epigenomics

9-MONTH REPORT

JANUARY 1 – SEPTEMBER 30

Q3 2012

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

EUR thousand (unless stated otherwise)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Income Statement					
Revenue	257	195	243	156	272
Gross profit	204	140	194	131	193
EBIT	-5,032	-4,498	-2,301	-3,442	-3,688
EBITDA	-3,829	-1,742	-2,006	-3,230	-3,478
Net loss for the period	-4,816	-4,858	-2,338	-3,386	-3,693
Balance Sheet (at the respective reporting dates)					
Non-current assets	5,352	4,042	3,735	3,526	3,331
Investments in non-current assets[1]	197	35	12	4	50
Current assets	19,395	15,421	12,815	10,226	7,168
Current liabilities	4,126	3,277	2,541	3,112	3,576
Equity	20,621	16,186	14,009	10,640	6,923
Equity ratio in %	83.3	83.2	84.7	77.4	65.9
Total assets	24,747	19,463	16,550	13,752	10,499
Cash Flow Statement					
Cash flow from operating activities	-2,019	-1,840	-2,543	-2,207	-2,764
Cash flow from investing activities	-1,002	-1,270	-12	-6	967
Cash flow from financing activities	-46	11	-25	-159	-125
Net cash flow	-3,067	-3,099	-2,580	-2,372	-1,922
Cash consumption	-3,021	-3,398	-2,555	-2,214	-2,796
Cash and cash equivalents at period's end	15,656	12,557	9,977	7,605	5,683
Stock					
Weighted-average number of shares issued	8,818,417	8,818,417	8,818,417	8,818,417	8,818,417
Earnings per share (basic and diluted) in EUR	-0.55	-0.52	-0.27	-0.38	-0.42
Share price at period's end in EUR	4.26	1.30	2.22	1.52	1.22
Number of employees at period‘s end	77	61	46	44	45

[1] *Excluding capitalized development costs.*

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INTERIM CONSOLIDATED MANAGEMENT REPORT

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

EPIGENOMICS AG – INTERIM REPORT ON THE NINE MONTHS OF 2012

DEAR SHAREHOLDERS,

During the third quarter of 2012, we made decisive steps forward towards the completion of our ongoing head-to-head comparison study between Epi proColon® and fecal immunochemical testing (FIT). This trial was required by the U.S. Food and Drug Administration (FDA) with the goal of demonstrating non-inferiority to the established stool-based tests. The results of this study should become available soon and thus allow us to finally complete the Premarket Approval (PMA) application of our colorectal cancer (CRC) screening test. Subsequently we will file the results of the ongoing study together with all other results from previous clinical studies in a fourth and final module of the application to the FDA before the end of this year. So far, we have already submitted the first three modules to the FDA and are in a productive dialog with the regulatory agency regarding their feedback on the first modules.

Commercially, we are seeing steady adoption of our laboratory partners' versions of Septin9-based laboratory developed test (LDT) in the United States. At this point, around 1,000 assays per week are being performed in total, already ahead of regulatory approval of our product. We expect these partners to become future customers of Epi proColon®, once we received regulatory clearance for this test and to be then able to expand our market significantly. Important elements in being commercially successful are the inclusion of the test in screening guidelines and the availability of reimbursement by insurance carriers. Also on this front, we are making all efforts necessary to create the awareness for the test and generate the support in the medical and laboratory customer communities. At this year's meeting of the Association of Molecular Pathology (AMP) in Long Beach, CA, U.S.A. (after the reporting period), Epigenomics hosted a corporate workshop to which speakers from MPLN Inc., Quest Diagnostics, Inc., ARUP Laboratories, Inc. and academia contributed. In front of an important target audience of potential future customers, this served as endorsement for our approach of blood-based Septin9 testing. We are convinced that this test can help physicians to improve the health outcomes of patients and decrease the rising costs associated with this deadly disease.

In summary, we continue making progress towards our primary goal – to introduce Septin9 as an IVD diagnostic test into the United States, the world's largest commercial market for molecular diagnostics. At the same time, we are not losing sight of the European market, where we continue to be active via a key account approach. We are making a great effort to ensure that Septin9-based CRC detection is broadly introduced into markets worldwide, in order to bring the benefit of this convenient blood-based testing alternative to the benefit of doctors, patients and the healthcare system altogether.

