epigenomics

6-MONTH REPORT

JANUARY 1 – JUNE 30

6M 2015

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

in EUR thousand (except where indicated)	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Statement of Profit or Loss					
Revenue	405	284	411	367	487
Gross profit	237	185	144	238	240
EBIT	-1,616	-1,773	-2,994	-3,164	-2,568
EBITDA	-1,429	-1,588	-2,787	-2,956	-2,370
Net loss for the period	-1,823	-1,842	-2,949	-3,164	-2,459
Balance Sheet (at the respective reporting dates)					
Non-current assets	1,937	2,463	2,352	2,196	1,971
Current assets	7,991	5,333	8,968	8,354	13,093
Non-current liabilities	596	816	1,407	1,895	2,118
Current liabilities	4,406	3,955	3,805	4,284	4,290
Equity	4,926	3,025	6,108	4,371	8,656
Equity ratio (in %)	49.6	38.8	54.0	41.4	57.5
Total assets	9,928	7,796	11,320	10,550	15,064
Statement of Cash Flows					
Cash flow from operating activities	-1,622	-2,158	-1,966	-2,243	-2,364
Cash flow from investing activities	-43	-649	-182	-45	-29
Cash flow from financing activities	-4	17	5,724	1,042	6,697
Net cash flow	-1,669	-2,790	3,576	-1,246	4,304
Cash consumption	-1,665	-2,807	-2,148	-2,288	-2,393
Cash and cash equivalents at the end of the period	5,929	3,137	6,715	5,469	9,773
Stock					
Weighted-average number of shares issued	13,510,892	13,513,114	14,239,821	15,616,372	16,947,163
Earnings per share (basic and diluted, in EUR)	-0.13	-0.14	-0.21	-0.20	-0.15
Share price at the end of the period (in EUR)	3.47	3.73	5.10	5.93	5.40
Number of employees at the end of the period	38	38	37	37	38

CONTENTS

INTERIM GROUP MANAGEMENT REPORT

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

EPIGENOMICS AG – REPORT ON THE FIRST SIX MONTHS OF 2015

DEAR SHAREHOLDERS,

The second quarter was driven by the successful completion of our ADMIT trial (ADherence to Minimally Invasive Testing), for which we announced positive results in mid-May, and by the successful capital increase to finance the product manufacturing and market introductory measures for our lead product Epi proColon® in the U.S.A..

The ADMIT trial, which was originally requested by the U.S. Food and Drug Administration (FDA) in the context of the approval process for our blood-based test Epi proColon®, was successfully completed. The results demonstrated a staggering 99.5% rate of adherence to colorectal cancer (CRC) screening for the blood-based test, significantly greater than to Fecal Immunological Testing (FIT), with an observed difference of 11.4%. The data of this last clinical trial, which has meanwhile been presented and discussed with the FDA, in our view strongly supports our premarket approval (PMA) application. We are currently finalizing the design of the proposed post-approval study, aiming to show the long-term benefit of blood-based CRC screening using Epi proColon®. We expect to agree with the FDA on the final study design in the coming weeks. Encouragingly, no additional premarket study was requested by the agency and we now expect the FDA to take its final decision on approval of Epi proColon® during the following few months.

Seeing adherence to Epi proColon® approaching nearly 100% in the ADMIT trial, clearly confirms our assumption that blood-based CRC screening has the potential to significantly lower the barrier for patients who have been historically non-compliant to participate in CRC screening programs.

To secure a quick market success of Epi proColon® following the expected approval, we also are working towards strengthening our manufacturing capabilities. We have successfully mitigated potential supply chain risks by establishing a second source for product manufacturing. Moreover, we are evaluating further steps to shorten manufacturing lead times and reduce production costs while building product inventory in preparation of the launch of Epi proColon® in the U.S.A..

Together with our Chinese partner BioChain, we are driving market introduction of Epi proColon® in China and are actively supporting BioChain in their efforts to work with the provincial governments to obtain adequate pricing and reimbursement decisions to support the market adoption and to secure the commercial success of this innovative blood-based test for early detection of CRC in China. On June 30, 2015, the Chinese Society of Digestive Endoscopy (CSDE) and the Chinese Anti-Cancer Association (CACA) published their "Guideline on Screening, Endoscopic Diagnosis and Treatment of Early Colorectal Cancer". In this guideline, Septin9-based tests, such as Epi proColon®, were clearly stated as one of the preferred methods for early CRC screening. Over the second quarter, we have already begun to deliver initial product orders for the Chinese market and given this encouraging start, we expect sales to ramp-up during the second half of the year.

