just to the search for vaccines against COVID-19 and therapies to treat it but also to the search for new testing methods, for instance involving antibodies or PCR technologies. The significance and image of the industry in general and biotechnology in particular has received a significant boost in this environment.

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. At the same time, emerging companies can use the recent influx of private equity and venture capital investments in the biotech market to further develop innovations.

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. Even if there was no repeat of the spectacular NASDAQ IPOs in the previous year (e.g., Biontech), significant developments in 2021 included the widely noted secondary listing of Evotec AG on NASDAQ, for which the Frankfurt Prime Standard market segment also no longer appeared to be adequate.

There continues to be a lack 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 2021

The Company's business development depends primarily on product development and only to a minor extent on overall economic developments and the industry environment.

Epi proColon

Reimbursement decision by the Centers for Medicare & Medicaid Services

For Epigenomics, the main factor affecting fiscal year 2021 was the reimbursement decision for Epi proColon as an option for patients eligible for colorectal cancer screening in the U.S.A.

The Centers for Medicare & Medicaid Services (CMS) – the state health insurance agency in the U.S.A. – had already been processing our application for a National Coverage Determination (NCD) review of Epi proColon for almost two years. The NCD is one of two options to obtain CMS reimbursement for Epi proColon, which would represent a major U.S. market breakthrough for the Company. By initiating this procedure in spring 2019, the CMS had officially determined that there was a rationale to consider reimbursing the costs of our test. The official and formal commencement of the procedure did not take place until February 2020.

The proposed decision was then provisionally announced in October 2020. To general surprise, the proposal was negative. Not just we as a company but also the majority of advisers, investors and external observers had expected a positive proposal. In its reasoning, the agency revealed first and foremost that its decision-making process had completely ignored key scientific data and study results (such as those from the microsimulation study) that we had submitted together with the application. This came as a particular surprise because the leading medical professional societies responsible for drawing up the respective screening guidelines in the U.S.A. (such as the ACS or USPSTF) themselves referred to the results of such simulation studies in drafting their guidelines. The study data from the Harvard Medical School and also those from the independent CISNET group, which were known beforehand, and also the very obvious benefits of using Epi proColon for colorectal cancer screening, played no role for the decision-making body at CMS. The end of the public comment period was followed by the beginning of an official 60-day period within which CMS was then required to announce a final NCD. This was published on January 19, 2021, and was also negative.

Our first reaction to the rejection was to consider making an appeal or taking other legal action against it, in view of circumstances and reasons for the decision given by CMS. At the same time, we were able to make the first public announcement about an improved version of Epi proColon that will meet the new reimbursement criteria specified in the final NCD. We decided against the initiation of legal proceedings in view of the high level of associated costs and the expected duration of the appeal procedure. A two-year appeals process with an uncertain outcome would not make sense from our point of view, given that we assume FDA approval of Epi proColon "NextGen" in 2025.

In September 2021, we were able to report on a study in the BMC Cancer medical journal showing that blood-based testing using Epi proColon is an effective method for increasing CRC screening rates in medically underserved populations that are unwilling or unable to carry out stool tests (FIT) or colonoscopy. For eligible participants in the study, the rate of testing increased from 12.6% of patients completing a FIT test the previous year to 93.5% with the blood test.

Many people in the U.S.A. do not participate in the CRC screening program despite the available testing. The overall screening rate is below 70%. This is particularly true of medically underserved populations (MUP) with characteristics such as low income, inadequate insurance or no insurance at all. Although FIT testing has desirable characteristics for MUPs, return rates are consistently low, around 10% in MUPs compared to the general population. This was confirmed in a study now published. In the study, the patients were consecutively offered CRC screening by colonoscopy and FIT, in accordance with the current guidelines for CRC screening. The blood test was offered only when both options were rejected. Of the 460 participants offered screening, no participant accepted the offer of colonoscopy, 30 (6.5%) chose FIT screening and 430 (93.5%) elected for mSEPT9 testing. Only two of the 30 participants who chose FIT actually returned the test (6.7%).

The results of the study therefore show that blood-based testing for CRC screening, when compared to FIT, is well-received by the participants. The result is another important contribution to the realization that FDA-approved CRC screening blood tests should be incorporated into the screening paradigm, as this is a means of reducing CRC mortality.

During the reporting period, we also resumed our post-approval study for Epi proColon carried out for the FDA, after almost all research activities came to a halt in the previous year due to the COVID-19 pandemic. This was primarily due to the lack of patient involvement. In these uncertain times, many of those eligible did not take up their screening tests in order to avoid visiting medical practices or clinics, which it was assumed had a high risk of infection with the COVID-19 virus. In addition, medical institutions and laboratories were also stretched to the limit by the pandemic and were no longer able to provide many regular services for weeks and months at a time. A gradual return to "normality" in this respect only became noticeable in the second half of 2021.

HCCBloodTest

A study was published in the BMC Gastroenterology medical journal in April 2021, showing that significantly better performance was achieved in screening patients with cirrhosis of the liver for hepatocellular carcinomas (liver cancer, HCC) using our liver cancer panel than with the current standard procedure (ultrasound and alpha-fetoprotein (AFP)).

The study compared cirrhosis patients who were ill with treatable early-stage liver cancer with patients who had cirrhosis but not cancer. As the study reported, Epigenomics' new next generation sequencing (NGS) panel in combination with the AFP measurement achieved a sensitivity of 68% with a specificity of 97% in an ad-hoc analysis. This panel is used in our HCCBloodTest product. A blood test of this nature can contribute to improving the survival rates for patients.

Effects of the COVID-19 pandemic on Epigenomics

At a very early stage in the initial phase of the COVID-19 pandemic, Epigenomics adapted to the changed situation – including by modifying its work routines and analyzing the supply chain.

The new working processes and rules were initially kept unchanged and continued in the reporting period. This also applied to the partial furlough scheme introduced for all employees at the Company's headquarters in Berlin in April of the previous year. Employees who had left since that date also continued not to be replaced for the time being. The voluntary waiver by the Executive Board and Supervisory Board of portions of their remuneration for the duration of the measures referred to remained in place as well. Following the improvement in the global pandemic situation in summer 2021 and the vaccination of large sections of the population, we were able to return to full-time working in Berlin during the course of September and to relaunch initial recruitment processes in order to replace the personnel capacities we had lost.

As mentioned above, in the second half of the reporting period we also resumed our post-approval study for Epi proColon carried out for the FDA, after almost all research activities had come to a halt in the previous year due to the COVID-19 pandemic. Our operating costs for research and development (R&D costs) nevertheless remained once again significantly below the level that would have been expected in the absence of the pandemic. Even if product revenues continued at a very low level due to the reluctance of patients to attend cancer screening appointments, voluntary and involuntary cost savings more than made up for the impact. This also applied to marketing and sales as well as R&D costs. As in other trades and industrial sectors, it became noticeable that trade fairs, conferences and other events had already been virtualized to a great extent in the previous year, with beneficial effects on costs and liquidity.

As a result of the special arrangements introduced due to COVID-19, our Annual General Shareholders' Meeting was again held in a purely virtual form in 2021, without the physical presence of the shareholders. Epigenomics' experience with this method of holding the meeting can be described as overwhelmingly positive.

Following the deterioration in the pandemic situation in many countries, especially Germany and the U.S.A., towards the end of the fiscal year, it became clear that COVID-19 would continue to impact Epigenomics – and of course all other global market participants – in the current next fiscal year as well. This also complicated our business planning for 2022 as it had previously. In general terms, it is of course practically impossible to predict the future duration of the pandemic.

We do not expect the COVID-19 pandemic to have a major impact on Epigenomics' business in the medium to long term.

Financing activities in 2021

In January 2021, we issued a subordinated mandatory convertible bond with an aggregate principal amount of EUR 5.5 million. The bond, which was initially offered to the Company's existing shareholders via their subscription rights, may be converted into a total of up to 5,000,000 registered no-par value shares of the Company representing a total interest in the Company's share capital of up to EUR 5.0 million. The mandatory convertible bond issue comprised up to 500,000 zero-coupon bonds with a principal amount of EUR 11.00 each, offered at an issue price of EUR 11.00 each. The term of the convertible bond expires on February 29, 2024. Deutsche Balaton AG has signed a backstop agreement with us in which it gave a commitment to purchase bonds with an aggregate principal amount of up to EUR 4.0 million. All of the bonds offered were placed with the shareholders. Holders already converted 444,589 bonds into 4,445,890 shares in the conversion windows during the reporting period, with the result that only 55,411 bonds from the issue were still outstanding at the year-end.

In May 2021, we issued 1,970,537 new shares to our shareholders by means of a rights issue at an issue price of EUR 1.10. The offer was several times oversubscribed and secured us gross proceeds of EUR 2.2 million.

In September 2021, we placed a further subordinated, zero-coupon convertible bond with our shareholders. This involved the issue of 165,000 bonds with an aggregate principal amount of EUR 16.5 million convertible into 15 million new shares, generating gross issue proceeds equal to the aggregate principal amount cited. Deutsche Balaton AG likewise entered into a backstop agreement with us for the purposes of this issue, in which it committed to subscribe for all 165,000 bonds should they fail to be placed with other shareholders exercising their subscription rights. The conversion price for each share amounted to EUR 1.10. The bondholders were granted the right to convert their bonds up to July 15, 2027. 3,232,080 new shares were created as a result of conversions in the first conversion window for this bond at the start of the fourth quarter, with the result that 129,447 bonds from this issue were outstanding at the year-end.

Executive Board appointments 2021

On January 31, 2021, Jorge Garces, Ph.D. stepped down from his position on the Executive Board as the Company's then President and Chief Scientific Officer and left the Company. With effect as of December 1, 2021, the Supervisory Board appointed Mr. Andrew Lukowiak, Ph.D. as the new President and Chief Scientific Officer, and he has headed up research and development and operations since then.

On December 31, 2021, Albert Weber, Executive Vice President Finance, resigned his position as a member of the Executive Board and left the Company. With effect as of February 1, 2022, the Supervisory Board appointed Mr. Jens Ravens as Chief Financial Officer and member of the Executive Board with responsibility for financial and administrative functions.

OUR STOCK IN THE REPORTING PERIOD – STOCK EXCHANGE LISTING AND MARKET DATA

The shares are traded on the Regulated Market of the Frankfurt Stock Exchange under ISIN DE000A3H2184 and the ticker symbol ECX.

Market data

Volume (across all trading platforms)

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Number of shares outstanding (year-end)	5,891,230	5,891,230	11,823,227	12,232,303	15,539,737
Total trading volume (shares)	7,893,696	4,098,317	5,002,730	3,945,931	4,885,772
Average daily trading volume	127,318	64,894	80,689	59,787	75,166

XETRA prices in EUR	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Highest price	20.32	5.55	2.33	1.34	1.20
Lowest price	2.74	3.10	1.15	0.98	0.54
Closing price	3.40	2.32	1.27	1.20	0.64
Market capitalization in EUR thousands (year-end)	20,030	13,668	14,968	14,679	9,961

Epigenomics' share price hit its high for 2021 of EUR 5.55 on Xetra in January. The shares closed 2021 at EUR 0.64 in Xetra trading.

FINANCIAL REPORTING IN THE REPORTING PERIOD

The shares of Epigenomics AG are listed in the Prime Standard segment of the Frankfurt Stock Exchange. The Exchange Rules impose the obligation to prepare interim financial reports. During the reporting period, we published quarterly reports on May 12, 2021 (first quarter) and November 10, 2021 (third quarter), and a half-yearly report on August 11, 2021. 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	2021
Revenue	106	117	5,799	181	6,203
Earnings before interest and taxes (EBIT)	-1,174	-2,310	2,850	-1,720	-2,354
EBIT before depreciation and amortization (EBITDA)	-941	-2,232	2,904	-1,666	-1,935
EBITDA before share-based payment expenses	-985	-2,179	2,954	-1,623	-1,833
Earnings per share (in EUR)	-0.20	-0.21	0.23	-0.04	-0.22
Net cash flow	3,866	-582	16,220	-1,076	18,428
Cash consumption	2,386	1,829	-617	577	4,175
Total liquidity at end of period	7,446	6,949	23,555	23,049	23,049

In the Outlook section of our prior-year Group management report we forecast that revenue would amount to between EUR 0.4 million and EUR 1 million for fiscal year 2021. This forecast was based on the negative reimbursement decision at the start of 2021. The revenue situation in 2021 continued to be impacted by the COVID-19 pandemic. Some of the patients eligible for screening missed or postponed their appointments due to the perceived risk of infection. In the third quarter of 2021, we announced the conclusion of an agreement with New Horizon Health Limited for the sale of certain non-essential blood samples and simultaneously increased its revenue forecast for the year as a whole to EUR 6.0 million. We finished the year with revenue of EUR 6.2 million.

The global crisis triggered by the COVID-19 pandemic continued to make itself felt on the cost side. Our activities relating to clinical studies were significantly reduced, since in the U.S.A. in particular these studies had already been phased down in 2020. Our total operating costs once again declined in 2021 compared with the previous year, by more than EUR 2.2 million. Our EBIT in 2021 amounted to EUR -2.4 million and EBITDA before share-based payment expenses to EUR -1.8 million and turned out considerably better than expected at the start of the year due to the sale of parts of our biobank; the forecast for adjusted EBITDA lay within a range of EUR -7.0 million to EUR -9.0 million and was revised in the third quarter to between EUR -3.0 million and EUR -4.0 million. Exchange rate effects and the related exchange rate gains meant that the actual amount was less than the lower figure in the range.

Cash consumption also developed better than expected in line with the earnings position and amounted in total to EUR 4.2 million over the year as a whole. Our forecast for this item also lay within a range of EUR 7.0 million to EUR 9.0 million, which we revised to between EUR 3.5 million and EUR 4.5 million in the third quarter.