However, our key objective remains to raise the funds necessary to further execute our plans before the end of the current year. So far, we took all necessary measures to ensure optimal utilization of the financial resources. Recently announced organizational changes in the Executive Board and close monitoring of the Company's expenditures together with necessary organizational adjustments are targeted to significantly reduce the cost basis of the Company going forward. In addition, Epigenomics will evaluate its options to raise capital in the markets using all means it has at its disposition, including issuance of shares and convertible bonds. We will keep you, dear shareholders, abreast of any developments in this respect.

Yours sincerely,

Dr. Thomas Taapken
CEO/CFO

OUR STOCK

In order to ensure comparability, market data as shown below has been adjusted retroactively with regard to the 5:1 consolidation of shares in August 2011.

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 AG
Analyst coverage	Edison Investment Research (Wang Chong, Robin Dawson) equinet AG/ESN (Edouard Aubery)

Market data	Sept 30, 2011	Dec 31, 2011	Mar 31, 2012	June 30, 2012	**Sept 30, 2012**
Number of shares outstanding	8,818,417	8,818,417	8,818,417	8,818,417	8,818,417
Closing price (in EUR)	4.26	1.30	2.22	1.52	1.22
Market capitalization (in EUR)	37,566,456	11,463,942	19,576,886	13,403,994	10,758,469

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	**Q3 2012**
Average daily trading volume (units)	6,536	13,483	32,733	13,823	12,499
Highest price (in EUR)	6.65	4.62	3.55	2.30	1.85
Lowest price (in EUR)	3.41	1.30	1.21	1.40	1.17

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 7.5 million in 9M 2012 – an increase of EUR 0.2 million compared to 9M 2011. This outflow still included another EUR 0.9 million payments related to the restructuring process in 2011 as well as payments in connection with our ongoing clinical trial and the FDA approval process. In this context, payments were mainly made for consulting and regulatory services as well as for the clinical sites, which are participating in the ongoing FIT comparison study. The repayment of a corporate bond at maturity led to an inflow from investing activities of EUR 1.0 million, slightly compensated by payments for investments in tangible and intangible assets. In 9M 2012, we further recognized EUR 0.3 million of payments for financing activities to evaluate strategic options for the future financing of our Company (9M 2011: EUR 0.1 million). Therefore, total net cash flow in the first nine months of 2012 added up to EUR -6.9 million (9M 2011: EUR -8.9 million).

RESULTS OF OPERATIONS

Revenue in Q3 2012 of EUR 272 thousand was slightly higher than the comparable number of the previous year (Q3 2011: EUR 257 thousand), due to an increase of R&D service fees overcompensating a decrease in licensing income. In the nine-month period, the shortfall in revenue compared to the same period in 2011 amounts to EUR 570 thousand and is mainly attributable to a reduction in licensing income, mainly due to licensing contracts which have been paid off in the meantime in the absence of any new licensing deals.

Other income of EUR 229 thousand in Q3 2012 (Q3 2011: EUR 151 thousand) was largely attributable to currency exchange gains, reversal of provisions and accruals, the sale of assets and recognized income from research grants.

Like in the previous quarters of 2012 and in line with expectations, research and development costs (R&D costs) increased notably in Q3 2012 to EUR 2,274 thousand from EUR 1,120 thousand in Q3 2011 due to our ongoing FIT comparison study and increased activities towards our FDA approval process. Costs were mainly attributable to consulting services for regulatory advice and by manifold site initiation processes for clinical sites which are participating in the FIT comparison study. Moreover, a capitalization of development costs in the amount of EUR 841 thousand in Q3 2011 has to be considered in comparison to last year's numbers since such capitalized development expenses did not impact profit and loss at that time. In accordance with IFRS accounting rules, we have not capitalized any development expenses in 2012 after the second-generation product was introduced into the EU market.

Selling, general and administrative costs (SG&A costs) in Q3 2012 amounted to EUR 1,778 thousand – a significant increase compared to EUR 1,383 thousand in Q3 2011, mainly attributable to costs in connection with the termination of the contract of our CEO Geert Walther Nygaard as of September 30, 2012. On the nine-month basis, SG&A costs were still slightly lower than in the comparable period of 2011 (EUR 4,678 thousand vs. EUR 4,753 thousand).

