epigenomics

FOCUS
Epi *pro*Colon

ANNUAL REPORT 2009

A simple blood test…

Our vision of revolutionizing colorectal cancer screening is becoming reality. With our Epi *pro*Colon test we detect colorectal cancer early. In blood.

The red sphere symbolizes the blood and is therefore a central and recurring element in the branding of our colorectal cancer blood test.

Mission…

…to build a world-leading molecular diagnostics company based on DNA methylation.

EPIGENOMICS focuses on the development and commercialization of molecular diagnostic products for the early detection and diagnosis of cancer.

OUR PRODUCTS in development are innovative in addressing highly unmet diagnostic needs to the benefit of patients. They address the highly attractive market of molecular cancer diagnostics.

GROUP KEY FIGURES

EUR thousand (unless stated otherwise)	2008	2009
Revenue	2,586	4,260
Research and development costs	-10,028	-7,349
Earnings before interest and taxes (EBIT)	-12,750	-10,218
Earnings before interes, taxes, depreciation and amortization (EBITDA)	-10,242	-9,442
Net loss for the year	-12,271	-10,223
Weighted-average number of shares issued (notional par value: EUR 1)	26,007,110	29,172,133
Earnings per share (basic and diluted) in EUR	-0.47	-0.35
Cash flow from operating activities	-9,800	-10,629
Cash flow from investing activities	1,468	-195
Cash flow from financing activities	11,500	4,964
Cash flow total (incl. currency adjustments)	3,168	-5,860

EUR thousand (unless stated otherwise)	31.12.2008	31.12.2009
Liquid assets at balance sheet date (incl. marketable securities)	12,100	6,136
Total equity at balance sheet date	16,568	12,084
Equity ratio in %	81.7	73.9
Total assets at balance sheet date	20,283	16,354
Share price at balance sheet date in EUR (Xetra)	2.00	3.52
Number of employees at balance sheet date	90	86

- Full year revenue significantly increased predominantly by progressing in commercial partnerships
- Cost base, EBIT and net loss show solid improvement
- PIPE placed at premium in early 2009 despite challenging macroeconomic situation

HIGHLIGHTS 2009

January Sysmex Corporation and Epigenomics sign a strategic research and development collaboration agreement

February Successful capital increase – Placement of all 2,671,088 new shares at a 5% premium

Quest Diagnostics, Incorporated enters into a non-exclusive licensing agreement for Epigenomics' proprietary biomarker ^{m}GSTP1 for a U.S. LDT

March Epigenomics initiates development of ^{m}SHOX2 IVD test for lung cancer diagnosis in bronchial lavage

April Predictive Biosciences, Incorporated enters into a non-exclusive licensing agreement for Epigenomics' proprietary biomarker ^{m}GSTP1 for a U.S. LDT

May Epigenomics receives notice of allowance for key patents in Europe

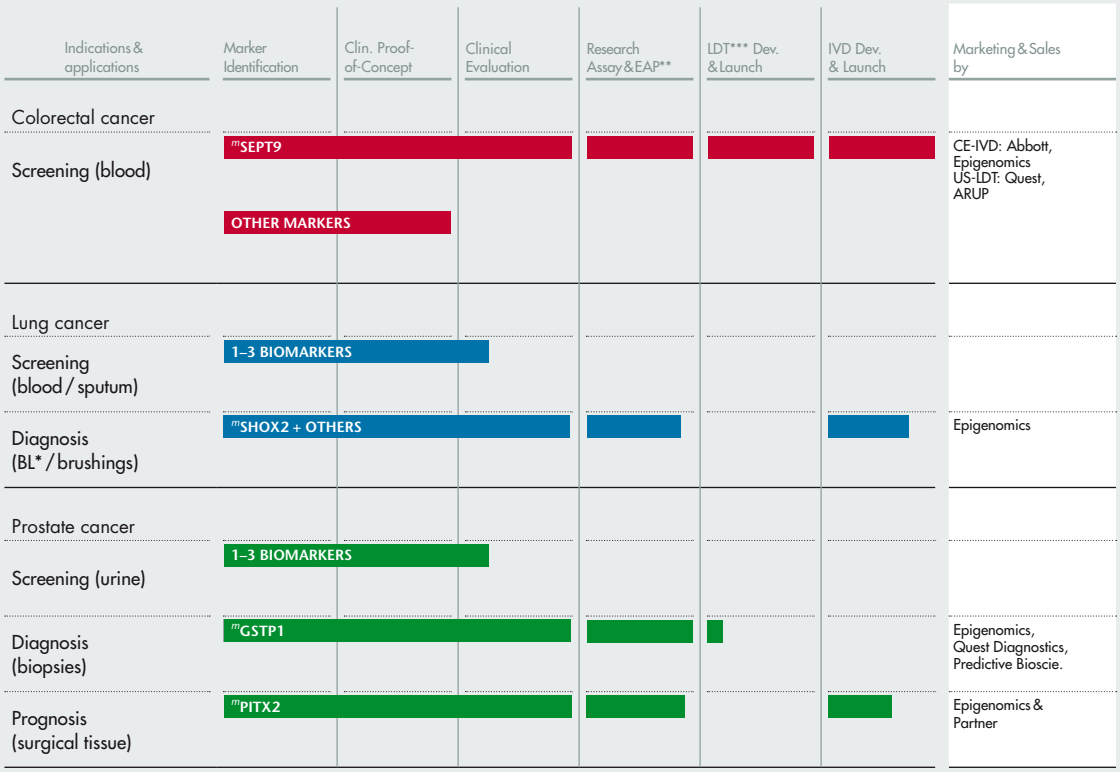
Epigenomics validates ^{m}PITX2 test for prostate cancer prognosis and initiates "Early Access Program" for ^{m}PITX2 in Germany

June Two prospective case control studies on ^{m}SEPT9 published in peer-reviewed journal publication (Clinical Chemistry)

Swiss Viollier AG becomes first laboratory in Europe to offer Epigenomics' colorectal cancer blood test

Epigenomics obtains ISO 13485 certification for design, development, manufacturing, and commercialization of IVD products

PRODUCT PIPELINE



* Bronchial lavage

** "Early Access Program"

*** laboratory-developed test

July DxS (since then acquired by QIAGEN) enters into a cross-licensing agreement with Epigenomics for certain technologies for IVD use

August ARUP Laboratories, Incorporated signs a non-exclusive licensing agreement for Epigenomics' proprietary DNA methylation biomarker Septin9 (^{m}SEPT9) for a U.S. LDT

Epigenomics completes study showing utility of ^{m}SHOX2 in blood testing for lung cancer

September First diagnostic laboratories in Germany start offering testing based on the Septin9 biomarker on October 1

October Epigenomics launches CE-marked Epi *pro*Colon blood test for colorectal cancer early detection in Europe

Epigenomics initiates testing of blood plasma samples from PRESEPT Study in three independent clinical laboratories

November Quest Diagnostics complete clinical development of Septin9 colorectal cancer blood test

December PRESEPT Study subject enrollment successfully completed

Abbott launches RealTi*m*e *m*S9 colorectal cancer test in Europe and Asia / Pacific

Quest Diagnostics releases ColoVantage™ Septin9 laboratory-developed test in the U.S.A.

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epigenomics
epi pro lung

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

The year 2009 has been one of the best years ever in Epigenomics' corporate history. Three big "**P**" dominated our fiscal year 2009: **P**roducts launched, **P**RESEPT Study patient enrollment finalized and **P**artnerships signed.

Early in 2009, we took a major strategic decision to complement our partnering and licensing business model with a direct commercialization effort for our own Epigenomics brand of in vitro diagnostic products. Under the Epi *pro*Colon brand, we successfully launched and now commercialize in several key European markets the world's first regulated IVD blood test for colorectal cancer. Several laboratories across Germany and Switzerland started offering the test to doctors and patients in the second half of 2009. It is very gratifying to see that more than ten years of research and product development have come to fruition with this first DNA-methylation-based colorectal cancer test based on our Septin9 biomarker and our proprietary technologies.

Moreover, our partners Abbott Molecular and Quest Diagnostics have also launched and released their versions of a Septin9-based blood test under the brand names RealTi*me mS9* Assay and ColoVantage™, respectively. Abbott is marketing and selling its CE-marked IVD test kit in Europe and Asia / Pacific whereas Quest is offering its testing service as a laboratory-developed test in the U.S. market. These are the first non-exclusive licensees that have developed, clinically validated and commercially launched products based on our biomarker and technology IP. In both cases, Epigenomics received certain milestone payments and going forward we are entitled to significant royalty payments based on our partners' product sales globally.

During 2009, we focused our R&D activities mainly on executing our PRESEPT Study. PRESEPT is a multicenter study to characterize the clinical performance of our Septin9 biomarker and the potential health economic benefit of colorectal cancer screening with Septin9 in a U.S. colorectal cancer screening-guideline-eligible population. With the enrollment completion into the study in December 2009 reaching a number of 7,941 subjects at 32 clinical sites in the U.S.A. and Germany we were on the home straight for finishing one of the largest privately sponsored studies in colorectal cancer screening. After the release of preliminary data in January 2010, we reported updated top-line PRESEPT Study data on March 8, 2010 showing that the Septin9 biomarker in this academic medicine study detected colorectal cancer cases with a sensitivity of approximately 63% and a specificity of around 89%. The Clinical Study Steering Committee overseeing the Study will submit detailed and final results of the PRESEPT Study for publication in a peer-reviewed journal and presentation on major medical conferences in the course of 2010.

2009 has also been a year of new partnering deals for Epigenomics. A Septin9 colorectal cancer R&D collaboration with Japanese Sysmex, an expansion of our deal with Quest Diagnostics to also include our prostate cancer biomarker GSTP1, another Septin9 colorectal cancer reference laboratory deal with ARUP and a second deal on GSTP1 with Predictive Biosciences as well as multiple R&D collaboration agreements with pharmaceutical companies underscore our commitment to continuously drive our partnering business forward. In addition, we have delivered on all our objectives in ongoing partnership deals with Abbott, Quest Diagnostics and Philips.

Our product pipeline has matured substantially with launched molecular diagnostic tests in colorectal cancer but also with the tremendous progress we have seen in our lung cancer program. We have validated our biomarker SHOX2 in a clinical study using more than 400 patient samples for a diagnostic application using bronchial lavage samples to help doctors make a better and more definitive diagnosis than it is possible today. That product will be our second fully regulated IVD kit that we intend to launch in Europe by mid 2010. Also, SHOX2 has shown initial promise as a blood-based biomarker in a clinical feasibility study.

Our transformation into a fully integrated cancer molecular diagnostics company continues to progress on many fronts. In July 2009, our quality management system received ISO 13485 certification for the design, development, manufacturing and distribution of in vitro diagnostic products. Our product development team has subsequently demonstrated

Geert Walther Nygaard
CEO

its ability to deliver a CE-marked IVD test kit in a very short time frame. Our marketing and sales team has successfully launched our first ever IVD product in Europe and by the end of 2009 already has won about ten customer laboratories in Germany and Switzerland for our colorectal cancer test. Going forward, we will strengthen our commercial organization by selectively adding a handful of sales and marketing positions to help drive the commercial execution. We have grown our top line revenue by 65% in 2009 and we expect to continue growing our revenue base while maintaining strict fiscal discipline and a lean organization. Our research organization continues to improve our technologies and assays to fuel our future product development pipeline with next generation products that complement the future basis for our colorectal, lung and prostate cancer franchise. Line extensions such as colorectal cancer monitoring and polyp detection tests, a higher degree of automation and enhanced clinical test performance are at the top of our list for future research and development.

2009 has also been a successful year for Epigenomics in terms of our ability to raise additional capital needed to execute on our corporate business plan. BB Medtech and Abingworth led a PIPE financing transaction at a very challenging time in the global capital markets at very attractive conditions which we believe gives testament to the support of our major institutional shareholders and their belief in the success of our Company. However, we are also aware of the fact that accumulated losses have depleted more than half of our signed capital which forced us to issue a Section 92 AktG (German Stock Corporation Act) declaration and to report to the Annual General Shareholders' Meeting on that topic which means, that further funding is required to see Epigenomics through the period until its eventual break even. We are grateful and pleased that our shareholders with an overwhelming majority approved the creation of authorized capital providing us with much needed flexibility in our financing strategy.

Looking at 2009, I can conclude that we have had a tremendous year and many great successes. With the first products now in the market and customers, patients and doctors able to access these novel blood tests for colorectal cancer we feel extremely well positioned to drive our commercialization forward, grow our revenue stream, broaden our customer base, sign additional non-exclusive licensing deals for our cancer molecular diagnostics products and in the process improve our earnings situation to a point where within the next couple of years we can emerge as a growing, sustainable, profitable molecular diagnostics company.

On behalf of the Executive Board I would like to sincerely thank all of our employees, our partners, our customers, and in particular our shareholders for their continued strong commitment and trust in our organization. I am convinced that 2010 will turn out to be another very rewarding year for Epigenomics in which our cancer molecular diagnostic tests will start saving lives by finding cancer early.

Yours sincerely,

Geert W. Nygaard

REPORT OF THE Supervisory Board

DEAR SHAREHOLDERS,

As in the years before, so also during the fiscal year 2009, the Supervisory Board fulfilled all its duties assigned to it by law, the Articles of Association and the Rules of Procedure. The Supervisory Board advised and monitored the Executive Board in managing the Company. Based on detailed written and oral reports of the Executive Board and intensive discussion of all relevant issues concerning financial and operational business aspects as well as the Company's revised strategy and dual business model during the Supervisory Board's meetings, our advice was given with a view to the best interests of Epigenomics' shareholders. The dialog between all members of the Supervisory Board and the Executive Board continued to be very close and several conference calls as well as individual discussions were held. Thus, the Supervisory Board was kept continuously informed about the Company's financing efforts during the PIPE in very difficult market conditions, the revised business strategy of developing and marketing its own brand of cancer screening tests, and product development progress with key focus on the PRESEPT Study as a major value driver. In fact, the Supervisory Board received updates on subject enrollment and colorectal cancer cases identified as part of PRESEPT every other week and discussed all major initiatives proposed by the Company's senior management to execute on this landmark clinical study. The Supervisory Board was also apprised of all corporate planning including financial, capital expenditure and human resources planning, as well as the general performance of the business. To the extent that German corporate law or existing Executive Board Rules of Procedure required approval for certain decisions or actions to be taken by the Executive Board, such approvals were given by the Supervisory Board after detailed examination of the documentation provided and intensive discussions.

WORK OF THE SUPERVISORY BOARD

During 2009, six ordinary plenary meetings of the Supervisory Board with the Company's Executive Board took place on January 19, March 3, May 11, June 26, September 22, and November 24. These meetings were held in Berlin or Frankfurt am Main to ensure cost efficiency. Also, three conference calls between the Supervisory Board and the Executive Board were held at regular intervals throughout 2009 to discuss all important aspects of the PIPE financing transaction and during the preparation of the rights issue. In addition, the Chairman of the Supervisory Board and the members of the Executive Board were in regular contact between Supervisory Board meetings. Thus, the Supervisory Board was kept up to date on the Company's current business situation and key events, such as the PIPE in February 2009 as well as the closing of the non-exclusive deals with Sysmex, Quest Diagnostics, ARUP and others.

At all of its meetings, the Supervisory Board specifically discussed the Company's corporate and financial situation, the progress of its product development programs with a keen focus on the Epi *pro*Colon IVD kit as well as the PRESEPT Study, its business development, marketing and sales priorities and activities as well as the Company's business

Professor Dr. Dr. h.c. Rolf Krebs
Chairman of the Supervisory Board

strategy. Important topics of the Supervisory Board meetings in 2009 were the approval of the annual financial statements, revising the 5-year business plan and corporate strategy to include Epigenomics' own brand of IVD kits to be developed, approved, manufactured, marketed and sold directly by Epigenomics, the execution of the non-exclusive licensing strategy, the PIPE financing from authorized capital, the Company's business development issues as far as approvals for terms and conditions of new collaboration contracts were required, the budget for 2010 and several strategic opportunities presented to the Company. At its meeting in November 2009, the Supervisory Board considered in detail the operational budgets, financial planning and resource allocations scheduled for the year 2010.

Due to the Company's difficult financial situation, key focus of the Supervisory Board's advisory and monitoring activities were the Company's capital needs and future financial stability especially when taking into account the issue of Section 92 German Corporation Code (HGB). Whilst in early 2009, prime emphasis was put on monitoring the successful completion of the PIPE, later in 2009, the Supervisory Board interacted very closely with the Executive Board and the Company's advisors regarding future financing options. Another key area was the changing statutory framework and corporate governance implications. For each Supervisory Board meeting, all members of the Supervisory Board received extensive written reports well in advance of the individual meetings, prepared by the Executive Board with the input of the respective senior managers of all functional areas. These documents were sufficiently detailed and comprehensive to analyze and discuss all relevant topics of the respective agenda of the Supervisory Board meetings and to pass all required resolutions.

Between meetings, the Supervisory Board was informed in detail by means of written and oral reports about all ongoing projects and plans of particular importance to the Company with a clear focus on the Epi *pro*Colon product and the PRESEPT Study. Whenever necessary, resolutions were passed by written vote in compliance with the Company's Articles of Association.

COMMITTEES

The work of the Supervisory Board was continuously supported by its two committees: the Audit and Corporate Governance Committee chaired by Günter Frankenne, who has taken the chair from Prof. Dr. Günther Reiter in early 2009 as well as the Personnel and Compensation Committee chaired by Prof. Dr. Dr. h.c. Rolf Krebs. Both committees held several meetings in 2009. The Audit and Corporate Governance Committee convened four times in 2009 dealing mainly with accounting issues, the quarterly financial statements, the annual financial statements, and other topics within the scope of responsibility of the Committee. The auditors attended all of these meetings. The Audit and Corporate Governance Committee further advised and monitored the Executive Board in questions relating to the Company's risk management and ensured compliance with the German Corporate Governance Code in its revised form with the purpose to continuously build and reinforce trust of the shareholders in the management of the Company. The Personnel and Compensation Committee held two meetings in 2009 in order to discuss matters related to the compensation of the Executive Board as well as strategic personnel issues such as the new contracts offered to both CEO Geert Walther Nygaard and CFO Oliver Schacht, Ph. D., for the next years. Based upon the proposals developed by the Personnel and Compensation Committee, the entire Supervisory Board approved the new contracts for the two Executive Board members. The Supervisory Board is pleased that both members of the Executive Board entered into new contracts ensuring continuity of leadership and execution on our new strategy and business plans going forward. Reports of the meetings of the committees were presented at the plenary sessions of the Supervisory Board.

CORPORATE GOVERNANCE

The Supervisory Board, advised by its Audit and Corporate Governance Committee, also continuously reviewed all issues of legal compliance and adequate risk management given the continued challenging global economic environment, the tight financial resources of the Company, as well as compliance to corporate governance principles by Epigenomics. Both the Executive Board and the Supervisory Board regard the commitment to good corporate governance an important measure for enhancing the confidence of current and future shareholders, corporate partners and employees. In December 2009, the Executive Board and the Supervisory Board issued a new declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), which is included in the corporate governance report of this annual report and is also permanently made available to shareholders on Epigenomics' website. In its declaration, the Company has committed itself to the German Corporate Governance Code, and only in some cases adopted Company-specific principles deviating from these recommendations. For more detailed information regarding corporate governance issues, please refer to the corporate governance and remuneration reports of this annual report.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The independent auditing company UHY Deutschland AG Wirtschaftsprüfungsgesellschaft, Berlin, has audited the annual financial statements and the related management report of Epigenomics AG for fiscal 2009 in compliance with the principles of the German Commercial Code (HGB) as well as the consolidated financial statements, the consolidated management report and the related notes for fiscal 2009 according to International Financial Reporting Standards (IFRSs). UHY did not raise any objections for either of the financial statements and approved them with unqualified audit opinions. However, UHY also states that the Group will be reliant on the allocation of fresh financial resources at the latest by the second quarter 2010, due to the fact that estimated cash consumption for the business year 2010 of roughly EUR 10 million exceeds by far the liquid resources on December 31, 2009. The consolidated financial statements and the consolidated management report were prepared in accordance with Section 315a HGB using international accounting standards IFRSs. UHY's audit was conducted in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW, Institute of Public Auditors in Germany) and the International Standards of Auditing (ISA).

The above-mentioned documents were submitted to the Supervisory Board by the Executive Board in a timely manner. The Audit and Corporate Governance Committee discussed these documents in detail. The UHY audit reports were presented to all members of the Supervisory Board and were discussed in depth at the plenary meeting on March 17, 2010, in the presence of the external auditors, who reported on the main findings of their audit. At this meeting, the Executive Board explained the annual and consolidated financial statements as well as the Company's risk management system. UHY also provided a report on the scope and focal points of the audit.

As a result of the findings and examination by the Audit and Corporate Governance Committee and the entire Supervisory Board, the Supervisory Board raised no objections, but accepted and confirmed the results of the audit. Following its own review, the Supervisory Board formally approved the annual financial statements and the consolidated financial statements as of December 31, 2009, without exception and modification in its meeting on March 17, 2010, in the presence of the auditors. By the Supervisory Board's approval, the annual financial statements of Epigenomics AG are thus adopted as submitted in accordance with Section 172 of the German Stock Corporation Act (AktG).

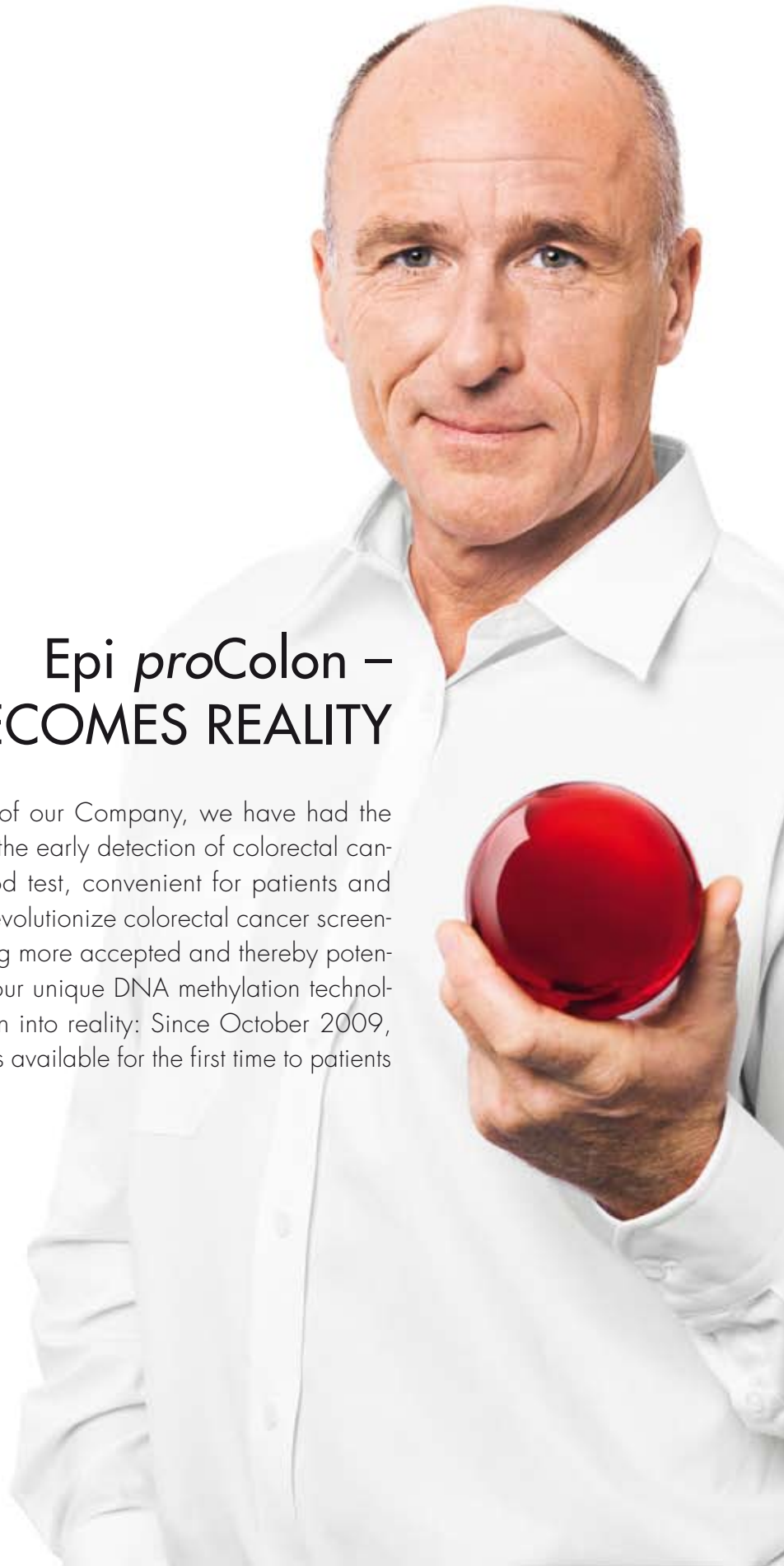
Regarding the existing internal control system and risk management system as the Company's early warning system, the auditors stated that in their opinion the system is suitable to meet all legal requirements. Both the Audit and Corporate Governance Committee and the entire Supervisory Board ensured that appropriate risk management and risk mitigation strategies were implemented during 2009 in light of a challenging global capital market environment in combination with the limited financial resources of Epigenomics.

The Supervisory Board would like to thank the Executive Board, the senior management as well as all employees for their commitment, dedication and efforts during the difficult and challenging year 2009.

Berlin, March 2010

For the Supervisory Board

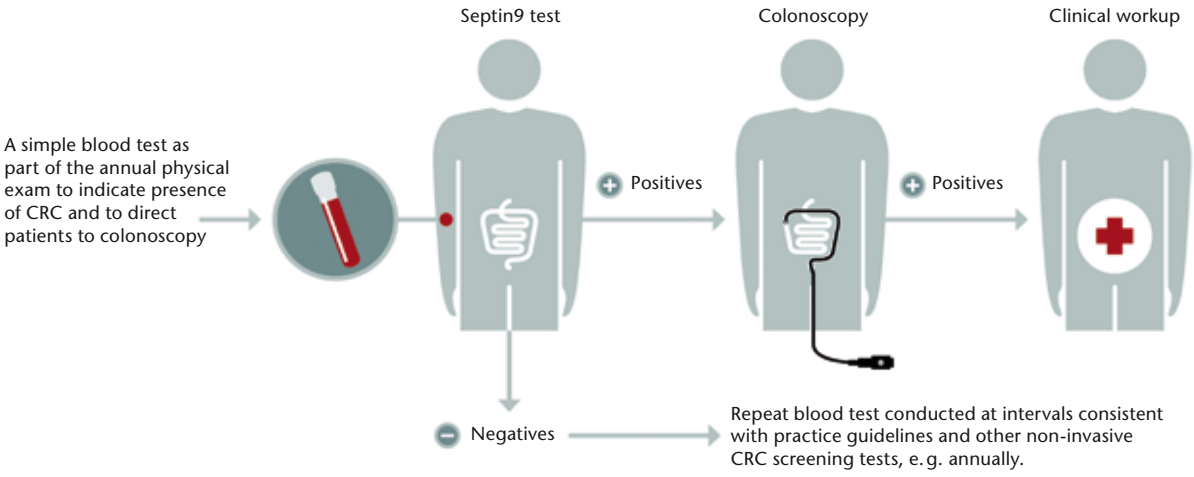
Professor Dr. Dr. h.c. Rolf Krebs
Chairman of the Supervisory Board



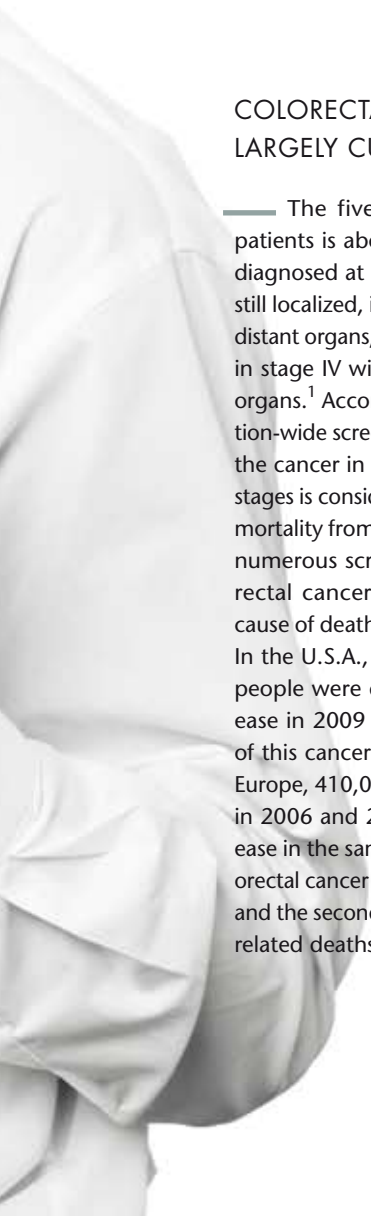
Epi *pro*Colon – A VISION BECOMES REALITY

SINCE THE EARLY DAYS of our Company, we have had the vision of developing a test for the early detection of colorectal cancer: a simple innovative blood test, convenient for patients and doctors, with the potential to revolutionize colorectal cancer screening. A test that makes screening more accepted and thereby potentially saves many lives. With our unique DNA methylation technology we have turned that vision into reality: Since October 2009, our Septin9 test Epi *pro*Colon is available for the first time to patients and doctors in Europe.

Clinical Principle of the Septin9 blood test



The blood-based Septin9 test can be performed as part of a regular check-up at the primary care physician



COLORECTAL CANCER IS LARGELY CURABLE

The five-year survival rate for patients is about 90% if the cancer is diagnosed at an early stage while it is still localized, i.e. it has not spread into distant organs, but drops to below 10% in stage IV with metastases in distant organs.[1] Accordingly, effective population-wide screening aiming at catching the cancer in early, still asymptomatic stages is considered key to lowering the mortality from this disease. But despite numerous screening initiatives, colorectal cancer is the second leading cause of death in developed countries. In the U.S.A., approximately 147,000 people were diagnosed with the disease in 2009 and about 50,000 died of this cancer in the same period.[1] In Europe, 410,000 cases were diagnosed in 2006 and 207,000 died of the disease in the same year.[2] This makes colorectal cancer one of the most frequent and the second-leading cause of cancer related deaths after lung cancer.

SCREENING FOR COLORECTAL CANCER REDUCES MORTALITY BUT IS STILL POORLY ADOPTED BY THE TARGET GROUP

As chances for curative treatment are particular high when colorectal cancer is diagnosed at an early stage, screening guidelines in many countries recommend regular fecal occult blood tests (FOBTs) – laboratory tests that are performed on stool samples – or invasive endoscopic procedures such as colonoscopy. But the majority of eligible individuals do not follow these screening recommendations. Thus, in the U.S.A., FOBTs are only used by 12%[3] of the individuals aged 50 years and older and less than half attend a colonoscopy within ten years. The situation in Germany is not much better: Only 16% of the individuals use FOB tests and only 30% undergo a colonoscopy within the recommended time interval of ten years.[4,5] Reasons for this low acceptance include reservations against stool testing and colonoscopy, fear of invasive procedures, lack of time and lack of convenience of current screening methods. As a result, 60% of colorectal cancers today are diagnosed in advanced stages when the cancer has spread to lymph nodes or distant organs.

The American Cancer Society identified screening compliance as the major issue in colorectal cancer and is committed to drive compliance up to 75% by 2015 and many public screening initiatives in Europe have similar objectives. We believe that novel blood tests for screening that is based on our biomarker Septin9 such as our Epi *pro*Colon test can help making screening efforts more effective. Septin9 tests are competitive with current most widely used non-invasive stool tests in differentiating between cancer patients and healthy individuals but are convenient enough to ensure broad acceptance in the eligible population for colorectal cancer screening.

THE BIOMARKER *m*SEPT9: SIMPLE PRINCIPLE – MAJOR IMPACT

Our colorectal cancer blood test relies on a rather simple biological phenomenon: Even at the earliest stages, tumors shed DNA into the blood stream. Thus, tumor DNA in blood is a reliable indicator – or "biomarker" – for the presence of a tumor.

