epigenomics

9-MONTH REPORT 2010

JANUARY 1 – SEPTEMBER 30

GROUP KEY FIGURES

EUR thousand (unless stated otherwise)	Q3 2009 (unaudited)	Q3 2010 (unaudited)	9M 2009 (unaudited)	9M 2010 (unaudited)
Revenue	1,172	363	3,248	1,336
Research and development costs	-1,711	-1,648	-5,102	-5,220
Earnings before interest and taxes (EBIT)	-2,286	-3,010	-7,053	-8,443
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-1,982	-2,861	-6,449	-7,988
Net loss for the period	-2,257	-2,974	-7,070	-8,358
Weighted-average number of shares issued (notional par value: EUR 1 each)	29,394,724	44,092,085	29,097,936	39,192,965
Earnings per share (basic and diluted) in EUR	-0.08	-0.07	-0.24	-0.21
Cash flow from operating activities			-8,005	-6,578
Cash flow from investing activities			282	-118
Cash flow from financing activities			5,085	30,422
Cash flow total			-2,638	23,726

	Dec 31, 2009 (audited)	Sept 30, 2010 (unaudited)
Liquid assets at balance sheet date (incl. marketable securities)	6,136	29,606
Total equity at balance sheet date	12,084	34,451
Equity ratio in %	73.9	92.2
Total assets at balance sheet date	16,354	37,376
Share price at balance sheet date in EUR (Xetra)	3.52	2.45
Number of employees at balance sheet date	86	81

THIRD QUARTER OF 2010 AS OF SEPTEMBER 30, 2010

THE THIRD QUARTER OF 2010 – OVERVIEW

In the third quarter of 2010, we have continued to further evolve Epigenomics as a commercially oriented and product-driven company. To achieve this objective, we continue to pursue a dual strategy: On the one hand we are focusing on driving market acceptance and sales numbers of our blood-based Septin9 test "Epi*pro*Colon" for colorectal cancer early detection and of our second newly launched CE-marked in vitro diagnostic (IVD) product "Epi*pro*Lung BL Reflex Assay"; and we assume on the other hand that our partners' efforts to commercialize their colorectal cancer blood tests based on Septin9 will be successful.

Our licensee ARUP Laboratories, Inc. ("ARUP") has launched a laboratory-developed test (LDT) for the blood-based detection of colorectal cancer on July 20, 2010. The test is based on our proprietary Septin9 biomarker and DNA methylation technologies non-exclusively licensed to ARUP in August 2009. The launch of ARUP's Septin9 test marks another important milestone in our dual business strategy of direct commercialization and non-exclusive licensing and partnering of our proprietary biomarkers and technologies for cancer molecular diagnostics. According to ARUP, their developed and validated Septin9 test identifies nine out of ten people with previously undetected colorectal cancer, including those with early-stage disease.

With the launch of ARUP's Septin9 test , there are now four versions of the Septin9 colorectal cancer blood test commercially available and Epigenomics stands to significantly benefit financially from all of them.

Earlier in Q3, we announced the launch of our second CE-marked IVD product Epi*pro*Lung BL Reflex Assay in Europe. This novel molecular diagnostic test can help pathologists and clinicians to establish the presence of malignancy with more certainty in patients with suspected lung cancer when conventional diagnostic procedures fail or deliver inconclusive results. The clinical utility of the novel test has recently been demonstrated in a performance evaluation study, the final step of an IVD product development. The clinical study confirmed previous research studies, showing that methylated SHOX2 DNA is a sensitive (81%) and highly specific (95%) biomarker for the detection of lung cancer in bronchial lavage specimen.

At the end of the third quarter of 2010, we have entered into a global contract manufacturing partnership with NextPharma Technologies ("NextPharma") for our Epi*pro*Colon product. NextPharma is a worldwide leading provider of product development, contract manufacturing and cold chain and logistics outsourcing services to the pharmaceutical and biotechnology industries. Under the terms of the agreement between both companies, NextPharma will manufacture our CE-marked Epi*pro*Colon test kit for the European and other markets according to ISO 13485 for medical devices and will manufacture a cGMP-compliant version for the U.S. market that is currently under our development.

Despite all the excellent progress made operationally in the first nine months and multiple commercial launches, our total revenue decreased vis-a-vis 9M 2009. This is mainly due to the fact that previous year's comparables had included a significant portion of revenue from recognition of a milestone payment under the Abbott collaboration agreement. Simultaneously, our cash consumption (i.e. cash used in operating and investing activities excluding transactions in securities) has decreased significantly year on year as certain larger one-time cash inflows occurred in 9M 2010, which had already been recognized as revenue in 2009.

HIGHLIGHTS OF THE FIRST NINE MONTHS OF 2010

COLORECTAL CANCER

- Introduced a colorectal cancer blood test based on Septin9 in the U.S.A. via our licensing partner Quest Diagnostics, Inc. ("Quest").
- ARUP launches Septin9 blood test in the U.S.A. showing that their test detected nine out of ten CRC cases in their clinical validation study.
- Released successful PRESEPT Study clinical data and presented the study results at this year's Digestive Disease Week ("DDW") in New Orleans, LA, U.S.A., and at further clinical conferences.
- Retained regulatory affairs consulting group DOCRO to advise on FDA approval of Epi*pro*Colon.
- Started to offer our Epi*pro*Colon kits through the 55 German sites of the laboratory network Synlab. Epi*pro*Colon is now available nationwide in Germany and Switzerland.
- Shipped several thousand tests to customers in the first nine months of 2010.
- Signed a non-exclusive licensing agreement for Septin9 with laboratory services provider Warnex for the Canadian market.
- Signed a global contract manufacturing deal with NextPharma for Epi*pro*Colon.