Other expenses of EUR 58 thousand in the reporting quarter are attributable to foreign exchange rate losses and losses from the sale of assets. Previous year's number of EUR 2,884 thousand was almost completely attributable to the reorganization of the Company as announced during that period.

EBIT for Q3 2012 amounted to EUR -3,688 thousand – an improvement of 26.7% compared to Q3 2011 (EUR -5,032 thousand), whereby the aforementioned reorganization in 2011 distorts the year-over-year comparison measurably. EBIT for the first nine months of 2012 amounted to EUR -9,430 thousand, and is mainly for the same reason better than 9M 2011's EBIT of EUR -10,748 thousand, which was beyond that disburdened by capitalized development expenses in the amount of EUR 1,257 thousand.

Our total financial result amounted to EUR 16 thousand and EUR 98 thousand in the Q3 and 9M period of 2012, respectively – down from EUR 300 thousand and EUR 196 thousand in last year's reporting periods. This drop is attributable to nearly not observable interest rates on the capital markets, an overall reduced liquidity and one-off effects from currency forward contracts in diverging directions.

Net loss for Q3 2012 amounted to EUR 3,693 thousand (Q3 2011: EUR 4,816 thousand) and for 9M 2012 to EUR 9,417 thousand (9M 2011: EUR 10,717 thousand).

NET ASSETS POSITION

During 9M 2012, non-current assets decreased from EUR 4.0 million at December 31, 2011, to EUR 3.3 million at the reporting date due to scheduled and unscheduled depreciation and amortization without significant new capital expenditures at the same time. Simultaneously, current assets dropped from EUR 15.4 million at the end of 2011 to EUR 7.2 million at September 30, 2012. This decrease is attributable to our cash consumption during the first nine months of 2012, a stock disposal and a decrease of prepaid expenses. Therefore, total assets added up to EUR 10.5 million by the end of September 2012 (December 31, 2011: EUR 19.5 million).

Total equity dropped to EUR 6.9 million as of September 30, 2012 – down from EUR 16.2 million in our opening balance 2012 – as a result of our net loss for the reporting period. Current liabilities increased from EUR 3.3 million at the end of 2011 to EUR 3.6 million at September 30, 2012. Thereby, the increase in trade payables is mainly attributable to late invoices in September 2012 related to our FIT comparison study. The significant decrease of our provisions from the beginning of the year (EUR 1.0 million) to EUR 0.5 million at September 30, 2012, is mainly a result of the final reduction of liabilities in connection with our restructuring measures in 2011.

EMPLOYEES

	Berlin	Seattle	**Total**
Number of employees as of September 30, 2012	**38**	**7**	**45**
Number of employees as of December 31, 2011	51	10	61
Number of employees as of September 30, 2011	67	10	77

The total headcount of 45 at the reporting date comprises 25 employees in the R&D departments.

OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's operations are described in detail in the management report published with the consolidated financial statements 2011 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 2012

Sales from our IVD diagnostic products outside the United States remained at quite modest levels during the third quarter of 2012, especially since our marketing and sales efforts in Berlin have meanwhile been reduced significantly in an attempt to contain spending and strictly focus our resources towards the U.S. approval of our lead product Epi proColon®. While we actively continue to seek potential licensing and distribution partners as well as key account customers for our products, we expect our product-derived revenue to remain at low levels prior to U.S. approval of Epi proColon® by the FDA, probably in the course of 2013. Thus, a major increase in revenue can only be expected once Epi proColon® can be sold directly in the U.S. market.

The necessity to invest into further clinical trials ahead of completion of our FDA submission which arose earlier in 2012 as well as additional one-time costs in connection with restructuring measures will lead to higher costs if compared to our original plans for 2012. Nevertheless, operational costs are expected to be significantly below 2011 numbers. Taking into consideration the lowered revenue and the estimated costs, we expect an improved EBIT and a narrowed net loss for 2012 compared to last year.