The equity ratio amounted to EUR 89.8% at the end of the reporting period after starting at 56.8%. We ended fiscal year 2021 with EUR 18.5 million more in available liquidity than we had begun with (EUR 23.0 million as of December 31, 2021 versus EUR 4.5 million at the start of the year).

In conclusion, the developments in the Company's financial position in the reporting period were more positive than we had budgeted for. The primary reasons for this were the cash inflows from the convertible bonds in February and September 2021 and the capital increase in May 2021, as well as from the sale of parts of the biobank. Liquidity of EUR 23.0 million at the year-end is sufficient to cover our requirements for fiscal year 2022 and beyond, in all likelihood until the beginning of the second quarter of 2023. For information on R&D activities in the financial year, please refer to the "Research and development (R&D)" chapter in the management report.

FINANCIALS

Results of operations

Early in fiscal year 2021, we received the notification from CMS in the U.S.A. that we would continue to be denied reimbursement for Epi proColon. In the light of this, expectations for the results of operations in 2021 were reduced accordingly. The volume of revenue generated from Epi proColon therefore remained very low in line with expectations. It had already become clear in previous years that the large majority of patients with health insurance are not prepared to pay for this screening test themselves if there are alternative solutions (e.g., stool tests) that are free of charge. Moreover, as in the previous year, the pandemic was responsible for additional revenue losses due to a general reluctance of patients to visit their doctors, which also reduced the participation rates for screening tests. Revenues from our test kits therefore remained low both in the U.S.A. and in Europe, amounting in total in the fiscal year to EUR 0.4 million (2020: EUR 0.6 million), only the lower end of our forecast range at the beginning of the fiscal year. The fact that we were nevertheless able to report substantial growth in total revenues to EUR 6.2 million at the year-end (2020: EUR 0.8 million) is due to the sale of our blood sample database ("biobank") in August 2021.

The sale of the biobank, which was almost entirely free of revenue-related expenses, increased our gross margin from 83% in the prior year to 98% in the reporting period.

A significant increase was also recorded in other income, which was largely generated by volatility in the EUR/USD exchange rate. 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 had also taken 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 3.2 million in 2021, EUR 2.8 million was therefore attributable to exchange rate gains (2020: EUR 1.4 million). This was partly offset by currency-related other expenses, however (see below). The remaining other income of EUR 0.4 million mostly reflected reversals of provisions and the adjustment of accrued liabilities (2020: EUR 0.1 million). For further information, please refer to the "Research and development (R&D)" chapter in the management report.

Expenses for research and development ("R&D") in 2021 fell year-on-year from EUR 3.7 million to EUR 3.1 million. As in 2020, this was due to the COVID-19 pandemic which held back our clinical studies in the U.S.A. and in some cases brought them to a complete halt. Particularly hard hit was our post-approval study for Epi proColon. This was exacerbated by the introduction of the partial furlough scheme at our Berlin location which also affected our whole R&D team.

Selling, general and administrative (SG&A) costs amounted to EUR 7.5 million (2020: EUR 7.3 million). This item includes the costs of preparing the contract for the biobank sale and the related success fee for the investment bank appointed for this purpose. Sales and marketing activities in the U.S.A. were also severely restricted in 2021. Staff in the administration department were also subject to the partial furlough scheme, which just as in R&D led to lower personnel costs.

Other expenses, which were due almost exclusively to currency effects, fell from EUR 2.9 million in 2020 to EUR 1.0 million in 2021. This decline as against 2020 was due primarily to the euro again appreciating against the U.S. dollar.

Operating costs fell from EUR 14.0 million in 2020 to EUR 11.8 million in the reporting period due to the factors mentioned above, primarily because of currency-related other expenses. The operating result (EBIT) improved from EUR -11.6 million in the prior year to EUR -2.4 million in 2021 thanks to the proceeds from the sale of parts of the biobank. Adjusted for depreciation and amortization, EBITDA amounted to EUR -1.9 million (2020: EUR -11.1 million). Our forecast for EBITDA before share-based payment expenses for 2021 was EUR -7.0 million to EUR -9.0 million as of the beginning of the year and was revised in the third quarter to EUR -3.0 million to EUR -4.0 million. The actual figure of EUR -1.8 million is an improvement on that due to currency effects (2020: EUR -10.5 million).

Our interest income declined from EUR 21 thousand to EUR 12 thousand in the reporting period. At the same time our interest expenses from the compounding of long-term leases decreased only slightly from EUR 55 thousand to EUR 52 thousand, leading to a negative financial result after other finance costs of EUR 56 thousand (2020: EUR -36 thousand).

The marginal tax expense of EUR 18 thousand was due to local taxes at the U.S. subsidiary (2020: EUR 23 thousand).

Financial position and cash flow

Our cash consumption decreased to EUR 4.2 million in 2021 from EUR 9.6 million in the prior year. At EUR 4.2 million, the negative cash flow from operating activities was significantly higher than in the previous year (EUR 9.6 million) due primarily to the improvement in EBITDA.

The cash flow from investing activities was positive and amounted to EUR 961 thousand in the reporting period (2020: EUR 3 thousand). This reflected inflows from the sale of marketable securities amounting to EUR 984 thousand and interest income of EUR 12 thousand, which more than offset our very low payments for investments to maintain operating assets.

The cash flow from financing activities amounted to EUR 21.6 million in fiscal year 2021 (2020: EUR 3.0 million), calculated as the gross proceeds from the issue of convertible bonds in January and September of the reporting period (EUR 22.0 million) and from our capital increase in May 2021 (EUR 2.2 million), less the associated expenditure (EUR 2.3 million) and payments for leases (EUR 0.3 million).

Our liquidity at the end of 2021 increased to EUR 23.0 million, EUR 18.5 million above the figure of EUR 4.5 million (including securities held for sale) at the start of the year.

Net asset position

Our equity ratio rose in the reporting period, from 56.8% at the beginning of the year to 89.7% at the end of the year. Equity grew by EUR 18.2 million from EUR 3.9 million to EUR 22.1 million. The net loss for the year of EUR 2.4 million was more than offset by the issue of convertible bonds in January and September and the capital increase in May. Other comprehensive income fell during the reporting period from EUR 1.3 million to EUR -16 thousand mainly due to exchange rate losses.

Trade payables decreased marginally from EUR 0.6 million to EUR 0.5 million as against the end of the prior-year reporting period, which was attributable solely to effects relating to the reporting date.

Current liabilities fell slightly from EUR 0.9 million as of the prior-year reporting date to EUR 0.8 million as of December 31, 2021.

Non-current assets decreased from EUR 1.3 million as of December 31, 2020 to EUR 1.0 million as of December 31, 2021. While intangible assets declined slightly over this period due to amortization and impairment, the carrying amounts of property, plant and equipment decreased from EUR 1.2 million as of the beginning of the year to EUR 0.9 million as of December 31, 2021. As well as depreciation of laboratory and office equipment at our sites, the carrying amounts of right-of-use assets for our leased office and laboratory premises were also reduced by accumulated depreciation.

Current assets increased sharply by EUR 18.2 million to EUR 23.7 million as of the balance sheet date, mainly reflecting our improved liquidity position.

Total assets rose by EUR 17.9 million to EUR 24.7 million as of December 31, 2021 (December 31, 2020: EUR 6.8 million).

EMPLOYEES

At the end of the reporting period we had 32 employees (December 31, 2020: 37). The average figure for the year was actually slightly lower, at 31 (2020: 39). 24 employees were under contract with the German company and the remaining 7 with the U.S. subsidiary. Due to the situation in general (COVID-19) and the Company's individual situation in particular (partial furlough scheme), for the meantime there were no short-term moves to replace employees who had left the Company during the fiscal year, which explains the decrease in the headcount.

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 32 staff as of the end of 2021 included 17 employees directly involved in research, product development, IP, regulatory affairs, quality assurance and manufacturing. Their activities are reported as R&D costs in the financial statements. The remaining 15 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, which also applies to 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 2021.

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 work from home. Personnel development measures and training opportunities for our employees are also very important to us. The Human Resources department also ensures occupational medical support for all of our employees.

Total personnel costs amounted to EUR 4.1 million in 2021 and were thus once again considerably lower than in the prior year (EUR 5.3 million) as well as noticeably below the budgeted figure. In addition to the general trend towards a slight decrease in the headcount, the decline was due on the one hand to the German partial furlough scheme, which led to significantly lower wage and salary expenses at the Berlin location from mid-April until the end of the year, and was accompanied by Executive Board members forgoing a portion of their salaries. In addition, the Executive Board had only two members for large parts of the reporting period, not returning to three members until December. On the other hand, the total expenses for share-based payment declined during the reporting period. In addition, the number of outstanding rights decreased due to staff turnover.

In April 2021, we granted a total of 145,750 stock option rights to the Executive Board and Group employees. The rights derive from the Stock Option Plan 19–21 which, like its predecessor, 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 April 2025, has been set at EUR 20.00. We consider such long-term stock option programs to be a key instrument in aligning employees' and management's interests with corporate objectives and in motivating our staff. Details of this plan and the stock option programs of previous years can be found in the notes to the consolidated financial statements for 2021.

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 EBITDA before share-based payment expenses are our key indicators with regard to managing the Company and, therefore, our financial market reporting.

The aforementioned indicators are monitored closely on a monthly basis and published on a quarterly basis 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 relate 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 are further important indicators in measuring achievement of our targets and in helping us manage our internal activities and external communication. Last but not least, we monitor customer satisfaction using indicators such as delivery and/or turnaround times, number and nature of audit findings and complaint rates.

OVERALL ASSESSMENT OF THE 2021 FISCAL YEAR

Fiscal year 2021 was dominated by the reimbursement decision for Epi proColon in the U.S.A. After we had initially assumed that the decision would definitely be made in our favor, we were already deeply disappointed in the previous year when the preliminary CMS decision was announced. The final decision that followed at the start of the reporting period was unfortunately also negative. It became increasingly clear to us over the next few months that the appeal against the non-award of the NCD we were originally considering would not make sense from a cost-benefit point of view, and that instead we would have to place greater emphasis on preparing an application for FDA approval of Epi proColon "Next-Gen". The hope that reimbursement would be required by law in the context of the Biden administration's major infrastructure package, the Build Back Better Act, unfortunately came to nothing. Given that cost reimbursement for Epi proColon was the crucial issue for Epigenomics over the last few years, we are naturally very disappointed with this turn of events.

Due to these developments, we were forced to implement cost-saving measures and partial furloughs at our Berlin location. We were nevertheless able to go ahead with planning for the approval study for Epi proColon "Next-Gen", and make further significant progress with the post-approval study in the second half of the year.

Despite this difficult operating situation, 2021 was a very successful year from a funding point of view. We achieved a significant improvement in our liquidity position thanks to two convertible bond issues, a smaller capital increase and the sale of parts of our biobank, and can now tackle the key tasks for the coming year with a solid financial foundation. Our liquidity position as of January 1, 2022 was the best it has been at the start of a new year for 15 years.

In conclusion, we cannot be and are not satisfied with fiscal year 2021 from an operating point of view, but that we have at least taken the best possible action on the financing side and have achieved a good result from a very difficult starting position.

REPORT ON EXPECTED DEVELOPMENTS AND ON OPPORTUNITIES AND RISKS

REPORT ON EXPECTED DEVELOPMENTS

Planned strategic direction of Epigenomics in the coming years

Epigenomics has significant expertise with our liquid biopsy platform technology and the colorectal cancer ("CRC") screening sector. We will utilize this expertise to bring the "Next-Gen" version of Epi proColon to market. Internally generated results have demonstrated performance data that would meet the Centers for Medicare & Medicaid Services criteria for reimbursement in the U.S.A. Consequently, we plan to initiate the prospective clinical study required for FDA approval in 2022. We expect the clinical trial and subsequent FDA review to take three to four years, which is consistent with previous CRC trials. Based upon the CMS National Reimbursement Decision for Blood-Based CRC Screening tests, we expect to receive Medicare reimbursement upon FDA approval and thus would begin commercialization immediately. In order to bring Epi proColon "Next-Gen" to market, an appropriate amount of capital needs to be invested over three to four years. It will be imperative for the Company to raise the appropriate capital over that time period to achieve this goal.

In addition to the development of Epi proColon "Next-Gen", the Company will continue to pursue a legislative solution to Medicare reimbursement for the Company's current FDA approved version of the test.

Expected economic environment in the coming years

Given the COVID-19 pandemic, which has still not been overcome, inflationary trends and the action taken by central banks in response, and the war in Ukraine, it remains difficult to forecast the macroeconomic conditions and the capital market environment in Europe and the U.S.A.

Given the above considerations, it seems almost impossible to make a reliable forecast for the economy at large over the next two years. By contrast, the specialist environment in which Epigenomics operates constitutes something calculable, since cancer will continue to pose a risk to human health even in times of a pandemic, and the options available for fighting and treating it will continue to be limited in the foreseeable future and beyond. Screening will therefore remain a major and important issue as before. Even if we have lost much valuable time due to the setback for reimbursement in the U.S.A. and for the time being have to make a new approach to the FDA with Epi proColon "Next-Gen", there will continue to be market opportunities in the coming years for a blood-based screening test. It should also be taken into account that the percentage of GDP spent on healthcare will likely continue growing worldwide (in the U.S.A. in particular).

The capital markets have proven to be very stable due to the policy of extremely low or negative interest on liquid funds pursued by the central banks in Europe and the U.S.A., and only showed a significant reaction to the outbreak of the pandemic at the start of the crisis in the first quarter of the previous year. In 2021, they were not only very stable but reached record highs in many cases. The effects of the war in Ukraine are currently difficult to predict. However, we assume that this will still have a significant impact on the economic environment and the capital markets. Due to the fact that companies from the life sciences sector are less affected, it should also be possible to raise equity in the future. Due to the current development in the financial markets, this is not guaranteed.

