epigenomics

Half-Year Financial Report → 2009

JANUARY 1 – JUNE 30

Group Key Figures

EUR thousand (unless stated otherwise)	Q2 2008 (unaudited)	Q2 2009 (unaudited)	H1 2008 (unaudited)	H1 2009 (unaudited)
Revenue	595	835	1,511	2,077
Research and development costs	-2,332	-1,632	-4,736	-3,391
Earnings before interest and taxes (EBIT)	-2,934	-2,456	-5,888	-4,767
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-2,736	-2,312	-5,432	-4,468
Net loss for the period	-2,764	-2,393	-5,632	-4,813
Weighted-average number of shares issued (notional par value: EUR 1 each)	26,710,886	29,394,724	25,301,209	28,949,543
Earnings per share (basic and diluted) in EUR	-0.10	-0.08	-0.22	-0.17
Cash flow from operating activities			-4,482	-5,288
Cash flow from investing activities			915	382
Cash flow from financing activities			11,491	5,142
Cash flow total			7,924	236

EUR thousand (unless stated otherwise)			Dec 31, 2008 (audited)	June 30, 2009 (unaudited)
Liquid assets at balance sheet date (incl. marketable securities)			12,100	12,077
Total equity at balance sheet date			16,568	17,226
Equity ratio in %			81.7	82.6
Total assets at balance sheet date			20,283	20,851
Share price at balance sheet date in EUR (Xetra)			2.00	2.95
Number of employees at balance sheet date			90	81

Management Discussion & Analysis as of June 30, 2009

The First Half of 2009 – Overview

During the first half and especially in the second quarter of 2009, Epigenomics has made great strides towards commercializing its ^{m}SEPT9 blood-based test for colorectal cancer. On June 22, 2009, we announced, that one of the biggest diagnostic laboratory in Switzerland Viollier AG, launches ^{m}SEPT9 testing service in Switzerland on July 1, 2009. The test is the first blood test ever for colorectal cancer detection offered in Europe. As the first laboratory network, Swiss Viollier AG, will offer the test to patients, general practitioners and gastroenterologists. In addition to this first European launch of testing services, we expect several German laboratories to start offering ^{m}SEPT9 testing by year-end. We also expect Quest Diagnostics, who have made solid progress in test-development during H1 2009, to launch a laboratory-developed test version of ^{m}SEPT9 in the U.S.A. in due course. Moreover, we expect our collaboration partner Abbott Molecular (Abbott) to launch the test as a CE-marked IVD kit in Europe in Q4 of 2009. Finally, given the excellent progress during the first six months of 2009, we expect to get initial data from our PRESEPT clinical study by year-end 2009.

Furthermore, in the course of the second quarter of 2009, we attended several conferences in the U.S.A. and in Europe presenting data from our clinical studies validating ^{m}SEPT9 and also reporting on the progress of our PRESEPT trial for our blood-based test for colorectal cancer. These presentations received very positive feedback from key opinion leaders in the U.S.A. and in Europe. In June 2009, we reported in a poster presentation during this year's Digestive Disease Week (DDW) in Chicago, IL, U.S.A. In addition, during this year's European Society for Medical Oncology (ESMO) Conference: 11th World Congress on Gastrointestinal Cancer in Barcelona, Spain, we reported in a poster presentation on the status and performance of our blood-based test for colorectal cancer in several clinical studies. The European Society for Medical Oncology (ESMO) is the leading European non-profit professional organization for medical oncology with a focus on promoting multidisciplinary cancer treatment around the world. We presented an overview on Epigenomics' latest clinical performance and validation work for the ^{m}SEPT9 biomarker, in particular on the results from two clinical studies with several hundred patients successfully completed in 2008, to demonstrate the performance of the ^{m}SEPT9 biomarker in detecting colorectal cancer in blood samples. The study results were also published in April in a peer-reviewed publication in Clinical Chemistry titled "Circulating Methylated Septin 9 DNA in Plasma is a Biomarker for Colorectal Cancer".

Moreover, in May 2009, Epigenomics announced that the German Federal Ministry of Education and Research (BMBF – Bundesministerium für Bildung und Forschung) issued a grant for a clinical research project for the early detection of colorectal cancer, which will be realized by an alliance of scientists from the 2nd Medical Clinic of the university hospital rechts der Isar of the Munich Technical University, the Association of Statutory Health Insurance Doctors in Bavaria (KVB – Kassenärztliche Vereinigung Bayerns), and Epigenomics AG. The total project budget is expected to sum up to around EUR 1.3 million. The project aims at developing a novel blood test that, in addition to its ability to detect colorectal cancer, can also detect precursors of the disease, so-called adenomas and polyps.

At this year's ASCO (American Society of Clinical Oncology) conference in Orlando, FL, U.S.A., which took place on May 31, 2009, we presented clinical data from our study validating the ^{m}PITX2 biomarker in a prognostic setting in prostate cancer. The data was shown in a poster presentation titled "PITX2 methylation and biochemical recurrence in post-radical prostatectomy prostate cancer patients".