Our current financial resources are not sufficient to support the Company's operations beyond the first quarter of 2013 and will force us to secure additional funds in the near future to remain operational in 2013 and beyond. Since it is not anticipated that we will be able to generate sufficient cash flows from licensing income or from product sales in the short term, Epigenomics will have to evaluate its options to raise capital in the markets before the end of 2012 using all means it has at its disposition, including issuance of shares and convertible bonds.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of September 30, 2012

GROUP INCOME STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2012 (UNAUDITED)

EUR thousand	Q3 2011	Q3 2012	9M 2011	9M 2012
Revenue	257	272	1,242	672
Cost of sales	-53	-79	-301	-152
Gross profit	**204**	**193**	**941**	**520**
Gross margin in %	*80%*	*71%*	*76%*	*77%*
Other income	151	229	279	871
Research and development costs	-1,120	-2,274	-4,127	-5,859
Selling, general and administrative costs	-1,383	-1,778	-4,753	-4,678
Other expenses	-2,884	-58	-3,088	-284
Operating result (EBIT)	**-5,032**	**-3,688**	**-10,748**	**-9,430**
Interest income	59	20	168	95
Other financial result	241	-4	28	3
Net loss for the period before taxes on income	**-4,732**	**-3,672**	**-10,552**	**-9,332**
Taxes on income	-84	-21	-165	-85
Net loss for the period	**-4,816**	**-3,693**	**-10,717**	**-9,417**
Earnings per share (basic and diluted) in EUR	**-0.55**	**-0.42**	**-1.22**	**-1.07**

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN GROUP EQUITY
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2012 (UNAUDITED)

EUR thousand	Q3 2011	Q3 2012	9M 2011	9M 2012
Net loss for the period	**-4,816**	**-3,693**	**-10,717**	**-9,417**
Fair value adjustment of securities	-197	-9	-85	76
Total income and expenses recognized in Group equity	**-197**	**-9**	**-85**	**76**
Total comprehensive income	**-5,013**	**-3,702**	**-10,802**	**-9,341**

GROUP BALANCE SHEET
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

ASSETS EUR thousand	**Dec 31, 2011**	**Sept 30, 2012**
Non-current assets		
Intangible assets	3,322	2,758
Tangible assets	506	399
Deferred taxes	214	174
Total non-current assets	**4,042**	**3,331**
Current assets		
Inventories	283	96
Trade receivables	211	216
Marketable securities	1,428	504
Cash and cash equivalents	12,557	5,683
Other current assets	942	669
Total current assets	**15,421**	**7,168**
Total assets	**19,463**	**10,499**

EQUITY AND LIABILITIES EUR thousand	**Dec 31, 2011**	**Sept 30, 2012**
Equity		
Subscribed capital	8,818	8,818
Capital reserve	22,212	22,290
Retained earnings	1,303	-14,272
Net loss for the period	-15,575	-9,417
Other comprehensive income	-572	-496
Total equity	**16,186**	**6,923**
Current liabilities		
Trade payables	1,228	1,616
Deferred income	0	326
Other liabilities	1,013	1,110
Provisions	1,036	524
Total current liabilities	**3,277**	**3,576**
Total equity and liabilities	**19,463**	**10,499**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2012 (UNAUDITED)

EUR thousand	9M 2011	9M 2012
Cash and cash equivalents at the beginning of the period	**24,554**	**12,557**
Operating activities		
Net loss for the period before taxes on income	**-10,552**	**-9,332**
Corrections for:		
Depreciation on tangible assets	272	135
Amortization of intangible assets	1,277	582
Losses from the disposal of assets	25	21
Stock option expenses	128	78
Foreign currency exchange results	10	0
Interest income	-168	-95
Taxes	-26	-45
Operating result before changes in net current assets	**-9,034**	**-8,656**
Changes in trade receivables and other current assets	198	272
Changes in inventories	-201	187
Changes in current liabilities from operating activities	1,615	592
Liquidity earned from operating activities	**-7,422**	**-7,605**
Interest received	151	91
Cash flow from operating activities	**-7,271**	**-7,514**
Investing activities		
Payments for investments in tangible assets	-288	-34
Proceeds from sales of tangible assets	5	1
Payments for investments in intangible assets	-32	-18
Additions to capitalized development costs	-1,257	0
Proceeds from the repayment of marketable securities	0	1,000
Cash flow from investing activities	**-1,572**	**949**
Financing activities		
Payments for lease financing	-9	0
Other financing-related payments (incl. payments for the creation of new shares)	-46	-309
Cash flow from financing activities	**-55**	**-309**
Cash flow total	**-8,898**	**-6,874**
Cash and cash equivalents at the end of the period	**15,656**	**5,683**

