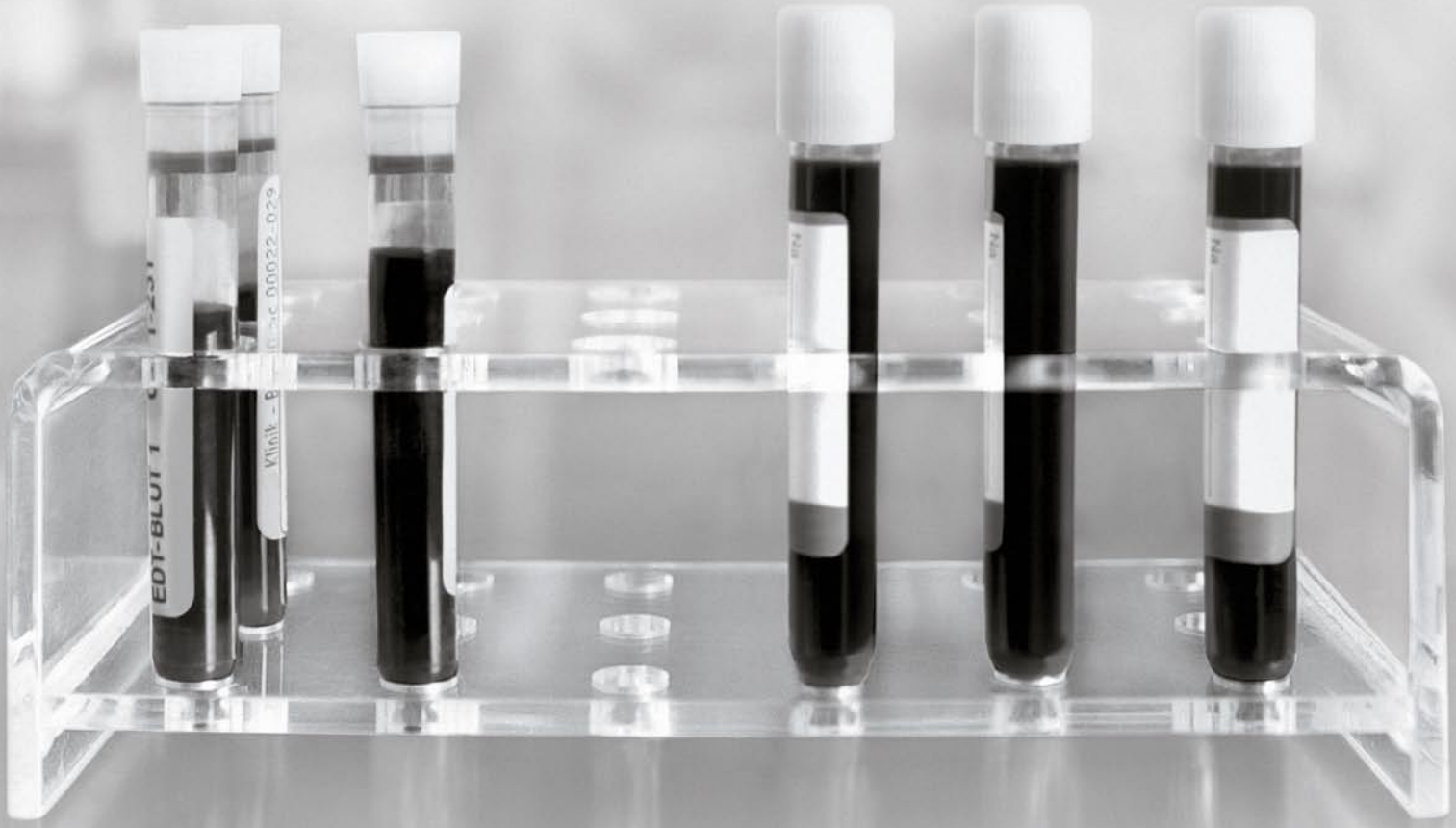
6-Month Report 2007

JANUARY 1 – JUNE 30



epigenomics

Key Figures

EUR thousand unless stated otherwise	Q2 2007 (unaudited)	Q2 2006 (unaudited)	H1 2007 (unaudited)	H1 2006 (unaudited)
Revenue	524	628	1,343	1,096
Research and development costs	−2,826	−2,385	−5,339	−4,308
Earnings before interest and taxes (EBIT)	−3,546	−4,422	−6,949	−8,431
Earnings before interest, taxes, depreciation and amortization (EBITDA)	−3,222	−4,149	−6,292	−7,857
Net loss for the period	−3,441	−4,312	−6,699	−8,199
Average number of shares issued (notional par value: EUR 1 each)	17,807,258	16,597,013	17,361,691	16,509,220
Earnings per share (basic and diluted) in EUR	−0.19	−0.26	−0.39	−0.50
Cash flow from operating activities			−5,301	−7,236
Cash flow from investing activities			992	−21
Cash flow from financing activities			4,731	888
Cash flow total (incl. currency adjustments)			422	−6,380

	June 30, 2007 (unaudited)	Dec 31, 2006 (audited)
Liquid assets at balance sheet date (incl. marketable securities)	16,647	17,341
Total equity at balance sheet date	24,402	26,198
Equity ratio in %	84.7	86.9
Total assets at balance sheet date	28,812	30,134
Share price at balance sheet date in EUR (Xetra)	3.53	3.50
Number of employees at balance sheet date	120	145

Management Discussion & Analysis as of June 30, 2007

THE FIRST HALF OF 2007 – OVERVIEW

Successful PIPE financing; Strategic alliance with Qiagen expanded to IVD market; Exciting clinical proof of concept in lung cancer; Heino von Prondzynski joins Supervisory Board; Restructuring and strict financial discipline are showing positive effect on cash burn and operating result.

