epigenomics

9-MONTH REPORT

JANUARY 1 – SEPTEMBER 30

Q3 2013

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

in EUR thousand except where indicated	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Statement of Profit or Loss					
Revenue	272	368	355	343	263
Gross profit	193	229	244	227	168
EBIT	-3,688	-2,692	-1,712	-1,607	-1,855
EBITDA	-3,478	-2,486	-1,509	-1,407	-1,657
Net loss for the period	-3,693	-2,780	-1,716	-1,639	-1,877
Balance Sheet (at the respective reporting dates)					
Non-current assets	3,331	3,053	2,832	2,621	2,403
Investments in non-current assets	50	21	0	0	19
Current assets	7,168	3,825	6,342	4,593	3,592
Non-current liabilities	0	0	0	0	108
Current liabilities	3,576	2,720	2,210	1,850	2,076
Equity	6,923	4,158	6,964	5,364	3,811
Equity ratio in %	65.9	60.5	75.9	74.4	63.6
Total assets	10,499	6,878	9,174	7,214	5,995
Cash Flow Statement					
Cash flow from operating activities	-2,764	-3,370	-1,762	-2,014	-1,396
Cash flow from investing activities	967	5	0	-1	-18
Cash flow from financing activities	-125	-113	4,555	0	371
Net cash flow	-1,922	-3,478	2,793	-2,015	-1,043
Cash consumption	-2,796	-3,365	-1,762	-2,015	-1,414
Cash and cash equivalents at the end of the period	5,683	2,205	4,998	2,983	1,939
Stock					
Weighted-average number of shares issued	8,818,417	8,818,417	10,918,038	11,967,847	11,992,858
Earnings per share (basic and diluted) in EUR	-0.42	-0.32	-0.16	-0.14	-0.16
Share price in EUR at the end of the period	1.22	2.10	1.59	1.57	3.65
Number of employees at the end of the period	45	39	33	32	34

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EPIGENOMICS AG – INTERIM REPORT ON THE NINE MONTHS OF 2013

DEAR SHAREHOLDERS,

Throughout the third quarter of 2013, by and large we completed all necessary and required activities in connection with our premarket approval (PMA) registration of Epi proColon®, our convenient blood-based colorectal cancer (CRC) screening test. Since early of this year, the U.S. Food and Drug Administration (FDA) had been reviewing our application for this innovative diagnostic test. This review process required significant involvement of all areas within our Company and has dominated the focus of our internal activities for most part of the year. Apart from a series of facility inspections by the FDA, there has been an ongoing dialogue with the agency in which we answered a number of open questions and delivered additional information as requested. This was done in a very efficient process through several meetings, telephone conferences and correspondence with the review team at the agency.

As a next step towards the approval decision, the FDA will convene an independent medical expert review panel to discuss our PMA application. Panel meetings are typically held by the FDA for products like ours and pose an opportunity for the FDA but also for interested external parties to comment, discuss and provide expert guidance and recommendations. While in the past, we had always been optimistic in assuming the possibility of a 2013 approval, in light of recent developments like the U.S. government shutdown earlier in October, we are now cautious in providing specific guidance on the timing of our PMA process. However, once a panel meeting has been set by the FDA, this will be publicly announced by the FDA and we will inform you as shareholders of our Company in a timely manner.

Prior to the awaited U.S. commercialization of Epi proColon®, we have recently entered into a joint commercialization agreement with Polymedco, Inc. (“Polymedco”), the leading U.S. company in the field of selling CRC screening products with more than 1,500 established customers in the sector. Polymedco will deploy its CRC-dedicated sales force and technical support staff, administration, logistics and other support functions to ensure the optimum market introduction and roll-out of Epi proColon® in North America. We will work closely with Polymedco on the marketing and launch strategies and subsequently with key payers to obtain favorable reimbursement coverage in the U.S. market. Epigenomics will retain the responsibility to manufacture the product and to support it from the medical and regulatory point of view, including activities necessary to achieve inclusion in major cancer

screening guidelines post approval. A working group comprised of representatives of both companies will oversee the launch and the commercial roll-out and engage in activities necessary to ensure the commercial success of the product and has already started to work on this. We are excited about this relationship and believe that the significant know-how and the established position of Polymedco in the CRC screening space will accelerate our commercial roll-out in North America once Epi proColon® has received FDA approval.

Shortly thereafter, we signed another strategically important agreement with BioChain, a leading clinical diagnostics company in cancer and genetic tests in China and the USA BioChain acquired an exclusive license to develop and commercialize Septin9 in vitro diagnostic (IVD) tests for CRC screening in the large Chinese market, where approx. 290 million people are CRC screening eligible. Our partner will initiate a major clinical trial to validate the Septin9 CRC screening assay with the goal to gain market approval for this blood-based test by the Chinese Food and Drug Administration (CFDA). In October, BioChain has placed an order for 5,000 Epi proColon® tests – our largest order ever received – for this clinical study, which is expected to start immediately. We highly welcome that in the context of this agreement BioChain and its owners also invested approximately EUR 1 million into Epigenomics.

At the end of October, we successfully raised an additional EUR 3.3 million in a private placement to institutional investors in Europe and the USA. Again we were glad to see that among others, the owners of our strategic partner in the USA, Polymedco, participated in the offer.

In August, we had entered into an agreement with Yorkville, securing a convertible bond financing for up to EUR 5 million. The agreement allows us to access additional funds with great flexibility to improve our financial position. In the meantime, the first two tranches of the convertible bond program were issued to the investor, whereby we generated another cash inflow of one million euro. Over the last weeks, we have now raised more than 5 million Euro to help finance our current operations and to build and strengthen the distribution capacities for Epi proColon®.