STATEMENT OF CHANGES IN GROUP EQUITY
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

thousand EUR	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehensive income	**Group equity**
Dec 31, 2010	**44,092**	**22,078**	**-22,494**	**-11,476**	**-905**	**31,295**
Total comprehensive income	**0**	**0**	**0**	**-10,717**	**-85**	**-10,802**
Transfer of net loss for the year 2010 to retained earnings	0	0	-11,476	11,476	0	0
Stock-based compensation	0	128	0	0	0	128
Capital decrease/reverse stock split	-35,274	0	35,274	0	0	0
Sept 30, 2011	**8,818**	**22,206**	**1,304**	**-10,717**	**-990**	**20,621**
Dec 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-based compensation	0	78	0	0	0	78
Sept 30, 2012	**8,818**	**22,290**	**-14,272**	**-9,417**	**-496**	**6,923**

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, 2012, 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.

Amendments to the following Standards were mandatorily adopted during the reporting period:

- IFRS 1: *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation, Fixed Dates,*
- IFRS 7: *Financial Instruments – Disclosures: Transfers of Financial Assets,* and
- IAS 12: *Income Taxes: Recovery of Underlying Assets.*

The adoption of these amendments 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, 2012, to September 30, 2012. The reporting currency is the euro (EUR).

The Group Income Statement has been prepared using the cost of sales method.

CONSOLIDATION GROUP

The consolidation group remained unchanged compared to the one as of December 31, 2011, 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, 2011. 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, 2011	Sept 30, 2012
EUR/USD	1.2939	1.2930
EUR/GBP	0.83530	0.79805
EUR/CAD	1.3215	1.2684

Average rates	9M 2011	9M 2012
EUR/USD	1.4183	1.2890
EUR/GBP	0.87676	0.81220
EUR/CAD	1.3871	1.2870

NOTES TO THE GROUP INCOME STATEMENT

REVENUE

Revenue source by revenue type:

	Q3 2011		Q3 2012	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third party)	83	32.3	89	33.0
Licensing income	150	58.4	87	31.9
R&D income	24	9.3	96	35.1
Total revenue	**257**	**100.0**	**272**	**100.0**

	9M 2011		9M 2012	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third party)	273	22.0	288	42.8
Licensing income	802	64.6	284	42.3
R&D income	167	13.4	100	14.9
Total revenue	**1,242**	**100.0**	**672**	**100.0**

Revenue source by geographical market:

	Q3 2011		Q3 2012	
	EUR thousand	in %	EUR thousand	in %
Europe	157	61.1	190	69.9
North America	87	34.0	77	28.2
Rest of the world	13	4.9	5	1.9
Total revenue	**257**	**100.0**	**272**	**100.0**

	9M 2011		9M 2012	
	EUR thousand	in %	EUR thousand	in %
Europe	895	72.0	442	65.8
North America	268	21.6	194	28.9
Rest of the world	79	6.4	36	5.3
Total revenue	**1,242**	**100.0**	**672**	**100.0**

OTHER INCOME

EUR thousand	Q3 2011	Q3 2012	9M 2011	9M 2012
Income from the reversal of provisions	-3	124	6	546
Currency exchange gains	92	28	131	130
Income from the sale of assets	1	30	17	72
Third-party research grants	33	38	80	74
Recoveries and refunds	25	9	28	31
Income from option exercises	2	0	8	18
Corrections of invoices of previous periods	0	0	7	0
Other	1	0	2	0
Total other income	**151**	**229**	**279**	**871**

COST ANALYSIS

Q3 2011

EUR thousand	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	13	459	25	497
Depreciation and amortization	4	143	43	190
Personnel costs	10	789	710	1,509
Other costs	26	570	605	1,201
Capitalized development costs	0	-841	0	-841
Total	**53**	**1,120**	**1,383**	**2,556**