The first half of 2007 and the second quarter in particular have been highly successful on many fronts. In the first half of 2007 all goals and objectives were fully met. Demonstration of the improved work flow, clinical proof of concept in lung cancer as third indication, several business deals closed and a successful financing all contributed to the overall picture. Key financials are well on track and within expectations and guidance ranges.

Under our new CEO's leadership, Epigenomics's management and boards have reviewed and realigned the Company's strategy during Q1 and focused on its successful execution during Q2. Epigenomics's corporate mission reflects the new focus: **"To build a world-leading cancer molecular diagnostics company based on DNA methylation".**

Heino von Prondzynski, former CEO of Roche Diagnostics, was elected into the Supervisory Board at the Annual General Shareholders' Meeting on May 29, 2007. He is one of the recognized leaders in the global diagnostics industry and further strengthens the industry expertise in our Supervisory Board. Due to a lawsuit filed by a single shareholder, the election of Heino von Prondzynski into the Supervisory Board has been appealed (see also section "Corporate Governance"). Also, all other decisions at the ordinary Annual General Shareholders' Meeting were supported by an overwhelming majority of shareholders. This included the creation of a new authorized capital of EUR 8,458,062 which provides Epigenomics with the flexibility required for its medium- and longer-term financing.

Earlier in May, Epigenomics successfully closed a EUR 4.86 million PIPE (private investment in public equity) financing transaction. Amongst others, OrbiMed (New York) and Stephens Investment (San Francisco) broadened the U.S. shareholder base. The additional funds strengthen our balance sheet and provide Epigenomics with additional flexibility in ongoing IVD partnering negotiations.

Epigenomics has several ongoing IVD partnering discussions and negotiations and progress during the first half of 2007 has been fully in line with expectations. Our R&D collaboration efforts have already yielded significant results, and agreements were signed with Centocor Inc.,

Cogenics (Clinical Data Inc.), Myriad Genetics Inc., and Merck Inc. in the first six months of 2007.

Following the launch of the EpiTect® research use-only kit for preanalytics by Qiagen in 2006, both parties have expanded their successful partnership in Q2 2007. Qiagen GmbH acquired a worldwide exclusive license to Epigenomics's preanalytics solution for the in vitro diagnostics (IVD) market and is Epigenomics's preferred partner for preanalytics. However, by means of a non-exclusive back-license, Epigenomics has retained full flexibility in the IVD preanalytics field and all its future partnerships.

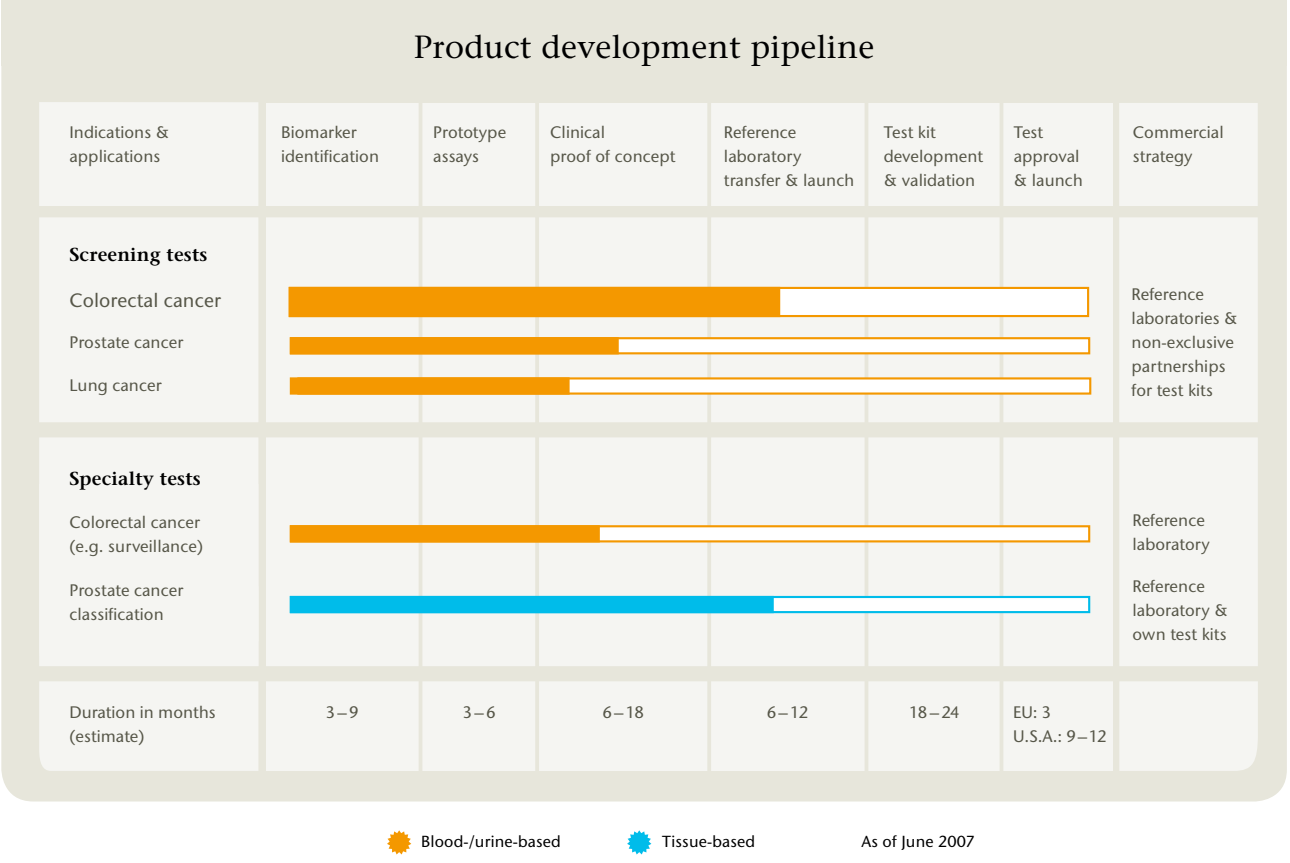
During H1 2007, Epigenomics and one of our clinical advisors presented various aspects of the colorectal cancer screening test data and workflow results at a number of high-profile conferences in the U.S. such as the CHI Epigenome Conference, the AACR meeting, at the G.O.T. Summit and the DDW (Digestive Disease Week).

