epigenomics

9-MONTH REPORT

JANUARY 1 – SEPTEMBER 30

Q3 2014

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

EUR thousand (except where indicated)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Statement of Profit or Loss					
Revenue	263	627	407	405	284
Gross profit	168	462	210	237	185
EBIT	-1,855	-2,114	-2,000	-1,616	-1,773
EBITDA	-1,657	-1,916	-1,809	-1,429	-1,588
Net loss for the period	-1,877	-2,179	-2,240	-1,823	-1,842
Balance Sheet (at the respective reporting dates)					
Non-current assets	2,403	2,167	1,977	1,937	2,463
Current assets	3,592	8,914	9,492	7,991	5,333
Non-current liabilities	108	542	699	596	816
Current liabilities	2,076	4,080	4,022	4,406	3,955
Equity	3,811	6,459	6,748	4,926	3,025
Equity ratio in %	63.6	58.3	58.8	49.6	38.8
Total assets	5,995	11,081	11,469	9,928	7,796
Cash Flow Statement					
Cash flow from operating activities	-1,396	-1,333	-1,475	-1,622	-2,158
Cash flow from investing activities	-18	-1	0	-43	-649
Cash flow from financing activities	371	6,601	1,866	-4	17
Net cash flow	-1,043	5,267	391	-1,669	-2,790
Cash consumption	-1,414	-1,334	-1,475	-1,665	-2,807
Cash and cash equivalents at the end of the period	1,939	7,207	7,598	5,929	3,137
Stock					
Weighted-average number of shares issued	11,992,858	12,761,325	13,261,225	13,510,892	13,513,114
Earnings per share (basic and diluted) (in EUR)	-0.16	-0.17	-0.17	-0.13	-0.14
Share price at the end of the period (in EUR)	3.65	6.12	5.40	3.47	3.73
Number of employees at the end of the period	34	34	37	38	38

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INTERIM CONSOLIDATED MANAGEMENT REPORT

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

EPIGENOMICS AG – INTERIM REPORT ON THE FIRST NINE MONTHS OF 2014

DEAR SHAREHOLDERS,

Throughout the third quarter of 2014, we worked closely with the U.S. Food and Drug Administration (FDA) to complete the design of the ADMIT (Adherence to Minimally Invasive Testing) study. This was requested in a response letter we received from the agency in relations to our premarket approval (PMA) application in the United States for Epi proColon®, our convenient blood-based colorectal cancer (CRC) screening test. In this letter, the FDA had determined that whilst the studies performed so far have established the clinical performance characteristics of the test, the PMA application does not yet contain sufficient evidence that Epi proColon® will increase compliance to CRC screening in the intended use population to warrant approval. The additional study therefore aims to demonstrate that Epi proColon® will increase CRC participation in patients being offered this convenient blood-based test as compared to those being offered a fecal immunochemical test (FIT).

The ADMIT study will be conducted in average-risk, screening-eligible patients that have been historically non-compliant to CRC screening according to current guidelines. Once enrolled, patients will be randomized equally into two arms to be offered either the FIT stool test kit for home use or a blood draw for the Epi proColon® test. The rates of adherence in each arm will be measured and the primary objective of the study will be to show increased adherence for Epi proColon®. The study's secondary endpoint is a measurement of compliance to colonoscopy in those patients with positive test results with Epi proColon® or FIT. For the identification of appropriate patients we are working together with two major U.S. health care systems, who actively manage CRC screening programs.

After various discussions with the FDA, we are convinced that generating the additional data requested by the agency will be just a matter of time and that the approval of our patient-friendly blood-based test is very likely and within reach. Based on initial estimates, we expect the trial to be enrolled within only a few months and once the study has been completed, a PMA amendment with the respective results will be filed within a reasonable period of time. The costs for the study are expected to be less than EUR 1.0 million. Together with our joined U.S. commercialization partner Polymedco, we further drive launch procedures and gear up manufacturing capabilities to be ready and prepared to market and supply the product once the test is approved.

In parallel, we are working closely with our partner BioChain towards the approval of Epi proColon® in China, where CRC is a rapidly growing problem also. Since the initiation of the approval process in April this year, we have constantly supported the data generation and technical documentation efforts of BioChain. In addition, clinical data generated in China have confirmed the performance of the Epi proColon® test in the Chinese population. These data were included in the formal submission to the China Food and Drug Administration (CFDA). Based on the information provided and the promising results of BioChain's clinical trial announced in April 2014, our partner expects a favourable approval decision in the foreseeable future.

