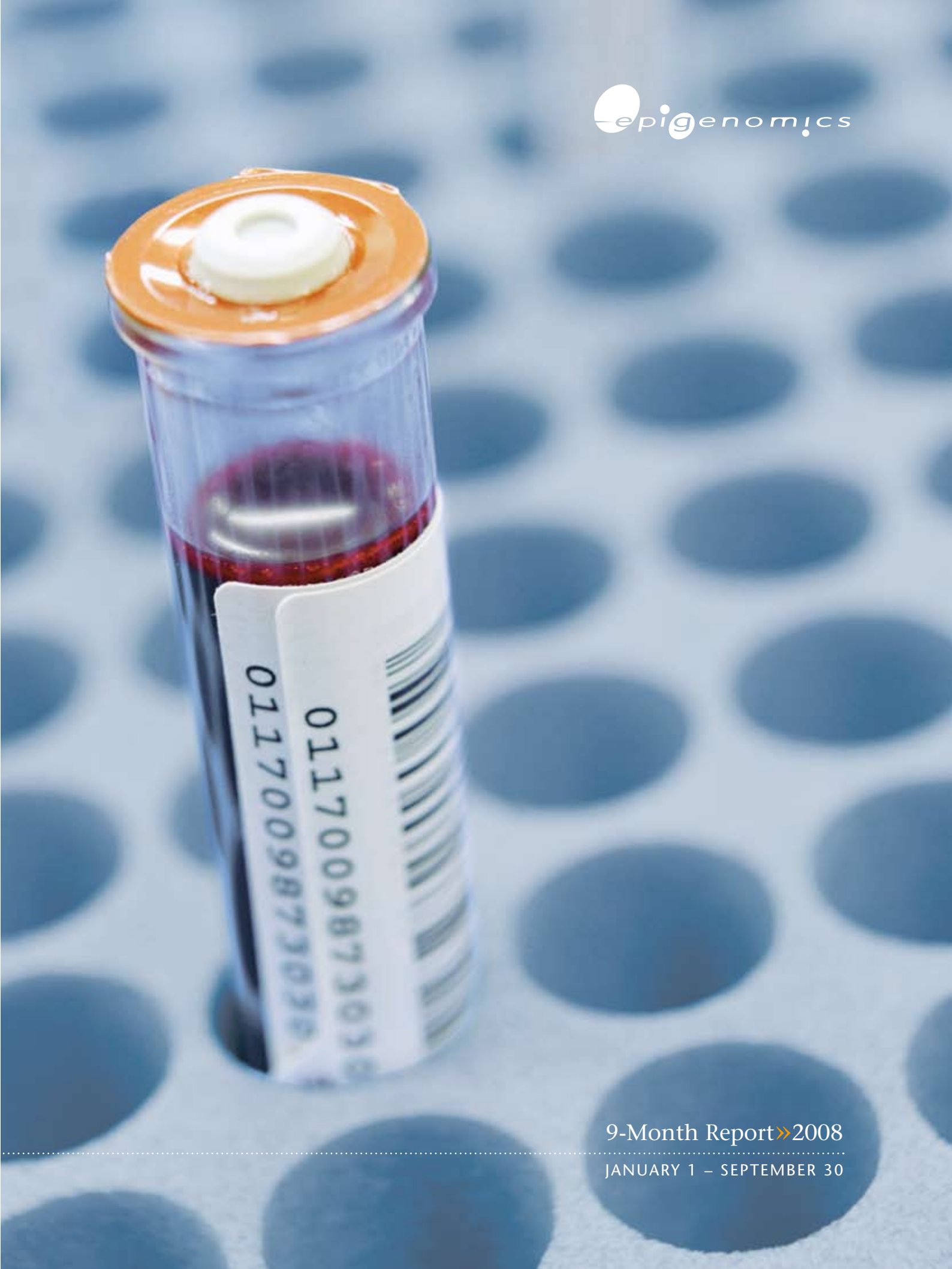
epigenomics



9-Month Report»2008

JANUARY 1 – SEPTEMBER 30

GROUP KEY FIGURES

EUR thousand (unless stated otherwise)	Q3 2007 (unaudited)	**Q3 2008 (unaudited)**	9M 2007 (unaudited)	**9M 2008 (unaudited)**
Revenue	466	320	1,809	1,831
Research and development costs	-2,406	-2,114	-7,746	-6,849
Earnings before interest and taxes (EBIT)	-3,229	-2,648	-10,179	-8,536
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-2,923	-2,319	-9,218	-7,751
Net loss for the period	-3,139	-2,515	-9,838	-8,147
Weighted average number of shares issued (notional par value: EUR 1 each)	18,252,824	26,710,886	17,658,736	25,771,101
Earnings per share (basic and diluted) in EUR	-0.17	-0.09	-0.56	-0.32
Cash flow from operating activities			-8,698	-6,916
Cash flow from investing activities			1,080	993
Cash flow from financing activities			4,574	11,484
Cash flow total			-3,044	5,561

EUR thousand (unless stated otherwise)	Dec 31. 2007 (audited)	**Sept 30. 2008 (unaudited)**
Liquid assets at balance sheet date (incl. marketable securities)	10,016	15,162
Total equity at balance sheet date	17,821	20,717
Equity ratio in %	77.8	84.0
Total assets at balance sheet date	22,914	24,675
Share price at balance sheet date in EUR (Xetra)	1.95	2.05
Number of employees at balance sheet date	112	92

Third quarter of 2008 as of September 30, 2008

The Third Quarter of 2008 – Overview

Hundreds of subjects enrolled in PRESEPT colorectal cancer screening study; notice of allowance from European Patent Office for Septin 9 biomarker; successful interim results in prostate cancer prognosis (PCMCT) study

The third quarter of 2008 was characterized by ongoing efforts towards the development and commercialization of our cancer screening programs. Our most advanced cancer screening program, the colorectal cancer program, progressed according to plan. Until today, 17 clinical sites have been successfully qualified for the PRESEPT study; of those, 12 sites have been initiated for the study to already start enrolment of subjects.