Operations focused on executing the development programs in our streamlined product development pipeline and the colorectal cancer screening test development in particular. Heavy emphasis and considerable resources during the first half of 2007 have been placed on the development of a streamlined, simplified and routine-capable assay procedure or workflow for all blood-(or urine-)based tests. Considerable improvements were made in terms of simplicity, processing time and costs as well as automation potential. Since the technical study met all its objectives, the colorectal cancer screening test is now ready for a planned reference laboratory transfer. This new and improved assay procedure and workflow is also the basis for future IVD test kit development together with IVD industry partners.

Also, the lung cancer screening test program met a major milestone by demonstrating clinical proof of concept of detecting lung cancer from blood plasma. Using a single proprietary biomarker, the sensitivity was 69% at no more than 9% false positives (91% specificity) in detecting non-small-cell lung cancer.

For the prostate cancer molecular classification test under development, we also made good progress by recruiting all clinical sites for the tumor tissues sample collec-

Product development pipeline



tion, finalizing the trial protocol for the sample collection, and implementing all applicable quality procedures to collect the sample under GCP (Good Clinical Practice). This prognostic prostate cancer tissue test predicting the likelihood recurrence after radical prostatectomy is expected to be launched as a testing service in a centralized U.S. reference laboratory in 2008 followed by a launch as a CE-marked kit in Europe.

Revenue in H1 2007 amounted to over EUR 1.3 million, an almost 23% increase over the EUR 1.1 million during the same period in 2006. Q1 figures included the last of the revenues recognized under the Roche Diagnostics collaboration, whereas Q2 revenue were entirely generated from our clinical solutions and licensing business. EBIT for H1 2007 of EUR –6.9 million was very well in line with our expectations and showed an 18% improvement over EBIT for H1 2006 of EUR –8.4 million. Short-term liquidity as of June 30, 2007, amounted to EUR 16.6 million, down only EUR 0.7 million from the EUR 17.3 million at year-end 2006 due to the cash inflow from financing as well as partnering activities. The net cash outflow from operating activities in H1 2007 amounted to no more than EUR 5.3 million, an improvement of 27% compared to the same period in 2006 (EUR 7.2 million). This reflects the effects of the restructuring in fall 2006 as well as stringent financial discipline.

OUR STOCK

Reduced share price fluctuation in Q2

Trading volume in Epigenomics's stock decreased during Q2 2007, from an average of over 33,000 shares a day in Q1 2007 to approximately 14,000 per day in Q2 2007. The share price closed at EUR 3.53 at the end of H1 2007 on Xetra compared to EUR 3.50 at year-end 2006. Volatility in Q2 2007 has been significantly lower than in Q1 2007.

During H1 2007, a total of 1,335,526 new shares was issued from Authorized Capital and a total of 1,173 new shares was created from exercised stock options. The free float increased to approximately 66% by the end of H1 2007.

Ticker:	ECX
Exchange:	Frankfurt (Prime Standard)
Security Code:	A0BVT9
ISIN:	DE000A0BVT96
Shares Outstanding:	18,252,824
Price range in H1 2007:	EUR 3.25 – 4.36 (Xetra closing prices)

Analyst Coverage

DZ Bank:	Dr. Patrick Fuchs
First Berlin:	Christian Orquera
Midas Research:	Thomas Schiessle
Morgan Stanley:	Dan Mahony, Ph.D.

(as of June 30, 2007)

On April 26, 2007, the Company was informed by one of its largest shareholders, Abingworth Management Holdings Ltd., U.K. (Abingworth), that Abingworth has increased its position in Epigenomics to 10.89%. As of the reporting date, the Company has also been informed by several shareholders that certain reporting thresholds have been passed (e.g. now below 5% and 3%, respectively). These changes in ownership are believed to be mainly attributable to the dilution effect created by the new shares issued as part of the PIPE financing in Q2 2007.

FINANCIALS

Project to evaluate all financing options under way; Epigenomics ready for financing transaction within the next 12 months;

Financial position and cash flow. Epigenomics's cash flow and financial position in the second quarter of 2007 were mainly affected by the continued net cash consumption by operations. Overall, the financial position has developed very well according to expectations with liquid

assets amounting to EUR 16.6 million as of June 30, 2007, compared to EUR 17.3 million as of December 31, 2006.

In H1 2007, total net cash flow (currency-adjusted) was positive at EUR 0.4 million. Cash outflow from operating activities in H1 2007 amounted to EUR 5.3 million. Cash flow from financing activities was positive at EUR 4.7 million, which was due to the PIPE financing. Cash inflow from investing activities amounted to EUR 1 million, primarily driven by selling securities. The financial discipline and the effects of the restructuring are visible very nicely in our cash position.

Given that current liquidity is expected to reach into H2 2008, the Company has progressed a concrete project since fall of 2006 to assess all financing options. That project is ongoing at the end of H1 2007 and corresponding expenses have been capitalized in our balance sheet. As part of the overall corporate finance strategy, the Executive Board and the Supervisory Board had proposed to create new Authorized Capital at the ordinary Annual General Shareholders' Meeting on May 29, 2007. This proposal was supported by over 95% of shareholders present and successfully registered in the commercial register in June 2007. As of the end of H1 2007, the Company has prepared itself to a point where it is ready to implement a financing transaction, e.g. a rights issue, depending on concrete financing needs at the time, making use of some or all of our Authorized Capital of up to 8.46 million shares. All preparatory work has been completed with our advisors such that an optimal timing and structuring for a transaction can be chosen based on market conditions and our progress in executing our strategy and delivering on our plans.

