epigenomics

3-MONTH REPORT

JANUARY 1 – MARCH 31

Q1 2011

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GROUP KEY FIGURES

EUR thousand (unless stated otherwise)	**Q1 2010** (unaudited)	**Q1 2011** (unaudited)
Revenue	621	621
Research and development costs	-1,864	-1,579
Earnings before interest and taxes (EBIT)	-2,605	-2,740
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-2,450	-2,579
Net loss for the period	-2,589	-2,890
Weighted-average number of shares issued (notional par value: EUR 1.00 each)	29,394,724	44,092,085
Earnings per share (basic and diluted) in EUR	-0.09	-0.07
Cash flow from operating activities	-1,581	-2,836
Cash flow from investing activities	-221	-182
Cash flow from financing activities	14,345	-7
Cash flow total	12,543	-3,025

EUR thousand (unless stated otherwise)	**Dec 31, 2010** (audited)	**Mar 31, 2011** (unaudited)
Liquid assets at balance sheet date (incl. marketable securities)	26,369	23,485
Total equity at balance sheet date	31,295	28,568
Equity ratio in %	92.5	91.6
Total assets at balance sheet date	33,838	31,183
Share price at balance sheet date in EUR (Xetra)	2.05	1.79
Number of employees at balance sheet date	82	85

INTERIM CONSOLIDATED MANAGEMENT REPORT

FIRST QUARTER OF 2011 – OVERVIEW

At the beginning of 2011, we took a major step to broaden the availability of our Epi *pro*Colon® test to the important U.S. market. In January 2011, we announced the completion of the feasibility phase of our improved second generation test and the beginning of the development and verification phase of the Epi *pro*Colon® 2.0 product, which is being developed simultaneously for the requirements of the U.S. market and as a second generation product for the European and other markets (for details please see the R&D section of this consolidated management report).

In February 2011, a meeting with the U.S. Food and Drug Administration ("FDA") took place, in which we discussed our improved product concept, the product's intended use and the clinical data required to support an application for the commercialization of such product in the United States. After this meeting, we still assume to be able to submit an application by the end of the year. This dialog with the FDA will be continued to clarify further details of our clinical validation plan during Q2 2011.

During the first quarter of 2011, we continued to follow the strategy on further establishing our Company as a marketing and sales operation as well as to increase the public perception of Epigenomics as a commercially-driven cancer molecular diagnostics company. Furthermore, we are focusing on driving market acceptance and sales of our blood-based Septin9 test Epi *pro*Colon® for the early detection of colorectal cancer (CRC) and for our partners' Septin9-targeted CRC tests.

On February 28, 2011, we announced the signing of a collaboration agreement with Qiagen GmbH ("Qiagen") for the development of a CRC test by Qiagen. Under the terms of the agreement, Qiagen received an option on a worldwide non-exclusive commercial license to our proprietary ^{m}SEPT9 biomarker and to certain DNA methylation technologies for the CRC detection in blood. The option can be exercised by Qiagen within the next two years. Furthermore, we have granted Qiagen a research license to the ^{m}SEPT9 biomarker and these technologies.

Under this license, Qiagen is currently developing a novel sample preparation technology that meets the requirements for the future broad implementation of methylation-based molecular diagnostics, such as Septin9-targeted blood testing for CRC detection on Qiagen's modular molecular testing platform QIAsymphony. We will support Qiagen in the initial research and development (R&D) phase through know-how transfer and the collection of clinical specimens as required.

As part of the agreement with Qiagen, we received an option premium and are eligible for reimbursement for any R&D support as required and clinical specimens provided by us, if necessary during the R&D phase. Upon Qiagen exercising the option, we will receive an upfront license payment. In case that Qiagen commercializes a self-developed CRC blood-based test targeted on our biomarkers and using our technology, we would be entitled to royalties on Qiagen's net sales as well as to certain commercial milestones upon reaching specific revenue targets.

In March 2011, the market availability of Septin9 tests on the U.S. market increased, after the CRC test ColoVantage™ developed and offered in the U.S.A. by our partner Quest Diagnostics Inc. (Quest) has been approved by the New York State's Department of Health. ColoVantage™ is based on our proprietary DNA methylation technology and our ^{m}SEPT9 biomarker licensed non-exclusively to Quest in 2008. With this approval, ColoVantage™ is now available in the entire United States.

RESEARCH AND DEVELOPMENT (R&D)

During the first quarter of 2011, the development of our Epi *pro*Colon® 2.0 product stood in the center of our R&D activities. In January 2011, we announced that we have concluded the feasibility phase in the development of an improved product concept for Epi *pro*Colon®. This improved product Epi *pro*Colon® 2.0 is being developed for the U.S. market and as a second generation product for the European and other markets.

While the new assay will measure the same epigenetic information in the SEPT9 gene, we have implemented design changes based on the findings in the more recent studies performed by us and our partners as well as on the feedback from customers in Europe and based on market surveys in the United States. The new test will use reagents manufactured under the cGMP standard and a real-time PCR platform that has previously been cleared by the FDA for use with diagnostic assays. Performing the assay will require fewer components and handling steps and results can be generated within a typical laboratory work shift of eight hours. Further, the new assay will have improved automation capabilities. In a feasibility study that included 97 CRC patients and 159 colonoscopy-confirmed controls, the improved assay had a sensitivity for cancer of 91% at 87% specificity. In this study, the test was able to identify 21 out of 27 Stage I cancer cases (78%) and 25 out of 25 Stage II cancer cases (100%). This is particularly important as patients with CRC Stage I and II, upon appropriate treatment, have a combined five-year survival of about 90% and early clinical interventions are effective in improving survival.