LUNG CANCER

- Introduced new lung cancer diagnostic test Epi*pro*Lung BL Reflex Assay at the ongoing 29th German Cancer Congress in Berlin, Germany.
- Completed successfully pivotal performance evaluation study for Epi*pro*Lung BL Reflex Assay.
- Launched Epi*pro*Lung in Europe.

CORPORATE

- Raised gross proceeds of about EUR 33.1 million in a capital increase and thereby addressed successfully the expected financing need for several years.
- Received patents for key technology in Japan and for biomarker in the U.S.A., respectively.
- Hired Senior Vice President Medical Affairs with extensive experience in clinical research, clinical trials and post market studies.
- Presented regular corporate updates at investor conferences in Frankfurt am Main, Zurich and New York.

PRODUCT DEVELOPMENT PIPELINE

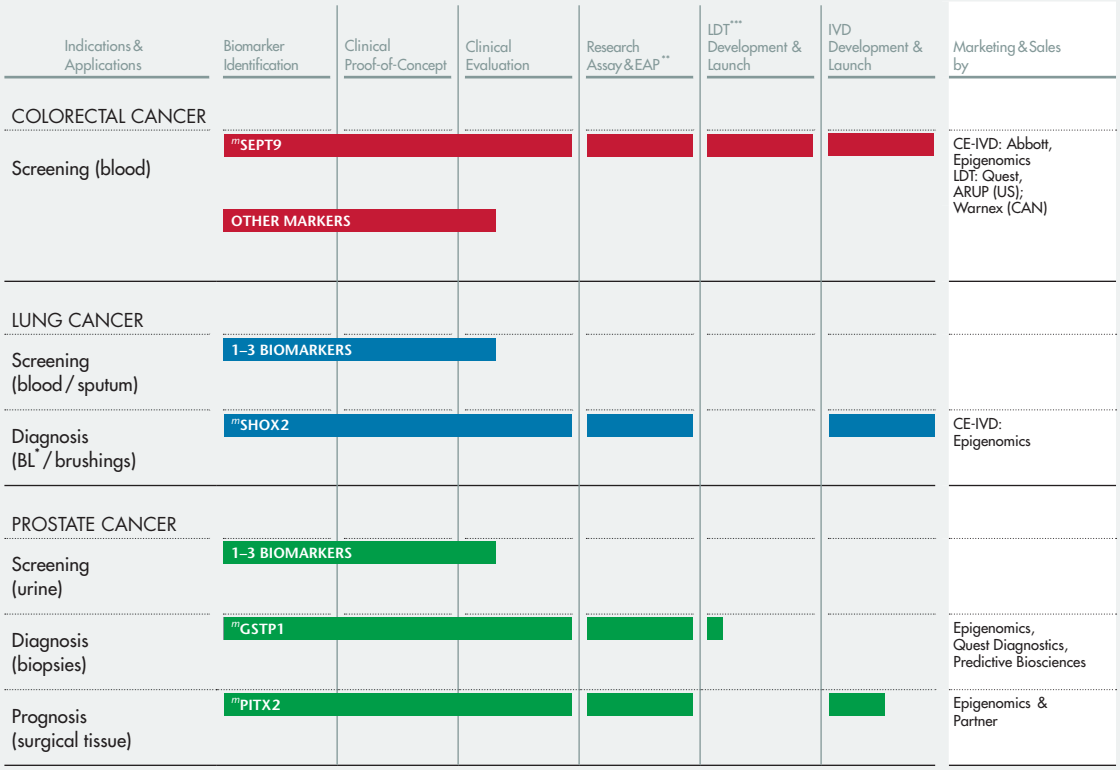
With the successful completion of the pivotal clinical study on the lung cancer test and its subsequent product launch, Epigenomics now has two commercial-stage products.

The blood test for colorectal cancer based on Septin9 is available in Europe (via Epigenomics and Abbott), Asia / Pacific (Abbott) and the United States (Quest & ARUP). Additionally, we expect Warnex to start offering ^{m}SEPT9 testing in Canada still in 2010.

We have also initiated programs in colorectal cancer monitoring as well as research into the detection of premalignant lesions (adenomas) for a future expansion of our CRC blood testing franchise.

The Epi*pro*Lung BL Reflex Assay is marketed by ourselves in Europe.

Rights to our prostate cancer biomarker GSTP1 and associated DNA methylation assay technologies have been non-exclusively licensed to Quest as well as to Predictive Biosciences, Inc.



* Bronchial lavage

** "Early Access Program"

*** Laboratory-developed test

KEY FINANCIAL DEVELOPMENTS

Revenue for the first nine months of 2010 decreased significantly by over 58% to EUR 1.3 million, from EUR 3.2 million in the comparable period of 2009. The main reason for this decrease were one-off effects which had contributed to revenue in the first nine months of 2009. No comparable effects contributed to 9M 2010 revenue and this shortfall could not be fully compensated by product sales. EBIT for 9M 2010 amounted to EUR -8.4 million compared to EBIT for the corresponding period in 2009 of EUR -7.1 million. This increase in operating losses of 20% can mainly be explained by the shortfall in revenue.

Short-term liquidity as of September 30, 2010, has improved significantly and amounted to EUR 29.6 million, an increase of EUR 23.5 million from the EUR 6.1 million at year-end 2009, mainly due to the net cash inflow from the capital increase realized in Q1 2010 overcompensating our cash consumption in 9M 2010.

Cash consumption in the first nine months of 2010 of EUR 7.2 million has improved substantially compared to the previous year's EUR 8.2 million, mainly due to the inflow of a milestone payment from Abbott in Q1 2010.