Following the end of the Trump administration in the U.S.A., President Joe Biden's new government has also ensured that more reliability and cooperation is once again being shown to global trading partners. The U.S. dollar has strengthened further against the euro in comparison with the start of the reporting period, but has not been able to regain the heights which sent it below the EUR/USD 1.10 level in the Trump era. The corresponding exchange rate was constantly below EUR/USD 1.20 in the second half of the year. The indications are that the U.S. dollar is likely to strengthen during the coming year. With this in mind, we decided in line with previous years' practice to set our budget rate for 2021 at the effective exchange rate at the time the budget was drawn up (November 2021), i.e., at EUR/USD 1.15.

Outlook on earnings

As the Company is not currently actively marketing Epi proColon due to the lack of Medicare reimbursement we estimate our 2022 revenue between EUR 0.3 million and EUR 0.8 million. If Medicare reimbursement is indeed achieved via legislation in 2022, we may amend our revenue forecast.

We carried out a successful capital measure in the third quarter of 2021 thus we believe we have sufficient liquidity to last us beyond the first quarter of 2023. We expect to initiate the clinical trial for Epi pro Colon "Next-Gen" in 2022. In order to continue the trial through 2023 the Company will need to secure additional capital.

For fiscal year 2022 we again assume an operating loss and expect that EBITDA before share-based payment expenses ("adjusted EBITDA") will amount to between EUR -15.0 million and EUR -17.0 million. This assumes we initiate the Epi proColon "Next-Gen" trial in the summer of 2022. If this trial is delayed or enrollment is slower than anticipated then the adjusted EBITDA may improve.

Outlook on financial position

Based on our business plans for 2022, we expect cash consumption in line with our adjusted EBITDA guidance. The planned cash expenditures for 2022 are connected with our ongoing R&D activities for Epi proColon "Next-Gen" and the clinical trial as well as administrative tasks and obligations.

We ended the 2021 fiscal year with EUR 23 million in cash. The available financial resources are sufficient at our projected cash consumption to support the Company's operations beyond the first quarter of 2023 in line with our planning projections. We are also contemplating other financing activities and strategic options to secure liquidity beyond that point. It goes without saying that we are dependent on the capital market and its development, but also on the outcome of our efforts to seek out investors and partners who we can convince of the potential offered by our product pipeline in general and our Epi proColon "Next-Gen" test in particular.

The additional funding that we intend to attract will of course primarily be used to finance the approval study for Epi proColon "Next-Gen".

Outook on non-financial performance indicators

Our objective key objectives for fiscal year 2022 are to optimize Epi proColon "Next-Gen" and initiate the clinical trial while also continuing to pursue Medicare reimbursement for the current FDA approved version of the test via legislation.

Mid-term opportunities

The market opportunities in the fields of CRC and liver cancer in the U.S.A. and other global markets are considerable. Given our current limited financial opportunities, however, we will concentrate on preparing and then conducting the clinical study for Epi proColon "Next-Gen" necessary to receive FDA approval for the next generation product in the coming three to four years. We expect to be able to obtain reimbursement for Epi proColon "Next-Gen" in the U.S.A. under the new CMS requirements. We have already discussed the resulting market opportunities in sufficient detail elsewhere.

Establishing a leadership position in innovative liquid biopsy tests for cancer screening allows us to work towards launching further pioneering products on the market going forward.

For our shareholders there is the opportunity to see the enterprise value increase from catalytic events, primarily the successful marketing of our products in the U.S.A. and also additional licensing partnerships.

Overall outlook for the Epigenomics Group

Epigenomics is a leader in the research and development of liquid biopsy tests for cancer detection. We believe that the Company has a valuable technology platform that can be used with a sufficient capital structure and the corresponding resources.

We have no production facilities in Russia and Ukraine, nor do we source raw materials from these regions. Therefore, we do not expect any significant impact on our operating business at the current time. In contrast, the capital market environment could deteriorate further and make it more difficult to refinance the Company; the Company's success primarily depends on the success of its product development. Here, we are confident that we will reach the milestones for the development of the Epi proColon "Next-Gen" product as planned.

In order to ensure our ability to continue as a going concern, sufficient liquidity has to be maintained and/or additional liquidity secured. We aim to have liquidity to finance at least one year's operations at all times. Currently, we still rely on the capital markets to raise equity and debt financing from time to time and expect that we will have to make use of this alternative again in the near future. In order to not have to rely exclusively on capital market financing for our business operations, we will continue to evaluate other strategic options for our further development.

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 largest opportunity at this time for Epigenomics is the U.S. CRC screening market. We have a parallel path strategy to maximize our potential for success in this large market of approximately 100 million patients. First, we will continue to pursue Medicare reimbursement for our FDA approved version of Epi proColon via legislation. If legislation is passed to receive Medicare reimbursement, we can begin the commercialization of the product within six months. Legislation to this effect has been introduced in the U.S. Senate (S. 2145) and the House of Representatives (HR 1655).

Second, the Company plans to initiate a clinical trial for Epi proColon "Next-Gen", our next generation version of the test that we believe will meet the criteria for Medicare reimbursement. While Epigenomics disagrees with the CMS NCD it does provide the benefit of clear reimbursement requirements for future blood-based CRC screening tests. Any future blood-based screening test that receives FDA approval and achieves 74% sensitivity and 90% specificity will automatically receive Medicare reimbursement. This provides Epigenomics with a clear path to commercialization for Epi proColon "Next-Gen".

There are risks in both strategies. Success in achieving reimbursement through legislation relies on many factors that are out of the Company's control due to the very nature of governmental law making. While the Company will continue to pursue this solution, the risk of this solution is significant. For Epi proColon "Next-Gen", there are also risks including meeting the key test performance criteria "reproducibility", successfully completing the large clinical trial, and securing future medical guideline inclusion in addition to others.

Assuming the Company is successful in gaining FDA approval and Medicare reimbursement the Company must then commercialize the product. It should be noted that competitors with comparable blood-based diagnosis are likely to be present in the market by this time, which could impact our ability to secure a market share. Our ability to grow revenue from our product will depend, among other factors, on the successful marketing and commercialization of our test with key stakeholders in the healthcare industry. We not only have to address the screening population itself, but also have to generate support in the medical and laboratory customer communities. To this effect we have extended our network in the medical community over recent years, in order to gain support for our product from key opinion leaders in the field. However, there is no guarantee that all of those involved can be convinced of the advantages of a blood-based early detection test.

Considering the lack of standardized reimbursement rules in Europe, we expect the market acceptance of our main product in the different European markets to remain low for the foreseeable future. However, a positive reimbursement decision in any European country represents a significant opportunity for the product in that market. At this point, though, we have no indication of reimbursement negotiations for products like ours taking place on a broader scale in any of the major European countries. Our resources are currently insufficient to directly address and develop the European markets. As a result, there is a risk that our technological advantage over the competition will decrease or vanish altogether.

In our efforts to be able to sell our products – either directly or through partners – in the laboratory market in the U.S.A. and other countries, we have established relationships with contract manufacturers and vendors of specialized reagents to ensure an adequate supply of our product at any time. The ability of our manufacturing partners to provide us with sufficient quantities of product at quality levels mandated by regulatory authorities poses a potential risk to the Company. A failure on the part of any of these partners or product vendors could lead to us being unable to supply products to the market and thus negatively impact our ability to generate revenue. In order to mitigate this risk we work with highly capable companies in this field, with ample experience and a track record of providing high-quality products to diagnostic companies.

In most markets, the performance of the Epi proColon test is restricted to certain instruments specifically detailed in our regulatory filings. We are therefore dependent on these instruments being available to laboratory customers who buy the test from our partners or from us directly. Any changes in the products offered by these laboratory instrument manufacturers might limit the ability of our customers to order the test from us. This again would pose a risk of us not being able to generate revenue and thus negatively impact our financial performance. To mitigate this risk, we are constantly observing the market, are in dialog with instrument manufacturers and remain prepared to validate our diagnostic products on other instrumentation platforms in order to be able to react to any changes with respect to instruments being sold and installed at our customers' laboratories.

The area of CRC screening has seen intense competition in recent years. Since there are multiple blood-based CRC screening trials ongoing in the U.S. we do expect competition in this space when Epi proColon "Next-Gen" enters the market in the future.

In addition to the multiple CRC screening trials on-going numerous companies are developing "pan-cancer" screening products. These tests are designed to screen for multiple cancers including CRC. Some of these companies have significant capital and are investing billions of dollars in these solutions e.g. Illumina (Grail) and Exact Sciences. To date, the main focus of these tests is targeted at cancers for which no institutionalized screening programs exist. We do not believe that these tests will replace targeted screening tests however they still present a future risk.

Epigenomics' future success partly relies on the experience and expertise of the management and personnel, which represents a decisive competitive advantage for the Company. Our ability to retain the current level of expertise through key employees in the Company and to be able to recruit such expertise as might become necessary remains a critical success factor and could impact the future results of operations and financial position. Management has implemented a retention plan in the form of share-based payment incentives with the objective of securing long-term commitment from key employees.

In order to achieve successful commercialization of our products and continue development of our next generation products, the business must be appropriately capitalized, especially over the next three to four years. Without sufficient capital in the medium to long term, the business could be at risk of not achieving our corporate goals, including commercialization of Epi proColon "Next-Gen".

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 reimbursement, 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 reimbursement 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. This puts us in the position of being able to commercialize our own products while limiting the business risk of competition, even by larger companies in the field.

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 overall value.

Opportunities and risks related to the regulatory environment

The regulatory environment in the U.S.A. and the rest of the world presents constant challenges. In the U.S.A., for example, the outgoing Trump administration had a stated goal in recent years of repealing and replacing the Affordable Care Act and the first steps had already been taken towards doing so. The Biden administration, which arrived in office in 2021, now naturally stands for much more reliability and predictability, as well as for the implementation of healthcare policies for socially weaker and otherwise disadvantaged social groups. Under this government, the established state-sponsored cancer screening program will in all likelihood not be cut back once again, and will create opportunities for new products, methods and procedures in this area. Nevertheless, the issue of the financial resources required will continue to be the subject of discussions between opposing political factions, and thanks to differing majorities in the Senate and the House of Representatives, it will also be no easy ride and could even be impossible for President Biden to push through his planned measures. This also creates a risk that there will be no material improvement in the U.S. regulatory framework, and that the current rules and statutory regulations, some of which are unsatisfactory, will simply remain unchanged.

However, we continue to believe in principle that the potential consequences will not be harmful for our existing FDA-approved product and for Epi proColon "Next-Gen", which is yet to be approved, since it is difficult to imagine that state-funded cancer screening will become less important.

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 entities could have a material impact on our business. We utilize both internal and external resources to monitor the activities of these organizations, and to react where necessary in order to mitigate the corresponding risks.

In its current version, Epi proColon has received a PMA from the FDA, and therefore passed the highest and most difficult approval hurdle in the U.S.A. We will again have to initiate an approval process with the FDA for the improved next generation product. The experiences we gained in the first approval process will prove beneficial in doing so. Given that the basic functionality of and method of applying Epi proColon "Next-Gen" correspond to those of the current product, it can be expected that the FDA will approve it to the extent the agency does not tighten its approval criteria.

Discussions have been ongoing for some time about potentially tightening the regulatory standards. As in the U.S.A., we have also chosen the regulated path to commercialization of our products. Given the high regulatory and quality standards under which we have routinely operated for years, going forward we consider this approach to be a competitive advantage over those companies which do not or cannot comply with these requirements.

Financial opportunities and risks

As of December 31, 2021, our available liquidity amounted to EUR 23.0 million and was therefore significantly higher than at the end of the previous year. This was largely attributable to the proceeds of two convertible bond issues, a capital increase and the sale of the biobank. We carried out the convertible bond issues and the capital increases, which generated gross inflows of more than EUR 24 million for us, at a very difficult time for the business, i.e., following the setback of the negative CMS decision. We therefore demonstrated that we are capable of winning sufficient confidence from investors even at times like these. In recent years, we have already proved repeatedly that additional financial resources are available to us, even under difficult conditions. Nevertheless, management is aware of the risk of not having sufficient liquid resources for the adequate continuation of business operations over the medium term. The negative reimbursement 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 now find ourselves in a situation where we must again concentrate on our proven strengths in product development and conducting studies. As such, we will still not be able to finance ourselves from sufficient operating cash flow but will remain dependent on the capital market for funds. Our proposed project of bringing Epi proColon "Next-Gen" to FDA approval will not be feasible without the aid of substantial financial resources. The necessary clinical approval study alone, planned to start in mid-2022, is likely to require more than EUR 20 million and take two years to complete. Given the time needed for the study, an approval decision can also not be expected before 2025. Accordingly, the available liquidity will not be sufficient to see us through to approval. In order to extend our financial capabilities, we therefore need to raise additional liquidity in the next few years. For this purpose, we will review the opportunities for additional capital market operations including in the short term.

As a listed company, the capital market naturally presents us with opportunities and risks in equal measure on an ongoing basis. The opportunities lie in being able to raise fresh capital on the market from time to time, both from existing and new investors. We have taken advantage of this opportunity each year since 2013, sometimes more than once, and over those nine years raised more than EUR 111 million in fresh capital via a range of transactions (rights issues, private placements, convertible bond issues). However, this also involves risks since our share price is constantly exposed to the market. This means that the share price will not necessarily react positively even if we report success, for example if negative overall movements in the market cancel out our good news. All the more, a lack of positive communications or even adverse disclosures and declining investor interest can have a considerable impact and exert pressure on our share price. A low and/or declining share price reduces investors' appetite to subscribe for new shares, and the amount of capital raised from issuing the new shares decreases accordingly. At the end of the reporting period, our share price was actually quoted significantly below the nominal value for one share of EUR 1.00. This means that for the time being capital increases of this kind are ruled out. Such a scenario

therefore threatens the Company's fundamental development since it could result in an inability to make payments and insolvency. If the market does not revalue the stock upwards to significantly over EUR 1.00, we may have recourse to a capital reduction by consolidating the shares in order to increase the price again using this means. This is only possible if the respective majorities are achieved for resolutions at the General Shareholders' Meeting. Furthermore, the Company's low market capitalization also impacts its ability to raise significant amounts of fresh capital.