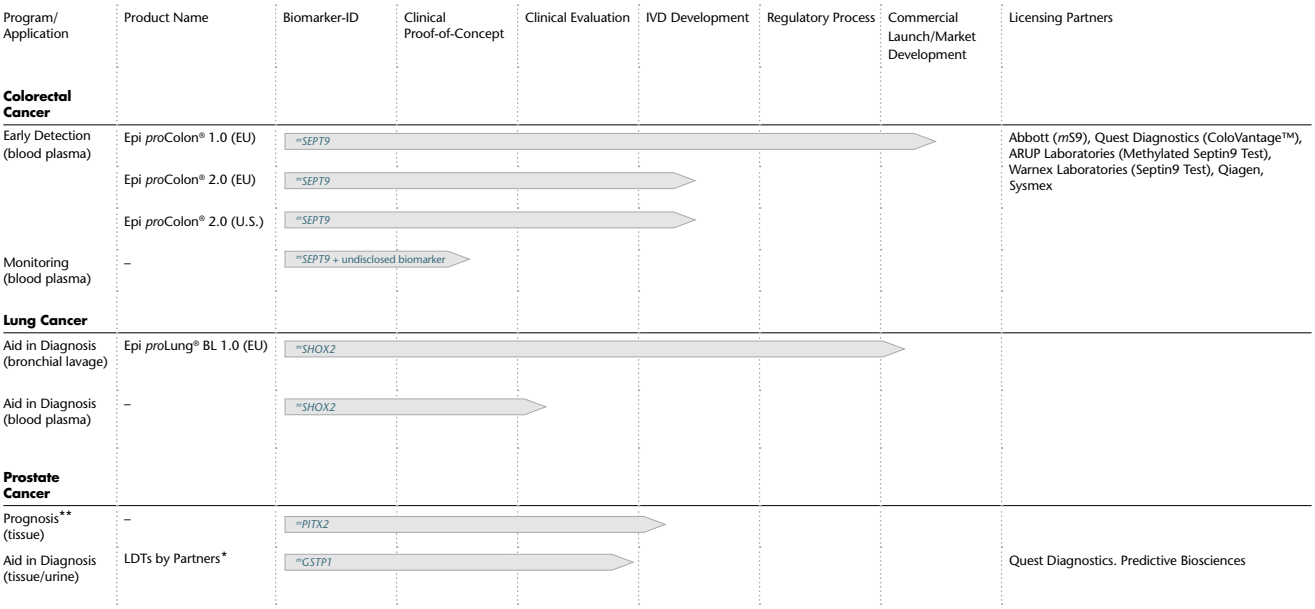
PRODUCT DEVELOPMENT PIPELINE

Since the launch of our CE-marked lung cancer molecular diagnostic test in 2010, we now have two commercial-stage products on the market and we have also initiated programs in CRC monitoring as well as in research for the detection of premalignant lesions (adenomas) for a future expansion of our CRC blood testing program.

After the launch of the Epi *pro*Colon® test in Europe in October 2009, we started the development of the second generation of this early detection assay. This new product – Epi *pro*Colon® 2.0 – is currently in an advanced stage of development for Europe and the United States. This test features improved clinical performance, easier handling and automation ability, and a shorter requested time to results. The test will be manufactured for the U.S. market under the FDA-required standard cGMP. We intend to launch Epi *pro*Colon® 2.0 in Europe as a CE-marked in vitro diagnostic (IVD) test in 2011 and submit to the FDA for Premarket Approval (PMA) before year-end 2011.

Our second product, the Epi *pro*Lung® BL Reflex Assay – targeting our ^{m}SHOX2 biomarker and used to test bronchial lavage samples – is marketed in Europe as a CE-marked IVD test. Currently, we are developing assays that detect the ^{m}SHOX2 biomarker in further sample types, such as blood plasma samples. This potentially could broaden the applicability of this biomarker as an aid in the diagnosis of lung cancer.

For our ^{m}PITX2 biomarker we discontinued development on the Affymetrix GeneChip™ platform and are in the process of developing a sensitive real-time PCR assay to consolidate our test portfolio on one technology platform and to address novel questions in cancer prognosis that are expected to require sensitive detection and low-level quantification of PITX2 methylation.



*IVD development not planned by Epigenomics

**Development on Affymetrix GeneChip™ platform discontinued; in development as real-time PCR assay

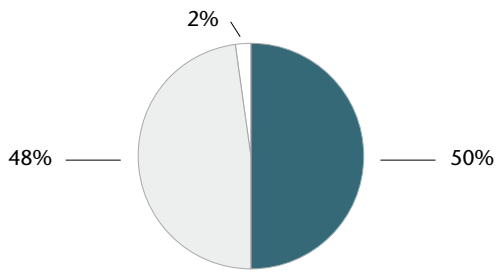
as of April 7, 2011

KEY FINANCIAL DEVELOPMENT

REVENUE

Revenue for the first three months of 2011 reached the comparable period's level of EUR 0.6 million. Revenue was generated from product sales of our Epi *pro*Colon® kits as well as from collaborations and licensing agreements in the form of R&D payments, licensing fees and royalty income.