But how to detect this tumor DNA? Our test concept is based on detecting aberrant DNA methylation of a specific region of the Septin9 gene. Cytosine residues in the v2 region become methylated in colorectal cancer tissue but not in normal colon mucosa. This aberrant methylation works like a unique "fingerprint" and can be detected by specific amplification of methylated DNA shed into the blood stream by tumor cells. Detection of colorectal cancer DNA using the *m*SEPT9 biomarker has been demonstrated in multiple case control studies with plasma specimens from colorectal cancer patients and colonoscopy-verified negative controls to be a strong indicator or biomarker for the presence of colorectal cancer. Based on this ground breaking research, we at Epigenomics and our licensing partners Abbott Molecular and Quest Diagnostics have each introduced Septin9 tests under the brand names Epi *pro*Colon, RealT*ime* *m*S9, and ColoVantage™, respectively, into the diagnostic market in Europe, Asia/Pacific and the U.S., in late 2009.

Epi *pro*Colon: A CONVENIENT ADDITIONAL OPTION FOR COLORECTAL CANCER SCREENING

Epi *pro*Colon is a CE-marked, in vitro diagnostic real-time polymerase chain reaction (real-time PCR) test kit for the qualitative detection of Septin9 gene methylation in DNA isolated from human plasma samples.

Epi *pro*Colon, as the other available Septin9 tests by our partners, is positioned as a convenient alternative to stool testing for patients who are not willing to undergo colonoscopy as a first line screening modality.

All a patient has to do is give an additional blood sample during a regular health check-up at the family doctor's office or when seeing the gynaecologist or urologist for a routine check-up. In contrast to most stool-based methods, patients do not have to obey any dietary or medication restrictions prior to the test and are not involved in the sampling procedure keeping patient involvement to a minimum. The sample is then sent to a diagnostic laboratory for analysis. The test result is provided to the doctor who can discuss it with the patient. If tested positive in such an easy-to-use blood test, patients would be referred to a gastroenterologist for colonoscopy to confirm the diagnosis and initiate early treatment. If the test is negative, the patient is recommended to be retested at the same regular intervals as recommended by guidelines for FOB testing.

RELIABILITY DEMONSTRATED IN CLINICAL STUDIES

In a performance evaluation study, the final step of our IVD product development analyzing blood samples from about 260 patients with colorectal cancer or without any evidence of colorectal cancer, the Epi *pro*Colon test detected two thirds of the cancer cases in the early, still localized stages I and II.

With the PRESEPT Study finalized in March 2010, we took the validation of this test to an evidence level so far only achieved for colonoscopy and simple chemical FOB tests. In this prospective study, we have demonstrated that the test is applicable to a true screening population as defined by U.S. and German guidelines. In this study with almost 8,000 individuals, we have demonstrated that Septin9 testing achieves a higher overall sensitivity for cancer detection than the guideline-listed and currently most widely used guaiac FOB test when compared to colonoscopy as the gold standard in colorectal cancer diagnosis. Data from this study will be an important factor in our efforts to achieve guideline inclusion and reimbursement for Septin9 testing in the major market countries.

As of February 2010 and only four months after launch Epi *pro*Colon is already available to doctors and patients nation-wide in Germany and Switzerland. With the detection of the first cancer cases since market introduction our vision has become a reality – Finding colorectal cancer early. In blood.

References:
[1] American Cancer Society. Cancer Facts&Figures 2009, Atlanta: American Cancer Society; 2009
[2] Ferlay J, et al: Estimates of the cancer incidence and mortality in Europe in 2006, Ann Oncol, 2007, 18(3): 581–92
[3] National Health Interview Survey Public use data file, 2005, National Cancer for Health Statistics, Center for Disease Control and Prevention, 2006, American Cancer Society, Surveillance Research
[4] Altenhofen, L, et al (2009): Projektwissenschaftliche Begleitung von Früherkennungs-Koloskopien in Deutschland
[5] Altenhofen, L, et al (2009): Ergebnisse der Vorsorgedarmspiegelungen 2003–2008 – eine Bilanz

Epi *pro*Colon

Detecting colorectal cancer early. In blood.

Colorectal cancer screening needs public awareness.

INTERVIEW WITH THE SENIOR VICE PRESIDENT CORPORATE DEVELOPMENT

New frontiers: Marketing our first diagnostic product

DR. PLUM, IN 2009, EPIGENOMICS HAS LAUNCHED ITS FIRST IVD PRODUCT, THE Epi *pro*Colon TEST FOR THE EARLY DETECTION OF COLORECTAL CANCER IN BLOOD. HOW DO YOU SEE THE CHANCES AND CHALLENGES IN COMMERCIALIZING THIS PRODUCT DIRECTLY?

The launch of Epi *pro*Colon was a transforming event for Epigenomics. It gives us the chance to have better control over our destiny as we are now one of the players in the market place promoting blood-based colorectal cancer early detection with the Septin9 biomarker. We believe this has an enormous potential and by commercializing it ourselves we aim at capturing more of its value and drive fast adoption in the medical routine. However, doing things for the first time is always challenging. Thus, we have to build the commercial infrastructure to execute on our commercial strategy and last but not least a reputation as a molecular diagnostics company.

HOW DO YOU ACTUALLY MARKET THE TEST? WHAT ARE YOUR CUSTOMERS AND HOW DO YOU APPROACH THEM?

Our direct customers are the laboratories that actually run the tests using the reagents of our Epi *pro*Colon test kit. These we approach directly through our own sales and technical support organization. However, the availability of the test alone will not be sufficient to drive adoption. The test has to be endorsed by key opinion leaders and patient advocacy groups. Again, we already did a lot of ground work here mainly by entering into a direct dialog and into roundtable discussions. Finally, doctors and patients have to be made aware of the test. For the medical professionals including family doctors, urologists and gynecologists we use two channels: Firstly, they are educated by the laboratory sales representatives in visits and in CME seminars organized by the laboratories. This is a very effective and established communication channel that we can use as a multiplier. We support the laboratories in their marketing efforts by information material and sending speakers to the seminars. Secondly, we are working with print and online media that target medical professionals and do direct mailings that inform about our test. The largest and probably most important customer group certainly are the people that are eligible for screening. Here we work intensely with general media to inform them. To our advantage, the topic of cancer screening receives increasing attention in the public and the media and we experience a lot of interest in learning more about patient-friendly options for colorectal cancer early detection.

Dr. Achim Plum
Senior VP Corporate Development

WHAT INVESTMENTS ARE NECESSARY TO BUILD THE COMMERCIAL INFRASTRUCTURE?

The advantage with the marketing concept as described is that we do not need to have many feet on the street. We intend to grow our commercial team to a handful this year. That includes sales, technical support and a centralized marketing function. Over the next couple of years, we expect to expand this organization moderately as we address more European markets directly.

WHAT COUNTRIES IN EUROPE DO YOU WANT TO TARGET AND HOW?

In addition to the home market, Germany, Austria and Switzerland, we consider certain European markets to be of particular strategic importance to us. Not surprisingly, these are the other four of the big five in Europe – France, Italy, Spain and the U.K. In these markets, we would like to be present with our own representatives in the medium term and implement very much the same strategy as in the home market. Beyond the big five, there are other attractive markets within Europe which we intend to serve opportunistically either through distributors or by direct supply of kits.

WHAT ARE YOUR PLANS GOING BEYOND EUROPE?

The CE-marked Epi *pro*Colon kit allows us in principle to sell the test as an IVD in a number of markets outside the EU with relatively little extra regulatory burden. This includes some countries in the Asia / Pacific region. We are currently evaluating the potential of these markets and may serve some of them opportunistically through distributors or direct kit supply to laboratories. However, the most important market is certainly the U.S. Here we aim at developing a product that is compliant with FDA regulations. Most importantly, we have to bring it onto an instrument platform that is already FDA approved to lower the hurdles for our approval. Once that is done, we intend to make use of the blood samples collected in the PRESEPT Study to run a pivotal clinical trial and file for regulatory approval by the FDA. Our hope is to obtain FDA clearance within 2011. As the U.S. market is of key strategic importance to us, we want to adopt the same strategy to commercialize the product as we pursue in the home market. This will require additional staff for marketing and sales in the U.S. We expect to start here with a small but very focussed team in 2011 / 12 and then grow it organically 2013 and beyond.

ARE THERE DIFFERENCES IN THE POSITIONING OF THE TEST IN THE DIFFERENT MARKET COUNTRIES?

The benefits of colorectal cancer screening are very obvious. Not surprisingly, there are guidelines recommending screening and many public and private initiatives in most industrialized countries that aim at promoting the use of screening and thereby improving compliance to colorectal cancer screening by stool-based tests and / or colonoscopy. The concepts range from "screening on demand" in Germany, Switzerland, the U.S. and other countries to dedicated screening programs, where people are proactively invited to participate in screening and are provided with kits for stool sampling. These strategies differ in the recommended screening modalities, the involvement of the primary care physician and reliance on the patient's own initiative to get screened. There is obviously no one-fits-all model to position a new screening test in these different environments in particular as we would like to complement and not work against existing valuable approaches. In the countries where the primary care physician and other medical professionals counsel on screening, our test can simply be offered as a convenient and potentially better alternative to standard stool-based tests. But even in countries with the most efficient public screening programs that are based on stool testing like the U.K., almost half of the invited individuals do not respond. Here we are in discussion with the organizers of the screening programs to identify settings in which our test could help to reach these "no-shows".

SINCE YOU LAUNCHED THE PRODUCT IN OCTOBER 2009, WHAT ARE THE FIRST EXPERIENCES? HOW IS THE PRODUCT ACCEPTED?

We are very pleased with the progress we have made so far. In less than six months, we have made our test available across Germany and Switzerland. Key opinion leaders as well as patient advocacy groups are very supportive. Since we have established the assay in the first laboratories, the demand for the test is steadily increasing. We are now focusing on making the test known and accepted among the primary care physicians, urologists and gynecologists and in particular patients in Germany and Switzerland. Here, we profit from a lot of media attention especially in the colorectal cancer awareness month of March. Also, we are getting very positive initial feedback from doctors and patients actually using the test. As a first observation, it looks like compliance to colonoscopy after a positive Septin9 test seems to be very high and the affected individuals have a positive attitude towards the test even if the colonoscopy turns out to be negative as they otherwise would never have agreed the step to getting screened. In contrast, a substantial proportion of individuals with a positive stool test still do not agree to undergo colonoscopy. But above all, what is truly satisfying for us is that the first cancer cases have been found with our test and that these patients will now receive therapy earlier than they probably would have had without our test.

WHAT WILL BE KEY IN DRIVING ADOPTION OF SEPTIN9 BLOOD TESTING?

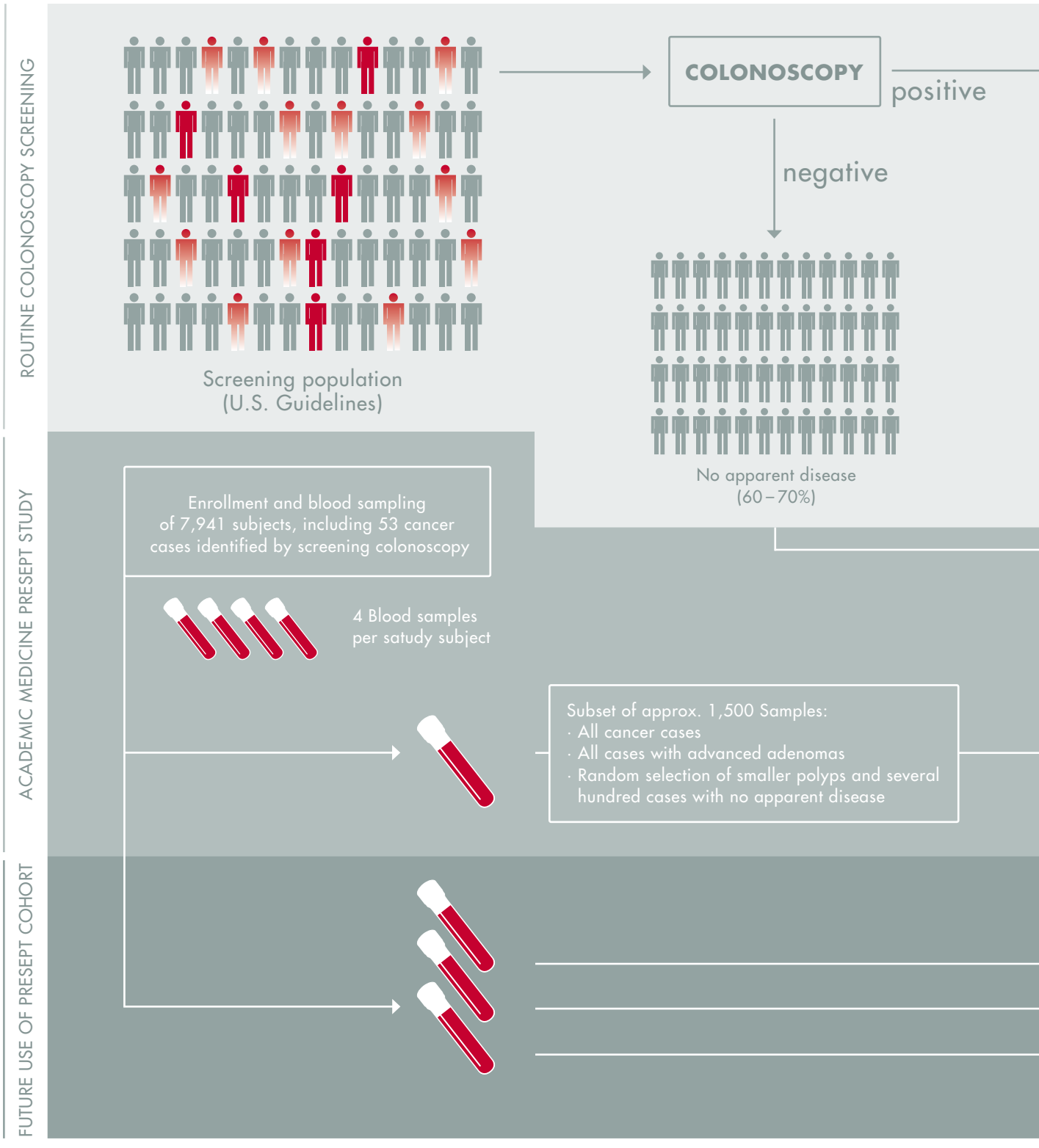
After we have ensured availability in the home market, creating awareness among doctors and patients is very important and we are making very good progress here. However, to eventually take the test to a true blockbuster level we have to broaden our total available market beyond self-payors and privately insured individuals. Eventually, we aim for our test being recommended in the guidelines and reimbursed under public health care schemes in each of our strategic market countries. However, this takes convincing data and time. With the PRESEPT Study, we have generated one important data point. The study has demonstrated that Septin9 when applied in a screening population is better than the chemical fecal occult blood test (guaiac FOBT). FOBT is the only other non invasive test currently marketed that was tested as rigorously against colonoscopy as the diagnostic gold standard for colorectal cancer. Not only these data, but also data from previous case control studies and adherence studies we are planning to demonstrate that a blood test is better accepted and more frequently used than other screening modalities, are likely to be of relevance in the health technology assessments (HTAs). These HTAs are typically performed in countries with public health care system as a basis for reimbursement decision. Typically, these assessments and decisions take several years. While we drive this process to the extent possible, we are focusing on the very significant number of self-payors and privately insured patients.

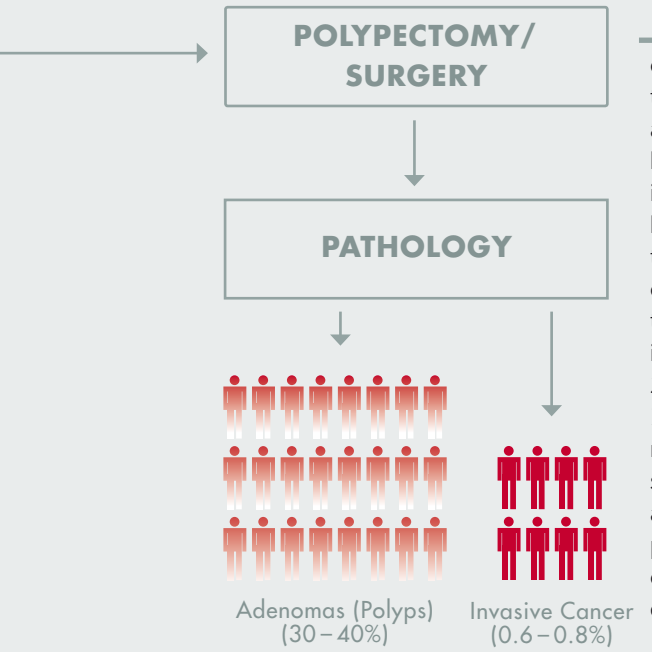
YOU PLAN TO LAUNCH YOUR SECOND PRODUCT, THE Epi *pro*Lung TEST IN EUROPE IN THE SECOND QUARTER OF 2010. TO WHAT EXTENT DOES THE MARKETING OF THIS PRODUCT DIFFER FROM THAT OF Epi proColon?

Epi *pro*Lung relies on the same technology, DNA methylation, but is a very different test in its clinical utility and target audience. It will be a tool for the pathologist to diagnose the cancer with more certainty when other routine procedures failed to give a conclusive diagnosis. The decision to use the test will be predominantly taken by the pathologist and the chest doctor, mostly at specialized lung clinics. For these medical professionals, scientific evidence is key. For us, this means introducing the test at scientific and medical meetings and doing studies with key opinion leaders to demonstrate the benefits of the test that are published in scientific journals. Moreover, we have to demonstrate that the test also has health economic benefits as it prevents further costly diagnostic procedures on those patients that are tested positive. However, we probably do not have to get a separate reimbursement decision and codes as most of the patients are hospitalized and the test in these cases may be paid out of the DRG (Diagnosis Related Groups) budget for the patient.

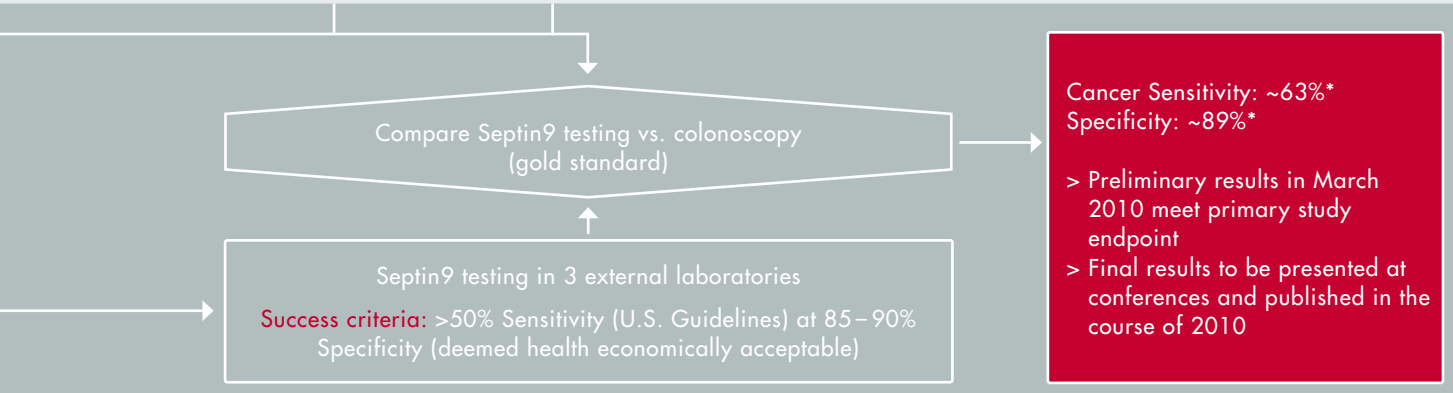
In summary, we believe that the Epi *pro*Lung product can be marketed successfully with a very focused approach not adding significantly to the commercial capacities we are building for our Epi *pro*Colon test anyway.

THE PRESEPT STUDY





PRESEPT is a prospective multi-center clinical study started in 2008 to evaluate the performance characteristics and health economic benefit of colorectal cancer screening using Epigenomics' Septin9 blood test in a screening population. PRESEPT is one of the largest commercially sponsored colorectal cancer screening clinical studies ever conducted. Between June 2008 and December 2009, in total 7,941 screening eligible average risk subjects were enrolled into the study at 32 clinical sites in the U.S. and Germany including 53 cases of previously undetected colorectal cancer, the vast majority being in early disease stages. One of the four blood samples collected from each study subject was used in an academic medicine study to characterize the performance of the Septin9 biomarker in the PRESEPT cohort when compared against the results of colonoscopy performed on all study subjects. Preliminary data from this academic medicine study released in March 2010 indicated a sensitivity of approximately 63% at a specificity of around 89%. While we expect this academic medicine study to be published in the course of 2010, we and our IVD partners intend to make use of the remaining PRESEPT blood sample sets in trials for regulatory approval of planned U.S. IVD products.



* Results according to Epigenomics' announcement dated March 8, 2010; final and detailed results will be published by the Clinical Steering Committee in the course of 2010 in a peer-reviewed journal

INTERVIEW WITH THE EXECUTIVE BOARD

Forward integration with a dual strategy

MR. NYGAARD, IN OCTOBER 2009, EPIGENOMICS LAUNCHED Epi *pro*Colon, ITS FIRST OWN IVD PRODUCT. WHAT DOES THIS MEAN FOR EPIGENOMICS?

Nygaard: The launch of Epi *pro*Colon is probably the most significant milestone in Epigenomics' corporate history. When I took over in early 2007 as CEO, my vision was to develop Epigenomics into a fully integrated molecular diagnostics company covering all steps of the value chain from early biomarker research to direct commercialization of IVD tests to laboratories and doctors, to the benefit of patients. Less than three years later this vision has now become reality with the launch of Epi *pro*Colon.

IN THE PAST, EPIGENOMICS FOCUSED ITS AMBITION RATHER ON SPECIALTY DIAGNOSTICS WHEN IT CAME TO OWN COMMERCIALIZATION. WITH Epi *pro*Colon, YOU NOW STARTED ADDRESSING THE MASS MARKET OF COLORECTAL CANCER SCREENING. WHAT IS BEHIND THIS CHANGE OF STRATEGY?

Nygaard: The simple answer is: We have to do it … and we can do it! The colorectal cancer blood test is our most important value driver that stands for a large part of the Epigenomics investment case. To capture the full value of this asset, we have realized that we need to be out there ourselves and contribute our share in establishing the concept of a blood-based DNA methylation test, building this novel market, act as a pacemaker for our partners and coordinate messaging around Septin9. At the same time, we have come to the conclusion that we are ideally positioned to take this step: Firstly, the ISO 13485 certification of our quality management system in mid 2009 has created the regulatory foundation to develop, manufacture and commercialize IVD products. Secondly, we have built considerable expertise and reputation in colorectal cancer early detection over the past ten years and have established very good working relationships with key opinion leaders in a number of market regions. Thirdly, we have learned from our commercial partners that we can address this market with reasonable investments in marketing and sales.

Geert Walther Nygaard
CEO

YOU MENTION YOUR PARTNERS. WHAT DOES THIS MEAN FOR YOUR NON-EXCLUSIVE PARTNERING MODEL? HOW DO YOUR PARTNERS FEEL ABOUT THIS DEVELOPMENT?

Nygaard: With the launch of Epi *pro*Colon, we have adopted a dual business model with non-exclusive partnering and direct commercialization. In a way, we are now one player in the small group of partners that offer products based on Septin9 testing. As this hadn't been envisaged, for example, in our original agreement with Abbott there were some concerns in the beginning that Epigenomics might be in a better competitive position having developed the biomarker. But we were able to address these concerns and have found a consensus that it is mutually beneficial if we ourselves are active in the market place as one of a limited number of at most four companies commercializing Septin9 IVD tests. With that consensus, we were able to amend our agreement with Abbott to reflect this new business model allowing us to commercialize Epi *pro*Colon globally either directly or via distributors.

IN DECEMBER 2009, YOUR PARTNER ABBOTT HAS LAUNCHED THE RealTi*me* m*S9* PCR ASSAY FOR THE SEPTIN9 BIOMARKER IN EUROPE AND ASIA / PACIFIC, THE SAME REGIONS WHERE YOU CAN MARKET YOUR OWN CE-MARKED PRODUCT, THE Epi *pro*Colon TEST. WHAT IS YOUR INITIAL EXPERIENCE IN BEING OUT THERE ALONGSIDE AN ABBOTT SELLING YOUR RESPECTIVE SEPTIN9 TESTS?

Nygaard: The experience with this co-marketing approach so far is very good. At the laboratory level, Abbott addresses a slightly different market segment. Their Septin9 test is optimized for the *m*2000 real-time PCR system, an automated molecular diagnostics platform that is placed in the laboratories by Abbott in a reagent-rental model. Our Epi *pro*Colon is a more manual procedure that is run on open-access real-time instruments that are more affordable, but have to be purchased by the laboratory. Accordingly, both tests address different laboratory market segments and come with different economics. However, all of these tests measure the Septin9 biomarker. At this level we see synergies between all Septin9 partners as we have the common goal of establishing Septin9 blood testing as the preferred option for non-invasive colorectal cancer screening. To get there, we have to get into guidelines and obtain reimbursement under public health care schemes over the next several years. This is a considerable effort but at the same time offers lots of opportunities to work closely together and the teams on both sides have already effectively joined forces in this area.

MR. SCHACHT, COULD YOU SHED SOME LIGHT ON HOW THE ECONOMICS WORK FOR EPIGENOMICS IN THIS DUAL BUSINESS MODEL?

Schacht: On the partnering side, as part of our non-exclusive licensing agreements, we typically receive upfront payments and success-based milestones during the development phase, upon launch and when certain sales targets are met. However, most importantly, we are entitled to significant royalties on our partners' net sales. These royalties are almost

Oliver Schacht, Ph.D.
CFO, CEO Epigenomics, Inc.

pure profit to us since there is only a minimal back royalty burden on them and all costs for manufacturing, marketing and sales remain with our partner. In our direct commercialization activities, we generate revenue through the sales of our test kits directly to laboratory customers. Our gross margin on this revenue is in the range of 65% to 70%, pretty much in line with the level seen in the industry. The laboratory charges about twice as much as our kit price to them to the payor as they have to accommodate for costs of labor, rent, depreciation of instruments, etc. and their own margin.

LOOKING FORWARD, WHAT WILL BE THE RELATIVE CONTRIBUTION OF THE DIFFERENT REVENUE STREAMS TO TOTAL REVENUE AND EARNINGS?

Schacht: We intend to sign up further partners in our non-exclusive licensing model. Therefore we expect to continue to see some revenue from upfront and milestone payments and reimbursement of R&D support. On top of this, revenue will grow significantly through royalty income from our partners' product sales and certainly our own product sales. Although, medium- to longer-term direct product sales will constitute the majority of total revenue, the total contribution of direct sales to our EBIT is expected to be comparable to the contribution from royalties as the latter are not burdened by cost of sales or marketing expenses.

WHAT ARE IMPORTANT MILESTONES IN THE COMMERCIAL PHASE?

Nygaard: We have now made our test available in Europe as a CE-marked product. Although we can also commercialize this product in further regions beyond Europe, we need to launch an FDA-approved product in the U.S.A. to fully leverage the value of our test. We are in the process of adapting the Epi *pro*Colon product for FDA submission. We expect to obtain approval and start marketing the U.S. product during 2011. However, the mere availability of our colorectal cancer blood test by itself will not drive adoption as a test for population-wide screening. Consequently, further important milestones will be inclusion into screening guidelines and positive reimbursement decisions in the major market countries. Typically, we would expect this to happen in a timeframe of three to five years after market introduction in the respective country.

WHAT RELEVANCE DO THE FINDINGS IN THE RECENTLY FINALIZED PRESEPT STUDY HAVE FOR YOUR COMMERCIAL SUCCESS?

Nygaard: With the preliminary PRESEPT data showing that our Septin9 test can detect approximately 63% of all colorectal cancer cases in a true screening population at a very high specificity of approximately 89% we have achieved our primary goal for the study: the test works in the intended use population and initial analysis suggests that it will be health economically viable as a screening tool. Therefore, we can now leverage the data and start lobbying for guideline inclusion and reimbursement in major market countries.

"WE HAVE TO DO IT ... AND WE CAN DO IT!"

WE HAVE TALKED A LOT ABOUT YOUR COLORECTAL CANCER BLOOD TEST. WHAT ELSE IS IN THE PIPELINE?

Nygaard: We currently focus mainly on tests in two cancer indications, colorectal cancer and lung cancer. In lung cancer we expect to launch our Epi *pro*Lung product in the second quarter of 2010. This product is designed to support the diagnosis of lung cancer in suspicious cases where current diagnostic procedures fail to deliver a definitive diagnosis. Importantly, this product detects tumor DNA in bronchial lavage fluid, a sample material that is routinely obtained anyway under the current diagnostic routine, and thus does not require any additional invasive sampling procedures. The product addresses a high medical need in cancer diagnosis in a very centralized market. We are also working on a blood test for lung cancer and do research into further applications of our colorectal cancer biomarkers that go beyond early detection. Our prostate cancer franchise takes a third priority as we need to stay focused on the commercial execution. Thus, our efforts will depend on partners that are willing to invest early on in these opportunities.

EARLIER YOU HAVE MENTIONED BREAK EVEN. WHEN DO YOU ESTIMATE THAT THE COMPANY COULD BECOME PROFITABLE?

Schacht: Our strategy aims at putting the Company in a position to achieve break even within the next years. This business plan assumes a steady and solid increase in product-driven revenue by us and our partners at a cost base that scales with our product revenue. We expect to incrementally see cost of sales as well as marketing and selling expenses in our P&L. Our R&D costs are expected to be somewhat lower going forward once we have finalized the PRESEPT Study but sufficient to support the current R&D organization with an output of one to two new product releases per year.

Epi *pro*Lung

EPIGENOMICS' NEXT IVD PRODUCT IN THE PIPELINE

LUNG CANCER IS A CANCER indication with dire need for improved diagnostic procedures. In up to 50% of patients with suspected lung cancer, pneumologists and pathologists cannot confirm the presence of malignant disease by either bronchoscopy and pathological or cytological examination at the time of first bronchoscopy. For the current clinical routine these cases trigger additional costly and sometimes invasive diagnostic procedure. Affected patients are faced with a period of uncertainty, the risks that come with additional invasive diagnostic procedures and the delay of a potentially urgently needed therapy. With our in vitro diagnostic test Epi *pro*Lung, we aim at narrowing this gap by providing highly specific information regarding the presence of lung cancer without the need for additional invasive procedures.

LUNG CANCER – A DIAGNOSTIC CHALLENGE

Lung cancer is in all aspects a very challenging disease: It is difficult to diagnose, progresses quickly, is hard to treat and is a significant health economic burden in the industrialized world.

With about 386,300 and about 215,000 new cases in Europe (2006) and the U.S.A. (2008), respectively, lung cancer is the most deadly cancer in men and women. With an average five-year survival rate of only 5% lung cancer accounts for about 20% of all cancer-related deaths – more than any other cancer.

The diagnosis of lung cancer can be particularly challenging. The overall objective in the work-up of patients with suspected lung cancer is to establish a diagnosis as reliably and quickly as possible with the least invasive methods to minimize the patient's risk of being harmed by the diagnostic procedures. Individuals suspected to have lung cancer typically undergo chest X-ray or CT scanning followed by more

DIAGNOSIS OF LUNG CANCER. WITH CERTAINTY!

invasive procedures like bronchoscopy, i. e. the visual inspection of the bronchial airways with an endoscope, biopsy by needle or surgery. In cases where the suspicious area of the lung cannot be reached with an endoscope for visual inspection and retrieval of a biopsy, saline solution is often used to flush out cells, a procedure called bronchial lavage. The lavage fluid is then analyzed under the microscope by the pathologist for tumor cells. However, in about half of the cases this cytological examination comes to an inconclusive result to the chest physician to establish the final diagnosis. This includes the decision between sending the patient off to transthoracic biopsy, risking surgery without established diagnosis, or repeating imaging some weeks later to see whether the suspicious nodule has grown and thereby can be confirmed as a malignant tumor. This further work-up of the patients is associated with delay in therapy, further risks to the patient and significant additional costs to the healthcare system.

