epigenomics

3-MONTH REPORT

JANUARY 1 – MARCH 31

Q1 2014

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

in EUR thousand (except where indicated)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Statement of Profit or Loss					
Revenue	355	343	263	627	407
Gross profit	244	227	168	462	210
EBIT	-1,712	-1,607	-1,855	-2,114	-2,000
EBITDA	-1,509	-1,407	-1,657	-1,916	-1,809
Net loss for the period	-1,716	-1,639	-1,877	-2,179	-2,240
Balance Sheet (at the respective reporting dates)					
Non-current assets	2,832	2,621	2,403	2,167	1,977
Current assets	6,342	4,593	3,592	8,914	9,492
Non-current liabilities	0	0	108	542	699
Current liabilities	2,210	1,850	2,076	4,080	4,022
Equity	6,964	5,364	3,811	6,459	6,748
Equity ratio in %	75.9	74.4	63.6	58.3	58.8
Total assets	9,174	7,214	5,995	11,081	11,469
Cash Flow Statement					
Cash flow from operating activities	-1,762	-2,014	-1,396	-1,333	-1,475
Cash flow from investing activities	0	-1	-18	-1	0
Cash flow from financing activities	4,555	0	371	6,601	1,866
Net cash flow	2,793	-2,015	-1,043	5,267	391
Cash consumption	-1,762	-2,015	-1,414	-1,334	-1,475
Cash and cash equivalents at the end of the period	4,998	2,983	1,939	7,207	7,598
Stock					
Weighted-average number of shares issued	10,918,038	11,967,847	11,992,858	12,761,325	13,261,225
Earnings per share (basic and diluted) (in EUR)	-0.16	-0.14	-0.16	-0.17	-0.17
Share price at the end of the period (in EUR)	1.59	1.57	3.65	6.12	5.40
Number of employees at the end of the period	33	32	34	34	37

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EPIGENOMICS AG – INTERIM REPORT ON THE FIRST QUARTER OF 2014

DEAR SHAREHOLDERS,

The first quarter of 2014 was dominated by intensive preparations for the meeting of the Molecular and Clinical Genetics Panel of FDA's Medical Devices Advisory Committee ("Advisory Committee") in the United States. The meeting was held on March 26 in conjunction with the premarket approval (PMA) for our convenient blood-based colorectal cancer (CRC) screening test, Epi proColon®. The Advisory Committee reviewed the Company's clinical data and the performance of Epi proColon®, discussed data and questions presented by the FDA as well as testimonies shared during the open public hearing. After deliberations, the Advisory Committee members in their majority voted positively that the benefits of Epi proColon® outweigh the risks for use in patients who meet the criteria. This positive recommendation is a key milestone for the Company and we continue to work with FDA and the medical community to advance the fight against CRC.

Subsequently, we again met with FDA's PMA review team to define an approval path to launch Epi proColon® in the U.S.A. The meeting focused on detailed discussions regarding submitted data, product labeling, design of the proposed post-approval study as well as on topics raised at the recent Advisory Committee meeting and progress was made in addressing open issues. We proposed that the post-approval study is intended to investigate the test's longitudinal performance in a programmatic setting to assess the long-term benefits of CRC screening by using our test. While FDA regulations do not allow us to anticipate a decision or a specific decision date, we are confident that the agency is now able to come to a decision regarding the approval of Epi proColon® in the U.S.A. in the foreseeable future. In line with this and assuming a positive decision, we are diligently preparing ourselves, together with our partner Polymedco, Inc., for the planned U.S. commercialization in order to ensure the optimum market introduction and roll-out of Epi proColon® in North America.

We are also making excellent progress with our key value driver in other important regions of the world. Argentina, a country where CRC mortality rates are still among the highest for males and females, became the first country outside of Europe to grant the required regulatory approval of our test for commercialization. Our local partner VSA Alta Complejidad S.A, Buenos Aires, subsequently started to make the test available during March 2014 on the occasion of the international "Colon Cancer Awareness Month" campaign. Additionally, a clinical study conducted in the Czech Republic, which has one of the highest CRC incidence rates in Europe, reported excellent results for Epi proColon®, confirming its utility as a CRC screening tool.

