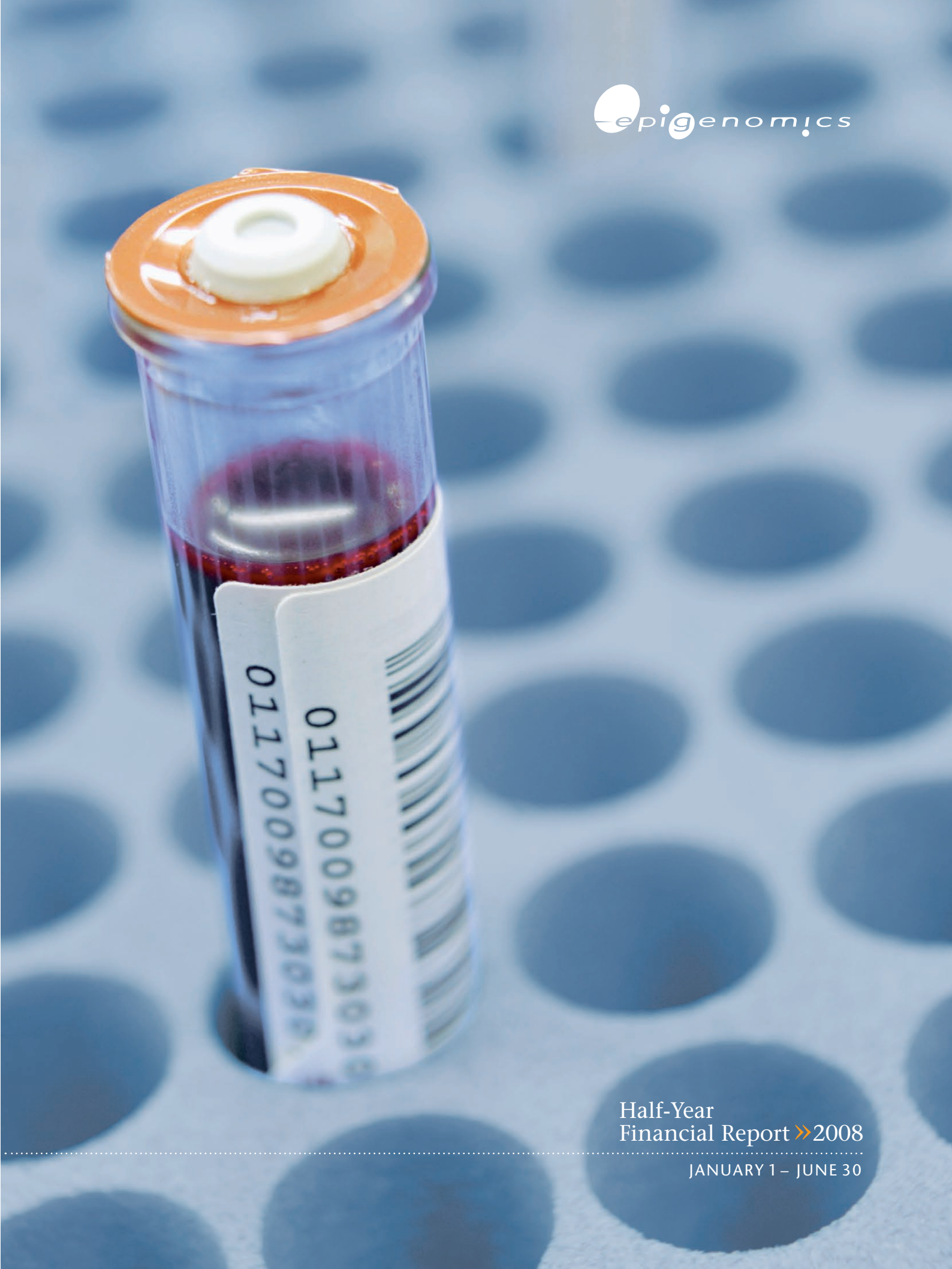
epigenomics



Half-Year Financial Report »2008

JANUARY 1 – JUNE 30

Group Key Figures

EUR thousand (unless stated otherwise)	Q2 2007 (unaudited)	**Q2 2008 (unaudited)**	H1 2007 (unaudited)	**H1 2008 (unaudited)**
Revenue	524	595	1,343	1,511
Research and development costs	-2,826	-2,332	-5,339	-4,736
Earnings before interest and taxes (EBIT)	-3,546	-2,934	-6,949	-5,888
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-3,222	-2,736	-6,292	-5,432
Net loss for the period	-3,441	-2,764	-6,699	-5,632
Weighted average number of shares issued (notional par value: EUR 1 each)	17,807,258	26,710,886	17,361,691	25,301,209
Earnings per share (basic and diluted) in EUR	-0.19	-0.10	-0.39	-0.22
Cash flow from operating activities			-5,301	-4,482
Cash flow from investing activities			992	915
Cash flow from financing activities			4,731	11,491
Cash flow total			422	7,924

EUR thousand (unless stated otherwise)	Dec 31, 2007 (audited)	**Jun 30, 2008 (unaudited)**
Liquid assets at balance sheet date (incl. marketable securities)	10,016	17,753
Total equity at balance sheet date	17,821	23,466
Equity ratio in %	77.8	85.2
Total assets at balance sheet date	22,914	27,553
Share price at balance sheet date in EUR (Xetra)	1.95	1.97
Number of employees at balance sheet date	112	96

Management Discussion & Analysis as of June 30, 2008

The First Half of 2008 – Overview

First subjects enrolled in Epigenomics-sponsored PRESEPT colorectal cancer screening study; successful completion and presentation of data from several clinical studies; revenue growth and improved EBIT

During the first half and especially in the second quarter of 2008, all of our programs made good progress. The outcomes of clinical studies are important milestones towards the development and commercialization of our body-fluid-based cancer detection tests.