FACING THE CHALLENGE WITH BIOMARKERS

Tumor markers could help to diagnose, stage or classify cancer to complement imaging information and aid the physician in establishing the diagnosis or choosing additional investigations. Appropriately developed and applied, such tumor markers could be used on sample material that is easily accessible or obtained anyway such as blood, sputum, or bronchial lavage fluid. A lung cancer specific biomarker could help to overcome a conclusive diagnosis for more patients avoiding additional invasive procedures and delays as required by current guidelines at health economically acceptable additional costs to the healthcare system. With our proprietary biomarker ^{m}SHOX2 we have discovered a biomarker that in our clinical studies is highly specific for lung cancer when measured in bronchial lavage fluid.

THE Epi *pro*Lung BL REFLEX ASSAY – DIAGNOSIS WITH CERTAINTY!

Our Epi *pro*Lung BL Reflex assay in development is designed to determine the DNA methylation status of the SHOX2 gene in bronchial lavage material routinely obtained for cytology

assessment during the clinical workup of patients with suspected lung cancer, e.g. due to symptoms or accidental imaging findings. In numerous clinical studies in collaboration with the University of Liverpool, Charité – Universitätsmedizin Berlin, and Helios Hospital Emil von Behring, Berlin-Zehlendorf over the past years we have demonstrated that increased DNA methylation of the SHOX2 (^{m}SHOX2) gene indicates the presence of malignant lung disease.

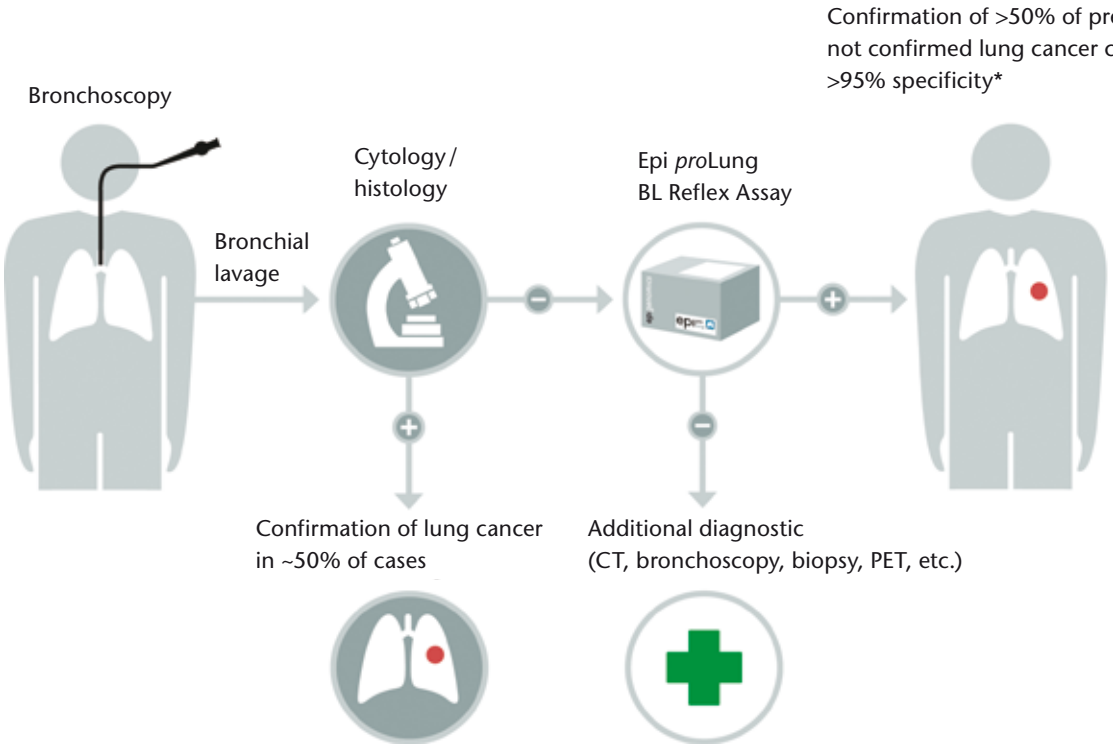
As a molecular diagnostic test providing additional information to the physician and establishing the diagnosis of lung cancer from bronchial lavage fluid in a significant number of cancer cases with certainty, i. e. very few false positive results, the Epi *pro*Lung BL Reflex Assay could help to funnel patients with malignant lung disease into accelerated clinical staging and therapy, avoiding delay and potentially reducing costs.

We expect to launch the Epi *pro*Lung BL Reflex Assay as a CE-marked diagnostic test kit in Europe in the second quarter of 2010 – only about three years after we initiated the first discovery of lung cancer biomarkers. The real-time PCR test will be optimized for the AB 7500 fast instrument of Life Technologies, a standard PCR device found in many molecular pathology laboratories. Just like our Epi *pro*Colon test, the kit will contain all reagents necessary to prepare DNA from the patient sample, treat it with bisulfite to make DNA methylation visible in PCR analysis and run the actual ^{m}SHOX2 real-time PCR assay. To ensure highest quality of the result, the assay comes →

with a sophisticated control concept including a duplex assay to measure ^{m}SHOX2 together with the ACTB gene as an internal reference for input DNA amounts and positive and negative workflow controls and a calibrator. The test can be performed within one working day in a standard pathology laboratory equipped for molecular diagnostic testing and thus is easy to align with the turnaround time for cytology.

We intend to market the test directly to molecular pathology laboratories in our home markets and address further European markets through distributors. At the same time and following our dual business model, we are exploring options to license the ^{m}SHOX2 to partners for broader global commercialization.

Diagnostic scheme lung cancer



In the future the new Epi *pro*Lung BL Reflex test can ease lung cancer diagnostics.

* to be confirmed in a performance evaluation study for a CE- product

Colorectal cancer screening needs public awareness.

Our Stock

THE YEAR 2009 HAS SEEN A REBOUND OF THE GLOBAL FINANCIAL MARKETS. Especially in the first half of 2009, the financing window for life sciences companies opened up again in the U.S.A. and in Europe. Epigenomics' stock outperformed all major share indices in 2009.

During 2009, Epigenomics saw a significant 76% increase in its stock price year on year when comparing the Xetra closing prices of 2009 and 2008. In our successful financing transaction in February 2009, we issued 2,671,088 new shares at a price of EUR 1.94 each which constituted a 5% premium over then prevailing Epigenomics stock prices and raised about EUR 5.2 million in gross proceeds. In 2009, the Epigenomics stock has performed better than all major share indices. Our stock closed at EUR 3.52 (Xetra) at year-end, up more than 81% since the capital increase in February 2009. With volatility being significant, trading volumes in Epigenomics stock (Ticker symbol: ECX) continuously increased from less than 9,000 shares on average per day on Xetra in the first quarter of 2009 to almost 27,000 shares per day on Xetra in the fourth quarter of 2009. As of December 31, 2009, a total number of 29,394,724 shares was issued. The following major shareholder groups controlled more than 3% each of Epigenomics' total shares outstanding:

Shareholder	Voting rights threshold
Federated Investors Inc.*	> 15%
Bellevue Funds (Lux) SICAV*	> 10%
Omega Fund II L.P.*	> 5%
Abingworth LLP*	
Abingworth Management Holding Limited*	
Wellcome Trust*	> 3%
MPM Companies	
BB Biotech AG	

*** (total held, controlled or advised)**

Key data on Epigenomics' stock

ISIN	DE000A0BVT96
Security code number	A0BVT9
Stock exchange abbreviation	ECX
Reuters	ECXG.DE
Stock exchange	Frankfurter Wertpapierbörse, Amtlicher Markt (Prime Standard)
1st day of trading	July 19, 2004
Designated Sponsor	Close Brothers Seydler AG Wertpapierhandelsbank
Number of shares (Dec 30, 2009)	29,394,724
Free float (Dec 30, 2009)	85.06%
Market capitalization (Dec 30, 2009)	EUR 103.5 million
Year-end closing price	EUR 3.52
Highest price	EUR 3.87
Lowest Price	EUR 1.57

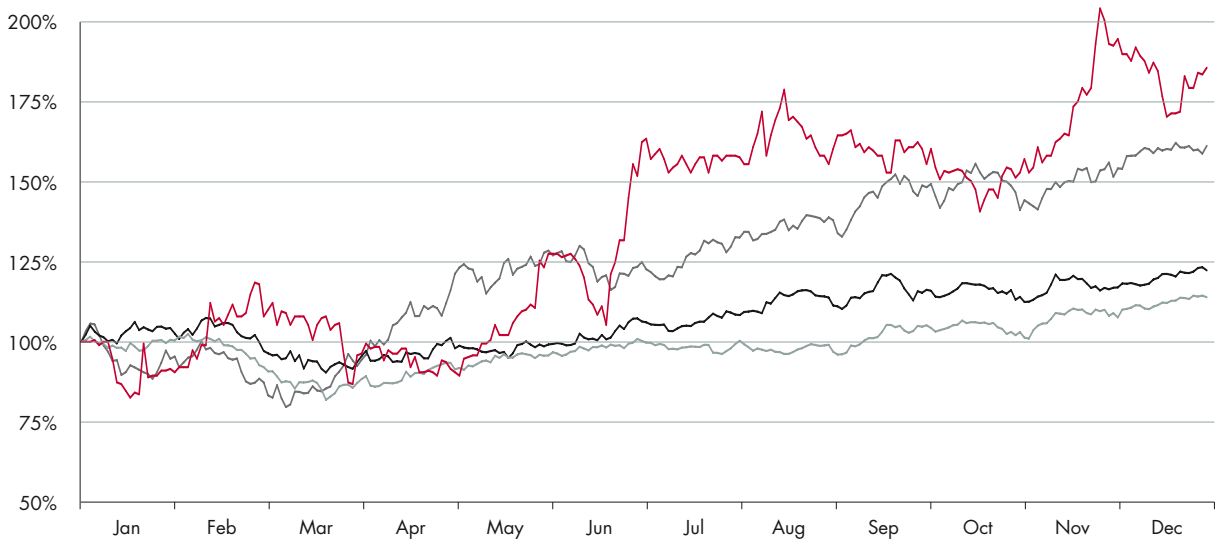
Two analysts maintained coverage of Epigenomics' stock to date providing updates on their views and recommendations. Fairesearch's Dr. Martin Schnee (via Close Brothers Seydler Research AG) and independent analyst Thomas Schiessle (via Midas Group) both gave "buy" recommendations and price targets significantly above year-end trading prices. Based on the significant fundamental progress and commercial milestones being met, analyst Thomas Schiessle has indicated that the current stock price target is under review and could be increased in due course.

CORPORATE COMMUNICATIONS

There has been great interest in Epigenomics from investors in Germany and abroad especially since the launch of our first own product Epi *pro*Colon. For this reason, we maintain an ongoing and active dialog with the investment community and are always available to answer questions about Epigenomics. In 2009 as in the previous years, we continuously provided our shareholders with timely, accurate and comprehensive information giving them the best possible basis for making informed investment decisions in Epigenomics' stock.

We invited to an annual press conference and an analyst meeting at the end of March 2009 in Frankfurt am Main, hosted our Annual General Shareholders' Meeting in Berlin on May 11, 2009, with a participation of approximately 73% of the share capital, and offered conference calls on important Company updates. Throughout the year, we also presented at several investor meetings and published updates on our clinical data at major scientific conferences in the U.S.A. and in Europe. Furthermore, we continued to provide opportunities for a close dialog with shareholders as well as interested investors at numerous road show meetings in Germany, Switzerland, the United Kingdom, Benelux and the United States.

Epigenomics' stock price development from January 2 to December 30, 2009



Share price as of January 2, 2009: EUR 1.90 — Epigenomics — TecDax — IG Biotechnology — Prime Standard Pharma & Healthcare

DECLARATION OF COMPLIANCE 2009 WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 PARAGRAPH 1 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The governmental committee "Regierungskommission Deutscher Corporate Governance Kodex" appointed by the Ministry of Justice in September 2001 has approved the German Corporate Governance Code (the "Code") on February 26, 2002, on June 6, 2008 as well as the latest amendments thereto on June 18, 2009. The Code contains recommendations and suggestions for the management and supervision of German listed companies and is based on international and national recognized standards of good and responsible management. The Code also includes recommendations (so-called Soll-Vorschriften) and suggestions (so-called Sollte- or Kann-Vorschriften) on corporate governance with respect to shareholders, general meetings, executive board and supervisory board, as well as transparency, accounting and auditing.
Compliance with the Code is not mandatory. Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz), it is required that the executive board and the supervisory board of a listed company explain each year, which recommendations were or were not complied with. This statement must be provided to shareholders in writing. With respect to the suggestions of the Code, noncompliance must not be disclosed.

The Executive Board and the Supervisory Board of Epigenomics AG hereby declare that since the last declaration of compliance in December 2008, Epigenomics AG has complied with the recommendations of the German Government Commission on the German Corporate Governance Code in the version of June 6, 2008 and June 18, 2009, respectively, and will comply in the future with the recommendations of the German Government Commission on the German Corporate Governance Code in the version of June 18, 2009, in each case with the following exemptions, partly due to specific corporate particularities. The declaration for the period after the last declaration of compliance until August 4, 2009 is based on the German Corporate Governance Code in the version of June 6, 2008 ("Code 2008"). For the Corporate Governance Code practice of Epigenomics AG since August 5, 2009, the declaration refers to the recommendations of the German Corporate Government Code in the version of June 18, 2009 ("Code 2009"), which was published in the electronic Federal Gazette ("Elektronischer Bundesanzeiger") on August 5, 2009.

SECTION 2.3.2

The Company could not and cannot comply with the recommendation to send notification of the convening of the General Shareholders' Meeting with the convention documents to all domestic and foreign financial services providers, shareholders and associations of shareholders by electronic means, if the approval requirements are fulfilled. Due to the existing free float of shares a sufficiently secured identification and addressing of all shareholders cannot be assured. However, irrespective of the notification pursuant to Section 125 AktG, the Company transmits these documents upon request by electronic means for informational purposes.

SECTION 3.8 PARAGRAPH 2

The D&O (directors' & officers') liability insurance taken out by Epigenomics AG for its Executive Board and Supervisory Board members includes a deductible. However, we think a deductible is not a precondition for responsible management; responsible management rather is a self-evident duty of all Executive and Supervisory Board members. Therefore, neither the "adequacy" of the amount of a deductible pursuant to Section 3.8 paragraph 2 of the Code 2008 nor a deductible of at least 10% of a loss up to at least the amount of one and a half times the fixed annual compensation of the Executive Board or Supervisory Board member pursuant to Section 3.8 paragraph 2 of the Code 2009 was or is for us a matter of particular interest. Therefore, we did not and do not comply with the recommendation in Section 3.8 paragraph 2. Epigenomics AG does not intend to amend its current D&O insurance agreements for Executive Board and Supervisory Board members. An adjustment of the insurance agreements for Executive Board members will take place according to statutory regulations for the period after expiration of the particular existing service contract of the Executive Board members.

SECTION 4.2.3 PARAGRAPH 2 AND 3

At the time of this declaration and also in the past the service contracts of the Executive Board members do not and did not stipulate a multi-year assessment basis for variable compensation components and take and took neither positive nor negative developments into account when determining variable compensation components. Therefore, the stock options granted to Executive Board members in the past were not related to demanding, relevant comparison parameters. A retroactive change of performance targets or comparison parameters is not excluded for existing stock option programs and a possibility of limitation (cap) in the case of extraordinary developments is also not provided. With respect to the existing deviation from the Code for the period between the last declaration of compliance and August 4, 2009, we considered and consider that referring to comparison parameters does not improve the responsibility and the motivation of the Executive Board members and that a possibility of limitation (cap) is not necessary due to the structure of the existing stock option programs. With regard to the period after publication of the Code 2009 the deviation is therein justified, that the existing service contracts of the Executive Board members have been already signed before the Code 2009 as well as the new statutory provisions came into effect and hence do not reflect the recommendations in Section 4.2.3 of the Code 2009 and the new statutory provisions regarding the implementation of variable compensation components effective since August 2009. Therefore, Epigenomics AG has to implement the new statutory regulations for Executive Board members only in case of an amendment of the existing compensation components. In case of a future decision on the Executive Board compensation, the Supervisory Board will, as a matter of course, follow the new statutory regulations as well as the recommendations of the Code 2009 and will thereby decide upon a future compliance with the recommendations of the Code for variable compensation components.

SECTION 4.2.3 PARAGRAPH 5

The service contracts with our Executive Board members do not include a redundancy cap in case of a premature extraordinary termination due to a change of control pursuant to Section 4.2.3 paragraph 5. In case of such an extraordinary termination the payout of the basic compensation for the remaining period is provided. An agreement of a redundancy cap would be contradictory to the nature of a service contract which is regularly concluded for the term of appointment and could potentially not accommodate sufficiently for the concrete circumstances in a change of control case. Accordingly, we did not and will not comply with the recommendation in Section 4.2.3 paragraph 5.

SECTION 5.1.2 PARAGRAPH 2, SENTENCE 3

An age limit for members of the Executive Board has not been specified. Such a general limit could restrict the members of the Supervisory Board in their selection of particularly qualified and experienced candidates. From our point of view, age is not necessarily an adequate criterion for the disqualification of candidates. Furthermore, the age structure of the current Executive Board does not suggest the adoption of an age limit within the foreseeable future. Accordingly, we did not and will not comply with the recommendation in Section 5.1.2 paragraph 2, sentence 3 regarding an age limit for members of the Executive Board.

SECTION 5.3.2, SENTENCE 2

With respect to the composition of the Audit Committee the Supervisory Board emphasizes an appropriate qualification of all members of the Audit Committee in order to implement and execute properly all duties and responsibilities, which were assigned to the Audit Committee by the Supervisory Board. Furthermore, the Supervisory Board emphasizes that at least one of the Committee members has specialist knowledge and experience in the application of accounting principles and internal control processes. In order to provide equal treatment for all members of the Committee, especially with regard to the number of additional tasks of the chairman of the Committee, the Supervisory Board introduced a rotation system regarding the chairmanship. Until December 31, 2008 the chairman of the Committee met the special requirements for a professional qualification. Due to the rotation system, the chairmanship changed on January 1, 2009. Since then the chairman of the Committee was not and is not the person, who meets the special requirements for a professional qualification. Accordingly the Supervisory Board did not and does not comply with the recommendation in Section 5.3.2 sentence 2, that the chairman of the Audit Committee must have specialist knowledge and experience in the application of accounting principles and internal control processes. No extraordinary personnel changes within the Audit Committee are currently planned.

SECTION 5.3.3

The Supervisory Board took and takes the view that the requirement to form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Shareholders' Meeting is not necessary with regard to the size of the Company. This task has been addressed amongst others to the Company's Personnel and Compensation Committee.

SECTION 5.4.1, SENTENCE 2

An age limit for members of the Supervisory Board has not been specified. Such a general limitation would inappropriately restrict the shareholders' right to elect the members of the Supervisory Board. In our opinion age is not a proper criterion for disqualification of candidates. Accordingly, we did not and will not comply with the recommendation in Section 5.4.1, sentence 2 regarding an age limit for members of the Supervisory Board.

SECTION 5.4.3, SENTENCE 3

We do not comply with the recommendation to communicate the nominee proposals for the Supervisory Board chairmanship to the shareholders, as pursuant to Section 10 paragraph 4 of the Company's Articles of Association the Supervisory Board itself elects among its members a chairperson. According to Section 2 paragraph 1, sentence 2 of the Rules of Procedure of the Supervisory Board the election of the chairperson shall take place subsequent to the General Shareholders' Meeting in which at least one new member of the Supervisory Board has been elected, in a meeting to be held without specific convocation. As a consequence, a previous announcement of the nominee proposals cannot be realized. Accordingly, Epigenomics AG did not and will not comply with the recommendation in Section 5.4.3, sentence 3.

SECTION 5.4.5, SENTENCE 2

The Supervisory Board cannot comply with the recommendation in Section 5.4.5, sentence 2 of the Code 2009, that one Supervisory Board member which is an executive board member of a publicly quoted company, should not hold more than three supervisory board mandates in publicly quoted, non-group companies. The Supervisory Board considers an adequate limitation of the number of mandates as not necessary, as long as each Supervisory Board member has sufficient time to pursue the duties of his/her mandates. Accordingly, Epigenomics AG did not and will not comply with the recommendation in Section 5.4.5, sentence 2 of the Code 2009, as long as it is ensured, that all Supervisory Board members have sufficient time to pursue the duties of their mandates.

SECTION 5.4.6 PARAGRAPH 1, SENTENCE 3

The Company adheres to the recommendation concerning compensation for Supervisory Board activities and committee activities for the Supervisory Board with the exception that there will be a separate compensation for the committee chairmanship only but not just for the mere membership in a committee. Since the committee activities are evenly distributed among the members of the Supervisory Board, a separate compensation appears not necessary regarding the bare membership in committees. Accordingly, we did not and will not comply with the recommendation in Section 5.4.6 paragraph 1, sentence 3.

SECTION 5.4.6 PARAGRAPH 2

The compensation of the Supervisory Board members does not include a performance-related component. In our opinion a performance-related compensation would not lead to an additional incentive or an increase in motivation. Accordingly, we did not and will not comply with the recommendation in Section 5.4.6 paragraph 2. The adoption of performance-related compensation components in the future shall be subject of a future decision of the General Shareholders' Meeting, as the case may be.

Berlin, December 2009

On behalf of the Supervisory Board:

Prof. Dr. Dr. h.c. Rolf Krebs
(Chairman of the Supervisory Board)

On behalf of the Executive Board:

Geert Walther Nygaard
(CEO)

Oliver Schacht, Ph. D.
(CFO)

CONSOLIDATED MANAGEMENT REPORT 2009

ECONOMIC ENVIRONMENT

GLOBAL ECONOMIC SITUATION

The year 2009 was characterized by the worst worldwide recession in many decades. Following the near-collapse of the U.S. and global housing markets as well as the real-estate crisis coupled with banking collapses in 2008 / 2009, the global economic environment started out as one of the worst years ever. Global stock market indices hit record lows in March 2009 and during 2009, the real economies got hurt by rising unemployment and lower GDPs in most industrialized countries as consumer demand dwindled and industrial output plummeted. Global economic growth had come to a virtual standstill and the capital markets for debt, equities and currencies were in turmoil in the early parts of 2009 before stabilising in H2 of 2009.

However, 2009 also marked the year for decisive and swift actions by many governments, including the U.S. stimulus package and many EU countries' economic stimulus plans. Taken together with the cyclical pattern of any recession and some early effects of these national plans they have led to a scenario where most official statistics show recession ending in the second half of 2009, and first promising signs of a turn-around hit the labor markets.

These macroeconomic turbulences were accompanied by another volatile year for currency relations. The exchange rate between the euro and the U.S. dollar displayed substantial volatility once again and started at the beginning of 2009 with a rate of EUR / USD 1.41, hit a low of 1.25 in Q1, rose during Q2 and Q3 to 1.51 in the fall, before the U.S. dollar regained relative strength and finally closed at 1.43. Forecasts by leading analysts continue to show broader spreads than in many previous years.

Outlooks of leading experts for 2010 diverge widely and it is hardly possible to decide which of the scenarios is most likely to become true. They range from steady recovery of most relevant economies and modest GDP growth in major countries to scenarios of another dip into recession during 2010 before a recovery is finally sustainable.

Another topic that continues to create economic uncertainty at a macro level is the pending healthcare reform in the U.S.A. that the Obama administration is pushing forward.

IMPACT OF THE GLOBAL CRISIS ON THE LIFE SCIENCES INDUSTRY AND ON EPIGENOMICS IN PARTICULAR

Traditionally, the healthcare and life sciences industry have been viewed as a "defensive sector" with less dependency on strong ups and downs of the economic development and a demand for its goods and services independent of crises. Basically, this assumption should be valid for the future as well. However, some big players in the pharmaceutical industry have already announced cost saving programs and layoffs as well and demonstrated that probably nobody will be completely left untouched by this crisis. More importantly, there are going to be implications in some form of any proposed U.S. healthcare reform. Over time it is uncertain whether the high profitability of healthcare businesses can be maintained, whether pricing will come under increasing scrutiny and pressure in the largest single healthcare market and what structural implications – if any – this may have for the diagnostics industry. The latter may be able to benefit from an increased focus on prevention and early detection of disease in several important markets. However, there are also increasing questions about the benefits versus risks and costs of screening for certain diseases with breast cancer and prostate cancer screening taking the brunt of the push-back at a macro level whilst colorectal cancer screening continues to be high on many healthcare systems agendas as an area of attention and future growth.

As Epigenomics is not immediately dependent on general consumer demand and our customers to date are exclusively clinical laboratories as well as diagnostics and pharmaceutical corporations, we expect the danger of our own business getting hit hard by these macroeconomic and political developments in the short term as rather low when it comes to the revenue side. Also during the last several months of 2009, there has been a significant increase and rebound of equity offerings in the life sciences sector and biotech industries. Whilst stock market indices such as the German DAX and TecDax gained 24% and 61% respectively year on year, there have been successful life sciences equity issues in Germany as well as the U.S. and other European markets. The "financing window" is perceived to be open in principle for strong companies with solid fundamentals.

We are fully aware of the economic and political challenges we face and are preparing ourselves as far as possible for the years to come. In the chapters "Opportunities and Risks" and "Prognosis Report" of this management

report, reference is made to the individual implications that the worldwide crisis could have on our business and our Group if applicable. Nonetheless, despite all the difficult times and crises, in February 2009, we have been able to find leading investors willing to further invest in our Company and its future development even at a small premium above then prevailing market prices for our stock.

BUSINESS ACTIVITIES, STRATEGY AND ORGANIZATION

GROUP STRUCTURE AND BUSINESS ACTIVITIES

Epigenomics' mission continues to be to build a world-leading cancer molecular diagnostics company based on DNA methylation. All our R&D activities as well as commercialization efforts are geared towards fulfilling that mission. With product launches by our partners Abbott Molecular Diagnostics, Inc. ("Abbott") and Quest Diagnostics, Inc. ("Quest") as well as our own Epi *pro*Colon product launch, we have taken major steps in fulfilling the mission during 2009. Epigenomics AG is headquartered in Berlin, Germany, and operates a wholly owned subsidiary, Epigenomics, Inc. in Seattle, WA, U.S.A.

Following a dual business model, Epigenomics develops and commercializes cancer diagnostic tests in colorectal cancer, and in the future lung cancer and prostate cancer indications both via direct marketing and sales efforts and through non-exclusive licensing partnerships. All our cancer molecular diagnostic tests target substantial market opportunities and address significant unmet medical needs with a view to providing patients with benefits from more convenient and superior diagnostic tests.

CORPORATE GOALS, STRATEGY AND MANAGEMENT

We take a very focused and goal-oriented approach to managing and monitoring progress of strategy execution. Every year, the Supervisory Board and the Executive Board set a specific set of milestones and deliverables in terms of revenue, operating results, partnering and deal-making targets as well as in product development and clinical studies. In the first half of 2009, we have implemented a revised corporate business plan and dual business strategy of non-exclusive partnering and licensing rights to our biomarkers for high-volume cancer screening tests as well as developing and commercializing in vitro diagnostic (IVD) kits for these biomarkers and addressing certain market segments through internal product development as well as direct marketing and sales efforts.

For 2009, the most important corporate goals were to progress development as well as commercialization of our key value driver and lead product, a blood-based test for colorectal cancer detection. There were several distinct goals and elements to that strategy in 2009 and we have successfully met all of them. Our U.S. licensing partners Abbott and Quest have released blood-based colorectal cancer tests based on our Septin9 biomarker and technology licenses. Furthermore, we have expanded our network of collaborations and non-exclusive licensees with Japanese Sysmex Corporation ("Sysmex") and U.S.-based ARUP Laboratories, Inc. ("ARUP"). We have evolved Epigenomics into an IVD company with an ISO-certified quality management system that has demonstrated its ability to develop, manufacture and launch Epi *pro*Colon, our own CE-marked IVD colorectal cancer blood test for the Septin9 biomarker. This test is now available in multiple laboratories across Germany and Switzerland.

Another strategic corporate goal was the completion of our prospective, multi-center PRESEPT clinical study in the U.S. and in Germany. We successfully completed enrollment in December 2009 and on January 15, 2010, we informed on preliminary data from this study (for further details please refer to the chapter "Supplementary Report" of this management report).

In addition to diagnostics partnering and licensing activities such as the new partnerships with Predictive Biosciences, Inc. ("Predictive") and Quest (both for our prostate cancer biomarker GSTP1), we also provide access to our extensive portfolio of DNA methylation technologies by way of non-exclusive licenses that enable others to develop and commercialize products based on our IP. To that end, we cross-licensed certain technology IP with DxS Ltd.[1] ("Qiagen/DxS") and in-licensed real-time PCR rights, the underlying basic technology for our Epi *pro*Colon test from Roche Molecular Systems, Inc. Our R&D organization also delivered on their respective goals for 2009 in terms of the development of our Epi *pro*Lung IVD test for bronchial lavage, developing next generation biomarkers and assays for our program in colorectal cancer, as well as new and improved biomarker discovery platform technologies based on our proprietary DMH arrays. Finally, wherever commercially attractive, we also provide high-value-added biomarker

[1] **DxS Ltd. has been acquired by Qiagen N.V. in September 2009.**

research services and solutions to customers in the pharmaceutical and life sciences industry.

We continued to follow a strategy of focusing on key value drivers, streamlining all our operations, reducing or halting any non-core programs and research activities unrelated to our lead products. Given the global financial market environment and continued need for capital infusion into Epigenomics, we manage our resources such that cash reach until mid 2010 can be ensured. However, based on the strategic shift to fully develop and commercialize our own brand of IVD products, there is a clear need for additional funding in 2010. We currently estimate that to fully execute our corporate business plan over the next several years we will need to raise substantial amounts of additional equity capital. If such capital cannot be raised or is not available in sufficient amounts depending on the share price development of the Company following the announcement of the preliminary PRESEPT results then we may not be able to fully execute our business plan and in a worst-case scenario may run out of cash. We are diligently pursuing all strategic and tactical financing options available to the Company from business deals with cash components, monetizing parts of our future royalty streams, putting in place a stand-by equity distribution agreement via considering a smaller PIPE placement as well as possible rights offering with up to 50% of authorized capital (14.7 million new shares) potentially available.

OVERVIEW OF OUR BUSINESS – A REVIEW

The year 2009 marked the start of a new era for Epigenomics as a product-driven company. On December 21, 2009, Abbott has launched in Europe and Asia / Pacific their blood-based Abbott RealTi*m*e *m*S9 colorectal cancer assay as an aid in the detection of colorectal cancer. The product is based on the non-exclusively licensed Septin9 biomarker and Epigenomics' technologies. On January 11, 2010, Quest introduced its laboratory-developed blood test for aiding the detection of colorectal cancer in the U.S. The test was independently developed by Quest based on Epigenomics' proprietary DNA methylation biomarker Septin9 and certain proprietary technologies that were licensed to Quest in 2008. The introduction follows the successful completion of the clinical validation of this laboratory-developed test in November 2009 and the release of the test for offering to doctors and patients in December 2009.

On October 6, 2009, as Epigenomics, we have launched our first IVD product in Europe. Epi *pro*Colon is the world's first ever blood-based IVD test kit for colorectal cancer early detection. Epi *pro*Colon is also the first CE-marked test in accordance with European IVD regulations for the early detection of colorectal cancer in a simple blood draw. In a performance evaluation study, which was the final step of Epigenomics' IVD product development, the analysis of the blood samples of 260 patients with colorectal cancer or without any evidence of colorectal cancer detected two thirds of the cancer cases in early, still localized disease stages.

Epi *pro*Colon is the first CE-marked IVD product, which we market directly to molecular diagnostic laboratories in Europe. Currently, Septin9 testing is being offered by selected laboratories including two Swiss and fourteen German laboratories.

Epigenomics' blood-based Septin9 test is hence commercially available in the U.S., in Europe and Asia / Pacific in different formats on multiple platform devices such as the Abbott *m*2000 and the Roche LightCycler® 480 platforms.