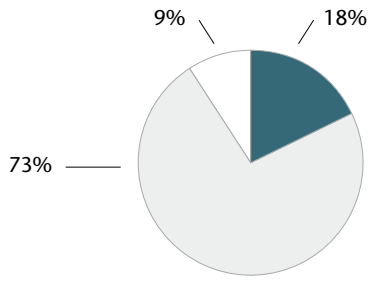
REVENUE BY REGION Q1 2010



in %

■ North America ■ Europe ■ Rest of the world

REVENUE BY REGION Q1 2011



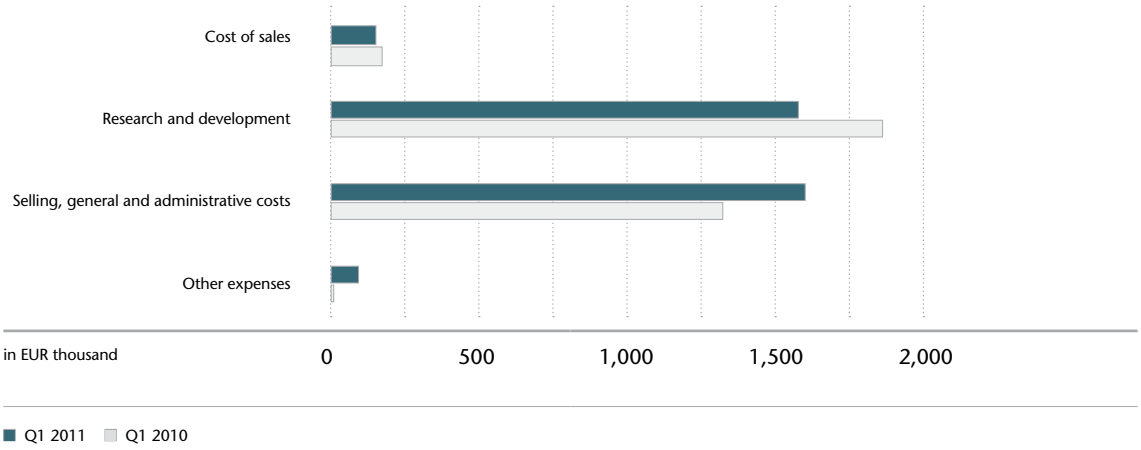
in %

■ North America ■ Europe ■ Rest of the world

OPERATING COSTS

Overall, operating costs during the first three months of 2011 amounted to EUR 3.4 million and thus remained at approximately the same level as in the comparable period. While R&D costs decreased by nearly 15%, selling, general and administrative costs (SG&A costs) increased by approximately 21% from EUR 1.3 million to EUR 1.6 million as a result of increased commercialization activities especially with regards to the U.S. market.

OPERATING COSTS



EBIT/NET LOSS

EBIT for Q1 2011 amounted to EUR -2.7 million and thus deteriorated by 5% compared to EBIT for the corresponding period in 2010 of EUR -2.6 million, while the net loss of the reporting period increased by 12% to EUR 2.9 million (Q1 2010: EUR 2.6 million).

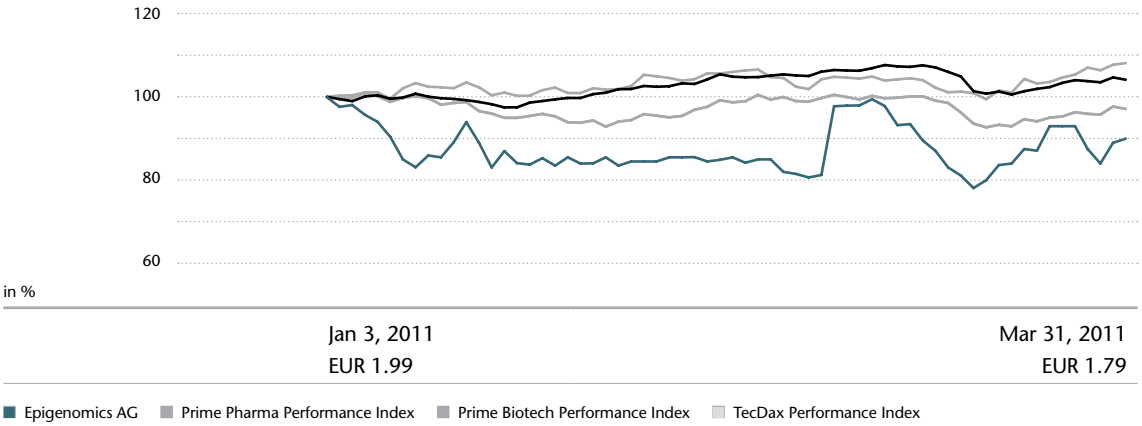
SHORT-TERM LIQUIDITY/CASH CONSUMPTION

Short-term liquidity as of March 31, 2011, amounted to EUR 23.5 million, a decrease of EUR 2.9 million from the EUR 26.4 million at year-end 2010 due to net cash consumption for operating and investing activities. Cash consumption in Q1 2011 of EUR 3.0 million has increased substantially compared to the previous year's EUR 1.8 million figure.