The PRESEPT study is a multicenter study to characterize clinical performance of Septin 9 and its health economic benefit in a U.S. CRC screening guideline-eligible population. It enrolls individuals who have an average and increased risk according to U.S. guidelines and who undergo a screening colonoscopy. The approximately 7,500 individuals we intend to enroll are expected to yield about 50 colorectal cancer cases. After the successful initiation of the study in Q2 2008 in the U.S.A., during Q3, we expanded the number of clinical sites to also include first sites in Germany. The sites have collectively enrolled hundreds of subjects into the study and first sample batches for the study have already been received. The PRESEPT study is a great step forward in the realization of our vision of detecting cancers based on DNA methylation patterns with a standard blood test. Study results are expected to be available in the second half of 2009.

Also, work in our commercial partnerships with Quest Diagnostics and Abbott Molecular has progressed significantly. We continue to expect a commercial launch of the Septin 9 test as a laboratory-developed test (LDT) by Quest in due course; likewise we continue to expect the EU launch of a CE-marked test kit by Abbott in late 2009. All required steps in the transfer of the Epigenomics assay onto the Abbott *m*2000 platform have been initiated and are on schedule.

On July 29, 2008, we could announce that we had received a Rule 71(3) notification stating that the European Patent Office intends to grant a patent for Epigenomics' Septin 9 biomarker. This notification is equivalent to a "Notice of Allowance" by the United States Patent and Trademark Office. Patent application EP 1721992, titled "Methods and nucleic acids for analyses of cellular proliferative disorders", claims very broadly methods, substances and kits for the methylation analysis of Epigenomics' Septin 9 biomarker. The patent application is also pending in the U.S.A., Japan and 15 other countries outside of Europe. The patent adds a strong layer of protection to our colorectal cancer screening product and entitles us to significant royalties from our diagnostics partnerships for this biomarker in years to come.

Our patent protection is now not only covering our preanalytics and sensitive detection technologies, but also the core of the product, the Septin 9 biomarker for the detection of colorectal cancer in blood. Following the notice of allowance, the European Patent Office granted Epigenomics' Septin 9 biomarker Patent EP 1721992 effective October 8, 2008. This grant strengthens our position in the diagnostics industry and is a milestone to commercialize our cancer screening programs.

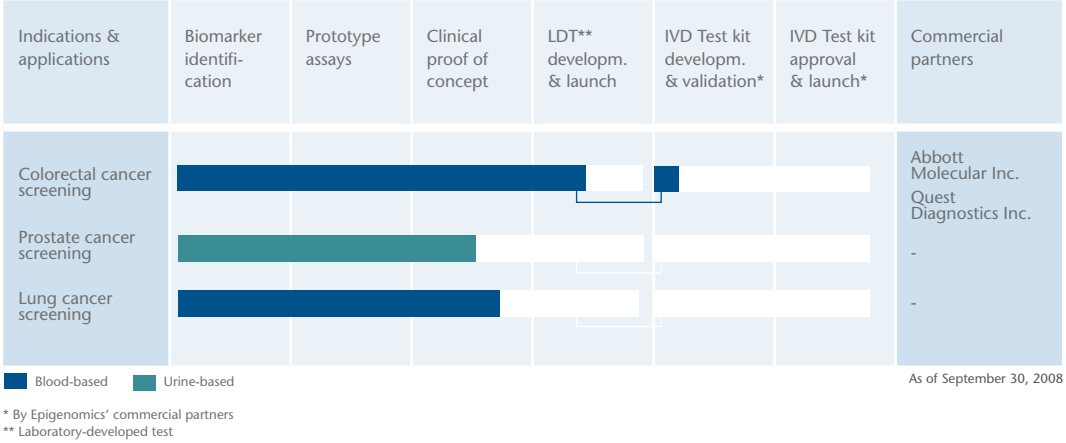
In our lung cancer program, following the successful clinical studies in the first half of 2008, we have initiated a larger clinical study using bronchial lavage specimen during Q3 and expect to have additional data at hand for this product opportunity by year-end.

In the third quarter of 2008, we reported positive interim results from our clinical study in prostate cancer relapse-prognosis. The analysis demonstrated statistical significance for primary endpoint of prostate cancer prognosis. Epigenomics' proprietary biomarker PITX2 classified patients into groups at high and low risk for relapse following a surgery. The primary endpoint of the study is to evaluate the methylation status of the PITX2 gene as an independent prognostic biomarker indicative of the risk prostate cancer recurrance in patients following removal of the entire prostate, known as radical prostatectomy. The biomarker is extremely robust and may be measured using an Affymetrix microarray platform as well as other assay technologies suitable for routine clinical use, creating maximum flexibility for routine clinical use and commercialization. The study was successfully completed and all endpoints were successfully reached in October (cf. Supplementary Report).

On August 5, 2008, the Supervisory Board and Dr. Kurt Berlin, Chief Scientific Officer (CSO) of Epigenomics AG, agreed that Dr. Berlin would step down as CSO and Executive Board member effective August 31, 2008. Dr. Kurt Berlin, one of the cofounders of the Company, now serves as chairman of Epigenomics' Scientific Advisory Board and is continuing to advise Epigenomics on scientific, technological, licensing and IP-related matters as a consultant throughout 2008 and 2009.

Product development pipeline

We made progress according to plan, which is reflected in all of our product development programs and in our commercial partnerships.



* By Epigenomics' commercial partners
** Laboratory-developed test

Biomarker Solutions

Our biomarker R&D collaborations have made good progress. Some projects such as the one with Pharmion were successfully completed in the third quarter of 2008. In addition, we signed a follow-up agreement with one of our large pharma partners. At the same time we continued to execute on a number of our collaborative biomarker R&D collaborations with partners such as Centocor, Johnson & Johnson, and Pfizer.

Besides our commercial partners, we extended collaborations with a number of academic institutions like the Karolinska Institute, Stockholm, Sweden, the Universitätsklinikum Magdeburg, Germany, and the University of Minnesota, U.S.A. These collaborations reinforce Epigenomics' continued leadership in the field of DNA methylation biomarker research.