Given that we expect to continue generating losses in 2022, we must assume that – without further corporate actions – half of the subscribed capital of Epigenomics AG could once again be used up in the course of 2022. Additional, unforeseen costs in connection with the ongoing operating losses of Epigenomics AG as a single entity or of the Group could – without additional corporate actions in advance – each result in negative equity. Even if exceeding the threshold in section 92 (1) AktG or negative equity have no effect on operations or liquidity, the notifications required could be interpreted negatively by investors in the capital market. Our currently limited equity and the fact that further losses are expected could adversely impact our ability to carry out further successful corporate actions.

Furthermore, the Company's current conditional capital is required to serve convertible bonds already placed, which limits the Company's room for maneuver and the option to issue new convertible bonds.

It is also necessary at this point to refer once again to the specific situation posed by the pandemic, which is still raging around the world with no end in sight, and all of its consequences for the overall economy, our markets, our Company and our employees. The course of the global pandemic continues to pose many frequently imponderable risks, the extent and duration of which still cannot be specified with sufficient precision, especially due to the possibility of newly emerging mutations of the virus. We have so far addressed this risk and its known and potential effects on Epigenomics to the extent possible and have put corresponding precautions in place. In general it can be stated that at an operational level, we have so far weathered the exceptional situation quite well, which also gives us confidence for the period to come. Even if the capital markets in 2020 recovered quickly from their short but intense slump at the onset of the crisis, it remains uncertain whether a possible further intensification of the crisis (due to newly emerging, more dangerous mutations and/or new lockdowns) may not once again have a negative effect on investor sentiment. This also poses a risk to the Company if the corporate actions Epigenomics requires cannot be implemented or their scale is insufficient.

The current situation regarding the war in Ukraine and its negative effects on the financial markets and the Company's refinancing options are difficult to assess at this point in time. In addition, raising capital for growth stocks is likely to become more difficult in the course of the possible development of inflation and the corresponding interest rate raises by central banks. Ultimately, successful product development is critical to the ability to continue raising capital.

To avoid a costly setup of an internal production site and the maintenance of such a facility and qualified staff to meet the required GMP standards, we currently do not manufacture the Epi proColon test kits ourselves, but have outsourced these activities to contract manufacturing providers. Thus, we are exposed to the risk of dependence on our contract manufacturers. Ahead of the market launch of Epi proColon in the U.S.A., we addressed this risk by additionally implementing the manufacturing processes with a qualified alternative supplier capable of producing the test kits for us with the same quality in a relatively short amount of time should our primary supplier experience interruptions in production. However, the agreement with this alternative supplier expired during the reporting period and for the meantime could not be extended. Going forward, we will ensure that we either extend this agreement with the manufacturer or put in place another backup solution. Smaller production quantities can also continue to be manufactured on an interim basis in house.

At the same time, the assembly of our test kits requires specific consumables and materials from audited suppliers of such goods. We cannot easily replace these consumables and materials or their suppliers in the event of delivery or quality problems, since the new vendor would require qualification in accordance with regulatory specifications. In the event of such a problem, any solution would be costly and time-consuming and could impede our ability to provide timely delivery of our products to customers.

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.

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. At the same time, we recognize the lack of returns that can be generated in the money market due to persistently low interest rates or negative interest charged by the banks. However, as a result of negative interest we are now holding higher liquidity reserves on a U.S. dollar basis than in the past, as banks in the dollar zone are not yet charging interest on deposits. In doing so, we are increasing our exposure to currency risks in the financial statements. However, those risks have no effect on liquidity since we will actually need these balances denominated in U.S. dollars for our business activities in the U.S.A. in the future, and they are not being held purely for speculative reasons.

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

With our limited financial and human resources, we will now focus on further developing our Epi proColon "Next-Gen" product and endeavor to initiate the respective FDA approval procedure for the U.S. market as soon as possible. The associated risks lie in financing the project and the time needed, since the approval study required is not feasible given the funds we currently have available. At the same time, however, the performance we have proven to date meets the new CMS reimbursement requirements and as such this improved product also represents our greatest opportunity. Following approval of the Epi proColon "Next-Gen" test by the FDA, there would consequently be no need for another protracted NCD application procedure with CMS.

Despite the funds raised on the capital markets in recent years, as a company with significant commercial challenges and opportunities we remain constrained in our financial resources. This limits our ability to cope with potential additional hurdles in attaining a positive reimbursement decision and in our commercial activities. A failure to raise capital to appropriately fund business operations might however lead to a total loss of value in our stock.

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 2021 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 German Corporate Governance 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 above and 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 2021 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 at:

www.epigenomics.com/news-investors/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-investors/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:

Name	Function	Contract start	Contract term until
Greg Hamilton	Chief Executive Officer	July 2016	December 2022
Albert Weber	Executive Vice President Finance	January 2018	December 2021
Andrew Lukowiak, Ph.D.	Chief Scientific Officer	December 2021	December 2024
Jorge Garces, Ph.D.	Chief Scientific Officer	December 2017	January 2021

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:

		Number of shares				
Executive Board member	Reporting year	held as of Jan 1	acquired in 2021	pro forma (prior to reverse stock split)	effect of reverse stock split	held as of Dec 31
Greg Hamilton	**2021**	**2,656**	**0**	**n/a**	**n/a**	**2,656**
	2020	21,250	0	21,250	-18,594	2,656
Albert Weber	**2021**	**12**	**0**	**n/a**	**n/a**	**12**
	2020	100	0	100	-88	12
Jorge Garces, Ph.D.	**2021**	**125**	**n/a**	**n/a**	**n/a**	**n/a**
(until January 2021)	2020	1,000	0	1,000	-875	125
Andrew Lukowiak, Ph.D.	**2021**	**n/a**	**0**	**n/a**	**n/a**	**0**
(since December 2021)	2020	n/a	n/a	n/a	n/a	n/a
Executive Board total	**2021**	**2,793**	**0**	**n/a**	**n/a**	**2,668**
	2020	22,350	0	22,350	-19,557	2,793

Detailed disclosures on how the Executive Board works, its remuneration system and the remuneration report for fiscal year 2021 have been made permanently accessible to the general public in German and English on Epigenomics AG's website at:

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

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

Since the General Shareholders' Meeting of the Company on June 16, 2021, the Supervisory Board of Epigenomics AG now consists of four 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.

- **Heino von Prondzynski** – Einsiedeln (CH) – Chairman (since May 2, 2012)
  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 since May 2012

  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);
  - The Binding Site Group Ltd., Birmingham, UK

- **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);
  - 2invest 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

  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).

- **Dr. Helge Lubenow** – Bad Nauheim (GER)
  CEO of ProteomediX AG, Zürich (CH) and former Head of the Molecular Diagnostic Business Area at Qiagen (GER)
  Supervisory Board member since May 2016; 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 undertakings:
  - Neracare GmbH, Frankfurt, Germany;
  - Evorion Biotechnologies GmbH, Münster, Germany;
  - tesaLabtec GmbH, Langenfeld, Germany;
  - Human Gesellschaft für Biochemica und Diagnostica mbH, Wiesbaden, Germany

- **Franz Walt** – Flims Dorf (CH)
  Supervisory Board member since May 2019; Member of the Audit Committee

  Franz Walt is not a member of other mandatory supervisory boards or comparable boards with supervisory function.

  In the period from January 1, 2021 to June 16, 2021, the Supervisory Board of the Company consisted of six members. In addition to the four members referred to above, it also had the following two members:

- **Ann Clare Kessler**, Rancho Santa Fe, CA (U.S.A.) – Vice-Chairwoman (from May 2, 2012 to June 16, 2021)
  Independent consultant and former Head of Global Project Management at F. Hoffmann-La Roche Ltd. (Basel, CH) and former Head of the Division of Exploratory Research at Hoffmann-La Roche Inc. (U.S.A.)

  Supervisory Board member from June 2005 to June 2021

- **Prof. Dr. Günther Reite**r – Pfullingen (GER) – Vice-Chairman (from November 5, 2014 to June 16, 2021)
  Professor at the ESB Business School in Reutlingen (GER)

  Supervisory Board member from June 2005 to June 2021; Chairman of the Audit Committee until June 2021

Supervisory Board members' shareholdings in the Company:

		Number of shares				
Member of the Supervisory Board	Report-ing year	held as of Jan 1	acquired in 2021	pro forma (prior to reverse stock split)	effect of reverse stock split	held as of Dec 31
Heino von Prondzynski	**2021**	**75,000**	**91,260**	**n/a**	**n/a**	**166,260**
	2020	535,000	65,001	600,001	-525,001	75,000
Alexander Link	**2021**	**1,500**	**9,990**	**n/a**	**n/a**	**11,490**
	2020	n/a	12,000	12,000	-10,500	1,500
Dr. Helge Lubenow	**2021**	**2,193**	**0**	**n/a**	**n/a**	**2,193**
	2020	17,550	0	17,550	-15,357	2,193
Franz Walt	**2021**	**2,437**	**0**	**n/a**	**n/a**	**2,437**
	2020	19,500	0	19,500	-17,063	2,437
Dr. Ann C. Kessler	**2021**	**19,975**	**n/a**	**n/a**	**n/a**	**n/a**
(until June 16, 2021)	2020	137,604	22,200	159,804	-139,829	19,975
Prof. Dr. Günther Reiter	**2021**	**0**	**n/a**	**n/a**	**n/a**	**n/a**
(until June 16, 2021)	2020	0	0	0	n/a	0
Supervisory Board total	**2021**	**101,105**	**101,250**	**n/a**	**n/a**	**202,355**
	2020	709,654	99,201	808,855	-707,750	101,105

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 reporting period, Mr. Link also acquired 50 convertible bonds of the Company from the 21/27 issue which he still held at the balance sheet date.

Detailed disclosures on how the Supervisory Board works, its remuneration system and the remuneration report for fiscal year 2021 have been made permanently accessible to the general public in German and English on Epigenomics AG's website at:

www.epigenomics.com/news-investors/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 four members, of whom one is female. This represents a female quota of 25% and therefore meets the target set. 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 yet 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, there are various departments and employees involved in developing, coordinating and monitoring control measures. The risk management function and controlling as well as quality departments are of major importance here. Due to its small size, the Company has not yet established an internal audit function.

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.

The Epigenomics Group has established the principle of separation of functions as far as reasonable in a commercial organization with a limited 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.

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.

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

In accordance with section 315a 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 29.16% 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, 2021, 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 15,539,737.

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. During the reporting period, this clause in the service agreement with Greg Hamilton was modified so as also to apply to the closing of an asset deal. Andrew Lukowiak signed a new agreement on joining the Company, 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 2016/I or XI

The share capital is conditionally increased by up to EUR 1,000,000.00 by means of issuing up to 1,000,000 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.

Conditional Capital 2017/I or XII

The share capital is conditionally increased by up to EUR 1,000,000.00 by means of issuing up to 1,000,000 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 May 31, 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.

Conditional Capital 2019/III or XIII

The share capital is conditionally increased by up to EUR 1,000,000.00 by means of issuing up to 1,000,000 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 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.

Conditional Capital 2020/I or XIV

The share capital is conditionally increased by up to EUR 16,403,463.00 by means of issuing up to 16,403,463 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.

Berlin, March 11, 2022

The Executive Board

KEY FIGURES

– in accordance with the consolidated financial statements –

EUR thousand (unless indicated otherwise)	2017	2018	2019	2020	2021
Statement of Profit or Loss					
Revenue	1,864	1,533	1,125	842	6,203
Gross profit	1,618	1,093	872	697	6,067
EBIT	-10,289	-12,895	-14,673	-11,627	-2,354
EBITDA	-9,946	-12,587	-14,160	-11,092	-1,935
EBITDA before share-based payment expenses	-9,369	-11,436	-13,287	-10,461	-1,833
Net loss for the year	-10,235	-12,692	-17,020	-11,686	-2,428
Balance Sheet					
Non-current assets	2,914	3,553	1,866	1,328	951
Investments in non-current assets	548	106	122	21	35
Current assets	16,859	18,274	12,123	5,469	23,712
Non-current liabilities	43	47	741	496	400
Current liabilities	9,153	3,167	3,619	2,437	2,143
Equity	10,577	18,613	9,629	3,864	22,120
Equity ratio (in %)	53.5	85.3	68.8	56.8	89.7
Total assets	19,773	21,827	13,989	6,797	24,663
Statement of Cash Flows					
Cash flow from operating activities	-9,576	-10,351	-13,506	-9,571	-4,152
Cash flow from investing activities	-548	724	47	3	961
Cash flow from financing activities	11,499	13,274	7,120	2,982	21,619
Net cash flow	1,375	3,647	-6,339	-6,586	18,428
Cash consumption	10,124	9,627	13,459	9,568	4,175
Cash and cash equivalents at the end of the year	12,826	16,487	10,155	3,566	23,049
Stock[1]					
Weighted average number of shares issued	2,895,203	3,377,019	4,659,071	5,778,663	11,207,413
Earnings per share (basic and diluted, in EUR)	-3.54	-3.76	-3.65	-2.02	-0.22
Share price as of the balance sheet date (in EUR)	34.00	14.16	10.96	3.40	0.64
Number of employees as of the reporting date	46	44	41	37	32

[1] For reasons of comparability, the figures for 2017–2019 have been adjusted.