Importantly, in China, where CRC is a rapidly growing problem too and no screening methods are yet established, our partner BioChain Institute, Inc. ("BioChain") has completed, sooner than anticipated, a major clinical validation study with Epi proColon®. The goal of this first clinical study in China was to demonstrate the clinical utility of an assay targeted on our proprietary Septin9 biomarker for early CRC detection in order to gain national market approval for the test. From November 2013 to March this year, a total of 1,074 patients were tested at three top-ranking hospitals in China. Epi proColon® detected 75% of the cancer cases (sensitivity) and correctly identified 97% of the patients free of disease (specificity) in a study cohort including 300 cancer cases. BioChain has now officially started the market approval process with the China Food and Drug Administration (CFDA). The excellent performance of our test and the regulatory approval filing with the CFDA are significant milestones towards commercialization in the Chinese market, which is expected to start in 2015.

In summary, we are extremely pleased to be making excellent progress with Epi proColon® in many regions of the world. Most importantly, we are now in the final phase of the U.S. market approval process, which would open a potential additional market opportunity for CRC screening in excess of USD 1 billion. The launch of Epi proColon® would help to significantly increase the number of people being tested early for CRC and help meet the 80% screening compliance objective pursued by U.S. guideline bodies.

CRC has a very good survival prognosis if detected at an early stage and we are proud to contribute to the future of CRC screening, based on our convenient blood-based test, to reduce the worldwide incidence and mortality of this terrible disease.

Yours sincerely,

Dr. Thomas Taapken
(CEO/CFO)

Dr. Uwe Staub
(COO)

OUR STOCK

Epigenomics AG – Common shares	Frankfurt Stock Exchange, Regulated Market (Prime Standard)
ISIN	DE000A1K0516
Security code number	A1K051
Stock exchange abbreviation	ECX
Reuters	ECXG.DE
Bloomberg	ECX:GR
Designated sponsor	equinet Bank AG
Analyst coverage	Edison Investment Research (Emma Ulker) equinet Bank AG (Marietta Miemietz) First Berlin Equity Research (Jens Hasselmeier) Kempen & Co. (Sachin Soni, Mark Pospisilik) Maxim Group (Bryan Brokmeier)

Market data (Xetra/Frankfurt)	Mar 31, 2013	June 30, 2013	Sept 30, 2013	Dec 31, 2013	**Mar 31, 2014**
Number of shares outstanding	11,967,847	11,967,847	12,042,881	13,082,892	13,510,892
Closing price (in EUR)	1.59	1.57	3.65	6.12	5.40
Market capitalization (in EUR)	19,028,877	18,789,520	43,944,473	80,067,299	72,958,817

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	**Q1 2014**
Average daily trading volume (units)	43,781	12,448	60,638	87,769	112,069
Highest closing price (in EUR)	2.30	1.98	3.92	7.72	8.25
Lowest closing price (in EUR)	1.59	1.56	1.44	3.75	5.18

Epigenomics AG – American Depositary Receipts (ADRs)	OTCQX Trading
Structure	Sponsored Level 1 ADR
Ratio	1 ADR = 5 shares
Ticker symbol	EPGNY
CUSIP	29428N102
ISIN	US29428N1028
Depositary Bank	BNY Mellon
Investment Bank PAL	BNY Mellon

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 1.5 million in Q1 2014 – a significant decrease of EUR 0.3 million compared to Q1 2013 (EUR 1.8 million) which was mainly attributable to the changes in current and non-current liabilities from operations. Cash inflow from financing activities amounted to EUR 1.9 million and was mainly attributable to the issuance of 428,000 new shares in context with the conversion of four convertible notes. Cash and cash equivalents amounted to EUR 7.6 million at the reporting date, up EUR 0.4 million compared to year-end 2013.

RESULTS OF OPERATIONS

In Q1 2014, we recognized revenue in the amount of EUR 407 thousand – a slight increase compared to Q1 2013 (EUR 355 thousand). While licensing income slightly decreased compared to the first quarter of 2013, product revenue in Q1 2014 increased by more than 30% year on year (from EUR 163 thousand to EUR 215 thousand). Cost of sales increased from EUR 111 thousand in Q1 2013 to EUR 197 thousand in Q1 2014. The decrease of the gross margin from 69% in Q1 2013 to 52% in Q1 2014 is attributable to a lower share of high-margin licensing and royalty income and to discounted kit sales to China for study purposes.

Other income of EUR 111 thousand in Q1 2014 (Q1 2013: EUR 148 thousand) was mainly attributable to income from third-party research grants and the reversal of provisions.