OUR STOCK

During Q1 2011 average trading volume in our stock amounted to approximately 94,500 shares per trading day. The share price closed at EUR 1.79 (Xetra) on March 31, 2011, after the first quarter of 2011 with a peak of EUR 1.99 per share compared to EUR 2.05 at year-end 2010.

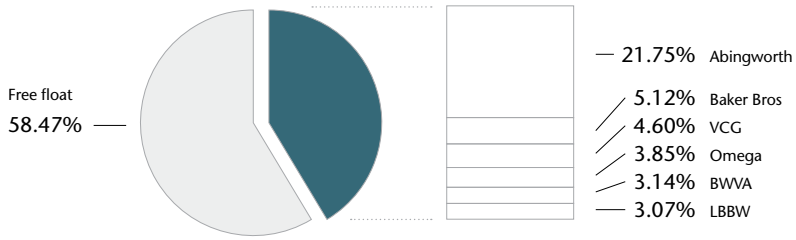
EPIGENOMICS' STOCK PERFORMANCE



Key data on Epigenomics' stock (January 1 - March 31, 2011)

ISIN	DE000A0BVT96
Security code number	A0BVT9
Stock exchange abbreviation	ECX
Reuters	ECXG.DE
Stock exchange	Frankfurt Stock Exchange Regulated Market (Prime Standard)
1st day of trading	July 19, 2004
Designated sponsors	ICF Kursmakler AG Wertpapierhandelsbank equinet AG
Analyst coverage	Thomas Schießle (Midas Research) Edouard Aubery (equinet Bank AG)
Number of shares	44,092,085
Average daily trading volume (in shares)	94,549
Weighted average number of shares issued	44,092,085
Market capitalization (March 31, 2011)	EUR 78,924,832
Price at the beginning of the year	EUR 1.99
Closing price at the end of the period	EUR 1.79
Highest price	EUR 1.99
Lowest price	EUR 1.55
Free float (according to Deutsche Börse AG)	75.3%

SHAREHOLDER STRUCTURE



in %

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

In the first quarter of 2011, our financial position was still affected by the continued cash consumption from operating and investing activities. Overall, the cash flow from operating and investing activities in Q1. 2011 has developed according to plan and liquid assets amounted to EUR 23.5 million as of March 31, 2011, compared to EUR 26.4 million as of December 31, 2010.

Cash outflow from operating activities in Q1 2011 totaled EUR 2.8 million. Cash flow from investing activities was negative at EUR 0.2 million and comprised EUR 115 thousand payments for the development of our improved product Epi *pro*Colon® 2.0, which were capitalized as the appropriate recognition criteria were met. Cash outflow from financing activities amounted to EUR 7 thousand. Thus, net cash flow in the first quarter of 2011 amounted to EUR -3.0 million compared to a net cash flow of EUR 12.5 million in the corresponding period of 2010, which was strongly affected by the capital increase at that time.

RESULTS OF OPERATIONS

Revenue

Revenue for the first three months of 2011 remained unchanged and amounted to EUR 621 thousand (Q1 2010: EUR 621 thousand). During the first quarter of 2011, our product sales and commercial R&D activities have contributed revenue of EUR 166 thousand, whereas revenue of EUR 455 thousand was generated from out-licensing.

Cost of sales

In the first quarter of 2011, cost of sales decreased by 12% to EUR 149 thousand from EUR 170 thousand in the corresponding period in 2010. This drop is attributable to reduced high-margin revenue from collaborative service business. Gross profit amounted to EUR 472 thousand, an increase of 5% compared to EUR 451 thousand in the first quarter of 2010. Our gross margin rose from around 73% in Q1 2010 to 76% in Q1 2011.

Other income

Other income decreased by 57% from EUR 137 thousand in Q1 2010 to EUR 59 thousand in Q1 2011, mainly resulting from significant lower foreign exchange rate gains as well as due to lower income from third-party research grants in the reporting period.

Research and development (R&D) costs

In the first quarter of 2011, R&D costs decreased from EUR 1,864 thousand in the corresponding period in 2010 to EUR 1,579 thousand. The vast majority of our R&D expenditure in the reporting period was still spent on our CRC programs as well as for the maintenance of our intellectual property portfolio.

Sales, general and administrative (SG&A) costs

SG&A costs increased by 21% from EUR 1,323 thousand in Q1 2010 to EUR 1,602 thousand in Q1 2011 mainly due to intensified activities in connection with the preparation of the U.S. market as regards the expected FDA approval for our Epi *pro*Colon® 2.0 test.

Other expenses

In the reporting period, other expenses increased significantly to EUR 90 thousand compared to EUR 6 thousand in the first three months of the previous year, due to considerably higher foreign exchange rate losses.

EBIT

EBIT decreased by 5% and amounted to EUR -2,740 thousand in Q1 2011.

Financial result

The financial result in Q1 2011 of EUR -121 thousand suffered from valuation losses from derivative instruments following the weakness of the U.S. dollar towards the end of the reporting period.