Driven by our operational and commercial progress as evidenced by the two important collaborations we entered into as well as by our strengthened financial position, investor confidence in Epigenomics finally seems to be returning. Our share price has multiplied its value since the beginning of this year. We are especially proud that both of our partners, BioChain and Polymedco, have expressed their commitment and trust in our Company by becoming strategic investors in Epigenomics. We are committed to live up to these high expectations to the benefit of our shareholders and partners.

As we move forward, we look forward to keeping you informed about major updates and progress with respect to our key product and would like to take the opportunity to thank our employees for their ongoing dedication and you, our shareholders, for the ongoing support.

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	Nomura Code Securities (Michael King) Kempen & Co. N.V. (Sachin Soni, Mark Pospisilik) First Berlin Equity Research GmbH (Jens Hasselmeier) equinet AG (Marietta Miemietz)

Market data (XETRA Frankfurt)	Sept 30, 2012	Dec 31, 2012	Mar 31, 2013	June 30, 2013	**Sept 30, 2013**
Number of shares outstanding	8,818,417	8,818,417	11,967,847	11,967,847	12,042,881
Closing price (in EUR)	1.22	2.10	1.59	1.57	3.65
Market capitalization (in EUR)	10,758,469	18,518,676	19,028,877	18,789,520	43,944,473

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	**Q3 2013**
Average daily trading volume (units)	12,449	50,348	43,781	12,448	60,638
Highest price (in EUR)	1.85	2.25	2.30	1.98	3.92
Lowest price (in EUR)	1.17	0.83	1.59	1.56	1.44

At July 9, 2013, a Sponsored Level 1 American Depositary Receipt (ADR) program has been established in the United States. ADRs are depositary receipts traded in the U.S. market instead of local shares.

Epigenomics AG – American Depositary Receipts (ADRs)	**OTC Trading**
Structure	Sponsored Level 1 ADR
Ratio	1 ADR = 5 Shares
Ticker symbol	EPGNY
CUSIP	29428N102
ISIN	US29428N1028
Depositary Bank	The Bank of New York Mellon
Investment Bank PAL	Maxim Group, LLC

FINANCIALS

CONVERTIBLE BOND ISSUANCE

As announced on August 18, 2013, we entered into an agreement with YA Global Master SPV Ltd. ("Yorkville") through which we secured a convertible bond financing for up to EUR 5 million. Under the terms of the agreement, Yorkville, over a period of up to two years, is obliged to purchase convertible notes from us with a total nominal amount of EUR 5 million at a purchase price of 95% of the nominal amount. We may issue the convertible notes in tranches of EUR 500 thousand each at our sole discretion. A tranche comprises 500 convertible notes in the form of bearer bonds each with a nominal value of EUR 1 thousand and transferrable only upon our approval. The convertible notes will only be issued and may only be traded in lots with a total nominal value of EUR 125 thousand.

The bonds carry no interest, have a term of nine months and are convertible into Epigenomics shares immediately upon issuance at the discretion of the bearer of the bonds. The conversion price equals the average trading price of Epigenomics shares during a five-day period prior to the time of conversion less a 5% discount, but cannot be lower than 80% of the prevailing share price at the time of the issuance of the convertible bonds. To the extent permitted by the existing authorization of our AGM, the bonds will be issued without pre-emptive rights to existing shareholders. Currently we have the authorization to issue convertible bonds that may be converted into up to 1,196,783 shares without offering those pre-emptive rights. Further convertible bonds resulting in the issuance of up to additional 3,933,217 shares may be issued with pre-emptive rights to existing shareholders. Following successful conversion or repayment of already issued tranches, the issuance of possible further tranches will be subject to future discretionary decisions by the Executive Board.

On August 30, 2013, we then successfully completed the issuance of the first tranche of such convertible bonds with a nominal amount of EUR 500 thousand. Excluding pre-emptive rights to existing shareholders, the convertible bonds were issued to Yorkville exclusively at a subscription price of 95% of the nominal amount. The bonds carry no interest and are convertible into Epigenomics shares at any time during their term until May 29, 2014, at the full discretion of the bearer. In September 2013, the bearer has thereof converted bonds in the nominal amount of EUR 225 thousand at an average conversion price of EUR 2.999 into 75,034 new shares.

FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 5.2 million in 9M 2013 – a significant decrease of EUR 2.3 million compared to 9M 2012 (EUR 7.5 million) even though it was strongly affected by the ongoing FDA approval process. In this context, payments were mainly made for consulting and regulatory services. Cash flow from investing activities amounted to EUR -19 thousand in 9M 2013 (9M 2012: EUR +949 thousand). The essential effects on our liquidity in 2013 were our successful capital increase in Q1 2013, when we recorded a net cash inflow of EUR 4.6 million by issuing 3.1 million new shares, and the aforementioned convertible bond issuance. Therefore, total net cash flow in the first nine months of 2013 added up to EUR -0.3 million (9M 2012: EUR -6.9 million).