On October 16, 2014, after the end of the reporting period, we announced the exciting news that BioChain had decided to invest another EUR 4.2 million into the Company by subscribing 1,351,089 newly issued shares. This new investment of our partner reinforces and deepens our joint commitment to the successful launch of Epi proColon® throughout China and is clear evidence of the strong confidence in our joint future success. The just secured funds are very important for Epigenomics as we progress with our lead product. We thus keep our financial flexibility and extend our cash reach for the execution of important next steps as well as the completion of the above-mentioned milestones.

To facilitate direct communication with our shareholders and increase transparency of the shareholder structure, we converted all of our former bearer shares into registered shares at a ratio of 1:1 effective September 22, 2014.

Lastly, we successfully completed the relocation of our Berlin headquarters to a new facility within the city. The new headquarters, located in Berlin Tempelhof-Schöneberg, are more adept to efficiently house our operations and better allow flexibility for our long-term planning.

After very busy summer months, preparing for the ADMIT trial, we are now ready to embark on the final steps of the approval for Epi proColon® in the United States and in China. We look forward to keeping you informed about major updates and progress we make with respect to the ADMIT trial and our ongoing market activities. We remain optimistic about the success prospects of the Company and thank our employees for their ongoing dedication and you, our shareholders, for your ongoing support und trust.

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	DE000A11QW50
Security code number	A11QW5
Stock exchange abbreviation	ECX
Reuters	ECXG.DE
Bloomberg	ECX:GR
Designated sponsor	equinet Bank AG
Analyst coverage	Edison Investment Research (Hans Bostrom) 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)	Sept 30, 2013	Dec 31, 2013	Mar 31, 2014	June 30, 2014	**Sept 30, 2014**
Number of shares outstanding	12,042,881	13,082,892	13,510,892	13,510,892	13,517,558
Closing price (in EUR)	3.65	6.12	5.40	3.47	3.73
Market capitalization (in EUR)	43,944,473	80,067,299	72,958,817	46,882,795	50,379,939

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	**Q3 2014**
Average daily trading volume (units)	60,638	87,769	112,069	118,516	24,864
Highest closing price (in EUR)	3.92	7.72	8.25	7.14	3.89
Lowest closing price (in EUR)	1.44	3.75	5.18	3.39	3.06

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

CONVERSION OF BEARER SHARES INTO REGISTERED SHARES COMPLETED

As previously announced and approved by our Annual General Shareholders' Meeting in June 2014, our former non-par value bearer shares were converted into registered non-par value shares ("Namensaktien"), effective September 19, 2014. As a consequence, the ISIN of our shares has changed to DE000A11QW50 and the German security code number ("WKN") has changed to A11QW5. Our ticker symbol "ECX" at the Frankfurt Stock Exchange remained the same.

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 5.3 million in 9M 2014 – nearly unchanged compared to 9M 2013 (EUR 5.2 million). Cash outflow from investing activities increased to EUR 0.7 million (9M 2013: EUR 0 million) due to capital expenditures related to the refurbishment of our new facilities in Berlin. Therefore, cash consumption increased to EUR 5.9 million in 9M 2014, up from EUR 5.2 million in the comparable period of 2013. Cash and cash equivalents amounted to EUR 3.1 million at the reporting date (Dec 31, 2013: EUR 7.2 million).

RESULTS OF OPERATIONS

In Q3 2014, we recognized revenue in the amount of EUR 284 thousand – an 8% increase compared to Q3 2013 (EUR 263 thousand). While licensing income decreased compared to the third quarter of 2013 due to terminated licensing agreements, in Q3 2014, R&D income increased by 54% year on year (from EUR 96 thousand to EUR 148 thousand) and product sales by 12% year on year (from EUR 110 thousand to EUR 123 thousand). For the first nine months of 2014, total revenue grew by 14% from EUR 961 thousand in 9M 2013 to EUR 1,095 thousand, mainly driven by an increase in product sales of more than 25%.