Beyond Epi proColon®, we have now accelerated efforts towards the development of the next generation of product opportunities, building on our strong technological platform in DNA methylation and our leadership in the emerging field of liquid biopsies. Over recent years, together with our academic collaborators, we have already worked on such a promising second product, Epi proLung®, based on another proprietary biomarker – SHOX2. Published research results have shown a proven ability to detect SHOX2 in blood samples of patients rather than in bronchial fluid, which is the sample type for the current version of Epi proLung®. In 2014, we have taken first steps towards the development of a blood-based lung cancer product and we are extremely pleased to have now received a research and development grant from the European Union within the framework of the Horizon 2020 program to further continue this development. The grant makes a total amount of EUR 2.8 million available to us over the next two years. We received the first payment shortly after the reporting date.

The objective of this awarded project funding is the analytical and clinical validation of a convenient blood-based test as a reflex test for lung cancer diagnosis, following positive radiological findings. The validation will be based on clinical studies to be performed within the scope of the grant and to be subsequently published in peer-reviewed literature. The goal will be to develop an innovative in-vitro diagnostic (IVD) assay for complementing systemic lung cancer diagnosis for the very first time. The planned development approach for our new lung cancer test will also serve as a blueprint for the standardized validation of future blood-based epigenetic biomarker tests. Going forward, we will keep you updated on the progress achieved in this highly important work.

Despite lung cancer being the most deadly type of cancers, with an estimated 1.8 million cases worldwide in 2012 and early detection being clearly beneficial for survival, screening is not widely used and diagnosis remains challenging. Radiological screening suffers from a high false positive rate and therefore, complementary diagnostic methods are urgently needed to achieve broad acceptance of lung cancer screening. A reflex test that clarifies indeterminate findings will aid in earlier identification of illness, improved outcomes, and also lower cost of treatment by reducing unnecessary procedures.

As we approach the expected regulatory approval decision for Epi proColon® by the FDA, we have decided to further strengthen our financial situation to help fund market preparation measures in the U.S.A., to strengthen our manufacturing capabilities as well as to start building the product inventory for market introduction and lastly to finance our current business operations. In May, we successfully completed a capital increase by way of a pre-emptive rights issue, which was significantly oversubscribed. All of the 976,562 offered, new registered shares were taken up by existing shareholders of the Company. Based upon current projections, the gross proceeds in the total amount of EUR 5.0 million extend the cash runway of the Company at least into the second half of 2016, assuming complete conversion of all outstanding convertible bonds before the end of 2015.

We are delighted to see this significant interest in our stock by current and new shareholders. The second half of 2015 will again be a very important and exciting time for Epigenomics' development and we would like to thank you, our shareholders, for your continued 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	DE000A11QW50
Security code number	A11QW5
Ticker symbol	ECX
Reuters	ECXG.DE
Bloomberg	ECX:GR
Designated sponsor	equinet Bank AG
Analyst coverage	Edison Investment Research Limited (Hans Bostroem) equinet Bank AG (Marietta Miemietz) First Berlin Equity Research GmbH (Simon Scholes) Kempen & Co. N.V. (Mark Pospisilik) Maxim Group LLC. (Jason McCarthy)

Market Data (Xetra/Frankfurt)	June 30, 2014	Sept 30, 2014	Dec 31, 2014	Mar 31, 2015	**June 30, 2015**
Number of shares outstanding	13,510,892	13,517,558	15,480,422	15,888,272	17,476,609
Closing price (in EUR)	3.47	3.73	5.10	5.93	5.40
Market capitalization (in EUR)	46,882,795	50,379,939	78,950,152	94,217,453	94,321,259

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	**Q2 2015**
Average daily trading volume (units)	118,516	24,864	58,005	81,160	48,914
Highest closing price (in EUR)	7.14	3.89	5.57	6.63	5.78
Lowest closing price (in EUR)	3.39	3.06	3.08	4.93	5.20

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/PAL	BNY Mellon

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 4.6 million in 6M 2015 – an increase of EUR 1.5 million compared to 6M 2014 (EUR 3.1 million) which was mainly attributable to the higher operating losses and to further building up our stock for expected product demand in the months to come. Cash inflow from financing activities in 6M 2015 amounted to EUR 7.7 million, mainly attributable to our capital increase conducted by way of a pre-emptive rights issue (EUR 5.0 million in gross proceeds) and the conversion of five convertible notes issued in 2013. Our net cash flow in the first six months of 2015 was EUR 3.1 million (6M 2014: EUR -1.3 million). Cash consumption increased to EUR 4.7 million in 6M 2015, up from EUR 3.1 million in the comparable period of 2014. Cash and cash equivalents amounted to EUR 9.8 million at the reporting date (Dec 31, 2014: EUR 6.7 million).