Financial highlights

Revenue for the first nine months of 2008 amounted to EUR 1.8 million, thus equivalent to the previous year's period level (EUR 1.8 million). Revenue was generated from our existing and newly signed collaborations and licensing agreements in the form of R&D payments, licensing and royalty income. EBIT for 9M 2008 of EUR -8.5 million showed a 16% improvement over EBIT for the corresponding period 2007 of EUR -10.2 million. With our "Epi 2010" initiative, described in detail in our Q1 2008 report, well underway we have further streamlined operations, centralized all laboratory R&D teams in Berlin. Activities at Epigenomics Inc. in Seattle are now entirely focused on managing our most advanced clinical studies such as the PRESEPT study. Overall, operating costs during the first nine months of 2008 added up to EUR 11.3 million, down 13% from the same period in 2007 (EUR 12.9 million).

Short-term liquidity as of September 30, 2008, amounted to EUR 15.2 million, an increase of EUR 5.2 million from the EUR 10.0 million at year-end 2007, due to our capital increase realized in Q1 2008.

Our Stock

Share price highly volatile in Q3

Trading volume in Epigenomics' stock decreased during Q3 2008, from an average of over 29,000 shares a day in Q2 2008 to approximately 21,000 per day, a decrease of 28%. The share price closed at EUR 2.05 at the end of Q3 2008 on Xetra after a volatile third quarter with a peak of EUR 2.73 per share compared to EUR 1.95 at year-end 2007 and EUR 1.97 at the end of Q2 2008.

In Q3 2008, one of our major institutional investors, Federated Equity Management Company, increased its shareholding to slightly over 20% through the acquisition of shares in the market.

Key data on Epigenomics´ stock (as of September 30, 2008)	
Ticker:	ECX
Stock Exchange:	Frankfurter Wertpapierbörse, Amtlicher Markt (Prime Standard)
Security code number:	A0BVT9
ISIN:	DE000A0BVT96
Shares outstanding:	26,710,886
Price range in 9M 2008:	EUR 1.58 - 2.73 (Xetra closing prices)
Analyst coverage	First Berlin: Christian Orquera
	Midas Research: Thomas Schiessle
	fairesearch: Dr. Martin Schnee

Financials

Costs reduced by almost EUR 1.7 million in 9M 2008; revenue remained constant; EBIT improved by 16%

Financial position and cash flow

In the third quarter of 2008, Epigenomics' cash flow and its financial position were mainly affected by the continued net cash consumption from operations. Overall, the financial position has developed according to plan and liquid assets amounted to EUR 15.2 million as of September 30, 2008, compared to EUR 10.0 million as of December 31, 2007.

Cash outflow from operating activities in 9M 2008 totaled EUR 6.9 million. Cash inflow from investing activities amounted to EUR 1.0 million, primarily due to a premature redemption of marketable securities held to maturity. Cash flow from financing activities was positive at EUR 11.5 million, due to the aforementioned rights issue in February 2008. The overall result was a positive net cash flow of EUR 5.6 million.

Results of operations

In Q3 2008, revenue decreased from EUR 466 thousand in Q3 2007 to EUR 320 thousand. This is attributable to lower income from licensing and reduced R&D payments. Our Diagnostics business contributed EUR 229 thousand in Q3 2008, resulting from our licensing contracts, whereas our Biomarker Solutions business generated EUR 91 thousand. In sum, 9M 2008 revenue at EUR 1,831 thousand was at the previous year's level (9M 2007: EUR 1,809 thousand).

Other income increased from EUR 386 thousand in Q3 2007 to EUR 438 thousand in Q3 2008, mainly resulting from foreign exchange rate gains.

R&D costs dropped from EUR 2,406 thousand in the third quarter of 2007 to EUR 2,114 thousand in Q3 2008 despite increased investment into the lead products, our key value drivers. Cost of sales increased from EUR 193 thousand in Q3 2007 to EUR 212 thousand in Q3 2008.

Marketing and business development costs dropped by 42% from EUR 335 thousand in Q3 2007 to EUR 195 thousand in Q3 2008, primarily due to our focused strategy in product development.

General and administrative costs decreased from EUR 991 thousand in Q3 2007 to EUR 873 thousand in Q3 2008.

In Q3 2008, other expenses decreased to EUR 12 thousand (Q3 2007: EUR 156 thousand), primarily due to lower foreign exchange rate losses.

EBIT amounted to EUR -2,648 thousand in Q3 2008. Thus, our operating result improved by around 18% compared to an EBIT of EUR -3,229 thousand in Q3 2007.

Net loss for the period improved as expected by 20% from EUR 3,139 thousand in Q3 2007 to EUR 2,515 thousand in Q3 2008 and this reflects our streamlined operations and focused strategy execution.

Net assets position

Epigenomics' balance sheet total increased from EUR 22.9 million as of December 31, 2007, to EUR 24.7 million as of September 30, 2008. As a result of the rights issue, which took place in February 2008, cash and cash equivalents increased and overcompensated the net consumption of liquidity from operations.

Total non-current assets decreased during the reporting period from EUR 9.1 million at year-end 2007 to EUR 7.6 million at the end of September 2008, mainly as a result of regular depreciation and moderate capital expenditure.

During 9M 2008, total current assets grew from EUR 13.8 million as of December 31, 2007, to EUR 17.1 million due to the capital increase.

Our subscribed capital increased from EUR 18.3 million as of December 31, 2007, to EUR 26.7 million as of September 30, 2008, and simultaneously the capital reserve from EUR 13.7 million to EUR 16.7 million, mainly attributable to the capital surplus of the aforementioned rights issue in February 2008.

Including the reduced level of liabilities, our equity ratio improved from 77.8% at the end of 2007 to 84.0% as of September 30, 2008.

Employees

As part of our "Epi 2010" initiative and the strong focus on execution with more streamlined operations in Berlin and Seattle outlined above, the total number of employees is down by 20 year to date:

	Berlin	Seattle	Total
Number of employees as of September 30, 2008	**69**	**23**	**92**
Number of employees as of December 31, 2007	78	34	112
Number of employees as of September 30, 2007	80	35	115

Research and Development

In Q3 2008, the focus of our R&D activities was on executing the PRESEPT study and performing additional clinical studies in our lung cancer and prostate cancer programs.