Profit/loss for the period

Net loss for the period increased by 12% from EUR 2,589 thousand in Q1 2010 to EUR 2,890 thousand in Q1 2011.

NET ASSETS POSITION

Assets

The total value of non-current assets at March 31, 2011, amounted to EUR 5.5 million and remained fairly constant in comparison to year-end 2010.

During Q1 2011, total current assets decreased from EUR 28.4 million as of December 31, 2010, to EUR 25.7 million, mainly due to the cash outflow from operating activities of EUR 2.8 million. In connection with the gradual recovery of the global financial markets after the worldwide recession in the previous years, the value of our marketable securities increased by EUR 141 thousand against year-end 2010.

Total assets

Epigenomics' total assets declined from EUR 33.8 million as of December 31, 2010, to EUR 31.2 million as of March 31, 2011, almost exclusively a consequence of the net cash consumption by operations.

Equity

As of March 31, 2011, our subscribed capital remained unchanged compared to year-end 2010 amounting to EUR 44.1 million. At EUR 22.1 million, the capital reserve was nearly unchanged as well.

The equity ratio decreased from 92.5% at the end of 2010 to 91.6% as of March 31, 2011.

EMPLOYEES

	Berlin	Seattle	Total
Number of employees as of March 31, 2011	**71**	**14**	**85**
Number of employees as of December 31, 2010	69	13	82
Number of employees as of March 31, 2010	68	18	86

The Epigenomics Group employed a total staff of 85 as of March 31, 2011.

The Berlin headcount of 71 comprises of 45 employees in operating departments and 26 employees in commercial and general administration (including one apprentice). At our headquarters in Berlin, we have maintained a strong product development team focusing on our IVD kit development activities, a small manufacturing group as well as our research team, the intellectual property department and the quality control functions.

The Seattle headcount of 14 comprises of 10 employees in operating functions and 4 employees in commercial and general administration. In Seattle, we have started to realign the organization over the last months on future tasks such as regulatory affairs in our ambitions towards obtaining an FDA approval for our Epi *pro*Colon® 2.0 product, the preparation of future commercialization activities once approval is granted and the conducting of clinical case control studies for various purposes.

To that end, we have continued our efforts on both sites in training and developing key personnel in-house and also selectively hiring additional expertise from outside into the organization.

As of March 31, 2011, personnel costs totaled EUR 1.7 million, compared to EUR 1.8 million during the corresponding period in 2010, a decrease of 7%. This decrease is mainly attributable to a reduced headcount at our U.S. site as well as to lower stock option expenses. In the first quarter of 2011, personnel remuneration totaled EUR 1,454 thousand (Q1 2010: EUR 1,501 thousand) and social security expenses amounted to EUR 206 thousand (Q1 2010: EUR 218 thousand).

SUPPLEMENTARY REPORT

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

On April 20, 2011, we announced the appointment of Noel Doheny as the new Chief Executive Officer (CEO) of our subsidiary Epigenomics, Inc. in Seattle, WA, U.S.A., reporting to Geert Nygaard, CEO of Epigenomics AG.

CORPORATE GOVERNANCE

The following section on Corporate Governance should be read in connection with our consolidated management report of the audited consolidated financial statements for the year ended December 31, 2010, especially with the respective section therein.

In December 2010, the Executive Board and the Supervisory Board issued a new declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz), which is included in the corporate governance report of our annual report and is also permanently made accessible to shareholders on our website. In this declaration, we have committed ourselves to the German Corporate Governance Code and only in some cases we adopted company-specific principles deviating from these recommendations. Due to the change in the Executive Board, the declaration of compliance has been amended in March 2011.

Furthermore, 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 our website under

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

Effective March 31, 2011, Epigenomics' co-founder Oliver Schacht, Ph.D., Chief Financial Officer of Epigenomics AG and Chief Executive Officer of Epigenomics, Inc., resigned from his Executive Board position as previously announced by the end of 2010 and left the Company to pursue other career opportunities. Dr. Thomas Taapken succeeded Oliver Schacht, Ph.D., on the Company's Executive Board as Chief Financial Officer effective April 1, 2011.

OPPORTUNITIES AND RISKS

In the first quarter of 2011, the types of opportunities and risks, which we are exposed to, have not changed significantly in composition and weight as described in the management report published with the consolidated financial statements 2010.

Our opportunities and risks 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.

PROGNOSIS REPORT FOR 2011

We intend to further expand our marketing and sales operations to evolve Epigenomics into a commercially-driven cancer molecular diagnostics company. The strategy will be focused on further driving market acceptance and sales of our Epi *pro*Colon® and Epi *pro*Lung® tests as well as on all our partners' Septin9-based CRC tests worldwide. As an important milestone in our operational execution in 2011, we will focus on finalizing development and clinical validation of Epi *pro*Colon® 2.0 necessary to gain regulatory approval in the U.S. In addition, we will be compiling all necessary supplemental material as might be necessary to allow us to submit a Premarket Approval (PMA) application to the FDA before the end of 2011. We will also assist our partner Abbott in completing their own clinical trial required to file with the FDA for approval of an IVD kit for the U.S. market.