In the second quarter of 2009, our company received Rule 71 (3) notification stating that the European Patent Office intends to grant two patents for Epigenomics' PITX2 DNA methylation biomarker (^{m}PITX2). This notification is equivalent to a "Notice of Allowance" by the United States Patent and Trademark Office. Patent EP1831399 covers very broadly the use of Epigenomics' ^{m}PITX2 biomarker in the prognosis of prostate cancer. The second patent EP1554407 covers the use of ^{m}PITX2 in the prediction of the response of breast cancer patients to adjuvant antihormonal therapy. Equivalent patent applications are also pending in the U.S.A., in Japan, Australia and Canada.

Highlights of a very successful first half of 2009:

Colorectal Cancer

- Progressed PRESEPT colorectal cancer clinical study according to plan.
- Signed a strategic research and development collaboration agreement for our blood-based colorectal cancer test with Sysmex Corporation, Japan.
- Announced launch of ^{m}SEPT9 blood testing service for colorectal cancer early detection by the Swiss diagnostic laboratories Viollier AG on July 1, 2009.
- Delivered prototype ^{m}SEPT9 colorectal cancer blood test to Abbott, so that they can continue on track towards a Q4 2009 product launch in Europe.
- Awarded new third-party research grant by the German Federal Ministry of Education and Research for colorectal cancer and polyp detection research.

Lung & Prostate Cancer

- Finalized clinical evaluation of ^{m}SHOX2 lung cancer biomarker and initiated product development.
- ^{m}PITX2 biomarker testing now available under Early Access Program in Germany.
- Expanded our Quest Diagnostics licensing deal to include our proprietary ^{m}GSTP1 biomarker for prostate cancer.
- Entered into a non-exclusive licensing agreement for ^{m}GSTP1 with U.S.-based Predictive Biosciences Inc.

Corporate

- Received allowances for key patents in Europe.
- Obtained ISO 13485 certification for our quality management system.
- Placed new shares in a PIPE (private investment in public equity) transaction at a premium.
- Held Annual General Shareholders' Meeting successfully. All resolutions approved with vast majority.

Research and Development

During the first half of 2009, our R&D activities constantly focused on executing the PRESEPT colorectal cancer screening study. The PRESEPT Study is a multicenter study to characterize the clinical performance of ^{m}SEPT9 and its health economic benefit in a U.S. colorectal cancer screening-guideline-eligible population. It enrolls individuals who have an average or increased disease 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.

Within the study in the U.S.A. and in Germany, the 22 initiated clinical sites have enrolled a total of 4,906 subjects into the study by the end of H1 2009. In line with our expectations, we had already identified about two thirds of the 50 expected cases by colonoscopy with previously undetected colorectal cancers at the end of H1 2009. The PRESEPT Study is a great step forward in the realization of our vision of detecting cancers based on ^{m}SEPT9 with a standard blood test. We expect initial data to be available by the end of the year 2009.

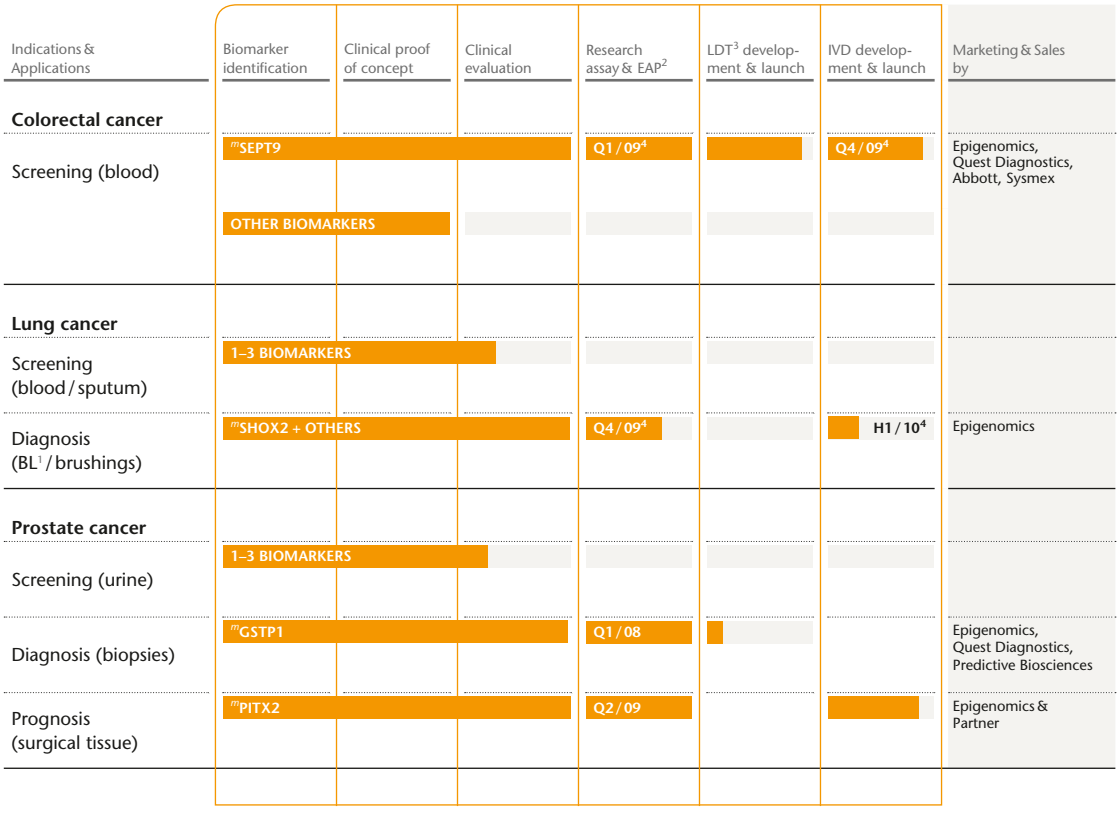
In the second quarter of 2009, we have successfully obtained ISO 13485 certification for our quality management system. This certification was granted for both our headquarters in Berlin, Germany, and our wholly owned subsidiary Epigenomics, Inc. in Seattle, WA, U.S.A., for the design, development, manufacture and distribution of in vitro diagnostic (IVD) products. This corporate milestone demonstrates our commitment to implementing and applying a quality management system conforming to the international quality management standard for medical devices that also includes IVD products such as Epigenomics' tests for colorectal, lung, and prostate cancer indications.