Following the launch of our first Research-Use-Only (RUO) kits in H1 2008, we have continued the development of our Septin 9 assay as an RUO kit during Q3. The required R&D work has been completed in Q3 with successful alpha testing concluded. Beta testing with external laboratory partners has been initiated and we expect making available an RUO kit for Septin 9 to the first customers by year-end.

Data from our colorectal cancer screening program has been presented at several conferences in the third quarter of 2008 and in the following months, including the Biomarker Discovery Summit, Philadelphia, U.S.A. (September 29, 2008), the Biomarker Discovery Conference, Dublin, Ireland (October 3, 2008), and the BIT Life Sciences Congress on Molecular Diagnostics, Beijing, China (October 22, 2008). This highlights the increasing level of interest in the clinical results from our Septin 9 studies. Several papers have been submitted for peer review in order to expand the publication of our clinical study results on Septin 9 to date.

Supplementary Report

Management Additions

On November 1, 2008, Dr. Uwe Staub will join Epigenomics as Senior Vice President Product Development. Dr. Staub comes to Epigenomics from his position as Senior Director Program Management for North American R&D at Qiagen. He manages human papilloma virus (HPV) product development projects and leads Qiagen's program management office in Gaithersburg, MD, U.S.A. Before joining Digene (later acquired by Qiagen), Dr. Staub had spent more than eleven years with Abbott Diagnostics in Germany and gained experience in product development, operations and regulatory affairs/compliance. Dr. Staub holds a doctorate degree in biochemistry from the University of Würzburg, Germany.

Also on November 1, 2008, Dr. Friederike Gerdes will join Epigenomics as Head of Marketing. Most recently she was Director Global Marketing Communication at Agendia (Amsterdam, Netherlands), another cancer molecular diagnostics player. She has over twelve years of relevant experience in various international marketing and sales positions with companies such as Applied Biosystems and GE Healthcare/Biacore. Dr. Gerdes holds a doctorate degree in cell biology from the University of Kiel, Germany.

PRESEPT Study Update

On October 27, 2008, we reported that the PRESEPT Clinical Study Steering Committee had reviewed the substantial progress that has been made in the execution of the PRESEPT Study. In addition, Dr. Timothy R. Church, Professor, School of Public Health, University of Minnesota has been assigned responsibility for study results analysis and Prof. Dr. Thomas Rösch, Director of the Clinic for Interdisciplinary Endoscopy, University Hospital Hamburg-Eppendorf has been added to the Committee as representative of the German sites.

Since starting the PRESEPT study in Q2 of 2008, Epigenomics has successfully qualified 17 clinical sites, 12 of which have been initiated, enrolling nearly 500 subjects in the first three months. The increased number of clinical sites is expected to now rapidly ramp up accrual of subjects over the next several months.

When the total of up to 20 clinical sites including three in Germany are initiated, PRESEPT will be one of the largest commercially sponsored colorectal cancer screening clinical studies ever conducted. Epigenomics is providing clinical collaborators, medical professionals, and the interested public with study details and regular updates on the progress of the PRESEPT study on the recently launched website www.presept.net.

Among those clinical sites recently added to the PRESEPT Study was the first German investigator, Dr. Alireza Aminalai, Berlin, Germany. Dr. Aminalai is a member of the Berlin Endoscopy Study Team (BEST), a regional group of gastroenterologists with a clinical research interest in gastrointestinal disorders. The BEST group is affiliated with the regional organization of private practice gastroenterologists, which also promotes initiatives of physicians in the Berlin area with the goal to enhance awareness for colorectal cancer and to promote screening.
The research activities of the BEST group, which has successfully conducted several colorectal cancer studies in the past are coordinated by Prof. Dr. Thomas Rösch.

In its most recent meeting in Chicago, IL, U.S.A., on October 23, 2008, the CSSC strongly advised the study's sponsor, Epigenomics, not to undertake an interim analysis of clinical results in early 2009, but rather to only conduct a final analysis when enrolment is complete. The Committee recommended this course to strengthen the overall study design by avoiding the statistical penalty on the study's overall power incurred by conducting an interim analysis.

"Given the relatively short period between a possible interim analysis in H1 2009 and the final analysis planned for H2 2009, the study would incur a statistical penalty associated with the interim analysis without clear scientific benefit", reported Committee Chairman, David Ransohoff. "We established the Committee to provide us oversight, study design advice and independent analysis, and we will heed their recommendation. We all believe that the final results of the PRESEPT study will be that much stronger for it," commented Michael Wandell, Pharm.D., Epigenomics' PRESEPT study Director. "We have made excellent progress in study execution and we believe the Committee's advice is the correct course, even if it means our first look at the results will not occur until a little later in 2009."

Successful completion of prostate cancer prognosis clinical study
On October 16, 2008, Epigenomics reported the successful completion and positive final results from its prostate cancer prognosis study. The analysis shows that PITX2 gene methylation is indeed a strong, independent prognostic marker that can help guide physicians to determine a patient's risk for relapse.

The analysis also demonstrated statistical significance for all study endpoints. The primary endpoint of the study was met by the statistically significant demonstration that patients with elevated PITX2 gene methylation level had a threefold higher risk of relapse following prostatectomy compared to patients with low PITX2 methylation.

As secondary endpoints, the study also analyzed whether measurement of PITX2 methylation adds clinical information to established prognostic parameters such as age, Gleason Score, tumor staging, pre-surgical PSA levels and surgical margin status. In each of the pair wise comparisons of PITX2 with one of these established parameters, high PITX2 gene methylation was an independent prognostic factor indicating more than double the risk compared to patients with low PITX2 gene methylation. In the group of patients with an intermediate Gleason Score of 7, which present difficult decisions for doctors and patients due to difficulty in determining their prognosis, the PITX2 marker was able to discriminate patients into those with a high and low risk of disease recurrence.