Q3 2012

EUR thousand	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	30	164	8	202
Depreciation and amortization	1	185	25	211
Personnel costs	36	443	1,044	1,523
Other costs	12	1,482	701	2,195
Capitalized development costs	0	0	0	0
Total	**79**	**2,274**	**1,778**	**4,131**

9M 2011

EUR thousand	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	104	715	48	867
Depreciation and amortization	20	415	101	536
Personnel costs	48	2,660	2,226	4,934
Other costs	129	1,594	2,378	4,101
Capitalized development costs	0	-1,257	0	-1,257
Total	**301**	**4,127**	**4,753**	**9,181**

9M 2012

EUR thousand	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	66	660	48	774
Depreciation and amortization	3	636	78	717
Personnel costs	40	1,490	2,470	4,000
Other costs	43	3,073	2,082	5,198
Capitalized development costs	0	0	0	0
Total	**152**	**5,859**	**4,678**	**10,689**

OTHER EXPENSES

EUR thousand	Q3 2011	Q3 2012	9M 2011	9M 2012
Currency exchange losses	49	35	251	85
Unscheduled amortization	0	0	0	78
Restructuring expenses	2,812	3	2,812	65
– thereof: depreciation and amortization	*1,013*	*2*	*1,013*	*2*
– thereof: personnel costs	*796*	*0*	*796*	*5*
– thereof: rent and additional property expenses	*945*	*0*	*945*	*41*
– thereof: other	*58*	*1*	*58*	*17*
Corrections for former periods	0	0	0	33
Losses from the sale of assets	0	20	0	20
Other	23	0	25	3
Total other expenses	**2,884**	**58**	**3,088**	**284**

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

EUR thousand	Q3 2011	Q3 2012	Variance in %
EBIT	**-5,032**	**-3,688**	**26.7**
Depreciation on tangible assets	137	42	69.3
Depreciation on intangible assets	1,066	168	84.2
EBITDA	**-3,829**	**-3,478**	**9.2**

EUR thousand	9M 2011	9M 2012	Variance in %
EBIT	**-10,748**	**-9,430**	**12.3**
Depreciation on tangible assets	272	135	50.4
Depreciation on intangible assets	1,277	582	54.4
EBITDA	**-9,199**	**-8,713**	**5.3**

FINANCIAL RESULT

EUR thousand	Q3 2011	Q3 2012	9M 2011	9M 2012
Interest and related income	59	20	168	95
Total interest income	**59**	**20**	**168**	**95**
Other financial income	242	0	242	50
Other financial expenses	-1	-4	-214	-47
Total other financial result	**241**	**-4**	**28**	**-3**
Total financial result	**300**	**16**	**196**	**98**

Other financial income is attributable to valuation differences in currency forward contracts.

TAXES ON INCOME

EUR thousand	Q3 2011	Q3 2012	9M 2011	9M 2012
Current tax expenses	10	11	29	45
Deferred tax expenses	74	10	136	40
Total taxes on income	**84**	**21**	**165**	**85**

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 2011	Q3 2012
Net loss for the period in EUR thousand	-4,816	-3,693
Weighted-average number of shares issued	8,818,417	8,818,417
Earnings per share (basic and diluted) in EUR	-0.55	-0.42

	9M 2011	9M 2012
Net loss for the period in EUR thousand	-10,717	-9,417
Weighted-average number of shares issued	8,818,417	8,818,417
Earnings per share (basic and diluted) in EUR	-1.22	-1.07

The outstanding stock options granted by the Company are anti-dilutive according to IAS 33.41 and IAS 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 8,818,417 (September 30, 2011: 8,818,417).

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2011	Sept 30, 2012
Software	173	144
Licenses, patents	296	256
Development costs	2,853	2,358
Total intangible assets	**3,322**	**2,758**
Fixtures, leasehold improvements	7	6
Technical equipment	462	363
Other fixed assets	37	30
Total tangible assets	**506**	**399**
Deferred tax assets	**214**	**174**
Total non-current assets	**4,042**	**3,331**

CURRENT ASSETS

EUR thousand	Dec 31, 2011	Sept 30, 2012
Inventories	**283**	**96**
Trade receivables	**211**	**216**
Marketable securities	**1,428**	**504**
Cash and cash equivalents	**12,557**	**5,683**
Prepaid expenses	576	296
Receivables from tax authorities	205	213
Claims based on granted projects	84	54
– thereof: claims against public authorities	*84*	*54*
Deposits	0	34
Interest receivables	27	32
Derivative contracts	0	2
Advance payments	8	0
Other	42	38
– thereof: with a prospective maturity of > 1 year	*38*	*38*
Total other current assets	**942**	**669**
Total current assets	**15,421**	**7,168**

EQUITY

Equity decreased in the first nine months of 2012 by EUR 9.3 million, mainly due to the net loss for the period. As of September 30, 2012, the share capital of EUR 8,818,417 remained unchanged compared to the year-end 2011.