RESULTS OF OPERATIONS

In Q3 2013, we recognized revenue in the amount of EUR 263 thousand – basically at the same level as in Q3 2012 (EUR 272 thousand). While licensing income was decreasing compared to the third quarter of 2012, product revenue in Q3 2013 increased by more than 23% year on year (from EUR 89 thousand to EUR 110 thousand) leaving additional entries in our order book in nearly the same amount for Q4 2013. For the nine-month period, revenue amounted to EUR 961 thousand, an increase of 43% compared to EUR 672 thousand in the first nine months of 2012. This increase was mainly driven by product revenue of EUR 438 thousand (up 52%) and R&D service fees of EUR 342 thousand (up 242%). Cost of sales increased from EUR 79 thousand in Q3 2012 to EUR 95 thousand in Q3 2013. The decrease of the gross margin from 71% in Q3 2012 to 64% in Q3 2013 is attributable to a lower share of high-margin licensing income.

Other income of EUR 137 thousand in Q3 2013 (Q3 2012: EUR 229 thousand) was mainly attributable to income from third-party research grants in the amount of EUR 100 thousand.

Our R&D costs in Q3 2013 dropped to EUR 1,058 thousand from EUR 2,274 thousand in the comparable quarter of the previous year. This drop is mainly attributable to the clinical trial (i.e. FIT study) which was finished at the end of 2012 and had significantly affected the 2012 numbers. Furthermore, this decrease mirrors our reduction in headcount from 45 employees at the end of Q3 2012 to 34 at the reporting date; an effect which also played a major role in the drop of our selling, general and administrative costs (SG&A costs) from EUR 1,778 thousand to EUR 1,091 thousand quarter on quarter. Personnel costs decreased by 48% in Q3 2013 compared to Q3 2012.

Other expenses of EUR 11 thousand in the reporting quarter are attributable to foreign exchange rate losses.

Altogether, we reduced our operating costs in 9M 2013 to EUR 6.6 million, down from EUR 11.1 million in the first nine months of 2012.

Correspondingly to this cost cutback, EBIT for Q3 2013 amounted to EUR -1,855 thousand (Q3 2012: EUR -3,688 thousand) and net loss for Q3 2013 to EUR 1,877 thousand (Q3 2012: EUR 3,693 thousand) – an improvement of 49.7% and 49.2%, respectively, compared to the third quarter of the previous year. Thus, net loss per share was significantly reduced to EUR 0.16 for Q3 2013 (Q3 2012: EUR 0.42) and to EUR 0.45 for the nine-month period (9M 2012: EUR 1.07).

NET ASSETS POSITION

In the first nine months of 2013, total non-current assets decreased to EUR 2.4 million (Dec 31, 2012: EUR 3.1 million). Current assets decreased only slightly from EUR 3.8 million at the end of 2012 to EUR 3.6 million at the reporting date as the cash consumption from operating activities was partly compensated by the capital increase resulting from the issuance of new shares in January 2013 with a net cash inflow of EUR 4.6 million and the issuance of convertible notes in August 2013 with a net cash inflow of EUR 0.4 million.

The issuance of new shares and the partly conversion of convertible notes were also the cause for the increase in subscribed capital (up by EUR 3.2 million) and the capital reserve (up by EUR 1.5 million), improving our equity ratio to 63.6% at the reporting date from 60.5% at year-end 2012.

Non-current liabilities amounting to EUR 108 thousand are attributable to provisions for phantom stock rights for staff and Board members issued for the first time in the reporting quarter.

Current liabilities decreased from EUR 2.7 million at December 31, 2012, to EUR 2.1 million at September 30, 2013, mainly driven by a reduction of trade payables. Liabilities from convertible notes issued in Q3 2013 amounted to EUR 263 thousand at the reporting date and were completely settled after the end of the reporting period as the remaining parts of the issued tranche have been converted into shares by its holder.

EMPLOYEES

The total headcount of 34 at the reporting date comprises 19 employees in R&D.

	Berlin	Seattle	Total
Number of employees as of September 30, 2013	**30**	**4**	**34**
Number of employees as of Dezember 31, 2012	32	7	39
Number of employees as of September 30, 2012	38	7	45

SUPPLEMENTARY REPORT

Epigenomics signs joint commercialization agreement for Epi proColon® in North America with Polymedco

After the end of the reporting period, on October 2, 2013, we announced that we had entered into a joint commercialization agreement with Polymedco, Inc. to jointly commercialize Epi proColon® in North America.

Under the terms of the agreement, Polymedco will deploy its CRC-dedicated sales force and technical support staff, administration, logistics and other support functions to ensure the optimum market introduction and roll-out of Epi proColon® in North America once the test is potentially approved by the FDA. Both parties will work jointly on the marketing, launch and development strategies and with key payers to obtain favorable reimbursement coverage. We will retain the responsibility to manufacture the product and to support it from the medical and regulatory point of view, including activities necessary to achieve inclusion in major cancer screening guidelines post approval. A working group comprised of representatives of both companies will oversee the launch and commercial roll-out and engage in activities necessary to ensure the commercial success of the product once it becomes available to the market. The companies agreed to a combined transfer price and profit sharing agreement subject to minimum annual sales of test kits from us to Polymedco.

Polymedco is the largest provider of CRC screening tests in North America, with more than USD 50 million in annual sales for its cancer diagnostics products and an established customer base of more than 1,500 laboratories. The significant know-how and the commitment of Polymedco to the CRC screening space will accelerate the commercial roll-out of Epi proColon® in North America and mean a significant time and resource advantage for us between now and market launch of the product.

Epigenomics and BioChain sign agreement for broad strategic collaboration in China; BioChain signs newly issued shares

After the end of the reporting period, we have announced on October 27, 2013, that we have signed an agreement with BioChain Institute, Inc. ("BioChain") regarding a broad strategic collaboration of both companies. BioChain is a leading clinical diagnostics company in cancer and genetic tests in China and the USA.