OUR STOCK

Trading volume in our stock decreased significantly from an average of over 183,000 shares a day in Q2 2010 to just over 54,000 shares a day during Q3 2010. This decrease can be explained by significantly higher trading volumes following our capital increase at the beginning of Q2 2010. The share price closed at EUR 2.45 (Xetra) on September 30, 2010, after a volatile third quarter of 2010 with a peak of EUR 2.57 per share.

During the first nine months of 2010, a total of 14,697,361 new shares were issued as part of our public rights offering from Authorized Capitals 2009/I and 2009/II due to the aforementioned capital increase.

Key data of Epigenomics' stock (as of September 30, 2010)

Ticker	ECX
Exchange	Frankfurter Wertpapierbörse, Regulierter Markt (Prime Standard)
Security code number	A0BVT9
ISIN	DE000A0BVT96
Shares outstanding	44,092,085
Price range in 9M 2010	EUR 1.94 - 3.57 (Xetra closing prices)
Analyst coverage	
Midas Research	Thomas Schießle

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

In the first nine months of 2010, our financial position has improved significantly compared to year-end 2009. It was mainly affected by the successful capital increase on the one hand as well as by the continued cash consumption from operating activities on the other. Liquid assets amounted to EUR 29.6 million as of September 30, 2010, compared to EUR 6.1 million as of December 31, 2009.

Cash outflow from operating activities in 9M 2010 totalled EUR 6.6 million. Cash outflow from investing activities related to non-current assets (EUR 0.6 million) was to a large extent compensated by a cash inflow from the redemption of a corporate bond previously held under marketable securities. Cash flow from financing activities was positive at EUR 30.4 million, due to the capital increase in March 2010. Therefore, the overall result was a net cash inflow in 9M 2010 of EUR 23.7 million, putting Epigenomics in a much stronger overall financial position than at the beginning of the reporting period.

RESULTS OF OPERATIONS

In Q3 2010, revenue decreased by 69% from EUR 1,172 thousand in Q3 2009 to EUR 363 thousand and for the nine-month period by over 58% to EUR 1.3 million from EUR 3.2 million in 9M 2009. This decrease is mainly the result of the revenue recognition of non-recurring milestones under the Abbott collaboration agreement in 9M 2009, recognition from non-recurring service projects initiated in 2008 and completed in 9M 2009, as well as revenue from the execution of a licensing option by DxS Ltd. (now a Qiagen company) to expand the DxS Scorpions® technology license to the IVD field in Q3 2009 with no corresponding revenue effect in the reporting quarter. Revenue in 9M 2010 was generated from product sales of our Epi*pro*Colon kits as well as from continued collaboration and licensing agreements in the form of R&D payments and licensing income.

The operating costs during the first nine months of 2010 have decreased by 5% to EUR 10.2 million compared to the same period in 2009 (EUR 10.7 million). This cost reduction is mostly due to reduced costs for samples and external R&D services as a result of the completion of some of our work packages within our partnerships as well as of the completion of the PRESEPT Study.

In Q3 2010, cost of sales decreased significantly by 67% from EUR 586 thousand in Q3 2009 to EUR 195 thousand, mainly due to the completion of sample collection within our collaboration with Abbott which had strongly affected our cost of sales in the previous year. Further completion of some of our work packages within other partnerships has led to a drop of collaboration-driven expenses in the third quarter of 2010.

Other income has quadrupled from EUR 37 thousand in Q3 2009 to EUR 153 thousand in Q3 2010, mainly resulting from higher foreign exchange rate gains in the reporting period.

R&D costs decreased from EUR 1,711 thousand in the third quarter of 2009 to EUR 1,648 thousand in Q3 2010.

Selling, general and administrative costs increased by 19% from EUR 1,106 thousand in Q3 2009 to EUR 1,317 thousand in Q3 2010 due to intensified marketing and sales activities and technical customer support services for our Epi*pro*Colon test on the one hand as well as to premarketing activities and the test launch of our second IVD product, the Epi*pro*Lung BL Reflex Assay, on the other.

In the reporting period, other expenses increased significantly to EUR 366 thousand compared to the previous year (Q3 2009: EUR 92 thousand) mainly due to exchange rate losses in the valuation of currency forward contracts. However, those forward contracts have helped avoid even higher exchange rate losses resulting from the re-strengthening of the euro versus the US dollar.

EBIT decreased by 32% and amounted to EUR -3,010 thousand in Q3 2010, as the reduction in partnering revenue could only partially be compensated by increased product sales.

The financial result in Q3 2010 of EUR 44 thousand exceeded the result of Q3 2009 (EUR 36 thousand) due to a significantly increased average liquidity level. However, it still suffered from a historically low interest rate level regarding its absolute amount.

Net loss for the period increased by 32% from EUR 2,257 thousand in Q3 2009 to EUR 2,974 thousand in Q3 2010.

NET ASSETS POSITION

Total non-current assets have increased during the reporting period from EUR 5.7 million at year-end 2009 to EUR 5.9 million at the end of September 2010. This was to a large degree a result of the capitalization of development costs for our lung cancer test Epi*pro*Lung BL Reflex Assay, which was launched on July 7, 2010.

During 9M 2010, total current assets grew from EUR 10.6 million as of December 31, 2009, to EUR 31.4 million. This significant increase mirrors mainly the effect of the capital increase with liquidity up by EUR 23.5 million compared to year-end 2009, partly compensated by a decrease of the remaining current assets of approximately EUR 2.7 million.