During 2009, we have successfully executed on our non-exclusive partnering and commercialization strategy by signing a strategic research and development (R&D) collaboration agreement with Sysmex and by signing a license agreement for our Septin9 biomarker with ARUP.

Under the agreement with Sysmex, both companies will assess the suitability of Sysmex's molecular diagnostics instrumentation for the detection of DNA methylation cancer biomarkers in blood. As a benchmark for the development of its assay system, Sysmex will use Epigenomics' commercially available Septin9 test kits. Upon successful completion of the study, Sysmex intends to develop and commercialize – initially only in Japan – a blood-based test for the early detection of colorectal cancer based on Epigenomics' Septin9 biomarker.

Under the agreement with ARUP, the Utah-based lab has obtained rights to use the Septin9 biomarker to develop a molecular-based laboratory-developed test (LDT) and commercialize it in the U.S. market that can help physicians to detect colorectal cancer based on a patient's blood sample.

In 2009, we have also made significant progress in our lung cancer program. After a successful retrospective clinical evaluation of bronchial lavage specimen from patients with suspected lung cancer in Q1, which demonstrated the ability

of our ^{m}SHOX2 lung cancer biomarker to correctly identify those with lung cancer, we have initiated the formal product development of an IVD test for lung cancer. We expect to launch this test in Q2 of 2010 as a CE-marked test kit in Europe under our Epi *pro*Lung brand.

As a prerequisite for becoming an integrated molecular diagnostics company in 2009 we have also successfully obtained ISO 13485 certification for our quality management system. This certification was granted mid-year for both our headquarters in Berlin and our wholly owned subsidiary in Seattle for the design, development, manufacture and distribution of IVD products.

On May 13, 2009, we announced that our Company received Rule 71 (3) notification stating that the European Patent Office intends to grant two patents for Epigenomics' PITX2 DNA methylation biomarker (^{m}PITX2). This notification is equivalent to a "Notice of Allowance" by the U.S. Patent and Trademark Office. Patent EP1831399 covers very broadly the use of Epigenomics' ^{m}PITX2 biomarker in the prognosis of prostate cancer. The second patent EP1554407 covers the use of ^{m}PITX2 in the prediction of the response of breast cancer patients to adjuvant antihormonal therapy.

In July 2009, we cross-licensed certain IVD rights to DNA methylation detection technologies with our partner Qiagen / DxS for the use of their Scorpions® technology in exchange for the non-exclusive license to certain of Epigenomics' IP covering the use of Scorpions® technology for DNA methylation.

During 2009, our R&D activities constantly focused on executing the PRESEPT colorectal cancer screening study. The PRESEPT Study is a multi-center study to evaluate the clinical performance of the blood-based Septin9 and its health economic benefit in a U.S. colorectal cancer screening-guideline-eligible population. It has enrolled individuals who have an average or increased disease risk according to U.S. guidelines and who undergo a routine screening colonoscopy. On December 17, 2009, we reported the successful completion of subject enrollment. By mid-December, we had enrolled about 7,900 subjects at 32 clinical sites in the U.S. and in Germany. In this representative screening population, a total of 52 potential invasive colorectal adenocarcinoma cases have been identified by colonoscopy to date exceeding the originally targeted number of 50 cases. Thereof, 49 cancers had been confirmed by pathological examination of tissue obtained by biopsy or surgical resection at that point in time.

A subset of about 1,500 masked blood samples were being tested in several batches by three independent clinical laboratories: Quest, ARUP and Charité – Universitätsmedizin Berlin, Germany ("Charité"). The laboratories used our recently launched Epi *pro*Colon CE-marked IVD test kit to detect the Septin9 biomarker in the subset of samples.

On January 15, 2010, we informed about preliminary PRESEPT Study data (for further details please refer to the chapter "Supplementary Report" of this management report).

As of December 31, 2009, our financial position including marketable securities showed a total liquidity amounting to EUR 6.1 million, a decrease by EUR 6.0 million compared to the year-end 2008. This drop is a result of the continued net operating cash consumption, which was only partially mitigated by cash inflows of EUR 5.2 million from the PIPE (private investment in public equity) financing transaction we closed successfully in February 2009. Nonetheless, on March 25, 2009, we had to announce according to Section 92 Paragraph 1 of the German Stock Corporation Act ("Aktiengesetz") that using German GAAP (HGB) accounting, losses exceeded more than half of the ordinary share capital.

Our revenue increased significantly by 65% from EUR 2.6 million at the end of 2008 to EUR 4.3 million at the end of 2009. This strong improvement is mainly due to progress made in our collaboration with Abbott, which also resulted in revenue recognition of certain milestone payments and revenue recognized for certain aspects related to our PRESEPT Study as well as to revenue recognition under the collaboration agreements with Philips Electronics Netherlands B.V. ("Philips") and Sysmex and the licensing agreements with Quest, ARUP, OncoMethylome Sciences S.A. ("OMS") and Qiagen GmbH ("Qiagen"). Furthermore, we generated revenue of EUR 0.6 million from our biomarker solutions R&D services.

MARKETING, SALES AND BUSINESS DEVELOPMENT

During 2009, we strengthened our marketing and sales team and started building a small commercial organization to drive adoption of our IVD products and Research-Use-Only ("RUO") kits in European laboratories. By the end of 2009, we have appointed a Vice President European Sales and we have hired a new Senior Director Business Development. We have also expanded our technical

sales support team and identified a handful positions to be hired to the sales and marketing organization in 2010. During 2009, our marketing and sales team has successfully trained nine laboratories on the blood-based Septin9 testing workflows and procedures. By year-end 2009, eight laboratories had started offering testing and an additional three labs in Germany and Switzerland were offering the test and then referring blood plasma samples for testing to the aforementioned testing labs. Also, there is a growing interest from laboratories across Europe and around the world to obtain access to Epi *pro*Colon and Septin9 blood testing for colorectal cancer.

In addition, our marketing team to the extent legally permitted and practically possible has supported our licensing partners Abbott and Quest in their prelaunch and launch activities and assisted in designing and implementing marketing strategies that allow for a coherent positioning and branding of blood-based colorectal cancer testing based on the Septin9 DNA methylation biomarker.

Our own marketing efforts were primarily focused on the successful launch of Epi *pro*Colon in Europe. To that end we hosted successfully a press conference with the medical, trade and generalist press at the ECCO / ESMO conference in Berlin in September. Our media campaign has generated significant interest and coverage with a clear focus on core markets in Germany, Switzerland and Austria but also in the U.K. and in Benelux. Throughout 2009, we presented clinical data and product development progress as well as latest research at leading conferences:

GASTRO 2009 (UEWG, WCOG),
November 21-25, 2009 – London, U.K.

MEDICA 2009,
November 18-21, 2009 – Düsseldorf, Germany

6th Annual Conference German Society of
Clinical Chemistry and Laboratory Medicine,
October 7-10, 2009 – Leipzig, Germany

ECCO 15 – 34th ESMO Multidisciplinary Congress,
September 20-24, 2009 – Berlin, Germany

Swiss Society of Gastroenterology (SSG),
September 17-18, 2009 – Zurich, Switzerland

European Respiratory Society (ERS) 2009 Annual Congress,
September 12-16, 2009 – Vienna, Austria

World Lung Cancer Conference 2009,
July 31-August 4, 2009 – San Francisco, CA, U.S.A.

AACC Annual Meeting 2009,
July 19-23, 2009 – Chicago, IL, U.S.A.

11th World Congress on Gastrointestinal Cancer,
June 24-27, 2009 – Barcelona, Spain

American Association of Clinical Chemistry (AACC),
June 19-23, 2009 – Chicago, IL, U.S.A.

93rd Annual Conference of the German Pathology Society e.V.,
June 4-7, 2009 – Freiburg, Germany

ASCO Annual Meeting,
May 29-June 2, 2009 – Orlando, FL, U.S.A.

Digestive Disease Week,
May 30-June 4, 2009 – Chicago, IL, U.S.A.

AUA Annual Meeting 2009,
April 25-30, 2009 – Chicago, IL, U.S.A.

100th AACR Annual Meeting 2009,
April 18-22, 2009 – Denver, CO, U.S.A.

98th United States & Canada Acad. of Pathology,
March 7-13, 2009 – Boston, MA, U.S.A.

International Molecular Medicine Tri-Conference,
February 24-27, 2009 – San Francisco, CA, U.S.A.

2nd Oncology Biomarkers Conference,
January 19-20, 2009 – Miami, FL, U.S.A.

Translational Cancer Medicine,
January 26-28, 2009 – San Diego, CA, U.S.A.

We have also intensified our dialog with leading patient advocacy groups such as the foundations Felix-Burda-Stiftung and LebensBlicke e.V. in Germany and the Colorectal Cancer Coalition (C3) in the U.S. To that end, we participated in the First Transatlantic Symposium on Strategies to Increase Colorectal Cancer Screening and Save More Lives held on April 19–20, 2009, in New York, NY, U.S.A.

Our business development efforts were primarily geared towards closing new licensing deals and to then managing the ongoing collaborations such as the Abbott, Quest, ARUP, Sysmex, Philips, Predictive and Qiagen partnerships.

We continue to identify potential additional new partners in our non-exclusive partnering model for Septin9-based colorectal cancer test development and commercialization as well as in our other programs. We negotiated an amendment with Affymetrix, Inc. ("Affymetrix") on the use of their research platform for ^{m}PITX2 testing that allowed us to embark on an early access program at clinical labs for our prognostic prostate cancer biomarker. Our business development team also successfully closed several research collaboration agreements or signed follow-up agreements for our biomarker solutions service business with the likes of Janssen Pharmaceutica N.V. ("Janssen") – a Johnson & Johnson company –, Erasmus University Medical Center Rotterdam and the Universität Göttingen.

As of the end of 2009, we were engaged in negotiations with regard to signing up licensees and partners for the development and commercialization of diagnostic products and test services based on our proprietary biomarkers Septin9 (colorectal cancer), PITX2 (prostate / breast cancer prognosis) and GSTP1 (prostate cancer diagnosis) as well as for some of our proprietary lung cancer markers. It is our goal to commercialize Septin9 colorectal cancer blood testing in a group of in total three to four non-exclusive IVD partners in the medium term to maximize market penetration and platform flexibility whilst maintaining highest levels of commitment to the product from each licensee and partner. To this end, we have agreed with Abbott that Epigenomics is one of these partners.

RESEARCH AND DEVELOPMENT (R&D)

Colorectal Cancer Franchise (Septin9)

During 2009, our R&D focus remained squarely on the most advanced product development program: our Septin9-based colorectal cancer blood test. The following achievements in that program formed the cornerstones of our 2009 R&D efforts:

- Completed enrollment of about 7,900 subjects into PRESEPT clinical study;
- identified over 50 cases of colorectal cancer in PRESEPT cohort by colonoscopy;
- initiated testing of ~ 1,500 selected PRESEPT samples at three independent laboratories;
- delivered prototype assay to Abbott for their product development;
- Abbott launched Abbott RealTi*me mS9* Colorectal Cancer Assay in Europe and Asia / Pacific;
- manufactured multiple batches of Epi *pro*Colon product at our facilities;
- validated clinical performance of Epi *pro*Colon IVD test;
- launched Epi *pro*Colon into European market;
- trained multiple clinical labs in Germany and Switzerland on Septin9 testing;
- supported licensees' test development based on Septin9 to the extent legally permitted;
- Quest released Septin9 testing in the U.S. market;
- identified potential biomarkers and developed several assays for possible next generations of CRC blood tests;
- initiated EpiTek research grant project with Technische Universität München and Kassenärztliche Vereinigung Bayern to assess feasibility of polyp detection in blood;
- designed third generation of DMH discovery array that could facilitate significantly enhanced DNA methylation biomarker discovery.

Lung Cancer Franchise

With about 386,300 new cases in Europe in 2006 and about 215,000 new cases in the U.S. in 2008, lung cancer is the most common cancer in men and women accounting for about 20% of all cancer deaths, more than any other cancer. About 200,000 bronchoscopies are performed in Germany alone every year, the vast majority of them for suspected lung cancer. Although most of these invasive procedures are performed in specialized centers, bronchoscopy in combination with the investigation of tissues or cells by a pathologist in many cases does not yield conclusive results and warrants further diagnostic work-up of the patients.

During 2009, we have made excellent progress in the research and clinical development of our two lung cancer programs: firstly a bronchial-lavage-based diagnostic test and secondly a blood-based early detection assay.

For our first product, a test to aid in the diagnosis of lung cancer after positive CT findings, we have initiated the development of an IVD test for lung cancer. The decision was made after a successful retrospective clinical evaluation of bronchial lavage specimen from several hundred patients with suspected lung cancer has demonstrated the ability of the Company's lung cancer biomarkers to identify those with lung cancer.

A clinical evaluation conducted 2009 in collaboration with the University of Liverpool and the Charité has confirmed the feasibility of utilizing Epigenomics' biomarkers as a diagnostic tool for lung cancer. In particular, when the current diagnostic work-up of samples obtained during bronchoscopy shows an inconclusive result, a test based

on these biomarkers could simplify and speed up the diagnostic process by identifying patients with malignant lung disease without requiring additional invasive procedures. This assay may facilitate earlier diagnosis of lung cancer at a stage in which cure rates are higher.

Working on our second program in lung cancer, the development of a blood-based assay, we have as well successfully completed a clinical feasibility study. This second study which has been conducted in cooperation with the Charité has confirmed Epigenomics' proprietary lead biomarker ^{m}SHOX2 for lung cancer diagnosis as a promising lung cancer biomarker when tested in blood samples.

In this study, the amount of methylated DNA of the SHOX2 gene (^{m}SHOX2) was successfully analyzed in blood plasma samples from 188 patients with confirmed lung cancer of all stages and 155 control patients consisting of individuals with benign lung disease, healthy subjects and smokers. The results demonstrate that the biomarker can reliably distinguish patients with lung cancer from patients with benign lung disease with high specificity when measured in routine blood plasma samples. In a population of patients undergoing diagnostic work-up for suspected lung cancer, of which typically about 40% actually have the cancer, a ^{m}SHOX2 test can predict the presence of the disease with 92% probability (positive predictive value).

As an aid in diagnosis, such a test could accelerate the diagnostic work-up of patients with suspected lung cancer and eventually save costs. A positive ^{m}SHOX2 test result could support physicians in their decision to opt for more aggressive and invasive procedures and thereby avoid delays in establishing the final diagnosis and initiate treatment sooner.

Finally, under our R&D collaboration with Philips, we have successfully demonstrated the feasibility of testing DNA methylation biomarkers on their molecular diagnostic random-access platform that is under development.

Prostate Cancer Franchise

During 2009, our prostate cancer molecular diagnostic tests based on ^{m}PITX2 (a tissue-based prognostic test following radical prostatectomy) and ^{m}GSTP1 (a biopsy- or urine-based assay to help diagnosing prostate cancer) have taken a clear back seat to the colorectal and lung cancer programs. Nonetheless, significant progress has been achieved with the presentation of PITX2 data at the ASCO conference, the growing body of peer-reviewed journal publications of the clinical data from our work on PITX2, as well as the initiation of an Early-Access Program for ^{m}PITX2 testing at clinical centers in Germany.

We have successfully out-licensed our ^{m}GSTP1 biomarker and DNA methylation technologies non-exclusively for U.S. LDT rights to Quest and Predictive. We continue to look for R&D and ultimately commercial partners for our prostate cancer programs.

QUALITY MANAGEMENT

We have established a comprehensive quality management system for the design, development, manufacturing and distribution of in vitro diagnostic products, compliant with the requirements of ISO 13485. In June 2009, we have successfully obtained ISO 13485 certification for our quality management system. This certification was granted for both our headquarters in Berlin and our subsidiary in Seattle for the design, development, manufacture and distribution of IVD products.

The certificate demonstrates the successful implementation and use of a quality management system that conforms to the international quality management standards for medical devices that include Epigenomics' IVD products such as our tests for colorectal, lung, and prostate cancer. The certificate is granted for five years with annual surveillance audits by the certification body.

The quality management function is headed by a designated quality manager reporting directly to the CEO. We have implemented a quality management system that is a solid foundation for future regulatory approval of our products on a global basis. Over the last couple of years, we have transformed Epigenomics into a integrated molecular diagnostics company. The ISO certification reflects our strong commitment to quality and is an important corporate milestone in the commercial strategy for all our cancer tests.

ISO 13485 is an internationally recognized quality management standard developed for medical devices by the International Organization for Standardization (ISO), a worldwide federation of national standards bodies. ISO 13485 specifies requirements for a quality management system, which demonstrates the organization's ability to provide medical devices and related services that consistently meet customer and applicable regulatory requirements. The implementation of an ISO-13485-compliant quality management system demonstrates Epigenomics' commitment to develop safe and effective diagnostic products.

FIVE-YEAR OVERVIEW

– ACCORDING TO THE CONSOLIDATED FINANCIAL STATEMENTS –

EUR thousand (unless stated otherwise)	2005	2006	2007	2008	2009
Income statement					
Revenue	9,594	3,504	2,567	2,586	4,260
Gross profit	1,904	-1,516	1,693	888	1,462
R&D costs	-8,121	-8,702	-10,471	-10,028	-7,349
EBIT[2]	-10,234	-15,761	-13,504	-12,750	-10,218
EBITDA[3]	-8,560	-14,193	-12,259	-10,242	-9,442
Net loss for the year	-8,788	-15,402	-13,151	-12,271	-10,223
Earnings per share basic and diluted (in EUR)[4]	-0.54	-0.92	-0.74	-0.47	-0.35
Balance sheet					
Non-current assets	9,471	10,559	9,070	5,857	5,716
Current assets	35,526	19,575	13,844	14,426	10,638
Total assets	44,997	30,134	22,914	20,283	16,354
Equity	39,375	26,198	17,821	16,568	12,084
Equity ratio (in %)	87.5	86.9	77.8	81.7	73.9
Non-current liabilities	4	0	0	38	9
Current liabilities	5,618	3,935	5,093	3,677	4,261
Cash flow statement					
Cash flow from operating activities	-7,501	-14,378	-11,516	-9,800	-10,629
Cash flow from investing activities	-1,689	2,610	1,049	1,468	-195
Cash flow from financing activities	228	807	4,547	11,500	4,964
Net cash flow (currency-adjusted)	-8,647	-10,953	-5,920	3,168	-5,860
Cash and cash equivalents at year-end	23,519	12,566	6,646	9,814	3,954
Other information					
Investments in tangible and intangible assets	1,007	2,920	65	258	324
Number of employees at year-end	141	145	112	90	86
Share price at year-end (in EUR)	6.45	3.50	1.95	2.00	3.52

[2] EBIT = earnings before interest and taxes
[3] EBITDA = earnings before interest, taxes, depreciation and amortization
[4] The outstanding stock options granted by the Company are antidilutive according to IAS 33.41 and 33.43 *Earnings per Share*. **Therefore, the earnings per share (diluted) equal the earnings per share (basic).**

FINANCIALS

RESULTS OF OPERATIONS

In 2009, we achieved total revenue of EUR 4.3 million, a significant increase of 65% compared to EUR 2.6 million in 2008. Revenue was generated from continued and newly signed collaborations and licensing agreements in the form of R&D payments, licensing fees, royalty income, and product sales from our RUO / Epi *pro*Colon kits. The significant improvement in revenue was mainly attributable to the progress made in our collaboration with Abbott, as well as to revenue recognition from the cross-license agreement with Qiagen / DxS and under our collaboration agreements with Philips and Sysmex. During 2009, our commercial R&D activities contributed revenue of EUR 2.6 million, whereas revenue of EUR 1.7 million was generated from out-licensing activities.

Cost of sales increased significantly as expected from EUR 1.7 million to EUR 2.8 million mainly due to increased collaboration-driven product development expenses and especially due to the PRESEPT-related sample costs occured in our collaboration with Abbott. We have generated a gross profit of EUR 1.5 million, a significant increase of 65% compared to EUR 0.9 million in 2008.

Other income decreased to EUR 0.5 million in 2009 from EUR 1.1 million in 2008, when high currency exchange rate gains and high income from the reversal of provisions affected in profit or loss the total number.

In 2009, R&D costs decreased significantly by approximately EUR 2.7 million from EUR 10.0 million in 2008 to EUR 7.3 million at the end of 2009. This significant drop by 27% is mainly due to increased resource allocation to our commercial collaboration projects and a corresponding shift of such partnered R&D activities to "cost of sales" as well as from the closing of all laboratory operations in Seattle only at the end of the second quarter of 2008 with corresponding full-year effects in 2009.

Marketing and business development costs significantly increased by 39% from EUR 0.9 million in 2008 to EUR 1.2 million in 2009, as a result of our increased pre-marketing, product launch, sales and technical support activities for our Epi *pro*Colon colorectal cancer blood test.

General and administrative costs decreased from EUR 3.4 million in 2008 to EUR 3.3 million at the end of 2009. This decrease of 5% compared to 2008 is mainly due to decreased staff costs.

Other expenses decreased from EUR 440 thousand in 2008 to EUR 408 thousand in 2009.

In 2009, operating result (EBIT) improved by 20% from EUR -12.8 million in 2008 to EUR -10.2 million as a result of our strict fiscal discipline coupled with solid revenue growth.

As mentioned before, our overall operating costs decreased sharply in 2009. This decrease was largely attributable to our further streamlined operations and commercially focused strategy execution. This optimization led to significant cost savings, e.g. in depreciation and amortization (69%), royalties (49%), licence fees (24%), consumables (22%), and staff costs (11%). All of the above-mentioned cost reductions were partially compensated by an increase in sample costs due to the execution of the PRESEPT Study, in legal and consulting costs connected with the PRESEPT Study and Intellectual Portfolio protection as a result of as well as in services and external R&D predominantly related to the PRESEPT Study and to activities within biomarker R&D services for our commercial partners.

In the reporting period, our net loss for the year amounted to EUR 10.2 million at the end of 2009. Hence, the result could be improved by 17% (2008: EUR 12.3 million).

FINANCIAL POSITION AND CASH FLOW

At the end of the reporting year, our cash and cash equivalents amounted to EUR 4.0 million. In 2009, our net cash flow was strengthened through the successful PIPE financing transaction completed in February 2009, but the financial position was mainly affected by the continued cash consumption for operating activities.

Total net cash flow in 2009 amounted to EUR -5.9 million compared to a positive net cash flow of EUR 3.2 million in 2008.

Cash outflow from operating activities amounted to EUR 10.6 million and thus was higher than the cash outflow of 2008 (EUR 9.8 million).

Our net cash flow from investing activities was negative at EUR 0.2 million in 2009 (2008: EUR 1.5 million).

Net cash inflow from financing activities amounted to EUR 5.0 million attributable to the capital increase in February 2009 and its gross proceeds of about EUR 5.2 million.

NET ASSET POSITION

At the end of 2009, Epigenomics' balance sheet total decreased from EUR 20.3 million to EUR 16.4 million. Although the successful closure of the PIPE transaction in February 2009 improved our balance sheet during the period, the ongoing net consumption of liquidity by our operations lowered the balance sheet total.

Total non-current assets dropped slightly from EUR 5.9 million to EUR 5.7 million at the end of the year. As in previous periods, goodwill of EUR 2.6 million, which is part of the total non-current assets position, was tested for impairment and no impairment was determined. Besides keeping capital expenditures at a very low level, a slight decrease of total non-current assets was mainly related to the amortization of intangible assets and depreciation of fixed assets overcompensating the capitalization of development costs and the acquisition of license rights.

Current assets decreased from EUR 14.4 million to EUR 10.6 million. This significant decrease is mainly due to the aforementioned reduction of liquidity. Trade receivables of EUR 2.0 million as of December 31, 2009, contained receivables of more than EUR 1.4 million from our collaboration partner Abbott and were due and paid shortly after the balance sheet date. Deferred financing costs amounted to EUR 0.8 million due to services rendered to the Company in 2009 in preparation of a financing transaction.

In 2009, our subscribed capital increased by 2,671,088 shares at a notional par value of EUR 1.00 each to EUR 29.395 million due to the aforementioned capital increase. Other comprehensive income improved over the reporting year to EUR -1.0 million as a result of a reduced portfolio of available-for-sale securities and increased fair values of the included instruments.

Current liabilities increased to EUR 4.3 million at year-end 2009. Trade payables rose by EUR 1.1 million compared to December 31, 2008, mainly as a result of high year-end activities in preparing a future financing transaction, whereas deferred income decreased by EUR 0.5 million. Provisions increased from EUR 0.5 million to EUR 0.6 million at the balance sheet date, predominantly resulting from increased bonus claims.

EMPLOYEES

The Epigenomics Group employed a total staff of 86 as of December 31, 2009, a slight decrease compared to the figure of 90 at the end of the previous year. The average number on a monthly basis of employees during 2009 amounted to 83. During 2009, on average, we employed at Epigenomics AG in Berlin 65 people and 18 people in our Epigenomics, Inc. subsidiary in Seattle (2008: Berlin 72 and Seattle 25). Main cause for this significant decrease of 28% at Epigenomics, Inc. is due to closing all laboratory operations in Seattle during 2008.

The number of employees in Berlin also includes one apprentice.

With an employee fluctuation at a usual level during 2009, we successfully managed to retain all key talent and all vacant positions could be filled with high-caliber candidates at short notice.

Overall personnel costs totalled EUR 6.3 million in 2009, compared to the previous year's EUR 7.1 million, a decrease of 11%.

	Berlin	Seattle	Total
Number of employees as of Dec 31, 2009	**68**	**18**	**86**
Number of employees as of Dec 31, 2008	70	20	90
Employees on average 2009	**65**	**18**	**83**
Employees on average 2008	72	25	97

COMPENSATION REPORT

The Executive Board of Epigenomics AG consists of the two members Geert Walther Nygaard (CEO) and Oliver Schacht, Ph.D. (CFO).

The Executive Board is responsible for independently managing and running operations, developing and implementing corporate strategy and budgetary planning, appointing and guiding senior management and overseeing 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.

COMPENSATION OF THE EXECUTIVE BOARD

The compensation of the members of the Company's Executive Board is composed of 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 goals and performance goals for the Company, which are set by the Supervisory Board on a yearly basis. Total compensation – which is reviewed by the Supervisory Board annually – is compared to national and international benchmarks. Compensation takes into account the economic and financial situation of the Company as well as size and complexity of international operations and responsibilities. Apart from the fixed and the variable component, there is a third compensation component; a long-term performance-based compensation in the form of stock option grants.

In 2009, the aggregate compensation of the members of the Executive Board amounted to EUR 0.8 million. It consisted of EUR 0.6 million in fixed salary and the remainder of EUR 0.2 million in variable and other salary components.

In June 2009, the Supervisory Board signed a new contract with CEO Geert Walther Nygaard (effective February 1, 2010) and with CFO Oliver Schacht, Ph.D. (effective January 1, 2010). The service agreement with Mr. Nygaard is for a term of five years (2010-2015) and the service agreement with Mr. Schacht for a term of three years (2010-2012).

For Mr. Schacht, Epigenomics paid rent in monthly installments for his apartment in Berlin and reimbursed incidental apartment expenses – due to his simultaneous activity as CEO for Epigenomics, Inc. in Seattle.

The service agreements of both members of the Executive Board contain post-contractual non-compete provisions for a period of two years after the respective service agreement has ended. During such period, Mr. Nygaard is entitled to 100% of his last basic salary as a non-competition payment, whilst Mr. Schacht under his former 2007-2009 contract was entitled to 50% of his last base salary during this period.

Under the new service agreement with Mr. Schacht for the 2010-2012 period, he is now also entitled to 100% of his last basic salary as a non-competition payment in case of the Supervisory Board were to invoke the non-compete provision.

In case of a change of control, both members of the Executive Board are entitled to terminate their respective new service agreements and would in such case be entitled to receive payment of the fixed compensation amount for the time remaining until their service agreement would have anyhow expired.

The individual compensation is shown below, whereby "other compensation" consists of payments for vacation days not taken and the aforementioned reimbursements for rent and incidental expenses.

EUR	Fixed compensation 2009 (2008)	Variable compensation 2009 (2008)	Other compensation 2009 (2008)	**Total compensation 2009 (2008)**
Members of the Executive Board in 2009				
Geert Walther Nygaard	**380,000**	**96,795**	**0**	**476,795**
Chief Executive Officer, Berlin (D)	(380,000)	(56,625)	(0)	(436,625)
Oliver Schacht, Ph.D.	**199,677**	**107,550**	**10,146**	**317,373**
Chief Financial Officer, Seattle, WA (U.S.A.)	(187,010)	(117,000)	(10,326)	(314,336)
Total compensation	**579,677**	**204,345**	**10,146**	**794,168**[5]
	(567,010)	(173,625)	(10,326)	(750,961)

In accordance with Section 6.6 Paragraph 2 of the German Corporate Governance Code, the ownership of shares in the Company or related financial instruments by the Executive Board and the Supervisory Board will be reported if these directly or indirectly exceed 1% of the shares issued by the Company.

As of December 31, 2009, Mr. Nygaard owned 19,998 shares of the Company (Dec 31, 2008: 20,000) and Mr. Schacht owned 117,050 shares of the Company (Dec 31, 2008: 117,050).

At the balance sheet date, the members of the Executive Board held 326,613 stock options of the Company:

EUR	Stock options held as of Dec 31, 2009 (Dec 31, 2008)	Weighted average exercise price in EUR as of Dec 31, 2009 (Dec 31, 2008)	Vested options as of Dec 31, 2009 (Dec 31, 2008)	Weighted average exercise price in EUR as of Dec 31, 2009 (Dec 31, 2008)	Exercised options in 2009 (2008)
Members of the Executive Board					
Geert Walther Nygaard	**215,000**	**4.13**	**120,000**	**4.50**	**0**
	(180,000)	(4.50)	(60,000)	(4.50)	(0)
Oliver Schacht, Ph.D.	**181,613**	**4.07**	**116,613**	**4.51**	**0**
	(146,613)	(4.51)	(86,613)	(4.52)	(12,750)[6]

In 2009, a total of 70,000 stock options was granted to and no stock options were exercised by the members of the Executive Board.

[5] All previous year's numbers comprise exclusively of remuneration components for the current Executive Board members. The remuneration of former Executive Board members who left the Company in 2008 was taken out to ensure comparability. Total compensation in 2008 amounted to EUR 1.3 million including EUR 0.5 million for the compensation of former Executive Board members.

[6] The share price at exercise of the options amounted to EUR 1.88.

COMPENSATION OF THE SUPERVISORY BOARD

Epigenomics AG's Supervisory Board consists of six members with broad experience in the pharmaceutical, diagnostics and financial industries. Re-election of all six members of the Supervisory Board for a period of three years took place at the Annual General Shareholders' Meeting held on May 11, 2009.

Members of the Supervisory Board[7] in 2009 were:

Prof. Dr. Dr. h.c. Rolf Krebs – Mainz (D) – Chairman
Retired speaker of the Executive Board of Boehringer Ingelheim Pharma GmbH & Co. KG
- Other supervisory board mandates as of Dec 31, 2009: Air Liquide S.A., Ganymed Pharmaceuticals AG (Chairman), Merck KGaA (Chairman), Merz GmbH & Co. KGaA, Merz Pharma GmbH & Co. KGaA
- Mandates terminated in 2009: none

Prof. Dr. Dr. Uwe Bicker – Bensheim-Auerbach (D) – Deputy Chairman
Honorary professor at the University of Heidelberg
- Other supervisory board mandates as of Dec 31, 2009: Siemens Healthcare Diagnostics Holding GmbH (Chairman), Definiens AG, Future Capital AG, Sanofi Aventis S.A.
- Mandates terminated in 2009: none

Günter Frankenne – Berg / Neumarkt (D)
Managing partner of STRATCON Strategy Consulting
- Other supervisory board mandates as of Dec 31, 2009: 4SC AG, Concentro AG (Chairman), KeyNeurotek AG (Chairman), November AG (Chairman), Verbena AG
- Mandates terminated in 2009: none

Ann Clare Kessler, Ph.D. – Rancho Santa Fe, CA (U.S.A.)
Independent consultant
- Other supervisory board mandates as of Dec 31, 2009: MedGenesis Therapeutix, Inc.
- Mandates terminated in 2009: none

Heino von Prondzynski – Einsiedeln (CH)
Independent consultant
- Other supervisory board mandates as of Dec 31, 2009: Koninklijke Philips Electronics N.V., Qiagen N.V., Hospira, Inc., Caridian BCT, HTL Strefa S.A.
- Mandates terminated in 2009: BB Medtech AG (Chairman)

Prof. Dr. Günther Reiter – Pfullingen (D)
Professor at the European School of Business, Reutlingen
- Other supervisory board mandates as of Dec 31, 2009: Deltoton GmbH
- Mandates terminated in 2009: none

The Supervisory Board of Epigenomics AG has established two committees: an Audit and Corporate Governance Committee as well as a Personnel and Compensation Committee (for further details please refer to our Declaration of Governance permanently accessible on Epigenomics' website under *www.epigenomics.com/en/investor_relations/corporategovernance*).