Our R&D costs in Q1 2014 increased to EUR 1,277 thousand from EUR 1,050 thousand in the comparable quarter of the previous year. This increase was mainly attributable to higher costs for international patent protection. Selling, general and administrative (SG&A) costs increased insignificantly from EUR 1,014 thousand to EUR 1,036 thousand quarter on quarter.

Altogether, our operating costs increased to EUR 2.5 million in Q1 2014 from EUR 2.2 million in the first three months of 2013. Correspondingly to this increase in operating costs, EBIT for Q1 2014 amounted to EUR -2,000 thousand (Q1 2013: EUR -1,712 thousand).

Interest expenses in the amount of EUR 238 thousand (Q1 2013: EUR 0) incurred in connection with the issued convertible notes. Net loss for Q1 2014 added up to EUR 2,240 thousand (Q1 2013: EUR 1,716 thousand). Due to the increased number of shares outstanding at the end of Q1 2014, net loss per share increased only slightly from EUR 0.16 to EUR 0.17.

NET ASSETS POSITION

In the first three months of 2014, total non-current assets decreased to EUR 2.0 million (Dec 31, 2013: EUR 2.2 million). Current assets increased from EUR 8.9 million at the end of 2013 to almost EUR 9.5 million at the reporting date mainly due to the cash inflows from the aforementioned conversion of convertible notes and an improved valuation of our marketable securities portfolio.

The issuance of new shares following the conversion of four convertible notes were also the cause for the increase in the subscribed capital (up by EUR 0.4 million) and the capital reserve (up by EUR 2.0 million), improving our equity ratio slightly to 58.8% at the reporting date from 58.3% at year-end 2013.

Non-current liabilities amounting to EUR 699 thousand are attributable to provisions for phantom stock rights for staff and Board members.

Current liabilities decreased only slightly from EUR 4.1 million at December 31, 2013, to EUR 4.0 million at March 31, 2014. The reduction of trade payables in the reporting period by EUR 0.3 million was compensated by a simultaneous increase of deferred income (up EUR 0.2 million) and a slight increase of the value of the issued convertible notes. This increase was attributable to two notes of our issuance from December 2013 which were transferred to their holder and recorded as liabilities not before January 2014. Together with the accrued interest for the notes in Q1 2014, which increased their fair value as of the reporting date, these effects overcompensated the lapse of liabilities for the notes which have already been converted.

EMPLOYEES

The total headcount of the Company as of March 31, 2014, increased to 37 from 34 at year-end 2013 and comprises 21 employees in R&D and 16 employees in SG&A.

CORPORATE GOVERNANCE – REMUNERATION REPORT

The management contract with the Company's CEO/CFO, Dr. Thomas Taapken, has been renewed effective January 1, 2014. The contract has a term until December 31, 2015. The remuneration according to this contract is still composed of a fixed and a variable component on the one hand. The variable component is depending on the execution of certain successful financing transactions of the Company (e.g. capital increases). Dr. Taapken can participate up to a maximum amount of EUR 400 thousand annually on such events. On the other hand, Dr. Taapken is entitled to receive annually a certain number of phantom stock rights under the Company's phantom stock plans.

The management contract of Dr. Taapken contains a post-contractual non-compete provision for a period of twelve months after the contract has ended. During such period, Dr. Taapken is entitled to 100% of his last basic salary as a non-competition payment. In case of a change of control, Dr. Taapken is entitled to terminate his contract and would be entitled to receive payment of the fixed remuneration amount for the time remaining until his contract would have expired but in no case such payment will exceed 150% of the severance payment cap according to Section 4.2.3 of the German Corporate Governance Code. In case of a change of control, Dr. Taapken is additionally entitled to a bonus payment of 1.5% of the purchase price or of the other consideration, respectively, up to a maximum amount of EUR 400 thousand with payments he has received from the variable component of his contract in the same year being credited against.

SUPPLEMENTARY REPORT

After the end of the reporting period, on April 24, 2014, we announced that our Chinese partner BioChain has completed its major clinical validation study to validate our blood-based Septin9 screening assay Epi proColon® for the early detection of CRC with the goal to gain market approval for the test in China. In addition, BioChain has officially submitted an application to the CFDA in April for the approval of Epi proColon®. The commercialization of the test in China is expected to start in 2015.

OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's business operations are described in detail in the management report published with the consolidated financial statements 2013 which are available on the Company's website *(www.epigenomics.com)*. There were no significant changes in the current reporting period.