Results of operations. Revenue in H1 2007 increased to EUR 1.3 million from EUR 1.1 million in the comparable period of 2006. Under the Roche Diagnostics agreement, a total of EUR 511 thousand of revenue (H1 2006: EUR 748 thousand) were generated in H1 2007. Our Clinical Solutions business contributed EUR 379 thousand to overall H1 2007 revenue (H1 2006: EUR 274 thousand) with the remainder of EUR 454 thousand coming from licensing contracts such as the two Qiagen deals (H1 2006: EUR 38 thousand). Compared to Q2 2006 (EUR 628 thousand), revenue in the second quarter of 2007 decreased to EUR 524 thousand.

Other income in Q2 2007 dropped slightly to EUR 0.3 million compared to EUR 0.4 million in Q2 2006, mainly resulting from lower income from granted projects. These research projects have been scaled down as part of the focused strategy putting more emphasis on later-stage development programs.

R&D costs increased from EUR 2.4 million in the second quarter of 2006 to EUR 2.8 million in Q2 2007. At the same time, the costs of partnered R&D programs shown as 'cost of sales' dropped from EUR 1.1 million in Q2 2006 to EUR 0.1 million in the same period of 2007. This is mainly attributable to the fact that all our cancer screening programs are now run by Epigenomics and were not partnered anymore in 2007. Thus, overall costs for R&D activities in H1 2007 dropped by 24% compared to H1 2006.

Marketing and business development costs fell from EUR 609 thousand in Q2 2006 to EUR 291 thousand in Q2 2007. This sharp decrease is attributable to the allocation of intellectual property expenditures, which were allocated partially to the business development and licensing activities in the previous year and are now allocated to R&D costs. General and administrative costs of EUR 1,117 thousand in the same period showed only moderate variances compared to Q2 2006 (EUR 1,040 thousand).

In Q2 2007, EBIT amounted to EUR –3.5 million, improved by almost 20% against Q2 2006 EBIT of EUR –4.4 million; this was very well in line with our expectations. Despite the fact that full effects of our restructuring process begun in fall of 2006 have become visible only in Q2 2007, the overall operating cost base in H1 2007 at EUR 8.8 million was significantly below H1 2006 operating costs of EUR 10.5 million, i.e. year-on-year savings of around EUR 1.7 million for the first six months.

The financial result of Q2 2007 (EUR 160 thousand) was lower than that of the second quarter of 2006 (EUR 220 thousand). The impact of a decreased average liquidity balance was only partly compensated by increased interest rates.

Our net loss for Q2 2007 improved by 20% from Q2 2006 (EUR 4.3 million) to EUR 3.4 million in the reporting period. The difference can be explained almost completely by the increase in revenue and the reduction of our operating cost base.

Net assets position. Epigenomics's balance sheet total decreased from EUR 30.1 million as of December 31, 2006, to a total of EUR 28.8 million as of June 30, 2007. Key driver was again the net consumption of liquidity by operations as well as the successful PIPE financing transaction and partnering deals as mitigating factor.

Total non-current assets decreased during the reporting period from EUR 10.6 million at year-end 2006 to EUR 9.9 million at the end of June 2007, mainly as a result of only minimum capital expenditures due to a strict cash conservation policy.

Total current assets during H1 2007 decreased from EUR 19.6 million as of December 31, 2006, to EUR 18.9 million, due to the cash outflow from operations, partly compensated by a cash inflow from financing activities of EUR 4.7 million.

Our subscribed capital increased from EUR 16.9 million to EUR 18.3 million during H1 2007, a direct result of issuing 1.3 million new shares as part of the PIPE financing transaction. The equity ratio decreased from 86.9% at the end of 2006 to 84.7% as of June 30, 2007.

EMPLOYEES

Following the completion and implementation of our corporate restructuring process in the fall of 2006, the number of employees decreased from 145 at the end of 2006 to 120 as of June 30, 2007. This reduction was realized entirely at our Berlin site where a number of six employees are still counted as part of the 120 overall for legal reasons but received no salaries anymore in the reporting period. The staff number in Seattle, WA, U.S.A., remained constant at 37 as of the reporting date.

RESEARCH AND DEVELOPMENT

The focus of our R&D activities in H1 2007 was on developing an optimized workflow/assay procedure for the colon cancer screening test and all further body-fluid-based tests. Furthermore, significant effort was put into the clinical proof-of-concept study in lung cancer – a study run in close collaboration with the Charité in Berlin, Germany. Additional biomarker discovery and assay development work was under way for our prostate cancer screening test. This work is expected to lead to additional clinical data from a clinical study testing urine samples later in the year. Also, there was continued R&D effort to finalize development of the prostate MCT tissue test and initiate the clinical trial for that product's expected 2008 launch by a reference laboratory in the U.S.

SUPPLEMENTARY REPORT

On July 3, 2007, Epigenomics announced that it has successfully optimized the assay procedure for cancer screening tests.

- Technical study met its objectives
- Considerable improvements in simplicity, processing time, costs, and automation potential
- Epigenomics's most advanced program, a colorectal cancer screening test, now ready for planned reference laboratory transfer
- Basis for future IVD test kit development together with diagnostic industry partners

CORPORATE GOVERNANCE

Despite the overwhelming majority of 99.99% shareholder approval at our ordinary Annual General Shareholders' Meeting, Epigenomics has been made aware of a lawsuit filed by a single individual shareholder against the ratification of the acts of the Supervisory Board as well as the election of Heino von Prondzynski into our Supervisory Board. Management views the alleged errors and omissions as completely unfounded and will defend against these claims accordingly and in doing so believes to act in the best interest of the vast majority of our shareholders as well as of the Company.

In its plenary meeting on June 14, 2007, the Government Commission on the German Corporate Governance Code resolved amendments to the German Corporate Governance Code. In accordance with section 161 of the German Stock Corporation Act (AktG), the Company will issue a declaration of compliance at the end of December 2007 on the basis of the version of the Code as amended by resolution of June 14, 2007.