[7] **The "other supervisory board mandates" indicate memberships in other supervisory boards or domestic and international control boards according to Section 125 Paragraph 1 Sentence 3 of the German Stock Corporation Act.**

Compensation of the members of the Supervisory Board in 2009:

EUR	Annual retainer compensation	Meeting fees	Compensation as committee chairman	Total compensation
Prof. Dr. Dr. h.c. Rolf Krebs	30,000	6,000	5,000	41,000
Prof. Dr. Dr. Uwe Bicker	20,000	12,000	0	32,000
Günter Frankenne	10,000	12,000	5,000	27,000
Ann Clare Kessler, Ph.D.	10,000	12,000	0	22,000
Heino von Prondzynski	10,000	8,000	0	18,000
Prof. Dr. Günther Reiter	10,000	12,000	0	22,000
Total compensation 2009	**90,000**	**62,000**	**10,000**	**162,000**
Total compensation 2008	90,000	55,000	10,000	155,000

In addition, the members of the Supervisory Board were reimbursed for expenses totaling EUR 21 thousand in 2009 (2008: EUR 29 thousand).

The compensation structure approved by the Annual General Shareholders' Meeting in 2005 has been left unchanged in 2009 and is based on an annual cash retainer, meeting-related fees plus additional payments for committee chairing work. The compensation did not comprise any performance-related elements or long-term incentive components.

During the reporting year, the members of the Supervisory Board held no stock options nor any other convertible instrument nor any other equity-linked compensation entitlement of the Company. As of December 31, 2009, the only Supervisory Board member that held any shares in Epigenomics is Mrs. Ann Clare Kessler, Ph.D. who owned 14,000 shares.

SUPPLEMENTARY REPORT

INFORMATION ON MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

Epigenomics AG's licensing partner Quest Diagnostics introduce Colorectal Cancer Blood Test in U.S.A.

On January 11, 2010, we informed that our licensing partner Quest Diagnostics Inc. ("Quest"), Madison, NJ, U.S.A., introduced on the same day its laboratory-developed blood test for aiding the detection of colorectal cancer in the United States. The test was independently developed by Quest based on Epigenomics' proprietary DNA methylation biomarker Septin9 and certain proprietary technologies that were licensed to Quest in 2008. The introduction follows the successful completion of the clinical validation of this laboratory-developed test in November 2009 and the release of the test for offering to doctors and patients in December 2009.

Epigenomics AG releases preliminary PRESEPT Study data (ad hoc release dated January 15, 2010)

On January 15, 2010, we informed on preliminary data from the prospective multi-center clinical PRESEPT Colorectal Cancer Screening Study sponsored by us. This preliminary analysis indicated, that two of the three testing laboratories performing the Septin9 testing on blood plasma samples from PRESEPT Study subjects, achieved cancer detection rates of 62.5% each that were within expectation from previously published clinical studies taking into account the higher proportion of early stage cancers in the PRESEPT Study cohort. The third laboratory reported a cancer detection rate of 28% deviating from findings in the other PRESEPT testing laboratories and all previous studies. The overall cancer detection rate based on results from all three laboratories combined added up to 50%. Specificity as measured on colonoscopy-verified subjects without any apparent colon diseases was at 91% confirming the high specificity rates seen in previous clinical studies. These results were reported by Timothy R. Church, Ph.D., University of Minnesota, Minneapolis, MN, U.S.A., Principle Investigator of the PRESEPT Study on behalf of the PRESEPT Clinical Study Steering Committee chaired by Professor David Ransohoff, M.D., University of North Carolina School of Medicine, Chapel Hill, NC, U.S.A. The Clinical Study Steering Committee intends to conduct an investigation to identify the potential causes for the outlier results observed in one of the laboratories before reporting

final results of the study that may deviate from the reported preliminary results of the study.

Epigenomics AG reports conclusion from PRESEPT Study Audit (press release dated February 4, 2010)

On February 4, 2010, we reported the conclusion from the investigation into the result from one of three laboratories that were used to test samples of the PRESEPT Study cohort. The thorough audits of the testing laboratories revealed that the analytical instrument used in the laboratory with the divergent results was a recently released new version of the device that was unique to this study laboratory. In the other two laboratories, a different instrument version was used. The audit team observed that the instrument which generated the lower than expected cancer detection rate reported unusually high fluorescence signals in several runs which could have impacted the read-out of results. Those signals could originate from the sample containers used on that device and / or the device itself. This observation was not made neither in any of the two other laboratories nor any of our previous studies. The audits at all three testing laboratories, our internal processes as well as the biostatistics group at the University of Minnesota performed as part of the investigation, did not identify significant deviations related to sample traceability, sample handling, or sample processing which could explain the observed results. We will verify the cause for the observed high fluorescent signals and generate data to demonstrate whether and how far this could be responsible for the results observed in the lower cancer detection rate. If necessary, we will retest study subject samples that were potentially affected by this incident. We still expect that all further testing and retesting of samples can be completed within the first quarter of 2010. We plan to release the updated top-line results from the study including the additional and repeated testing results once they become available.

OPPORTUNITIES AND RISKS

OPPORTUNITIES AND 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 "Corporation Sector Supervision and Transparency Act" ("Gesetz zur Kontrolle und Transparenz im Unternehmensbereich" – KonTraG), Epigenomics has an established, comprehensive and effective system to identify early, assess, communicate and manage opportunities and risks across all of its functions and operations. The underlying principles and guidelines have been documented in a groupwide "Risk Management Policy". The goal of this policy and all related systems 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 has been regularly discussed and is being developed further at product development team level, senior management level and at the Executive Board and the Supervisory Board levels.

Core principle is a transparency of risks and opportunities across all functions and businesses, interactive evaluation of these and a culture of seizing opportunities and accepting risks as integral part of doing business in cancer molecular diagnostics, but doing so responsibly and seeking an optimal balance of opportunities and risks.

Every risk has a clearly identified "Risk Owner" whose responsibility it is to continuously monitor and control the risk as well as manage implementation of any countermeasures. At quarterly intervals, these risk owners report to the corporate "Risk Manager" who in turn communicates the risks to the Executive Board and the latter 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. Important risks and the risk management system itself have also been discussed in broader management groups as well as between the Company's auditors and the Audit and Corporate Governance Committee of the Supervisory Board throughout the year.

Hence, our management structure, our organizational forums for identifying and assessing opportunities and risks, the monthly internal and external reporting as well as our controlling systems all form an integral part of the overall risk management system in a standardized fashion across all functions and locations. All of these tools are regularly monitored for effectiveness and optimized as well as reviewed by our auditors and the Audit and Corporate Governance Committee.

There are a number of important risks Epigenomics is faced with which individually or in combination could severely impact our revenue, earnings and financial situation as well as our stock price. These are described below:

BUSINESS-RELATED OPPORTUNITIES AND RISKS

In October 2009, we launched our first colorectal cancer screening test Epi *pro*Colon in the European market. Our ability to generate significant and growing revenue from our colorectal cancer screening test will depend on our successful marketing and commercialization of the test. Such marketing and commercialization requires among others the successful launch in reference laboratories, positive results in the PRESEPT Study and acceptance by medical community and third-party payors in each country. Because of the big importance of reimbursement of the test by third parties and by gaining mass acceptance, we have to convince together with our partners important private health organizations and guideline-issuing bodies to include our test in their cancer screening guidelines.

Furthermore, we will only be able to generate revenue in the U.S.A. if our colorectal cancer screening test is eventually approved by the U.S. Food and Drug Administration ("FDA"). In order to achieve that, we will need a successful completion of the clinical trials required to obtain the regulatory approvals for marketing the test as an IVD test in the United States and other regions outside the European Union ("EU").

As mentioned above, the successful execution of our PRESEPT Study is an important requirement for successful commercialization of our Epi *pro*Colon test. If the final results of the PRESEPT Study are not better than the preliminary results published on January 15, 2010 which show an overall cancer detection rate of 50%, the marketing of our colorectal cancer screening test may be jeopardized or delayed.

The PRESEPT Study was intended to demonstrate that our Septin9 biomarker satisfies the requirements for non-invasive screening tests set forth in current joint guidelines by the American Cancer Society, the U.S. Multi-Society Task Force on Colorectal Cancer, and the American College of Radiology, which require that the majority of cancer cases is detected. The PRESEPT Study was neither intended nor required for obtaining any regulatory approvals. The PRESEPT Study was conducted between June 2008 and December 2009. About 7,900 asymptomatic subjects aged 50 years or older with an average or increased risk of colorectal cancer and who visited 32 clinical sites in the U.S.A. and Germany for a routine screening colonoscopy were enrolled. The study population contained more than 50 confirmed cases of previously unsuspected colorectal cancer that were identified by screening colonoscopies performed on all study participants.

Three external clinical laboratories measured the ^{m}SEPT9 biomarker in a combined total of about 1,500 blood plasma samples collected in the PRESEPT Study. The ^{m}SEPT9 measurement from the clinical laboratories were correlated with the colonoscopy results obtained from all of these samples to determine sensitivity (proportion of correctly identified disease cases) for colorectal cancer as well as for polyps as primary and secondary endpoint respectively, and specificity (proportion of correctly identified healthy cases). Although the results of the study are still being analyzed and evaluated, the preliminary result published on January 15, 2010, showed that two of the three testing laboratories achieved cancer detection rates of 62.5% each, while the third laboratory reported a cancer detection rate of 28%. The overall cancer detection rate based on results from all three laboratories combined added up to 50%. Specificity as measured on colonoscopy-verified subjects without any apparent colon disease was excellent at 91%.

The results of the third laboratory considerably differ from findings in the other PRESEPT Study testing laboratories and all previous studies on the cancer detection rate of Septin9. The Clinical Study Steering Committee, which includes the Principal Investigator representing the independent University of Minnesota biostatistics team, charged with analyzing the PRESEPT data, intends to conduct an investigation to identify the potential causes for the outlier results observed in the one laboratory before reporting final results of the study that may deviate from the reported preliminary results.

If the final results of the PRESEPT Study do not show a sensitivity of our test above 50%, we may have to repeat the testing of some or all the blood samples collected in the study. Although we would not need to collect additional blood samples as we preserved multiple aliquots of each blood sample collected in the PRESEPT Study, a second testing and analysis of results will take some time and would further delay the marketing of our test and trigger additional costs. This delay and the additional cost would affect the results of operations for at least the current business year.

If the final results of the PRESEPT Study or any subsequent study were not to show a sensitivity clearly above 50%, it might be difficult to achieve swift guideline inclusion and gain broad market acceptance. In such case, finding additional marketing partners would become more difficult and successful commercialization may not be possible at all. The performance of our colorectal cancer screening test may also jeopardize the acceptance of our other cancer screening tests. Delay or failure to successfully market our colorectal

cancer screening test would materially adversely affect our business, financial condition and results of operation.

Basically, we are dependent on our partners, in particular large diagnostic companies and reference laboratories, to co-develop, commercialize, sell and distribute our products.

Partnering and licensing is one way we already generate revenue prior to product sales and royalty income. During 2009, we have worked closely together with Abbott as part of our worldwide non-exclusive partnership to develop and commercialize a Septin9 blood-based IVD for colorectal cancer. In 2009, we have also worked with Quest as a non-exclusive licensee to U.S. rights for an LDT for Septin9, Sysmex for the Japanese market and ARUP (for U.S. LDT rights) for the development and potential commercialization of colorectal cancer screening tests based on our Septin9 biomarker and our technologies.

However, we continue to be subject to certain partnering-related risks. Some of our partnerships are still in a R&D phase and need to deliver their full commercial potential in the future. Also, we still need to close additional non-exclusive licensing and partnering deals for Septin9 in order to fully leverage multiple platforms in all key markets around the world and address the broadest possible market potential. Although we are currently in discussion with additional potential partners, there can be no assurance that these negotiations will be successful and that we will obtain sufficiently favourable terms. If our existing partners do not market our product or are not successful in marketing it, we may not find additional partners.

The DNA methylation field has seen significantly intensified competition over the past years. Several competitors have made progress to enter the DNA methylation market or have indicated to be working on DNA-methylation-based research products. The competition for a convenient blood-based colorectal cancer test is also intensifying. It is important that our partners and we defend the lead we have in terms of clinical validation and are expanding our ongoing PRESEPT Study compared to others who are targeting the same market such as Canadian GeneNews, Belgian Oncomethylome Sciences, Swiss Diagnoplex, and others.

Building the extensive clinical network for our PRESEPT Study as well as a network of clinical sites for additional case-control studies has somewhat mitigated the risk of having timely and sufficient access to large numbers of high-quality patient samples. This clinical network in the U.S.A. and in Europe allows us to tap into vast resources and leverage the opportunities we have in our partnered programs with Abbott, Quest, ARUP, Philips, Sysmex and potential future partners. Yet, access to samples remains simultaneously one of the critical risks and biggest opportunities we monitor and address on a continuous basis.

Failure to obtain regulatory approval, lack of market acceptance and penetration, payor resistance to reimburse our tests would all have material impact on our revenue, earnings, financial position and our ability to raise further capital and can lead to a total loss. Similar risks exist in all our partnered programs and might also make the entering into additional alliances harder.

IP-RELATED OPPORTUNITIES AND RISKS

Our business relies heavily on commercializing our intellectual property in the form of know-how as well as licenses to patents and patent applications. Therefore, any negative impact on scope, duration, depth and breadth of claims granted, regional coverage, competing IP that we could depend on, difficulties in enforcing the protection, inadvertently infringing other IP, preventing others from infringing our IP, our ability to in-license key IP etc. would negatively impact our cost base, our ability to compete as well as to commercialize our products and to close alliances, our revenue and ultimately our earnings and overall commercial success.

Seeing that, we face the risk of challenge the validity, ownership or enforceability of our patents in court. It may happen that a competitor successfully challenges our patents or that a challenge will result in limiting the coverage of our patents. As a result, we may lose important patent protection relating to our technologies and we could lose our ability to prevent others from utilizing these technologies without compensating us. Litigation could result in substantial costs, a delay in commercialization of our products and divert our management's attention and resources. We faced opposition proceedings with regard to the MethyLight Patent (EP 1185695) which we in-licensed from the University of Southern California and which has been granted in July 2006. In these proceedings, the Opposition Division of the European Patent Office agreed with the arguments provided by the opponent and interlocutorily revoked the patent. As we still believe, that the MethyLight technology is patentable, we filed an appeal against the decision of the Opposition Division. This appeal extends the effectiveness of the MethyLight patent until a final decision

is reached. The next communication from the European Patent Office regarding our appeal is expected at the earliest in the course of 2010.

Furthermore, the Company filed on June 19, 2008, an opposition claim against a patent of Roche (EP 1590362) claiming special variations of methods for bisulfite treatment, use of this method, corresponding kit and a bisulfite solution. We requested the revocation of the patent in its entirety based on the grounds of lack of novelty (Art. 54 EPC), lack of inventiveness (Art. 56 EPC), and lack of disclosure (Art. 83 EPC). Subsequently, Roche filed a statement stating that the opposition was unfounded. In a preliminary non-binding opinion, the Opposition Division considered Epigenomics' opposition predominantly as justified and ordered oral proceedings for December 9, 2009. During the oral hearing, the Opposition Division decided to maintain limited method claims and to revoke all use, kit and bisulfite solution claims. This decision becomes effective if no party appeals the decision or in case an appeal is filed if the Board of Appeals confirms the decision of the Opposition Division. Epigenomics considers filing an appeal to revoke remaining patent claims.

Since we moved our business from only developing new products to also marketing and selling our existing product launched in October 2009, patent protection is now even more important to prevent competitors from launching competitive products based on our biomarkers.

At the same time, the progress made in expanding our IP portfolio and getting several key patents for cancer testing granted (such as our Septin9 and PITX2 biomarkers) puts Epigenomics in a unique position to provide attractive licensing opportunities for the growing number of commercial players active in DNA methylation. This opportunity has been underscored by the strategic licensing agreements with Qiagen GmbH (2005 and 2007), OMS (2008) and Qiagen / DxS (2008 and 2009).

OPPORTUNITIES AND RISKS RELATED TO THE REGULATORY ENVIRONMENT

The regulatory environment in cancer molecular diagnostics has become more challenging especially with regard to LDTs / homebrew assays. This could impact the timing, cost, and our ability to meet such regulatory standards. In parts, the regulatory frameworks are not fully established or clarified as evidenced by a number of warning letters sent by the FDA to a number of diagnostics companies and large reference laboratories. This in turn could negatively impact on revenue generation and put a burden on our cost base and earnings, financial position and ability to compete effectively. To mitigate this risk, we have established a corporate function dealing with quality systems as well as regulatory affairs. We seek advice from experienced advisors to prepare the organization for any potential issues. Strict management of our interactions with reference laboratories as well as seeking an early dialog with the U.S. FDA and other relevant authorities are an integral part of our risk management policies.

FINANCIAL OPPORTUNITIES AND RISKS

As of December 31, 2009, our available liquidity (cash, cash equivalents and marketable securities) amounted to EUR 6.1 million. To ensure availability of sufficient liquidity for our short- and medium-term operations, the necessity to further significantly strengthen our financial position over the next months is obvious. If we fail to raise sufficient additional capital in time we may not be able to execute our business plan and we could face bankruptcy. However as soon as short-term liquidity no longer covers our short-term liabilities we would be obliged to file for insolvency under German law, a situation that could clearly endanger the future existence of the Company and might be reached as early as the second quarter of 2010 in the absence of sufficient incremental cash inflows from equity financing.

Operating in Germany as well as in the U.S.A. means we are subject to a foreign exchange rate risk even though it is currently predominantly limited to the euro / U.S. dollar relation. In the future, our partners' net sales may also be subject to foreign exchange risks and therefore our expected royalties may indirectly be exposed to additional foreign exchange risks. We monitor this risk on a regular basis and evaluate on a case by case basis whether hedging transactions could minimize the exposure.

Our portfolio of securities faces price risks in the form of interest rate, issuer and impairment risks. Our investment policy stipulates to open only positions with an "investment grade" rating, however, we have not made any investments in securities available for sale for more than four years. In close cooperation with our banks, advisors and the Audit and Corporate Governance Committee of the Supervisory Board, we aim continuously at finding an appropriate balance between exposure to these opportunities and risks. This has been a continuing area of focus in 2009 due to the global financial crisis. The financial crisis made it harder to liquidate any security at short notice no matter how good

the rating of the issuer was. Wherever possible, we have sold or redeemed these securities available-for-sale, and as part of our risk mitigation strategy have exclusively been investing in money markets in euros and US dollars to maximize availability of the liquidity and accepting the very poor returns that could be earned in global money markets at the historically low interest rates. Given the cash reach, we may be forced to liquidate some or all of our securities available for sale by the second quarter of 2010 which may not be possible at all or only possible at a significant discount which would further reduce our overall cash reach.

All investments in marketable securities have been made under the Company's investment policy, which is approved by the Supervisory Board. In 2010 and going forward, we are looking to maintain as much of our liquid assets in cash and most secure cash equivalents as possible.

OTHER OPPORTUNITIES AND RISKS

We continuously monitor all applicable environmental, health and safety, operational as well as other applicable statutory or 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 manifold 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 external as well as internal experts in each of these areas. Wherever appropriate and indicated, we set aside provisions to cover any potential liability.

There are risks particularly associated with our stock: The large holdings of a small number of institutional shareholders in Epigenomics shares, comparatively low levels of liquidity in the stock, very high volatility based on all of the above-described factors, as well as external influences and negative perceptions by others of any share sale. However, at the same time, the existing shareholdings in Epigenomics' stock provide the opportunity to have a very interactive dialog with key shareholders on a regular basis. This has been further strengthened in 2008 by the addition of Federated Kaufmann as the Company's single-largest institutional shareholder after the rights issue and the position built by BB Medtech in summer of 2008 and in the 2009 capital increase to become the second-largest shareholder.

There could potentially be other risks as well as significant opportunities beyond the ones described here that we currently either deem insignificant or are not aware of at the time of this report.

OVERALL RISK SITUATION OF EPIGENOMICS GROUP

Whilst the excellent progress in our product development, the most recent very promising clinical data in our colorectal and lung cancer programs and the closure of subject enrolment in our PRESEPT Study have reduced many of the technical, clinical and operational risks, there are still many very significant risks facing Epigenomics overall. Above all there is a significant additional risk from the preliminary PRESEPT Study results which were in line in two out of three labs but clearly below expectations in a third lab. If we were not able to verify the root cause and implement corrective action that would allow us to re-test all samples that were potentially affected by the high background fluorescence on the one instrument, then results would stand at the 50% sensitivity and 91% specificity which would make it extremely hard if not impossible to raise sufficient additional capital in the timeframe required to avoid running out of cash.

The final results of the PRESEPT Study are uncertain and for the study to be successful we need to demonstrate that our Septin9 biomarker satisfies the requirements for non-invasive screening tests set forth in current joint guidelines by the American Cancer Society, the U.S. Multi-Society Task Force on Colorectal Cancer, and the American College of Radiology, which require that the majority of cancer cases is detected. If the final results of the PRESEPT Study do not show a sensitivity of our test above 50%, we may have to repeat the testing of some or all the blood samples collected in the study, which will take some additional time and would further delay the marketing of our test and trigger additional costs. Also we would then require even more additional capital than currently foreseen in our business plan.

The outcomes of any product development and further clinical studies in lung and prostate cancer indications are even more risky and uncertain as the stage of development is earlier and there has been less clinical validation work to date.

Any delay in our key development programs would require additional funding to complete the work. Delays in meeting milestones could make it harder to raise additional capital in

the financial markets or we may not be able to raise capital at all which might force the Company into insolvency and could force Epigenomics out of business.

Addressing the need to raise additional cash either through partnering deals, leveraging individual assets, but also by potentially issuing additional shares to investors in a timely manner before running into formal legal issues under German insolvency laws in force will remain the most critical aspect of our risk management and risk mitigation strategy in the short term. There is clearly a risk of not being able to fully execute on all development and commercialization plans due to a lack of sufficient cash resources in the medium term. This bears the risk of losing key staff, their experience and know-how, and has the potential to destroy long-term value as a result of short-term liquidity constraints.

Ultimately, a failure to raise additional capital required to execute our short- and long-term business plan in a timely manner before mid year of 2010 would negatively affect our stock price and expose us to risks of bankruptcy.

PROGNOSIS REPORT

PLANNED STRATEGIC DIRECTION OF EPIGENOMICS IN THE NEXT TWO YEARS

Over the next two years, we plan to continue to further evolve Epigenomics into a marketing and sales as well as product-development-driven cancer molecular diagnostics company. The key strategic focus will be on driving market acceptance and sales of our Epi *pro*Colon test as well as all our partners' colorectal cancer blood tests based on Septin9 to that end, our operational execution in 2010 will focus heavily on finalizing the PRESEPT Study and delivering positive final clinical results from that trial. Also, we will be working with Abbott to assist them in completing their clinical trial required to file with the FDA for approval of an IVD kit for the U.S. market. We will strive to significantly broaden the number of laboratories in Europe and the U.S.A. that offer Septin9 testing.

Key to the successful implementation of our corporate strategy for broad and rapid market penetration will be to close additional non-exclusive licensing deals for CRC screening and Septin9 in 2010 and 2011. This will be a key strategic focus of our business development efforts going forward.

During the next 24 months, we expect to launch our Epi *pro*Lung IVD kit in Europe, to complete our own FDA approval trial for a blood based colorectal cancer test for the U.S. market and to further progress our product pipeline. The goal is to establish Epigenomics as a cancer molecular diagnostics player with its own products in the market either through distributors or by direct sales and marketing activities.

According to our current plans, our R&D shall focus on the current product pipeline in colorectal, lung, and prostate cancer to develop successive generations of better products with higher performance and line extensions. We will also strive to maintain or expand our clear leadership in DNA methylation technologies and provide access to our know-how, expertise and IP in the field via licenses and services.

EXPECTED ECONOMIC CONDITIONS IN THE NEXT TWO YEARS

We expect overall economic conditions and the capital market environment to continue to be rather challenging in 2010 and probably to significantly improve from late 2010 onwards into 2011 and beyond. We foresee capital markets to be fundamentally intact and despite any possible set-backs, we do believe that life sciences companies should be able to raise the equity capital required based on solid fundamental performance in 2010 and 2011. With unemployment rates still very high in the United States and in Europe, we believe that hiring for open positions and filling positions with top candidates will be comparatively easy. However, as companies contract and cut budgets and R&D spending, it may become harder to close business deals that are front-loaded and provide Epigenomics with much-needed cash inflow.

As the financial crisis is expected to continue to have an impact in 2010, liquidating the few remaining securities available-for-sale, if that were to become necessary, in a timely and efficient manner may be a challenge.

With currency movements extremely volatile between the U.S. dollar and the euro in the past 12 months and prognoses over the next 12 months anywhere from EUR/USD 1.20 to EUR/USD 1.60, we have decided to lock-in our budget rate for 2010 of EUR/USD 1.4984.

OUTLOOK ON EARNINGS SITUATION

Assuming we can close additional ^{m}Septin9 licensing agreements, we are expecting revenue from our partnering activities in diagnostics to be at similar levels for the next two years compared to 2009. Key drivers of revenue growth should be our Epi *pro*Colon IVD kit sales in Europe as well as growing royalty income from our partners' sales of Septin9-based tests worldwide (Abbott, Quest, ARUP). We expect EBIT and net loss for 2010 to be at similar levels to 2009 actuals despite the increased revenue since we will need to invest significantly into marketing and sales activities, driving guideline inclusion of our test and reimbursement lobbying. We will also need to sponsor the required clinical trials for our own FDA-approved version of Epi *pro*Colon and make capital investments into higher degrees of automation for bigger throughput of our blood based CRC test, as well as R&D activities towards next generation products. Cash burn for fiscal 2010 should be at a similar level compared to 2009, i. e. around EUR 10 million and should start to decrease in 2011 as revenue growth leads to ramp-up in cash inflows. We do not expect to be able to reach break-even before 2012 at the earliest based on our current five-year strategic business plan.

OUTLOOK ON FINANCIAL SITUATION

With EUR 6.1 million in liquid resources (cash and cash equivalents and marketable securities) at year-end 2009 and a projected cash burn of around EUR 10 million in 2010, current financial resources should last until approximately mid 2010. We expect to aggressively pursue all avenues of non-dilutive financing in our business development and deal-making efforts. We would anticipate to possibly leverage non-core assets and programs to maximize cash inflow over the next 24 months. However, in addition to keeping tight fiscal discipline on the expense side and trying to grow cash inflows, we must also raise additional equity capital in the financial markets. The Annual General Shareholders' Meeting in May 2009 has approved two additional shelf registrations (authorized capital) which offer us the possibility to conduct a larger rights offering as well as a smaller PIPE. We will be working diligently with our financial advisors and determine the best possible course of action that would ensure putting significant amounts of additional capital into the Company by no later than the second quarter of 2010.

OPPORTUNITIES OVER THE NEXT TWO YEARS

The next 24 months hold the opportunity to provide a solid sales-driven commercial proof of concept for our DNA-methylation-based cancer diagnostics. The products developed at Epigenomics and its partners for colorectal cancer blood testing have come of age and matured to a stage where they are ready for prime time in the global markets.

Lung cancer raises many clinical questions that show huge medical needs for better diagnostics based on molecular tests. Our ^{m}SHOX2 biomarker and Epi *pro*Lung IVD kit present an opportunity to address such market needs and provide clear benefits to patients and physicians in this dreadful disease.

There are clear opportunities in prostate cancer testing with PITX2 and GSTP1, which have potential in a prognostic setting in prostatectomy specimen as well as biopsy samples – by far the larger market opportunity – but long-term potentially also in other cancers. These are partnering and licensing opportunities.

For our shareholders there is the clear opportunity to see the increased enterprise value from catalytic events such as additional licensing partnerships, final data presentation of PRESEPT results, clinical trials for FDA approval of Septin9 blood tests by Abbott as well as Epigenomics, launch of our lung cancer IVD product and many other opportunities reflected in the share price and have attractive capital market opportunities through an investment and trading in Epigenomics shares, but also potentially strategic options for the Company's future as commercial proof of concept is firmly established.

OVERALL PROGNOSIS FOR THE EPIGENOMICS GROUP

On balance, there are many pivotal milestones to be reached over the next 24 months. These two years should see the final stages of a transformation of Epigenomics from a development-driven company to a commercially sound and sustainable molecular diagnostics company driven by growing top-line revenue and product sales for the medium and long term.

Taken together all of the measures noted above should put Epigenomics in a financial position that allows the Company to reach break-even, however, not before 2012, based on a growing molecular diagnostic products business, increasing royalty streams and deal-making revenues, a lean organization and cost structure, and some added financing measures.

CORPORATE GOVERNANCE

To the Executive Board and the Supervisory Board, corporate governance lies at the heart of responsible and ethical management at Epigenomics. The very interactive dialog and regular communication between the Executive Board and the Supervisory Board and its committees aimed at generating long-term value to our shareholders are central to good corporate governance. Openness and transparency in our corporate communications with all shareholder groups, employees, the general public, and other stakeholders are the overarching principle.

As in previous years, corporate governance was important for all of us at Epigenomics. We welcome the German Corporate Governance Code and its most recent 2009 amendments. We systematically and regularly monitor compliance with the German corporate governance principles making amendments wherever possible to ensure fair and responsible corporate management according to the new and amended version of the German Corporate Governance Code.

Epigenomics' corporate governance principles in certain aspects go well beyond legal requirements and recommendations of the German Corporate Governance Code. For example, we have established binding internal guidelines on insider trading and made these part of all employment agreements. We have appointed our CFO as Corporate Governance Compliance Officer to ensure adherence to the corporate governance principles. The Compliance Officer is required to submit regular compliance reports to the Executive Board, which are then passed on to the Supervisory Board.

There are a few notable exceptions based on certain Company specifics and peculiarities we chose to deviate from the German Corporate Governance Code. These exceptions are detailed below. There is a clear commitment to adhere to the Code going forward to the greatest extent possible.

DECLARATION OF COMPLIANCE 2009 WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG), the Executive Board and the Supervisory Board of Epigenomics as a listed company have to explain each year, which recommendations of the German Corporate Governance Code were or were not complied with. This statement is made permanently accessible to the general public in German and English language on the Company's website under *www.epigenomics.com/en/investor_relations/corporategovernance/* and as well in the Company's Annual Report.

DECLARATION OF GOVERNANCE

According to Section 289a of the German Commercial Code (HGB), the Declaration of Governance was made permanently accessible to the general public in German and English language on Epigenomics AG's website under *www.epigenomics.com/en/investor_relations/corporategovernance/*.

DIRECTORS' DEALINGS AND DIRECTORS' SHARE OWNERSHIP

According to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) and Section 6.6 Paragraph 1 of the German Corporate Governance Code, persons discharging managerial responsibilities within an issuer of financial instruments are required to disclose their personal transactions in shares of the issuer and financial instruments based on them, especially derivatives, to the issuer and to the German Federal Financial Supervisory Authority (BaFin). The duty to disclose applies to the members of the Executive Board and the Supervisory Board. Moreover, the duty of disclosure also applies to persons who have regular access to insider information about the Company and are empowered to make significant managerial decisions. The duty to disclosure also applies to persons and certain legal entities closely associated with a person discharging managerial duties at the Company. The duty to disclose does not apply if the purchase and sale transactions do not exceed EUR 5 thousand in a calendar year.