Product development pipeline

In all of our product development programs and commercial partnerships, we have made progress according to our plans.

After the launch of ^{m}SEPT9 testing by Swiss Viollier in July, we expect further European laboratories as well as Quest Diagnostics in the US to start offering ^{m}SEPT9 LDTs in the second half of 2009. Furthermore, it is expected that our Partner Abbott will launch its ^{m}SEPT9 IVD test kit for broad commercialization in Europe in Q4 2009.

Our lung cancer bronchial lavage test we intend to commercialize in Europe in H1 2010 ourselves with our own sales and marketing organization. Furthermore, our ^{m}PITX2 prostate cancer prognostic assay is now available under an Early Access Program in Europe.



[1] Bronchial lavage [2] Early Access Program [3] Laboratory-developed test

[4] Epigenomics' management estimates for earliest possible product launch

Financial highlights

Revenue for the first six months of 2009 increased by more than 37% to EUR 2.1 million, from EUR 1.5 million in the same period of 2008. H1 revenue was generated from continued and newly signed collaborations and licensing agreements in the form of R&D payments, licensing fees, royalty income, reimbursements and product sales from our Research-Use-Only (RUO) kits. EBIT for H1 2009 of EUR -4.8 million showed a 19% improvement over EBIT for the corresponding period in 2008 of EUR -5.9 million. Overall, operating costs during the first six months of 2009 decreased by a further 8% to EUR 7.2 million, compared to the same period in 2008 (EUR 7.9 million).

Short-term liquidity as of June 30, 2009, at EUR 12.1 million remained at the very same level as at year-end 2008. Cash consumption from operating activities as well as from investment in tangible and intangible assets was thus compensated by cash inflow from the capital increase realized in February 2009.

Our Stock

Trading volume in Epigenomics' stock increased during Q2 2009 from an average of approximately 9,300 shares a day in Q1 2009 to just over 12,000 shares per day. The share price closed at its peak of EUR 2.95 at the end of Q2 2009 on Frankfurt Stock Exchange's Xetra system after a volatile second quarter, up 62% compared to the end of Q1 2009 (EUR 1.82) and up 52% from our capital increase in Q1 2009 (EUR 1.94). This marks the highest share price at the end of a reporting quarter since Q2 2007.

During H1 2009, a total of 2,671,088 new shares were issued from Authorized Capital 2008/I as part of the capital increase in February 2009.

Key data on Epigenomics' stock (as of June 30, 2009)

Ticker	ECX
Exchange:	Frankfurter Wertpapierbörse, Amtlicher Markt (Prime Standard)
Security code number:	A0BVT9
ISIN:	DE000A0BVT96
Shares outstanding:	29,394,724
Price range in H1 2009:	EUR 1.57 - 2.95 (Xetra closing prices)
Analyst coverage:	Midas Research: Thomas Schießle
	fairesearch: Dr. Martin Schnee

Financials

Financial position and cash flow

In the first half of 2009, Epigenomics' cash flow and its financial position were mainly affected by the continued net cash consumption from operating activities as well as by the successful PIPE financing transaction. Overall, the financial position in H1 2009 has developed according to plan and, as of June 30, 2009, liquid assets amounting to EUR 12.1 million were at the same level as of December 31, 2008.

Cash outflow from operating activities in H1 2009 totalled EUR 5.3 million. Cash inflow from investing activities amounted to EUR 0.4 million, primarily due to a redemption of marketable securities. Cash flow from financing activities was positive at EUR 5.1 million, due to the capital increase in February 2009. The overall result was a positive net cash flow in H1 2009 of EUR 0.2 million.

Results of operations

In Q2 2009, revenue increased to EUR 835 thousand from EUR 595 thousand in the comparable period of 2008. This 40% improvement is mainly attributable to the progress made in our collaboration with Abbott as well as to revenue recognition under the Philips and Sysmex collaboration agreements. Our commercial R&D activities contributed revenue of EUR 529 thousand, whereas our licensing business generated a revenue share of EUR 306 thousand.