RESULTS OF OPERATIONS

In Q2 2015 we recognized revenue in the amount of EUR 487 thousand – a 20% increase compared to Q2 2014 (EUR 405 thousand). While licensing income decreased in the reporting period compared to the second quarter of 2014 due to expired licensing agreements, R&D income increased by 24% year on year from EUR 150 thousand to EUR 186 thousand at the same time. Product sales increased by 36% year on year from EUR 212 thousand in Q2 2014 to EUR 289 thousand in Q2 2015. For the first six months of 2015, overall revenue grew by 5% from EUR 812 thousand in 6M 2014 to EUR 854 thousand.

Cost of sales amounted to EUR 247 thousand in Q2 2015 (Q2 2014: EUR 168 thousand). The decrease of the gross margin from 59% in Q2 2014 to 49% in Q2 2015 was mainly attributable to a lower share of high-margin licensing and royalty income in Q2 2015 compared to Q2 2014.

Other income of EUR 86 thousand in Q2 2015 (Q2 2014: EUR 56 thousand) was mainly attributable to income from third-party research grants in the amount of EUR 32 thousand (Q2 2014: EUR 50 thousand) and to foreign exchange rate gains in the amount of EUR 31 thousand in Q2 2015 (Q2 2014: EUR 3 thousand).

Our R&D costs increased significantly from EUR 885 thousand in Q2 2014 to EUR 1,632 thousand in Q2 2015. This increase was mainly attributable to the protection of our intellectual property and an increase in provisions relating to our phantom stock programs. Selling, general and administrative (SG&A) costs increased from EUR 983 thousand in Q2 2014 to EUR 1,230 thousand in Q2 2015. This increase was mainly attributable to higher provisions relating to our phantom stock programs and to legal and consulting expenses.

Other expenses of EUR 32 thousand in the reporting quarter (Q2 2014: EUR 41 thousand) were mainly attributable to foreign exchange rate losses.

Altogether, our operating costs amounted to EUR 3.1 million in Q2 2015, up from EUR 2.1 million in the second quarter of 2014. In the six month comparison, total operating costs climbed from EUR 4.6 million to EUR 6.8 million. As a result of this increase in operating costs, EBIT for 6M 2015 amounted to EUR -5.7 million (6M 2014: EUR -3.6 million).

In total, a net loss of EUR 2.5 million was recognized in Q2 2015 (Q2 2014: EUR 1.8 million) which added up to EUR 5.6 million for 6M 2015 (6M 2014: EUR 4.1 million). Due to the increased number of shares outstanding at the end of Q2 2015, the net loss per share for this period increased only slightly from EUR 0.13 in Q2 2014 to EUR 0.15 and from EUR 0.30 for the six month period 2014 to EUR 0.35 for the six month period 2015.

NET ASSET POSITION

Total non-current assets decreased from EUR 2.4 million at December 31, 2014, to EUR 2.0 million at the reporting date mainly as a result of the recognition of an investment grant, which has been recorded as a retroactive reduction of the acquisition costs of the subsidized fixed assets. Current assets increased from EUR 9.0 million at the end of 2014 to EUR 13.1 million at the reporting date mainly due to the capital increase in Q2 2015 in the amount of EUR 5.0 million and cash inflows from the conversion of convertible notes in the amount of EUR 2.6 million. This was partly offset by the utilization of liquidity for operating and investing activities.

The increase in subscribed capital (up by EUR 2.0 million) and the capital reserve (up by EUR 6.1 million) in 6M 2015 was attributable to our capital increase with pre-emptive rights in May 2015 and the conversion of five convertible notes. Offset against the net loss for the first six months of 2015 in the amount of EUR 5.6 million, this led to an increase in total equity of EUR 2.6 million to EUR 8.7 million at the reporting date (Dec 31, 2014: EUR 6.1 million). The equity ratio improved to 57.5% at the reporting date (Dec 31, 2014: 54.0%).

The increase in non-current liabilities from EUR 1.4 million at December 31, 2014, to EUR 2.1 million at the reporting date was attributable to an increase in the valuation of the provision for outstanding phantom stock rights.