No declared securities transactions took place during 2009.

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 top management who also takes responsibility for it. The ICR is not defined as a comprehensive standard system across the entire enterprise but rather control coverage and intensity are adjusted according to the respective risk. In addition, control options are used on all Company levels and supervision by the management is established. Epigenomics has developed an individual top-down approach for Company-wide controls and supervision including a proof of effectiveness. A flexible setup 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 supervision of the ICR takes place continuously by the Supervisory Board and its Audit and Corporate Governance Committee, respectively. Apart from truth and fairness of the financial reporting it also includes the securing of 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 supervision of the ICR.

Within the organization of the Company there are various departments and employees involved in the setup, the coordination and the supervision of control measures. The risk management and the controlling departments are of major importance here. Due to the size of the Group, the Company has not yet established an internal audit function.

Assessment of the adequacy and the effectiveness of the ICR are continuously ensured by interviews with relevant employees, by benchmarking with other organizations and also by a regular dialog with the Company's auditors and occasional consultations of the Company's lawyers.

Basically, the Epigenomics Group has established the principle of separation of functions as far as reasonable in a commercial organization with a given number of employees. This principle is supplemented by the four-eyes-principle. Neither Executive Board members nor any employees are authorized to represent the Company alone.

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

The Company's controlling system is primarily based on miscellaneous planning, monitoring and reporting tools. Qualitative information derives from a self-developed project documentation database, and quantitative information is processed in both Group entities by Navision™, a widely used enterprise resource planning software. Our accounting and controlling departments provide all relevant controlling information to the Executive Board on a monthly basis. An ongoing education of the team members is ensured.

For internal control purposes, we set up an annual budget based on the current five-year 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 Executive Board, and a final approval of the annual budget by our Supervisory Board is mandatory.

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. Each quarterly report is 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 drawn on a regular basis within the framework of the internal reporting system and are reported monthly to the top management 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.

Impairment tests on the Company's assets are done on a regular basis according to the appropriate accounting standards or, if necessary, when the internal authorities report a reasonable suspicion of a possible impairment.

FINANCIAL MARKET REPORTING

In line with fair and open disclosure and the requirements of the Prime Standard segment of the Frankfurt Stock Exchange, quarterly financial reports are made available within 60 days of a quarter's end and annual financial statements within 90 days of year-end. All information is made available simultaneously on our website *www.epigenomics.com.* All material news are announced following the latest guidelines and legal requirements on ad hoc notification.

ADDITIONAL MANDATORY DISCLOSURES FOR LISTED COMPANIES PURSUANT TO SECTION 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)

According to Section 315 Paragraph 4 of the German Commercial Code (HGB), the Company is required to report on certain structures governed by company law and other legal relationships, 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

Shareholder	Notification date	Shareholdings in %
Federated Equity Management Company of Pennsylvania	February 27, 2009	19.01
Bellevue Funds (Lux) SICAV, Luxemburg	November 30, 2009	14.94

COMPOSITION OF SHARE CAPITAL

The share capital of Epigenomics AG comprises exclusively common shares with equal rights and a par value of EUR 1.00 each as of December 31, 2009. During the reporting year, the number of shares increased from 26,723,636 to 29,394,724 shares. Under certain conditions, shareholders may not be entitled to vote – according to Section 136 of the German Stock Corporation Act (Aktiengesetz – AktG). 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 APPLICABLE TO THE APPOINTMENT AND WITHDRAWAL OF MEMBERS OF THE EXECUTIVE BOARD AND GOVERNING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and withdrawal of members of the Executive Board is subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act (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 chairperson of the Executive Board and one or more members of the Board as his deputy(ies). 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 of the German Stock Corporation Act (AktG).

Pursuant to Section 14 of the Articles of Association, the Supervisory Board is entitled to adopt amendments and completions to the statutes which only involve the version thereof.

AUTHORITY OF THE EXECUTIVE BOARD TO ISSUE SHARES

The share capital is increased conditionally by up to EUR 139,625.00 divided into 139,625 of bearer shares of common share with a calculatory par value of EUR 1.00 each (Conditional Capital III). The conditional capital increase can only be carried out to the extent that option rights were issued on the basis of the share option program 01-05 of the Company, amended according to the resolution of the Annual General Shareholders' Meeting dated August 1, 2003, resolved at the Annual General Shareholders' Meeting on April 27, 2001, and the holders of these share options exercise their right to subscribe to shares of the Company and the Company does not transfer its own shares in fulfillment of these option rights. The new shares will participate in the profit from the beginning of the financial year in which they are issued. The Supervisory Board is authorized to lay down the further details regarding the implementation of the conditional capital increase as far as the granting of options to members of the Executive Board is concerned. In other cases, the Executive Board is authorized to lay down the further details. The Supervisory Board is authorized to amend the wording of Section 5 Paragraphs 1, 2 and 5 of the Articles of Association in accordance with the volume of the capital increase from conditional capital.

The share capital is increased conditionally by up to EUR 617,426.00 divided into 617,426 of bearer shares of common share with a calculatory par value of EUR 1.00 each (Conditional Capital IV). The conditional capital increase can only be carried out to the extent that option rights were issued on the basis of the share option program 03-07 of the Company, amended according to the resolution of the Annual General Shareholders' Meeting dated August 1, 2003, and the holders of these share options exercise their right to subscribe to shares of the Company and the Company does not transfer its own shares in fulfillment of these option rights. The new shares will participate in the profit from the beginning of the financial year in which they are issued. The Supervisory Board is authorized to lay down the further details regarding the implementation of the conditional capital increase as far as the granting of options to members of the Executive Board is concerned. In other cases, the Executive Board is authorized to lay down the further details. The Supervisory Board is authorized to amend the wording of Section 5 Paragraphs 1, 2 and 6 of the Articles of Association in accordance with the volume of the capital increase from conditional capital.

The share capital is conditionally increased by up to EUR 647,679.00, divided into up to 647,679 registered common shares with a par value of EUR 1.00 each (Conditional Capital V). The conditional capital increase can only be carried out to the extent that option rights are issued to the shareholders on the basis of the Company's share option program 06-10, which was resolved by the Annual General Shareholders' Meeting on July 10, 2006, and the holders of these share options avail themselves of their right to acquire shares in the Company and the Company does not grant any shares of its own to fulfil these option rights. The new shares will participate in the profit as of the beginning of the fiscal year in which they were issued. The Supervisory Board is empowered to establish the further details of the execution of the conditional capital increase as far as the granting of subscription rights to Executive Board members is concerned. In all other respects, the Executive Board is empowered to establish such details. The Supervisory Board is empowered to amend the version of Section 5 Paragraphs 1 and 8 of the Articles of Association to reflect the conditional capital increase.

The share capital is conditionally increased by up to EUR 1,521,234.00 divided into 1,521,234 bearer shares of common stock with a face value of EUR 1.00 per share (Conditional Capital VII). This conditional capital increase is only implemented to the extent that the options from the Company's share option program 09-13 that was resolved by the Annual General Shareholders' Meeting of May 11, 2009, are issued and the holders of these share options avail themselves of their right to subscribe to shares in the Company and the Company does not grant any shares of its own to fulfil these option rights. The new shares will participate in the profit from the beginning of the financial year in which they were issued. The Supervisory Board is authorized to determine the further details of the conditional capital increase where the granting of subscription rights to members of the Executive Board is concerned. In all other respects, the Executive Board is authorized to determine these details. The Supervisory Board is authorized to amend the wording of Section 5 Paragraphs 1 and 4 of the Articles of Association in accordance with the volume of the capital increase from conditional capital.

The Executive Board is authorized to increase the share capital of the Company with the consent of the Supervisory Board up to May 10, 2014, one or more times by up to a total of EUR 2,939,472.00 against a cash contribution and / or a contribution in kind by issuing new bearer no par value

shares (Authorized Capital 2009 / I), whereby the shareholders are to be granted a subscription right. The new shares can be assumed by one or more credit institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right). However the Executive Board is authorized, with the consent of the Supervisory Board, to preclude the shareholders' statutory subscription right in the following cases:

- for fractional amounts;
- if the new shares are issued against cash contribution, at issue price that does not essentially fall below within the meaning of Section 203 Paragraph 1 Sentences 1 and 2 and Section 186 Paragraph 3 Sentence 4 German Stock Corporation Act (AktG), the exchange price of essentially equivalent shares that are already listed during the last five exchange trading days before the date on which the issue price is set by the Executive Board; however, this authorization to preclude subscription rights can apply only to the extent that the proportional amount of the share capital represented by the new shares, together with the proportional amount of the share capital represented by other shares that can be issued by the Company during the term of this authorization with a preclusion of the subscription right pursuant to or in accordance with Section 186 Paragraph 3 Sentence 4 German Stock Corporation Act on the basis of a capital increase resolved by the Annual General Shareholders' Meeting, the utilization of an authorized capital or the repurchase or to which an exchange or subscription right has been granted since May 11, 2009, with a preclusion of the subscription right in accordance with Section 186 Paragraph 3 Sentence 4 German Stock Corporation Act (AktG) by means of convertible or option bonds, does not exceed ten percent (10%) of the share capital at the time of the entry of this authorization into the Commercial Register or – if lower – at the time of the respective exercise of the authorization;
- for capital increases against contribution in kind in order to be able to offer the new shares to third parties in the course of corporate mergers or the acquisition of companies, parts of companies, participation in companies or other assets;
- to the extent necessary to grant holders of option rights or creditors of convertible bonds issued by the Company or its (direct or indirect) subsidiary a subscription right to new shares to the extent to which they would be entitled after exercising the option or conversion rights or after fulfilling conversion duties.

The Executive Board is authorized to determine further details of the execution of the capital increase from the Authorized Capital 2009 / I. The Supervisory Board is authorized to adapt the version of these Articles of Association following the execution of the share capital increase from the Authorized Capital 2009 / I or after the authorization period has elapsed in accordance with the scope of the capital increase from the Authorized Capital 2009 / I.

The Executive Board is authorized to increase the share capital of the Company with the consent of the Supervisory Board up to May 10, 2014, one or more times by up to a total of EUR 11,757,889.00 against a cash contribution and / or a contribution in kind by issuing new bearer no par value shares (Authorized Capital 2009 / II), whereby the shareholders are to be granted subscription rights. The new shares can be assumed by one or more credit institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Executive Board is authorized, with the consent of the Supervisory Board, to preclude the shareholders' statutory subscription right in the following cases:

- for fractional amounts;
- for capital increases againts contribution in kind in order to be able to offer the new shares to third parties in the course of corporate mergers or the acquisition of companies, parts of companies, participations in companies or other assets.

The Executive Board is authorized to determine the further details of the execution of capital increases from the Authorized Capital 2009 / II. The Supervisory Board is authorized to adapt the version of these Articles of Association following the execution of the share capital increase from the Authorized Capital 2009 / II or after the authorization period has elapsed in accordance with the scope of the capital increase from the Authorized Capital 2009 / II.

CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL 2009

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

GROUP INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2009

EUR thousand	Notes	2008	2009
Revenue	1	2,586	4,260
Cost of sales		-1,698	-2,798
Gross profit	**2**	**888**	**1,462**
Other income	3	1,129	535
Research and development costs	4	-10,028	-7,349
Marketing and business development costs	4	-857	-1,188
General and administrative costs	4	-3,442	-3,270
Other expenses	6	-440	-408
Operating result (EBIT)	**7**	**-12,750**	**-10,218**
Interest income	8	682	191
Interest expenses	8	-30	-8
Other financial result	8	40	14
Net loss for the year before taxes on income		**-12,058**	**-10,021**
Taxes on income	9	-213	-202
Net loss for the year		**-12,271**	**-10,223**
Earnings per share (basic and diluted) in EUR	**10**	**-0.47**	**-0.35**

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN GROUP EQUITY

EUR thousand	Notes	2008	2009
Net loss for the year		**-12,271**	**-10,223**
Fair value adjustments of securities	23	-459	408
Total income and expenses recognized in Group equity	**23**	**-459**	**408**
Total comprehensive income		**-12,730**	**-9,815**

GROUP BALANCE SHEET

AS OF DECEMBER 31, 2009

ASSETS EUR thousand	Notes	Dec 31, 2008	Dec 31, 2009
Non-current assets			
Intangible assets	12, 14	4,536	4,753
thereof: goodwill	*12, 14*	*2,625*	*2,625*
Tangible assets	13, 14	692	572
Deferred taxes	15	629	391
Total non-current assets		**5,857**	**5,716**
Current assets			
Inventories	16	125	160
Trade receivables	17	727	1,993
Marketable securities	18	2,286	2,182
Cash and cash equivalents	19	9,814	3,954
Other current assets	20	1,474	2,349
Total current assets		**14,426**	**10,638**
Total assets		**20,283**	**16,354**

EQUITY AND LIABILITIES EUR thousand	Notes	Dec 31, 2008	Dec 31, 2009
Equity	21		
Subscribed capital	21	26,724	29,395
Capital reserve	22	3,567	6,227
Retained earnings		0	-12,271
Net loss for the year		-12,271	-10,223
Other comprehensive income	23	-1,452	-1,044
Total equity		**16,568**	**12,084**
Non-current liabilities			
Liabilities from leasing contracts	25	38	9
Total non-current liabilities		**38**	**9**
Current liabilities			
Trade payables	26	1,027	2,091
Liabilities from leasing contracts		28	28
Deferred income	27	1,254	720
Other liabilities	28	887	851
Provisions	29	481	571
Total current liabilities		**3,677**	**4,261**
Total equity and liabilities		**20,283**	**16,354**

GROUP CASH FLOW STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2009

EUR thousand	Notes	2008	2009
Cash and cash equivalents at the beginning of the year		**6,646**	**9,814**
Operating activities	*31*		
Net loss for the year before taxes on income		**-12,058**	**-10,021**
Corrections for:			
Depreciation on tangible assets		667	330
Amortization of intangible assets		1,839	446
Losses from the disposal of assets		6	0
Stock option expenses	5	120	175
Foreign currency exchange losses		12	12
Price gains of securities		-21	0
Interest income	8	-682	-191
Interest expenses	8	30	8
Taxes		-296	-79
Non-cash income		0	-106
Operating result before changes in net current assets		**-10,383**	**-9,426**
Increase in trade receivables and other current assets		-2,800	-2,107
Increase in inventories (2008: decrease)		112	-35
Increase in current liabilities		2,609	736
Liquidity earned from operating activities		**-10,462**	**-10,832**
Interest received		692	211
Interest paid		-30	-8
Cash flow from operating activities		**-9,800**	**-10,629**
Investing activities	*32*		
Payments for investments in tangible assets		-74	-209
Proceeds from the sale of non-current assets		1	0
Proceeds from investment grants	11	100	0
Payments for investments in intangible assets		-184	-115
Additions to capitalized development costs	12	0	-371
Proceeds from the sale of marketable securities		625	500
Proceeds from divestments in financial assets		1,000	0
Cash flow from investing activities		**1,468**	**-195**
Financing activities	*33*		
Payments for the creation of new shares		-2,037	-189
Proceeds from the issue of new shares	21	13,533	5,182
Payments for lease financing		-19	-29
Proceeds from the exercise of stock options		22	0
Cash flow from financing activities		**11,500**	**4,964**
Cash flow		**3,168**	**-5,860**
Cash and cash equivalents at the end of the year		**9,814**	**3,954**

STATEMENT OF CHANGES IN GROUP EQUITY

AS OF DECEMBER 31, 2009

EUR thousand	Notes	Subscribed capital	Capital reserve	Retained earnings	Net loss for the year	Other compreh. income	Group equity
Dec 31, 2007		**18,253**	**13,712**	**-13,151**	**0**	**-993**	**17,821**
Total comprehensive income		**0**	**0**	**0**	**-12,271**	**-459**	**-12,730**
Capital increase from the issue of shares		8,458	0	0	0	0	**8,458**
Premium from the issue of shares		0	5,075	0	0	0	**5,075**
Financing costs		0	-2,198	0	0	0	**-2,198**
Exercise of stock options		13	9	0	0	0	**22**
Stock-based compensation		0	120	0	0	0	**120**
Deduction of net loss for the year 2007		0	-13,151	13,151	0	0	**0**
Transfer of net loss for the year 2008 to retained earnings		0	0	-12,271	12,271	0	**0**
Dec 31, 2008		**26,724**	**3,567**	**-12,271**	**0**	**-1,452**	**16,568**
Total comprehensive income		**0**	**0**	**0**	**-10,223**	**408**	**-9,815**
Capital increase from the issue of shares	21	2,671	0	0	0	0	**2,671**
Premium from the issue of shares	22	0	2,511	0	0	0	**2,511**
Financing costs		0	-26	0	0	0	**-26**
Stock-based compensation	5	0	175	0	0	0	**175**
Transfer of net loss for the year 2009 to retained earnings		0	0	-10,223	10,223	0	**0**
Dec 31, 2009		**29,395**	**6,227**	**-22,494**	**0**	**-1,044**	**12,084**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION, PRINCIPLES AND METHODS

DESCRIPTION OF BUSINESS ACTIVITY

Epigenomics ("Epigenomics" or the "Company") was founded as a limited liability company (GmbH) in 1998 and has its headquarters in Berlin, Germany. In 2000, the Company was converted into a stock corporation (AG) and entered into the commercial register ("Handelsregister") Charlottenburg under HRB 75861. Since July 19, 2004, it is listed in the Prime Standard segment of the Frankfurt Stock Exchange (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. The focus of the Company lies on the development of novel molecular diagnostic products for cancer.

GENERAL PRINCIPLES

The consolidated financial statements of Epigenomics AG have been prepared according to Section 315a of the German Commercial Code ("HGB") without an early adoption of the regulations according to the German Accounting Law Modernisation Act ("Bilanzrechtsmodernisierungsgesetz – BilMoG") and the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, in effect at the closing date December 31, 2009, as mandatory and applicable in the European Union. Further, these statements are in accordance with the German Accounting Standards (GASs).

The "going concern" principle according to IAS 1.25 *Presentation of Financial Statements* has been considered.

The reporting period as defined in these consolidated financial statements is the period from January 1, 2009, to December 31, 2009. The reporting currency is the euro.

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

NEW AND REVISED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD

The following new and revised standards and interpretations issued by the IASB have been considered in these consolidated financial statements. Their adoption has not had any significant or has not had any impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IAS 1 (as revised in 2007 and amended in 2008): Presentation of Financial Statements
Amendments (2008) to IAS 7: Statement of Cash Flow
Amendments (2008) to IAS 12: Income Taxes
Amendments (2008) to IAS 16: Property, Plant and Equipment
Amendments (2008) to IAS 18: Revenue
Amendments (2008) to IAS 19: Employee Benefits
Amendments (2008) to IAS 20: Accounting for Government Grants and Disclosure of Government Assistance
Amendments (2008) to IAS 23 (as revised in 2007): Borrowing Costs

IAS 27 (as revised in 2008): Consolidated and Separate Financial Statements
IAS 28 (as revised in 2008): Investments in Associates
Amendments (2008) to IAS 31: Interests in Joint Ventures
Amendments (2008) to IAS 32: Financial Instruments: Presentation
Amendments (2008) to IAS 33: Earnings per Share
Amendments (2008) to IAS 36: Impairment of Assets
Amendments (2008) to IAS 38: Intangible Assets
Amendments (2008) to IAS 39: Financial Instruments: Recognition and Measurement
Amendments (2008) to IAS 40: Investment Property
Amendments (2008) to IAS 41: Agriculture
Amendments (2008) to IFRS 1: First-time Adoption of International Financial Reporting Standards
Amendments (2008) to IFRS 2: Share-based Payment
Amendments (2008) to IFRS 4: Insurance Contracts
Amendments (2008) to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments (2008) to IFRS 7: Financial Instruments: Disclosures
IFRS 8: Operating Segments

Amendments (2008) to IFRIC 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
Amendments (2008) to IFRIC 2: Members' Shares in Co-operative Entities and Similar Instruments
Amendments (2008) to IFRIC 9: Reassessment of Embedded Derivatives
IFRIC 13: Customer Loyalty Programmes
Amendments (2008) to IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15: Agreements for the Construction of Real Estate
IFRIC 16: Hedges of a Net Investment in a Foreign Operation
IFRIC 17: Distributions of Non-cash Assets to Owners
IFRIC 18: Transfers of Assets from Customers

Further, the IASB has issued the following standards in 2009 which will be mandatory effective for the period beginning January 1, 2010:

Amendments to IAS 17: Leases
Amendments to IAS 36: Impairment of Assets
Amendments to IFRS 2: Share-based Payment
Amendments to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

The Company anticipates that these amendments will be adopted in the Group's financial statements for the period beginning January 1, 2010. The Company does not expect a potential impact of the adoption of these amendments.

MANAGEMENT'S JUDGMENT 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 valuation of goodwill, 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. After the turbulences on the financial and capital markets over the past two years, there is disagreement within these groups whether the global situation will improve in 2010 or another year of unsteadiness must be expected.[1] The strategic plans of the Group's management do not expect Epigenomics to be very dependent on the overall economic situation in the short term.

[1] **For more detailed considerations reference is made to the "Outlook" section of the Group Management Report of this Annual Report.**

The Group's operating activities are not very dependent on the availability or the price development for commodities or industrial supplies but rather on the relevant labor markets. Management does not expect significant changes in those markets for the coming months, which could affect the Group's operating activities.

Nevertheless, the fragile state of the capital markets as an important factor should not be neglected as the financing situation of the Group is unsecured at that point in time. In fact, the financing activities are likely to be more sensitive to the economic development of the Group as it faces the need for additional significant capital inflows over the course of the first half year of 2010.

In the mid term, the euro currency is expected to remain stable vis-à-vis the U.S. dollar. Management plans are based on an average exchange rate of EUR/USD 1.40–1.50 throughout 2010. It also took note of the predictions of financial experts and banks, which are usually diverging with regard to this relation.

Major changes in the legislation of the major countries that could significantly affect the diagnostics industry are not assumed. Changes in the tax laws of Germany and the U.S.A. that would in any material way affect our financial situation in the foreseeable future are also not anticipated. All future scenarios further assume an essentially unchanged access to relevant clinical and biological samples, corresponding data and resources for the execution of the Company's commercial projects.

CONSOLIDATION GROUP

The consolidated Group comprises Epigenomics AG as the parent company (principal office: Kleine Präsidentenstrasse 1, 10178 Berlin, Germany) and Epigenomics, Inc. (principal office: Suite 3800, 901 Fifth Avenue, Seattle, WA 98164-2044, U.S.A.), its wholly owned subsidiary.

For the reporting year, the two companies have submitted individual, audited financial statements independent of their consolidation.

PRINCIPLES OF CONSOLIDATION

In the consolidation of capital, the acquisition values of the investment are balanced with the share of equity capital of the subsidiary applicable to them on the date of acquisition. A resulting difference is added to the assets and liabilities in the amount in which their market value deviates from their carrying value at the time of the initial consolidation. An amount in excess is capitalized as goodwill.

All intercompany transaction results, revenue, expenses, profits, receivables and payables are eliminated in full on consolidation.

ACCOUNTING AND VALUATION PRINCIPLES

Goodwill

Goodwill arising on acquisition is initially recognized as an asset at cost and subsequently measured at cost less any accumulated impairment losses. Therefore, the goodwill has to undergo an impairment test at least once a year according to IFRS 3 *Business Combinations* in connection with IAS 36 *Impairment of Assets*. The regular application of this impairment test is scheduled for the end of each calendar year, subsequent to the annual budgeting process of the Company. The recorded goodwill has been allocated to the Group's cancer screening business as cash-generating unit (CGU). The impairment test compared the net carrying value of the assets of the cancer screening business to their value in use. Value in use has been defined as the discounted future cash flows of this business.

Management's expectations regarding the future cash flows of the cancer screening business were based on the most recent business plans and are, however, subject to risks and uncertainty. The underlying expectations are based on the Company's collaboration with its development partner Abbott Molecular, Inc., which has licensed the Company's key value driver – the colorectal cancer IVD test – for further development and worldwide commercialization. Based on this

collaboration, the product development plans of the Company's cancer screening business have been extrapolated accordingly and present the basis of the capitalized goodwill (for the generally underlying assumptions to the aforementioned business plan see also "Management's judgments and expectations").

All of those assumptions are key sources of estimation uncertainty and bear a significant risk of causing a material adjustment to the carrying amounts of the capitalized goodwill. However, no impairment of the capitalized goodwill has been determined in 2009.

Intangible assets

Other intangible assets than goodwill are valued at acquisition cost less scheduled amortization on a straight-line basis. Depending on the investment, useful life will be defined between three years (software) and twenty years (patents). For patents, the useful life in individual cases depends on the term of the patent protection. Amortization of intangible assets is allocated in the income statement 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 financial advantage is associated with the use of such asset and that its cost can be reliably determined. An impairment test will be done annually for assets or groups of assets for which an unplanned decrease in value is assumed. If the carrying amount of an intangible asset exceeds the fair value of this asset at the closing date, it will be taken into account by means of an unplanned amortization determined by the result of the impairment test. If there is no longer any reason for impairment losses, an appreciation will take place up to the amortized acquisition costs as a maximum.

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 according to IAS 38.57 *Intangible Assets* have been fulfilled:

- prove the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- prove the intention to complete the intangible asset to use or sell it;
- prove the ability to use or sell the intangible asset;
- show how the intangible asset will generate probable future economic benefits;
- prove the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- demonstrate 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.

Tangible assets

Tangible assets are measured at acquisition or production cost, less scheduled depreciation caused by usage. Apart from directly attributable costs, pro rata overhead costs and depreciation are also included in the production costs of internally produced equipment. Public and governmental investment grants lower the acquisition or production costs. Repair costs are immediately calculated as an expense. Depreciation for leasehold improvements is applied on a straight-line basis over the remaining term of the underlying leases. Mobile fixed assets are depreciated in principle on a straight-line basis. The useful life is three to eight years for technical and electronic equipment and five to ten years for operational and office equipment.

In the "Assets schedule" (item 14), fully depreciated tangible assets are shown under acquisition / production cost and accumulated depreciation until the assets in question are decommissioned. In the case of disposal, assets and related depreciation are eliminated from the accounts. Income or expense resulting from the disposal of assets (proceeds less residual carrying value) is shown in the income statement under other income / other expenses.

If the carrying value of the tangible assets calculated according to the above principles exceeds the recoverable amount of these assets at the closing date, it will be taken into account by means of an unplanned depreciation. The amount to be adjusted is determined by sale proceeds or – if higher – the net present value of future cash flows estimated from value in use of the asset. An impairment test will be done annually for assets or groups of assets for which an unplanned decrease in value is assumed. If there is no longer any reason for unplanned depreciation, an appreciation will take place up to the amortized acquisition costs as a maximum.

Leasing contracts

A leasing contract qualifies as a finance lease, if the contractual conditions of the contract transfer all risks and opportunities in connection with the ownership to the lessee. All other leasing contracts are recognized as operating leases.

Deferred taxes

Deferred taxes are calculated according to the rules of IAS 12 *Income Taxes* and are recognized for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax balance sheets of the companies involved. Further, deferred tax assets are recognized from tax loss carryforwards to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and that they are expected to reverse in the foreseeable future. If such a realization is not probable, a valuation allowance is recognized against the tax loss carryforwards.

Deferred tax assets and liabilities are measured at the local tax rates enacted or the rates, which are expected to apply at the time of realization. Deferred tax assets and liabilities are offset only if they are subject to compensation with regard to the same tax authority and if the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories comprise raw materials, low-value consumables and other production supplies as well as finished goods. They are valued at the lower of acquisition or manufacturing cost and net realizable value. The manufacturing costs of the finished goods include directly attributable unit costs, depreciation and overheads attributable to the production process. For the balance sheet date, a physical inventory of all materials, consumables and finished goods was taken.

Primary financial instruments

The reported primary financial instruments comprise cash and cash equivalents, marketable securities, trade receivables, trade payables and other liabilities. Those instruments are initially recognized at acquisition costs or at fair value and then at amortized acquisition costs or at their fair value.

Marketable securities

According to the definitions of IAS 39.9 *Financial Instruments: Recognition and Measurement*, the Company's marketable securities are classified either as "financial assets at fair value through profit or loss" (FVTPL) or as "available-for-sale financial assets" (AFS). The Group does not hold financial assets for trading purposes. Irrespective of this classification, financial assets are recognized at fair value and accounted for at trade date. Changes in fair value are recognized through profit or loss or – if the securities classify for AFS – in other comprehensive income until the securities are disposed of or are determined to be permanently impaired. Impairment losses recognized in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively determined.

Derivative financial instruments

Derivative financial instruments are carried at fair value and accounted for at trade date. As a matter of principle, the fair values of derivative financial instruments correspond to their market values. For unlisted derivatives the fair values are determined by individual settlement quotes from the Company's house banks. Changes in the fair value of derivative financial instruments are recognized through profit or loss.

Impairment of financial assets

At the balance sheet date, a financial asset, other than those measured at fair value, is measured whenever there is an indication that the asset might be impaired. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of a financial asset is reduced by the impairment amount directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered to be no longer collectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Cash equivalents

A cash equivalent is defined as a financial instrument being readily convertible on a short-term basis to a known amount of cash and carrying an insignificant risk of changes in value (IAS 7.6 *Statements of Cash Flow*). Financial instruments generally qualify as cash equivalents when they are more closely related to the money markets than to the bond markets and are issued by a debtor rated "investment grade". All such cash equivalents must be convertible into primary cash at any time.

Prepaid expenses

Payments before the balance sheet date, which will be expenses for a specific period after that date, are deferred and reported as prepaid expenses in other current assets.

Current liabilities

Liabilities are classified as current when certain criteria in accordance with IAS 1.60 *Presentation of Financial Statements* are met. Basically, the Company's normal operating cycle according to this definition is 12 months. In the licensing business the operating cycle is even more than 12 months. Liabilities are measured at amortized costs, which are basically equivalent to their fair values.

Trade payables

Trade payables are initially recognized at the fair value of the received goods and services. After initial recognition they are measured at amortized costs. Foreign currency liabilities are converted at market currency exchange rates at the reporting date. Trade payables are derecognized if the obligation on which this liability is based is fulfilled, cancelled or expired.

Deferred income

Deferred income is recognized for grants and research and development payments ("R&D payments") received in advance. Grants received in advance which were provided by governmental or comparable central, regional or local authorities, are recognized through profit or loss over the subsidized terms of each project according to its progress of fulfillment. Payments received in advance from customers for R&D services to render or for licenses are deducted and recognized through profit or loss over the term of the contract according to the progress of fulfillment.

Provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognized if a present obligation as a result of a past event exists, if it is probable that an outflow of resources embodying benefits will be required to settle this obligation and if a reliable estimate of the amount of the obligation can be made. 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. Where 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.

Revenue recognition

Revenue from research and development collaboration agreements is recorded and recognized in accordance with the applicable performance requirements and terms of the respective contracts as contract research costs are incurred, using the percentage of completion method.

Milestone payments are recognized as revenue according to the milestone payment method. Revenue under the milestone payment method is recorded and recognized when acknowledgement of having achieved applicable performance requirements is received from the partner.

Nonrefundable upfront payments are deferred and recognized on a straight-line basis over the contractual collaboration term. Optional prolongation terms are considered individually according to the underlying exercise conditions and anticipated likelihood of their exercise.

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant contract. Royalties determined on a time basis are recognized on a straight-line basis over the contracted period. Royalty arrangements that are based on sales and other measures are recognized by reference to the underlying contract.

Revenue from the sale of products and the rendering of other services is recognized when delivery has taken place, transfer of risk has been completed, the amount of future returns can be reasonably estimated and collection of the receivable is probable.

Cost of sales

Cost of sales include expenses for material used in product sales, 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 include directly allocable portions of personnel expenses, IP costs and depreciation as well as pro rata overheads.

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 (see above). To some extent grants will only be paid after the work is performed and proven. In such cases an other current asset is capitalized through profit or loss.

Investment grants and subsidies are offset directly against the acquisition costs of the subsidized assets, i. e. the asset value is reduced. The grant is thus liquidated by depreciation of the reduced investment over the remaining term.