The study confirmed the clinical utility of the PITX2 biomarker for prostate cancer prognosis, first established in a 2006 clinical study on 605 prostatectomy tissue samples using real time PCR. In the current study the PITX2 gene methylation was measured reliably using an Affymetrix GeneChip™ platform, confirming the robustness of the marker across various assay technologies suitable for routine laboratory use.

Epigenomics has designed and analyzed the study together with its clinical collaborators at Baylor College of Medicine, Houston, Texas, U.S.A., at Erasmus Medical Center, Rotterdam, The Netherlands, at Duke University, Durham North Carolina, U.S.A., and the VA Medical Center at Durham, North Carolina, U.S.A., and University Hospital Erlangen, Erlangen, Germany.

Our clinical collaborators commented on these results:

"This test has appeared to add valuable prognostic information in every patient group in which it has been used. As an in vitro diagnostic test, this could be another important tool for patients who are seeking additional prognostic information beyond what is currently available."
(Stephen J. Freedland, MD, Staff Physician at the Durham VA and Associate Professor of Urology and Pathology in the Duke Prostate Center, Duke University)

"The prognostic information provided for patients at intermediate or high risk is especially remarkable".
(Prof. Thomas Wheeler, MD, Chair of the Department of Pathology at the Baylor College of Medicine)

"These are very good results based on rigorous study design and high quality data. The reliability of the PCMCT assay is very remarkable and provides the basis for routine laboratory use."
(Prof. Dr. Chris Bangma, Chairman of the Department of Urology at the Erasmus Medical Center).

"Technically, this has been a perfect study. The technology is mature and ready for release."
(Prof. Dr. Arndt Hartmann, Director of the Institute of Pathology at the University Hospital Erlangen)

Corporate Governance

On July 30, 2008, the Company was served with a lawsuit filed by an individual shareholder. In his claim, the plaintiff challenges the resolution of the Annual General Shareholders' Meeting (AGM) on the authorization to issue convertible bonds, the exclusion of subscription rights, the creation of the corresponding conditional capital as well as the related amendments of the Articles of Association (TOP 4). This resolution had been passed with 99.97% shareholder approval at the AGM on June 3, 2008. According to the resolutions taken at the AGM, the registration with the commercial register has been duly completed on June 17, 2008.

On August 13, 2008, the Company was served with another lawsuit filed by an individual shareholder. In his claim, the plaintiff challenges the resolution of the Annual General Shareholders' Meeting (AGM) on the discharge of the members of the Management Board for the fiscal year 2007 (TOP 2). This resolution had been passed with 99.99% shareholder approval at the AGM on June 3, 2008.

The Company considers both claims to be unfounded and will defend itself against the lawsuits accordingly.

On August 31, 2008, Dr. Kurt Berlin resigned from his position as CSO and Executive Board member (see page 3).

Opportunities and Risks

In the third quarter of 2008, opportunities and risks, which we are exposed to, have not changed significantly compared to the situation described in the Management Report published with the Consolidated Financial Statements 2007. Our opportunities and risks result from the following categories:

- business-related opportunities and risks,
- IP-related opportunities and risks,
- regulatory opportunities and risks, and
- financial opportunities and risks.

However, the extreme volatility and the turmoil in the global financial markets have created an environment that could lead to increased risk levels with respect to the ability to raise additional capital as well as to liquidate some of the securities held for treasury purposes at short notice at acceptable market prices. Also, there is a high likelihood that we will not see the fundamentally solid progress in our research, product development, commercial partnerships and alliances being reflected in short-term stock price increase as some funds are under tremendous pressure to liquidate positions or to hold unusually large cash positions. The uncertainty in the global financial markets could lead to a situation where riskier small cap stocks are most affected by a more conservative stance of investors.

There is an increased risk of the European Patent Office not allowing maintaining one of our important technology patents. The patent was revoked as a consequence of an opposition procedure. Epigenomics will appeal against this decision and will continue to defend its position vigorously. A final decision of the Board of Appeal cannot be expected before 2010.

The revocation of the patent by the European Patent Office will not directly influence patent protection in other countries (the patent is currently issued in U.S.A., Canada, Japan and Australia).
Even if the European Patent Office in its final decision maintained the revocation of the patent, all of our products would still be covered by several additional technology patents. Furthermore, the major value of our products is attributable to our proprietary biomarkers and product-related content rather than to individual pieces of technology.

For a comprehensive overview on all risk factors, reference is made to the prospectus published as part of our rights issue in February 2008.

Prognosis Report for Q4 2008 and 2009

Ramp up PRESEPT clinical study; enter into another IVD partnership; launch of Septin 9 LDT by Quest Diagnostics

Our major focus will continue to be our most advanced colorectal cancer blood test. The development and commercialization of this test will have highest priority. Additional site qualifications and rapidly accelerating enrolment and sample collection will drive the PRESEPT study forward.

The Executive Board expects Quest to finalize the establishing of a laboratory-developed test (LDT) workflow. This is expected to support the market introduction of Septin-9-based colorectal cancer testing by Quest in late 2008 or early 2009. Also, Epigenomics plans to introduce a Septin 9 RUO kit to the European market in Q4 2008.

Epigenomics undertakes ongoing IVD partnering discussions and negotiations, and progress during the first nine months has been in line with expectations. We intend to enter into an additional IVD partnership in late 2008 or early 2009. However, it is important to note that timelines for deal closures are not solely under Epigenomics' control.

We expect full-year 2008 revenue to be only slightly above 2007 revenue of EUR 2.6 million. The operating result for 2008 is, however, expected to improve and to be close to EUR -12.5 million compared to 2007 EBIT of EUR -13.5 million. Most importantly, however, we expect net cash consumption for 2008 to remain below EUR 10 million and therefore – according to our guidance for 2008 – to be significantly better than the 2007 cash burn of EUR 12 million.

Overall, Epigenomics is excited about the progress made in terms of product development and commercial partnerships. We remain committed to delivering on our goals and milestones, and, in the process, to building shareholder value.