As part of the agreed collaboration, which significantly expands the license agreement for a laboratory-developed test announced earlier this year, BioChain will acquire an exclusive license to develop and commercialize Septin9 in vitro diagnostic (IVD) tests for CRC screening in the Chinese market. Under the terms of the agreement, Epigenomics will receive undisclosed upfront and minimum annual payments as well as mid-single-digit royalty claims once the product is approved by the Chinese Food and Drug Administration (CFDA). Until then, Epigenomics will continue selling laboratory-developed test components to BioChain.

At its own expense, BioChain will initiate a major clinical trial to validate the Septin9 CRC screening assay with the goal to gain market approval for the blood-based test by the CFDA. In order to execute the clinical trial, BioChain has placed an order for 5,000 Epi proColon® tests with Epigenomics. The trial will start in Q4 2013 and is expected to be completed in the second half of 2014.

This is the first clinical study to demonstrate the clinical utility of the Septin9 assay in China, where, in accordance with internationally accepted guidelines, nearly 290 million people are currently eligible for CRC screening. In China, CRC is a rapidly growing medical problem demanding for better, simple-to-use and affordable screening methods.

The parties also agreed to work together on the validation of other methylation biomarkers in the cancer field. Epigenomics owns intellectual property around a variety of cancer diagnostic markers for lung, prostate and bladder cancer as well as for other solid tumors and markets Epi proLung®, a CE-marked product for lung cancer diagnosis based on its proprietary SHOX2 biomarker. BioChain's advanced sample preparation technology is a valuable asset for the clinical validation of our other DNA-methylation cancer markers. Should the companies develop any future products, BioChain shall have the option to acquire commercialization rights for the Chinese market, while Epigenomics will retain rights for the rest of the world.

In this connection, we were able to further announce that BioChain and certain of its shareholders will invest an amount of EUR 0.94 million into the Company by subscribing 217,935 newly issued shares. The issue price has been set at EUR 4.32 per share. After registration of the capital increase, the subscribed capital of Epigenomics AG increases from EUR 12,118,192 to EUR 12,336,127.

It is intended to use the net proceeds from the offering to finance our current business operations and to strengthen the distribution capabilities, especially for Epi proColon®.

Epigenomics AG successfully completes private placement of newly issued shares

On October 29, 2013, we announced the issuance of 660,260 new shares in a private placement under the exclusion of the pre-emptive rights of our existing shareholders to institutional investors in Europe and the USA. Thus, the Company's share capital icreased by EUR 660,260 from the authorized capital 2013/I against contribution in cash to EUR 12,996,387. Among others, the owners of our strategic partner in the USA, Polymedco, Inc., with whom we signed the aforementioned commercialization agreement for North America at the beginning of the month, participated in the transaction.

The issue price has been set at EUR 4.993 per new share, resulting in gross proceeds for us from this transaction of EUR 3.3 million. The proceeds from this offering will also help us to finance our current business operations and to build and strengthen the distribution capacities for Epi proColon®.

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 2012 which are available on the Company's website *(www.epigenomics.com).* There were no significant changes in the current reporting period.

An updated assessment of the situation regarding our financial risks from today's perspective can be found in the prognosis report below.

PROGNOSIS REPORT FOR 2013

With respect to the financial prognosis for the current business year, there are no significant changes compared to the statements in our consolidated management report for 2012.

The transformation of Epigenomics into a commercially driven molecular diagnostics company with growing revenue from product sales remains the goal for the medium to long term.

The most significant milestone for us over the next months to come is the expected approval for our product Epi proColon® by the FDA to be able to start its commercialization in the most relevant market of the world – the United States of America. The future value of the Company and its financial situation are heavily dependent on achieving this milestone.

Regarding the financial projections for the current business year – based on the nine-month results provided herein –, we see a noticeable increase of our full-year revenue compared to last year, driven by higher product sales and R&D income. EBIT and net loss for the year are expected to be at significantly lower levels than in 2012, consistent to our earlier prognosis in a range between EUR 6.5 million and EUR 7.5 million. However, this prognosis is still depending on the progress of our FDA approval process for Epi proColon®. Our cost base has been reduced successfully which will help us to reach our forecasted earnings target. The expected net loss per share for 2013 will likely be in the range of EUR 0.54 to EUR 0.64 and therefore also significantly reduced compared to 2012 (EUR 1.38). Apart from currently unforeseeable extra expenses in connection with the FDA approval process, cash consumption for 2013 should be around the EUR 7 million mark (2012: EUR 10.9 million), so that our liquidity – disregarding the recent financings completed after the end of the reporting period – is projected to reach into early 2014.