Cost of sales amounted to EUR 99 thousand in Q3 2014 and EUR 464 thousand in 9M 2014 (Q3 2013: EUR 95 thousand and 9M 2013: EUR 322 thousand). The decrease of the gross margin from 66% for 9M 2013 to 58% for 9M 2014 is mainly attributable to a lower share of high-margin licensing and royalty income.

Other income of EUR 259 thousand in Q3 2014 (Q3 2013: EUR 137 thousand) was mainly attributable to income from the reversal of provisions (EUR 188 thousand) and to income from third-party research grants (EUR 56 thousand). For the nine-month period, other income amounted to EUR 427 thousand, nearly unchanged to the comparable period in 2013 (EUR 433 thousand).

Our R&D costs of EUR 1,054 thousand in Q3 2014 and of EUR 3,215 thousand in 9M 2014 remained also nearly unchanged compared to Q3 2013 (EUR 1,058 thousand) and 9M 2013 (EUR 3,155 thousand), respectively. Selling, general and administrative (SG&A) costs in Q3/9M 2014 increased from EUR 1,091 thousand/EUR 3,017 thousand in 2013 to EUR 1,149 thousand/EUR 3,170 thousand in 2014.

Altogether, our operating costs amounted to EUR 2.3 million in Q3 2014, and thus remained nearly unchanged to the comparable period of 2013. In the nine-month comparison, the operating costs climbed from EUR 6.6 million to EUR 6.9 million mainly due to an increased usage of materials and higher costs for patent protection and legal advice. Corresponding to this increase in operating costs, EBIT for 9M 2014 amounted to EUR -5.4 million (9M 2013: EUR -5.2 million).

Our financial result in 9M 2014 deteriorated to EUR -502 thousand vis-à-vis EUR 36 thousand in 9M 2013 due to interest expenses of EUR 516 thousand attributable to the issued convertible notes.

In total, this led to a net loss in Q3 2014 of EUR 1.8 million (Q3 2013: EUR 1.9 million) and of EUR 5.9 million for 9M 2014 (9M 2013: EUR 5.2 million). Due to the increased number of shares outstanding at the end of Q3 2014, net loss per share for this period dropped to EUR 0.14 (Q3 2013: EUR 0.16) and decreased only marginally from EUR 0.45 to EUR 0.44 per share for the nine-month period.

NET ASSET POSITION

Total non-current assets increased from EUR 2.2 million at Dec 31, 2013, to EUR 2.5 million at the reporting date. This increase was mainly attributable to the capitalization of the refurbishment costs at our new facilities in Berlin, overcompensating the decrease in intangible assets by nearly EUR 0.5 million in the same period. Current assets decreased from EUR 8.9 million at the end of 2013 to EUR 5.3 million at the reporting date mainly due to our constant utilization of liquidity for operating activities, partly compensated by an inventory build-up of EUR 0.5 million in the reporting period.

The issuance of new shares following the conversion of four convertible notes in the first half of 2014 was the main cause for the increase in the subscribed capital (up by EUR 0.4 million) and the capital reserve (up by EUR 2.0 million). Due to our net loss for the first nine months of 2014 in the amount of EUR 5.9 million, total equity decreased to EUR 3.0 million (Dec 31, 2013: EUR 6.5 million), reducing our equity ratio to 38.8% at the reporting date (Dec 31, 2013: 58.3%).

Non-current liabilities amounting to EUR 816 thousand were attributable to an increased provision for phantom stock rights for our staff and our Board members following the issuance of new rights in Q3 2014 which overcompensated a lower valuation of the outstanding rights issued in former periods due to the drop in our share price.

Current liabilities decreased slightly from EUR 4.1 million at December 31, 2013, to EUR 4.0 million at September 30, 2014.

EMPLOYEES

The total headcount of the Company as of September 30, 2014, increased to 38 from 34 at year-end 2013 and comprises 21 employees in R&D and 17 employees in SG&A.

SUPPLEMENTARY REPORT

On October 16, 2014, after the end of the reporting period, we announced that we were raising EUR 4.2 million in a share capital increase. BioChain Institute, Inc. will subscribe a total of 1,351,089 Epigenomics shares which will be issued under exclusion of the statutory subscription right of the existing shareholders.