Current liabilities increased from EUR 3.8 million at December 31, 2014, to EUR 4.3 million at June 30, 2015, mainly due to an increase in trade payables from EUR 0.9 million (December 31, 2014) to EUR 1.8 million (June 30, 2015), partly offset by a decrease in liabilities from convertible notes due to conversions from EUR 1.9 million to EUR 1.4 million over the same period. The increase in trade payables was attributable mainly to a larger amount of invoices in connection with the ADMIT trial not yet due or still outstanding as of the reporting date.

EMPLOYEES

The total headcount of the Company as of June 30, 2015, was 38 (Dec 31, 2014: 37) and comprised 22 employees in R&D and 16 employees in SG&A functions.

REPORT ON EVENTS AFTER THE REPORTING DATE

After the end of the reporting period, on July 15, 2015, a further convertible note issued in December 2013 was converted by its holder. As a consequence, the Company's share capital was increased by 203,925 shares and subsequently, the Company received a cash inflow from financing in the amount of EUR 0.5 million.

OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's business operations are described in detail in the management report published with our 2014 consolidated financial statements which are available on the Company's website *(www.epigenomics.com)*. There were no significant changes in these opportunities and risks in the current reporting period.

OUTLOOK

We confirm our prognosis for fiscal 2015 as outlined in the Group Management Report of our 2014 Annual Report. The ADMIT trial has been completed within our expected time frame and the results of the study have been submitted and discussed with the FDA. The overall likelihood of a positive approval decision by the FDA and our expectations regarding the timing of this decision remain unchanged. We expect revenue to increase in the second half of 2015 as soon as the approval is granted in the U.S.A. and important pricing and reimbursement decisions have been reached in China. The successful capital increase in the second quarter of 2015, together with the conversion of five convertible notes in 2015, have improved our financial situation. Under the assumption of a conversion of the remaining convertible notes by their holders before their maturity at the end of 2015, our cash reach has been extended into the second half of 2016. We are still convinced that a positive FDA decision will open up further financing options to us on the capital markets and we are determined to exercise such options in the Company's best interest.

CORPORATE GOVERNANCE

ANNUAL GENERAL SHAREHOLDERS' MEETING 2015

Epigenomics AG held this year's Annual General Shareholders' Meeting (AGM) in Berlin on May 13, 2015. All agenda items were agreed to with significant majorities, including the re-election of all three Supervisory Board members (Mr. von Prondzynski, Mrs. Kessler and Prof. Reiter) for an additional term of three years.

AUTHORIZED AND CONDITIONAL CAPITAL

As part of the AGM resolutions, the Company's Authorized Capital 2014/II has been revoked and Authorized Capital 2015/I and Authorized Capital 2015/II have been newly created. Conditional Capital VII has been amended. For further details on these resolutions, reference is made to the invitation to this AGM which is published on the Company's website *(www.epigenomics.com/en/news-investors/investors/annual-general-shareholder-meeting.html)*.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2015

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

EUR thousand	Q2 2014	Q2 2015	6M 2014	6M 2015
Revenue	**405**	**487**	**812**	**854**
Cost of sales	-168	-247	-365	-376
Gross profit	**237**	**240**	**447**	**478**
Gross margin (in %)	*59*	*49*	*55*	*56*
Other income	56	86	168	208
Research and development costs	-885	-1,632	-2,162	-3,846
Selling, general and administrative costs	-983	-1,230	-2,020	-2,523
Other expenses	-41	-32	-49	-60
Operating result/Earnings before interest and taxes (EBIT)	**-1,616**	**-2,568**	**-3,616**	**-5,733**
Interest income	5	4	10	9
Interest expenses	-207	0	-445	0
Other financial result	0	0	0	-1
Net loss for the period before taxes on income	**-1,818**	**-2,564**	**-4,051**	**-5,725**
Taxes on income	-5	105	-12	102
Net loss for the period	**-1,823**	**-2,459**	**-4,063**	**-5,623**
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of available-for-sale securities	1	-87	75	84
Other comprehensive income for the period	**1**	**-87**	**75**	**84**
Total comprehensive income for the period	**-1,822**	**-2,546**	**-3,988**	**-5,539**
Earnings per share (basic and diluted, in EUR)	**-0.13**	**-0.15**	**-0.30**	**-0.35**

CONSOLIDATED BALANCE SHEET
AS OF JUNE 30 (UNAUDITED)