Our subscribed capital increased from EUR 29.4 million as of December 31, 2009, to EUR 44.1 million as of September 30, 2010. Simultaneously, the capital reserve improved from EUR 6.2 million to EUR 22.0 million largely as a consequence of the capital increase with 14,697,361 new shares placed at a price of EUR 2.25 each.

Therefore, the equity ratio improved from 73.9% at the end of 2009 to 92.2% as of September 30, 2010.

Current liabilities decreased significantly to EUR 2.9 million as of September 30, 2010, from EUR 4.3 million at year-end 2009. This reduction is mainly attributable to the settlement of payables in connection with the preparation of the capital increase and revenue recognition from payments received in former periods. The increase in provisions from EUR 571 thousand as of December 31, 2009, to EUR 913 thousand at the reporting date is mainly attributable to expected payroll liabilities.

Epigenomics' balance sheet total rose from EUR 16.4 million as of December 31, 2009, to EUR 37.4 million as of September 30, 2010, basically as a consequence of the capital increase.

Employees	Berlin	Seattle	Total
Number of employees as of September 30, 2010	**66**	**15**	**81**
Number of employees as of December 31, 2009	68	18	86
Number of employees as of September 30, 2009	65	18	83

SUPPLEMENTARY REPORT

The following events occurred after the end of the reporting period:

On October 14, 2010, we announced the expansion of our commercial reach for our CE-marked Epi*pro*Colon product beyond our home markets (Germany, Austria, Switzerland) by signing an exclusive distribution agreement with Pronto Diagnostics Ltd., Tel Aviv, Israel, for commercialization of our test in Israel.

On October 20, 2010, we announced that our licensee ARUP Laboratories Inc., presented on October 19, 2010, at the ASCO-NCI-EORTC 2010 Annual Meeting on Molecular Markers in Cancer in Hollywood, FL, U.S.A., results from a positive clinical validation study for its Septin9 laboratory-developed test for the blood-based detection of colorectal cancer. In a poster presentation, ARUP reported, that its Septin9 test found 90% of the cancer cases at a specificity of 89% in the validation study. Furthermore, ARUP reported supportive tissue data, which indicates that methylation of Septin9 is an early event in the development of colorectal cancer. The data demonstrated that the biomarker can be found in malignant and premalignant lesions independent of location in the colon, which is consistent with the equally good performance of the blood test for proximal and distal cancers.

On October 26, 2010, new data obtained in a clinical study with the Company's proprietary Septin9 biomarker for the blood-based detection of colorectal cancer were presented at the 18th United European Gastroenterology Week (UEGW) in Barcelona, Spain. Our new Senior Vice President Medical Affairs presented in his poster presentation further data obtained in a smaller case-control study following the large PRESEPT Screening Study to independently validate the diagnostics assay that had been used in the PRESEPT Study. Investigators in an independent third-party laboratory analyzed cancer cases and colonoscopy-negative controls following the PRESEPT testing protocol. Within this study, the data of which have not been presented before, a sensitivity of 86% and a specificity of 93% were observed.

On October 28, 2010, we announced the expansion of our commercial reach for our CE-marked Epi*pro*Colon product beyond our home markets by signing an exclusive distribution agreement with DATEKS Company Ltd., Ankara, Turkey, for commercialization of our test in Turkey.

In preparation of a planned pre-IDE meeting with the FDA on our Epi proColon product in development for the US market we submitted a so-called Briefing Booklet to the FDA on October 26, 2010. In this Briefing Booklet we provide background information to the FDA by describing the planned product, its intended use and the clinical validation we are planning to support this intended use. Upon reception of the Briefing Booklet we expect the FDA to set a date for the pre-IDE meeting that is expected to take place either in late 2010 or in early 2011.

OPPORTUNITIES AND RISKS

In the first nine months of 2010, the short- to medium-term financial risks the Company is facing have been significantly reduced, due to the successful completion of the capital increase in March 2010. Further opportunities and risks listed below, which we are exposed to, have not changed significantly as described in the management report published with the consolidated financial statements 2009.

We are still exposed to the opportunities and risks, which result from the following categories:

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

For a comprehensive overview on all risk factors, reference is made to the prospectus published as part of our rights issue in March 2010, which is available for download on our website.

PROGNOSIS REPORT FOR 2010 / 2011

We intend to build on the encouraging first nine months of 2010 with EUR 33.1 million gross proceeds from the financing transaction completing the transformation into a market-driven diagnostics industry player. Focus will continue to be on the commercial execution by our partners and licensees as well as on driving direct product sales in our home markets.

We anticipate traction of all Septin9-based tests that are commercially available to increase sales gradually during 2010 and to accelerate our product business in 2011 and beyond. We are starting to see a broader geographic commercial presence of Abbott across multiple European markets with their RealT*ime m*S9 test. With several regional distribution agreements for Epi*pro*Colon signed in October 2010 for countries such as Israel and Turkey we also expect a broader commercial footprint for Epigenomics. The closing of further distribution deals is expected in the course of the current year.

In addition, royalty income from sales of the Abbott RealT*ime m*S9 colorectal cancer assay and Quest's ColoVantage™ testing service should also gradually start to contribute to revenue in 2010 with accelerated growth anticipated for 2011 and beyond. The launch of ARUP's LDT and the expected launch of Warnex's Septin9 testing services in 2010 should also add to royalty income going forward.