Cost of sales increased as expected from EUR 305 thousand in Q2 2008 to EUR 527 thousand in Q2 2009, mainly as a result of increased collaboration-driven product development expenses within our cooperation with Abbott and Philips and due to sample costs within our agreement with Abbott. We generated a gross profit of EUR 308 thousand – an increase of 6% compared to EUR 290 thousand in Q2 2008.

Other income decreased from EUR 325 thousand in Q2 2008 to EUR 139 thousand in Q2 2009, mainly due to lower income from the reversal of provisions.

R&D costs dropped by 30% from EUR 2,332 thousand in the second quarter of 2008 to EUR 1,632 thousand in Q2 2009, primarily resulting from increased resource allocation to our commercial cooperation projects and a corresponding increase in cost of sales as well as from the closing of all laboratory operations in Seattle at the end of the second quarter of 2008.

Marketing and business development costs increased by 10% from EUR 243 thousand in Q2 2008 to EUR 267 thousand in Q2 2009 due to our increased activities for the preparation of a test launch for a colorectal cancer blood test.

General and administrative costs decreased by 9% from EUR 877 thousand in Q2 2008 to EUR 799 thousand in Q2 2009.

In the reporting period, other expenses increased considerably to EUR 205 thousand against previous year (Q2 2008: EUR 97 thousand), mainly as a result of foreign exchange rate effects.

EBIT amounted to EUR -2,456 thousand in Q2 2009. Thus, our operating result has improved by almost 16% compared to an EBIT of EUR -2,934 thousand in Q2 2008, due to the ongoing strict fiscal discipline.

Our net loss for the period improved by more than 13% from EUR 2,764 thousand in Q2 2008 to EUR 2,393 thousand in Q2 2009.

Net assets position

Epigenomics' balance sheet total increased from EUR 20.3 million as of December 31, 2008, to EUR 20.9 million as of June 30, 2009. As a result of the PIPE transaction, which took place in February 2009, cash and cash equivalents increased and compensated the net consumption of liquidity from operating activities.

Total non-current net assets have decreased from EUR 5.9 million at year-end 2008 to EUR 5.6 million at the end of June 2009, to a large degree as a result of regular depreciation.

During H1 2009, total current assets grew from EUR 14.4 million as of December 31, 2008, to EUR 15.2 million.

Our subscribed capital increased from EUR 26.7 million as of December 31, 2008, to EUR 29.4 million as of June 30, 2009, and simultaneously the capital reserve from EUR 3.6 million to EUR 6.1 million, mostly attributable to the capital surplus of the PIPE financing transaction in February 2009.

The equity ratio improved slightly from 81.7% at the end of 2008 to 82.6% as of June 30, 2009.

Employees

	Berlin	Seattle	Total
Number of employees as of June 30, 2009	**63**	**18**	**81**
Number of employees as of December 31, 2008	70	20	90
Number of employees as of June 30, 2008	70	26	96

As of June 2009, the Epigenomics Group employed a total staff of 81, a substantial decrease compared to the 96 staff number a year ago. At the end of the second quarter of 2009, Epigenomics AG in Berlin employed 63 and the subsidiary in Seattle – Epigenomics, Inc. – employed 18 people.

The reason for the significant decrease in the number of employees was the organizational development and strong focus on execution resulting in more streamlined operations in Berlin and Seattle.

Supplementary Report

The following events occurred after the end of the reporting period:

On July 20, 2009, we announced, that following a strategic agreement signed with DxS Ltd. (DxS) Manchester, U.K., in January 2008, we now cross-licensed certain technologies enabling both companies to develop and commercialize in vitro diagnostic (IVD) products based on DNA methylation that utilize DxS' proprietary Scorpions® technology. Under the terms of this agreement, we had obtained worldwide non-exclusive rights to DxS' Scorpions® technology for R&D use and research kits, as well as an option to expand the license to the in vitro diagnostics field. In return, DxS received an option for a worldwide non-exclusive research and IVD license to certain Epigenomics intellectual property covering the use of Scorpions® technology for DNA methylation applications. Both Epigenomics and DxS have acquired the right to sublicense the respective technologies.

Corporate Governance

Epigenomics' ordinary Annual General Shareholders' Meeting (AGM) took place in Berlin on May 11, 2009, with over 73% of the shares present or represented at the meeting. A majority of 96.17% of the shareholders present or represented at our AGM approved the creation of a new Authorized Capital 2009/I. Therefore, the Executive Board is now authorized until May 10, 2014, to increase with the consent of the Supervisory Board the share capital of the Company once or several times by up to EUR 2.94 million against contribution in cash and/or in kind by issuing new non-par value bearer shares.

A majority of 93.85% of the shareholders at our AGM approved the creation of a new Authorized Capital 2009/II. The Executive Board is now authorized until May 10, 2014, to increase with the consent of the Supervisory Board the share capital of the Company once or several times by up to EUR 11.76 million against contribution in cash and/or in kind by issuing new non-par value bearer shares.

Furthermore, shareholders at our AGM approved with great majority the revocation of the Conditional Capital I and the revocation of the authorization of the Executive Board to issue convertible bonds from the Conditional Capital VI.