Consolidated Financial Statements 2021

– 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	2021	2020
Revenue	1	**6,203**	**842**
Cost of sales	3	-136	-145
Gross profit		**6,067**	**697**
Gross margin (in %)		*97,8*	*82,8*
Other income	2	3,212	1,507
Research and development costs	3	-3,111	-3,659
Selling, general and administrative costs	3	-7,509	-7,301
Other expenses	3; 6	-1,013	-2,871
Operating result/earnings before interest and taxes (EBIT)	7	**-2,354**	**-11,627**
Interest income	8	*12*	*21*
Interest expenses	8	-52	-55
Other financial result	8	-16	-2
Net loss for the year before taxes on income		**-2,410**	**-11,663**
Taxes on income	9	-18	-23
Net loss for the year		**-2,428**	**-11,686**
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	23	-1,341	1,528
Changes in fair value of financial instruments measured at fair value through other comprehensive income	23	39	81
Other comprehensive income for the year		**-1,302**	**1,609**
Total comprehensive income for the year		**-3,730**	**-10,077**
Earnings per share (basic and diluted, in EUR)	10	**-0.22**	**-2.02**

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31

ASSETS EUR thousand	Note	Dec 31, 2021	Dec 31, 2020
Non-current assets			
Intangible assets	11	60	144
Property, plant and equipment	12	891	1,184
Total non-current assets		**951**	**1,328**
Current assets			
Inventories	15	176	122
Trade receivables	16	73	251
Marketable securities	17	0	961
Cash and cash equivalents	18	23,049	3,566
Other current assets	19	414	569
Total current assets		**23,712**	**5,469**
Total assets		**24,663**	**6,797**

EQUITY AND LIABILITIES EUR thousand	Note	Dec 31, 2021	Dec 31, 2020
Equity			
Subscribed capital	20	15,540	5,891
Capital reserve	21	99,756	87,419
Retained earnings	22	-90,732	-79,046
Net loss for the year		-2,428	-11,686
Other comprehensive income	23	-16	1,286
Total equity		**22,120**	**3,864**
Non-current liabilities			
Lease liabilities		369	460
Provisions	25	31	36
Total non-current liabilities		**400**	**496**
Current liabilities			
Trade payables	26	503	629
Lease liabilities		91	223
Deferred income		69	80
Other liabilities	27	650	627
Provisions	25	830	878
Total current liabilities		**2,143**	**2,437**
Total equity and liabilities		**24,663**	**6,797**

At the balance sheet date, an amount of EUR 86 thousand of bank deposits was restricted cash.

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

EUR thousand	Note	2021	2020
Cash and cash equivalents at the beginning of the year		**3,566**	**10,155**
Operating activities			
Net loss for the year		**-2,428**	**-11,686**
Adjustments for:			
Depreciation of property, plant and equipment	5; 12	335	342
Amortization of intangible assets	5; 11	84	193
Stock option expenses	4	98	631
Loss from the disposal of non-current assets	6	7	0
Foreign currency exchange results	2;6	-1,302	0
Financial income	8	-35	-21
Financial expenses	8	92	56
Taxes	9	18	23
Operating result before changes in operating assets and liabilities		**-3,131**	**-10,462**
Adjustments for:			
Inventories	15	-52	185
Trade receivables	16	176	-159
Other assets	19	161	108
Non-current and current provisions	25	-69	286
Trade payables and other liabilities	26; 27	-1,194	420
Deferred income		-10	74
Interest paid		-16	0
Tax paid		-17	-23
Cash flow from operating activities	30	**-4,152**	**-9,571**

EUR thousand	Note	2021	2020
Investing activities			
Payments to acquire intangible assets		0	-11
Payments to acquire property, plant and equipment		-35	-10
Proceeds from the sale of securities		984	0
Interest received	8	12	24
Cash flow from investing activities	31	**961**	**3**
Financing activities			
Proceeds from the issue of new shares	20; 21	2,168	3,998
Payments for the issue of new shares	21	-79	-725
Proceeds from the issue of convertible bonds		22,000	0
Payments for the issue of convertible bonds		-2,198	0
Payments for capital reduction		0	-23
Payments for leases		-272	-268
Cash flow from financing activities	32	**21,619**	**2,982**
Net cash flow		**18,428**	**-6,586**
Currency translation effects		1,055	-3
Cash and cash equivalents at the end of the year		**23,049**	**3,566**

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
December 31, 2019		**43,528**	**69,251**	**-85,807**	**-17,020**	**-323**	**9,629**
Total comprehensive income 2020	23	**–**	**–**	**–**	**-11,686**	**1,609**	**-10,077**
Transfer of net loss for the year 2019 to retained earnings		–	–	-17,020	17,020	–	0
Capital increase with subscription rights	20	3,602	–	–	–	–	3,602
Premium from the capital increase with subscription rights	20; 21	–	397	–	–	–	397
Costs for the creation of new shares	21	–	-295	–	–	–	-295
Reverse stock split (8:1)	19; 21	-41,239	17,458	23,781	–	–	0
Costs for the reverse stock split		–	-23	–	–	–	-23
Share-based payment expenses	4; 21	–	631	–	–	–	631
December 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	20	1,971	–	–	–	–	1,971
Premium from the capital increase with subscription rights	20; 21	–	197	–	–	–	197
Issue of convertible bonds	21	–	-79	–	–	–	-79
Costs for the creation of new shares		7,678	-7,678	–	–	–	0
Conversion of convertible bonds		–	22,000	–	–	–	22,000
Costs for the issue of convertible bonds		–	-2,201	–	–	–	-2,201
Share-based payment expenses	4; 21	–	98	–	–	–	98
December 31, 2021		**15,540**	**99,756**	**-90,732**	**-2,428**	**-16**	**22,120**

Notes to the Consolidated Financial Statements 2021

BASIC INFORMATION, PRINCIPLES AND METHODS

DESCRIPTION OF BUSINESS ACTIVITY

Epigenomics ("Epigenomics", the "Group" or the "Company") was founded as a limited liability company under German law (Gesellschaft mit beschränkter Haftung – GmbH) in 1998 and has its registered office in Berlin, Germany. In 2000, the Company was converted into a stock corporation under German law (Aktiengesellschaft – AG) and entered into the commercial register (Handelsregister) of Charlottenburg 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 in quantity of particular epigenetic parameters such as DNA methylation patterns as well as the information technology bases necessary for their procurement and evaluation. Epigenomics AG is a molecular diagnostics company developing and commercializing a pipeline of proprietary products for screening, early detection and diagnosis of cancer. The Company's products 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, 2021 balance sheet date, as adopted by the European Union (EU).

The Company has incurred accounting losses (after the simplified reduction of capital) of EUR 93,160 thousand since being founded. The Company generated a net loss of EUR 2,428 thousand for 2021 (2020: EUR 11,686 thousand). The "going concern" principle in accordance with IAS 1.25 Presentation of Financial Statements was applied. The Company had liquid funds (cash, cash equivalents and marketable securities) of EUR 23.0 million as of the end of 2021.

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, 2021 (2020). The reporting currency is the euro (EUR). Many figures are rounded to the nearest thousand euros, which may give rise to rounding differences in the figures presented in these notes.

SCOPE OF CONSOLIDATION

The consolidated Group consists of Epigenomics AG as the parent company (registered office: Geneststrasse 5, 10829 Berlin, Germany) and Epigenomics, Inc., as its sole subsidiary during the reporting period. The subsidiary is registered in the U.S. state of Washington and based its operations out of San Diego (11055 Flintkote Ave, Suite A, San Diego, CA 92121). Epigenomics AG held 100% of the share capital and the voting rights of Epigenomics, Inc. between January 1, 2021 and December 31, 2021.

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 2021

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, 2021. Generally, the new standards and amendments mentioned below require prospective application.

Mandatory application for fiscal years beginning on or after January 1, 2021:

Amendments to IFRS 4 Insurance Contracts
(endorsed by the EU on December 15, 2020)

Concurrent to the IASB's publication of its final amendments to IFRS 17 on the accounting treatment of insurance contracts, an associated amendment was made to IFRS 4 that extended the existing option to defer initial application of IFRS 9 until the new effective date of IFRS 17.

Applying the Amendments to IFRS 4 did not have any effect on the Company's financial statements in fiscal year 2021. Nor are any effects currently expected in future fiscal years.

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
(endorsed by the EU on January 13, 2021)

The further planned amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 cover practical expedients in connection with the reform of international interest rate benchmarks. These relate to hedge accounting, which does not generally have to be discontinued because of the interest rate benchmark reform. Any hedge ineffectiveness must continue to be recognized through profit or loss.

The Company does not apply hedge accounting. Applying the Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 did not have any effect on the Company's financial statements in fiscal year 2021. Nor are any effects currently expected in future fiscal years.

Amendments to IFRS 16 Covid-19-Related Rent Concessions after June 30, 2021
(endorsed by the EU on August 30, 2021)

The practical expedient proposed due to the COVID-19 pandemic provides lessees with an exemption extended until June 30, 2022 from assessing whether a COVID-19-related rent concession is a lease modification, subject to certain conditions. This enables lessees to account for such rent concessions as if there were no lease modification, in other words without applying the rules on lease modifications.

Applying the Amendments to IFRS 16 did not have any effect on the Company's financial statements in fiscal year 2021 since the Company has not taken advantage of any rent concessions.

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.

The Company does not expect that the application of the Amendments to IFRS 3 will have any effect on its financial statements for fiscal years from 2022 onward.

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.

The Company does not expect that the application of the Amendments to IAS 16 will have any effect on its financial statements for fiscal years from 2022 onward.

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.

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.

The Company does not expect that the application of the Annual Improvements to IFRS Standards (2018–2020 Cycle) will have any effect on its financial statements for fiscal years from 2022 onward.

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
(not yet endorsed by the EU)

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 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 2023 onward.

Amendments to IAS 1 Disclosure of Accounting Policies
(not yet endorsed by the EU)

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
(not yet endorsed by the EU)

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 (not yet endorsed by the EU)

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 IFRS 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 (not yet endorsed by the EU)

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 IAS 8 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, 2022.

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. Given global developments in connection with the COVID-19 pandemic, it remains difficult to estimate the future economic conditions and the consequences of this crisis. The assumptions made are on the basis of there being no further worsening in the pandemic in the U.S.A. and Germany and no scenarios in which society and the economy are brought to a complete standstill (e.g., lockdowns). The future planning for the Company is shaped against the backdrop of the negative reimbursement decision by CMS for Epi proColon and is extrapolated under the following expected assumptions. The Company assumes that it will be able to make rapid progress coordinating the design of the market approval study for Epi proColon "Next-Gen" with the U.S. Food and Drug Administration (FDA) in 2022 so that the first patients can be recruited for the study halfway through the year. Over the further course of the study, too, the assumption is that the requisite patient samples will be available in sufficient quantities within the target timeframe of two years. Management furthermore anticipates that the results of the study will confirm or even exceed the current performance data for Epi proColon "Next-Gen", which to date have only been measured internally. Another assumption is that the subsequent FDA review process will be completed within the normal timeframe (six to nine months) and market approval will follow on the back of the performance data. By rejecting reimbursement, the CMS has quite clearly determined that FDA-approved blood-based CRC screening tests (which includes Epi proColon "Next-Gen") which achieve a sensitivity of 74% and specificity of 90% are also eligible for CMS reimbursement without any further application procedure. This is a core assumption underlying the Company's current planning.

It is also expected that Epigenomics will be able to fully resume its R&D activities without restriction and that the requisite specialists will be available in the U.S.A. and Germany.

The plans of the Group's management do not expect Epigenomics to be highly dependent on the overall economic situation in the short term. The Group's operating activities are furthermore not highly dependent on the availability of or the price development for commodities or industrial supplies but rather on the individual situation of the Company and its opportunities to continue its operations by further financing transactions. Therefore, the Company is still dependent on the condition and the development of the capital markets (mainly in the U.S.A. and in Germany), particularly with regard to the life sciences industry. However, the Company's primary goal remains to develop and commercialize tests for cancer detection – beginning with Epi proColon "Next-Gen". The financing activities undertaken in the reporting period raised are assumed to be sufficient funds to carry out the study for the currently running period. The expectation is that the additional liquidity needed to maintain other operating activities over that period will be secured via further corporate actions with existing or new investors. These funds could also be raised via strategic partners who are convinced by the test's potential and want to participate in future commercialization.

Given the COVID-19 pandemic, which has still not been overcome, inflationary trends and the action taken by central banks in response, and the crisis in Ukraine, it remains difficult to forecast the macroeconomic conditions and the capital market environment in Europe and the U.S.A. With respect to regulatory requirements in the Company's primary export markets, there are currently no signs of significant changes that would affect the Company in the coming fiscal year.

All of the Company's future scenarios furthermore assume essentially unrestricted access to the relevant clinical and biological samples, corresponding clinical data and sufficient resources for the execution of the Company's commercial projects.

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 1.15. 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.

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 notes and other current liabilities approximate their fair values due to their short-term maturities. The fair value of marketable securities is based on quoted market prices (level 1). There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the reporting period.

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, currency exchange rate gains, earnings 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, 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 have been met so far by the Company and are expected to be met going forward. Should the requirements cease to be met in the future, redemption 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,
- 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 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, 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 designated 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 designated 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

In the separate financial statements, receivables and liabilities in foreign currencies are measured using the corresponding euro reference rate published by the European Central Bank and applicable as of the balance sheet date.

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

For consolidation purposes, the expenses and income of the subsidiary are translated into euros at the average monthly exchange rates. The assets and liabilities of the subsidiary are translated into the Group's reporting currency (euros) at the end of each reporting period using the closing rate. Equity components that are measured in terms of historical cost in U.S. dollars are translated using the exchange rate at the date of the transaction. The resulting translation differences are accounted for separately within equity.