Through the financings completed after the end of the reporting period, we are now in a position to secure the continuity of our business operations significantly beyond the end of 2013. However, we continue to rely on the capital markets to raise equity and debt financing as needed and we expect to make use of this option again in the future. We secured a convertible notes financing agreement with Yorkville to do this, but we are also evaluating other options. In order to not having to rely exclusively on a capital market financing of our business, we will continue to evaluate and potentially act on other reasonable strategic options for our further development.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of September 30, 2013

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30 (UNAUDITED)

EUR thousand	Q3 2012	Q3 2013	9M 2012	9M 2013
Revenue	**272**	**263**	**672**	**961**
Cost of sales	-79	-95	-152	-322
Gross profit	**193**	**168**	**520**	**639**
Gross margin in %	*71*	*64*	*77*	*66*
Other income	229	137	871	433
Research and development costs	-2,274	-1,058	-5,859	-3,155
Selling, general and administrative costs	-1,778	-1,091	-4,678	-3,017
Other expenses	-58	-11	-284	-74
Operating result (EBIT)	**-3,688**	**-1,855**	**-9,430**	**-5,174**
Interest income	20	6	95	17
Interest expenses	0	-2	0	-2
Other financial result	-4	0	3	21
Net loss for the period before taxes on income	**-3,672**	**-1,851**	**-9,332**	**-5,138**
Taxes on income	-21	-26	-85	-94
Net loss for the period	**-3,693**	**-1,877**	**-9,417**	**-5,232**
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of available-for-sale securities	-9	100	76	173
Other comprehensive income for the period	**-9**	**100**	**76**	**173**
Total comprehensive income for the period	**-3,702**	**-1,777**	**-9,341**	**-5,059**
Earnings per share (basic and diluted) in EUR	**-0.42**	**-0.16**	**-1.07**	**-0.45**

GROUP BALANCE SHEET
AS OF SEPTEMBER 30 (UNAUDITED)

ASSETS EUR thousand	**Dec 31, 2012**	**Sept 30, 2013**
Non-current assets		
Intangible assets	2,589	2,089
Tangible assets	358	276
Deferred taxes	106	38
Total non-current assets	**3,053**	**2,403**
Current assets		
Inventories	31	250
Trade receivables	314	229
Marketable securities	509	682
Cash and cash equivalents	2,205	1,939
Other current assets	766	492
Total current assets	**3,825**	**3,592**
Total assets	**6,878**	**5,995**

EQUITY AND LIABILITIES EUR thousand	**Dec 31, 2012**	**Sept 30, 2013**
Equity		
Subscribed capital	8,818	12,043
Capital reserve	22,299	23,787
Retained earnings	-14,272	-26,469
Net loss for the period	-12,197	-5,232
Other comprehensive income	-491	-318
Total equity	**4,158**	**3,811**
Non-current liabilities		
Provisions	0	108
Total non-current liabilities	**0**	**108**
Current liabilities		
Trade payables	1,681	768
Deferred income	306	160
Convertible notes issued	0	263
Other liabilities	357	319
Provisions	376	566
Total current liabilities	**2,720**	**2,076**
Total equity and liabilities	**6,878**	**5,995**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30 (UNAUDITED)

EUR thousand	9M 2012	9M 2013
Cash and cash equivalents at the beginning of the period	**12,557**	**2,205**
Operating activities		
Net loss for the period before taxes on income	**-9,332**	**-5,138**
Corrections for:		
Depreciation of tangible assets	135	98
Amortization of intangible assets	582	504
Losses from the disposal of non-current assets	21	0
Stock option expenses	78	106
Foreign currency exchange results	0	1
Interest income	-95	-17
Interest expenses	0	2
Taxes	-45	-26
Operating result before changes in net current assets	**-8,656**	**-4,470**
Changes in trade receivables and other current assets	272	322
Changes in inventories	187	-219
Changes in current liabilities from operating activities	592	-826
Liquidity earned from operating activities	**-7,605**	**-5,193**
Interest received	91	20
Cash flow from operating activities	**-7,514**	**-5,173**

Investing activities		
Payments for investments in tangible assets	-34	-15
Proceeds from sales of tangible assets	1	0
Payments for investments in intangible assets	-18	-4
Proceeds from the repayment of marketable securities	1,000	0
Cash flow from investing activities	**949**	**-19**
Financing activities		
Proceeds from the issue of new shares	0	4,976
Payments for the creation of new shares	0	-421
Proceeds from the issue of convertible notes	0	475
Payments for the issuance of convertible notes	0	-104
Other financing-related payments	-309	0
Cash flow from financing activities	**-309**	**4,926**
Total net cash flow	**-6,874**	**-266**
Cash and cash equivalents at the end of the period	**5,683**	**1,939**

At the balance sheet date, an amount of EUR 85 thousand of cash and cash equivalents was restricted cash.

STATEMENT OF CHANGES IN GROUP EQUITY
AS OF SEPTEMBER 30 (UNAUDITED)

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehensive income	**Group equity**
December 31, 2011	**8,818**	**22,212**	**1,303**	**-15,575**	**-572**	**16,186**
Total comprehensive income	**0**	**0**	**0**	**-9,417**	**76**	**-9,341**
Transfer of net loss for the year 2011 to retained earnings	0	0	-15,575	15,575	0	0
Stock option expenses	0	78	0	0	0	78
September 30, 2012	**8,818**	**22,290**	**-14,272**	**-9,417**	**-496**	**6,923**
December 31, 2012	**8,818**	**22,299**	**-14,272**	**-12,197**	**-491**	**4,158**
Total comprehensive income	**0**	**0**	**0**	**-5,232**	**173**	**-5,059**
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
Capital increase from the conversion of convertible notes	75	140	0	0	0	215
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
September 30, 2013	**12,043**	**23,787**	**-26,469**	**-5,232**	**-318**	**3,811**

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 September 30, 2013, 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:

- *Amendments to IFRSs: Annual Improvements to IFRSs 2009–2011 Cycle, except for the amendment to IAS 1*
- *Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- *IFRS 10: Consolidated Financial Statements*
- *IFRS 11: Joint Arrangements*
- *IFRS 12: Disclosure of Interests in Other Entities*
- *Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance*
- *IFRS 13: Fair Value Measurement*
- *IAS 19 (as revised in 2011): Employee Benefits*
- *IAS 27 (as revised in 2011): Separate Financial Statements*
- *IAS 28 (as revised in 2011): Investments in Associates and Joint Ventures*
- *IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine*

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, 2013, to September 30, 2013. 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, 2012, and comprises the two companies Epigenomics AG, Berlin, Germany, and Epigenomics, Inc., Seattle, WA, USA.