We continue to concentrate on our key value drivers, especially the colorectal cancer program. We therefore validated our colorectal cancer biomarker Septin 9 in two additional independent clinical case control studies. These studies successfully used a technically improved assay and an enhanced testing algorithm. Both studies confirmed that the optimized assay detects colorectal cancer in blood plasma statistically equivalent to the previously used research assay. The total number of clinical samples from several studies in which Septin 9 has demonstrated its performance now amounts up to 3,500.

Another step to accelerate the development of our colorectal cancer screening test is the implementation of our PRESEPT study. The PRESEPT study is a multicenter study to characterize clinical performance of Septin 9 and its health economic benefit in a U.S. CRC screening guideline-eligible population. It enrolls individuals who have an average and increased risk according to U.S. guidelines and who undergo a screening colonoscopy. The approximately 7,500 individuals we intend to enroll are expected to yield about 50 colorectal cancer cases. A high-profile steering committee for PRESEPT has been established and first subjects have already been enrolled. The PRESEPT study is a great leap forward in the realization of our vision of detecting cancers based on DNA methylation patterns with a standard blood test. Study results are expected to be presented in 2009.

Our prostate cancer screening program has also made progress. Additional novel biomarker candidates were discovered and subsequently tested in a study in urine samples, which was completed in Q2 2008. The new study confirms the viability of measuring DNA methylation biomarkers for prostate cancer in urine samples.

In Q2 2008, we also completed two clinical studies in our lung cancer program. Both studies were run in close collaboration with the Charité – Universitätsmedizin Berlin, Germany. The first clinical study demonstrated that a panel of two proprietary biomarkers detected 79% of lung cancer patients using bronchial lavage specimens at a specificity of 95%. The second study showed that a two-biomarker panel correctly identified two-thirds of all lung cancers in blood plasma (66% sensitivity) at a false positive rate of only 12% (88% specificity).

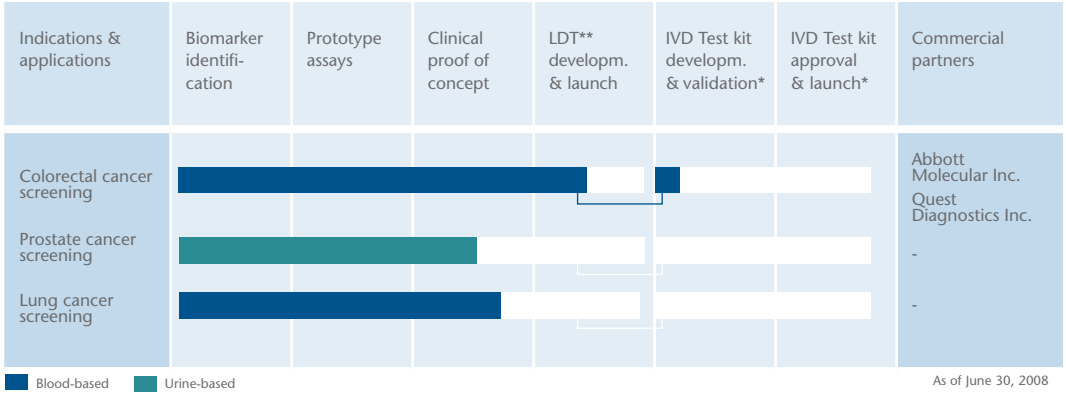
Highlights of a very successful first six months in 2008:

- Closed Septin 9 deal with Quest Diagnostics (Quest)
- First subjects / samples enrolled into PRESEPT in colorectal cancer study
- Established high-profile steering committee for PRESEPT study
- Validated Septin 9 colorectal cancer screening marker in two additional clinical studies
- Validated new assay procedure and workflow in these studies
- Completed two clinical studies in lung cancer program
- Discovered additional biomarker candidates in prostate cancer program
- Generated additional study data on urine samples showing the viability of DNA-methylation-based testing in urine
- Executed several collaborative biomarker R&D programs with pharmaceutical industry leaders

Product development pipeline

Based on excellent progress made in H1 2008 in all our product development programs as well as our commercial partnerships, our pipeline has matured and shown solid progress in line with our plans.

Due to the increased focus of our product pipeline under our initiative "Epi 2010" it has been possible to reduce overall R&D expenditure despite increased investments in our lead products.



* By Epigenomics' commercial partners
** Laboratory-developed test

Licensing and Biomarker Solutions

In the first half of 2008, Epigenomics closed two significant licensing agreements. We licensed several of our core technologies to OncoMethylome Sciences S.A. (OncoMethylome) and cross-licensed rights to DNA methylation applications of Scorpions® technology with DxS Ltd. (DxS). Both deals include an upfront fee to Epigenomics.

During H1 2008, we executed on a number of our collaborative biomarker R&D collaborations with partners such as Centocor, Johnson & Johnson, Pfizer, and Pharmion as well as with a number of leading academic institutions such as the Karolinska Institute, Stockholm, Sweden. These collaborations underscore Epigenomics' continued leadership in the field of DNA methylation biomarker research.

Financial highlights

Revenue in H1 2008 amounted to more than EUR 1.5 million, an almost 13% increase over the EUR 1.3 million during the same period in 2007. H1 revenue was generated from our existing and newly signed collaborations and licensing agreements in the form of R&D payments, licensing and royalty income. EBIT for H1 2008 of EUR -5.9 million showed a 15% improvement over EBIT for H1 2007 of EUR -6.9 million. With our initiative "Epi 2010", which we have described in detail in our Q1 2008 report well underway, we have further streamlined operations, centralized all laboratory R&D operations in Berlin, i.e. decided to close our laboratory operations in Seattle during H2 2008. Activities at Epigenomics Inc. in Seattle will be entirely focused on managing clinical studies, e.g. the PRESEPT-study. We have made appropriate organizational adjustments. Overall operating costs during the first six months of 2008 added up to EUR 7.9 million, down 11% from the same period in 2007 (EUR 8.8 million).

Short-term liquidity as of June 30, 2008, amounted to EUR 17.8 million, a net increase of EUR 7.8 million from the EUR 10.0 million at year-end 2007, significantly affected by our capital increase realized in Q1 2008.