Foreign currency exchange rates applied in the reporting period:

Closing rates	Dec 31, 2021	Dec 31, 2020
EUR/USD	1.1326	1.2271

Average rates	2021	2020
EUR/USD	1.1816	1.1470

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

1 REVENUE

Revenue by type:

	2021		2020	
	EUR thousand	in %	EUR thousand	in %
R&D revenue and reimbursements	5,716	92.1	225	26.7
Product sales (own and third-party)	465	7.5	584	69.3
License revenue	22	0.4	33	4.0
Total revenue	**6,203**	**100.0**	**842**	**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.

EUR 5,716 thousand resulted from the sale of parts of our biobank.

Revenue by geographical market:

	2021		2020	
	EUR thousand	in %	EUR thousand	in %
Asia	5,717	92.2	21	2.5
North America	297	4.8	531	63.1
Europe	189	3.0	290	34.4
Total revenue	**6,203**	**100.0**	**842**	**100.0**

In the reporting year, 95% of total revenue (2020: 51%) was generated by the Company's three largest customers.

2 OTHER INCOME

EUR thousand	2021	2020
Foreign exchange rate gains	2,821	1,358
Income from the reversal of provisions	234	70
Correction of deferred liabilities	102	26
Recoveries and refunds	36	51
Third-party research grants from public authorities	12	1
Other	7	1
Total other income	**3,212**	**1,507**

3 COST ALLOCATION BY FUNCTION

	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**

	2020				
EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	137	264	221	0	622
Depreciation, amortization and impairment	0	254	281	0	535
Personnel costs	5	1,768	3,553	0	5,326
Other costs	3	1,373	3,246	2,871	7,493
Total	**145**	**3,659**	**7,301**	**2,871**	**13,976**

4 PERSONNEL COSTS

EUR thousand	2021	2020
Wages and salaries	3,459	4,018
Share-based payment expenses	102	631
Social security expenses	527	677
of which employer's contribution to a national pension fund (Germany)	128	92
of which employer's contribution to a 401(k) savings plan (U.S.A.)	63	93
Total personnel costs	**4,088**	**5,326**

The Group employed an average of 31 employees in 2021 (2020: 39). The 32 employees as of the end of 2021 included 17 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 15 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 granted gave rise to share-based payment expenses amounting to EUR 102 thousand (2020: EUR 631 thousand).

The reimbursements to social security for payments under partial furloughs amounted to EUR 85 thousand (2020: EUR 92 thousand).

5 DEPRECIATION AND AMORTIZATION

EUR thousand	2021	2020
Amortization of intangible assets	84	193
of which amortization of capitalized development costs	45	119
Depreciation of property, plant and equipment	335	342
of which depreciation of right-of-use assets	230	234
Total depreciation and amortization	**419**	**535**

6 OTHER EXPENSES

EUR thousand	2021	2020
Foreign exchange rate losses	1,006	2,871
Losses from the disposal of assets	7	0
Total other expenses	**1,013**	**2,871**

7 OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	2021	2020
Operating result/earnings before interest and taxes (EBIT)	**-2,354**	**-11,627**
Total depreciation and amortization	419	535
EBIT before depreciation and amortization (EBITDA)	**-1,935**	**-11,092**
Share-based payment expenses	102	631
EBITDA before share-based payment expenses	**-1,833**	**-10,461**

8 FINANCIAL RESULT

Net gains and losses on all financial instruments:

EUR thousand	2021	2020
Interest from financial assets	3	18
Interest on time deposits	9	3
Interest and related income	**12**	**21**
Total financial income	**12**	**21**
Other interest expenses	-52	-55
of which from leases	-37	-55
Interest and related expenses	**-52**	**-55**
Other finance costs	-16	-2
Total financial expenses	**-68**	**-57**
Total financial result	**-56**	**-36**

9 TAXES ON INCOME

The reported taxes on income in the amount of EUR 18 thousand (2020: EUR 23 thousand) consist solely of taxes relating to the Company's U.S. subsidiary.

EUR thousand	2021	2020
Current tax expenses	18	23
Total taxes on income	**18**	**23**

For the calculation of deferred taxes of the U.S. subsidiary, a local tax rate of 21% was applied there.

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

in %	2021	2020
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	2021	2020
Net loss for the year before taxes on income	-2,410	-11,663
Expected tax income	**728**	**3,522**
applicable tax rate for the Group	30.2%	30.2%
permanent differences	-29	-40
other foreign taxes	-18	-23
effect of foreign taxes	-214	-297
unrecognized tax loss carryforwards	-484	-3,185
Effective tax income/(expense)	-18	**-23**
Effective tax rate	0.7%	**-0.2%**

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. The outstanding stock options and convertible notes granted 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 15,539,737 (December 31, 2020: 5,891,230).

	2021	2020
Net loss for the year (in EUR thousand)	-2,428	-11,686
Weighted average number of shares issued	11,207,413	5,778,663
Earnings per share (basic and diluted, in EUR)	-0.22	-2.02

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

11 INTANGIBLE ASSETS

EUR thousand		Software	Licenses/patents	Development costs	Total intangible assets
Jan 1, 2020	**Cost**	**478**	**1,021**	**3,639**	**5,138**
	Additions	5	0	0	5
	Disposals	0	-1,021	0	-1,021
	Currency translation	0	0	0	0
Dec 31, 2020	**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**
Jan 1, 2020	**Accumulated amortization and impairment**	**357**	**1,021**	**3,427**	**4,805**
	Additions	74	0	119	193
	Disposals	0	-1,021	0	-1,021
	Currency translation	0	0	0	0
Dec 31, 2020	**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**
Dec 31, 2020	**Carrying amounts**	**52**	**0**	**93**	**145**
Dec 31, 2021	**Carrying amounts**	**12**	**0**	**48**	**60**

The capitalized development costs for Epi proColon and Epi proLung are assumed to have a useful life of ten years. The annual amortization for these assets amounted to EUR 37 thousand (Epi proColon) and EUR 8 thousand (Epi proLung).

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, 2020	**Cost**	**569**	**1,325**	**93**	**1,078**	**3,065**
	Additions	0	10	0	0	10
	Disposals	0	-46	0	0	-46
	Currency translation	0	-5	-2	-33	-40
Dec 31, 2020	**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**
Jan 1, 2020	**Accumulated depreciation and impairment**	**271**	**1,007**	**54**	**201**	**1,533**
	Additions	44	55	8	234	341
	Disposals	0	-46	0	0	-46
	Currency translation	0	-3	-2	-18	-23
Dec 31, 2020	**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**
Dec 31, 2020	**Carrying amounts**	**254**	**271**	**31**	**628**	**1,184**
Dec 31, 2021	**Carrying amounts**	**210**	**250**	**27**	**405**	**892**

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. However, if certain conditions attached to the funding are not complied with going forward, the funding sponsors may demand partial or full repayment of the subsidies in the following years. These conditions include 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 Company assumes that it will be able to fulfill all of the conditions.

The right-of-use assets were recognized in relation to the Group's leases for office and laboratory premises at the Berlin locations 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 site currently has a term until April 2023. The Company has an option to extend the lease by three years until April 2026. In the valuation, the Company assumed that it will exercise the extension option. The new lease for the San Diego site begins 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 31 thousand was recognized through profit or loss. Short-term leases were likewise not recognized, with EUR 14 thousand instead being recognized as an expense.

13 ASSETS SCHEDULE

EUR thousand		Intangible assets	Property, plant and equipment	Total intangible assets and property, plant and equipment
Jan 1, 2020	**Cost**	**5,138**	**3,065**	**8,203**
	Additions	5	10	15
	Disposals	-1,021	-46	-1,067
	Currency translation	0	-40	-40
Dec 31, 2020	**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**
Jan 1, 2020	**Accumulated depreciation/ amortization and impairment**	**4,805**	**1,533**	**6,338**
	Additions	193	341	534
	Disposals	-1,021	-46	-1,067
	Currency translation	0	-23	-23
Dec 31, 2020	**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**
Dec 31, 2020	**Carrying amounts**	**145**	**1184**	**1,329**
Dec 31, 2021	**Carrying amounts**	**60**	**892**	**952**

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, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Intangible assets and property, plant and equipment	0	0	120	165
Current assets	0	0	0	30
Non-current liabilities	0	0	111	139
Current liabilities	0	0	27	25
Total	**0**	**0**	**258**	**359**
Total after offsetting	**0**	**0**	**258**	**359**

Overview of tax loss carryforwards (2021 estimated):

EUR thousand	2021	2020
Tax loss carryforwards in Germany (corporate income tax)	221,135	218,719
Tax loss carryforwards in Germany (trade tax)	219,441	217,025
Tax loss carryforwards in the U.S.A. (corporate income tax)	21,886	17,504
R&D tax credits in the U.S.A.	3,864	3,424

Reconciliation of deferred tax assets (2021 estimated):

EUR thousand	31.12.2021	31.12.2020
Deferred tax assets due to German tax loss carryforwards	66,783	66,053
Deferred tax assets due to U.S. tax credits	3,864	3,424
Deferred tax assets due to U.S. tax loss carryforwards	4,596	3,676
Total deferred tax assets due to tax loss carryforwards	**75,243**	**73,153**
Deferred tax position (net) from temporary differences	-258	-359
Total deferred tax assets	**74,985**	**72,794**
Allowance on deferred tax assets	-74,985	-72,794
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, 2020, the Company's tax loss carryforwards in Germany amounted to EUR 219 million for corporate income tax and to EUR 217 million for trade tax. Furthermore, the Company estimates that the accumulated tax loss carryforwards in both aforementioned tax categories will increase by more than EUR 2 million when it files its tax returns for 2021. 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 258 thousand as of December 31, 2021. 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.

The temporary differences connected with shares in subsidiaries, for which no deferred tax assets had been recognized in the reporting periods presented, amounted to a total of EUR 21,538 thousand (2020: EUR 17,854 thousand).

The R&D tax credits in the U.S.A. expire on various dates beginning in 2022 through to 2040.

CURRENT ASSETS

15 INVENTORIES

EUR thousand	Dec 31, 2021	Dec 31, 2020
Consumables, raw materials, supplies	96	42
Finished goods	76	61
Semi-finished goods	4	19
Total inventories	**176**	**122**

The cost of inventories recognized through profit or loss in 2021 amounted to EUR 122 thousand (2020: EUR 208 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, 2021	Dec 31, 2020
Trade receivables	73	251
of which not yet due	29	186
of which past due (up to 90 days)	5	19
of which not yet invoiced (assets from contractual relationships)	39	46

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

17 MARKETABLE SECURITIES

The marketable securities in the amount of EUR 961 thousand as of December 31, 2020 were so-called "Trust-preferred Securities" issued by a wholly owned subsidiary of Deutsche Bank AG. They were redeemable at the issuer's discretion at any time in one payment. In prior periods they had been held as "available-for-sale" financial instruments in accordance with IFRS 9 Financial Instruments. The Company sold these securities for EUR 984 thousand in the first quarter of 2021.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents increased to EUR 23,049 thousand as of the balance sheet date (December 31, 2020: EUR 3,566 thousand). 36.7 % 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 three different banks.

At the balance sheet date, an amount of EUR 86 thousand of bank deposits was restricted cash.

19 OTHER CURRENT ASSETS

EUR thousand	Dec 31, 2021	Dec 31, 2020
Prepaid expenses	222	314
Receivables from tax authorities	91	141
Security deposit	42	20
Claims under enforcement proceedings	28	28
Interest receivables	9	9
Receivables from the Federal Employment Office (Bundesagentur für Arbeit)	0	45
Other	22	12
Total other current assets	**414**	**569**

EQUITY

20 SHARE CATEGORIES AND CAPITAL STRUCTURE

As of December 31, 2021, the share capital of Epigenomics AG consisted exclusively of non-par value ordinary registered shares with equal rights.

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

EUR	Dec 31, 2021	Dec 31, 2020
Subscribed capital	**15,539,737**	**5,891,230**
Authorized Capital	**21,594,386**	**23,564,923**
Authorized Capital 2020/I	4,712,984	4,712,984
Authorized Capital 2020/II	16,881,402	18,851,939
Conditional Capital	**15,886,953**	**23,564,923**
Conditional Capital 2016/I or XI	1,000,000	1,000,000
Conditional Capital 2017/I or XII	1,000,000	1,000,000
Conditional Capital 2019/III or XIII	1,000,000	1,000,000
Conditional Capital 2020/I or XIV	12,886,953	20,564,923

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 1,000,000.00 by means of issuing up to 1,000,000 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 the conditional capital 2016/I or XI, 63,006 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 1,000,000.00 by means of issuing up to 1,000,000 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 2022.

With relation to the conditional capital 2017/I or XII, 90,745 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 1,000,000.00 by means of issuing up to 1,000,000 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, 181,143 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 12,886,953.00 by means of issuing up to 12,886,953 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 beginning 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 7,677,970 new ordinary shares in 2021. The bonds outstanding as of December 31, 2021 can currently be converted into 12,348,088 new shares.

21 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 87,419 thousand as of December 31, 2020 to EUR 99,756 thousand as of December 31, 2021. An increase of EUR 22,000 thousand was attributable to the issuance of mandatory convertible bonds from conditional capital in the January and October of the reporting period. At the same time, however, the amount of the reserve decreased by EUR 7,678 thousand through the conversion of bonds during the financial year and by EUR 2,201 thousand due to the costs of these transactions. A further increase of EUR 197 thousand was attributable to the capital increase in the May of the reporting period through issuing new shares from authorized capital. At the same time, however, the amount of the reserve decreased by EUR 79 thousand due to the costs of creating the new shares as part of this transaction. An increase of EUR 98 thousand was attributable to the issuance of stock options to Executive Board and staff members (2020: EUR 631 thousand).

22 RETAINED EARNINGS

Retained earnings decreased from EUR -79,046 thousand as of December 31, 2020 to EUR -90,732 thousand as of December 31, 2021 due to the transfer of the Company's net loss for 2020.

23 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	2021	2020
January 1	**1,286**	**-323**
Remeasurement of marketable securities	39	81
Exchange rate differences	-1,341	1,528
December 31	**-16**	**1,286**

24 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 increased from 56.8% as of December 31, 2020 to 89.7% as of December 31, 2021.