A majority of 93.79% of the shareholders at our AGM approved the authorization to issue stock options in connection with the Stock Option Program 09-13 and the creation of a new Conditional Capital VII in order to be able to deliver shares upon exercise of the stock options issued under this program.

A huge majority of the shareholders present or represented at our AGM re-elected all six members of the Supervisory Board. The new term of office of the Supervisory Board members expires with the end of the AGM in 2012.

No lawsuits have been filed against any points of our AGM agenda.

Through the creation of an authorized capital and a conditional capital, we have expanded the options to finance our product development and the commercialization of our most advanced products as well as for our R&D activities and the future corporate development.

The resolutions taken at the AGM were registered with the commercial register (Handelsregister) on June 17, 2009.

Opportunities and Risks

Our opportunities and risks result from the following categories:

- business-related opportunities and risks,
- IP-related opportunities and risks,
- regulatory opportunities and risks,
- financial opportunities and risks,
- other opportunities and risks.

In the first half of 2009, opportunities and risks, which we are exposed to as described in the management report published with the consolidated financial statements 2008, have not changed significantly.

However, the extreme volatility of and the turmoil on the global financial markets have created an environment that could lead to increased risk levels – not only in the short-term perspective – with respect to the ability to raise additional capital as well as to liquidate some of the securities held for treasury purposes at short notice at acceptable market prices. Also, there is a high likelihood that we will not see the fundamentally solid progress in our research, product development, commercial partnerships and alliances being reflected in short-term stock price increase as some institutional investors are under tremendous pressure to liquidate high-risk positions or to compensate the unusual high cash outflow by the sale of their investments. The uncertainty on the global financial markets could lead to a situation where riskier small cap stocks are most affected by a more conservative stance of investors.

The successful capital increase in February 2009 as well as the deals signed with Sysmex Corporation and Quest Diagnostics Inc. can be seen as risk-mitigating factors with regard to our business-related and financial risks. Moreover, through the creation of Authorized Capital 2009/I and Authorized Capital 2009/II by the vast majority of shareholders at our AGM held on May 11, 2009, we have significantly expanded our strategic and tactical options to finance product development and commercialization of our most advanced product – a blood-based molecular diagnostic test for early detection of colorectal cancer – as well as clinical R&D in our lung and prostate cancer programs.

Prognosis Report for H2 2009

In H2 2009, our focus will continue to be on driving our colorectal cancer blood test based on ^{m}SEPT9 through the final stages of clinical validation and product development. Therefore, significant parts of our operational activities in the second half of 2009 will continue to be directed towards executing the PRESEPT Study and delivering clinical results from that trial.

We will continue working with Abbott to support them in completing the final phases of their product development with the strategic goal of having Abbott launch a CE-marked IVD test kit for colorectal cancer screening based on ^{m}SEPT9 in Europe in Q4 of 2009. Independent of that, we will strive to broaden the number of laboratories in Europe and the U.S.A. that offer ^{m}SEPT9 testing either using our RUO kits (Europe) or developing LDTs (U.S.A.). We expect that the first launch of the test in July 2009, by Swiss laboratory Viollier will strongly support our sales and marketing activities in this direction.

The key strategic focus in our marketing and business development activities in 2009 and 2010 will be on closing additional non-exclusive licensing deals for CRC screening and ^{m}SEPT9 – along the lines of the deal already concluded with Sysmex Corporation in Q1 2009. We will carefully coordinate the timing of any future ^{m}SEPT9 deals with expected results from the PRESEPT Study as well as the expected Abbott product launch in Europe. Our goal is to maximize value to Epigenomics in any future licensing deals for ^{m}SEPT9.

Our R&D activities will be focused on progressing programs in our current product pipeline in colorectal, lung and prostate cancer.

Management continues to expect an increase in revenue to over EUR 3 million for fiscal 2009 to come from our partnering activities in diagnostics as milestones are expected to be reached (e.g. CE-marked Septin 9 kit launch by Abbott, Quest LDT launch), as RUO kit sales for our ^{m}SEPT9, ^{m}PITX2 and ^{m}GSTP1 kits start getting some traction, and as revenue from new partnerships comes into play. As the bulk of the PRESEPT expenses will influence 2009 operating expenses, we expect EBIT and net loss for 2009 to correspond to 2008 actuals despite the increased revenue. Cash burn for fiscal 2009 should be at a very similar level compared to 2008, i.e. at around EUR 10 million.

Overall, we are very excited about the progress made in terms of product development, commercial partnerships and commercialization. We remain committed to delivering on our goals and milestones, and, in the process, to build value.