OPPORTUNITIES AND RISKS

For the second half of 2007, the opportunities and risks have not changed significantly compared to the described situation in the Management Report of the Consolidated Financial Statements 2006. We are still exposed to the opportunities and risks, which result from the following categories:

- Business-related opportunities and risks
- IP-related opportunities and risks
- Regulatory opportunities and risks
- Financial opportunities and risks

The successful completion of the PIPE financing transaction as well as the R&D successes in lung cancer screening and workflow optimization can be seen as risk-mitigating factors with regard to our financial and business-related risks for the following next six months, respectively.

PROGNOSIS REPORT FOR 2007

Presenting clinical data on prostate cancer screening and optimized workflow – reference laboratory and IVD partnership(s); Financing transaction within the next 12 months;

Cancer screening tests. The improved assay procedure or workflow is now available and during the second half of 2007, a transfer to a reference laboratory setting could commence. This new workflow addresses the needs of reference laboratories in terms of convenience, simplicity, processing time, automation potential, routine capability and costs per patient sample. The initial application is expected to be our colorectal cancer blood-based early detection test and should allow for a launch by a reference laboratory into the market in 2008.

During the second half of 2007, we also expect additional clinical data from marker discovery and a clinical validation study using urine samples in our prostate cancer screening program (aimed at better differentiation between benign prostate hyperplasia and prostate cancer).

Together with our colorectal and lung cancer products, all of these programs are also expected to be cornerstones of our non-exclusive IVD partnering strategy and broader cancer screening franchise.

Cancer specialty diagnostics. The strategy for development and commercialization of our most advanced tissue-based test for the molecular classification of prostate cancer focuses on the fastest route to market. We expect the first commercial proof of concept in a reference laboratory setting. Development is expected to continue throughout 2007 with a first launch expected in 2008. The clinical trial for this product is the first one to be run under full GCP (Good Clinical Practice) regimen by Epigenomics and we expect completion of patient sample enrollment from our clinical trial centers in H2 2007.

Clinical Solutions & Licensing. Both businesses are expected to contribute significantly to 2007 revenue. With the Qiagen preanalytics deal for the IVD market and several ongoing biomarker R&D partnerships in the first half of 2007 and a number of ongoing partnering discussions, the first half of 2007 has been a solid basis for our full-year revenue targets in these areas.

Overall. We believe that our blood-based colorectal cancer screening test as well as the progress made in the development of an improved assay procedure and workflow for body-fluid-based early detection of cancer to be the key drivers for Epigenomics's future product development. Based on excellent clinical data and study results to date we anticipate entering into a number of key strategic partnerships during the second half of 2007, including a reference laboratory partnership as well as a first IVD alliance for the development of some of our blood-based cancer screening tests.

Management expects full-year 2007 revenue to be broadly in line with 2006 revenue of EUR 3.5 million. EBIT for 2007 is also expected to be at similar levels with 2006 EBIT of EUR –15.8 million. Net cash consumption by operating activities for 2007 is expected to be around EUR 12 million. Year-end liquidity for 2007 will be a function of timing, size and structure of any potential financing event as well as IVD deal structuring. Based on our activities to assess all strategic and tactical financing opportunities, management expects to complete an equity financing transaction within the next 12 months.

In sum, Epigenomics is highly excited about the very successful execution of our realigned strategy to date. The progress made under the leadership of our new CEO Geert Nygaard during the first half of 2007 puts us in a solid position to deliver on our goals and milestones, and in the process, building shareholder value.

Interim Consolidated Financial Statements as of June 30, 2007

Group Income Statement

EUR thousand (unaudited)	Q2 2007	Q2 2006	H1 2007	H1 2006
Revenue	**524**	**628**	**1,343**	**1,096**
Cost of sales	–122	–1,144	–478	–2,422
Gross profit	**402**	**–516**	**865**	**–1,326**
Other income	334	444	547	941
Research and development costs	–2,826	–2,385	–5,339	–4,308
Marketing and business development costs	–291	–609	–765	–1,203
General and administrative costs	–1,117	–1,040	–2,208	–2,063
Other expenses	–48	–316	–49	–472
Operating result (EBIT)	**–3,546**	**–4,422**	**–6,949**	**–8,431**
Financial result	160	220	347	433
Net loss for the period before taxes on income	**–3,385**	**–4,202**	**–6,602**	**–7,998**
Taxes on income	–55	–110	–97	–201
Net loss for the period	**–3,441**	**–4,312**	**–6,699**	**–8,199**
Earnings per share (basic and diluted) in EUR	**–0.19**	**–0.26**	**–0.39**	**–0.50**

Group Balance Sheet

ASSETS

EUR thousand	June 30, 2007 (unaudited)	Dec 31, 2006 (audited)
Non-current assets		
Intangible assets	6,314	6,524
thereof goodwill	*2,625*	*2,625*
Tangible assets	1,638	2,050
Financial assets	1,000	1,000
Deferred taxes	910	985
Total non-current assets	**9,863**	**10,559**
Current assets		
Inventories	100	199
Trade and other receivables	296	319
Marketable securities	3,658	4,775
Cash and cash equivalents	12,989	12,566
Other current assets	1,381	1,715
Deferred financing costs	526	0
Total current assets	**18,949**	**19,575**
Total assets	**28,812**	**30,134**

EQUITY AND LIABILITIES

EUR thousand	June 30, 2007 (unaudited)	Dec 31, 2006 (audited)
Equity		
Subscribed capital	18,253	16,916
Capital reserve	28,956	25,294
Retained earnings	–15,402	–15,402
Net loss for the period	–6,699	0
Other comprehensive income	–706	–610
Total equity	**24,402**	**26,198**
Current liabilities		
Trade payables	951	1,255
Liabilities from leasing contracts	1	4
Deferred income	1,239	912
Other liabilities	1,289	951
Provisions	929	813
Total current liabilities	**4,410**	**3,935**
Total equity and liabilities	**28,812**	**30,134**