We have initiated our own campaign for regulatory approval of the Epi*pro*Colon test in the United States using the PRESEPT cohort. To that end, Epigenomics has retained the services of DOCRO, Inc., a leading regulatory affairs group and a contract research organization with a proven track record of successful client submissions for both 510k clearance and PMA approvals of molecular diagnostics and oncology products. We now expect to submit our pre-IDE briefing dossier to be submitted to the FDA in Q4 2010 and a pre-IDE meeting to be scheduled for either late 2010 or early 2011. Based on the feedback from such pre-IDE meeting, we expect to complete our product development and FDA approval study and submit an application to the FDA for approval of Epi*pro*Colon in the United States later in 2011. We also expect our partner Abbott to progress its clinical trial for regulatory approval of their RealT*ime m*S9 colorectal cancer test and to seek such regulatory approval for the United States at some time during 2011.

R&D going forward will focus on enhancement and additional clinical use of our Epi*pro*Colon product. Further, R&D in the colorectal cancer program focuses on enhanced clinical characteristics for colorectal cancer early detection as well as on expansion of the clinical utility into disease monitoring and adenoma detection. Also, we have developed a next-generation biomarker discovery tool based on our proprietary DMH (differential methylation hybridization) array. This new generation is expected to provide significant improvements in terms of number of features analyzed as well as sensitivity for subtle methylation differences.

Financials for the fiscal year 2010 are expected to be characterized by continued fiscal discipline and focus on commercialization. We anticipate 2010 revenue to be well below 2009 revenue. For 2010, EBIT is expected to be lower than 2009 at around EUR -12 million. Cash consumption will be consequently monitored and should be around EUR 11 to 12 million for 2010.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010

GROUP INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2010

UNAUDITED

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Revenue	1,172	363	3,248	1,336
Cost of sales	-586	-195	-2,063	-505
Gross profit	**586**	**168**	**1,185**	**831**
Other income	37	153	429	457
Research and development costs	-1,711	-1,648	-5,102	-5,220
Selling, general and administrative costs	-1,106	-1,317	-3,221	-4,085
Other expenses	-92	-366	-344	-426
Earnings before interest and taxes (EBIT)	**-2,286**	**-3,010**	**-7,053**	**-8,443**
Interest income	37	45	169	120
Interest expenses	0	0	-8	0
Other financial result	-1	-1	13	-8
Net loss for the period before taxes on income	**-2,250**	**-2,966**	**-6,879**	**-8,331**
Taxes on income	-7	-8	-191	-27
Net loss for the period	**-2,257**	**-2,974**	**-7,070**	**-8,358**
Earnings per share (basic and diluted) in EUR	-0.08	**-0.07**	**-0.24**	**-0.21**

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN GROUP EQUITY

FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2010

UNAUDITED

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Net loss for the period	-2,257	-2,974	-7,070	-8,358
Fair value adjustment of securities	341	133	594	250
Total income and expenses recognized in Group equity	**341**	**133**	**594**	**250**
Total comprehensive income	**-1,916**	**-2,841**	**-6,476**	**-8,108**

GROUP BALANCE SHEET AS OF SEPTEMBER 30, 2010

UNAUDITED

ASSETS EUR thousand	Dec 31, 2009	Sept 30, 2010
Non-current assets		
Intangible assets	4,753	5,001
thereof goodwill	*2,625*	*2,625*
Tangible assets	572	533
Deferred taxes	391	412
Total non-current assets	**5,716**	**5,946**
Current assets		
Inventories	160	99
Trade receivables	1,993	290
Marketable securities	2,182	1,926
Cash and cash equivalents	3,954	27,680
Other current assets	2,349	1,435
Total current assets	**10,638**	**31,430**
Total assets	**16,354**	**37,376**

EQUITY AND LIABILITIES EUR thousand	Dec 31, 2009	Sept 30, 2010
Equity		
Subscribed capital	29,395	44,092
Capital reserve	6,227	22,005
Retained earnings	-12,271	-22,494
Net loss for the period	-10,223	-8,358
Other comprehensive income	-1,044	-794
Total equity	**12,084**	**34,451**
Non-current liabilities		
Liabilities from leasing contracts	9	0
Total non-current liabilities	**9**	**0**
Current liabilities		
Trade payables	2,091	799
Liabilities from leasing contracts	28	16
Deferred income	720	298
Other liabilities	851	899
Provisions	571	913
Total current liabilities	**4,261**	**2,925**
Total equity and liabilities	**16,354**	**37,376**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2010

UNAUDITED

EUR thousand	9M 2009	9M 2010
Cash and cash equivalents at the beginning of the period	**9,814**	**3,954**
Operating activities		
Net loss before taxes on income	**-6,879**	**-8,331**
Corrections for:		
Depreciation on tangible assets	256	202
Amortization of intangible assets	348	253
Losses from the disposal of assets	1	1
Stock option expenses	120	217
Foreign currency exchange gains	0	-22
Interest income	-169	-120
Interest expenses	8	0
Taxes	-62	-49
Operating result before changes in net current assets	**-6,377**	**-7,849**
Changes in trade receivables and other current assets	-1,116	-4,482
Changes in inventories	-23	61
Changes in current liabilities from operating activities	-680	5,576
Liquidity earned from operating activities	**-8,196**	**-6,694**
Interest received	191	116
Cash flow from operating activities	**-8,005**	**-6,578**
Investing activities		
Payments for investments in tangible assets	-146	-166
Payments for investments in intangible assets	-72	-162
Payments related to the capitalization of development costs	0	-290
Proceeds from the sale of marketable securities	500	500
Cash flow from investing activities	**282**	**-118**
Financing activities		
Payments for the creation of new shares	-76	-2,627
Proceeds from the issue of new shares	5,182	33,069
Payments for lease financing	-21	-20
Cash flow from financing activities	**5,085**	**30,422**
Cash flow total	**-2,638**	**23,726**
Cash and cash equivalents at the end of the period	**7,176**	**27,680**

