epigenomics

6-MONTH REPORT 2010

JANUARY 1 – JUNE 30

GROUP KEY FIGURES

EUR thousand (unless stated otherwise)	Q2 2009 (unaudited)	Q2 2010 (unaudited)	H1 2009 (unaudited)	H1 2010 (unaudited)
Revenue	835	351	2,077	972
Research and development costs	-1,632	-1,708	-3,391	-3,572
Earnings before interest and taxes (EBIT)	-2,456	-2,828	-4,767	-5,433
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-2,312	-2,678	-4,468	-5,128
Net loss for the period	-2,393	-2,795	-4,813	-5,384
Weighted-average number of shares issued (notional par value: EUR 1 each)	29,394,724	44,092,085	28,949,543	36,743,405
Earnings per share (basic and diluted) in EUR	-0.08	-0.06	-0.17	-0.15
Cash flow from operating activities			-5,288	-3,995
Cash flow from investing activities			382	71
Cash flow from financing activities			5,142	30,468
Cash flow total			236	26,544

	Dec 31, 2009 (audited)	June 30, 2010 (unaudited)
Liquid assets at balance sheet date (incl. marketable securities)	6,136	32,291
Total equity at balance sheet date	12,084	37,221
Equity ratio in %	73.9	92.8
Total assets at balance sheet date	16,354	40,121
Share price at balance sheet date in EUR (Xetra)	3.52	2.11
Number of employees at balance sheet date	86	81

FIRST HALF OF 2010 AS OF JUNE 30, 2010

THE FIRST HALF OF 2010 – OVERVIEW

An essential highlight of the first half of 2010 was the completion of our capital increase in April. We raised EUR 33.1 million in gross proceeds and thereby successfully addressed the expected financing need for the next couple of years.

We have continued implementing our intention on further evolving Epigenomics as a product-driven company. To achieve that objective we pursue a dual strategy: We are focusing on driving market acceptance and sales numbers of our blood-based Septin9 test "Epi*pro*Colon" for colorectal cancer early detection on the one hand and rely on our partners' efforts to commercialize their colorectal cancer blood tests based on Septin9 on the other. Our total revenue decreased since H1 2009 comparables had included certain residual revenue from service projects as well as from sample collection activities for Abbott which no longer applied in H1 2010. Cash used in our operating and investing activities excluding transactions in securities ("cash consumption") improved significantly year on year as certain larger one-time cash inflows occurred in H1 2010, which had already been recognized as revenue in 2009.

In May 2010, we announced the signing of a non-exclusive licensing agreement for our proprietary colorectal cancer biomarker Septin9 with Canadian life sciences company Warnex Medical Laboratories ("Warnex"). Thereby we have continued to implement our intention of extending the availability of colorectal cancer blood testing based on Septin9 outside the European market. Under the terms of the agreement, Warnex has obtained the rights to establish a laboratory-developed test for Septin9 and to offer colorectal cancer blood testing services in Canada. Warnex plans to launch the testing service in the next few months. As the first laboratory to offer Septin9 testing in Canada, Warnex enjoys a time-limited head-start period of exclusivity for the Canadian market.

Moreover, in the second quarter of 2010, our strategic position in Germany has been further strengthened by Synlab, a European diagnostic laboratory network with 55 German sites, starting to offer the Epi*pro*Colon test. This additional offering of Septin9 testing by the Synlab network makes this innovative test even more broadly available to doctors and patients in Europe.

On April 24, 2010, we announced that we received a "Notice of Allowance" notification stating that the United States Patent and Trademark Office intended to grant patent protection for our Septin9 DNA methylation biomarker. The patent has actually been issued in the U.S.A. on July 6, 2010. We had received the grant of the corresponding patent in Europe in 2008. The granted patent protection covers a method for the detection and / or classification of colorectal cancer by means of the DNA methylation status of the Septin9 gene.