PROGNOSIS REPORT FOR 2014

With regard to the earnings prognosis for the current business year, there are no significant changes compared to our statements in the consolidated management report for 2013. However, we might adjust our product revenue prognosis upwards for 2014, if market approval for Epi proColon® should be granted without further delay. Simultaneously, the financial prognosis might be adjusted accordingly as further conversions of issued convertible notes can then be expected. Due to the first conversions of such notes in Q1 2014, our liquidity has improved to EUR 8.4 million at the balance sheet date. These conversions have not only given us some more financial leeway but as well reduced the redemption amount in a non-conversion scenario. However, we will continue to diligently explore and potentially execute all strategic options available to the Company. These options explicitly include further capital market transactions.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of March 31, 2014

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)

EUR thousand	Q1 2013	Q1 2014
Revenue	**355**	**407**
Cost of sales	-111	-197
Gross profit	**244**	**210**
Gross margin in %	*69*	*52*
Other income	148	111
Research and development costs	-1,050	-1,277
Selling, general and administrative costs	-1,014	-1,036
Other expenses	-40	-8
Operating result/Earnings before interest and taxes (EBIT)	**-1,712**	**-2,000**
Interest income	5	5
Interest expenses	0	-238
Other financial result	26	0
Net loss for the period before taxes on income	**-1,681**	**-2,233**
Taxes on income	-35	-7
Net loss for the period	**-1,716**	**-2,240**
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of available-for-sale securities	23	74
Other comprehensive income for the period	**23**	**74**
Total comprehensive income for the period	**-1,693**	**-2,166**
Earnings per share (basic and diluted) (in EUR)	**-0.16**	**-0.17**

GROUP BALANCE SHEET
AS OF MARCH 31 (UNAUDITED)

ASSETS (EUR thousand)	**Dec 31, 2013**	**Mar 31, 2014**
Non-current assets		
Intangible assets	1,920	1,758
Tangible assets	247	219
Total non-current assets	**2,167**	**1,977**
Current assets		
Inventories	275	221
Trade receivables	258	411
Marketable securities	750	824
Cash and cash equivalents	7,207	7,598
Other current assets	424	438
Total current assets	**8,914**	**9,492**
Total assets	**11,081**	**11,469**

EQUITY AND LIABILITIES (EUR thousand)	**Dec 31, 2013**	**Mar 31, 2014**
Equity		
Subscribed capital	13,083	13,511
Capital reserve	27,506	29,533
Retained earnings	-26,469	-33,880
Net loss for the period	-7,411	-2,240
Other comprehensive income	-250	-176
Total equity	**6,459**	**6,748**
Non-current liabilities		
Provisions	542	699
Total non-current liabilities	**542**	**699**
Current liabilities		
Trade payables	1,030	736
Deferred income	67	261
Convertible notes issued	1,932	1,969
Other liabilities	416	394
Provisions	635	662
Total current liabilities	**4,080**	**4,022**
Total equity and liabilities	**11,081**	**11,469**

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

EUR thousand	Q1 2013	Q1 2014
Cash and cash equivalents at the beginning of the period	**2,205**	**7,207**
Operating activities		
Net loss for the period	**-1,716**	**-2,240**
Corrections for:		
Depreciation of tangible assets	35	28
Amortization of intangible assets	168	163
Stock option expenses	1	0
Foreign currency exchange results	-3	0
Interest income	-5	-5
Interest expenses	0	238
Taxes	35	7
Operating result before changes in net current assets	**-1,485**	**-1,809**
Changes in trade receivables and other current assets	304	-163
Changes in inventories	-1	54
Changes in non-current liabilities	0	157
Changes in current liabilities from operating activities	-567	293
Liquidity earned from operating activities	**-1,749**	**-1,468**
Interest received/paid	0	0
Taxes received/paid	-13	-7
Cash flow from operating activities	**-1,762**	**-1,475**
Investing activities		
Payments for investments in tangible assets	0	0
Payments for investments in intangible assets	0	0
Cash flow from investing activities	**0**	**0**

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

EUR thousand	Q1 2013	Q1 2014
Financing activities		
Proceeds from the issue of new shares	4,976	0
Proceeds from the issue of convertible notes	0	200
Proceeds from the conversion of convertible notes	0	2,084
Payments for the creation of new shares	-421	0
Payments for the issue of convertible notes	0	-418
Cash flow from financing activities	**4,555**	**1,866**
Net cash flow	**2,793**	**391**
Cash and cash equivalents at the end of the period	**4,998**	**7,598**

At the balance sheet date, an amount of EUR 109 thousand of cash and cash equivalents was restricted cash.