STATEMENT OF CHANGES IN GROUP EQUITY AS OF SEPTEMBER 30, 2010

UNAUDITED

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2008	**26,724**	**3,567**	**-12,271**	**0**	**-1,452**	**16,568**
Total comprehensive income	**0**	**0**	**0**	**-7,070**	**594**	**-6,476**
Stock-based compensation	0	120	0	0	0	120
Capital increase from issue of shares	2,671	0	0	0	0	2,671
Premium from issue of shares	0	2,511	0	0	0	2,511
Financing costs	0	-137	0	0	0	-137
Sept 30, 2009	**29,395**	**6,061**	**-12,271**	**-7,070**	**-858**	**15,257**

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2009	**29,395**	**6,227**	**-22,494**	**0**	**-1,044**	**12,084**
Total comprehensive income	**0**	**0**	**0**	**-8,358**	**250**	**-8,108**
Stock-based compensation	0	217	0	0	0	217
Capital increase from issue of shares	14,697	0	0	0	0	14,697
Premium from issue of shares	0	18,372	0	0	0	18,372
Financing costs	0	-2,811	0	0	0	-2,811
Sept 30, 2010	**44,092**	**22,005**	**-22,494**	**-8,358**	**-794**	**34,451**

NOTES TO THE 9M 2010 CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC INFORMATION, PRINCIPLES AND METHODS

GENERAL PRINCIPLES

The presented unaudited interim consolidated financial statements of Epigenomics AG are prepared according to the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) under consideration of IAS 34: *Interim Financial Reporting* in effect at the closing date September 30, 2010, as mandatory applicable in the European Union. Further, these statements are in accordance with German Accounting Standards (GASs) under consideration of GAS 16 *Interim Financial Reporting*. New standards adopted by the IASB and / or the German Accounting Standards Committee (GASC) apply from the date on which they came into effect. A critical review of this interim report was performed by the Company's auditors.

In the reporting period, amendments to IAS 1: *Presentation of Financial Statements*, IAS 7: *Cash Flow Statements*, IAS 17: *Leases*, IAS 32: *Financial Instruments: Presentation*, IAS 36: *Impairment of Assets*, IAS 38: *Intangible Assets*, IAS 39: *Financial Instruments: Recognition and Measurement*, IFRS 1: *First-time Adoption of International Financial Reporting Standards*, IFRS 2: *Share-based Payment*, IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* and IFRS 8: *Operating Segments* have become effective on January 1, 2010. The adoption of these amendments does not have a significant impact on the Group's accounting principles.

The reporting period as defined in these consolidated financial statements is the period from January 1, 2010, to September 30, 2010. The reporting currency is the euro.

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

CONSOLIDATION GROUP

The consolidation group remained unchanged compared to the one as of December 31, 2009, and comprises the two companies Epigenomics AG, Berlin, Germany, and Epigenomics, Inc., Seattle, WA, U.S.A.

CONSOLIDATION, ACCOUNTING AND VALUATION PRINCIPLES

The presented unaudited interim consolidated financial statements should be read in connection with the audited consolidated financial statements of Epigenomics AG for the year ended December 31, 2009. The consolidation, accounting and valuation principles presented in those statements were still valid during the reporting period unless explicitly mentioned otherwise below.

All intercompany transaction results, revenue, expenses, profits, receivables, and payables between the Group companies are eliminated in full upon consolidation.

CHANGES IN DISCLOSURE

Beginning with the first quarter of 2010, we have summarized marketing and business development costs together with general and administrative costs into a new position selling, general and administrative costs ("SG&A"). This disclosure is compatible with industry standards. The reasons for this summarization are among others to achieve a better comparability with the financial statements of other international life sciences companies and competitors as well as the development of Epigenomics from a research-focused to a product-driven company. Furthermore, the summary solves the problem of proper cost allocation since the line between marketing and business development costs on the one hand and general and administrative costs on the other is sometimes not clear.

Thus, SG&A costs include:

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

The comparable numbers of the previous year have been adjusted accordingly.

CURRENCY TRANSLATION

Applied foreign currency exchange rates in the reporting period:

Reporting date rates

	Dec 31, 2009	Sept 30, 2010
EUR/USD	1.4406	1.3648
EUR/GBP	0.88810	0.85995

Average rates

	9M 2009	9M 2010
EUR/USD	1.3703	1.3140
EUR/GBP	0.88737	0.85612

2. NOTES TO THE GROUP INCOME STATEMENT

REVENUE

	Q3 2009		Q3 2010		9M 2009		9M 2010	
	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %
Licensing and royalty income	690	58.9	231	63.6	1,347	41.4	939	70.3
Product sales and other	53	4.6	103	28.4	173	5.4	303	22.7
R&D payments	429	36.5	29	8.0	1,728	53.2	94	7.0
Total revenue	**1,172**	**100.0**	**363**	**100.0**	**3,248**	**100.0**	**1,336**	**100.0**

COST OF SALES / GROSS PROFIT / GROSS MARGIN

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Revenue	1,172	363	3,248	1,336
Cost of sales	586	195	2,063	505
Gross profit	586	168	1,185	831
Gross margin in %	**50.0**	**46.3**	**36.5**	**62.2**

OTHER INCOME

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Currency exchange gains	13	41	236	224
Third-party research grants	21	32	42	102
Financial proceeds	0	67	0	67
Corrections of invoices of the previous year	0	0	79	45
Income from the sale of assets	0	7	31	7
Recoveries and refunds	2	2	17	5
Income from liquidation of provisions	0	2	0	2
Income from subleasing	0	0	22	0
Other	1	2	2	5
Total other income	**37**	**153**	**429**	**457**