Our Stock

Share price recorded high volatility in Q2

Trading volume in Epigenomics' stock slightly decreased during Q2 2008, from an average of over 33,000 shares a day in Q1 2008 to approximately 29,000 per day in Q2 2008, albeit at significant additional block trades that have allowed BB Medtech to build a shareholding in Epigenomics of over 5% in the first half of 2008. The share price closed at EUR 1.97 at the end of H1 2008 on Xetra compared to EUR 1.95 at year-end 2007, up almost 12% compared to the end of Q1 2008 (EUR 1.76) and up 23% from our capital increase in Q1 2008 (EUR 1.60).

During H1 2008, a total of 8,458,062 new shares were issued from Authorized Capital as part of our rights issue successfully completed in February 2008.

In Q2 2008, Dr. Martin Schnee of fairesearch under the label of Close Brothers Seydler Research AG initiated coverage on Epigenomics with a "buy" recommendation and a EUR 4.71 price target. Due to internal reorganization at Morgan Stanley, their analyst Karl Bradshaw, Ph.D., had to drop coverage of ECX. His latest recommendation had been an "overweight V" with a EUR 5.10 price target.

Key data on Epigenomics´ stock (as of June 30, 2008)

Ticker	ECX
Stock exchange	Frankfurter Wertpapierbörse. Amtlicher Markt (Prime Standard)
Security code number	A0BVT9
ISIN	DE000A0BVT96
Shares outstanding	26,710,886
Price range in H1 2008	EUR 1.58 – 2.24 (Xetra closing prices)
Analyst Coverage	First Berlin: Christian Orquera
	Midas Research: Thomas Schiessle
	fairesearch: Dr. Martin Schnee

Financials

H1 revenue growth of 13%, H1 costs reduced by EUR 1 million, H1 EBIT improved by 15%

Financial position and cash flow

Epigenomics' cash flow and its financial position in the second quarter of 2008 were mainly affected by the continued net cash consumption from operations. Overall, the financial position has developed very well with liquid assets amounting to EUR 17.8 million as of June 30, 2007, compared to EUR 10.0 million as of December 31, 2007.

In H1 2008, total net cash flow was positive at EUR 7.9 million, due to the cash inflow which resulted from the capital increase realized in February 2008.

Cash outflow from operating activities in H1 2008 amounted to EUR 4.5 million. Cash inflow from investing activities amounted to EUR 0.9 million, primarily due to a premature redemption of securities held to maturity. Cash flow from financing activities was positive at EUR 11.5 million, due to the aforementioned rights issue in February 2008.

Results of operations

In Q2 2008, revenue increased from EUR 524 thousand in Q2 2007 to EUR 595 thousand. This improvement of 14% is attributable to the ongoing R&D collaborations, newly signed deals as well as due to increased licensing revenue. Thereof, our Diagnostics business contributed EUR 26 thousand in Q2 2008, whereas our Biomarker Solutions business generated EUR 320 thousand and the remaining EUR 249 thousand are derived from our licensing contracts. Overall, revenue in H1 2007 increased to EUR 1.5 million, up from EUR 1.3 million in the comparable period of 2007 – an increase of almost 13%.

Other income remained almost constant with EUR 334 thousand in Q2 2007 and EUR 325 thousand in Q2 2008, mainly resulting from the reversal of provisions.

Overall R&D costs dropped from EUR 2,826 thousand in the second quarter of 2007 to EUR 2,332 thousand in Q2 2008 despite increased investment into our lead products, while cost of sales increased from EUR 122 thousand to EUR 305 thousand.

Marketing and business development costs dropped from EUR 291 thousand in Q2 2007 to EUR 243 thousand in Q2 2008.

General and administrative costs decreased sharply by 21% from EUR 1,117 thousand in Q2 2007 to EUR 877 thousand in Q2 2008 due to progress made in our initiative “Epi 2010”.

Other expenses increased in Q2 2008 to EUR 97 thousand (Q2 2007: EUR 48 thousand), primarily due to foreign exchange rate losses.

EBIT amounted to EUR -2,934 thousand in Q2 2008. Thus, our operating result could be improved by around 17% compared to the EBIT of EUR -3,546 thousand in Q2 2007. This was very well in line with our expectations and mirrors our streamlined operations and focused strategy execution.

The increased level of liquidity compared to Q2 of the previous year, supported by slightly increasing interest rates in the capital markets, has led to a higher interest income. Therefore, the positive financial result of Q2 2008 improved to EUR 233 thousand from EUR 160 thousand in Q2 2007.

Our net loss for the period improved by 20% from EUR 3,441 thousand in Q2 2007 to EUR 2,764 thousand in Q2 2008.

Net assets position

Epigenomics’ balance sheet total increased from EUR 22.9 million as of December 31, 2007, to EUR 27.6 million as of June 30, 2008. As a result of the rights issue, which took place in February 2008, cash and cash equivalents increased and overcompensated the net consumption of liquidity from operations.

Total non-current assets decreased during the reporting period from EUR 9.1 million at year-end 2007 to EUR 7.9 million at the end of June 2008 mainly as a result of regular depreciation and only minimum capital expenditures due to a strict cash conservation policy.

Total current assets during H1 2008 grew from EUR 13.8 million as of December 31, 2007, to EUR 19.7 million because of the capital increase.

During H1 2008, our subscribed capital increased from EUR 18.3 million as of December 31, 2007, to EUR 26.7 million and capital reserve rose simultaneously from EUR 13.7 million to EUR 16.7 million, mainly attributable to the capital surplus of the aforementioned rights issue in February 2008.

Including the reduced level of liabilities, our equity ratio improved from 77.8% at the end of 2007 to 85.2% as of June 30, 2008.

Employees

As a consequence of implementing further measures as part of our "Epi 2010" initiative, the number of employees dropped further during H1 2008.