ASSETS (EUR thousand)	**Dec 31, 2014**	**June 30, 2015**
Non-current assets		
Intangible assets	1,291	988
Tangible assets	1,013	805
Deferred tax assets	48	178
Total non-current assets	**2,352**	**1,971**
Current assets		
Inventories	753	1,461
Trade receivables	307	299
Marketable securities	780	864
Cash and cash equivalents	6,715	9,773
Other current assets	413	696
Total current assets	**8,968**	**13,093**
Total assets	**11,320**	**15,064**

EQUITY AND LIABILITIES (EUR thousand)	**Dec 31, 2014**	**June 30, 2015**
Equity		
Subscribed capital	15,480	17,477
Capital reserve	33,582	39,672
Retained earnings	-33,880	-42,734
Net loss for the period	-8,854	-5,623
Other comprehensive income	-220	-136
Total equity	**6,108**	**8,656**
Non-current liabilities		
Provisions	1,407	2,118
Total non-current liabilities	**1,407**	**2,118**
Current liabilities		
Trade payables	897	1,780
Deferred income	55	4
Convertible notes issued	1,926	1,391
Other liabilities	511	522
Provisions	416	593
Total current liabilities	**3,805**	**4,290**
Total equity and liabilities	**11,320**	**15,064**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30 (UNAUDITED)

EUR thousand	6M 2014	6M 2015
Cash and cash equivalents at the beginning of the period	**7,207**	**6,715**
Operating activities		
Net loss for the period	**-4,063**	**-5,623**
Corrections for:		
Depreciation of tangible assets	55	95
Amortization of intangible assets	323	311
Changes in provisions for phantom stock rights	-110	778
Changes in other provisions	55	110
Foreign currency exchange results	0	-4
Interest income	-10	-9
Interest expenses	445	0
Taxes	12	-102
Operating result before changes in net current assets	**-3,293**	**-4,444**
Changes in trade receivables and other current assets not attributable to investing or financing activities	74	-284
Changes in inventories	-345	-708
Changes in current liabilities not attributable to investing or financing activities	479	853
Tax paid	-12	-24
Cash flow from operating activities	**-3,097**	**-4,607**
Investing activities		
Payments to acquire tangible fixed assets	-43	-84
Payments to acquire intangible fixed assets	0	-8
Interest received	0	18
Cash flow from investing activities	**-43**	**-74**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30 (UNAUDITED)

EUR thousand	6M 2014	6M 2015
Financing activities		
Proceeds from capital increase with pre-emptive rights	0	5,000
Payments for the issue of new shares	0	-50
Proceeds from the issue of convertible notes	200	0
Proceeds from conversion of convertible notes	2,085	2,605
Payments for the issue of convertible notes	-423	0
Proceeds from grants/subsidies received	0	184
Cash flow from financing activities	**1,862**	**7,739**
Total net cash flow	**-1,278**	**3,058**
Cash and cash equivalents at the end of the period	**5,929**	**9,773**

At the reporting date, an amount of EUR 24 thousand of cash and cash equivalents was restricted cash.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF JUNE 30 (UNAUDITED)

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehen-sive income	**Consolidated equity**
December 31, 2013	**13,083**	**27,506**	**-26,469**	**-7,411**	**-250**	**6,459**
Total comprehensive income	**0**	**0**	**0**	**-4,063**	**75**	**-3,988**
Conversion of convertible notes	428	0	0	0	0	428
Option premium on convertible notes	0	2,027	0	0	0	2,027
Transfer of net loss for the year 2013 to retained earnings	0	0	-7,411	7,411	0	0
June 30, 2014	**13,511**	**29,533**	**-33,880**	**-4,063**	**-175**	**4,926**
December 31, 2014	**15,480**	**33,582**	**-33,880**	**-8,854**	**-220**	**6,108**
Total comprehensive income	**0**	**0**	**0**	**-5,623**	**84**	**-5,539**
Conversion of convertible notes	1,020	0	0	0	0	1,020
Option premium on convertible notes	0	2,121	0	0	0	2,121
Transfer of net loss for the year 2014 to retained earnings	0	0	-8,854	8,854	0	0
Capital increase with pre-emptive rights	977	4,023	0	0	0	5,000
Costs for the capital increase with pre-emptive rights	0	-54	0	0	0	-54
June 30, 2015	**17,477**	**39,672**	**-42,734**	**-5,623**	**-136**	**8,656**

NOTES

to the Interim Consolidated Financial Statements

BASIC INFORMATION, PRINCIPLES AND METHODS

GENERAL PRINCIPLES

The present unaudited interim report for the Epigenomics Group comprises Condensed Interim Consolidated Financial Statements and an Interim Group Management Report in accordance with Section 37w (3) of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG). The Condensed Interim Financial Statements have been prepared according to the International Financial Reporting Standards (IFRSs) issued by 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* as adopted by the European Union (EU), applicable and effective at the closing date June 30, 2015. Further, these Interim Financial Statements are in accordance with German Accounting Standards (GASs) under consideration of GAS 16 *Interim Financial Reporting*, applicable and effective at the closing date June 30, 2015.