PERSONNEL COSTS AND NUMBER OF EMPLOYEES

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Personnel remuneration	1,231	1,279	3,950	4,308
Social security expenses	177	195	571	621
Stock option expenses	57	71	120	217
Total personnel costs	**1,465**	**1,545**	**4,641**	**5,146**
Average number of employees	82	82	82	84

COST ANALYSIS

Q3 2009

EUR thousand	Cost of sales	R & D costs	SG & A costs	Total
Materials / consumables	200	458	8	666
Depreciation and amortization	20	269	15	304
Personnel costs	38	909	518	1,465
Other costs	328	389	565	1,282
Capitalized development costs	0	-314	0	-314
Total	**586**	**1,711**	**1,106**	**3,403**

Q3 2010

EUR thousand	Cost of sales	R & D costs	SG & A costs	**Total**
Materials / consumables	48	94	6	148
Depreciation and amortization	39	92	18	149
Personnel costs	45	842	658	1,545
Other costs	63	620	661	1,344
Capitalized development costs	0	0	-26	-26
Total	**195**	**1,648**	**1,317**	**3,160**

9M 2009

EUR thousand	Cost of sales	R & D costs	SG & A costs	Total
Materials / consumables	563	812	31	1,406
Depreciation and amortization	70	485	48	603
Personnel costs	189	2,795	1,657	4,641
Other costs	1,241	1,324	1,485	4,050
Capitalized development costs	0	-314	0	-314
Total	**2,063**	**5,102**	**3,221**	**10,386**

9M 2010

EUR thousand	Cost of sales	R & D costs	SG & A costs	**Total**
Materials / consumables	94	529	25	648
Depreciation and amortization	112	295	48	455
Personnel costs	90	3,000	2,056	5,146
Other costs	209	1,721	1,995	3,925
Capitalized development costs	0	-325	-39	-364
Total	**505**	**5,220**	**4,085**	**9,810**

OTHER EXPENSES

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Currency exchange losses	91	366	342	424
Other	1	0	2	2
Total other expenses	**92**	**366**	**344**	**426**

EARNINGS BEFORE INTEREST AND TAXES (EBIT) AND EBIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)

EUR thousand	Q3 2009	Q3 2010	Variance in %	9M 2009	9M 2010	Variance in %
EBIT	**-2,286**	**-3,010**	**-31.7**	**-7,053**	**-8,443**	**19.7**
Depreciation	75	65	13.3	256	202	21.1
Amortization	229	84	63.3	348	253	27.3
EBITDA	**-1,982**	**-2,861**	**-44.3**	**-6,449**	**-7,988**	**-23.9**

FINANCIAL RESULT

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Interest and related income	37	45	169	120
Other financial income	0	0	28	0
Total financial income	**37**	**45**	**197**	**120**
Interest expenses	0	0	-8	0
Other financial expenses	-1	-1	-15	-8
Total financial expenses	**-1**	**-1**	**-23**	**-8**
Total financial result	**36**	**44**	**174**	**112**

TAXES ON INCOME

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Current tax expenses	7	8	22	27
Deferred tax expenses	0	0	169	0
Total tax expenses	**7**	**8**	**191**	**27**

EARNINGS PER SHARE

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

EUR thousand	Q3 2009	Q3 2010	9M 2009	9M 2010
Net loss in EUR thousand	-2,257	-2,974	-7,070	-8,358
Weighted-average number of shares issued	29,394,724	44,092,085	29,097,936	39,192,965
Earnings per share (basic and diluted) in EUR	-0.08	-0.07	-0.24	-0.21

The outstanding stock options granted by the Company are antidilutive according to IAS 33.41 and 33.43. Therefore, the earnings per share (diluted) equal the earnings per share (basic). The number of shares issued as of the reporting date amounted to 44,092,085 (September 30, 2009: 29,394,724).

3. NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2009	Sept 30, 2010
Software	79	155
Licenses, patents	1,668	1,615
Development costs	381	606
Goodwill	2,625	2,625
Total intangible assets	**4,753**	**5,001**
Fixtures, leasehold improvements	17	9
Technical equipment	521	495
Other fixed assets	34	29
Total tangible assets	**572**	**533**
Deferred tax assets	**391**	**412**
Total non-current assets	**5,716**	**5,946**

The increase in deferred tax assets can be explained by exchange rate effects as of the reporting date.

CURRENT ASSETS

Inventories

EUR thousand	Dec 31, 2009	Sept 30, 2010
Consumables, raw materials, supplies	123	51
Finished goods	37	48
Total inventories	**160**	**99**

Other current assets

EUR thousand	Dec 31, 2009	Sept 30, 2010
Prepaid expenses	923	986
Receivables from tax authorities	389	175
Claims based on granted projects	59	109
Interest receivables	59	62
Advance payments	13	36
Excess payments	18	8
Deferred financing costs	843	0
Other	45	59
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**2,349**	**1,435**

EQUITY

The capital increase in the first quarter of 2010 utilized the entire authorized capital of EUR 14.7 million available to increase the Company's share capital to EUR 44.1 million as of the reporting date.

EUR	Dec 31, 2009	Sept 30, 2010
Share capital	29,394,724	44,092,085
Conditional capital	2,925,964	2,925,964
Authorized capital	14,697,361	0

The capital reserve was increased by EUR 15.8 million to EUR 22.0 million in 9M 2010 largely resulting from the aforementioned financing transaction.

Other comprehensive income decreased from EUR -1.0 million as of December 31, 2009, to EUR -0.8 million as of the reporting date following a revaluation of the financial instruments available for sale.