Interim Consolidated Financial Statements as of September 30, 2008

Group Income Statement

for the period from January 1 to September 30, 2008

EUR thousand (unaudited)	Q3 2007	Q3 2008	9M 2007	9M 2008
Revenue	**466**	**320**	**1,809**	**1,831**
Cost of sales	-193	-212	-671	-678
Gross profit	**273**	**108**	**1,138**	**1,153**
Other income	386	438	933	901
Research and development costs	-2,406	-2,114	-7,746	-6,849
Marketing and business development costs	-335	-195	-1,100	-662
General and administrative costs	-991	-873	-3,199	-2,667
Other expenses	-156	-12	-206	-412
Operating result (EBIT)	**-3,229**	**-2,648**	**-10,179**	**-8,536**
Financial income	152	189	541	580
Financial expenses	-9	-8	-51	-26
Net loss for the period before taxes on income	**-3,086**	**-2,467**	**-9,688**	**-7,982**
Taxes on income	-53	-48	-150	-165
Net loss for the period	**-3,139**	**-2,515**	**-9,838**	**-8,147**
Earnings per share (basic and diluted) in EUR	**-0.17**	**-0.09**	**-0.56**	**-0.32**

Group Balance Sheet
as of September 30, 2008

ASSETS EUR thousand	Dec 31, 2007 (audited)	Sept 30, 2008 (unaudited)
Non-current assets		
Intangible assets	6,084	5,938
thereof goodwill	*2,625*	*2,625*
Tangible assets	1,208	972
Financial assets	1,000	0
Deferred taxes	778	642
Total non-current assets	**9,070**	**7,552**
Current assets		
Inventories	237	104
Trade and other receivables	439	374
Marketable securities	3,370	2,955
Cash and cash equivalents	6,646	12,207
Other current assets	3,152	1,483
Total current assets	**13,844**	**17,123**
Total assets	**22,914**	**24,675**

EQUITY AND LIABILITIES EUR thousand	Dec 31, 2007 (audited)	Sept 30, 2008 (unaudited)
Equity		
Subscribed capital	18,253	26,711
Capital reserve	13,712	16,712
Retained earnings	-13,151	-13,151
Net loss for the period	0	-8,147
Other comprehensive income	-993	-1,408
Total equity	**17,821**	**20,717**
Non-current liabilities		
Liabilities from leasing contracts	0	45
Total non-current liabilities	**0**	**45**
Current liabilities		
Trade payables	1,562	902
Liabilities from leasing contracts	0	28
Deferred income	637	1,540
Other liabilities	2,354	748
Provisions	540	695
Total current liabilities	**5,093**	**3,913**
Total equity and liabilities	**22,914**	**24,675**

Group Cash Flow Statement

for the period from January 1 to September 30, 2008

EUR thousand (unaudited)	9M 2007	9M 2008
Cash and cash equivalents at the beginning of the period	**12,566**	**6,646**
Operating activities		
Net loss for the period before taxes on income	**-9,688**	**-7,982**
Corrections for:		
Depreciation on tangible assets	625	359
Amortization of intangible assets	336	426
Losses from the disposal of assets	0	1
Stock option expenses	401	117
Foreign currency exchange losses	68	-5
Price losses of securities	1	0
Interest income	-518	-556
Interest expenses	23	23
Taxes	-219	-229
Operating result before changes in net current assets	**-8,971**	**-7,846**
Decrease in trade receivables and other current assets (9M 2007: increase)	-995	1,667
Decrease in inventories	87	133
Decrease in current liabilities (9M 2007: increase)	691	-1,395
Liquidity earned from operating activities	**-9,188**	**-7,441**
Interest received	490	525
Cash flow from operating activities	**-8,698**	**-6,916**
Investing activities		
Payments for investments in tangible assets	-19	-40
Proceeds from the sale of tangible assets	14	0
Proceeds from investment grants	93	100
Payments for investments in intangible assets	-29	-67
Proceeds from the divestment of financial assets	0	1,000
Proceeds from the sale of marketable securities	1,021	0
Cash flow from investing activities	**1,080**	**993**
Financing activities		
Payments for the creation of new shares	-289	-2,037
Proceeds from the issue of new shares	4,861	13,533
Payments for lease financing	0	-12
Proceeds from the exercise of stock options	2	0
Cash flow from financing activities	**4,574**	**11,484**
Cash flow	**-3,044**	**5,561**
Cash and cash equivalents at the end of the period	**9,522**	**12,207**

Statement of Changes in Group Equity
as of September 30, 2008

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2007	**18,253**	**13,712**	**-13,151**	**0**	**-993**	**17,821**
Net loss for the period (9M 2008)	0	0	0	-8,147	0	-8,147
Fair value adjustments of securities	0	0	0	0	-415	-415
Total comprehensive income	**0**	**0**	**0**	**-8,147**	**-415**	**-8,562**
Stock-based compensation	0	117	0	0	0	117
Capital increase from issue of shares	8,458	0	0	0	0	8,458
Premium from issue of shares	0	5,075	0	0	0	5,075
Financing costs	0	-2,192	0	0	0	-2,192
Sept 30, 2008	**26,711**	**16,712**	**-13,151**	**-8,147**	**-1,408**	**20,717**

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2006	**16,916**	**25,294**	**-15,402**	**0**	**-610**	**26,198**
Net loss for the period (9M 2007)	0	0	0	-9,838	0	-9,838
Fair value adjustments of securities	0	0	0	0	-252	-252
Total comprehensive income	**0**	**0**	**0**	**-9,838**	**-252**	**-10,090**
Stock-based compensation	0	401	0	0	0	401
Exercise of stock options	1	1	0	0	0	2
Capital increase from issue of shares	1,336	0	0	0	0	1,336
Premium from issue of shares	0	3,526	0	0	0	3,526
Financing costs	0	-164	0	0	0	-164
Sept 30, 2007	**18,253**	**29,058**	**-15,402**	**-9,838**	**-862**	**21,209**

Notes to the Q3/ 9M 2008 Consolidated Financial Statements

Basic Principles and Methods

General principles

The presented unaudited interim consolidated financial statements of Epigenomics AG are prepared according to the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) under consideration of IAS 34 "Interim Financial Reporting" in effect at the closing date September 30, 2008, as mandatory applicable in the European Union. Further, these statements are in accordance with German Accounting Standards (GASs) under consideration of GAS 16 "Interim Financial Reporting". New standards adopted by the IASB and/or the German Accounting Standards Committee (GASC) apply from the date on which they came into effect. A critical review of this interim report was performed by the Company's auditors.