	Berlin	Seattle	Total
Number of employees as of June 30, 2008	**70**	**26**	**96**
Number employees as of December 31, 2007	78	34	112
Number of employees as of June 30, 2007	83	37	120

Research and Development

In H1 2008, the main focus of our R&D activities was on conducting several studies in our major screening programs. Furthermore, we successfully applied the optimized workflow and assay procedure to our body-fluid-based tests.

Colorectal cancer program/PRESEPT

During the first half of 2008, Epigenomics successfully completed two clinical studies on early detection of colorectal cancer, testing a total of more than 500 blood plasma samples for Septin 9 methylation. With sensitivities of 74% and 69%, at specificities of 92% and 89%, respectively, these studies provided independent confirmation of previous results from 2006. The new 2008 clinical studies were performed using Epigenomics' improved assay that is compatible with requirements of routine clinical laboratory processes.

In May 2008, detailed results of both studies were presented at several conferences, e.g. the Biomarker World Congress 2008 in Philadelphia, PA, U.S.A., and at the AACR special conference "Cancer Epigenetics" in Boston, MA, U.S.A.

Based on these study results, both of our commercial partnerships with Abbott Molecular and Quest Diagnostics are progressing according to plan. We continue to expect a commercial launch of the Septin 9 test as a laboratory-developed test (LDT) in late 2008 and the launch of a CE-marked IVD test kit by Abbott in Europe in 2009.

On June 30, 2008, we announced the enrollment of the first subjects in the PRESEPT Colorectal Cancer Screening study. PRESEPT is a multicenter, multinational clinical study sponsored by Epigenomics, prospectively evaluating the clinical performance of Epigenomics' proprietary biomarker Septin 9 for colorectal cancer population-wide screening of guideline-eligible individuals. With the data generated in the PRESEPT study, Epigenomics intends to demonstrate that early detection of colorectal cancer with a blood test based on Septin 9 will meet the requirements of current U.S. screening guidelines for non-invasive screening tests. To support future coverage by health insurers, the performance characteristics established in PRESEPT will be used to determine the potential health economic benefit of blood-based colorectal cancer screening using a validated health economic model for colorectal cancer screening. Further, Epigenomics will provide industry partners developing Septin 9 IVD tests access to the PRESEPT samples and data to perform pivotal clinical trials necessary to obtain regulatory approvals.

The study is planned to enroll up to 7,500 asymptomatic subjects aged 50 years or older with average to increased risk for colorectal cancer that are scheduled for a regular screening colonoscopy at 12 to 14 clinical sites in the U.S.A. and in Germany. This population is expected to harbor about 50 cases of undetected colorectal cancer. For each subject, blood samples are collected prior to bowel preparation for colonoscopy and analyzed for methylated Septin 9 DNA by Epigenomics' partner Quest Diagnostics. The results of Septin 9 testing are compared to the data obtained by colonoscopy, the gold standard for definitive colorectal cancer diagnosis. For the cases where polyps or cancerous lesions are identified during colonoscopy, further clinical and pathological data will be included in the classification of disease. Enrollment in our PRESEPT study is scheduled to ramp up to yield sufficient subjects for an interim analysis in Q1 2009. The final results of PRESEPT are expected during H2 2009.

In accordance with FDA (U.S. Food and Drug Administration) guidance, Epigenomics established a Clinical Study Steering Committee that advises on PRESEPT-study design, oversees study conduct, and will independently analyze, and accurately report the interim and final results.

Implementing the PRESEPT study is a major step to commercialize our colorectal cancer blood test based on our proprietary biomarker Septin 9. The study is one of the largest colorectal cancer screening studies ever and is the first to prospectively evaluate a molecular marker for blood-based colorectal cancer screening. It will support the imminent clinical validation and commercial launch of our partners' diagnostics tests based on our biomarker and our technology.

Prostate cancer program

Another important result of Q2 2008 is the presentation of novel biomarkers discovered in our prostate cancer program with a systematic genome-wide screen using our proprietary differential methylation hybridization (DMH) technology at the 2008 annual meeting of the AACR (American Association for Cancer Research).

The study included tissue samples from patients with prostate cancer, benign prostate conditions, and age-matched normal controls. Biomarkers discovered by DMH were subsequently validated by real-time PCR technology in an independent sample set. A total of 26 novel biomarkers were successfully validated in this study, a number of which specifically discriminate prostate cancer from benign prostate conditions such as BPH (benign prostatic hyperplasia). In the second quarter of 2008, we optimized analytical PCR assay performance and have since then run the most promising candidate bio-markers in a clinical study on urine samples. This new study confirms the approach of using DNA methylation biomarkers for early detection and diagnosis of prostate cancer using urine samples.

Lung cancer program

During the first half of 2008, we successfully completed two clinical studies in our lung cancer screening program.

The studies were both run in close collaboration with Prof. Dr. Christian Witt and Dr. Bernd Schmidt at the Charité – Universitätsmedizin, Berlin, Germany.

The first clinical study of 84 patient samples demonstrated that a panel of two proprietary biomarkers detected 79% of lung cancers in bronchial lavage specimens at a specificity of 95%, i.e. only two false positive results were obtained in 45 patients with benign lung diseases.

In current clinical routine, the bronchial lavage fluid is analyzed by a pathologist to identify tumor cells. However, this microscopic analysis often cannot either confirm or exclude lung cancer. A molecular diagnostic test that sensitively and objectively detects the presence of tumor cells in this specimen could potentially improve clinical decision making for patients with suspected lung cancer.

We expect to further optimize the biomarker panel for application in bronchial lavage specimens and to perform an additional clinical study to confirm the biomarker performance in an independent population. Based on the outcome of this effort we will evaluate the potential development for partnering of a bronchial lavage diagnostic product.

The second study on 256 patient samples confirmed that a two-biomarker panel correctly identified two-thirds of all lung cancers in blood plasma (66% sensitivity) at a false positive rate of 12% (88% specificity). Notably, about two-thirds of the blood samples used in the study were obtained from patients with early-stage I and II cancers. Sensitivity in stage II lung cancer patients reached 73%. Patients with early-stage cancer are significantly underdiagnosed in the current diagnostic practice for lung cancer but could benefit most from early therapeutic intervention.