Interim Consolidated Financial Statements as of June 30, 2009

Group Income Statement – unaudited

for the period from January 1 to June 30, 2009

EUR thousand	Q2 2008	Q2 2009	H1 2008	H1 2009
Revenue	**595**	**835**	**1,511**	**2,077**
Cost of sales	-305	-527	-465	-1,478
Gross profit	**290**	**308**	**1,046**	**599**
Other income	325	139	464	392
Research and development costs	-2,332	-1,632	-4,736	-3,391
Marketing and business development costs	-243	-267	-468	-479
General and administrative costs	-877	-799	-1,794	-1,636
Other expenses	-97	-205	-400	-252
Operating result (EBIT)	**-2,934**	**-2,456**	**-5,888**	**-4,767**
Interest income	235	68	376	132
Interest expenses	-7	-1	-15	-8
Other financial result	5	3	12	14
Net loss for the period before taxes on income	**-2,701**	**-2,386**	**-5,515**	**-4,629**
Taxes on income	-63	-7	-117	-184
Net loss for the period	**-2,764**	**-2,393**	**-5,632**	**-4,813**
Earnings per share (basic and diluted) in EUR	**-0.10**	**-0.08**	**-0.22**	**-0.17**

Statement of income and expenses recognized in Group Equity – unaudited

EUR thousand	Q2 2008	Q2 2009	H1 2008	H1 2009
Net loss for the period	**-2,764**	**-2,393**	**-5,632**	**-4,813**
Fair value adjustments of securities	-106	216	-187	253
Total income and expenses recognized in Group equity	**-106**	**216**	**-187**	**253**
Total comprehensive income	**-2,870**	**-2,177**	**-5,819**	**-4,560**

Group Balance Sheet – unaudited

as of June 30, 2009

ASSETS EUR thousand	Dec 31, 2008	June 30, 2009
Non-current assets		
Intangible assets	4,536	4,527
thereof goodwill	*2,625*	*2,625*
Tangible assets	692	626
Deferred taxes	629	461
Total non-current assets	**5,857**	**5,614**
Current assets		
Inventories	125	111
Trade receivables	727	1,102
Marketable securities	2,286	2,027
Cash and cash equivalents	9,814	10,050
Other current assets	1,474	1,947
Total current assets	**14,426**	**15,237**
Total assets	**20,283**	**20,851**
EQUITY AND LIABILITIES EUR thousand		
Equity		
Subscribed capital	26,724	29,395
Capital reserve	3,567	6,114
Retained earnings	0	-12,271
Net loss for the period	-12,271	-4,813
Other comprehensive income	-1,452	-1,199
Total equity	**16,568**	**17,226**
Non-current liabilities		
Liabilities from leasing contracts	38	24
Total non-current liabilities	**38**	**24**
Current liabilities		
Trade payables	1,027	1,112
Liabilities from leasing contracts	28	28
Deferred income	1,254	994
Other liabilities	887	751
Provisions	481	716
Total current liabilities	**3,677**	**3,601**
Total equity and liabilities	**20,283**	**20,851**

Group Cash Flow Statement - unaudited

for the period from January 1 to June 30, 2009

EUR thousand	H1 2008	H1 2009
Cash and cash equivalents at the beginning of the period	**6,646**	**9,814**
Operating activities		
Net loss for the year before taxes on income	**-5,515**	**-4,629**
Corrections for:		
Depreciation on tangible assets	232	181
Amortization of intangible assets	224	118
Losses from the disposal of assets	0	1
Stock option expenses	123	62
Interest income	-376	-132
Interest expenses	15	8
Taxes	-146	-46
Operating result before changes in net current assets	**-5,443**	**-4,437**
Increase in trade receivables and other current assets (H1 2008: decrease)	1,774	-885
Decrease in inventories	136	15
Decrease in current liabilities	-1,334	-150
Liquidity earned from operating activities	**-4,868**	**-5,457**
Interest received	386	169
Cash flow from operating activities	**-4,482**	**-5,288**
Investing activities		
Payments for investments in tangible assets	-31	-106
Payments for investments in intangible assets	-54	-12
Proceeds from the sale of marketable securities	0	500
Proceeds from the divestment of financial assets	1,000	0
Cash flow from investing activities	**915**	**382**
Financing activities		
Payments for the creation of new shares	-2,037	-26
Proceeds from the issue of new shares	13,533	5,182
Payments for lease financing	-5	-14
Cash flow from financing activities	**11,491**	**5,142**
Cash flow total	**7,924**	**236**
Cash and cash equivalents at the end of the period	**14,570**	**10,050**

Statement of Changes in Group Equity – unaudited

as of June 30, 2009

EUR thousand	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**
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	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2008	**26,724**	**3,567**	**-12,271**	**0**	**-1,452**	**16,568**
Total comprehensive income	**0**	**0**	**0**	**-4,813**	**253**	**-4,560**
Stock-based compensation	0	62	0	0	0	62
Capital increase from issue of shares	2,671	0	0	0	0	2,671
Premium from issue of shares	0	2,511	0	0	0	2,511
Financing costs	0	-26	0	0	0	-26
June 30, 2009	**29,395**	**6,114**	**-12,271**	**-4,813**	**-1,199**	**17,226**

Notes to the Q2 / H1 2009 Consolidated Financial Statements

Basic Information, 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, 2009, as mandatory applicable in the European Union. Further, these statements are in accordance with German Accounting Standards (GASs) under consideration of GAS 16 Interim Financial Reporting. New standards adopted by the IASB and/or the German Accounting Standards Committee (GASC) apply from the date on which they came into effect. A critical review of this interim report was performed by the Company's auditors.

The reporting period as defined in these interim consolidated financial statements is the period from January 1, 2009, to June 30, 2009. The reporting currency is the euro.