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, 2012. 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.

In Q3 2013, the Company established a so-called phantom stock program to the benefit of its Executive Board and staff members. This program qualifies as share-based payment according to IFRS 2 and comprises cash-settled liability awards. Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The expenses of the period comprise the addition to and/or the reversal of the provision between two balance sheet dates, and are recognized as personnel expenses over the vesting period (included in the functional costs).

CURRENCY TRANSLATION

Foreign currency exchange rates applied in the reporting period:

Reporting date rates	Dec 31, 2012	Sept 30, 2013
EUR/USD	1.3194	1.3505
EUR/GBP	0.81610	0.83605
EUR/CAD	1.3137	1.3912

Average rates	9M 2012	9M 2013
EUR/USD	1.2890	1.3184
EUR/GBP	0.81220	0.85381
EUR/CAD	1.2870	1.3549

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

REVENUE

Revenue source by revenue type:

	Q3 2012		Q3 2013	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	89	33.0	110	42.0
Licensing income	87	31.9	57	21.5
R&D income	96	35.1	96	36.5
Total revenue	**272**	**100.0**	**263**	**100.0**

	9M 2012		9M 2013	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	288	42.8	438	45.5
Licensing income	284	42.3	181	18.9
R&D income	100	14.9	342	35.6
Total revenue	**672**	**100.0**	**961**	**100.0**

Revenue source by geographical market:

	Q3 2012		Q3 2013	
	EUR thousand	in %	EUR thousand	in %
Europe	190	69.9	203	77.0
North America	77	28.2	60	23.0
Rest of the world	5	1.9	0	0.0
Total revenue	**272**	**100.0**	**263**	**100.0**

	9M 2012		9M 2013	
	EUR thousand	in %	EUR thousand	in %
Europe	442	65.8	726	75.5
North America	194	28.9	153	16.0
Rest of the world	36	5.3	82	8.5
Total revenue	**672**	**100.0**	**961**	**100.0**

OTHER INCOME

EUR thousand	Q3 2012	Q3 2013	9M 2012	9M 2013
Third-party research grants	38	100	74	148
Recoveries and refunds	9	30	31	116
Corrections of liabilities	0	3	0	111
Foreign exchange rate gains	28	3	130	39
Income from the reversal of provisions	124	0	546	15
Income from the sale of assets	30	0	72	0
Income from option exercises	0	0	18	0
Other	0	1	0	4
Total other income	**229**	**137**	**871**	**433**

COST ALLOCATION BY FUNCTION

Q3 2012

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	30	164	8	0	202
Depreciation and amortization	1	185	25	0	211
Personnel costs	36	443	1,044	0	1,523
Other costs	12	1,482	701	58	2,253
Total	**79**	**2,274**	**1,778**	**58**	**4,189**

Q3 2013

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	37	108	2	0	147
Depreciation and amortization	1	177	20	0	198
Personnel costs	33	345	419	0	797
Other costs	24	428	650	11	1,113
Total	**95**	**1,058**	**1,091**	**11**	**2,255**

9M 2012

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	66	660	48	0	774
Depreciation and amortization	3	636	78	78	795
Personnel costs	40	1,490	2,470	0	4,000
Other costs	43	3,073	2,082	206	5,404
Total	**152**	**5,859**	**4,678**	**284**	**10,973**

9M 2013

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	133	137	9	0	279
Depreciation and amortization	3	536	63	0	602
Personnel costs	123	978	1,310	0	2,411
Other costs	63	1,504	1,635	74	3,276
Total	**322**	**3,155**	**3,017**	**74**	**6,568**

PERSONNEL COSTS

EUR thousand	Q3 2012	Q3 2013	9M 2012	9M 2013
Personnel remuneration	1,425	602	3,552	2,024
Share-based payment expenses	-16	118	77	106
Social security expenses	114	77	371	281
Total personnel costs	**1,523**	**797**	**4,000**	**2,411**

OTHER EXPENSES

EUR thousand	Q3 2012	Q3 2013	9M 2012	9M 2013
Foreign exchange rate losses	35	11	85	67
Bad debt allowance	0	0	0	6
Unscheduled amortization	0	0	78	0
Restructuring expenses	3	0	65	0
Corrections for former periods	0	0	33	0
Losses from the sale of assets	20	0	20	0
Other	0	0	3	1
Total other expenses	**58**	**11**	**284**	**74**

OPERATING RESULT/EARNINGS BEFORE INTEREST AND TAXES (EBIT)/ EBIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)

EUR thousand	Q3 2012	Q3 2013	9M 2012	9M 2013
Operating result (EBIT)	**-3,688**	**-1,855**	**-9,430**	**-5,174**
Depreciation of tangible assets	42	30	135	98
Amortization of intangible assets	168	168	582	504
EBITDA	**-3,478**	**-1,657**	**-8,713**	**-4,572**