With respect to our commercial operations, we will strive to broaden the number of laboratories in Europe as well as in other countries where Septin9 testing is offered. A major focus for commercial execution will be on driving sales of Epi *pro*Colon® in Germany, Austria, and Switzerland while also expanding the geographic coverage via agents and distributors to simultaneously start selling in other major European and significant markets outside Europe.

Another element of the successful implementation of our corporate strategy for broad market penetration will be to enter into additional non-exclusive licensing agreements for ^{m}SEPT9 as well as for further biomarkers and our technologies in 2011 and beyond. This will be a cornerstone of our business development efforts going forward whilst, simultaneously, we will take great care to optimize the value of our assets through careful timing of such deals.

During the next 12 to 24 months, we expect to complete our own FDA approval trial for a blood-based CRC test to subsequently obtain regulatory approval by the FDA for the U.S. market. Furthermore, we also anticipate to further progress our product pipeline in CRC monitoring applications on the one hand and our lung cancer clinical studies on the other. The goal is to establish Epigenomics as a cancer molecular diagnostics player with proprietary products in the market via direct sales and marketing activities and through partners and distributors.

Our R&D efforts will focus on the current product pipeline in colorectal, lung, and prostate cancer with the goal to develop successive generations of our products with even higher performance and line extensions to broaden the scope of our proprietary biomarkers to related clinical applications. We aim to maintain or even expand our clear leadership in DNA methylation technologies and provide selected partners access to our know-how, expertise and IP in this field via licenses and services.

Financials for the fiscal year 2011 are expected to be characterized by a focus on commercialization efforts while maintaining continued fiscal discipline. Epigenomics anticipates 2011 revenue from our partnering activities in diagnostics at a similar or marginally higher level compared to 2010. Key drivers of revenue should be our Epi *pro*Colon® IVD kit sales in Europe as well as the growing royalty income from our current partners' sales of Septin9-based tests worldwide (Abbott, Quest, ARUP, Warnex) as well as prospective additional licensing partners. For 2011, EBIT is expected to be at a similar level to 2010, since we will anticipate significant expenditures for: marketing and sales activities, guideline inclusion into colorectal cancer screening guidelines through studies and publications of our tests as well as our partners' Septin9 tests and providing sufficient evidence for health technology assessments by health insurances and other payer organizations to cover the costs of our tests. Cash consumption will be closely monitored and is expected to remain around EUR 10 million to EUR 12 million for 2011 and should start to decrease gradually in 2013 as revenue growth is expected to have a positive impact on the cash flow from operations. We plan to fund the FDA-required clinical trials for our planned U.S. version of Epi *pro*Colon® and make investments in automation development for higher throughput in the application of our CRC test as well as in R&D activities towards next-generation products.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of March 31, 2011

GROUP INCOME STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2011 (UNAUDITED)

EUR thousand	**Q1 2010**	**Q1 2011**
Revenue	621	621
Cost of sales	-170	-149
Gross profit	**451**	**472**
Other income	137	59
Research and development costs	-1,864	-1,579
Selling, general and administrative costs	-1,323	-1,602
Other expenses	-6	-90
Earnings before interest and taxes (EBIT)	**-2,605**	**-2,740**
Interest income	27	55
Interest expenses	0	0
Other financial result	-1	-176
Net loss for the period before taxes on income	**-2,579**	**-2,861**
Taxes on income	-10	-29
Net loss for the period	**-2,589**	**-2,890**
Earnings per share (basic and diluted) in EUR	**-0.09**	**-0.07**

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN GROUP EQUITY
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2011 (UNAUDITED)

EUR thousand	**Q1 2010**	**Q1 2011**
Net loss for the period	**-2,589**	**-2,890**
Fair value adjustment of securities	197	141
Total income and expenses recognized in Group equity	**197**	**141**
Total comprehensive income	**-2,392**	**-2,749**

GROUP BALANCE SHEET
AS OF MARCH 31, 2011 (UNAUDITED)

ASSETS EUR thousand	**Dec 31, 2010**	**Mar 31, 2011**
Non-current assets		
Intangible assets	4,498	4,537
thereof: goodwill	*2,625*	*2,625*
Tangible assets	544	555
Deferred taxes	421	379
Total non-current assets	**5,463**	**5,471**
Current assets		
Inventories	162	105
Trade receivables	476	628
Marketable securities	1,815	1,956
Cash and cash equivalents	24,554	21,529
Other current assets	1,368	1,494
Total current assets	**28,375**	**25,712**
Total assets	**33,838**	**31,183**

EQUITY AND LIABILITIES EUR thousand	**Dec 31, 2010**	**Mar 31, 2011**
Equity		
Subscribed capital	44,092	44,092
Capital reserve	22,078	22,100
Retained earnings	-22,494	-33,970
Net loss for the period	-11,476	-2,890
Other comprehensive income	-905	-764
Total equity	**31,295**	**28,568**
Current liabilities		
Trade payables	1,134	944
Liabilities from leasing contracts	9	2
Deferred income	240	281
Other liabilities	890	960
Provisions	270	428
Total current liabilities	**2,543**	**2,615**
Total equity and liabilities	**33,838**	**31,183**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2011 (UNAUDITED)