During the first half of 2010, we have signed a warehousing, logistics and distribution agreement with Arvato AG, a Bertelsmann subsidiary specializing in such services for the diagnostics and healthcare industry. We have thereby put in place a key element of our network and infrastructure for future commercial growth in Europe. We have also retained one of the leading regulatory affairs consulting groups in the U.S.A. with a successful track record of guiding companies through the FDA approval process for cancer molecular diagnostic products. Furthermore, we are currently in negotiation with an experienced contract manufacturer, who we expect to take over all production of our Epi*pro*Colon IVD test kits by the end of this year. The reason for outsourcing this aspect of our manufacturing is to focus on our core competencies.

HIGHLIGHTS OF A SUCCESSFUL FIRST HALF OF 2010

COLORECTAL CANCER

- Introduced a colorectal cancer blood test based on Septin9 in the U.S.A. via our licensing partner Quest Diagnostics, Inc. ("Quest").
- Released successful PRESEPT Study clinical data and presented the study results at this year's Digestive Disease Week ("DDW") in New Orleans, LA, U.S.A.
- Started to offer our Epi*pro*Colon kit through the 55 German sites of the laboratory network Synlab. Our colorectal cancer test Epi*pro*Colon is now available nationwide in Germany and Switzerland.
- Signed a non-exclusive licensing agreement for Septin9 with Canadian Warnex.

LUNG CANCER

- Introduced new lung cancer diagnostic test Epi*pro*Lung BL Reflex Assay at the ongoing 29th German Cancer Congress in Berlin, Germany.
- Completed successfully the pivotal performance evaluation study for Epi*pro*Lung BL Reflex Assay.
- Launched Epi*pro*Lung product in Europe.

CORPORATE

- Placed 14,697,361 new ordinary bearer shares within a public rights offering resulting in gross proceeds of about EUR 33.1 million and thereby successfully addressed the expected financing need for several years.
- Received patents for key technology in Japan and for biomarker in the United States, respectively.
- Successfully held Annual General Shareholders' Meeting in Berlin, Germany. All resolutions approved with vast majority.

RESEARCH AND DEVELOPMENT (R&D)

After the successful finalization and evaluation of data from our PRESEPT Study in the first quarter of 2010 we presented the PRESEPT Study results during this year's DDW in New Orleans in May. PRESEPT was a prospective multicenter clinical study which started in 2008 to evaluate the performance characteristics and health economic benefit of colorectal cancer screening using our Septin9 blood test in a screening population. DDW is the largest and most prestigious conference for gastroenterologists worldwide. The results were presented by Timothy R. Church, Ph.D., University of Minnesota (Minneapolis, MN, U.S.A.), Principal Investigator of the PRESEPT Study, on behalf of the PRESEPT Clinical Study Steering Committee ("CSSC"). The presentation summarized the results obtained from triplicate measurement for the presence of ^{m}SEPT9, which exhibited a sensitivity of 66.7% at a specificity of 88.4% in this cohort. Timothy R. Church, Ph.D., on behalf of the CSSC concluded that this prospective, blinded study validates that a plasma-based marker can be used for diagnosis of preclinical colorectal cancer in asymptomatic individuals.

On June 23, 2010, we announced that we successfully completed the pivotal performance evaluation study for our Epi*pro*Lung BL Reflex Assay, a lung cancer diagnostic test. The test determines the DNA methylation status of the SHOX2 gene in bronchial lavage material routinely obtained during the clinical workup of patients with suspected lung cancer. Increased DNA methylation of the SHOX2 gene indicates the presence of malignant lung disease. The study has demonstrated that the analytical and clinical performance fulfills the requirements for its intended use as an aid in the diagnosis of lung cancer. This successful performance evaluation meets an important clinical trial milestone as a regulatory prerequisite to CE-marking of in vitro diagnostic products prior to market introduction. The completion of the study paved the way for the European product launch of the Epi*pro*Lung BL Reflex Assay which took place on July 7, 2010 (see "Supplementary Report").