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

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehen-sive income	**Group equity**
December 31, 2012	**8,818**	**22,299**	**-14,272**	**-12,197**	**-491**	**4,158**
Total comprehensive income for the period	**0**	**0**	**0**	**-1,716**	**23**	**-1,693**
Capital increase from the issue of shares	3,150	0	0	0	0	3,150
Premium from the issue of shares	0	1,827	0	0	0	1,827
Costs for the creation of new shares	0	-478	0	0	0	-478
Transfer of net loss for the year 2012 to retained earnings	0	0	-12,197	12,197	0	0
Stock option expenses	0	1	0	0	0	1
March 31, 2013	**11,968**	**23,649**	**-26,469**	**-1,716**	**-468**	**6,964**
December 31, 2013	**13,083**	**27,506**	**-26,469**	**-7,411**	**-250**	**6,459**
Total comprehensive income for the period	**0**	**0**	**0**	**-2,240**	**74**	**-2,166**
Capital increase from the conversion of convertible notes	428	2,027	0	0	0	2,455
Transfer of net loss for the year 2013 to retained earnings	0	0	-7,411	7,411	0	0
March 31, 2014	**13,511**	**29,533**	**-33,880**	**-2,240**	**-176**	**6,748**

NOTES

to the Interim Consolidated Financial Statements

BASIC INFORMATION, PRINCIPLES AND METHODS

GENERAL PRINCIPLES

The presented unaudited interim consolidated financial statements of Epigenomics AG were 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, 2014, 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 auditor.

The Group has mandatorily applied the following new or amended standards during the reporting period:

IFRS 10 and subsequent amendments to IFRS 10	Investment Entities
IFRS 11 and amendments to IAS 28	Joint Arrangements and Investments in Associates and Joint Ventures
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of these new or amended standards did not have a material impact on the Group's accounting.

The reporting period as defined in these interim consolidated financial statements is the period from January 1, 2014, to March 31, 2014. The reporting currency is the euro (EUR).

The Group Statement of Profit or Loss has been prepared using the cost of sales method.

CONSOLIDATION GROUP

The consolidation group remained unchanged compared to the one as of December 31, 2013, 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, 2013. 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 were eliminated in full upon consolidation.

CURRENCY TRANSLATION

Applied foreign currency exchange rates in the reporting period:

Reporting date rates	Dec 31, 2013	Mar 31, 2014
EUR/USD	1.3791	1.3788
EUR/GBP	0.83370	0.82820

Average rates	Q1 2013	Q1 2014
EUR/USD	1.3160	1.3706
EUR/GBP	0.85520	0.82527

NOTES TO THE GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REVENUE

Revenue source by revenue type:

	Q1 2013		Q1 2014	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	163	46.0	215	52.9
Licensing income	66	18.7	55	13.5
R&D income	126	35.3	137	33.6
Total revenue	**355**	**100.0**	**407**	**100.0**

Revenue source by geographical market:

	Q1 2013		Q1 2014	
	EUR thousand	in %	EUR thousand	in %
Europe	290	81.9	262	64.3
North America	50	14.0	31	7.7
Rest of the world	15	4.1	114	28.0
Total revenue	**355**	**100.0**	**407**	**100.0**

OTHER INCOME

EUR thousand	Q1 2013	Q1 2014
Third-party research grants	24	73
Income from the reversal of provisions	0	24
Recoveries and refunds	82	7
Foreign exchange rate gains	34	3
Correction of deferred liabilities	0	3
Other	8	1
Total other income	**148**	**111**

COST ALLOCATION BY FUNCTION

Q1 2013

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	41	1	1	0	43
Depreciation and amortization	1	181	21	0	203
Personnel costs	47	346	503	0	896
Other costs	22	522	489	40	1,073
Total	**111**	**1,050**	**1,014**	**40**	**2,215**

Q1 2014

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	96	57	1	0	154
Depreciation and amortization	1	171	19	0	191
Personnel costs	55	359	452	0	866
Other costs	45	690	564	8	1,307
Total	**197**	**1,277**	**1,036**	**8**	**2,518**