On that day, the Executive Board of Epigenomics AG, with approval of the Supervisory Board, had resolved on the increase of the Company's share capital by the amount of EUR 1,351,089 by issuance of 1,351,089 new shares from the Authorized Capital 2014/I against contribution in cash. The issue price has been set at EUR 3.08 per share, based on the Xetra closing price of the day prior to the announcement, Wednesday, October 15, 2014. Upon entry of the capital increase in the commercial register on or around November 21, 2014, the subscribed capital of Epigenomics AG will increase from previously EUR 13,517,558 to then EUR 14,868,647.

We intend to use the net proceeds from the capital increase to finance our current operations and to strengthen the distribution capabilities for Epi proColon® in the United States and in China.

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). Due to the delay in connection with the FDA decision, unplanned costs will incur and put additional pressure on our financial situation before we can achieve significant product revenue in the United States. As a result of the drop in our share price level since Q2 2014, the likelihood of the expected cash inflows from the conversion payments as provided in the terms and conditions of our convertible bonds issued in 2013 before the end of fiscal 2014 has decreased considerably compared to the beginning of the year. After August 1, 2014, there is also a risk of an early redemption of the bonds according to the terms and conditions which could lead to unplanned cash outflows. To ensure our financing over the months to come, we raised additional capital after the end of the reporting period (see "Supplementary Report"). However, the cash inflow from this capital increase is not yet collected as of the publishing date of this quarterly report and its total amount will not be sufficient alone to finance our commercialization plans after the expected approval by the FDA. Against this backdrop, it may become necessary to raise additional funds at the capital markets in 2015.

PROGNOSIS REPORT FOR 2014

With regard to the earnings prognosis for the current business year, we expect no significant changes compared to our statements in the consolidated management report 2013. Although the approval for Epi proColon® in the United States is affected by a delay, our earnings prognosis for 2014 remains unaltered, as the initial guidance did not include any significant product revenues from the U.S. market. The financial prognosis has to be adjusted, after we secured additional liquidity for the Company after the end of the reporting period (see "Supplementary Report"). However, it is hardly predictable for us at this point in time if and when the outstanding convertible notes will be converted by their holders or if they have to be redeemed. Apart from these uncertainties we expect our liquidity position at the end of 2014 to be around EUR 6 million, which should be sufficient to bring us well over the ADMIT study and the long-awaited FDA approval decision. 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 September 30, 2014

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

EUR thousand	Q3 2013	Q3 2014	9M 2013	9M 2014
Revenue	**263**	**284**	**961**	**1,095**
Cost of sales	-95	-99	-322	-464
Gross profit	**168**	**185**	**639**	**631**
Gross margin in %	*64*	*65*	*66*	*58*
Other income	137	259	433	427
Research and development costs	-1,058	-1,054	-3,155	-3,215
Selling, general and administrative costs	-1,091	-1,149	-3,017	-3,170
Other expenses	-11	-14	-74	-63
Operating result/Earnings before interest and taxes (EBIT)	**-1,855**	**-1,773**	**-5,174**	**-5,390**
Interest income	6	4	17	15
Interest expenses	-2	-71	-2	-516
Other financial result	0	0	21	-1
Net loss for the period before taxes on income	**-1,851**	**-1,840**	**-5,138**	**-5,892**
Taxes on income	-26	-2	-94	-14
Net loss for the period	**-1,877**	**-1,842**	**-5,232**	**-5,906**
Items that may be reclassified subsequently to profit or loss				
Fair value adjustment of available-for-sale securities	100	75	173	0
Other comprehensive income for the period	**100**	**75**	**173**	**0**
Total comprehensive income for the period	**-1,777**	**-1,767**	**-5,059**	**-5,906**
Earnings per share (basic and diluted) (in EUR)	**-0.16**	**-0.14**	**-0.45**	**-0.44**

GROUP BALANCE SHEET
AS OF SEPTEMBER 30 (UNAUDITED)

ASSETS (EUR thousand)	**Dec 31, 2013**	**Sept 30, 2014**
Non-current assets		
Intangible assets	1,920	1,442
Tangible assets	247	1,021
Total non-current assets	**2,167**	**2,463**
Current assets		
Inventories	275	775
Trade receivables	258	212
Marketable securities	750	750
Cash and cash equivalents	7,207	3,137
Other current assets	424	459
Total current assets	**8,914**	**5,333**
Total assets	**11,081**	**7,796**