Group Cash Flow Statement

EUR thousand	H1 2007 (unaudited)	H1 2006 (unaudited)
Cash and cash equivalents at the beginning of the period	**12,566**	**23,519**
Operating activities		
Net loss for the period before taxes on income	**–6,602**	**–7,998**
Corrections for:		
Depreciation on tangible assets	443	436
Amortization of intangible assets	214	137
Losses from disposal of assets	0	1
Stock option expenses	293	77
Foreign currency exchange gains	0	–14
Price losses of securities	1	83
Other financing expenses	0	6
Interest income	–372	–568
Interest expenses	16	17
Taxes	–137	–102
Operating result before changes in net current assets	**–6,145**	**–7,925**
Increase (H1 2006: decrease) in trade receivables and other current assets	–169	520
Decrease in inventories	100	113
Increase (H1 2006: decrease) in current liabilities	501	–584
Liquidity earned from operating activities	**–5,714**	**–7,876**
Interest received	413	640
Cash flow from operating activities	**–5,301**	**–7,236**
Investing activities		
Payments for investments in tangible assets	–10	–318
Proceeds from the sale of tangible assets	1	0
Payments for investments in intangible assets	–20	–102
Proceeds from the sale of marketable securities	1,021	1,396
Payments for the purchase of marketable securities	0	–997
Cash flow from investing activities	**992**	**–21**
Financing activities		
Payments for lease financing	0	–22
Payments for the creation of new shares	–132	0
Proceeds from the issue of new shares	4,861	0
Proceeds from the excercise of stock options	2	910
Cash flow from financing activities	**4,731**	**888**
Cash flow	**422**	**–6,369**
Currency adjustments	0	–11
Cash and cash equivalents at the end of the period	**12,989**	**17,139**

Statement of Changes in Group Equity

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2006	**16,916**	**25,294**	**–15,402**	**0**	**–610**	**26,198**
Net loss for the period H1 2007	0	0	0	–6,699	0	–6,699
Fair value adjustments of securities	0	0	0	0	–96	–96
Total comprehensive income	**0**	**0**	**0**	**–6,699**	**–96**	**–6,795**
Stock-based compensation	0	293	0	0	0	293
Exercises of stock options	1	1	0	0	0	2
Capital increase from issue of shares	1,336	0	0	0	0	1,336
Premium from issue of shares	0	3,526	0	0	0	3,526
Financing costs	0	–158	0	0	0	–158
June 30, 2007	**18,253**	**28,956**	**–15,402**	**–6,699**	**–706**	**24,402**

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2005	**16,403**	**32,072**	**–8,788**	**0**	**–312**	**39,375**
Net loss for the period H1 2006	0	0	0	–8,199	0	–8,199
Fair value adjustments of securities	0	0	0	0	–346	–346
Total comprehensive income	**0**	**0**	**0**	**–8,199**	**–346**	**–8,545**
Exercise of stock options	202	707	0	0	0	909
Stock-based compensation	0	77	0	0	0	77
June 30, 2006	**16,605**	**32,856**	**–8,788**	**–8,199**	**–658**	**31,816**

Notes to the Q2 / H1 2007 Consolidated Financial Statements

BASIC PRINCIPLES AND METHODS

General principles. The unaudited interim consolidated financial statements of Epigenomics AG are 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 June 30, 2007, as mandatory applicable in the European Union. Further, these statements are in accordance with German Accounting Standards (GAS) under consideration of GAS 6 ("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 reporting period as defined in these consolidated financial statements is the period from January 1, 2007, to June 30, 2007. The reporting currency is the euro.

The 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, 2006, and comprises the two companies Epigenomics AG (Berlin, Germany) and Epigenomics, Inc. (Seattle, WA, U.S.A.).

Consolidation, accounting and valuation principles. The presented interim consolidated financial statements should be read in connection with the audited consolidated financial statements of Epigenomics AG for the year ended December 31, 2006. The consolidation, accounting and valuation principles presented in those statements were still valid during the reporting period unless explicitly mentioned otherwise below.

Intercompany results, revenue, expenses, profits, receivables and payables between the Group companies are eliminated.

Currency translation. The exchange rate of the U.S. dollar, the only major foreign currency in the interim consolidated financial statements, changed during the reporting period as follows:

REPORTING DATE RATES

	June 30, 2007	Dec 31, 2006
EUR/USD	1.3505	1.3170

AVERAGE RATES

	H1 2007	H1 2006
EUR/USD	1.3341	1.2369

NOTES TO THE GROUP INCOME STATEMENT

Revenue. Revenue in the second quarter of 2007 of EUR 524 thousand (Q2 2006: EUR 628 thousand) stems from the following activities:

EUR thousand	Q2 2007	in % of total	Q2 2006	in % of total	H1 2007	in % of total	H1 2006	in % of total
Diagnostics/ Screening	12	2.3	458	72.9	511	38.1	748	68.2
Clinical Solutions	119	22.7	145	23.1	379	28.2	274	25.0
Outlicensing	393	75.0	25	4.0	453	33.7	38	3.5
Other	0	0	0	0	0	0	36	3.3
Total	**524**	**100.0**	**628**	**100.0**	**1,343**	**100.0**	**1,096**	**100.0**

Cost of sales. Cost of sales include the material and personnel expenses, IP costs, depreciation and amortization that can be directly allocated to the sales revenue as well as pro rata overheads.

Gross profit/Gross margin. The gross profit in Q2 2007 of EUR 402 thousand (Q2 2006: EUR –516 thousand) equals a gross margin of 77% (Q2 2006: –82%).