These latest results independently confirm previous data from a much smaller proof-of-concept study performed by Epigenomics in 2007.

Detailed results of the lung cancer program were presented at the International Lung Cancer Conferencein Liverpool, U.K., on July 9-12, 2008. They also will be presented at the European Respiratory Society Annual Congress in Berlin, Germany, on October 4-8, 2008.

Supplementary Report

On August 5, 2008, the Supervisory Board and Dr. Kurt Berlin, Chief Scientific Officer (CSO) of Epigenomics, have agreed that Dr. Berlin will step down as CSO and executive board member effective 31 August 2008. Kurt Berlin, one of the cofounders of the Company, has decided to accept a board position in a non-competing company. Dr. Berlin will serve as chairman of Epigenomics' Scientific Advisory Board effective immediately and will continue to advise Epigenomics on scientific, technological, licensing and IP-related matters as a consultant throughout 2008 and 2009.

Dr. Kurt Berlin's responsibilities for product development will be taken over by a Senior Vice President Product Development, that was hired after the reporting period and will start his position at Epigenomics on November 1, 2008. The designated Senior Vice President Product Development will join Epigenomics from his current senior management position with one of the world's leading molecular diagnostics companies where he currently manages cancer molecular diagnostics product development projects in the U.S.. Previously he spent more than ten years with Abbott Diagnostics and gained experience in product development, operations and regulatory affairs/compliance.

On July 30, 2008, the Company was served with a lawsuit filed by an individual shareholder. By means of this claim, the plaintiff challenges the resolution of the Annual General Shareholders' Meeting (AGM) on the authorization to issue convertible bonds, the exclusion of subscription rights, the creation of conditional capital as well as the related amendments of the Articles of Association (TOP 4). This resolution had been passed with 99.97% shareholder approval at the Annual General Shareholders' Meeting on June 3, 2008. According to the resolutions taken at the AGM, the registration with the commercial register has been duly completed on June 17, 2008.

The Company considers this claim as completely unfounded and will defend itself against this lawsuit accordingly. The same shareholder had previously attacked a resolution of the AGM of July 10, 2006 as well as other resolutions of the AGM of May 29, 2007. At the end of the main proceedings regarding the resolution of the AGM of July 10, 2006 the regional court of Berlin decided in favour of the Company and dismissed the claim. This court decision became legally binding and is no longer open to appeal. With respect to his lawsuit challenging the resolutions of the AGM of May 29, 2007 the plaintiff withdrew his suit completely at the main court hearing.

On July 29, 2008 Epigenomics AG announced that it received a Rule 71(3) notification stating that the European Patent Office intends to grant a patent for Epigenomics' Septin 9 biomarker. This notification is equivalent to a "Notice of Allowance" by the United States Patent and Trademark Office. Patent application EP 1721992, titled "Methods and nucleic acids for analyses of cellular proliferative disorders.", claims very broadly methods, substances and kits for the methylation analysis of Epigenomics' Septin 9 biomarker. The patent application is also pending in the U.S.A, Japan and 15 other countries outside of Europe.

Corporate Governance

Effective April 30, 2008, Christian Piepenbrock, cofounder and Chief Operating Officer of Epigenomics AG, resigned from his Executive Board position and left Epigenomics to pursue other career opportunities. Mr. Piepenbrock received a one-time payment in the amount of EUR 290 thousand. There are no other future obligations between Epigenomics AG and Mr. Piepenbrock.

Epigenomics' ordinary Annual General Shareholders' Meeting (AGM) took place in Berlin on June 3, 2008, with over 70% of shares present or represented at the meeting. A majority of 99.97% of the shareholders at our AGM approved the creation of a convertible bond instrument. The Executive Board is authorized until June 2, 2013, to issue with the consent of the Supervisory Board once or several times convertible bearer bonds in an aggregate nominal amount of up to EUR 25 million with a maximum term of ten years and to grant conversion rights to the holders of convertible bonds for up to a total of 2,671,088 no-par value bearer shares in the Company representing a notional portion of the Company's share capital of up to EUR 2,671,088.00 in total as further specified in the terms and conditions of the convertible bonds (Conditional Capital VI). Under certain circumstances an exclusion of subscription rights is possible. On July 30, 2008 the Company was served with a lawsuit, which challenges the resolution of the AGM on the authorization to issue convertible bonds. For more details reference is made to the supplementary report.

A majority of 98.47% of the shareholders approved the creation of a new Authorized Capital 2008/I. The Executive Board is authorized until June 2, 2013, to increase with the consent of the Supervisory Board the share capital of the Company once or several times by up to EUR 2,671,088.00 against contribution in cash and/or in kind by issuing new no-par value bearer shares (Authorized Capital 2008/I). Under certain circumstances an exclusion of subscription rights is possible.

Through the creation of an authorized capital and a conditional capital, the Company has expanded its options to finance commercial operations and R&D activities in the future.

According to the resolutions taken at the AGM, the registration with the commercial register has been duly completed on June 17, 2008.

Opportunities and Risks

For the second half of 2008, the opportunities and risks have not changed significantly compared to the situation described in the Management Report published with the Consolidated Financial Statements 2007. 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, and
- financial opportunities and risks.

The successful completion of the capital increase in February 2008 as well as the deals signed with Quest, OncoMethylome and DxS in H1 2008 can be seen as risk-mitigating factors with regard to our business-related and financial risks. As an integral part of our risk management system and in light of our "Epi 2010" initiative we are continuously reviewing the value in use of our assets with special regard to in-licensed IP.

Despite the resignation of two executive board members we do not see an increased risk profile. On the one hand Dr. Kurt Berlin will support us in his new function as scientific advisor and our future Senior Vice President Product Development, will bring in his product development expertise and strengthen our management team.

For a comprehensive overview on all risk factors, reference is made to the prospectus published as part of our rights issue.