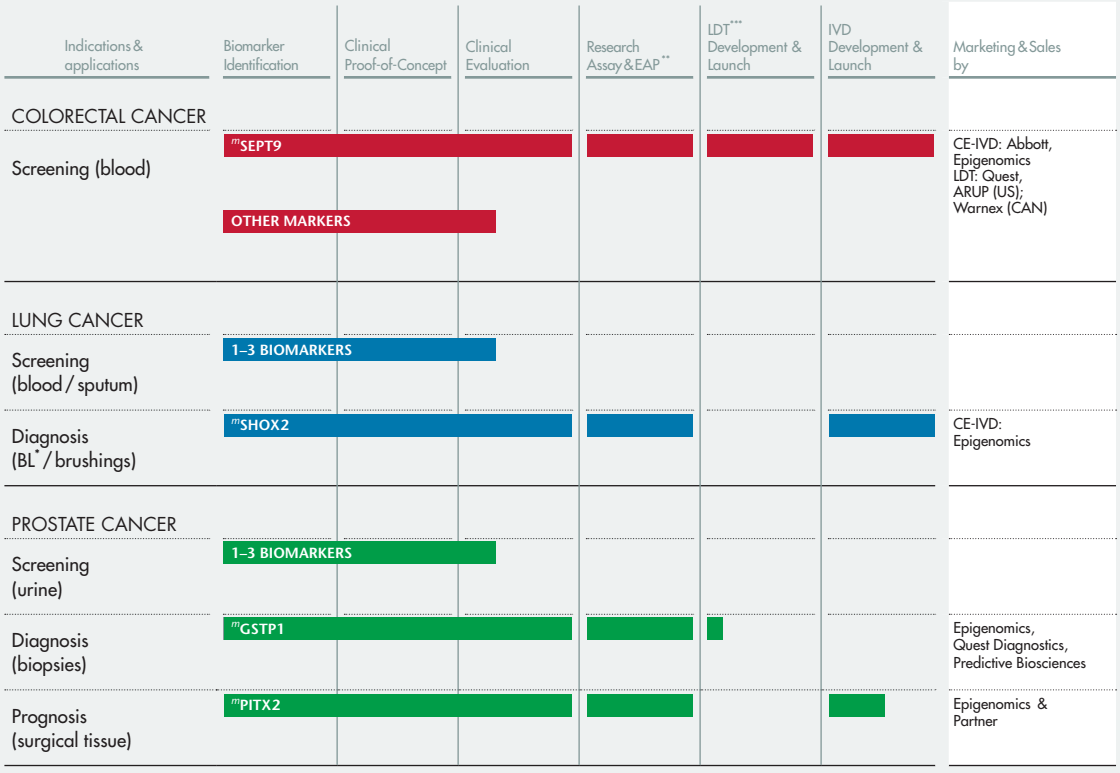
PRODUCT DEVELOPMENT PIPELINE

With the successful completion of the pivotal clinical study of the lung cancer test and its subsequent product launch, Epigenomics now has two commercial-stage products.

The blood test for colorectal cancer based on Septin9 is available in Europe (Epigenomics and Abbott), Asia / Pacific (Abbott) and the U.S.A. (Quest & ARUP). Additionally, we expect our Canadian partner Warnex to start offering ^{m}SEPT9 testing in 2010.

The Epi*pro*Lung BL Reflex assay is marketed by Epigenomics in Europe.

Rights to our prostate cancer biomarker GSTP1 and associated DNA methylation assay technologies have been non-exclusively licensed to Quest as well as to Predictive Biosciences.