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

25 PROVISIONS

Statement of changes in provisions:

EUR thousand	Payroll provisions	Provisions for claims from phantom stock rights	Other provisions	Total
Jan 1, 2020	**65**	**0**	**579**	**644**
of which non-current	0	0	44	44
Utilizations	-50	0	-314	-364
Reversals	-15	0	-55	-70
Additions	613	0	92	705
Dec 31, 2020	**613**	**0**	**302**	**915**
of which non-current	0	0	36	36
Utilizations	-450	0	-31	-481
Reversals	-86	0	-148	-234
Additions	579	4	78	661
Dec 31, 2021	**656**	**4**	**201**	**861**
of which non-current	0	4	28	32

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 contractual agreed rights resulting from the Company's phantom stock programs (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.

26 TRADE PAYABLES

The reported trade payables in the amount of EUR 503 thousand as of the balance sheet date (December 31, 2020: EUR 629 thousand) are all non-interest-bearing. The total amount comprises exclusively non-derivative financial liabilities that are due in full within two months following the reporting date.

27 OTHER LIABILITIES

EUR thousand	Dec 31, 2021	Dec 31, 2020
Payables due to staff	436	430
Accrued audit fees	154	138
Payables due to tax authorities	60	33
Payables due to Supervisory Board members	0	22
Other	0	4
Total other liabilities	**650**	**627**

The reported other liabilities are exclusively non-interest-bearing. They comprise non-derivative financial liabilities amounting to EUR 265 thousand that are due exclusively within two months following the reporting date.

28 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, 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**

EUR thousand as of December 31, 2020	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Trade payables	629	0	0	0	629
Lease liabilities	65	195	483	42	785
Other financial liabilities	168	0	0	0	168
Total	**862**	**195**	**483**	**42**	**1,582**

29 FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES

Primary financial instruments

EUR thousand	Measurement principle	Fair value hierarchy level	as of Dec 31, 2021 Carrying amount	as of Dec 31, 2021 Fair value	as of Dec 31, 2020 Carrying amount	as of Dec 31, 2020 Fair value
Assets						
Marketable securities	FVOCI	1	0	0	961	961
Cash and cash equivalents	AC		23,049	23,049	3,566	3,566

AC = measured at amortized cost

FVOCI= measured at fair value through other comprehensive income

Net liabilities from financing activities

EUR thousand	Note	Jan 1, 2021	Non-cash changes: Reclassification (current/ noncurrent)	Non-cash changes: Additions	Non-cash changes: Interest expenses	Non-cash changes: Other effects	Cashflows	Dec 31, 2021
Prepayments for financial projects	19	-100	0	100	0	0	0	0
Trade payables	26	100	0	3	0	0	-100	3
Non-current lease liabilities	28	460	-116	0	38	-13	0	369
Current lease liabilities	28	223	116	0	0	24	-272	91
Total		**683**	**0**	**103**	**38**	**11**	**-372**	**463**

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.

30 OPERATING ACTIVITIES

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

31 INVESTING ACTIVITIES

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

32 FINANCING ACTIVITIES

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

Gross proceeds from the issue of new shares in the amount of EUR 2,168 thousand in the reporting year (2020: EUR 3,998 thousand) related to the Company's capital increase from authorized capital in 2021. The Company received a gross amount of EUR 22,000 thousand from the issuance of convertible bonds in the reporting year. The cash outflow from financing activities amounted to EUR 2,277 thousand in 2020 (2020: EUR 748 thousand) and related to the above-mentioned capital increase and for the issuance of convertible bonds. EUR 272 thousand was paid out for leases (2020: EUR 268 thousand).

33 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	2021	2020
Cash flow from operating activities	-4,152	-9,571
Cash flow from investing activities	961	3
Net proceeds from transactions in securities	-984	0
Cash consumption	**4,175**	**9,568**

RISKS AND RISK MANAGEMENT

34 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 2021.

35 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.

36 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 transactions.

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

Primary financial instruments	**Dec 31, 2021**			**Dec 31, 2020**		
EUR thousand	Total	of which in USD	in %	Total	of which in USD	in %
Trade receivables	73	73	100.0	251	232	92.4
Marketable securities	0	0	n/a	961	0	0.0
Cash and cash equivalents	23,049	14,579	63.3	3,566	700	19.6
Other current assets	155	60	38.9	114	19	16.7
Non-current lease liabilities	-369	0	0.0	-460	0	0.0
Trade payables	-503	-307	61.0	-629	-269	42.8
Current lease liabilities	-91	0	0.0	-223	-141	63.1
Other current liabilities	-651	-324	49.9	-627	-303	48.3
Total net position	**21,664**	**14,081**	**65.0**	**2,953**	**238**	**8.1**
of which in third currencies	-1			0		

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	**2021**	**2020**
10% increase in the EUR/USD rate	Total comprehensive income	-1,130	-18
	Equity	1,889	1,566
10% decrease in the EUR/USD rate	Total comprehensive income	1,381	22
	Equity	-2,308	-1,914

37 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%.

38 INTEREST RATE RISK

Given the historically 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

39 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 and 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 note 20 "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 125,000, which entitle the beneficiaries to subscribe for no more than 125,000 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%.

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 125,000 stock options which entitle the beneficiaries to subscribe for no more than 125,000 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 85,000 stock options
- Group 2 all beneficiaries: max. 32% or 40,000 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 125,000 stock options which entitle the beneficiaries to subscribe for no more than 125,000 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 85,000 stock options
- Group 2 all beneficiaries: max. 32% or 40,000 stock options

Stock options from the SOP 19–21 may still be issued as of April 1, 2020, October 1, 2020 and April 1, 2021. 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.

40 STOCK OPTION PROGRAMS – OUTSTANDING RIGHTS

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

SOP 16–18	Options outstanding	Issued	Expired	Forfeited	Options outstanding	Options exercisable
Option holder	as of Jan 1, 2021 (2020)	Options in 2021 (2020)			**as of Dec 31, 2021** (2020)	
Greg Hamilton (CEO)	28,436	0	8,552	0	19,884	11,447
	(28,436)	(0)	(0)	(0)	(28,436)	(11,447)
Albert Weber (EVP Finance)	3,750	0	3,750	0	0	0
	(3,750)	(0)	(0)	(0)	(3,750)	(0)
Other option holders	77,443	0	30,020	4,301	43,122	17,655
	(80,021)	(0)	(0)	(2,578)	(77,443)	(17,655)
All option holders	**109,629**	**0**	**42,322**	**4,301**	**63,006**	**29,102**
	(112,207)	(0)	(0)	(2,578)	(109,629)	29,102
Average exercise price (in EUR)	38.90	n/a	40.80	36.24	37.80	43.44
	(38.77)	(n/a)	(n/a)	(33.20)	(38.90)	(43.44)

SOP 17–19	Options outstanding	Issued	Expired	Forfeited	Reclassified	Options outstanding	Options exercisable
Option holder	as of Jan 1, 2021 (2020)	Options in 2021 (2020)				**as of Dec 31, 2021** (2020)	
Greg Hamilton (CEO)	20,509	0	3,947	0	0	16,562	0
	(20,509)	(0)	(0)	(0)	(0)	(20,509)	(0)
Jorge Garces (COO)	21,250	0	0	13,282	-7,968	0	0
(until January 2021)	(21,250)	(0)	(0)	(0)	(0)	(21,250)	(0)
Albert Weber (EVP Finance)	17,500	0	0	0	0	17,500	0
	(17,500)	(0)	(0)	(0)	(0)	(17,500)	(0)
Other option holders	58,595	0	6,375	3,505	7,968	56,683	0
	(62,722)	(0)	(0)	(4,127)	(0)	(58,595)	(0)
All option holders	**117,854**	**0**	**10,322**	**16,787**	**0**	**90,745**	**0**
	(121,981)	(0)	(0)	(4,127)	(0)	(117,854)	(0)
Average exercise price (in EUR)	23.25	n/a	40.80	21.09	n/a.	21.65	n/a.
	(23.00)	(n/a)	(n/a)	(16.03)	(n/a)	(23.25)	(n/a)

SOP 19–21	Options outstanding	Issued	Expired	Forfeited	Options outstanding	Options exercisable
Option holder	as of Jan 1, 2021 (2020)	Options in 2021 (2020)			as of Dec 31, 2021 (2020)	
Greg Hamilton (CEO)	12,500	25,000	0	0	37,500	0
	(0)	(12,500)	(0)	(0)	(12,500)	(0)
Jorge Garces (COO)	10,625	0	0	10,625	0	0
(until January 2021)	(0)	(10,625)	(0)	(0)	(10,625)	(0)
Albert Weber (EVP Finance)	8,750	17,500	0	0	26,250	0
	(0)	(8,750)	(0)	(0)	(8,750)	(0)
Other option holders	30,928	103,250	0	16,785	117,393	0
	(0)	(35,853)	(0)	(4,925)	(30,928)	(0)
All option holders	**62,803**	**145,750**	**0**	**27,410**	**181,143**	**0**
	(0)	(67,728)	(0)	(4,925)	(62,803)	(0)
Average exercise price (in EUR)	20.00	20.00	n/a	20.00	20.00	n/a
	(n/a)	(20.00)	(n/a)	(20.00)	(20.00)	(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, 2021		Dec 31, 2020	
2023	43.44	29,102	43.44	29,102
2024	40.80	0	40.80	54,444
2025	32.96	66,319	32.96	74,290
2026	15.36	58,330	15.36	69,647
2027	20.00	47,393	20.00	62,803
2028	20.00	133,750	20.00	0
Total	**23.80**	**334,894**	**28.45**	**290,286**

41 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, 2021	Dec 31, 2020
Total number of outstanding options	63,006	109,629
of which vested until end of term	56,476	82,821
of which exercisable	29,102	29,102
Exercise prices (in EUR)	32.96 – 43.44	32.96 – 43.44
Weighted average term of outstanding rights in years	2.56	3.65
Weighted average fair value per option (EUR)	18.77	20.24
Applied share price volatility in %	84.13	84.31
Risk-free interest rate in %	-0.12	-0.05
Assumed staff turnover in %	1.46	2.59
Expiry dates	01.10.2023 – 01.04.2025	01.10.2023 – 01.04.2025

SOP 17–19	Dec 31, 2021	Dec 31, 2020
Total number of outstanding options	90,745	117,854
of which vested until end of term	58,107	45,116
of which exercisable	0	0
Exercise prices (in EUR)	15.36 – 32.96	15.36 – 40.80
Weighted average term of outstanding rights in years	3.89	4.80
Weighted average fair value per option (EUR)	9.94	10.86
Applied share price volatility in %	80.09	80.46
Risk-free interest rate in %	-0.13	-0.12
Assumed staff turnover in %	5.07	6.54
Expiry dates	01.04.2025 – 01.04.2026	01.10.2024 – 01.04.2026

SOP 19–21	Dec 31, 2021	Dec 31, 2020
Total number of outstanding options	181,143	62,803
of which vested until end of term	12,562	0
of which exercisable	0	0
Exercise prices (in EUR)	20.00	20.00
Weighted average term of outstanding rights in years	5.99	6.25
Weighted average fair value per option (EUR)	1.41	3.68
Applied share price volatility in %	82.79	76.01
Risk-free interest rate in %	-0.57	-0.61
Assumed staff turnover in %	13.12	10.6
Expiry dates	01.04.2027 – 01.04.2028	01.04.2027

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%).

42 PHANTOM STOCK PROGRAMS – DESCRIPTION

The Company has one phantom stock program (PSP)/virtual share 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 2,787,177 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 1.55. 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.

43 PHANTOM STOCK PROGRAMS – OUTSTANDING RIGHTS

No rights under the Company's PSPs were issued in the reporting year or in the previous year.

However, as of the balance sheet date, a total of 465,000 rights were contractually committed to Executive Board members and 22,000 rights were contractually committed to employees for granting to them in 2022 to 2024, provided they are available from the then active PSP.

44 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, 2021	Dec 31, 2020
Total number of outstanding PSRs	0	n/a
of which vested until end of term	0	n/a
of which exercisable	0	n/a
Base value of PSR (in EUR)	1.55	n/a
Aggregate adjusted fair value of PSRs (in EUR thousand)	66	n/a
Aggregate maximum payments if PSRs are exercised (in EUR thousand)	n/a	n/a
Weighted average term of outstanding rights (in years)	n/a	n/a
Weighted average fair value (EUR/PSR)	0.27	n/a
Applied share price volatility in %	85.6	n/a
Risk-free interest rate in %	-0.31	n/a
Assumed staff turnover in %	14.1	n/a
Expiry dates	n/a	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 three years. No dividend payments were assumed during the term of the rights (i.e., the assumed dividend yield was 0%).

OTHER INFORMATION

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

In the reporting year, the Company's Executive Board consisted of Greg Hamilton as Chief Executive Officer, Jorge Garces, Ph.D., as Chief Scientific Officer until Jan. 31, 2021, Albert Weber as Executive Vice President Finance and Andrew Lukowiak as President and Chief Scientific Officer since December 1, 2021.

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 2021.

In 2021, total remuneration of the members of the Executive Board based on the benefits granted amounted to EUR 1,090 thousand (2020: EUR 1,560 thousand) and comprised:

EUR thousand	2021	2020
Fixed remuneration	668	1,019
One-year variable remuneration	404	446
Multi-year variable remuneration	17	95
Total remuneration (granted benefits)	**1,090**	**1,560**

The multi-year variable compensation of the Executive Board members in 2021 comprised 63,750 stock options (2020: 31,875).

In the event of a change of control, 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 (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 2021.