Prognosis Report for H2 2008

Launch of Septin 9 LDT by Quest Diagnostics; initiate PRESEPT interim samples analysis; complete clinical study for prostate cancer tissue test validation; present data on lung cancer test; enter into another IVD partnership

In H2 2008, Epigenomics' most advanced colorectal cancer blood test and key value driver will remain the focus of the Company's development and commercialization efforts. The PRESEPT study is expected to quickly ramp up site qualification, site initiation and sample collection to support an interim analysis in Q1 2009.

During the second half of 2008, we expect Quest to establish an optimized laboratory-developed test (LDT) workflow. This is expected to support the market introduction of Septin-9-based colorectal cancer testing by Quest in late 2008.

Data from our colorectal cancer and lung cancer programs will be presented at several upcoming scientific and industry meetings.

Epigenomics has ongoing IVD partnering discussions and negotiations, and progress during the first half of 2008 has been in line with expectations. It is our goal to enter into an additional IVD partnership in the second half of 2008.

Management continues to expect full-year 2008 revenue to increase to EUR 3 million to EUR 4 million compared to 2007 revenue of EUR 2.6 million. The operating result for 2008 is also expected to improve and to range between EUR -11.5 million to EUR -12.5 million compared to 2007 EBIT of EUR -13.5 million. We expect net cash consumption for 2008 to remain below EUR 10 million and therefore to be significantly better than the 2007 cash burn of EUR 12 million.

In sum, Epigenomics is very excited about the progress made in terms of product development and commercial partnerships. We remain committed to delivering on our goals and milestones, and, in the process, to building shareholder value.

Interim Consolidated Financial Statements as of June 30, 2008

Group Income Statement

for the period from January 1 to June 30, 2008

EUR thousand (unaudited)	Q2 2007	Q2 2008	H1 2007	H1 2008
Revenue	**524**	**595**	**1,343**	**1,511**
Cost of sales	-122	-305	-478	-465
Gross profit	**402**	**290**	**865**	**1,046**
Other income	334	325	547	464
Research and development costs	-2,826	-2,332	-5,339	-4,736
Marketing and business development costs	-291	-243	-765	-468
General and administrative costs	-1,117	-877	-2,208	-1,794
Other expenses	-48	-97	-49	-400
Operating result (EBIT)	**-3,546**	**-2,934**	**-6,949**	**-5,888**
Financial income	176	241	389	390
Financial expenses	-16	-8	-42	-17
Net loss for the period before taxes on income	**-3,385**	**-2,701**	**-6,602**	**-5,515**
Taxes on income	-55	-63	-97	-117
Net loss for the period	**-3,441**	**-2,764**	**-6,699**	**-5,632**
Earnings per share (basic and diluted) in EUR	**-0.19**	**-0.10**	**-0.39**	**-0.22**

Group Balance Sheet
as of June 30, 2008

ASSETS EUR thousand	Dec 31, 2007 (audited)	Jun 30, 2008 (unaudited)
Non-current assets		
Intangible assets	6,084	6,139
thereof goodwill	*2,625*	*2,625*
Tangible assets	1,208	1,069
Financial assets	1,000	0
Deferred taxes	778	682
Total non-current assets	**9,070**	**7,890**
Current assets		
Inventories	237	101
Trade and other receivables	439	416
Marketable securities	3,370	3,183
Cash and cash equivalents	6,646	14,570
Other current assets	3,152	1,393
Total current assets	**13,844**	**19,663**
Total assets	**22,914**	**27,553**

EQUITY AND LIABILITIES EUR thousand	Dec 31, 2007 (audited)	Jun 30, 2008 (unaudited)
Equity		
Subscribed capital	18,253	26,711
Capital reserve	13,712	16,718
Retained earnings	-13,151	-13,151
Net loss for the period	0	-5,632
Other comprehensive income	-993	-1,180
Total equity	**17,821**	**23,466**
Non-current liabilities		
Liabilities from leasing contracts	0	52
Total non-current liabilites	**0**	**52**
Current liabilities		
Trade payables	1,562	765
Liabilities from leasing contracts	0	28
Deferred income	637	1,726
Other liabilities	2,354	867
Provisions	540	649
Total current liabilities	**5,093**	**4,035**
Total equity and liabilities	**22,914**	**27,553**

Group Cash Flow Statement

for the period from January 1 to June 30, 2008

EUR thousand (unaudited)	H1 2007	H1 2008
Cash and cash equivalents at the beginning of the period	**12,566**	**6,646**
Operating activities		
Net loss for the period before taxes on income	**-6,602**	**-5,515**
Corrections for:		
Depreciation on tangible assets	443	232
Amortization of intangible assets	214	224
Stock option expenses	293	123
Price losses of securities	1	0
Interest income	-372	-376
Interest expenses	16	15
Taxes	-137	-146
Operating result before changes in net current assets	**-6,145**	**-5,443**
Decrease in trade receivables and other current assets (H1 2007: increase)	-169	1,774
Decrease in inventories	100	136
Decrease in current liabilities (H1 2007: increase)	501	-1,334
Liquidity earned from operating activities	**-5,714**	**-4,868**
Interest received	413	386
Cash flow from operating activities	**-5,301**	**-4,482**
Investing activities		
Payments for investments in tangible assets	-10	-31
Proceeds from the sale of tangible assets	1	0
Payments for investments in intangible assets	-20	-54
Proceeds from the divestment of financial assets	0	1,000
Proceeds from the sale of marketable securities	1,021	0
Cash flow from investing activities	**992**	**915**
Financing activities		
Payments for the creation of new shares	-132	-2,037
Proceeds from the issue of new shares	4,861	13,533
Payments for lease financing	0	-5
Proceeds from the exercise of stock options	2	0
Cash flow from financing activities	**4,731**	**11,491**
Cash flow	**422**	**7,924**
Cash and cash equivalents at the end of the period	**12,989**	**14,570**