The reporting period as defined in these Condensed Interim Consolidated Financial Statements is the period from January 1, 2015, to June 30, 2015. The reporting currency is the euro (EUR).

This interim report should be read in conjunction with the Annual Report for fiscal 2014, which presents a more detailed analysis of the Group's business and a comprehensive disclosure of the Group's accounting principles and methods, which have been applied accordingly in the reporting period.

A critical review of this interim report was performed by the Company's auditor.

APPLICATION OF NEW STANDARDS IN THE REPORTING PERIOD

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs	2010–2012 Cycle (Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38)
Annual Improvements to IFRSs	2011–2013 Cycle (Amendments to IFRS 3, IFRS 13 and IAS 40)

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

The Group has mandatorily applied the following new GAS during the reporting period: GAS No. 21 *Cash Flow Statements*. The adoption of this standard led to a change in the presentation of the consolidated statement of cash flows. According to GAS No. 21.44, the reporting line "interest received" must now be attributed to the "cash flow from investing activities". In former periods, the Group had chosen to attribute "interest received" to the "cash flow from operating activities" in accordance with the option provided by IFRS. The adoption of GAS No. 21 has no significant impact on the presentation of the consolidated statement of cash flows for the reporting period and the comparable period.

SCOPE OF CONSOLIDATION

The scope of consolidation remained unchanged compared to December 31, 2014, and comprises the two companies Epigenomics AG, Berlin, Germany, and Epigenomics, Inc., Seattle, WA, U.S.A..

CURRENCY TRANSLATION

Foreign currency exchange rates applied in the reporting period are as follows:

Reporting date rates	Dec 31, 2014	June 30, 2015
EUR/USD	1.2141	1.1189

Average rates	6M 2014	6M 2015
EUR/USD	1.3705	1.1113

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

REVENUE

Revenue by type:

	Q2 2014		Q2 2015	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	212	52.4	289	59.4
Licensing income	43	10.7	12	2.5
R&D income	150	36.9	186	38.1
Total revenue	**405**	**100.0**	**487**	**100.0**

	6M 2014		6M 2015	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	427	52.6	458	53.6
Licensing income	98	12.1	53	6.2
R&D income	287	35.3	343	40.2
Total revenue	**812**	**100.0**	**854**	**100.0**

Revenue by geographical market:

	Q2 2014		Q2 2015	
	EUR thousand	in %	EUR thousand	in %
Europe	319	78.7	291	59.7
North America	25	6.2	27	5.5
Rest of the world	61	15.1	169	34.8
Total revenue	**405**	**100.0**	**487**	**100.0**

	6M 2014		6M 2015	
	EUR thousand	in %	EUR thousand	in %
Europe	580	71.5	631	73.9
North America	57	7.0	54	6.3
Rest of the world	175	21.5	169	19.8
Total revenue	**812**	**100.0**	**854**	**100.0**

OTHER INCOME

EUR thousand	Q2 2014	Q2 2015	6M 2014	6M 2015
Third-party research grants	50	32	124	118
Foreign exchange rate gains	3	31	6	60
Recoveries and refunds	2	17	10	18
Correction of deferred liabilities	0	6	3	10
Income from the reversal of provisions	0	0	24	0
Other	1	0	1	2
Total other income	**56**	**86**	**168**	**208**

COST ALLOCATION BY FUNCTION

Q2 2014

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	86	108	2	0	196
Depreciation and amortization	1	170	16	0	187
Personnel costs	73	234	240	0	547
Other costs	8	373	725	41	1,147
Total	**168**	**885**	**983**	**41**	**2,077**

Q2 2015

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	131	228	16	0	375
Depreciation and amortization	1	173	24	0	198
Personnel costs	79	508	538	0	1,125
Other costs	36	723	652	32	1,443
Total	**247**	**1,632**	**1,230**	**32**	**3,141**