EQUITY AND LIABILITIES (EUR thousand)	**Dec 31, 2013**	**Sept 30, 2014**
Equity		
Subscribed capital	13,083	13,518
Capital reserve	27,506	29,543
Retained earnings	-26,469	-33,880
Net loss for the period	-7,411	-5,906
Other comprehensive income	-250	-250
Total equity	**6,459**	**3,025**
Non-current liabilities		
Provisions	542	816
Total non-current liabilities	**542**	**816**
Current liabilities		
Trade payables	1,030	771
Deferred income	67	135
Convertible notes issued	1,932	2,247
Other liabilities	416	387
Provisions	635	415
Total current liabilities	**4,080**	**3,955**
Total equity and liabilities	**11,081**	**7,796**

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

EUR thousand	9M 2013	9M 2014
Cash and cash equivalents at the beginning of the period	**2,205**	**7,207**
Operating activities		
Net loss for the period	**-5,232**	**-5,906**
Corrections for:		
Depreciation of tangible assets	98	85
Amortization of intangible assets	504	479
Losses from disposal of assets	0	1
Stock option expenses	106	0
Foreign currency exchange results	1	0
Interest income	-17	-15
Interest expenses	2	516
Taxes	68	14
Operating result before changes in net current assets	**-4,470**	**-4,826**
Changes in trade receivables and other current assets	322	-45
Changes in inventories	-219	-499
Changes in non-current liabilities	0	274
Changes in current liabilities from operating activities	-826	-145
Liquidity earned from operating activities	**-5,193**	**-5,241**
Interest received/paid	20	0
Tax received/paid	0	-14
Cash flow from operating activities	**-5,173**	**-5,255**
Investing activities		
Payments for investments in tangible assets	-15	-693
Payments for investments in intangible assets	-4	0
Cash flow from investing activities	**-19**	**-693**

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

EUR thousand	9M 2013	9M 2014
Financing activities		
Proceeds from the issue of new shares	4,976	17
Payments for the creation of new shares	-421	0
Proceeds from the issue of convertible notes	475	200
Proceeds from the conversion of convertible notes	0	2,085
Payments for the creation of convertible notes	-104	-424
Cash flow from financing activities	**4,926**	**1,878**
Total net cash flow	**-266**	**-4,070**
Cash and cash equivalents at the end of the period	**1,939**	**3,137**

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 SEPTEMBER 30 (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**	**-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**
December 31, 2013	**13,083**	**27,506**	**-26,469**	**-7,411**	**-250**	**6,459**
Total comprehensive income for the period	**0**	**0**	**0**	**-5,906**	**0**	**-5,906**
Capital increase from the issue of shares	7	0	0	0	0	7
Premium from the issue of shares	0	10	0	0	0	10
Costs for the creation of new shares	0	0	0	0	0	0
Proceeds 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
September 30, 2014	**13,518**	**29,543**	**-33,880**	**-5,906**	**-250**	**3,025**

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, 2014, as mandatorily 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 September 30, 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	Sept 30, 2014
EUR/USD	1.3791	1.2583
EUR/GBP	0.83370	0.77730

Average rates	9M 2013	9M 2014
EUR/USD	1.3184	1.3487
EUR/GBP	0.85381	0.80876

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

REVENUE

Revenue source by revenue type:

	Q3 2013		Q3 2014	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	110	42.0	123	43.5
Licensing income	57	21.5	13	4.4
R&D income	96	36.5	148	52.1
Total revenue	**263**	**100.0**	**284**	**100.0**

	9M 2013		9M 2014	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	438	45.5	551	50.3
Licensing income	181	18.9	110	10.1
R&D income	342	35.6	434	39.6
Total revenue	**961**	**100.0**	**1,095**	**100.0**

Revenue source by geographical market:

	Q3 2013		Q3 2014	
	EUR thousand	in %	EUR thousand	in %
Europe	203	77.0	250	88.2
North America	60	23.0	34	11.8
Rest of the world	0	0.0	0	0.0
Total revenue	**263**	**100.0**	**284**	**100.0**

	9M 2013		9M 2014	
	EUR thousand	in %	EUR thousand	in %
Europe	726	75.5	830	75.8
North America	153	16.0	90	8.2
Rest of the world	82	8.5	175	16.0
Total revenue	**961**	**100.0**	**1,095**	**100.0**