In the reporting period, the Group has not adopted new or revised standards and interpretations issued by the IASB. Furthermore, the Group has not made use of the optional rights regarding reclassification and valuation of financial instruments, resulting from the amendments to IAS 39 and to IFRS 7, which have been published after the balance sheet date by the IASB.

The reporting period as defined in these consolidated financial statements is the period from January 1, 2008, to September 30, 2008. The reporting currency is the euro.

The income statement has been prepared using the cost of sales method.

Consolidation group

The consolidation group remained unchanged compared to the one as of December 31, 2007, and comprises the two companies Epigenomics AG (Berlin, Germany) and Epigenomics, Inc. (Seattle, WA, U.S.A.).

Consolidation, accounting and valuation principles

The presented unaudited interim consolidated financial statements should be read in connection with the audited consolidated financial statements of Epigenomics AG for the year ended December 31, 2007. The consolidation, accounting and valuation principles presented in those statements were still valid during the reporting period unless explicitly mentioned otherwise below.

Intercompany results, revenue, expenses, profits, receivables and payables between the Group companies are eliminated.

Currency translation

The exchange rate of the U.S. dollar and the British pound, the two major foreign currencies in the interim consolidated financial statements, changed during the reporting period as follows:

REPORTING DATE RATES	Dec 31, 2007	Sept 30, 2008
EUR/USD	1.4721	1.4303
EUR/GBP	0.73335	0.79030

AVERAGE RATES	9M 2007	9M 2008
EUR/USD	1.3515	1.5257
EUR/GBP	0.67802	0.78459

Notes to the Group Income Statement

Revenue

Revenue in the third quarter and in the first nine months of 2008 stems from the following sources:

EUR thousand	Q3 2007	in % of total	Q3 2008	in % of total	9M 2007	in % of total	9M 2008	in % of total
Licensing and royalty income	281	60.3	229	71.6	432	23.9	831	45.4
R&D payments	185	39.7	91	28.4	1,014	56.0	601	32.8
Reimbursements	0	0	0	0	363	20.1	399	21.8
Total	**466**	**100.0**	**320**	**100.0**	**1,809**	**100.0**	**1,831**	**100.0**

Cost of sales

Cost of sales include the material and personnel expenses, IP costs, depreciation and amortization that can be directly allocated to the sales revenue as well as pro rata overheads.

Gross profit/Gross margin

The gross profit in Q3 2008 of EUR 108 thousand (Q3 2007: EUR 273 thousand) equals a gross margin of 34% (Q3 2007: 59%).

Other income

EUR thousand	Q3 2007	Q3 2008	9M 2007	9M 2008
Exchange gains from currency conversion	15	337	59	388
Income from reversal of provisions	84	69	206	316
Third-party research grants	206	2	510	81
Recoveries and refunds	51	13	99	48
Income from subleasing	13	14	33	43
Income from the sale of assets	13	0	17	19
Other	4	3	9	6
Total	**386**	**438**	**933**	**901**

Cost analysis

Q3 2008

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	8	25	4	175	0	212
R&D costs	257	287	988	582	0	2,114
M&BD costs	0	3	82	110	0	195
G&A costs	1	13	445	414	0	873
Total	**266**	**328**	**1,519**	**1,281**	**0**	**3,394**

Q3 2007

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	36	11	49	97	0	193
R&D costs	297	268	1,210	631	0	2,406
M&BD costs	0	2	163	170	0	335
G&A costs	0	25	442	524	0	991
Total	**333**	**306**	**1,864**	**1,422**	**0**	**3,925**

9M 2008

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	53	52	214	359	0	678
R&D costs	995	687	3,483	1,767	-83	6,849
M&BD costs	0	8	374	280	0	662
G&A costs	2	39	1,395	1,231	0	2,667
Total	**1,050**	**786**	**5,466**	**3,637**	**-83**	**10,856**

9M 2007

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	190	34	143	304	0	671
R&D costs	1,189	829	3,843	1,885	0	7,746
M&BD costs	0	2	660	438	0	1,100
G&A costs	0	96	1,528	1,575	0	3,199
Total	**1,379**	**961**	**6,174**	**4,202**	**0**	**12,716**

Personnel expenses and headcount

EUR thousand	Q3 2007	Q3 2008	9M 2007	9M 2008
Wages and salaries	1,541	1,322	5,025	4,678
Stock-based compensation	108	-6	401	117
Social security expenses	215	203	748	671
Total personnel expenses	**1,864**	**1,519**	**6,174**	**5,466**

The number of employees as of September 30, 2008, amounted to 92 (Dec 31, 2007: 112; Sept 30, 2007: 115).

Other expenses

EUR thousand	Q3 2007	Q3 2008	9M 2007	9M 2008
Exchange losses from currency conversions	126	12	175	302
Write-down of doubtful receivables	30	0	30	45
Other	0	0	0	65
Total	**156**	**12**	**205**	**412**

Operating result (EBIT) and EBITDA

The operating result (EBIT) of Q3 2008 amounted to EUR -2,648 thousand, an 18% improvement compared to Q3 2007 (EUR -3,229 thousand). In Q3 2008, EBITDA was EUR -2,319 thousand (Q3 2007: EUR -2,923 thousand).

Financial result

EUR thousand	Q3 2007	Q3 2008	9M 2007	9M 2008
Interest and related income	145	180	517	556
Other financial income	7	9	24	24
Total financial income	**152**	**189**	**541**	**580**
Interest and related expenses	-8	-7	-23	-23
Other financial expenses	-1	-1	-28	-3
Total financial expenses	**-9**	**-8**	**-51**	**-26**
Total financial result	**143**	**181**	**490**	**554**

Taxes on income

Income taxes of EUR 48 thousand had to be recorded exclusively for the U.S. subsidiary Epigenomics, Inc. in Q3 2008 (Q3 2007: EUR 53 thousand). The amount comprised U.S. federal (deferred) taxes of EUR 40 thousand (Q3 2007: EUR 43 thousand) as well as state and local taxes of EUR 8 thousand (Q3 2007: EUR 10 thousand).