6M 2014

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	182	164	3	0	349
Depreciation and amortization	2	341	36	0	379
Personnel costs	129	593	692	0	1,414
Other costs	52	1,064	1,289	49	2,454
Total	**365**	**2,162**	**2,020**	**49**	**4,596**

6M 2015

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	169	275	17	0	461
Depreciation and amortization	2	352	52	0	406
Personnel costs	159	1,214	1,243	0	2,616
Other costs	46	2,005	1,201	60	3,312
Total	**376**	**3,846**	**2,513**	**60**	**6,795**

Personnel costs include share-based payment expenses in Q2 2015 of EUR 153 thousand (Q2 2014: EUR -212 thousand) and in 6M 2015 of EUR 780 thousand (6M 2014: EUR -84 thousand).

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q2 2014	Q2 2015	6M 2014	6M 2015
Operating result/Earnings before interest and taxes (EBIT)	**-1,616**	**-2,568**	**-3,616**	**-5,733**
Depreciation of tangible assets	27	43	55	95
Amortization of intangible assets	160	155	323	311
EBIT before depreciation and amortization (EBITDA)	**-1,429**	**-2,370**	**-3,238**	**-5,327**

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).

	Q2 2014	Q2 2015	6M 2014	6M 2015
Net loss for the period (in EUR thousand)	-1,823	-2,459	-4,063	-5,623
Weighted-average number of shares issued	13,510,892	16,947,163	13,386,059	16,281,768
Earnings per share (basic and diluted, in EUR)	-0.13	-0.15	-0.30	-0.35

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2014	June 30, 2015
Software	29	16
Licenses, patents	152	140
Development costs	1,110	832
Total intangible assets	**1,291**	**988**
Fixtures/leasehold improvements	754	609
Technical equipment	236	159
Other fixed assets	22	37
Prepayments and assets under construction	1	0
Total tangible assets	**1,013**	**805**
Deferred tax assets	**48**	**178**
Total non-current assets	**2,352**	**1,971**

Due to subsidies received in the reporting quarter, acquisition costs for non-current assets which were capitalized in the previous year have been reduced retroactively by EUR 184 thousand.

The subsidies are Public Financial Aid to the Commercial Economy *(Öffentliche Finanzierungshilfen an die gewerbliche Wirtschaft im Rahmen der Gemeinschaftsaufgabe „Verbesserung der regionalen Wirtschaftsstruktur")* granted from German state and federal funds. In case of non-compliance with certain granting conditions, the subsidies might be reclaimed partially or in whole by the funding sponsors in the following years. Essentially, these granting conditions include the preservation of the current permanent jobs at the Company's Berlin site and the obligation to keep the subsidized assets for a period of at least five years after the end of the granted project (December 31, 2016) in the subsidized place of business. The Company expects that all conditions will be fulfilled.

CURRENT ASSETS

EUR thousand	Dec 31, 2014	June 30, 2015
Inventories	**753**	**1,461**
Trade receivables	**307**	**299**
Marketable securities	**780**	**864**
Cash and cash equivalents	**6,715**	**9,773**
Prepaid expenses	150	354
Receivables from tax authorities	156	219
Claims based on projects granted by public authorities	0	63
Deposits	18	19
Creditors with debit accounts	40	0
Interest receivables	9	0
Other	40	41
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**413**	**696**
Total current assets	**8,968**	**13,093**

EQUITY

As of June 30, 2015, the share capital of Epigenomics AG exclusively comprised 17,476,609 registered common shares with equal rights and a par value of EUR 1.00 each. In Q2 2015, total equity increased by EUR 2.6 million to EUR 8.7 million at the reporting day (Dec 31, 2014: EUR 6.1 million) due to the capital increase in May 2015 and the conversion of convertible notes.

NON-CURRENT LIABILITIES

Provisions

In former periods, the Company has issued phantom stock rights to its Executive Board members and to its staff which can be exercised by the beneficiaries under certain conditions from 2016 on.[1)] If these conditions are met and the beneficiaries exercise 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 2,079 thousand as of June 30, 2015 (Dec 31, 2014: EUR 1,368 thousand), using the binomial model of Cox, Ross and Rubinstein.

[1] *Please refer to the Company's 2014 annual financial statements for further details.*

CURRENT LIABILITIES

Convertible notes issued

In Q2 2015, the Company did not issue 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 2013 consolidated financial statements. 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 thousand. In the course of Q2 2015, three notes of the total issuance were converted by their holders into 611,775 new shares of the Company. The 13 convertible notes remaining are recognized at fair value as liabilities as of June 30, 2015.