Other income

EUR thousand	Q2 2007	Q2 2006	H1 2007	H1 2006
Third-party research grants	209	203	304	559
Income from liquidation of provisions	55	12	122	96
Recoveries and refunds	35	29	48	80
Exchange gains from currency conversion	15	155	43	155
Income from option exercises	0	45	0	45
Other	20	0	30	6
Total	**334**	**444**	**547**	**941**

Research and development costs. The following are recorded as research and development costs

- the direct personnel and material expenses of the R&D divisions;
- the depreciation and amortization of the R&D divisions;
- the other direct expenses of the R&D divisions;
- the pro rata overheads of the R&D divisions.

Marketing and business development costs. The following are recorded as marketing and business development costs:

- the direct personnel and material expenses of the M&BD divisions;
- the depreciation and amortization of the M&BD divisions;
- the other direct expenses of the M&BD divisions;
- the pro rata overheads of the M&BD divisions.

General and administrative costs. The following are recorded as general and administrative costs:

- the direct personnel and material expenses of the administrative divisions;
- the depreciation and amortization of the administrative divisions;
- the other direct expenses of the administrative divisions;
- the pro rata overheads of the administrative divisions;
- the Company's statutory costs,

if the costs listed are not carried forward as internal services. The administrative divisions comprise the business departments and the systems administration.

Cost analysis

	Q2 2007					Q2 2006				
EUR thousand	**Cost of sales**	**R&D costs**	**M&BD costs**	**G&A costs**	**Total**	**Cost of sales**	**R&D costs**	**M&BD costs**	**G&A costs**	**Total**
Materials/consumables	55	554	0	0	609	271	575	1	0	847
Depreciation and amortization	–5	295	0	34	324	25	162	30	55	272
Staff costs	39	1,254	190	530	2,013	443	1,134	215	402	2,194
Other costs	33	722	101	553	1,409	405	514	363	583	1,865
Total	**122**	**2,825**	**291**	**1,117**	**4,355**	**1,144**	**2,385**	**609**	**1,040**	**5,178**

	H1 2007					H1 2006				
EUR thousand	**Cost of sales**	**R&D costs**	**M&BD costs**	**G&A costs**	**Total**	**Cost of sales**	**R&D costs**	**M&BD costs**	**G&A costs**	**Total**
Materials/consumables	154	893	0	0	1,047	619	878	1	0	1,498
Depreciation and amortization	23	562	0	72	657	77	344	57	97	575
Staff costs	94	2,634	497	1,086	4,311	973	2,221	479	816	4,489
Other costs	207	1,251	268	1,050	2,776	753	865	666	1,150	3,434
Total	**478**	**5,340**	**765**	**2,208**	**8,791**	**2,422**	**4,308**	**1,203**	**2,063**	**9,996**

Personnel expenses and headcount

EUR thousand	Q2 2007	Q2 2006	H1 2007	H1 2006
Wages and salaries	1,632	1,858	3,484	3,758
Stock option compensation expenses	129	16	293	77
Social security expenses	252	320	534	654
Total personnel expenses	**2,013**	**2,194**	**4,311**	**4,489**

The number of employees as of June 30, 2007, amounted to 120 (Dec 31, 2006: 145, June 30, 2006: 143).

Operating result (EBIT) and EBITDA. The operating result (EBIT) of Q2 2007 amounted to EUR –3,546 thousand, a 20% improvement compared to Q2 2006 (EUR –4,422 thousand). EBITDA of Q2 2007 was EUR –3,222 thousand (Q2 2006: EUR –4,149 thousand).

Financial result

EUR thousand	Q2 2007	Q2 2006	H1 2007	H1 2006
Interest and related income	170	237	372	568
Interest and related expenses	–8	–8	–15	–17
Other financial income	6	23	17	30
Other financial expenses	–8	–32	–27	–148
Total financial result	**160**	**220**	**347**	**433**

Taxes on income. Income taxes of EUR 55 thousand had to be recorded exclusively for the U.S. subsidiary Epigenomics, Inc. in Q2 2007 (Q2 2006: EUR 110 thousand). The amount comprised U.S. federal (deferred) taxes of EUR 45 thousand as well as state and local taxes of EUR 10 thousand.

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 in the respective periods.

	Q2 2007	Q2 2006	H1 2007	H1 2006
Net loss for the period in EUR thousand	–3,441	–4,312	–6,699	–8,199
Weighted-average number of shares issued	17,807,258	16,597,013	17,361,691	16,509,220
Earnings per share (basic and diluted) in EUR	**–0.19**	**–0.26**	**–0.39**	**–0.50**

The outstanding stock options granted by the Company are antidilutive according to IAS 33.41 and 33.43. Therefore, the earnings per share (diluted) equal the earnings per share (basic). The number of shares issued as of the balance sheet date amounted to 18,252,824.

NOTES TO THE GROUP BALANCE SHEET

Non-current assets. Non-current assets decreased during H1 2007 by EUR 696 thousand. Net capital expenditures in H1 2007 amounted to EUR 15 thousand (H1 2006: EUR 420 thousand) and were overcompensated by depreciation and amortization of EUR 657 thousand (H1 2006: EUR 575 thousand).

Deferred tax assets decreased to EUR 910 thousand (Dec 31, 2006: EUR 985 thousand). This effect is attributable to reduced tax loss carryforwards of the U.S.-based subsidiary Epigenomics, Inc.

Current assets. Current assets decreased during the reporting period by EUR 626 thousand. While the Group's consumption of liquid assets from operating activities in Q2 2007 amounted to EUR 1,721 thousand, the cash inflow from financing partly compensated this effect.

Trade and other receivables amounted to EUR 296 thousand (Dec 31, 2006: EUR 319 thousand) and are comprised predominantly of trade receivables due from customers. There were no reasons for value adjustments of individual receivables at the balance sheet date.

Deferred financing costs amounted to EUR 526 thousand. Due to the aforementioned financing transaction, services have already been rendered to the Company. Those accrued expenses have not been reflected in the income statement. In the event of a successful financing transaction, these expenses will be offset against the capital reserves.