* Bronchial lavage

** "Early Access Program"

*** Laboratory-developed test

KEY FINANCIAL DEVELOPMENTS

Revenue for the first six months of 2010 decreased by 53% to EUR 1.0 million, from EUR 2.1 million in the comparable period of 2009. The main reason for this decrease is revenue recognition from non-recurring service projects initiated in 2008 as well as revenue from sample collection under the Abbott collaboration agreement, which had been included in revenue in the first half year of 2009. This shortfall has not been compensated by product sales yet. Neither of these elements contributed to H1 2010 revenue. Revenue in H1 2010 was generated from product sales of our Epi*pro*Colon kits as well as from continued collaboration and licensing agreements in the form of R&D payments and licensing income. EBIT for H1 2010 decreased to EUR -5.4 million compared to EBIT for the corresponding period in 2009 of EUR -4.8 million. This increase in operating losses of 14% was mainly a result of lower revenue recognition. Overall, operating costs during the first six months of 2010 have further decreased by 7% to EUR 6.7 million compared to the same period in 2009 (EUR 7.2 million). This cost reduction has been mostly due to reduced cost of sales as a result of the completion of some of our work packages within our partnerships as well as of the completion of sample collection activities within our collaboration with Abbott.

Short-term liquidity as of June 30, 2010, has improved significantly and amounted to EUR 32.3 million, an increase of EUR 26.2 million from the EUR 6.1 million at year-end 2009 mainly due to the net cash inflow from the capital increase realized in Q1 2010 overcompensating the cash outflow from operating and investing activities excluding securities ("cash consumption").

Cash consumption in H1 2010 of EUR 4.4 million has improved substantially compared to the previous year's EUR 5.4 million mainly due to the inflow of a milestone payment from Abbott in Q1 2010.

OUR STOCK

Trading volume in our stock decreased from an average of over 251,000 shares a day in Q1 2010 to over 183,000 shares a day during Q2 2010. However, it remained at a very high level following the announcement of the presentation of the PRESEPT Study results at DDW in New Orleans, LA, U.S.A., in May 2010. The share price closed at EUR 2.11 (Xetra) on June 30, 2010, after a volatile first half of 2010 with a peak of EUR 3.57 per share compared to EUR 3.52 at year-end 2009.

During the first half of 2010, 14,697,361 new shares were issued from Authorized Capital 2009 / I and Authorized Capital 2009 / II due to our capital increase, which has been settled as of March 31, 2010.

Key data of Epigenomics' stock (as of June 30, 2010)

Ticker	ECX
Exchange	Frankfurter Wertpapierbörse, Regulierter Markt (Prime Standard)
Security code number	A0BVT9
ISIN	DE000A0BVT96
Shares outstanding	44,092,085[1]
Price range in H1 2010	EUR 1.98 – 3.57 (Xetra closing prices)
Analyst coverage	
Midas Research	Thomas Schießle
fairesearch	Dr. Martin Schnee[2] (discontinued coverage on 6 / 30 / 2010)

[1] **The new shares issued on March 31, 2010, were admitted to trading on April 1, 2010.**
[2] **Under the label of Close Brothers Seydler Research AG**

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

In the first half of 2010, our financial position has improved significantly. It was mainly affected by the successful capital increase on the one hand as well as by the continued cash consumption from operating activities on the other hand. Overall, the financial position in H1 2010 has developed very positively and liquid assets amounted to EUR 32.3 million as of June 30, 2010, compared to EUR 6.1 million as of December 31, 2009.

Cash outflow from operating activities in H1 2010 totalled EUR 4.0 million. Cash inflow from investing activities amounted to EUR 0.1 million primarily due to a redemption of a corporate bond previously held under marketable securities. Cash flow from financing activities was positive at EUR 30.5 million, due to the capital increase in March 2010. Therefore, the overall result was a net cash inflow in H1 2010 of EUR 26.5 million, putting Epigenomics in a much stronger overall financial position.

RESULTS OF OPERATIONS

In Q2 2010, revenue decreased by 58% from EUR 835 thousand in Q2 2009 to EUR 351 thousand. This decrease is mainly the result of the completion of work packages within several collaborations, in particular with Abbott and within our biomarker R&D services, in Q2 2009 with no corresponding revenue generation in the reporting quarter.

Cost of sales decreased significantly by 73% from EUR 527 thousand in Q2 2009 to EUR 140 thousand in Q2 2010, mainly due to the completion of sample collection within our collaboration with Abbott which had strongly affected our cost of sales in 2009. Further, the aforementioned completion of some of our work packages within our partnerships has led to a drop of collaboration-driven product development expenses in the second quarter of 2010.