Other liabilities

EUR thousand	**Dec 31, 2014**	**June 30, 2015**
Payables due to staff	199	255
Accrued audit fees	145	126
Payables due to financial/tax authorities	159	99
Accrued Supervisory Board remuneration	0	31
Payables to social security institutions	1	7
Other	7	4
Total other liabilities	**511**	**522**

Provisions

EUR thousand	**Dec 31, 2014**	**June 30, 2015**
Provisions for claims from phantom stock rights	199	265
Payroll provisions	128	241
Statutory provisions	50	26
Other provisions	39	61
Total provisions	**416**	**593**

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash comprises bank deposits and cash in hand. Cash equivalents are defined as instruments convertible to a known amount of cash on a short-term basis and carrying a very low risk of changes in value.

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

Cash flow from investing activities is based on actual payments.

Cash flow from financing activities is based on actual payments.

In 6M 2014, share-based payment expenses of EUR 54 thousand have been reported under "changes in non-current liabilities". To meet the requirements of GAS 21 *Cash Flow Statements,* the presentation has been amended accordingly in the reporting period.

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". It amounted to EUR 4.7 million in the first six months of 2015 (6M 2014: EUR 3.1 million).

OTHER INFORMATION

INFORMATION ON STOCK OPTIONS

No new stock options were granted during the reporting period. Furthermore, no options were exercised, cancelled or forfeited. The total number of stock options still outstanding as of June 30, 2015, amounted to 21,065 with an average strike price of EUR 15.65.

INFORMATION ON PHANTOM STOCK PROGRAMS

No further phantom stock rights were issued in the reporting quarter.

The number of outstanding phantom stock rights from the Company's three phantom stock programs remained unchanged in the reporting period compared to December 31, 2014, and amounted to 344,833 from PSP 2014, 740,000 from PSP 2013 and to 194,879 from PSP 03–15.

INFORMATION ON "DIRECTORS' DEALINGS"

The following "Directors' Dealings" announcements were published by the Company in the reporting period:

Date	Board member	Transaction type	Number of shares	Share price (in EUR)	Transaction value (in EUR)
June 5, 2015	Dr. Thomas Taapken	Purchase	6,652	5.12	34,058
June 5, 2015	Heino von Prondzynski	Purchase	3,900	5.12	19,968

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

(in units as of June 30, 2015)	Shares	Phantom stock rights
Dr. Thomas Taapken (CEO/CFO)	57,652	223,333
Dr. Uwe Staub (COO)	5,000	213,800
Executive Board total	**62,652**	**437,133**
Heino von Prondzynski (Chairman)	104,000	0
Ann Clare Kessler, Ph.D. (Vice Chairwoman)	7,800	0
Supervisory Board total	**111,800**	**0**

In the Company's interim report on Q1 2015, the number of shares held by Dr. Taapken as of March 31, 2015, was reported incorrectly as 43,000. The correct number of shares held by Dr. Taapken as of March 31, 2015, was 51,000, the same figure reported in the Company's Annual Report as of December 31, 2014. Therefore, the number of shares held by Dr. Taapken increased in Q2 2015 as a result of his purchase of 6,652 shares on June 5, 2015 (see above), from 51,000 to 57,652 as of June 30, 2015.

This interim report was approved and cleared for publication by the Executive Board of the Company on August 3, 2015.

Berlin, August 3, 2015

The Executive Board

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the current fiscal year.

Berlin, August 3, 2015

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 the current plans, estimates, forecasts 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 position, 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 place undue reliance on 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.

REVIEW REPORT

To Epigenomics AG, Berlin

We have reviewed the interim consolidated financial statements – comprising the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of cash flows, consolidated statement of changes in equity as well as selected explanatory consolidated notes – together with the interim Group management report of Epigenomics AG, Berlin, for the period from January 1 to June 30, 2015 that are part of the consolidated half-year financial report according to Section 37w WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Company's legal representatives. Our responsibility is to issue review report on the condensed interim consolidated financial statements and the interim management report of the Group based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim management report of the Group in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim management report of the Group has not been prepared, in material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of Company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim management report of the Group has not been prepared, in all material respects, in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports.

Munich, August 3, 2015

Baker Tilly Roelfs AG
Wirtschaftsprüfungsgesellschaft

Stahl	Weissinger
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR 2015

Report on the First Nine Months of 2015 – Jan 1–Sept 30, 2015 ..... Tuesday, Nov 10, 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.