Government grants are usually connected with certain requirements, which are met so far by the Company and are expected to be met furthermore. If the requirements were not met anymore in the future, repayment claims could arise which have not been recognized yet.

Research and development costs

Research and development costs (R&D costs) include the personnel expenses for the R&D staff, material expenses, depreciation and amortization, service fees, licensing fees and other direct expenses in connection with the Company's research and / or development activities (including but not limited to 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.

Marketing and business development costs

Marketing and business development costs (M&BD costs) include the personnel expenses for the marketing and sales staff, material expenses, depreciation and amortization, service fees and other direct expenses in connection with the Company's sales, marketing and / or business development activities. In addition, M&BD costs include pro rata overhead costs charged to the M&BD departments.

General and administrative costs

General and administrative costs (G&A costs) include the personnel expenses for the administrative staff, material expenses, depreciation and amortization, service fees and other direct expenses in connection with the Company's administration and its statutory requirements as well as pro rata overhead costs charged to the G&A departments. The administration comprise the business departments and systems administration.

Stock option expenses

The fair value of granted stock options is calculated using the Black-Scholes option pricing model and is expensed over the expected option term of up to four years against the capital reserve. According to IFRS 2.11 *Share-based Payment*, the valuation date is the grant date.

MANAGEMENT JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES / ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements in compliance with International Financial Reporting Standards requires, in the case of several items, that assumptions or estimates be made that affect the valuation in the Group's balance sheet and / or income statement. This also applies to the listing of contingent assets and liabilities. The actual amounts may vary from these assumptions and estimates.

In particular, assumptions and estimates are required for:

- determining, if the criteria for the capitalization of development costs and the recoverability of internally generated intangible assets are met;
- testing a potential impairment of assets (especially regarding intangible assets like goodwill and licenses);
- determining the terms of inlicensed intellectual property rights;
- determining the useful lives of tangible and intangible non-current assets;
- determining, if deferred taxes are realizable;
- determining, if securities classify as "available for sale" or "at fair value through profit or loss";
- determining the fair value of financial instruments;
- determining the feasibility and the type of a prepared financing transaction after the balance sheet date and the amount to raise;
- setting the parameters regarding the valuation of stock option grants; and
- accounting for provisions (especially the determination of the likelihood of occurrence).

CURRENCY TRANSLATION

In the individual financial statements, receivables and liabilities in foreign currencies are valued using the corresponding euro reference rate issued by the European Central Bank on the last business day prior to the closing date. Items that are hedged by forward transactions are valued at the forward price.

For consolidation purposes, the reporting currency of the U.S.-based Epigenomics, Inc. is the euro as well. Therefore, the translation risk from Epigenomics, Inc.'s functional currency (U.S. dollar) to the Group's presentation currency (euro) lies completely in the individual financial statements of this subsidiary and not in the consolidated financial statements.

Transactions in foreign currencies are translated with the exchange rates at the transaction date. Exchange rate differences resulting from such transactions and from the translation with the reporting date rates are recognized through profit or loss.

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

Reporting date rates

	Dec 31, 2008	Dec 31, 2009
EUR / USD	1.3917	1.4406
EUR / GBP	0.95250	0.88810

Average rates

	2008	2009
EUR / USD	1.4726	1.3963
EUR / GBP	0.80255	0.88998

NOTES TO THE GROUP INCOME STATEMENT

1. REVENUE

Total revenue was comprised of the following revenue types:

	2008		2009	
	EUR thousand	in % of total	EUR thousand	in % of total
Licensing and royalty income	1,167	45	1,709	40.1
R&D payments	954	37	2,321	54.5
Reimbursements	463	18	197	4.6
Other	2	0	33	0.8
Total	**2,586**	**100**	**4,260**	**100.0**

Of total revenue, 56% (2008: 64%) was generated from European customers and 44% (2008: 36%) from customers in North America and in the Rest of the World.

2. GROSS PROFIT

The gross profit of EUR 1,462 thousand realized in 2009 (2008: EUR 888 thousand) equals a gross margin of 34% (2008: 34%).

3. OTHER INCOME

EUR thousand	2008	2009
Exchange gains from currency conversion	539	241
Corrections of invoices of the previous year	54	108
Third-party research grants	86	99
– thereof: from public authorities	*39*	*75*
Income from the sale of assets	34	34
Income from subleasing	59	23
Various refunds	51	11
Income from the reversal of provisions	279	9
Insurance recoveries	1	7
Other	26	3
Total	**1,129**	**535**

4. COST ANALYSIS

2008

EUR thousand	Cost of sales	R&D costs	M&BD costs	G&A costs	Total
Materials and consumables	259	1,223	0	0	**1,482**
Depreciation and amortization	265	2,180	10	51	**2,506**
Personnel costs	733	4,028	498	1,822	**7,081**
Other costs	441	2,680	349	1,569	**5,039**
Capitalized development costs	0	-83	0	0	**-83**
Total	**1,698**	**10,028**	**857**	**3,442**	**16,025**

2009

EUR thousand	Cost of sales	R&D costs	M&BD costs	G&A costs	Total
Materials and consumables	747	1,376	33	6	**2,162**
Depreciation and amortization	114	598	14	50	**776**
Personnel costs	204	3,798	604	1,702	**6,308**
Other costs	1,733	1,948	537	1,512	**5,730**
Capitalized development costs	0	-371	0	0	**-371**
Total	**2,798**	**7,349**	**1,188**	**3,270**	**14,605**

5. PERSONNEL COSTS

EUR thousand	2008	2009
Personnel remuneration	6,089	5,373
Stock option expenses	120	175
Social security expenses	872	760
– thereof:		
Employer's contribution to the national pension fund (Germany)	*280*	*252*
Employer's contribution to a 401(k) savings plan (U.S.A.)	*66*	*55*
Total personnel costs	**7,081**	**6,308**
Average number of employees	97	83
– thereof:		
Headcount in operating departments	*72*	*60*
Headcount in sales, marketing or administrative departments	*25*	*23*
Personnel costs / employee	73	76

6. OTHER EXPENSES

EUR thousand	2008	2009
Exchange rate losses from currency conversion	348	401
- thereof: due to the translation of deferred tax assets	*0*	*70*
Expenses related to former periods	41	0
Additional claims from social security audit	36	0
Losses from the disposal of assets	15	7
Total	**440**	**408**

7. OPERATING RESULT (EBIT)

In the reporting year, the recorded operating result before interest and taxes (EBIT) and the operating result before interest, taxes, depreciation and amortization (EBITDA) improved as follows:

EUR thousand	2008	2009
EBIT	**-12,750**	**-10,218**
Depreciation	669	329
Amortization	1,839	447
EBITDA	**-10,242**	**-9,442**

8. FINANCIAL RESULT

EUR thousand	2008	2009
Interest and related income	**682**	**191**
interest from available-for-sale financial assets	151	104
interest from cash and cash equivalents	521	79
interest from derivative instruments	0	8
interest from receivables	9	0
interest from held-to-maturity investments	1	0
Other financial income	**43**	**28**
fair value adjustment for derivative instruments	43	28
Total financial income	**725**	**219**
Interest expenses	**-30**	**-8**
interest expenses for derivative instruments	-30	-8
Other financial expenses	**-3**	**-14**
adjustment from disposal of available-for-sale financial assets	0	-12
other finance costs	-3	-2
Total financial expenses	**-33**	**-22**
Financial result	**692**	**197**

In the reporting year, a net gain of EUR 28 thousand for derivative instruments has been recognized (2008: net gain of EUR 13 thousand). For the net gains and losses of all other financial instruments reference is made to the overview above.

9. TAXES ON INCOME

The reported income taxes in the amount of EUR 202 thousand (2008: EUR 213 thousand) comprise exclusively taxes recorded by the Company's U.S. subsidiary in Seattle.

EUR thousand	2008	2009
Current tax expenses	64	34
Deferred tax expenses due to loss carryforwards	122	80
Deferred tax expenses due to temporary differences between IFRS and U.S. tax law	8	88
Tangible assets	*14*	*78*
Current liabilities	*-6*	*10*
Allowance	19	0
Total taxes on income	**213**	**202**

For the calculation of deferred taxes of the U.S. subsidiary, a local tax rate of 34% was applied.

Epigenomics, Inc. utilizes the deferred tax assets capitalized in the past. Deferred tax income was then calculated on its tax loss carryforwards as a consequence of the existing transfer price agreement between the German Epigenomics AG and its U.S. subsidiary. The usage of a cost plus method according to this agreement leads to a guaranteed annual profit for Epigenomics, Inc., so that a utilization of its tax loss carryforwards in the foreseeable future is sufficiently probable.

Deferred tax expenses due to loss carryforwards of EUR 80 thousand are not exclusively related to the result in the reporting year of Epigenomics, Inc. In the opposite direction, additional tax loss carryforwards not yet verified were taken into account at the balance sheet date.

Calculation of applicable tax charge:

	2008	2009
Corporate tax rate	15.0%	15.0%
Solidarity charge	5.5%	5.5%
Trade tax rate	14.0%	14.0%
Underlying trade tax rate of assessment	*410%*	*410%*
Total applicable tax rate in Germany for the purpose of deferred taxes	**29.8%**	**29.8%**

Tax reconciliation:

EUR thousand	2008	2009
Net loss for the year before taxes on income	**-12,058**	**-10,021**
Expected tax expense	**-3,593**	**-2,957**
loss carryforwards not capitalizable	4,171	3,396
effect from foreign tax rate	-16	3
tax effect from non-deductible operating expenses	26	25
effect from tax-free income	-3	0
expenses for capital increase	-234	-259
other effects	-138	-6
Effective tax expense	**213**	**202**
Effective tax rate	**-1.8%**	**-2.0%**

The expected tax expense for the reporting year has been calculated by applying the expected Group weighted-average tax rate to the net loss of the Group before taxes on income. It amounted to 29.5% in the reporting year. In the previous year the tax rate of the parent company of 29.8% has been applied here.

10. EARNINGS PER SHARE

The earnings per share (basic) are calculated by dividing the Group's net loss for the year by the weighted-average number of shares issued.

	2008	2009
Net loss for the year in EUR thousand	-12,271	-10,223
Weighted-average number of shares issued	26,007,110	29,172,133
Earnings per share (basic and diluted) in EUR	-0.47	-0.35

The outstanding stock options granted by the Company are antidilutive according to 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 29,394,724.

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

11. INVESTMENT SUBSIDIES

In the reporting period, the Company did not receive any investment subsidies affecting the carrying values, whereas a government investment grant in the amount of EUR 100 thousand had been received by Epigenomics AG in Germany in the previous year and had lowered the acquisition costs.

12. INTANGIBLE ASSETS

EUR thousand		Software	Licenses / patents	Goodwill	Development costs	Total intangible assets
Jan 1, 2008	Acquisition costs	666	5,236	3,351	5	9,258
	Additions	2	211	0	83	296
	Disposals	-51	-786	0	0	-837
Dec 31, 2008	Acquisition costs	617	4,661	3,351	88	8,717
	Additions	82	210	0	371	663
	Disposals	-13	0	0	0	-13
Dec 31, 2009	**Acquisition costs**	**686**	**4,871**	**3,351**	**459**	**9,367**
Jan 1, 2008	Accumulated amortization	553	1,895	726	0	3,174
	Additions	87	1,730	0	22	1,839
	Disposals	-50	-782	0	0	-832
Dec 31, 2008	Accumulated amortization	590	2,843	726	22	4,181
	Additions	30	360	0	56	446
	Disposals	-13	0	0	0	-13
Dec 31, 2009	**Accumulated amortization**	**607**	**3,203**	**726**	**78**	**4,614**
Dec 31, 2008	Carrying values	27	1,818	2,625	66	4,536
Dec 31, 2009	**Carrying values**	**79**	**1,668**	**2,625**	**381**	**4,753**

The licenses and patents listed represent mainly acquisition costs for acquired patents and exclusive rights of use to property rights of third parties. Those acquisition costs are usually caused by upfront payments. The majority of the licenses require the Company to pay additional annual minimum fees that are expensed immediately. The license contracts may usually be cancelled at short notice. However, some of those licenses are vital for the Company's business model.

In December 2009, the capitalized goodwill was tested for impairment in order to comply with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*. It had originated in the acquisition of Orca Biosciences (now: Epigenomics, Inc.) in 2001 and is assigned in content to the Company's cancer screening business as the relevant cash-generating unit. The Company's current business plan projections for the screening business were used for the test. According to this plan, future cash inflows will be generated in a partnering model from sales, milestone payments, R&D payments, product sales and royalty income. The plans are based on the existing and future collaboration contracts with the Company's partners. Growth rates were anticipated in line with the industry standards. Due to the business model, the expected product life cycle and the underlying terms of the patents, cash flows were planned for a period of 10 years. All future cash flows are measured by the net present value method. The appropriate discount rate, which has been applied in the reporting year, was 25%. No impairment had to be recognized.

In 2009, the Company capitalized the expenditures amounting to EUR 371 thousand which had incurred in connection with the development of its Epi *pro*Colon and Epi *pro*Lung products as the recognition criteria according to IAS 38.57 were met. The useful life of these capitalized development costs was defined as three years with regard to the expected product life cycles.

In 2009, the acquisition costs for intangible assets in the amount of EUR 663 thousand (2008: EUR 296 thousand) include non-cash items of EUR 176 thousand (2008: EUR 0 thousand).

13. TANGIBLE ASSETS

EUR thousand		Fixtures / leasehold improvements	Technical equipment	Other fixed assets	Total tangible assets
Jan 1, 2008	Acquisition costs	846	5,619	75	6,540
	Additions	0	164	1	165
	Disposals	-32	-945	-4	-981
Dec 31, 2008	Acquisition costs	814	4,838	72	5,724
	Additions	10	175	27	212
	Disposals	-283	-931	-7	-1,221
Dec 31, 2009	**Acquisition costs**	**541**	**4,082**	**92**	**4,715**
Jan 1, 2008	Accumulated depreciation	762	4,513	57	5,332
	Additions	33	628	6	667
	Disposals	-32	-932	-3	-967
Dec 31, 2008	Accumulated depreciation	763	4,209	60	5,032
	Additions	44	281	5	330
	Disposals	-283	-929	-7	-1,219
Dec 31, 2009	**Accumulated depreciation**	**524**	**3,561**	**58**	**4,143**
Dec 31, 2008	Carrying values	51	629	12	692
Dec 31, 2009	**Carrying values**	**17**	**521**	**34**	**572**

14. ASSETS SCHEDULE

EUR thousand		Intangible assets	Tangible assets	Financial assets	Total assets
Jan 1, 2008	Acquisition costs	9,258	6,540	1,000	16,798
	Additions	296	165	0	461
	Disposals	-837	-981	-1,000	-2,818
Dec 31, 2008	Acquisition costs	8,717	5,724	0	14,441
	Additions	663	212	0	875
	Disposals	-13	-1,221	0	-1,234
Dec 31, 2009	**Acquisition costs**	**9,367**	**4,715**	**0**	**14,082**
Jan 1, 2008	Accumulated depreciation / amortization	3,174	5,332	0	8,506
	Additions	1,839	667	0	2,506
	Disposals	-832	-967	0	-1,799
Dec 31, 2008	Accumulated depreciation / amortization	4,181	5,032	0	9,213
	Additions	446	330	0	776
	Disposals	-13	-1,219	0	-1,232
Dec 31, 2009	**Accumulated depreciation / amortization**	**4,614**	**4,143**	**0**	**8,757**
Dec 31, 2008	Carrying values	4,536	692	0	5,228
Dec 31, 2009	**Carrying values**	**4,753**	**572**	**0**	**5,325**

Total depreciation and amortization in the reporting period of EUR 776 thousand (2008: EUR 2,506 thousand) includes extraordinary write-offs of EUR 187 thousand (2008: EUR 1,580 thousand) and results from management decisions not to use some specific inlicensed technologies any more.

15. DEFERRED TAX ASSETS

In former years, deferred tax assets had been capitalized due to tax loss carryforwards of Epigenomics, Inc. and temporary differences between IFRSs and U.S. tax law (see also item 9 "Taxes on income"). At the balance sheet date, these deferred tax assets were valued at EUR 391 thousand. Due to taxable profits of the U.S. subsidiary in the reporting year, a utilization of EUR 168 thousand has been recognized. A capitalization of even larger claims against the U.S. tax authorities was waived insofar as such claims are currently not accepted yet and the possibility of a later utilization is uncertain, respectively.

EUR thousand	2008	2009
Jan 1	**778**	**629**
Deferred tax expenses	-130	-168
Allowance adjustment	-19	0
Foreign currency adjustment	0	-70
Dec 31	**629**	**391**

For the German parent company, deferred taxes arise as described in the following table.

	Deferred tax assets		Deferred tax liabilities	
EUR thousand	Dec 31, 2008	**Dec 31, 2009**	Dec 31, 2008	**Dec 31, 2009**
Intangible and tangible assets	0	229	91	121
Current assets	0	0	2	253
Equity	0	0	1,273	0
Current liabilities	25	0	0	26
Total	**25**	**229**	**1,366**	**400**

Since its inception through December 31, 2008, the Company's tax loss carryforwards in Germany amounted to approximately EUR 99 million (for corporate taxation) and to approximately EUR 97 million (for trade taxation). In addition, the Company expects to increase its cumulated tax losses significantly with the filing of its tax returns for 2009. As the deductibility of the tax loss carryforwards has been partially challenged by the German tax authorities in the past, it is not certain to which extent these carryforwards will lead to deferred tax income in the future.

Since all the aforementioned matters must be settled with the same fiscal authority in accordance with IAS 12.71 *Income Taxes* et seqq., a balancing of the respective tax income and expenses has been performed. As the current forecasts of the Company with regard to achieving the break-even point are still subject to significant uncertainty, valuation allowances have been recognized for all of the net deferred tax assets.

CURRENT ASSETS

16. INVENTORIES

EUR thousand	Dec 31, 2008	**Dec 31, 2009**
Consumables, raw materials, supplies	106	123
Finished goods	19	37
Total inventories	**125**	**160**

17. 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 value as of the balance sheet date.

EUR thousand	Dec 31, 2008	**Dec 31, 2009**
Trade receivables, gross	765	1,993
Allowance for bad debt	-38	0
Trade receivables, net	**727**	**1,993**

At the balance sheet date, trade receivables in the amount of EUR 1,603 thousand were not due (Dec 31, 2008: EUR 0 thousand). Other undue trade receivables in the amount of EUR 352 thousand were not invoiced (Dec 31, 2008: EUR 470 thousand). Receivables in the amount of EUR 38 thousand were past due but less than 30 days (Dec 31, 2008: EUR 251 thousand) and not impaired as there were no indications that debtors will not be able to meet their obligations. The total amount of EUR 1,993 thousand includes one single receivable of EUR 1,400 thousand against our collaboration partner Abbott and was due and paid shortly after the balance sheet date.

18. MARKETABLE SECURITIES

All marketable securities in the amount of EUR 2,182 thousand as of December 31, 2009 (Dec 31, 2008: EUR 2,286 thousand) are recognized as financial instruments "available for sale" according to IAS 39.9 *Financial Instruments: Recognition and Measurement*.

Under the investment policy of the Company, each investment in securities underlies certain strict criteria. These include amongst others the limitation to securities nominated in euro currency only and an official capital market rating of the issuer or the securities not below "investment grade". However, the Company has not invested in any marketable securities during the last four reporting years.

All reported securities are underlying the usual market and interest risks. The interest rate risks are mostly price risks but for some securities there also exists an interest rate cash flow risk. Currency risks are minimized by avoiding investments in securities nominated in currencies other than the euro.

The fair value of all marketable securities is identified by their stock exchange quotations at each relevant balance sheet date. All securities have been traded on active markets in the reporting year.

EUR thousand	Dec 31, 2008	Dec 31, 2009
Corporate bonds	2,098	1,966
Debt certificates	188	216
Total	**2,286**	**2,182**

The investment strategy of the Company provides for an allocation of the various securities to different remaining maturities.

EUR thousand	Fair value Dec 31, 2008	in %	Fair value Dec 31, 2009	in %
Time to maturity of marketable securities				
< 1 year	485	21.2	0	0.0
1–2 years	0	0.0	896	41.1
2–5 years	779	34.1	0	0.0
> 5 years	834	36.5	1,070	49.0
Unlimited	188	8.2	216	9.9
Total	**2,286**	**100.0**	**2,182**	**100.0**

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased to EUR 3,954 thousand at the balance sheet date (Dec 31, 2008: EUR 9,814 thousand). Approximately 72% of those funds were denominated in euro currency at the balance sheet date. The remainder is predominantly denominated in U.S. dollar currency. The total amount is allocated to three different banks.

EUR thousand	Dec 31, 2008	Dec 31, 2009
Time deposits	9,162	1,230
Bank accounts, petty cash, cheques	652	2,724
Total	**9,814**	**3,954**

20. OTHER CURRENT ASSETS

EUR thousand	Dec 31, 2008	Dec 31, 2009
Prepaid expenses	544	923
Deferred financing costs	0	843
Receivables from tax authorities	605	389
Claims based on granted projects	136	59
– thereof: claims against public authorities	*11*	*59*
Interest receivables	82	59
Excess payments	4	18
Advance payments	8	13
Deposits	29	0
Other	66	45
– thereof: with a prospective maturity > 1 year	*38*	*38*
Total	**1,474**	**2,349**

Costs in the amount of EUR 843 thousand (Dec 31, 2008: EUR 0 thousand) incurred in connection with the preparation of a financing transaction have been capitalized as of December 31, 2009, to the extent the services have been rendered to the Company before the balance sheet date. These deferred costs will be offset against the capital reserve in case of a successful execution of such transaction. A matching liability has been recognized simultaneously at the balance sheet date.

EQUITY

21. NOTES TO SHARE CATEGORIES AND CAPITAL STRUCTURE

As of December 31, 2009, the share capital of Epigenomics AG comprised exclusively common shares with equal rights and a par value of EUR 1 each. During the reporting year, the number of shares issued increased from 26,723,636 to 29,394,724 shares. A total of 2,671,088 new no-par value bearer shares were created by a capital increase entirely using Authorized Capital 2008 / I within a financing transaction in February 2009 at a price of EUR 1.94 each. This capital increase was registered with the commercial register Charlottenburg on February 23, 2009. As of December 31, 2009, no new shares were created by the exercise of stock options.

Equity structure of Epigenomics AG as of December 31:

EUR	Dec 31, 2008	Dec 31, 2009	Variance
Share Capital	**26,723,636**	**29,394,724**	**2,671,088**
Conditional Capital	**4,089,326**	**2,925,964**	**-1,163,362**
Conditional Capital I	13,508	0	-13,508
Conditional Capital III	139,625	139,625	0
Conditional Capital IV	617,426	617,426	0
Conditional Capital V	647,679	647,679	0
Conditional Capital VI	2,671,088	0	-2,671,088
Conditional Capital VII	0	1,521,234	1,521,234
Authorized Capital	**2,671,088**	**14,697,361**	**12,026,273**
Authorized Capital 2008 / I	2,671,088	0	-2,671,088
Authorized Capital 2009 / I	0	2,939,472	2,939,472
Authorized Capital 2009 / II	0	11,757,889	11,757,889

With the resolution of the Annual General Shareholders' Meeting (AGM) held on May 11, 2009, Conditional Capital I and VI have been revoked with the corresponding cancellation of Section 5 Paragraphs 4 and 8 in the Company's Articles of Association. Conditional Capital III and IV cannot be used anymore to grant stock options as the underlying granting time frame has expired. However, new shares can still be created upon exercise of options from these older programs.

Conditional Capital VII and the corresponding addition of Section 5 Paragraph 4 to the Company's Articles of Association was resolved upon by the AGM on May 11, 2009, and has been registered with the commercial register on June 17, 2009. This conditional capital allows the creation of new shares upon the exercise of stock options granted under the new stock option program 09-13.

Conditional Capital V can be used to create new shares upon the exercise of stock options granted under the stock option program 06-10 of the Company. In 2009, a total number of 100,000 stock options have been granted to members of the Company's Executive Board and to its employees out of this stock option program. Furthermore, Conditional Capital VII can be used to create new shares upon the exercise of stock options granted under stock option program 09-13 of the Company. During the reporting year, a total number of 270,000 stock options have been granted to the Company's employees out of this stock option program.

In February 2009, Authorized Capital 2008/I was entirely used by the Executive Board to increase, with the consent of the Supervisory Board, the Company's share capital within the aforementioned financing transaction. In the AGM on May 11, 2009, the shareholders of the Company resolved upon creating two additional authorized capitals ("Authorized Capital 2009/I" and "Authorized Capital 2009/II") and the corresponding addition of Section 5 Paragraphs 9 and 10 to the Company's Articles of Association. Under the Authorized Capital 2009/I, the Executive Board is authorized to increase, with the consent of the Supervisory Board, the share capital of the Company at any time or from time to time on or before May 10, 2014, by up to EUR 2,939,472.00 by issuing up to 2,939,472 new no-par value bearer shares in return for contributions in cash and/or in kind, whereby, in case of a capital increase against contribution in cash, shareholders have, in principle, a pre-emptive right.[2] Under the Authorized Capital 2009/II the Executive Board is authorized to increase, with the consent of the Supervisory Board, the share capital of the Company at any time or from time to time on or before May 10, 2014, by up to EUR 11,757,889.00 by issuing up to 11,757,889 new no-par value bearer shares in return for contributions in cash and/or in kind, whereby, in case of a capital increase against contribution in cash, shareholders have, in principle, a pre-emptive right.[3] The Authorized Capitals 2009/I and 2009/II and the corresponding amendment of our Articles of Association were registered with the commercial register on June 17, 2009.

22. CAPITAL RESERVE

In the reporting year, the capital reserve increased from EUR 3,567 thousand (Dec 31, 2008) to EUR 6,227 thousand (Dec 31, 2009) mainly due to the surplus of the capital increase in February 2009 (EUR 2,511 thousand).

23. OTHER COMPREHENSIVE INCOME

The other comprehensive income arises from the revaluation of financial assets available for sale not affecting net income. The effective sale of revaluated financial assets available for sale leads to a recognition of the cumulated differences through profit or loss.

EUR thousand	2008	2009
Balance as of January 1	**993**	**1,452**
– adjustments from the sale of financial instruments available for sale	-23	-27
– revaluation of financial instruments available for sale	482	-381
Balance as of December 31	**1,452**	**1,044**

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 capital structure of the Group consists of current liabilities, cash and cash equivalents, instruments available for sale and equity attributable to equity holders, comprising subscribed capital, capital reserve (including offset retained earnings) and other comprehensive income.

In 2009, the Group's equity ratio decreased from 81.7% as of December 31, 2008, to 73.9% as of December 31, 2009. This decrease is mainly attributable to ongoing losses with a simultaneous increase in short-term liabilities.

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

[2] For further details on the authorization to issue new shares reference is made to the invitation to the Company's AGM on May 11, 2009, as published on the Company's website (www.epigenomics.com/en/investor_relations/general_shareholders_meeting/).
[3] cp. footnote 2

NON-CURRENT LIABILITIES

25. LIABILITIES FROM LEASING CONTRACTS

In the reporting year, the Company has not closed any operating leasing contracts. There are liabilities from an operating lease for laboratory equipment, signed in the previous year. This leasing contract has a remaining term until April 2011. In the reporting year, the non-current liabilities from leasing contracts decreased by EUR 29 thousand.

CURRENT LIABILITIES

26. TRADE PAYABLES

Trade payables are all non-interest-bearing and are generally due and settled within 30 days.

At the reporting date, an amount of EUR 680 thousand in trade payables is resulting from financing activities related to the preparation of a financing transaction. They must be seen in connection with financing costs capitalized as "Other current assets" at the balance sheet date (see item 20).

27. DEFERRED INCOME

Payments received in advance for services to be rendered by Epigenomics AG in the future are recorded as deferred income. The payments received for commercial collaborations are recognized as revenue over the respective contractual terms. The payments received for granted projects are recognized as other income according to the percentage of completion method. There is no repayment obligation for Epigenomics.

EUR thousand	Dec 31, 2008	Dec 31, 2009
Payments for commercial collaborations	1,167	660
Payments for granted projects	87	60
Total	**1,254**	**720**

Deferred income in the amount of EUR 53 thousand as of December 31, 2009 (Dec 31, 2008: EUR 597 thousand), which will be released in the form of revenue recognition, has a duration exceeding 12 months. This corresponds to our usual licensing business cycle.

28. OTHER LIABILITIES

EUR thousand	Dec 31, 2008	Dec 31, 2009
Payables due to staff	396	416
Payables due to tax authorities	178	234
Accrued audit fees	127	119
Down payments received	0	45
Payables due to social security institutions	29	21
Accrued Supervisory Board fees	25	0
Liabilities from granted projects	13	0
Liabilities from derivative instruments	85	0
Other	34	16
Total	**887**	**851**

29. PROVISIONS

As of December 31, 2009, the provisions of the Company added up to EUR 571 thousand. Substantially, they were recognized for:

- possible obligations from licensing contracts, depending on outstanding decisions from patent courts;
- uncertain liabilities due to employees in connection with the German Employee Invention Act;
- expenses in connection with the Annual General Shareholders' Meeting; and
- other operating expenses which were uncertain at the reporting date regarding their exact amounts or the point in time when they will incur.

While a utilization of the other provisions is largely expected within the next 12 months, a utilization of the licensing and the payroll provisions could lie in more than 12 months' time.

Statement of changes in current provisions:

EUR thousand	Licensing provisions	Payroll provisions	Provisions for granted projects	Other provisions	Total
January 1, 2008	**209**	**206**	**57**	**68**	**540**
Utilization	0	0	0	-49	-49
Reversal	-209	0	-57	-13	-279
Additions	188	22	0	59	269
December 31, 2008	**188**	**228**	**0**	**65**	**481**
Utilization	0	0	0	-50	-50
Reversal	0	0	0	-9	-9
Additions	0	83	0	66	149
December 31, 2009	**188**	**311**	**0**	**72**	**571**

30. NOTES TO FINANCIAL INSTRUMENTS

AC = Amortized Cost
FV Rec. Eq. = Fair Value Recognized in Equity
FV Rec. PL = Fair Value Recognized in Profit or Loss

Primary financial instruments

EUR thousand	Valuation principle	Carrying amount	Fair value	Carrying amount	Fair value
		as of Dec 31, 2008		as of Dec 31, 2009	
Assets					
Loans and receivables	AC	1,045	1,045	2,170	2,170
Trade receivables		727	727	1,993	1,993
Other current assets		318	318	177	177
Financial assets available for sale	FV Rec. Eq.	2,286	2,286	2,182	2,182
Marketable securities		2,286	2,286	2,182	2,182
Cash and cash equivalents	n/a	9,814	9,814	3,954	3,954
Liabilities					
Financial liabilities measured at amortized cost	AC	1,508	1,508	2,551	2,551
Trade liabilities		1,027	1,027	2,091	2,091
Liabilities from leasing contracts		66	66	37	37
Other current liabilities		415	415	423	423

Derivative financial instruments

EUR thousand	Valuation principle	Carrying amount	Fair value	Carrying amount	Fair value
		as of Dec 31, 2008		as of Dec 31, 2009	
Assets					
Financial assets held for trading	FV Rec. PL	0	0	4	4
Currency forward contracts		0	0	4	4
Liabilities					
Financial liabilities held for trading	FV Rec. PL	85	85	0	0
Interest rate swap		27	27	0	0
Currency forward contracts		58	58	0	0

NOTES TO THE GROUP CASH FLOW STATEMENT

31. OPERATING ACTIVITIES

Cash flow from operations is derived indirectly on the basis of the net loss for the year before taxes on income. Liquid assets comprise cash (bank deposit and cash in hand) and cash equivalents (being convertible on a short-term basis to a known amount of cash, highly liquid financial instruments, which carry a very low risk of changes in value).

32. INVESTING ACTIVITIES

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

33. FINANCING ACTIVITIES

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

Payments for the creation of new shares in the reporting year of EUR 189 thousand (2008: EUR 2,037 thousand) were related partially to the Company's capital increase in February 2009 (EUR 26 thousand) and partially to a financing transaction in preparation at the balance sheet date (EUR 163 thousand).