FINANCIAL RESULT

EUR thousand	Q3 2012	Q3 2013	9M 2012	9M 2013
Interest from available-for-sale securities	0	5	0	15
Interest from cash and cash equivalents	20	1	95	2
Total interest income	**20**	**6**	**95**	**17**
Interest expenses for convertible notes	0	-2	0	-2
Total interest expenses	**0**	**-2**	**0**	**-2**
Interest from available-for-sale securities	0	0	50	0
Fair value adjustment for derivative instruments	0	0	0	27
Other financial income	*0*	*0*	*50*	*27*
Fair value adjustment for derivative instruments	-4	0	-4	-5
Other finance costs	0	0	-43	-1
Other financial expenses	*-4*	*0*	*-47*	*-6*
Total other financial result	**-4**	**0**	**3**	**21**
Total financial result	**16**	**4**	**98**	**36**

TAXES ON INCOME

EUR thousand	Q3 2012	Q3 2013	9M 2012	9M 2013
Current tax expenses	11	5	45	27
Deferred tax expenses	10	21	40	67
Total taxes on income	**21**	**26**	**85**	**94**

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.

	Q3 2012	Q3 2013
Net loss for the period in EUR thousand	-3,693	-1,877
Weighted-average number of shares issued	8,818,417	11,992,858
Earnings per share (basic and diluted) in EUR	-0.42	-0.16

	9M 2012	9M 2013
Net loss for the period in EUR thousand	-9,417	-5,232
Weighted-average number of shares issued	8,818,417	11,626,247
Earnings per share (basic and diluted) in EUR	-1.07	-0.45

The outstanding stock options granted 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). The number of shares issued as of the reporting date amounted to 12,042,881 (Sept 30, 2012: 8,818,417).

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2012	Sept 30, 2013
Software	128	85
Licenses, patents	241	201
Development costs	2,220	1,803
Total intangible assets	**2,589**	**2,089**
Technical equipment	332	256
Other fixed assets	26	20
Total tangible assets	**358**	**276**
Deferred tax assets	**106**	**38**
Total non-current assets	**3,053**	**2,403**

CURRENT ASSETS

EUR thousand	Dec 31, 2012	Sept 30, 2013
Inventories	**31**	**250**
Trade receivables	**314**	**229**
Marketable securities	**509**	**682**
Cash and cash equivalents	**2,205**	**1,939**
Prepaid expenses	362	277
Receivables from tax authorities	260	93
Claims based on projects granted by public authorities	54	39
Claims for damages	0	24
Deposits	33	11
Interest receivables	10	5
Advance payments	8	3
Other	39	40
- thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**766**	**492**
Total current assets	**3,825**	**3,592**

EQUITY

Subscribed capital increased in the first nine months of 2013 by EUR 3.2 million, mainly due to the capital increase by the issuance of 3.1 million new shares and the conversion of the convertible notes into 75,034 new shares, partly compensated by the net loss for the period of EUR 1.9 million. As of September 30, 2013, the subscribed capital amounted to EUR 12,042,881.

NON-CURRENT LIABILITIES

Provisions

In the reporting quarter, the Company has issued for the first time 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 these 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 108 thousand as of September 30, 2013, using the binomial model of Cox, Ross and Rubinstein[1)].

CURRENT LIABILITIES

Deferred income

Deferred income in the amount of EUR 160 thousand as of September 30, 2013 (Dec 31, 2012: EUR 306 thousand) comprised predominantly of payments received in advance for projects granted by public authorities (EUR 158 thousand; Dec 31, 2012: EUR 306 thousand). As of the balance sheet date, there are no repayment obligations for the Company resulting from deferred income.

CONVERTIBLE NOTES ISSUED

In August 2013, the Company has issued convertible notes in a principal amount of EUR 500 thousand at no interest (zero coupon) under a convertible bond purchase agreement to a the investor Yorkville. The investor paid a subscription price of 95% of the principal amount of these notes to the Company in cash and obtained the right to convert these notes at any time until May 29, 2014, into ordinary bearer shares of the Company[1)]. The conversion rate for each single conversion of these notes must be calculated individually based on the average price of the Company's shares on the five consecutive trading days before the conversion date. Therefore, the conversion rights included in these notes do not classify as equity instruments according to IAS 32.29 which requires a conversion rate fixed in advance. If the investor does not convert the notes before May 29, 2014, the Company has to repurchase these unconverted notes at 100% of their principal amount. The unconverted amount is recognized at its fair value through profit or loss.

In September 2013, the investor converted notes in the principal amount of EUR 225 thousand into shares, thus a remaining principal amount of EUR 275 thousand was outstanding as of September 30, 2013. After the end of the reporting period – in October 2013 –, the investor has converted the remaining notes in full.

[1)] For more details on the issued phantom stock rights, reference is made to the "Other Information" section of these notes.

Other liabilities

EUR thousand	Dec 31, 2012	Sept 30, 2013
Payables due to staff	149	117
Accrued audit fees	55	84
Payables due to financial/tax authorities	98	53
Accrued Supervisory Board fees	1	48
Down payments received	9	9
Payables due to social security institutions	17	8
Liabilities from derivative instruments	25	0
Other	3	0
Total other liabilities	**357**	**319**

Provisions

EUR thousand	Dec 31, 2012	Sept 30, 2013
Payroll provisions	77	331
Contract-related provisions	188	188
Statutory provisions	70	35
Other provisions	41	12
Total provisions	**376**	**566**

[1] For more details on the transaction, reference is made to the "Financials" section of this report.

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 loss for the period before taxes on income.

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.