CURRENT LIABILITIES

Deferred income

EUR thousand	Dec 31, 2011	Sept 30, 2012
Payments from commercial partners	0	2
Payments for granted projects	0	324
Total deferred income	**0**	**326**

As of the balance sheet date, there are no repayment obligations for the Company resulting from deferred income.

Other liabilities

EUR thousand	Dec 31, 2011	Sept 30, 2012
Payables due to staff	390	719
Payables due to financial/tax authorities	218	147
Accrued Supervisory Board fees	4	97
Accrued audit fees	105	96
Payables due to social security institutions	2	22
Down payments received	35	11
Payables for onerous rental agreements	251	0
Liabilities from derivative instruments	2	0
Other	6	18
Total other liabilities	**1,013**	**1,110**

Provisions

EUR thousand	Dec 31, 2011	Sept 30, 2012
Payroll provisions	97	297
Other contract-related provisions	188	188
Provision for Annual General Shareholders' Meeting	40	20
Provisions for onerous rental agreements	704	0
Other provisions	7	19
Total provisions	**1,036**	**524**

NOTES TO THE GROUP CASH FLOW STATEMENT

OPERATING ACTIVITIES

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

INVESTING ACTIVITIES

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

FINANCING ACTIVITIES

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

CASH CONSUMPTION

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

EUR thousand	9M 2011	9M 2012
Cash flow from operating activities	-7,271	-7,514
Cash flow from investing activities	-1,572	949
Net proceeds from transactions in securities	0	-1,000
Cash consumption	**-8,843**	**-7,565**

OTHER INFORMATION

INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties took place during 9M 2012.

INFORMATION ON SHARE TRANSACTIONS AND STOCK OPTIONS

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

Date	Executive Board member	Transaction type	Number of shares	Share price (in EUR)	Transaction value (in EUR)
April 4, 2012	Dr. Thomas Taapken	Purchase	2,000	2.25	4,500
April 16, 2012	Dr. Thomas Taapken	Purchase	1,000	2.18	2,180

Changes in stock options

In the reporting period, a total number of 60,000 stock options each was granted to the Company's Executive Board members Geert Walther Nygaard[2] and Dr. Thomas Taapken and another 80,000 stock options were granted to employees of the Company. No stock options were exercised during the first nine months of 2012. The total number of outstanding stock options as of September 30, 2012, amounted to 486,325.

Share and stock option holdings of the Board members of Epigenomics AG (as of September 30, 2012)

(all numbers of shares and stock options adjusted to the share capital after the capital decrease)

	Number of shares	Number of stock options
Executive Board	**17,000**	**217,000**
Geert Walther Nygaard	12,000	137,000
Dr. Thomas Taapken	5,000	80,000
Supervisory Board	**14,900**	**0**
Heino von Prondzynski	12,100	0
Ann Clare Kessler, Ph.D.	2,800	0

This interim report has been approved and cleared for publication by the Executive Board of the Company on October 31, 2012.

Berlin, October 31, 2012

The Executive Board

[2] *Mr. Geert Walther Nygaard has retired from the Executive Board of the Company as of September 30, 2012.*

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 2013

Annual Report 2012 January 1 – December 31, 2012 Annual press conference and analyst meeting	Thursday, March 21, 2013
Annual General Shareholders' Meeting 2013, Berlin	Monday, May 6, 2013
3-Month Report 2013 January 1 – March 31, 2013	Wednesday, May 8, 2013
6-Month Report 2013 January 1 – June 30, 2013	Wednesday, August 7, 2013
9-Month Report 2013 January 1 – September 30, 2013	Wednesday, November 6, 2013

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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.