EUR thousand	Q1 2010	Q1 2011
Cash and cash equivalents at the beginning of the period	**3,954**	**24,554**
Operating activities		
Net loss before taxes on income	**-2,579**	**-2,861**
Corrections for:		
Depreciation on tangible assets	71	66
Amortization of intangible assets	84	95
Losses from the disposal of assets	1	0
Stock option expenses	88	22
Foreign currency exchange results	-27	23
Interest income	-27	-55
Taxes	-6	-10
Operating result before changes in net current assets	**-2,395**	**-2,720**
Changes in trade receivables and other current assets	-2,604	-2,141
Changes in inventories	106	56
Changes in current liabilities from operating activities	3,312	1,964
Liquidity earned from operating activities	**-1,581**	**-2,841**
Interest received	0	5
Cash flow from operating activities	**-1,581**	**-2,836**
Investing activities		
Payments for investments in tangible assets	-38	-56
Proceeds from the sale of tangible assets	0	5
Payments for investments in intangible assets	-11	-16
Additions to capitalized development costs	-172	-115
Cash flow from investing activities	**-221**	**-182**
Financing activities		
Payments for the creation of new shares	-345	0
Proceeds from the issue of new shares	14,697	0
Payments for lease financing	-7	-7
Cash flow from financing activities	**14,345**	**-7**
Cash flow total	**12,543**	**-3,025**
Cash and cash equivalents at the end of the period	**16,497**	**21,529**

STATEMENT OF CHANGES IN GROUP EQUITY
AS OF MARCH 31, 2011 (UNAUDITED)

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehensive income	**Group equity**
Dec 31, 2009	**29,395**	**6,227**	**-22,494**	**0**	**-1,044**	**12,084**
Total comprehensive income	**0**	**0**	**0**	**-2,589**	**197**	**-2,392**
Stock-based compensation	0	88	0	0	0	88
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	-2,787	0	0	0	-2,787
Mar 31, 2010	**44,092**	**21,900**	**-22,494**	**-2,589**	**-847**	**40,062**
Dec 31, 2010	**44,092**	**22,078**	**-22,494**	**-11,476**	**-905**	**31,295**
Total comprehensive income	**0**	**0**	**0**	**-2,890**	**141**	**-2,749**
Transfer of net loss for the year 2010 to retained earnings	0	0	-11,476	11,476	0	0
Stock-based compensation	0	22	0	0	0	22
Capital increase from issue of shares	0	0	0	0	0	0
Premium from issue of shares	0	0	0	0	0	0
Financing costs	0	0	0	0	0	0
Mar 31, 2011	**44,092**	**22,100**	**-33,970**	**-2,890**	**-764**	**28,568**

NOTES TO THE Q1 2011 CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, 2011, 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 24: *Related Party Disclosures*, IAS 34: *Interim Financial Reporting*, IFRS 1: *First-time Adoption of International Financial Reporting Standards*, IFRS 7: *Financial Instruments: Disclosures,* have become effective on January 1, 2011. The adoption of these amendments does not have a potential impact on the Group's accounting principles.

The reporting period as defined in these interim consolidated financial statements is the period from January 1, 2011, to March 31, 2011. 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, 2010, 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, 2010. 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.

CURRENCY TRANSLATION

Applied foreign currency exchange rates in the reporting period:

Reporting date rates	Dec 31, 2010	Mar 31, 2011
EUR/USD	1.3362	1.4207
EUR/GBP	0.86075	0.88370
EUR/CAD	1.3322	1.3785

Average rates	Q1 2010	Q1 2011
EUR/USD	1.3672	1.3911
EUR/GBP	0.88302	0.86580
EUR/CAD	1.4322	1.3666

NOTES TO THE GROUP INCOME STATEMENT

REVENUE

	Q1 2010		Q1 2011	
	EUR thousand	in %	EUR thousand	in %
Licensing and royalty income	478	76.9	455	73.2
Product sales and other	82	13.3	155	24.9
R&D payments	61	9.8	11	1.9
Total revenue	**621**	**100.0**	**621**	**100.0**

COST OF SALES / GROSS PROFIT / GROSS MARGIN

EUR thousand	Q1 2010	Q1 2011
Revenue	621	621
Cost of sales	170	149
Gross profit	**451**	**472**
Gross margin in %	72.6	76.0

OTHER INCOME

EUR thousand	Q1 2010	Q1 2011
Third-party research grants	49	29
Income from the sale of assets	0	9
Income from option exercises	0	6
Currency exchange gains	67	6
Corrections of invoices of the previous year	17	5
Other	4	4
Total other income	**137**	**59**

COST ANALYSIS

Q1 2010

EUR thousand	Cost of sales	R&D costs	SG&A costs	**Total**
Materials/consumables	22	307	6	335
Depreciation and amortization	36	103	16	155
Personnel costs	25	1,107	675	1,807
Other costs	87	519	626	1,232
Capitalized development costs	0	-172	0	-172
Total	**170**	**1,864**	**1,323**	**3,357**

Q1 2011

EUR thousand	Cost of sales	R&D costs	SG&A costs	**Total**
Materials/consumables	77	160	11	248
Depreciation and amortization	3	132	26	161
Personnel costs	14	936	732	1,682
Other costs	55	466	833	1,354
Capitalized development costs	0	-115	0	-115
Total	**149**	**1,579**	**1,602**	**3,330**

OTHER EXPENSES

EUR thousand	**Q1 2010**	**Q1 2011**
Currency exchange losses	4	90
Other	2	0
Total other expenses	**6**	**90**

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

EUR thousand	Q1 2010	Q1 2011
EBIT	**-2,605**	**-2,740**
Depreciation	71	66
Amortization	84	95
EBITDA	**-2,450**	**-2,579**

FINANCIAL RESULT

EUR thousand	Q1 2010	Q1 2011
Interest and related income	27	55
Total financial income	**27**	**55**
Other financial expenses	-1	-176
Total financial expenses	**-1**	**-176**
Total financial result	**26**	**-121**

Other financial expenses in the reporting period of EUR 176 thousand are attributable to a valuation adjustment for a derivative currency contract.