In January 2013, the Company completed a capital increase by way of a rights issue and a subsequent private placement. A total number of 3,149,430 new shares were subscribed at a subscription price of EUR 1.58 each, resulting in gross proceeds of EUR 5.0 million. Simultaneously, a cash outflow of EUR 0.4 million was recorded in connection with costs incurred for this rights issue.

The Company further received a net cash inflow from convertible notes of EUR 0.4 million in Q3 2013.

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 2012**	**9M 2013**
Cash flow from operating activities	-7,514	-5,173
Cash flow from investing activities	949	-19
Net proceeds from transactions in securities	-1,000	0
Cash consumption	**-7,565**	**-5,192**

OTHER INFORMATION

INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

For the first nine months of 2013, the Company had closed a consulting agreement with the Chairman of its Supervisory Board, Mr. Heino von Prondzynski. According to this agreement, Mr. von Prondzynski has consulted the Company due to his particular experience in different business areas especially in the evaluation and the development of product concepts with regard to future business opportunities. These consulting services had a significantly broader scope than his regular duties as a member of the Supervisory Board. The agreement had a term until September 30, 2013. Mr. von Prondzynski provided his services at arm's length conditions and was entitled to charge an amount of up to EUR 40 thousand to the Company for his services. During the first nine months of 2013, Mr. von Prondzynski has rendered and invoiced services under this agreement in an amount of EUR 20 thousand to the Company.

INFORMATION ON SHARE TRANSACTIONS AND STOCK OPTIONS

Changes in shareholdings of the Board members of Epigenomics AG ("Directors' Dealings") in the reporting period:

Date	Board member	Transaction type	Number of shares	Share price (in EUR)	Transaction value (in EUR)
January 30, 2013	Dr. Thomas Taapken	Purchase	20,000	1.58	31,600
January 30, 2013	Heino von Prondzynski	Purchase	78,000	1.58	123,240

(Dr. Thomas Taapken is the CEO/CFO of the Company and Heino von Prondzynski is the Chairman of the Company's Supervisory Board.)

Changes in stock options in the reporting period

In the reporting period, no stock options were granted. No stock options were exercised during 9M 2013. The total number of stock options outstanding as of September 30, 2013, amounted to 322,587.

Information on the phantom stock program 2013 (PSP 2013)

In Q3 2013, the Company established a so-called phantom stock program ("PSP") - a virtual share plan - as a new instrument for staff motivation and retention. This program is called PSP 2013 and a total number of up to 900,000 phantom stock rights ("PSR") can be issued under this plan. Starting July 1, 2013, PSR were initially issued from this program. The program ends on December 31, 2013.

Beneficiaries of this program are the members of the Executive Board and the employees of the Company and its subsidiaries. The Executive Board of the Company decides on the issuance of PSR from this program to employees of the Company and to executives and employees of its subsidiaries. The Supervisory Board decides on the issuance of PSR from this program to the executives of the Company. A certain amount of PSR granted to a beneficiary at a certain point in time is defined as a tranche.

The term of the PSR begins with their issuance and ends five years after the beginning of their vesting period. The PSR of each tranche which are issued to beneficiaries who are not executives of the Company, vest from the beginning of the first full calendar quarter over the three years following their issuance in five equal parts. PSR of each tranche can be exercised for the first time after their vesting, but not earlier than three years after the start of the vesting period. For PSR tranches issued to members of the Executive Board, the Supervisory Board of the Company has the option to determine individually the vesting conditions in each case. PSR of each tranche can be exercised for the first time after their vesting, but not earlier

than three years after the start of the vesting period. Basically, PSR can be exercised anytime in the two years between the end of their waiting period and the end of their term ("exercise period").

The holder of a PSR is entitled to exercise his right during the exercise period when the strike price at the exercise day is higher than the base value. By exercising the PSR, the holder earns an entitlement to obtain the "PSR premium" from the Company in cash. Thereby, the PSR premium equals the absolute difference between the strike price (arithmetic average of the Xetra closing rates of the five consecutive trading days prior to the exercise day) and the base value (average of the Xetra closing rates of the last five trading day before issuing) of the right up to a maximum of EUR 8.00.

Any PSR held by an employee or an executive of the Company or one of its subsidiaries that have not yet vested expire without compensation in any case upon termination of the service or employment agreement by the beneficiary himself or if the service or employment agreement has been terminated by the Company for cause.

In Q3 2013, 300,000 PSR were granted to the senior management of the Company (including Executive Board) each with a base value of EUR 1.62 and 382,500 PSR were granted to employees of the Company each with a base value of EUR 1.64. Until December 31, 2013, a remaining number of 217,500 PSR can still be issued from the PSP 2013.

Holdings of Epigenomics' equity instruments and phantom stock rights by the Company's Board members:

(in units as of Sept 30, 2013)	Shares	Stock options	Phantom stock rights
Dr. Thomas Taapken (CEO/CFO)	25,000	40,000	110,000
Dr. Uwe Staub (COO)	0	38,800	95,000
Executive Board	**25,000**	**78,800**	**205,000**
Heino von Prondzynski (Chairman)	90,100	0	0
Ann Clare Kessler, Ph.D.	2,800	0	0
Supervisory Board	**92,900**	**0**	**0**

This interim report has been approved and cleared for publication by the Executive Board of the Company on October 31, 2013.

Berlin, October 31, 2013

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 undertake to update any forward-looking statements contained in this interim report as a result of new information, future events or otherwise.

CORPORATE CALENDAR 2013

Annual report 2013
January 1 – December 31, 2013
Annual press conference and analyst meeting ..... Tuesday, March 25, 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.