RISKS AND RISK MANAGEMENT

34. GENERAL

For a comprehensive overview of the risks the Company is facing reference is made to the "Opportunities and Risks Report" section of the Group management report 2009.

35. LIQUIDITY RISK

The liquidity risk of Epigenomics results from the Group's potential inability to meet its financial liabilities, i. e. not paying its suppliers, creditors or lenders.

To secure the Company's liquidity, Epigenomics constantly monitors the capital markets and undertakes all necessary efforts to raise fresh capital to avoid illiquidity. Short-term liquidity is ensured by maintaining internal cash forecasts and a corresponding strategy of managing time deposits with the Company's house banks.

Epigenomics has a strict cost management in place to avoid unnecessary spending. On the procurement side it always tries to reduce and minimize purchase prices by closing favorable contracts and negotiating all relevant conditions.

36. FOREIGN CURRENCY EXCHANGE RISK

The Group constantly faces a foreign currency exchange risk through the fluctuations between the euro and the U.S. dollar as well as to a limited extent the British Pound Sterling. The risk mainly originates from the need to purchase goods and services partially in U.S. dollar. Also, certain services of the Group are sold in U.S. dollar. It is constantly tried to mitigate or to eliminate this risk as far as possible. Wherever possible the Group exerts its influence in negotiations to avoid this risk and mainly uses derivative financial instruments in the shape of forward contracts to minimize this risk. These instruments are recognized at fair value on the Group balance sheet as short-term assets or short-term liabilities. Changes in fair value are charged to profit or loss as the Company currently does not meet the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* regarding hedge accounting.

Due to the limited volume of positions denominated in foreign currencies at the reporting date an increase or a decrease of the euro to U.S. dollar by 10% each, provided that all other assumptions were to remain unchanged, would (as in the previous year) not have led to substantial changes in the net result of the Group or in its equity.

37. CREDIT RISK

The Company's overall credit risk is low. Securities have only been acquired under careful observation of the Company's investment policy, i. e. a strict selection by the credit ratings of the issuers has been conducted. However, the worldwide financial market crisis of 2008 / 2009 has shown, that even top-rated issuers can suddenly face a threatening situation or even collapse. Additionally, since 2008, it has become clear that there is a pending risk of illiquid markets.

Trade receivables basically concern renowned commercial partners with acceptable ratings. Whenever possible, payments are collected upfront. In all cases, the maximum amount at risk can be derived from the carrying values.

38. INTEREST RATE RISK

The Group holds interest-bearing financial instruments in the form of cash and cash equivalents (daily and time deposits) and of securities.

As the Group's time deposits have usually maturities of up to a maximum of 180 days, the interest rate risk of these financial instruments can be considered negligible.

However, the securities held by the Group with maturities of more than one year are subject to an interest rate risk as the terms and conditions for interest payments depend on the development of the long-term interest rates on the capital markets. In a worst-case scenario, the Group will receive no interest payments at all from the issuers of these securities but in no case it will have a negative interest income (i. e. it will not pay interest).

INFORMATION ON STOCK OPTION PROGRAMS

39. EXPIRED STOCK OPTION PROGRAMS

As of the balance sheet date, the Epigenomics Group (via Epigenomics AG) had four fixed stock option programs in place. Details of the two programs 01-05 and 03-07 can be found in the Company's prospectus for the capital increase on January 22, 2008. This document is available on the Company's website. The two programs 01-05 and 03-07 are expired at the balance sheet date, i. e. no stock options can be granted from those programs in the future. In general, the rights under all two programs are such that option holders can obtain shares in the Company by exercising their options once all exercise hurdles have been surpassed. In order for options to be exercisable, the stock price must have appreciated by at least 10% versus the stock price at grant date and the statutory waiting period of two years as well as vesting must have been completed. If employees leave the Company before the options are vested these forfeit without compensation.

40. CURRENT STOCK OPTION PROGRAMS

Stock option can be granted from the two latest stock option programs 06-10 and 09-13. Details of the stock option program 06-10 can be found in the Company's prospectus for the capital increase on January 22, 2008. The latest and fourth stock option program ("09-13") was introduced in 2009 and approved by the Annual General Shareholders' Meeting on May 11, 2009. The Company's share capital was therefore conditionally increased by up to 5.69% of the share capital registered before the capital increase, i. e. by up to EUR 1,521,234.00 by issuance of up to 1,521,234 bearer shares of common stock with an accounting par value of EUR 1.00 each (Conditional Capital VII). The Executive Board of the Company is authorized until the expiration (December 31, 2013) to issue subscription rights with respect to shares out of the stock option program 09-13 in one or more annual tranches in favor of beneficiaries according to the conditions of this program, once the Conditional Capital VII becomes effective by registration in the commercial register. In case of Executive Board members being beneficiaries, only the Supervisory Board can grant such options. Each individual subscription right entitles the beneficiary to subscribe to one bearer share of common stock of the Company with a par value of EUR 1.00 each against payment of the exercise price. Beneficiaries of the program are the Company's Executive Board members ("group 1"; a maximum of 30% of the total volume, i. e. altogether a maximum of 456,370 of the subscription rights) and the employees of the Company and of subordinated affiliated companies within the meaning of Sections 15 et seq. AktG, but excluding the members of the Management Board of subordinated affiliated companies ("group 2"; a maximum of 70% of the total volume, i. e. altogether a maximum of 1,064,864 of the subscription rights).

The subscription rights in every tranche shall vest for the group-2-beneficiaries as follows: one-third of the subscription rights issued in one tranche shall vest one year after the issuance of the subscription rights of such tranche; a further one-third of the subscription rights issued in one tranche shall vest two years after the issuance of the subscription rights of such tranche; the final one-third of the subscription rights issued in one tranche shall vest three years after the issuance of the subscription rights of such tranche.

The subscription rights of every tranche shall vest completely or partially for group-1-beneficiaries, if and to the extent that the Supervisory Board of the Company declares such vesting of subscription rights vis-à-vis a group-1-beneficiary in compliance with the rules set out hereafter. The declaration of vesting of subscription rights vis-à-vis a group-1-beneficiary by the Company's Supervisory Board requires a corresponding prior resolution by the Supervisory Board. The Supervisory Board adopts its decision regarding the "if" and the extent of the vesting of subscription rights of a group-1-beneficiary at its free discretion taking into account the individual services of the individual beneficiary and the development of the Company. The Supervisory Board can declare the complete or partial vesting of subscription rights issued in one tranche in favor of group-1-beneficiaries at any time after the issuance of these subscription rights. In case the Supervisory Board does not decide on the vesting vis-à-vis one or more of the group-1-beneficiaries, the subscription rights of every tranche shall vest for group-1-beneficiaries in the same way as for group-2-beneficiaries (see above).

Subscription rights of each tranche can be exercised for the first time after their vesting as described before and after expiration of the statutory waiting period. The statutory waiting period starts with the issuance of the subscription rights of a tranche and ends two years after the issuance of the subscription rights of such tranche. The restriction of the exercise of the subscription rights to certain exercise periods and the subscription rights being subject to the compliance with all exercise conditions remain unaffected by the expiration of the waiting period.

The term of the subscription rights of every tranche begins with the issuance of the subscription rights of such tranche and ends with the expiration of seven years after the issuance of the subscription rights of such tranche.

The subscription rights can only be exercised against payment of the exercise price to the Company. The exercise price corresponds to the average stock exchange closing price, increased by 10%, of the 20 stock exchange trading days preceding the issuance of the subscription rights in the Exchange Electronic Trading (XETRA) system, in no case, however, less than the final stock exchange price of the share on the day the subscription rights were issued ("market value" or "fair market value"). Furthermore, the subscription rights regarding a tranche can only be exercised in case the price of the Company's share has reached or surpassed the payable exercise price at least once within the period between the issuance of the subscription rights of this tranche and the exercise of these subscription rights (performance target).

Any subscription rights of a beneficiary that have not yet vested expire without compensation in any case upon termination of the employment or work contract with the beneficiary, irrespective of the reason for such termination. The expiration date is the day on which the employment or work contract ends.

The subscription rights granted to the beneficiaries under the stock option program 09-13 are nontransferable. In case subscription rights are not or cannot be exercised until the end of their term, they expire without compensation. The same applies for vested subscription rights.

The new shares shall participate in the profit from the beginning of the fiscal year in which they are issued.

41. DEVELOPMENT OF STOCK OPTIONS IN THE REPORTING YEAR

In 2009, a total number of 70,000 stock options were granted to the Company's Executive Board and a total number of 30,000 were granted to employees of the Company under the Company's stock option program 06-10. A total number of 270,000 stock options were granted under the Company's stock option program 09-13 to employees of the Company. Each option right entitles the holder to subscribe to one bearer share of common stock with a par value of EUR 1.00 each in return for payment of the exercise price. The exercise price for each of the new rights was fixed at the average closing price of the 20 trading days before the grant date. The aggregate proceeds to the Company if these options were exercised and shares were issued would amount to EUR 999,000.

Details of stock options granted in 2009:

Expiry date	Jan 1, 2016	Feb 15, 2016	July 1, 2016	Total 2016
Number	30,000	70,000	270,000	**370,000**
Share price at grant date (in EUR)	2.00	2.02	2.88	**2.65**
Exercise price (in EUR)	2.20	2.22	2.88	**2.70**
Historical volatility at grant date	57.80%	58.11%	58.71%	**58.52%**
Risk-free interest rate	2.04%	1.94%	2.25%	**2.17%**
Aggregate proceeds if shares are issued (in EUR)	66,000	155,400	777,600	**999,000**

A total number of 107,684 stock options can still be granted to the Company's employees and Executive Board members from the stock option program 06-10 und a total number of 1,251,234 stock options can still be granted to the Company's employees and Executive Board members from the stock option program 09-13.

	Options issued as of Dec 31, 2008	Options issued in 2009	Options forfeited in 2009	Options cancelled in 2009	Options exercised in 2009	**Options issued as of Dec 31, 2009**
Option holder						
Geert Walther Nygaard	180,000	35,000	0	0	0	215,000
Oliver Schacht, Ph.D.	146,613	35,000	0	0	0	181,613
Total Executive Board	**326,613**	**70,000**	**0**	**0**	**0**	**396,613**
Other option holders	587,050	300,000	165,203	6,002	0	715,845
Total options	**913,663**	**370,000**	**165,203**	**6,002**	**0**	**1,112,458**
Average exercise price (in EUR)	4.60	2.70	4.53	5.31	n/a	3.99
Average share price (in EUR)					n/a	

The number of options issued as of December 31, 2009, includes 568,299 exercisable rights (December 31, 2008: 374,001).

Terms of outstanding options:

Term	Weighted-average exercise price in EUR as of Dec 31, 2008	Options issued as of Dec 31, 2008	**Weighted-average exercise price in EUR as of Dec 31, 2009**	**Options issued as of Dec 31, 2009**
2009	4.53	17,472	n/a	0
2010	4.53	46,994	4.53	8,763
2011	4.53	234,200	4.53	124,700
2012	7.30	25,340	7.30	25,340
2013	5.48	112,660	5.48	110,660
2014	4.47	446,997	4.47	442,995
2015	2.11	30,000	2.11	30,000
2016	n/a	0	2.70	370,000
Total		**913,663**		**1,112,458**

After the balance sheet date a total of 385,000 stock options were granted. A total of 140,000 stock options were granted to the members of the Company's Executive Board and 245,000 stock options were granted to employees of the Company thereof, 20,000 were granted under the stock option program 06 – 10 and 365,000 were granted under the new stock option program 09 – 13.

OTHER INFORMATION

42. INFORMATION ON THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF THE COMPANY AND THEIR REMUNERATION

Members of the Executive Board of the Company during the reporting year were:

- Geert Walther Nygaard, Berlin (D), Chief Executive Officer
- Oliver Schacht, Ph.D., Seattle, WA (U.S.A.), Chief Financial Officer; Chief Executive Officer of Epigenomics, Inc.

In 2009, the total remuneration of the members of the Executive Board amounted to EUR 794 thousand (2008: EUR 751 thousand), comprising EUR 580 thousand in fixed compensation (2008: EUR 567 thousand), EUR 204 thousand in bonus payments (2008: EUR 174 thousand) and EUR 10 thousand in other compensation payments (2008: EUR 10 thousand).[4] A total of 70,000 stock options with a fair value at grant date of EUR 41 thousand were granted to the members of the Executive Board in 2009 while in 2008, no stock options had been granted to the Company's Executive Board members.

In case of a change of control, Mr. Nygaard and Mr. Schacht are entitled to terminate their service agreement and would in such case be entitled to receive payment of the fixed compensation amount for the time remaining until their service agreement would have anyhow terminated.

Members of the Supervisory Board of the Company during the reporting year were:

- Prof. Dr. Dr. h.c. Rolf Krebs, Mainz (D), Chairman
- Prof. Dr. Dr. Uwe Bicker, Bensheim-Auerbach (D), Deputy Chairman
- Günter Frankenne, Berg / Neumarkt (D)
- Ann Clare Kessler, Ph.D., Rancho Santa Fe, CA (U.S.A.)
- Heino von Prondzynski, Einsiedeln (CH)
- Prof. Dr. Günther Reiter, Pfullingen (D).

In 2009, total remuneration of the members of the Supervisory Board amounted to EUR 162 thousand (2008: EUR 155 thousand) plus out-of-pocket expenses amounting to EUR 21 thousand (2008: EUR 29 thousand).

Further details to the composition of the Executive Board and the Supervisory Board and the compensation of their members in the reporting year can be found in the "Compensation Report" section of the Group management report 2009.

[4] **All previous year's numbers comprise exclusively of remuneration components for the current Executive Board members. The remuneration of former Executive Board members who left the Company in 2008 was taken out to ensure comparability.**

43. OTHER FINANCIAL OBLIGATIONS

For the Epigenomics Group, other financial obligations arise from a total of two leases at the Berlin and Seattle locations:

a) For the Berlin location at Kleine Präsidentenstrasse 1, there is a fixed-term lease with a term expiring on August 31, 2014. Until this date, a total rent of approximately EUR 1.66 million (undiscounted) has to be paid.

b) For the Seattle location, there is a fixed-term lease with a term from December 1, 2009, and expiring on June 30, 2017. Until this date, a total rent of approximately USD 2.07 million (undiscounted) has to be paid. This contract includes an option for early termination after thirty-six months, i. e. as of November 30, 2012. In connection with such an early termination, we would have to pay a total rent of USD 500 thousand for the period from January 1, 2010, to November 30, 2012, and an early termination fee currently estimated at USD 673 thousand for unamortized tenant improvements and rent abatement as well as fees to the landlord.

In the reporting period and in previous years, Epigenomics acquired numerous exclusive licenses to third-party intellectual property. This means that there are some obligations to pay minimum license fees in years to come. Additionally, Epigenomics has the obligation to reimburse most of those third parties for costs incurred in connection with the maintenance and the prosecution of the licensed rights. Those costs are mainly charges for patent attorneys or office actions and are difficult to forecast regarding their amounts and timing. The expected amount due to various licensors (including reimbursements for patent prosecution) stands at approximately EUR 570 thousand for the years 2010 and 2011. However, most of these agreements could be terminated by Epigenomics at short notice. There is only one case in which Epigenomics is under a fairly long-term binding obligation. However, this payment obligation will not exceed EUR 20 thousand per year.

Once Epigenomics starts to generate product revenue with third parties, which is generated with the help of this licensed intellectual property, then in some cases license fees that are above and beyond and which correspond to a percentage of such revenue must be paid to the licensors. Consequently, the potential amount of the obligations is difficult to quantify, since the significant share of the variable license fees is dependent on the type and composition of future revenue.

After his retirement as our Chief Scientific Officer in August 2008, Dr. Kurt Berlin entered into a consultancy agreement with us for the period from September 1, 2008, until December 31, 2009. The Company extended this consultancy agreement with Dr. Berlin at the end of 2009 for further 12 months.

Under the terms of this extension, the Company is committed to request six consulting days per quarter from Dr. Berlin at a net rate of EUR 1 thousand per day plus out-of-pocket expenses.

Due to contracts with third parties, at the balance sheet date, Epigenomics had payment obligations of EUR 305 thousand for services and goods to be received in 2010. Additional payment obligations of more than EUR 692 thousand could arise from various contracts with providers of tissue samples. However, as delivery dates and effective delivery quantities are to some extent uncertain, the future payments resulting from those contracts could also be lower.

44. INFORMATION ON THE AUDITORS OF THE COMPANY

As in the previous years, UHY Deutschland AG had been chosen as the Company's auditing firm for the financial year 2009. During the reporting year, a total amount of EUR 273 thousand has been expensed for miscellaneous services of this auditing firm for Epigenomics AG. Details are shown in the following table:

EUR thousand	2008	2009
Costs for audit services	99	95
Costs for other confirmation services	43	178
Total	**142**	**273**

The costs disclosed for the annual audits are related to the audits on the individual financial statements of Epigenomics AG according to German GAAP as well as on the consolidated financial statements for the Epigenomics Group, latter according to IFRSs. Other confirmation services occurred mainly for services in connection with the preparation of a capital increase.

45. STATEMENT OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF EPIGENOMICS AG PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ) WITH RESPECT TO THE GERMAN CORPORATE GOVERNANCE CODE

In December 2009, the Executive Board and the Supervisory Board of the Company issued the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz). The declaration has been published on the Company's website (www.epigenomics.com/en/investor_relations/corporategovernance).

46. INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

At the reporting date, the Company's bonus payables due to members of its Executive Board amounted to EUR 205 thousand (Dec 31, 2008: EUR 174 thousand) and the liabilities due to members of its Supervisory Board amounted to EUR 66 thousand (Dec 31, 2008: EUR 46 thousand).

47. INFORMATION ON MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

For material nonadjusting events after the balance sheet date reference is made to the "Supplementary Report" section of the Group management report 2009.

48. CLEARED FOR PUBLICATION

These consolidated financial statements have been approved and cleared for publication by the Executive Board of the Company on February 26, 2010.

Berlin, February 26, 2010

The Executive Board

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements 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 principal opportunities and risks associated with the expected development of the Group.

Berlin, February 26, 2010

The Executive Board

AUDITOR'S REPORT

"We have audited the consolidated financial statements prepared by Epigenomics AG, Berlin, comprising the Group balance sheet, the Group statement of comprehensive income (Group income statement and statement of income and expenses recognized in Group equity), statement of changes in Group equity, Group cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB (Handelsgesetzbuch: German Commercial Code) and supplementary provisions of the articles of association are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. (paragraph) 1 HGB and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Furthermore, not intended to qualify our opinion, we point out that the financial statements are prepared on a going concern basis of the Group. The Executive Board derives the positive prognosis for the Group's continued existence from a detailed financial and earnings planning for the business years 2010 and 2011 with the result that the Group will most probably be able to continue its business activities during the present and coming business year, with adherence to its payment obligations.

In their financial and earnings planning, the Group assumed that considerable fresh funds will be raised through equity financing by the second quarter 2010, at the latest. In case this required fund raising would not be realised by that time, it might be necessary for the Epigenomics AG to file for insolvency as early as in the second quarter of 2010.

In this regard, we refer to the explanations regarding financial risks in the consolidated management report, in particular to the sections "Financial Opportunities and Risks" and "Outlook on financial situation". Given the Group's liquidity (cash, cash equivalents and marketable securities) of EUR 6.1 million at balance sheet date, the Group will be reliant onthe allocation of fresh financial resources by as early as the second quarter 2010, due to the fact that the estimated cash consumption for the business year 2010 of roughly EUR 10 million exceeds by far the liquid resources on December 31, 2009."

Berlin, February 26, 2010
UHY Deutschland AG
Wirtschaftsprüfungsgesellschaft

(Lauer)
Wirtschaftsprüfer

(Dr. Peters)
Wirtschaftsprüferin

PROFIT AND LOSS STATEMENT 2009 OF EPIGENOMICS AG (according to HGB)

The Profit and Loss Statement of Epigenomics is prepard according to Section 275 Paragraph 2 of the German Commercial Code.

	2008 (EUR thousand)	2009 (EUR)
Total income	**4,180**	**5,655,525.09**
Sales revenue	**1,952**	**4,999,242.78**
Changes in inventories	**633**	**-798,995.61**
Other operating income	**1,595**	**1,455,277.92**
Cost of materials	**-1,532**	**-2,952,954.38**
a) Expenses for raw materials, supplies and purchased goods	-892	-946,863.58
b) Expenses for purchased services	-640	-2,006,090.80
Personnel costs	**-5,020**	**-4,382,910.53**
a) Wages and salaries	-4,458	-3,876,200.77
b) Social security contributions	-562	-506,709.76
Depreciation and amortization	**-2,340**	**-677,105.64**
a) On tangible and intangible assets	-2,340	-677,105.64
Other operating expenses	**-9,421**	**-9,231,505.84**
Other interest and similar income	**976**	**206,029.85**
thereof from affiliated companies	*262*	*0.00*
Write-down of securities held as current assets	**-492**	**0.00**
Interest and similar expenses	**-30**	**-8,430.00**
Result from ordinary business activities	**-13,679**	**-11,391,351.45**
Net loss for the year	**-13,679**	**-11,391,351.45**

BALANCE SHEET OF EPIGENOMICS AG

AS OF DECEMBER 31, 2009 (according to HGB)

The Balance Sheet of Epigenomics is prepared according to Section 266 of the German Commercial Code.

ASSETS	Dec. 31, 2008 (EUR thousand)	Dec. 31, 2009 (EUR)
A. Non-current assets	**5,891**	**5,700,193.58**
I. Intangible assets	**1,844**	**1,746,455.85**
1. Franchises, trademarks, patents, licenses and similar rights and licenses to such rights	1,844	1,746,455.85
II. Tangible assets	**560**	**466,690.24**
1. Leasehold improvements	51	6,688.62
2. Technical equipments and machines	501	445,616.95
3. Other equipment, furniture and fixtures	8	14,384.67
III. Financial assets	**3,487**	**3,487,047.49**
1. Shares in affiliated companies	3,487	3,487,047.49
B. Current assets	**14,083**	**8,672,604.19**
I. Inventories	**968**	**184,070.22**
1. Raw materials, supplies and production materials	106	123,442.84
2. Work in progress	840	24,100.00
3. Finished products and goods	19	36,527.38
4. Prepayments	2	0.00
II. Receivables and other current assets	**1,241**	**2,549,599.17**
1. Trade accounts receivable	369	1,970,931.34
2. Other current assets	872	578,667.83
III. Securities	**2,286**	**2,182,100.00**
1. Other securities	2,286	2,182,100.00
IV. Cash on hand and cash in banks	**9,588**	**3,756,834.80**
C. Prepaid expenses	**208**	**283,887.55**
Total assets	**20,182**	**14,656,685.32**

LIABILITIES AND SHAREHOLDERS' EQUITY		
A. Shareholders' equity	**15,498**	**9,288,931.39**
I. Subscribed capital	**26,724**	**29,394,724.00**
Conditional capital: € 2,925,964	*4,089*	
II. Capital reserves	**2,454**	**4,964,487.71**
III. Retained earnings	**0**	**-13,678,928.87**
IV. Net loss for the year	**-13,679**	**-11,391,351.45**
B. Accruals and provisions	**1,189**	**1,320,138.91**
1. Accruals and provisions for staff	299	346,699.88
2. Other accruals and provisions	890	973,439.03
C. Payables	**2,241**	**3,327,882.50**
1. Deferred income	494	109,120.09
2. Trade accounts payable	373	1,006,423.95
3. Liabilities due to affiliated companies	1,110	1,904,795.25
4. Other liabilities	264	307,543.21
D. Deferred income	**1,254**	**719,732.52**
Total liabilities and shareholders' equity	**20,182**	**14,656,685.32**

SCIENTIFIC ADVISORY BOARD AS OF JANUARY 1, 2010

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Glossary

Assay. Chemical reactions that allow detection or quantification of substances or biomarkers in samples.

Biochip. Microarray. Technology for the simultaneous measurement of multiple biomarkers.

Biomarker. A characteristic that is objectively measured and evaluated as an indicator of normal biologic or pathogenic processes or pharmacological responses to a therapeutic intervention.

Biopsy. Sample of tissue from a living body extracted for diagnostic purposes.

Bronchial Lavage. Flushing of parts so of the lung with a saline solution in order to wash out cells for inspection by a pathologist.

Bronchoscopy. Visual inspection of the airways with an endoscope.

CE marking. The CE marking is a mandatory safety mark on many products placed on the market in the European Economic Area (EEA). By affixing the CE marking, the manufacturer assures that the item meets the essential requirements of all applicable EU directives.

Clinical proof of concept. Demonstration that a diagnostic or therapeutic procedure (concept) can in principle be applied with success.

Colonoscopy. Invasive endoscopic examination of the large colon and the end section of the small bowel with a CCD camera or a fiber optic camera on a flexible tube passed through the anus. Frequently used to diagnose colorectal cancer and other colon diseases.

Cross-licensing agreement. Contract between two parties, that gives each party access to the patents of the other party.

CT. Computer tomography. Diagnostic ima-ging procedure that allows three-dimensional reconstruction of the body structure by use of serial x-ray images.

DNA. Dexyribonucleic acid. The carrier of genetic information for all complex organisms. DNA consists of four different bases bound to a sugar phosphate backbone: adenine (A), cytosine (C), guanine (G), thymine (T). The genetic information is encoded in the sequence of the four bases.

DNA methylation. Natural biological process by which a chemical methyl group is added stably to cytosine, one of the four bases of the DNA. DNA methylation serves the regulation of genes and the stability of the genetic information.

Endoscope. Optical device for the inspection of body cavities and minimally invasive surgery. See also colonoscopy.

Endoscopy. Visual inspection of body cavities by use of an endoscope. See also colonoscopy.

False-positive rate. Percentage of healthy individuals, falsely identified as sick due to the imprecision of a diagnostic procedure.

FDA. Food and Drug Administration. U.S. Government agency responsible for the approval of drugs and medical devices (e.g. IVD tests).

FOBT. Fecal Occult Blood Test. Test that detects blood in stool, a possible indicator of colorectal cancer.

Immunological FOBTs. Tests, that detect human blood in a stool sample by the use of antibodies.

Incidence. Number of new cases per year in a specific disease indication.

In vitro. In a test tube.

IVD. In vitro diagnostic.

IVD platform. One or more instruments or devices by means of which an in vitro diagnostic test can be performed and the results analyzed.

LDT. Laboratory-developed test. Assay for a biomarker developed within a diagnostic laboratory following certain quality standards (CLIA) that can be offered – with certain restrictions – by that laboratory in the U.S. without prior regulatory clearance by the FDA. Also known as "homebrew" test.

Lead marker. Strongest biomarker of a panel; further biomarkers are selected to increase performance of the panel but would be insufficient without the lead marker.

Methylated Sept9 DNA. DNA of the Sept9 gene that at specific cytosine positions shows the pattern of methylgroups typical for colorectal cancer.

^{m}GSTP1. DNA methylation biomarker GSTP1, i. e. the use of methylated DNA of the GSTP1 gene as a biomarker.

Milestone payment. One-time payment between contractual parties upon reaching important goals within a collaboration.

Molecular classification test. Diagnostic test that, based on the analysis of DNA or RNA allows the more precise classification of a disease in clinically or pathologically relevant subgroups.

Molecular diagnostics. Diagnostics based on genetic and epigenetic information.

Monitoring. The tracing of potential recurrence or assessment of progression of a disease.

^{m}PITX2. DNA methylation biomarker PITX2, i. e. the use of methylated DNA of the PITX2 gene as a biomarker.

^{m}SEPT9. DNA methylation biomarker SEPT9, i. e. the use of methylated DNA of the SEPT9 gene as a biomarker.

Non-exclusive licensing model. Strategy for the commercialization of patents by which several licensees in a geographic region obtain the rights to use one or more patents for the same application.

Oncology. The branch of medicine that studies tumors (cancer) and seeks to understand their development, diagnosis, treatment, and prevention.

PCR. Polymerase chain reaction. Method to multiply a section of the DNA in a test tube.

PET. Positron Emission Tomography. Diagnostic imaging procedure, by which the distribution of a slightly radioactive substance in an organism is visualized to map biochemical and physiological processes.

PIPE financing. Private Investment in Public Equity. Selling of shares from authorized capital to private investors without making a public offering and under exclusion of subscription rights. Under German law limited to up to 10% of the share capital within twelve months.

Prognosis. Prediction of how a patient's disease will progress, and the chance of recovery.

PSA. Prostate-specific Antigen. A biomarker currently used to screen for prostate cancer.

Reagents. Chemical substances needed for the performance of an assay.

Reference laboratory. Centralized diagnostic laboratory that provides testing services for routine and specialty applications.

Research market. Market for laboratory equipment and supplies not intended for therapeutic or diagnostic use in humans or animals.

RNA. Ribonucleic acid. Molecule built of similar components as DNA that mainly as an information carrier is involved in the use of genetic information to direct the synthesis of proteins. Compared to DNA, RNA is chemically and biologically considerably less stable.

RT PCR. Real-time PCR. PCR in which the amplification of a DNA segment is continuously measured.

RUO. Research-Use-Only. Label for products only intended for research applications (also: research products).

Screening. The systematic and preventive mass screening of an asymptomatic population for early detection of disease.

Sensitivity. The measure of a test's ability to accurately detect the presence of a disease. For example, a sensitivity of 90% means that out of 100 patients who actually have the disease, on average 90 are correctly diagnosed.

Specificity. The measure for a test's ability to exclude a disease if it is truly not present. For example, a specificity of 90% means that out of 100 healthy people ten are falsely identified as having the disease.

Test kit. Test reagent kit. A set of reagents, consumables and processing instructions necessary to perform a diagnostic laboratory test.

Test panel. Combination of different biomarkers in a diagnostic test.

Tumor. A mass of excess tissue that results from abnormal cell division.

Validation. Establishing documented evidence that a process or system, when operated within established parameters, can perform effectively and reproducibly and meet its predetermined specifications and quality attributes.

2010

CORPORATE CALENDAR

ANNUAL REPORT 2009
Wednesday, March 31, 2010

3-MONTH REPORT 2010
January 1 – March 31
Tuesday, May 11, 2010

ANNUAL GENERAL SHAREHOLDERS' MEETING 2010 IN BERLIN
Tuesday, June 8, 2010

6-MONTH REPORT 2010
January 1 – June 30
Tuesday, August 10, 2010

9-MONTH REPORT 2010
January 1 – September 30
Tuesday, November 9, 2010

The annual report is also available in German.

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Opportunities and Outlook

SEPTIN9 COLORECTAL CANCER PROGRAM

- ARUP to launch laboratory-developed test for Septin9 in the U.S. (launch: 2010[1])
- Abbott to run U.S. approval trial for their mS9 assay using samples of the PRESEPT cohort and to submit for regulatory approval by the FDA (2010[1])
- Epi *pro*Colon test to be developed for use with additional instrument platforms and further automated
- Epigenomics to develop a Septin9 product for the U.S., run approval trial using samples of PRESEPT cohort and to submit for regulatory approval by the FDA (2010 / 2011[1])
- Further research to aim at developing Septin9 and additional colorectal cancer biomarkers for further applications in the diagnostic work up of CRC-patients and further improving performance of the Septin9 test in early detection.

LUNG CANCER PROGRAM

- Epigenomics to launch a CE-marked lung cancer test Epi *pro*Lung BL Reflex Assay in Europe (Q2 / 2010[1])
- Research to aim at developing assays for the detection of lung cancer in further easily available sample tubes such as sputum and blood.

PROSTATE CANCER PROGRAM

- R&D and commercialization of prostate cancer products in development to be progressed in existing and future partnerships.

PARTNERING & COMMERCIALIZATION

- Further grow of colorectal cancer blood-testing business by direct marketing&sales efforts and distribution agreements
- Start building lung cancer franchise in key EU markets
- Further IVD licensing and partnering deals for cancer products.

1 Current Epigenomics' Management estimates for earliest possible product launch dates.

DISCLAIMER

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

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epi pro colon

IVD CE

Real-time PCR Kit

Kit de PCR en temps réel/Equipo de PCR en tiempo real/
Real Time PCR-förpackning/
Real-Time PCR Kiti

REF M5-01-002 LOT LOT

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