TAXES ON INCOME

EUR thousand	Q1 2010	Q1 2011
Current tax expenses	10	12
Deferred tax expenses	0	17
Total taxes on income	**10**	**29**

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.

	Q1 2010	Q1 2011
Net loss in EUR thousand	-2,589	-2,890
Weighted-average number of shares issued	29,394,724	44,092,085
Earnings per share (basic and diluted) in EUR	-0.09	-0.07

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 (March 31, 2010: 29,394,724). The new shares issued on March 31, 2010, were admitted to trading not before April 1, 2010, and were therefore not included in the calculation of the earnings per share as of March 31, 2010.

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2010	Mar 31, 2011
Software	203	210
Licenses, patents	1,098	1,067
Goodwill	2,625	2,625
Development costs	572	635
Total intangible assets	**4,498**	**4,537**
Fixtures, leasehold improvements	9	8
Technical equipment	496	510
Other fixed assets	39	37
Total tangible assets	**544**	**555**
Deferred tax assets	**421**	**379**
Total non-current assets	**5,463**	**5,471**

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

CURRENT ASSETS

EUR thousand	Dec 31, 2010	Mar 31, 2011
Inventories	**162**	**105**
Trade receivables	**476**	**628**
Marketable securities	**1,815**	**1,956**
Cash and cash equivalents	**24,554**	**21,529**
Prepaid expenses	901	1,147
Claims based on granted projects	89	117
– thereof: claims against public authorities	*89*	*117*
Receivables from tax authorities	233	82
Interest receivables	38	80
Advance payments	9	11
Excess payments	13	8
Other	85	49
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**1,368**	**1,494**
Total current assets	**28,375**	**25,712**

EQUITY

Equity decreased in the reporting quarter by EUR 2.7 million, mainly due to the net loss for the period. As of March 31, 2011, the share capital of EUR 44,092,085 remained unchanged compared to year-end 2010.

The capital reserve was increased by EUR 22 thousand to EUR 22.1 million in Q1 2011 resulting completely from stock option expenses.

Other comprehensive income improved from EUR -0.9 million as of December 31, 2010, 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, 2010	Mar 31, 2011
Payments from commercial partners	214	255
Payments for granted projects	26	26
Total deferred income	**240**	**281**

There are no repayment obligations for the Company resulting from the deferred income.

Other liabilities

EUR thousand	Dec 31, 2010	Mar 31, 2011
Liabilities from derivative instruments	144	320
Payables due to staff	384	273
Payables due to tax authorities	196	151
Accrued audit fees	107	136
Accrued Supervisory Board fees	17	44
Payables due to social security institutions	26	26
Down payments received	3	0
Other	13	10
Total other liabilities	**890**	**960**

Provisions

EUR thousand	Dec 31, 2010	Mar 31, 2011
Contract-related provisions	188	188
Payroll provisions	4	139
Other provisions	78	101
Total provisions	**270**	**428**

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	Q1 2010	Q1 2011
Cash flow from operating activities	-1,581	-2,836
Cash flow from investing activities	-221	-182
Cash consumption	**-1,802**	**-3,018**

OTHER INFORMATION

INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

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

CHANGES IN STOCK OPTIONS

No stock options were exercised in Q1 2011. In January 2011, a total of 190,000 stock options were granted to employees of the Company under the stock option program 09-13. The total number of stock options held by the members of the Executive Board as of March 31, 2011, aggregated to 421,665 and the total number of stock options held by other beneficiaries aggregated to 998,108.

SHAREHOLDINGS OF THE BOARDS OF EPIGENOMICS AG (AS OF MARCH 31, 2011)

	Number of shares	Number of stock options
Executive Board	**177,050**	**421,665**
Geert Walther Nygaard	50,000	285,000
Oliver Schacht, Ph.D.*	127,050	136,665
Supervisory Board	**14,000**	**0**
Ann Clare Kessler, Ph.D.	14,000	0

*Effective March 31, 2011, Oliver Schacht, Ph.D., left the Company.

DIRECTORS' DEALINGS

In the first three months of 2011, no directors' dealings took place.

This interim report has been approved and cleared for publication by the Executive Board of the Company on May 3, 2011.

Berlin, May 3, 2011

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 2011

Annual General Shareholders' Meeting 2011 in Berlin ..... Tuesday, June 28, 2011

6-Month Report 2011
January 1 – June 30, 2011 ..... Wednesday, August 10, 2011

9-Month Report 2011
January 1 – September 30, 2011 ..... Wednesday, November 9, 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.