OTHER INCOME

EUR thousand	Q3 2013	Q3 2014	9M 2013	9M 2014
Income from the reversal of provisions	0	188	15	212
Third-party research grants	100	56	148	180
Foreign exchange rate gains	3	14	39	20
Recoveries and refunds	30	1	116	10
Correction of deferred liabilities	3	0	111	4
Other	1	0	4	1
Total other income	**137**	**259**	**433**	**427**

COST ALLOCATION BY FUNCTION

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**

Q3 2014

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	49	44	9	0	102
Depreciation and amortization	1	167	17	0	185
Personnel costs	47	414	500	0	961
Other costs	2	429	623	14	1,068
Total	**99**	**1,054**	**1,149**	**14**	**2,316**

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**

9M 2014

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	231	208	12	0	451
Depreciation and amortization	3	509	52	0	564
Personnel costs	175	1,006	1,193	0	2,374
Other costs	55	1,492	1,913	63	3,523
Total	**464**	**3,215**	**3,170**	**63**	**6,912**

PERSONNEL COSTS

EUR thousand	Q3 2013	Q3 2014	9M 2013	9M 2014
Personnel remuneration	602	633	2,024	1,960
Share-based payment expenses	118	236	106	151
Social security expenses	77	92	281	263
Total personnel costs	**797**	**961**	**2,411**	**2,374**

OTHER EXPENSES

EUR thousand	Q3 2013	Q3 2014	9M 2013	9M 2014
Foreign exchange rate losses	11	13	67	26
Bad debt allowance	0	0	6	0
Other	0	1	1	37
Total other expenses	**11**	**14**	**74**	**63**

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q3 2013	Q3 2014	9M 2013	9M 2014
Operating result/Earnings before interest and taxes (EBIT)	**-1,855**	**-1,773**	**-5,174**	**-5,390**
Depreciation of tangible assets	30	29	98	85
Amortization of intangible assets	168	156	504	479
EBIT before depreciation and amortization (EBITDA)	**-1,657**	**-1,588**	**-4,572**	**-4,826**

FINANCIAL RESULT

EUR thousand	Q3 2013	Q3 2014	9M 2013	9M 2014
Interest from available-for-sale securities	5	4	15	15
Interest from cash and cash equivalents	1	0	2	0
Total interest income	**6**	**4**	**17**	**15**
Interest expenses for convertible notes	-2	-71	-2	-516
Total interest expenses	**-2**	**-71**	**-2**	**-516**
Fair value adjustment for derivative instruments	0	0	27	0
Other financial income	*0*	*0*	*27*	*0*
Fair value adjustment for derivative instruments	0	0	-5	0
Other finance costs	0	0	-1	-1
Other financial expenses	*0*	*0*	*-6*	*0*
Total other financial result	**0**	**0**	**21**	**-1**
Total financial result	**4**	**-67**	**36**	**-502**

TAXES ON INCOME

EUR thousand	Q3 2013	Q3 2014	9M 2013	9M 2014
Current tax expenses	5	2	27	14
Deferred tax expenses	21	0	67	0
Total taxes on income	**26**	**2**	**94**	**14**

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).

	Q3 2013	Q3 2014
Net loss for the period (in EUR thousand)	-1,877	-1,842
Weighted-average number of shares issued	11,992,858	13,513,114
Earnings per share (basic and diluted) (in EUR)	-0.16	-0.14

	9M 2013	9M 2014
Net loss for the period (in EUR thousand)	-5,232	-5,906
Weighted-average number of shares issued	11,626,247	13,428,410
Earnings per share (basic and diluted) (in EUR)	-0.45	-0.44

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2013	Sept 30, 2014
Software	69	32
Licenses, patents	187	161
Development costs	1,664	1,249
Total intangible assets	**1,920**	**1,442**
Technical equipment	229	255
Other fixed assets	18	24
Advance payments and assets under construction	0	742
Total tangible assets	**247**	**1,021**
Total non-current assets	**2,167**	**2,463**

CURRENT ASSETS

EUR thousand	Dec 31, 2013	Sept 30, 2014
Inventories	**275**	**775**
Trade receivables	**258**	**212**
Marketable securities	**750**	**750**
Cash and cash equivalents	**7,207**	**3,137**
Prepaid expenses	162	135
Receivables from tax authorities	188	259
Interest receivables	11	5
Deposits	11	18
Other	52	42
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**424**	**459**
Total current assets	**8,914**	**5,333**

EQUITY

Following an exercise of stock options at the end of the previous quarter, 6,666 new shares were created in Q3 2014.