Earnings per share

The earnings per share (basic and diluted) are calculated by dividing the Group's net loss for the period by the weighted average number of shares issued in the respective periods.

	Q3 2007	Q3 2008	9M 2007	9M 2008
Net loss for the period in EUR thousand	-3,139	-2,515	-9,838	-8,147
Weighted average number of shares issued	18,252,824	26,710,886	17,658,736	25,771,101
Earnings per share (basic and diluted) in EUR	-0.17	-0.09	-0.56	-0.32

The outstanding stock options granted by the Company are antidilutive according to IASs 33.41 and 33.43. 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 26,710,886.

Notes to the Group Balance Sheet

Non-current assets

During 9M 2008, non-current assets decreased by EUR 1,518 thousand, due to the contractual premature redemption of long-term financial assets and depreciation.

Deferred tax assets decreased to EUR 642 thousand during 9M 2008 (Dec 31, 2007: EUR 778 thousand). This effect is attributable to reduced tax loss carryforwards of the U.S.-based subsidiary Epigenomics, Inc.

Current assets

Current assets increased during the first nine month of 2008 by EUR 3,279 thousand. This is mainly an impact of the cash inflow following the Company's capital increase realized at the beginning of 2008.

Trade and other receivables amounted to EUR 374 thousand (Dec 31, 2007: EUR 439 thousand) and are comprised predominantly of trade receivables due from customers. The amount is reported net of an allowance for bad debt of EUR 94 thousand as of September 30, 2008 (Dec 31, 2007: EUR 49 thousand).

Equity

The increase in the capital reserve of EUR 3,000 thousand to EUR 16,712 thousand as of September 30, 2008, (Dec 31, 2007: EUR 13,712 thousand) was mainly a result of the capital increase in February 2008, when 8,458,062 new shares at a price of EUR 1.60 each were issued.

Current liabilities

Current liabilities decreased from EUR 5,093 thousand as of December 31, 2007, by EUR 1,180 thousand to EUR 3,913 thousand as of September 30, 2008. This decrease is mainly due to the reduction of other liabilities and trade payables, which overcompensated the increase of deferred income.

Deferred income increased to EUR 1,540 thousand as of September 30, 2008 (Dec 31, 2007: EUR 637 thousand). It includes income from commercial R&D collaborations, which amounted to EUR 1,450 thousand, whereas deferred income from granted projects amounted to EUR 90 thousand. Deferred income in the amount of EUR 812 thousand as of September 30, 2008 (Dec 31, 2007: EUR 167 thousand), which will be released in the form of revenue recognition, has a duration exceeding twelve months. This corresponds to our usual licensing business cycle.

Other Information

Information on other transactions with related parties

After his resignation as Epigenomics' CSO in August 2008, Dr. Kurt Berlin entered into a consulting agreement with Epigenomics AG to advise the Company on scientific, technological, licensing and IP-related matters. Under the agreement, Dr. Berlin has received a net amount of EUR 14 thousand for his services as of September 2008.

Notes to the stock option plans

In the third quarter of 2008, no stock options were exercised.

Details of stock options granted:

	Options issued as of Dec 31, 2007	Options issued in 9M 2008	Options forfeited in 9M 2008	Options cancelled in 9M 2008	**Options issued as of Sept 30, 2008**
Option holder					
Geert Walther Nygaard	180,000	0	0	0	180,000
Oliver Schacht, Ph.D.	159,363	0	0	0	159,363
Total Executive Board	**339,363**	**0**	**0**	**0**	**339,363**
Other option holders	756,303	25,000	24,104	132,001	625,198
Total options	**1,095,666**	**25,000**	**24,104**	**132,001**	**964,561**
Weighted average exercise price in EUR	4.66	2.02	4.98	4.50	4.60

Options granted to the Executive Board members as of December 31, 2007, amounted to 632,589. This number included 146,613 options of the former board member Christian Piepenbrock and 146,613 options of the former board member Dr. Kurt Berlin. In the table above, these options have now been reclassified as options issued to "Other option holders".

Terms of stock options outstanding:

	Weighted average exercise price in EUR as of Dec 31, 2007	Dec 31, 2007 number	Weighted average exercise price in EUR as of Sept 30, 2008	Sept 30, 2008 number
2008	3.20	27,655	2.58	18,870
2009	4.53	21,772	4.53	18,938
2010	4.53	47,334	4.53	46,994
2011	4.58	246,005	4.53	235,040
2012	7.31	26,020	7.30	25,340
2013	5.57	121,880	5.58	121,380
2014	4.48	605,000	4.47	472,999
2015	n/a	0	2.02	25,000
Gesamt		**1,095,666**		**964,561**

Details of stock options granted in 9M 2008:

Granted number	25,000
Stock option plan	06-10
Expiry date	Mar 31, 2015
Share price at grant date (in EUR)*	1.84
Exercise price (in EUR)	2.02
Historical volatility at grant date (in %)	57.76
Risk-free interest rate (in %)	3.85
Aggregate proceeds if shares are issued (in EUR)	50,500

* Average Xetra closing share price of the last 20 trading days

Notes to the Group Cash Flow Statement

Operating activities

Cash flow from operating activities is derived indirectly on the basis of the net loss for the period before taxes on income. Cash comprises bank deposits and cash in hand. Cash equivalents are defined as instruments being convertible on a short-term basis to a known amount of cash and carrying a very low risk of changes in value.

Investing activities

Cash flow from investing activities is ascertained in respect of payment.

Financing activities

Cash flow from financing activities is ascertained in respect of payment.

Approval for Publication

This interim report has been approved and cleared for publication by the Executive Board on October 28, 2008.

Corporate Calendar

» Tuesday, March 31, 2009

Publication of the Annual Report 2008

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This interim report is also available in German.