Statement of Changes in Group Equity
as of June 30, 2008

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2007	**18,253**	**13,712**	**-13,151**	**0**	**-993**	**17,821**
Net loss for the period (H1 2008)	0	0	0	-5,632	0	-5,632
Fair value adjustments of securities	0	0	0	0	-187	-187
Total comprehensive income	**0**	**0**	**0**	**-5,632**	**-187**	**-5,819**
Stock-based compensation	0	123	0	0	0	123
Capital increase from issue of shares	8,458	0	0	0	0	8,458
Premium from issue of shares	0	5,075	0	0	0	5,075
Financing costs	0	-2,192	0	0	0	-2,192
June 30, 2008	**26,711**	**16,718**	**-13,151**	**-5,632**	**-1,180**	**23,466**

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
Exercise 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**

Notes to the Q2 / H1 2008 Consolidated Financial Statements

Basic Principles and Methods

General principles

The presented 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, 2008, as mandatory applicable in the European Union. Further, these statements are in accordance with German Accounting Standards (GAS) 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 auditors.

In the reporting period, the Group has not adopted new or revised standards and interpretations issued by the IASB.

The reporting period as defined in these consolidated financial statements is the period from January 1, 2008, to June 30, 2008. 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, 2007, 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, 2007. 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 and the British pound, the two major foreign currencies in the interim consolidated financial statements, changed during the reporting period as follows:

Reporting date rates	Dec 31, 2007	June 30, 2008
EUR/USD	1.4721	1.5764
EUR/GBP	0.73335	0.79225

Average rates	H1 2007	H1 2008
EUR/USD	1.3341	1.5444
EUR/GBP	0.67558	0.77952

Notes to the Group Income Statement

Revenue

Revenue in Q2 2008 and H1 2008 stems from the following sources:

EUR thousand	Q2 2007	in % of total	Q2 2008	in % of total	H1 2007	in % of total	H1 2008	in % of total
R&D payments	119	22.8	320	53.8	829	61.7	510	33.8
Licensing and royalty income	114	21.7	247	41.6	151	11.3	602	39.8
Reimbursements	291	55.5	28	4.6	363	27.0	399	26.4
Total	**524**	**100.0**	**595**	**100.0**	**1,343**	**100.0**	**1,511**	**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 2008 of EUR 290 thousand (Q2 2007: EUR 402 thousand) equals a gross margin of 49% (Q2 2007: 77%), improving overall gross margin for H1 2008 to 69% compared to 64% in H1 2007.

Other income

EUR thousand	Q2 2007	Q2 2008	H1 2007	H1 2008
Income from reversal of provisions	55	220	122	247
Third-party research grants	209	36	304	79
Exchange gains from currency conversion	15	38	43	52
Recoveries and refunds	35	15	48	35
Income from the sale of assets	2	0	2	19
Other	18	16	28	32
Total	**334**	**325**	**547**	**464**

Cost analysis

Q2 2008

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	33	17	150	105	0	305
R&D costs	422	171	1,210	529	0	2,332
M&BD costs	0	1	156	86	0	243
G&A costs	1	10	499	367	0	877
Total	**456**	**199**	**2,015**	**1,087**	**0**	**3,757**

Q2 2007

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	55	-5	39	33	0	122
R&D costs	554	295	1,254	722	0	2,825
M&BD costs	0	0	190	101	0	291
G&A costs	0	34	530	553	0	1,117
Total	**609**	**324**	**2,013**	**1,409**	**0**	**4,355**

H1 2008

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	45	26	210	184	0	465
R&D costs	737	400	2,496	1,186	-83	4,736
M&BD costs	0	4	291	173	0	468
G&A costs	1	26	950	817	0	1,794
Total	**783**	**456**	**3,947**	**2,360**	**-83**	**7,463**

H1 2007

EUR thousand	Materials/ consumables	Depreciation and amortization	Staff costs	Other costs	Capitalized development costs	Total
Cost of sales	154	23	94	207	0	478
R&D costs	893	562	2,634	1,251	0	5,340
M&BD costs	0	0	497	268	0	765
G&A costs	0	72	1,086	1,050	0	2,208
Total	**1,047**	**657**	**4,311**	**2,776**	**0**	**8,791**

Personnel expenses and headcount

EUR thousand	Q2 2007	Q2 2008	H1 2007	H1 2008
Wages and salaries	1,632	1,743	3,484	3,356
Stock-based compensation	129	63	293	123
Social security expenses	252	209	534	468
Total personnel expenses	**2,013**	**2,015**	**4,311**	**3,947**

The number of employees as of June 30, 2008, amounted to 96 (Dec 31, 2007: 112; June 30, 2007: 120).

Other expenses

EUR thousand	Q2 2007	Q2 2008	H1 2007	H1 2008
Exchange losses from currency conversions	48	38	49	291
Write-down of doubtful receivables	0	0	0	45
Other	0	59	0	64
Total	**48**	**97**	**49**	**400**

Operating result (EBIT) and EBITDA

The operating result (EBIT) of Q2 2008 amounted to EUR -2,934 thousand, a 17% improvement compared to Q2 2007 (EUR -3,546 thousand). In Q2 2008, EBITDA was EUR -2,736 thousand (Q2 2007: EUR -3,222 thousand).

Financial result

EUR thousand	Q2 2007	Q2 2008	H1 2007	H1 2008
Interest and related income	170	235	372	376
Other financial income	6	6	17	14
Total financial income	**176**	**241**	**389**	**390**
Interest and related expenses	-8	-7	-15	-15
Other financial expenses	-8	-1	-27	-2
Total financial expenses	**-16**	**-8**	**-42**	**-17**
Total financial result	**160**	**233**	**347**	**373**

Taxes on income

Income taxes of EUR 63 thousand had to be recorded exclusively for the U.S. subsidiary Epigenomics, Inc. in Q2 2008 (Q2 2007: EUR 55 thousand). The amount comprised U.S. federal (deferred) taxes of EUR 54 thousand (Q2 2007: EUR 45 thousand) as well as state and local taxes of EUR 9 thousand (Q2 2007: 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 2008	H1 2007	H1 2008
Net loss for the period in EUR thousand	-3,441	-2,764	-6,699	-5,632
Weighted average number of shares issued	17,807,258	26,710,886	17,361,691	25,301,209
Earnings per share (basic and diluted) in EUR	-0.19	-0.10	-0.39	-0.22

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 26,710,886.