In the reporting period, the Group has applied the revised standard IAS 1 – Presentation of financial statements, as issued by the IASB in September 2007, for the first time. Furthermore, in the reporting period, IFRS 8 – Operating segments, has become effective on January 1, 2009. This standard has no impact on the Group's accounting.

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, 2008, 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, 2008. The consolidation, accounting and valuation principles presented in those statements were still valid during the reporting period unless explicitly mentioned otherwise below.

All intercompany transaction results, revenue, expenses, profits, receivables, and payables between the Group companies are eliminated in full on consolidation.

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, 2008	June 30, 2009
EUR/USD	1.3917	1.4134
EUR/GBP	0.95250	0.85210
AVERAGE RATES	**H1 2008**	**H1 2009**
EUR/USD	1.5444	1.33792
EUR/GBP	0.77952	0.89002

Notes to the Group Income Statement

Revenue

Revenue in Q2 2009 of EUR 835 thousand (Q2 2008: EUR 595 thousand) stems from the following sources:

EUR thousand	Q2 2008	in % of total	Q2 2009	in % of total	H1 2008	in % of total	H1 2009	in % of total
R&D payments	320	53.8	464	55.6	510	33.8	1,300	62.6
Licensing and royalty income	247	**41.6**	306	36.6	602	39.8	657	31.6
Reimbursements	28	4.6	53	6.4	399	26.4	103	5.0
Other	0	0.0	12	1.4	0	0.0	17	0.8
Total	**595**	**100.0**	**835**	**100.0**	**1,511**	**100.0**	**2,077**	**100.0**

Gross profit/Gross margin

The gross profit in Q2 2009 of EUR 308 thousand (Q2 2008: EUR 290 thousand) equals a gross margin of 36.9% (Q2 2008: 48.7%).

Other income

EUR thousand	Q2 2008	Q2 2009	H1 2008	H1 2009
Exchange gains from currency conversion	38	10	52	223
Corrections of invoices of the previous year	0	67	0	80
Income from the sale of assets	0	31	19	31
Income from subleasing	14	5	29	21
Third-party research grants	36	21	79	21
Recoveries and refunds	15	4	35	15
Income from reversal of provisions	220	0	247	0
Other	2	1	3	1
Total	**325**	**139**	**464**	**392**

Cost analysis

Q2 2008

EUR thousand	Materials/ consumables	Depreciation and amortization	Personnel 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 2009

EUR thousand	Materials/ consumables	Depreciation and amortization	Personnel costs	Other costs	Capitalized development costs	Total
Cost of sales	177	21	65	264	0	527
R&D costs	151	107	930	444	0	1,632
M&BD costs	12	3	152	100	0	267
G&A costs	4	13	415	367	0	799
Total	**344**	**144**	**1,562**	**1,175**	**0**	**3,225**

H1 2008

EUR thousand	Materials/ consumables	Depreciation and amortization	Personnel 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 2009

EUR thousand	Materials/ consumables	Depreciation and amortization	Personnel costs	Other costs	Capitalized development costs	Total
Cost of sales	363	50	151	914	0	1,478
R&D costs	354	**216**	1,886	935	0	3,391
M&BD costs	18	7	297	157	0	479
G&A costs	5	26	842	763	0	1,636
Total	**740**	**299**	**3,176**	**2,769**	**0**	**6,984**

Personnel costs

EUR thousand	Q2 2008	Q2 2009	H1 2008	H1 2009
Personnel remuneration	1,743	1,340	3,356	2,719
Stock option expenses	63	33	**123**	62
Social security expenses	209	189	468	395
Total personnel costs	**2,015**	**1,562**	**3,947**	**3,176**

The number of employees as of June 30, 2009, amounted to 81 (December 31, 2008: 90; June 30, 2008: 96).

Other expenses

EUR thousand	Q2 2008	Q2 2009	H1 2008	H1 2009
Exchange losses from currency conversion	38	204	291	250
Write-down of doubtful receivables	0	0	45	0
Other	59	1	64	2
Total	**97**	**205**	**400**	**252**

Operating result (EBIT) and EBITDA

In the reporting period, the recorded operating result before interest and taxes (EBIT) and the operating result before interest, taxes, depreciation and amortization (EBITDA) improved as follows:

EUR thousand	Q2 2008	Q2 2009	variance in %	H1 2008	H1 2009	variance in %
EBIT	**-2,934**	**-2,456**	**16.3**	-5,888	**-4,767**	**19.0**
Depreciation	88	86	2.3	232	181	22.0
Amortization	111	58	47.7	224	118	47.3
EBITDA	**-2,736**	**-2,312**	**15.5**	**-5,432**	**-4,468**	**17.7**

Financial result

EUR thousand	Q2 2008	Q2 2009	H1 2008	H1 2009
Interest and related income	235	68	376	132
Other financial income	6	4	14	27
Total financial income	**241**	**72**	**390**	**159**
Interest expenses	-7	-1	-15	-8
Other financial expenses	-1	-1	-2	-13
Total financial expenses	**-8**	**-2**	**-17**	**-21**
Total financial result	**233**	**70**	**373**	**138**

Taxes on income

Income taxes of EUR 7 thousand had to be recorded exclusively for the U.S. subsidiary Epigenomics, Inc. in Q2 2009 (Q2 2008: EUR 63 thousand). The amount comprised merely state and local taxes of Epigenomics Inc.