As of September 30, 2014, the share capital of Epigenomics AG comprised exclusively of 13,517,558 registered common shares with equal rights and a par value of EUR 1.00 each. In Q3 2014, total equity decreased by EUR 1.8 million to EUR 3.0 million at the reporting day.

NON-CURRENT LIABILITIES

Provisions

In 2013 and in the reporting quarter, 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 July 2016 and October 2017 on, respectively. 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 816 thousand as of September 30, 2014, using the binomial model of Cox, Ross and Rubinstein.

CURRENT LIABILITIES

Deferred income

Deferred income in the amount of EUR 135 thousand at September 30, 2014 (Dec 31, 2013: EUR 67 thousand), comprised predominantly payments received in advance for projects granted by public authorities (EUR 112 thousand; Dec 31, 2013: EUR 50 thousand). As of the balance sheet date, there are no repayment obligations for the Company resulting from deferred income.

Convertible notes issued

In Q3 2014, the Company has not issued any 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).

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. In the course of 9M 2014, four notes of the total issuance were converted by their holders into 428,000 new shares of the Company. The remainder of 21 convertible notes is still recorded as liabilities as of September 30, 2014.

Other liabilities

EUR thousand	Dec 31, 2013	Sept 30, 2014
Payables due to staff	249	161
Accrued Supervisory Board remuneration	0	73
Accrued audit fees	65	68
Payables due to financial/tax authorities	84	65
Payables to social security institutions	0	9
Down payments received	10	7
Other	8	4
Total other liabilities	**416**	**387**

Provisions

EUR thousand	Dec 31, 2013	Sept 30, 2014
Payroll provisions	388	377
Statutory provisions	40	20
Contract-related provisions	188	0
Other provisions	19	18
Total provisions	**635**	**415**

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.

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 5.9 million in the first nine months of 2014 (9M 2013: EUR 5.2 million).

OTHER INFORMATION

INFORMATION ON STOCK OPTIONS

In Q3 2014, no new stock options were granted. Furthermore, no options were exercised, cancelled or forfeited. The total number of stock options still outstanding as of September 30, 2014, amounted to 21,065 with an average strike price of EUR 15.65.

INFORMATION ON PHANTOM STOCK PROGRAMS

In Q3 2014, the Company established a new phantom stock program ("PSP") for 2014. This program is called PSP 2014 and a total number of up to 400,000 phantom stock rights ("PSR") can be issued under this plan until December 31, 2014.

Beneficiaries of this program are the members of the Executive Board and the employees of the Company and its subsidiary. 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 subsidiary. The Supervisory Board decides on the issuance of PSR from this program to the Executive Board members 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, 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. 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 days before issuing) of the right up to a maximum of EUR 12.00.

Any PSR held by an employee or an Executive Board member of the Company or its subsidiary 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 2014, 73,333 new PSR were granted to the Company's CEO/CFO Dr. Taapken, 60,000 new PSR were granted to the Company's COO Dr. Staub and 210,000 new PSR were granted to other employees of the Company each with a base value of EUR 3.23. Until December 31, 2014, a remaining number of 56,667 PSR can still be issued from PSP 2014.

The number of outstanding PSR from PSP 03–15 and PSP 2013 remained unchanged in Q3 2014 and amounted to 740,000 from the Company's PSP 2013 and to 195,545 from PSP 03–15.

INFORMATION ON "DIRECTORS' DEALINGS"

No "Directors' Dealings" announcements were published by the Company in the reporting quarter.

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

(in units as of September 30, 2014)	Shares	Phantom stock rights
Dr. Thomas Taapken (CEO/CFO)	43,000	223,333
Dr. Uwe Staub (COO)	5,000	213,800
Executive Board total	**48,000**	**437,133**
Heino von Prondzynski (Chairman)	100,100	0
Ann Clare Kessler, Ph.D. (Vice Chairwoman)	7,800	0
Supervisory Board total	**107,900**	**0**

This interim report has been approved and cleared for publication by the Executive Board of the Company on October 31, 2014.

Berlin, October 31, 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 2015

Annual report 2014
January 1 – December 31, 2014
Annual press conference and analyst meeting ..... Thursday, March 26, 2015

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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.