PERSONNEL COSTS

EUR thousand	Q1 2013	Q1 2014
Personnel remuneration	769	669
Share-based payment expenses	1	127
Social security expenses	126	70
Total personnel costs	**896**	**866**

OTHER EXPENSES

EUR thousand	Q1 2013	Q1 2014
Foreign exchange rate losses	39	8
Other	1	0
Total other expenses	**40**	**8**

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q1 2013	Q1 2014
Operating result/Earnings before interest and taxes (EBIT)	**-1,712**	**-2,000**
Depreciation of tangible assets	35	28
Amortization of intangible assets	168	163
EBIT before depreciation and amortization (EBITDA)	**-1,509**	**-1,809**

FINANCIAL RESULT

EUR thousand	Q1 2013	Q1 2014
Interest from available-for-sale marketable securities	5	5
Total interest income	**5**	**5**
Interest expenses for convertible notes	0	-238
Total interest expenses	**0**	**-238**
Fair value adjustment for derivative instruments	27	0
Other financial income	*27*	*0*
Other finance costs	-1	0
Other financial expenses	*-1*	*0*
Total other financial result	**26**	**0**
Total financial result	**31**	**-233**

TAXES ON INCOME

EUR thousand	Q1 2013	Q1 2014
Current tax expenses	14	7
Deferred tax expenses	21	0
Total taxes on income	**35**	**7**

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. The outstanding stock options and convertible notes issued by the Company are anti-dilutive according to IAS 33.41 and 33.43. Therefore, the earnings per share (diluted) equal the earnings per share (basic).

	Q1 2013	Q1 2014
Net loss for the period (in EUR thousand)	-1,716	-2,240
Weighted-average number of shares issued	10,918,038	13,261,225
Earnings per share (basic and diluted) (in EUR)	-0.16	-0.17

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2013	Mar 31, 2014
Software	69	53
Licenses, patents	187	179
Development costs	1,664	1,526
Total intangible assets	**1,920**	**1,758**
Technical equipment	229	202
Other fixed assets	18	17
Total tangible assets	**247**	**219**
Total non-current assets	**2,167**	**1,977**

CURRENT ASSETS

EUR thousand	Dec 31, 2013	Mar 31, 2014
Inventories	**275**	**221**
Trade receivables	**258**	**411**
Marketable securities	**750**	**824**
Cash and cash equivalents	**7,207**	**7,598**
Prepaid expenses	162	231
Receivables from tax authorities	188	101
Claims based on projects granted by public authorities	0	39
Interest receivables	11	16
Deposits	11	11
Deferred payment plan	10	0
Advance/excess payments	2	0
Other	40	40
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**424**	**438**
Total current assets	**8,914**	**9,492**

EQUITY

As of March 31, 2014, the share capital of Epigenomics AG comprised exclusively common shares with equal rights and a par value of EUR 1.00 each. In Q1 2014, 428,000 new shares were created by conversion of convertible notes. Hence, the total number of outstanding shares increased to 13,510,892 (Dec 31, 2013: 13,082,892). In the reporting period, the capital reserve increased by EUR 2.0 million to EUR 29.5 million due to the aforementioned conversion and total equity increased by EUR 0.2 million to EUR 6.7 million.

NON-CURRENT LIABILITIES

Provisions

The Company has issued phantom stock rights to its Executive Board members and to its staff which can be executed by the beneficiaries under certain conditions from August 2016 on. If these conditions are met and the beneficiaries execute their rights, the Company has the obligation to settle the debt from these rights in cash. The provision for this potential obligation has been calculated in the amount of EUR 699 thousand as of March 31, 2014, using the binomial model of Cox, Ross and Rubinstein.

CURRENT LIABILITIES

Deferred income

Deferred income in the amount of EUR 261 thousand at March 31, 2014 (Dec 31, 2013: EUR 67 thousand), comprised predominantly of payments received in advance for projects granted by public authorities (EUR 219 thousand; Dec 31, 2013: EUR 50 thousand). As of the balance sheet date, there were no repayment obligations for the Company resulting from deferred income.

Convertible notes issued

In Q1 2014, the Company has not issued further convertible bonds under the agreement with YA Global Master SPV Ltd. ("YA Global"). For details on this agreement, reference is made to the notes to the Company's Consolidated Financial Statements 2013. The Company may still issue up to eight further tranches to YA Global before the end of the term of the agreement (August 17, 2015). At March 31, 2014, the Company still had the authorization to issue convertible bonds that may be converted into up to 81,738 shares without offering pre-emptive rights to existing shareholders. Further convertible bonds resulting in the issuance of up to an additional 3,118,262 shares may be issued with pre-emptive rights to existing shareholders.