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 Chairpersons since June 16, 2021, Dr. Ann Clare Kessler, Rancho Santa Fe, CA (U.S.A.), and Prof. Günther Reiter, Pfullingen (Germany) as Deputy Chairpersons until June 16, 2021, Dr. Helge Lubenow, Bad Naunheim (Germany) and Franz Thomas Walt, Flims-Dorf (Switzerland). Dr. Kessler and Prof. Reiter retired from the Supervisory Board at the Company's Annual General Meeting on June 16, 2021 as part of a reduction in the size of the Supervisory Board.

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 2021, total remuneration of the members of the Supervisory Board amounted to EUR 194 thousand (2020: EUR 263 thousand) and comprised:

EUR thousand	2021	2020
Fixed remuneration	180	215
Variable remuneration	14	48
Total remuneration	**194**	**263**

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 2021.

46 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	25	3
Financial obligations from the acquisition of property, plant and equipment and intangible assets	44	0
Financial obligations from manufacturing orders, inventories	65	0
Financial obligations from the purchase of goods and services	563	25
Total financial obligations	**697**	**28**

As of December 31, 2021, the best possible estimated range of contingent liabilities was EUR 0 – EUR 150 thousand. They are entirely related to fine proceedings by BaFin due to a failure to make an ad hoc announcement in the 2018 financial year.

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

At the Company's Annual General Shareholders' Meeting in June 2021, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft was engaged to audit the Company's annual financial statements and consolidated financial statements for fiscal year 2021. During the reporting year, a total amount of EUR 184 thousand (2020: EUR 143 thousand) was expensed for miscellaneous services of this auditing firm for Epigenomics AG. Details are shown in the following table:

EUR thousand	2021	2020
Costs for audit services	131	143
Costs for other assurance services	53	0
Total	**184**	**143**

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. The costs for other assurance services were incurred in connection with the issuance of the Company's convertible notes.

48 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 2021, 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/).

49 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 4 thousand December 31, 2020: EUR 2 thousand) and liabilities due to members of its Supervisory Board amounted to EUR 0 thousand (December 31, 2020: EUR 22 thousand).

In an ad hoc disclosure dated June 11, 2021, we announced that Epigenomics AG had on that date entered into an agreement with its shareholder Deutsche Balaton Aktiengesellschaft ("Balaton") under which Balaton will act as backstop purchaser for a mandatory convertible bond to be issued by the Company with an aggregate principal amount of up to EUR 18,150,000.00 by means of exercising its subscription right and acquiring all bonds not subscribed by shareholders under a rights offering ("backstop agreement"). In addition, we announced that in accordance with the voting rights notification published on May 27, 2021, Balaton is indirectly controlled by Wilhelm K. T. Zours. In accordance with that same voting rights notification, Wilhelm K. T. Zours in turn controls 23.02% of the voting rights in our Company via Balaton and other companies directly and indirectly controlled by him. On this basis, we make the precautionary assumption that Wilhelm K. T. Zours and thus also Balaton constitute related parties of the Company in accordance with section 111a (1) sentence 2 of the German Stock Corporation Act (Aktiengesetz – AktG).

Under the backstop agreement referred to above we undertook to offer to Balaton for purchase those bonds not subscribed by other shareholders under the respective convertible bond issue. As consideration for undertaking to exercise its subscription right and acquire bonds not subscribed by the other shareholders, Balaton had an additional claim to a commission amounting to 3.5% of the maximum total subscription price of EUR 18,150,000.00, in other words EUR 635,250.00. The Company was authorized to terminate the backstop agreement with Balaton or to reduce the commission payable to Balaton on specific conditions in the event that a third party in relation to the Company were to offer to assume an obligation to acquire the bonds not subscribed by the other shareholders for a lower commission.

The Executive Board believes that the backstop agreement was entered into on appropriate terms. The Supervisory Board gave its consent for the backstop agreement on June 11, 2021. We announced in an ad hoc disclosure dated August 20, 2021 that on that date the aggregate principal amount of the planned convertible bond issue had been reduced to EUR 16,500,000 and the conversion price per share to EUR 1.10. In connection with the modification of the terms of the convertible bond issue, on August 20, 2021 the Company entered into an agreement amending the backstop agreement with Balaton. The amendment agreement reflects the change in the terms of the convertible bond issue. In accordance with this, the obligation of Deutsche Balaton Aktiengesellschaft to acquire all bonds under the convertible bond issue not subscribed by the other shareholders was reduced to EUR 16,500,000.00. In return, Balaton has undertaken – on certain conditions – to invest the difference between the original aggregate principal amount of the convertible bond issue (EUR 18,150,000.00) and the reduced aggregate principal amount of EUR 16,500,000.00, in other words EUR 1,650,000.00, in future issuances of the Company's shares, convertible bonds, warrant-linked bonds or profit participation rights. This obligation will expire at the end of 2023. The commission to which Balaton is entitled was reduced to EUR 536,250 accordingly.

On September 13, 2021, we announced that the subordinate zero-coupon convertible bond had been placed successfully. The convertible bond issue had been placed at its aggregate principal amount of EUR 16,500,000.00. In connection with the backstop agreement, Balaton subscribed for bonds in the aggregate principal amount of EUR 2,717,800.00.

There were no other transactions with related parties during the reporting year.

50 REPORT ON POST-BALANCE SHEET DATE EVENTS

Announcement dated January 24, 2022

After the end of the reporting period, on January 24, 2022, we announced that the Supervisory Board retained Greg Hamilton as Chief Executive Officer through December 31, 2025. Mr. Hamilton has been CEO of Epigenomics AG since mid-2016 and will continue to lead the Company through the development, FDA approval and commercialization of the Company's Epi proColon "Next-Gen" Colorectal Cancer (CRC) screening test.

We further stated that effective of February 1, 2022, Mr. Jens Ravens joined the Epigenomics Board of Directors as Chief Financial Officer, overseeing the Company's finance and administrative functions. Previously, he held various positions in the Hermes Group, mainly as Vice President Controlling & Finance and Compliance & Risk Management Officer. In his previous positions, Jens Ravens was CFO and Managing Director at Pleon Germany as well as CFO of Pleon Europe in London and Finance Director and member of the Management Board at Interseroh CDI S.A. in Paris. He started his career at Deutsche Bank, where he worked in Equity Sales/Investment Banking.

51 APPROVAL FOR PUBLICATION

On March 11, 2022, the Executive Board cleared 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 March 24, 2022 and published following the approval at the Supervisory Board meeting on March 23, 2022.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements for 2020 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, March 11, 2022

The Executive Board

INDEPENDENT AUDITOR'S REPORT

To Epigenomics AG, Berlin

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

Audit opinions

We have audited the consolidated financial statements of Epigenomics AG and its subsidiary (the Group), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1, 2021 to December 31, 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Epigenomics AG for the financial year from January 1, 2021 to December 31, 2021. In accordance with German legal requirements, we have not audited the statement on corporate governance and the compliance statement contained in the management report's section "Corporate Governance".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Art. 315e Sec. 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1, 2021, to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate 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 future development. Our audit opinion on the group management report does not cover the content of the aforementioned statement on corporate governance and the compliance statement.

Pursuant to Art. 322 Sec. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit opinions

We 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, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

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, 2021 through December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

From our perspective, the following matters were of most significance during our audit:

- Revenue recognition

We have structured our presentation of these key audit matters as follows:

1.) Facts and problems

2.) Audit approach and findings

3.) Reference to further information

In the following, we will present these key audit matters:

Revenue recognition:

1. During the financial year, the Company recognized sales revenues in the amount of about EUR 6.2 million. Sales revenues are one of the key financial performance indicators in capital market communication. Of the sales revenues, EUR 5.7 million are R&D revenues and reimbursements and EUR 0.5 million are sales of the main product. The R&D revenues and reimbursements result from the sale of parts of the blood sample database. The agreement with the customer includes different performance characteristics and timelines, which partly depend on estimation of the legal representatives. The recognition of this agreement in the context of revenue recognition represents a high risk of material misstatement, which is why this matter is of particular importance in our view.
2. Our audit procedures included, among other things, the evaluation of the agreement for the sale of the blood sample database. For the product sales we have convinced ourselves of the correct revenue recognition by proofs of delivery as well as the outgoing invoices and the related incoming payments.
3. The Company's statements on the revenue recognition are contained in the consolidated financial statements' notes' section "Notes to the consolidated statement of comprehensive income (consolidated statement of profit and loss and other comprehensive income) – 1 Revenue".

Other information

The executive directors are responsible for the other information. The other information comprises:

- Compliance statement in the section "Corporate Governance" of the 2021 Group Management Report,
- declaration on corporate governance in the section "Corporate Governance" of the 2021 Group Management Report,
- section "Epi proColon®" in the 2021 annual report,
- the section "Foreword by the Executive Board" in the 2021 annual report,
- the Section "Our stock" in the 2021 annual report and
- section "Responsibility statement by the legal representatives" in the 2021 annual report.

The supervisory board is responsible for the following other information:

- Section "Report of the Supervisory Board" in the 2021 annual report.

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

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, with the group management report 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Art. 315e Sec. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or 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 an appropriate 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 future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report 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 Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatements of the consolidated financial statements and the group management report, whether due to fraud or error, design 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's 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 opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able 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 give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Art. 315e Sec. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance in accordance with section Ar. 317 Sec. 3a HGB on the Electronic Reproduction of the Consolidated Financial Statements on the Management Report Prepared for Publication Purposes

Audit opinion

Pursuant to Art. 317 Sec. 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 549300X1C4U862NDLN97-2021-12-31-de.zip (SHA256-Hashwert: F749F4AEF5017B331E818E5E2139F3BFA0DE3E-8D0EC5308848B8D24FB1C8B6EE) and prepared for disclosure purposes comply in all material respects with the requirements pursuant to Art. 328 Sec. 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 Sec. 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 fiscal year from January 1, 2021 to December 31, 2021 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report".

Basis for our 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 Sec. 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 Sec. 3a HGB (IDW PS 410 (10.2021)). Our responsibility in accordance with such standard is further described in the section "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 QS 1).

Legal Representative's and Supervisory Board's responsibilities for the ESEF documents

The Company's legal representatives 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 Sec. 1 sentence 4 no. 1 HGB and for the certification of the consolidated financial statements in accordance with Art. 328 Sec. 1 sentence 4 no. 2 HGB.

Furthermore, the legal representatives 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 Sec. 1 HGB regarding the electronic reporting format.

The Company's legal representatives are also responsible for submitting the ESEF documents together with the audit certificate and the attached audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the reporting process.

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 Sec. 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 Sec. 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 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) provides an adequate and complete machine-readable XBRL copy of the XHTML reprodcution.

Further information pursuant to Article of the 10 EU Audit Regulation

We were elected as group auditors by the Annual General Meeting on June 16, 2021. We were engaged by the Supervisory Board on July 21, 2021. We have served as Epigenomics AG's group auditors without interruption since the fiscal year 2015.

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

OTHER MATTERS – USE OF THE AUDITOR'S REPORT

Our auditor's report should 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 to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited Group management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can 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 Felix Ilg.

Munich, dated March 11, 2022

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

signed	signed
Weissinger German CPA	Ilg 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, March 11, 2022

The Executive Board

ABBREVIATIONS

ADR	American Depositary Receipts
AktG	German Stock Corporation Act
ARUP	ARUP Laboratories
CMS	Centers for Medicare & Medicaid Services
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ERP	Enterprise Resource Planning
EU	European Union
FDA	Food and Drug Administration
FIT	Faecal Immunochemical Test
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
HGB	German Commercial Code
HPV	Human Papilloma Virus
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDW	Institute of Public Auditors in Germany
IFRS	International Financial Reporting Standards
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 SequencingIVD
OTCQX	Over-the-counter stock exchange
PAL	Principal American Liaison
PCR	Polymerase Chain Reaction
PMA	Premarket Approval
PSP	Phantom Stock Program
PSR	Phantom Stock Right
R&D	Research & Development
Septin9	DNA methylation biomarkers, intellectual property by Epigenomics
SOP	Stock Option Program
SOPs	Standard Operating Procedures
USPSTF	United States Preventive Services Task Force
WKN	Security Code Number
WpÜG	German Securities Acquisition and Takeover Act

FINANCIAL CALENDAR

Report on first quarter 2022 . . . . . Wednesday, May 11 2022
Annual General Meeting 2022 . . . . . Wednesday, June 15 2022
Report on second quarter/first half 2022 . . . . . Wednesday, August 10 2022
Report on third quarter 2022 . . . . . Wednesday, November 9 2022

PICTURE CREDITS

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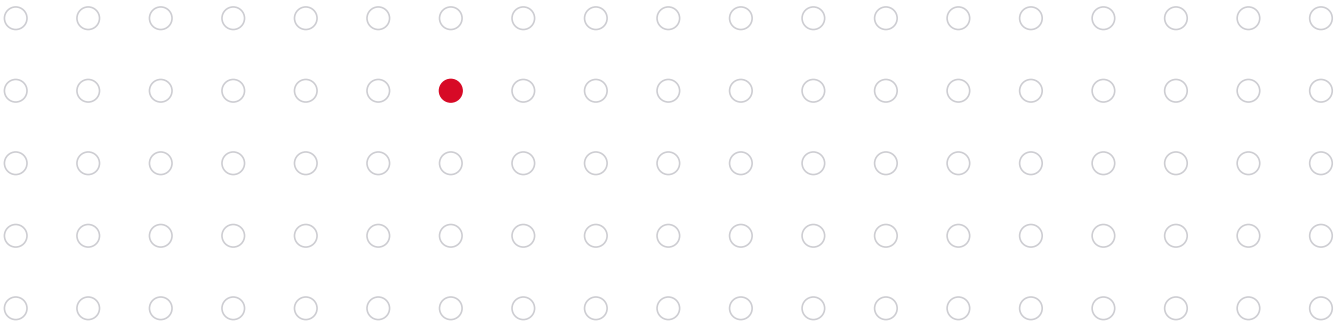

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