Equity. The increase in capital reserve to EUR 28,956 thousand at June 30, 2007, (Dec 31, 2006: EUR 25,294 thousand) was mainly due to the PIPE financing, which has been realized in May 2007; 1,335,526 new shares at a price of EUR 3.64 each had been placed.

Current liabilities. Current liabilities increased as of June 30, 2007, to EUR 4,410 thousand (Dec 31, 2006: EUR 3,935 thousand).

Deferred income increased to EUR 1,239 thousand at June 30, 2007, (Dec 31, 2006: EUR 912 thousand) and includes income from commercial R&D collaborations which amounted to EUR 1,079 thousand, whereas deferred income from granted projects amounted to EUR 160 thousand. Trade payables decreased by EUR 304 thousand as of June 30, 2007, compared to Dec 31, 2006.

Information on other transactions with related parties. After his retirement as Epigenomics's CEO in August 2006, Alexander Olek, Ph.D., concluded a consulting agreement with the Company. According to this consulting agreement Mr. Olek has received a net amount of EUR 100 thousand for his services in the first half of 2007.

The Company recognized revenue from outlicensing and services for Epiontis GmbH, Berlin, in a total amount of EUR 42 thousand as of June 30, 2007. The Company holds a minority stake in Epiontis.

Notes to the stock option plans. In the second quarter of 2007, no stock options were issued. 1,173 stock options have been exercised and 15,364 options forfeited during Q2 2007. The number of all outstanding options as of June 30, 2007, decreased to 1,208,009.

Details of options issued:

Option holder	Options issued as of Dec 31, 2006	Options issued in H1 2007	Options forfeited in H1 2007	Options exercised in H1 2007	Options issued as of June 30, 2007
Geert Walther Nygaard	0	180,000	0	0	180,000
Dr. Kurt Berlin	56,613	90,000	0	0	146,613
Christian Piepenbrock	56,613	90,000	0	0	146,613
Oliver Schacht, Ph.D.	69,363	90,000	0	0	159,363
Total Executive Board	**182,589**	**450,000**	**0**	**0**	**632,589**
Other	396,792	197,000	17,199	1,173	575,420
Total options	**579,381**	**647,000**	**17,199**	**1,173**	**1,208,009**
Average exercise price (in EUR)	**5.00**	**4.50**	**4.37**	**4.53**	**4.75**

Terms of options outstanding:

Expiry date	Weighted-average exercise price in EUR as of June 30, 2007	June 30, 2007 number	Weighted-average exercise price in EUR as of Dec 31, 2006	Dec 31, 2006 number
2008	3.21	27,941	2.75	32,632
2009	4.53	24,569	4.53	30,910
2010	4.53	47,334	4.53	47,334
2011	4.59	265,265	4.57	272,605
2012	7.31	26,020	7.41	26,020
2013	5.88	169,880	5.88	169,880
2014	4.50	647,000	0	0
Total		**1,208,009**		**579,381**

Details of stock options granted in H1 2007:

Expiry date	Feb 26, 2014	Feb 26, 2014	Total 2014
Number	43,000	604,000	647,000
Share price at grant date (in EUR)	4.09	4.09	4.09
Exercise price (in EUR)	4.50	4.50	4.50
Historical volatility at grant date	58.63%	58.63%	58.63%
Risk-free interest rate	4.02%	3.87%	3.88%
Aggregate proceeds if shares are issued (in EUR)	193,457	2,717,396	2,910,853

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.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements of Epigenomics AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management discussion and analysis of the Group 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 for the remaining months of the financial year.

Berlin and Seattle, July 31, 2007

Geert Walther Nygaard
Christian Piepenbrock

Oliver Schacht, Ph.D.
Dr. Kurt Berlin

AUDITOR'S REVIEW REPORT TO EPIGENOMICS AG

"We have reviewed the consolidated interim financial statements (short form) – comprising the group income statement, the group balance sheet, group cash flow statement, the statement of changes in group equity, and selected explanatory notes to the financial statements – and the interim group management discussion and analysis (short form) of Epigenomics AG for the period from January 1 to June 30, 2007, which are part of half-year financial reporting in accordance with Article 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). The preparation of the consolidated interim financial statements (short form) in accordance with IFRSs for interim reporting as adopted by the EU, and of the interim group management discussion and analysis in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the parent company's management. Our responsibility is to issue a report on the consolidated interim financial statements (short form) and the interim group management discussion and analysis based on our review.

We conducted our review of the consolidated interim financial statements (short form) and of the interim group management discussion and analysis in accordance with the generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the review to obtain a certain level of assurance that nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are not presented fairly, in all material respects, in accordance with the IFRSs for interim reporting as adopted by the EU, and that the interim group management discussion and analysis is not presented fairly, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus does not provide the assurance for an affirmative audit opinion obtainable from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, cannot express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are not presented fairly, in all material respects, in accordance with the IFRSs for interim reporting as adopted by the EU, or that the interim group management discussion and analysis is not presented fairly, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Furthermore, not intended to qualify our review, we point out that the consolidated interim financial statements (short form) are prepared on a going concern basis of the group. The Executive Board derives the positive prognosis for the group's continued existence from a detailed financial and earnings plan for the business years 2007 and 2008 with the result that the group will most probably be able to continue its business activity during the present and coming business year, with adherence to the payment obligations. The continued existence prognosis is tainted with uncertainties due to the maintenance of the ability to pay. The group will be reliant on the allocation of financial resources in the future, since the resulting annual deficits in 2007 and 2008 will, according to plan, exceed the liquid resources on June 30, 2007."

Berlin, July 31, 2007
UHY Deutschland AG
Wirtschaftsprüfungsgesellschaft

(Stoeber)
Wirtschaftsprüfer
[German Public Auditor]

(Dr. Peters)
Wirtschaftsprüferin
[German Public Auditor]

Corporate Calendar

October 31, 2007
9-Month Report, January 1 – September 30, 2007

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This interim report is also available in German.