In December 2013, the Company had issued 25 convertible notes each denominated at EUR 107 thousand with an issue price of EUR 100 thousand each and an aggregate principal amount of EUR 2.675 million. The settlement of two of the 25 notes issued was not completed before December 31, 2013, so that the Company had only received EUR 2.3 million of the total issue amount in 2013. The settlement of the remaining two notes finally took place in January 2014 and led to a cash inflow of EUR 0.2 million for the Company. In the course of Q1 2014, four notes of the total issuance were converted by their holders into 428,000 new shares of the Company. Thus, 21 of these convertible notes were still recorded as liabilities as of March 31, 2014.

Other liabilities

EUR thousand	Dec 31, 2013	Mar 31, 2014
Payables due to staff	249	168
Accrued audit fees	65	93
Accrued Supervisory Board remuneration	0	66
Payables due to financial/tax authorities	84	52
Down payments received	10	7
Other	8	8
Total other liabilities	**416**	**394**

Provisions

EUR thousand	Dec 31, 2013	Mar 31, 2014
Payroll provisions	388	390
Contract-related provisions	188	188
Statutory provisions	40	64
Other provisions	19	20
Total provisions	**635**	**662**

NOTES TO THE GROUP CASH FLOW STATEMENT

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.

OPERATING ACTIVITIES

Cash flow from operating activities is derived indirectly on the basis of the net result for the period.

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.

The conversion of convertible notes by their holders in Q1 2014 led to a cash inflow of EUR 2.1 million. A cash inflow of EUR 0.2 million was recorded following the settlement of two convertible notes in January 2014, which had been issued in December 2013. A cash outflow of EUR 0.4 million was related to transaction costs in connection with the issuance of these notes.

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. It amounted to EUR 1.5 million in the reporting quarter (Q1 2013: EUR 1.8 million).

OTHER INFORMATION

INFORMATION ON STOCK OPTIONS

In the reporting period, no stock options were exercised. The total number of stock options outstanding as of March 31, 2014, compared to December 31, 2013, fell by 72,529 to 34,397.

INFORMATION ON PHANTOM STOCK PROGRAMS

In Q1 2014, 20,000 new phantom stock rights (PSRs) from the Company's phantom stock program PSP 2013 were granted to the Company's Executive Board member Dr. Staub with a base value of EUR 6.15 each. In the same period, 3,650 PSRs from the Company's PSP 03–15 with a base value of EUR 2.51 each were exercised and 10,466 PSRs from PSP 03–15 with a base value of EUR 22.50 each expired. As of March 31, 2014, the total number of outstanding PSRs amounted to 740,000 from PSP 2013 and to 195,545 from PSP 03–15.

INFORMATION ON "DIRECTORS' DEALINGS"

Date	Board member	Transaction type	Number of shares	Share price (in EUR)	Transaction value (in EUR)
March 28, 2014	Dr. Taapken (CEO/CFO)	Purchase	5,000	5.336	26,680
March 31, 2014	Dr. Staub (COO)	Purchase	5,000	5.290	26,450

HOLDINGS OF EPIGENOMICS AG'S EQUITY INSTRUMENTS AND PHANTOM STOCK RIGHTS BY THE COMPANY'S BOARD MEMBERS:

(in units as of March 31, 2014)

	Shares	Phantom stock rights
Dr. Taapken (CEO/CFO)	38,000	150,000
Dr. Staub (COO)	5,000	153,800
Executive Board Total	**43,000**	**303,800**
Heino von Prondzynski (Chairman)	90,100	0
Ann Clare Kessler, Ph.D. (Vice Chairwoman)	2,800	0
Supervisory Board Total	**92,900**	**0**

This interim report has been approved and cleared for publication by the Executive Board of the Company on May 5, 2014.

Berlin, May 5, 2014

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 2014

Annual General Shareholders' Meeting 2014 (in Berlin)	Tuesday, June 3, 2014
6-Month Report 2014 – January 1–June 30, 2014	Tuesday, Aug 12, 2014
9-Month Report 2014 – January 1–September 30, 2014	Tuesday, Nov 11, 2014

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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.