Notes to the Group Balance Sheet

Non-current assets

During H1 2008, non-current assets decreased by EUR 1,180 thousand, mainly due to the contractual premature redemption of long-term financial assets.

Deferred tax assets decreased during H1 2008 to EUR 682 thousand (Dec 31, 2007: EUR 778 thousand). This effect is attributable to reduced tax loss carryforwards of the U.S.-based subsidiary Epigenomics, Inc.

Current assets

Current assets increased during the reporting period by EUR 5,819 thousand. This is mainly an impact of the cash inflow following the Company's capital increase in February 2008.

Trade and other receivables amounted to EUR 416 thousand (Dec 31, 2007: EUR 439 thousand) and are comprised predominantly of trade receivables due from customers. The amount is reported net of an allowance for bad debt of EUR 94 thousand as of June 30, 2008 (Dec 31, 2007: EUR 49 thousand).

Equity

The increase in the capital reserve of EUR 3,006 thousand to EUR 16,718 thousand as of June 30, 2008, (Dec 31, 2007: EUR 13,712 thousand) was mainly a result of the capital increase in February 2008, when 8,458,062 new shares at a price of EUR 1.60 each were issued.

Non-current liabilities

Non-current liabilities amounted to EUR 52 thousand as of June 30, 2008, (Dec 31, 2007: EUR 0) and reflect liabilities from an installment purchase of long-term assets.

Current liabilities

Current liabilities decreased from EUR 5,093 thousand as of December 31, 2007, by EUR 1,058 thousand to EUR 4,035 thousand as of June 30, 2008. This decrease is mainly due to the reduction of other liabilities.

Deferred income increased to EUR 1,726 thousand at June 30, 2008 (Dec 31, 2007: EUR 637 thousand). It includes income from commercial R&D collaborations, which amounted to EUR 1,636 thousand, whereas deferred income from granted projects amounted to EUR 90 thousand. Deferred income in the amount of EUR 964 thousand as of June 30, 2008 (Dec 31, 2007: EUR 167 thousand), which will be released in the form of revenue recognition, has a duration which exceeds twelve months. This period corresponds to our usual business cycle.

Other Information

Information on other transactions with related parties

The Company recognized revenue from outlicensing from Epiontis GmbH, Berlin, in a total amount of EUR 19 thousand in Q2 2008. The Company holds a minority stake in Epiontis.

Notes to the stock option plans

In the second quarter of 2008, no stock options were exercised.

Details of stock options granted:

	Options issued as of Dec 31, 2007	Options issued in H1 2008	Options forfeited in H1 2008	Options cancelled in H1 2008	**Options issued as of Jun 30, 2008**
Option holder					
Geert Walther Nygaard	180,000	0	0	0	180,000
Dr. Kurt Berlin	146,613	0	0	0	146,613
Oliver Schacht, Ph.D.	159,363	0	0	0	159,363
Total Executive Board	**485,976**	**0**	**0**	**0**	**485,976**
Other option holders	609,690	25,000	7,750	68,001	558,939
Total options	**1,095,666**	**25,000**	**7,750**	**68,001**	**1,044,915**
Weighted average exercise price in EUR	4.66	2.02	5.80	4.50	4.60

Options granted to the Executive Board members as of December 31, 2007, amounted to 632,589. This number included 146,613 options of the former board member Christian Piepenbrock. In the table above, these options have now been reclassified as options issued to "Other option holders", because Mr. Piepenbrock has resigned from his position in the reporting period.

Terms of stock options outstanding:

	Weighted average exercise price in EUR as of Dec 31, 2007	Dec 31, 2007 number	**Weighted average exercise price in EUR as of June 30, 2008**	**June 30, 2008 number**
2008	3.20	27,655	3.17	27,095
2009	4.53	21,772	4.53	21,262
2010	4.53	47,334	4.53	46,994
2011	4.58	246,005	4.53	240,465
2012	7.31	26,020	7.31	25,595
2013	5.57	121,880	5.58	121,505
2014	4.48	605,000	4.48	536,999
2015	n/a	0	2.02	25,000
Total		**1,095,666**		**1,044,915**

Details of stock options granted in H1 2008:

Granted number	25,000
Stock option plan	06-10
Expiry date	Mar 31, 2015
Share price at grant date (in EUR)*	1.84
Exercise price (in EUR)	2.02
Historical volatility at grant date (in %)	57.76
Risk-free interest rate (in %)	3.85
Aggregate proceeds if shares are issued (in EUR)	50,500

*Average Xetra closing share price of the last 20 trading days

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.

Approval for Publication

This half-year financial report has been approved and cleared for publication by the Executive Board on August 5, 2008.

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, August 5, 2008

Geert Walther Nygaard 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, 2008 which are part of half-year financial report 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 report is the responsibility of the parent company's management. Our responsibility is to issue a review report on the consolidated interim financial statements (short form) and on the interim group management discussion and analysis based on our review.

We conducted our review of the consolidated interim financial statements (short form) and the interim group management discussion and analysis in accordance with the German 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 to 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 a financial statement 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.

Berlin, August 5, 2008

UHY Deutschland AG
Wirtschaftsprüfungsgesellschaft

(Lauer)
Wirtschaftsprüfer
[German Public Auditor]

(Dr. Peters)
Wirtschaftsprüferin
[German Public Auditor]

Corporate Calendar

» Tuesday, November 4, 2008

9-Month Report 2008

Contact

Dr. Achim Plum
Senior Vice President Corporate Development
Phone: +49 - 30 - 2 43 45 - 0
Fax: +49 - 30 - 2 43 45 - 555
ir@epigenomics,com

This half-year financial report is also available in German.