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 period.

	Q2 2008	Q2 2009	H1 2008	H1 2009
Net loss for the period in EUR thousand	-2,764	-2,393	-5,632	-4,813
Weighted-average number of shares issued	26,710,886	29,394,724	25,301,209	28,949,543
Earnings per share (basic and diluted) in EUR	**-0.10**	**-0.08**	**-0.22**	**-0.17**

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 29,394,724.

Notes to the Group Balance Sheet

Non-current assets

During H1 2009, non-current assets decreased by EUR 243 thousand, mainly due to amortization of intangible assets and depreciation of fixed assets, overcompensating the new capital expenditures.

Deferred tax assets decreased to EUR 461 thousand during H1 2009 (Dec 31, 2008: EUR 629 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 first six months of 2009 by EUR 811 thousand. This is mainly an impact of the cash inflow following the Company's capital increase realized in February 2009.

Trade receivables amounted to EUR 1,102 thousand (Dec 31, 2008: EUR 727 thousand). The increase of EUR 375 thousand is mainly due to increased trade receivables based on the collaboration with the Company's partners.

Equity

The increases in the share capital from EUR 26,724 thousand as of Dec 31, 2008, to EUR 29,395 thousand as of June 30, 2009, and in the capital reserve from EUR 3,567 thousand as of Dec 31, 2008, to EUR 6,114 thousand as of June 30, 2009, were almost exclusively a result of the capital increase in February 2009, when 2,671,088 new shares were issued at a price of EUR 1.94 each.

Current liabilities

Current liabilities decreased from EUR 3,677 thousand as of December 31, 2008, by EUR 76 thousand to EUR 3,601 thousand as of June 30, 2009.

Deferred income decreased to EUR 994 thousand as of June 30, 2009 (Dec 31, 2008: EUR 1,254 thousand). It includes income from commercial R&D collaborations, which amounted to EUR 908 thousand, whereas deferred income from granted projects amounted to EUR 86 thousand. Deferred income in the amount of EUR 325 thousand as of June 30, 2009 (Dec 31, 2008: EUR 597 thousand), which will be recognized as revenue, has a duration exceeding twelve months. This corresponds to our usual licensing business cycle.

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.

Other Information

Information on other transactions with related parties

Epigenomics has a consulting agreement in place with its former CSO, Dr. Kurt Berlin, to advise the Company on scientific, technological, licensing and IP-related matters. Under the agreement, Dr. Berlin has received a net amount of EUR 59 thousand for his services in H1 2009, whereas EUR 40 thousand are related to a one-time bonus from 2008 and EUR 8 thousand to an invoice for his services from December 2008. In the first half of 2009, expenses amounted to EUR 22 thousand.

Changes in stock options

No stock options were granted or exercised in Q2 2009. In H1, a total of 70,000 stock options were granted to the members of the Company's Executive Board and 30,000 stock options were granted to employees of the Company, in each case under the stock option program 06-10. The total number of stock options held by the members of the Executive Board as of June 30, 2009, aggregated to 396,613 and the total number of stock options held by other beneficiaries aggregated to 508,502.

Directors' dealings

In the first six months of 2009, no directors' dealings took place.

As of June 30, 2009, CEO Geert Walther Nygaard owned 20,000 shares of the Company and CFO Oliver Schacht, Ph.D., owned 117,050 shares of the Company. The Supervisory Board member Ann Clare Kessler, Ph.D., owned 14,000 shares of the Company.

This half-year financial report has been approved and cleared for publication by the Executive Board of Epigenomics AG on July 31, 2009.

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 as of June 30, 2009 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, July 31, 2009

Geert Walther Nygaard

Oliver Schacht, Ph.D.

Review report

To Epigenomics Aktiengesellschaft, Berlin

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, 2009 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 Epigenomics Aktiengesellschaft´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 aspects, 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 aspects, 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 3, 2009
UHY Deutschland AG Wirtschaftsprüfungsgesellschaft

(Lauer)	(Dr. Peters)
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Corporate Calendar 2009

9-Month Report 2009

Reporting period: January 1 – September 30
Tuesday, November 10, 2009

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This half-year financial report is also available on the Company's website (http//:www.epigenomics.com) in both a German and an English version.

Disclaimer

This half-year financial report expressly or implicitly contains certain forward-looking statements concerning Epigenomics AG and its business. Such statements are not historical facts and sometimes are expressed by the words "will", "believe", "expect", "predict", "plan", "want", "assume" or similar expressions. Forward-looking statements are based on current plans, estimates, prognoses and expectations of the Company and on certain assumptions, and they involve certain known and unknown risks, uncertainties and other factors which could cause the actual results, financial condition, performance or achievements of Epigenomics AG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers of this half-year financial report are explicitly warned not to inadequately trust these forward-looking statements, which are only valid as of the date of this half-year financial report. Epigenomics AG does not intend to and will not undertake to update any forward-looking statements contained in this half-year financial report as a result of new information, future events or otherwise.