CURRENT LIABILITIES

Deferred income

EUR thousand	Dec 31, 2009	Sept 30, 2010
Advanced payments from commercial partners	660	266
Advanced payments for granted projects	60	32
Total deferred income	**720**	**298**

There are no repayment obligations for the Company resulting from deferred income. Deferred income in the amount of EUR 10 thousand as of September 30, 2010 (Dec 31, 2009: EUR 53 thousand), which will be recognized as revenue, has a duration exceeding twelve months. This corresponds to the Company's usual licensing business cycle.

Other liabilities

EUR thousand	Dec 31, 2009	Sept 30, 2010
Foreign currency forward contracts	0	269
Payables due to staff	416	257
Accrued Supervisory Board fees	0	123
Accrued audit fees	119	113
Payables due to tax authorities	234	94
Payables due to social security institutions	21	37
Down payments received	45	0
Other	16	6
Total other liabilities	**851**	**899**

Provisions

EUR thousand	Dec 31, 2009	Sept 30, 2010
Payroll provisions	311	650
Licensing provisions	188	188
Other provisions	72	75
Total provisions	**571**	**913**

4 NOTES TO THE GROUP CASH FLOW STATEMENT

OPERATING ACTIVITIES

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

INVESTING ACTIVITIES

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

FINANCING ACTIVITIES

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

CASH CONSUMPTION

The total of cash flow from operating activities and cash flow from investing activities less transactions in securities is monitored by the Company as "cash consumption" key figure.

EUR thousand	9M 2009	9M 2010
Cash flow from operating activities	-8,005	-6,578
Cash flow from investing activities	282	-118
Net proceeds from transactions in securities	-500	-500
Cash consumption	**-8,223**	**-7,196**

5 OTHER INFORMATION

NOTES TO STOCK OPTIONS

No stock options were exercised in the third quarter of 2010. In the first nine months of 2010, a total of 140,000 stock options were granted to the members of the Executive Board of the Company under the stock option program 09-13 and 255,000 stock options were granted to employees of the Company, thereof 30,000 under the stock option program 06-10 and 225,000 under the stock option program 09-13. The total number of stock options held by the members of the Executive Board as of September 30, 2010, amounted to 530,000 and the total number of stock options held by other beneficiaries amounted to 856,975.

INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described below in "Directors' dealings" no other transactions with related parties took place.

DIRECTORS' DEALINGS

The following declared securities transactions took place during the first nine months of 2010:

Members of the Executive Board	Transaction date	Type	Total number of shares traded	Transaction value in EUR
Geert Walther Nygaard, CEO	Jan 21, 2010	buy	20,000	44,200
Geert Walther Nygaard, CEO	Mar 29, 2010	buy	10,002	22,505
Oliver Schacht, Ph.D., CFO	Mar 29, 2010	buy	10,000	22,500

As of September 30, 2010, CEO Geert Walther Nygaard owned 50,000 shares of the Company and CFO Oliver Schacht, Ph.D., owned 127,050 shares of the Company. The Supervisory Board member Ann Clare Kessler, Ph.D., owned 14,000 shares of the Company.

This interim report has been approved and cleared for publication by the Executive Board of the Company on November 1, 2010.

Berlin, November 1, 2010
The Executive Board

DISCLAIMER

This interim report expressly or implicitly contains certain forward-looking statements concerning Epigenomics AG and its business. Such statements are not historical facts and sometimes are expressed by the words "will", "believe", "expect", "predict", "plan", "want", "assume" or similar expressions. Forward-looking statements are based on current plans, estimates, prognoses and expectations of the Company and on certain assumptions, and they involve certain known and unknown risks, uncertainties and other factors which could cause the actual results, financial 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.

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

Corporate Calendar

Annual Report 2010
January 1 – December 31
Thursday, April 7, 2011

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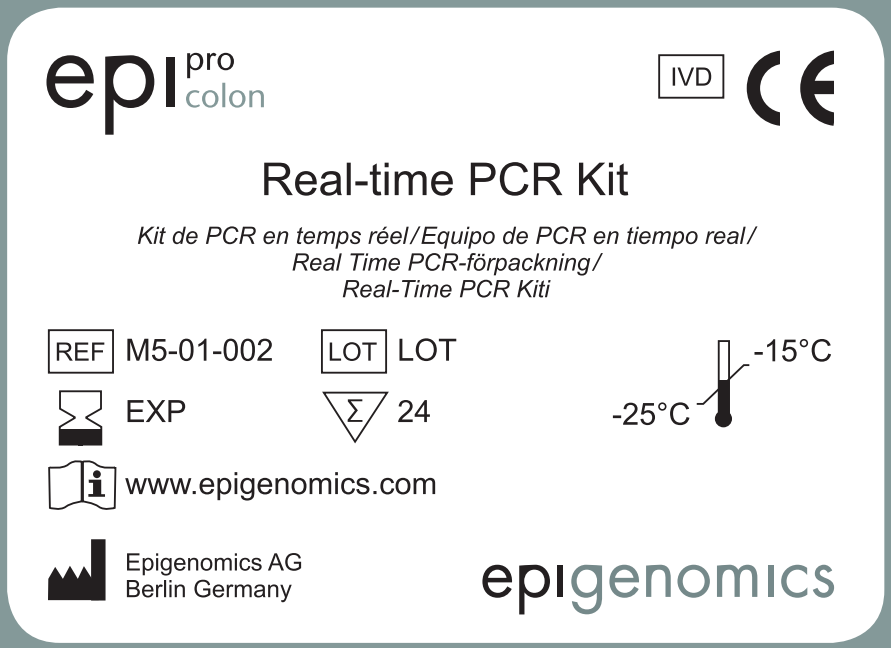
This interim report is also available on the Company's website (www.epigenomics.com) in both a German and an English version.



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