Other income increased by 21% from EUR 139 thousand in Q2 2009 to EUR 168 thousand in Q2 2010, mainly resulting from higher foreign exchange rate gains in the reporting period.

R&D costs increased from EUR 1,632 thousand in the second quarter of 2009 to EUR 1,708 thousand in Q2 2010.

Selling, general and administrative costs increased by 35% from EUR 1,066 thousand in Q2 2009 to EUR 1,445 thousand in Q2 2010 due to intensified marketing and sales activities and technical customer support services for our Epi*pro*Colon colorectal cancer blood test on the one hand as well as due to our preparation activities for a test launch of our second IVD product, the Epi*pro*Lung BL Reflex Assay on the other hand.

In the reporting period, other expenses decreased to EUR 54 thousand compared to the previous year (Q2 2009: EUR 205 thousand), attributable to lower foreign exchange rate losses.

EBIT decreased by 15% and amounted to EUR -2,828 thousand in Q2 2010, as the reduction in revenue could only partially be compensated by an overall decrease in operating costs.

The financial result in Q2 2010 of EUR 41 thousand suffered from a historically low interest rate level despite significantly increased average liquidity compared to Q2 2009 when the financial result had amounted to EUR 70 thousand.

Net loss for the period increased by 17% from EUR 2,393 thousand in Q2 2009 to EUR 2,795 thousand in Q2 2010.

NET ASSETS POSITION

Total non-current assets have increased during the reporting period from EUR 5.7 million at year-end 2009 to EUR 6.0 million at the end of June 2010, to a large degree as a result of the capitalization of development costs for our lung cancer test Epi*pro*Lung BL Reflex Assay, which was launched on July 7, 2010 (see "Supplementary Report").

During H1 2010, total current assets grew from EUR 10.6 million as of December 31, 2009, to EUR 34.1 million. This significant increase mirrors mainly the effect of the capital increase with cash and cash equivalents up by EUR 26.2 million compared to year-end 2009.

Our subscribed capital increased from EUR 29.4 million as of December 31, 2009, to EUR 44.1 million as of June 30, 2010, and simultaneously the capital reserve climbed from EUR 6.2 million to EUR 21.9 million, as a consequence of the capital increase with 14,697,361 new shares placed at a price of EUR 2.25 each.

Therefore, the equity ratio improved from 73.9% at the end of 2009 to 92.8% as of June 30, 2010.

Current liabilities decreased significantly to EUR 2.9 million as of June 30, 2010, from EUR 4.3 million at year-end 2009. This reduction is mainly attributable to the settlement of payables in connection with the preparation of the capital increase.

Epigenomics' balance sheet total rose from EUR 16.4 million as of December 31, 2009, to EUR 40.1 million as of June 30, 2010, basically as a consequence of the capital increase.

Employees	Berlin	Seattle	Total
Number of employees as of June 30, 2010	**66**	**15**	**81**
Number of employees as of December 31, 2009	68	18	86
Number of employees as of June 30, 2009	63	18	81

SUPPLEMENTARY REPORT

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

On July 7, 2010, we announced the launch of our second CE-marked in vitro diagnostic (IVD) product Epi*pro*Lung BL Reflex Assay in Europe. The novel molecular diagnostic test can help pathologists and clinicians to establish the presence of malignancy with more certainty in patients with suspected lung cancer when conventional diagnostic procedures fail or deliver inconclusive results. The clinical utility of the novel test has recently been demonstrated in a performance evaluation study, the final step of IVD product development. The study used specimen collected from individuals that have undergone diagnostic work-up for suspected lung cancer within the Roy Castle Lung Cancer Foundation's Research Program at The University of Liverpool Cancer Research Centre directed by Professor John K. Field. It confirmed previous research studies showing that methylated SHOX2 DNA is a sensitive (81%) and highly specific (95%) biomarker for the detection of lung cancer in bronchial lavage specimen.

On July 21, 2010, we announced that our licensee ARUP Laboratories, Salt Lake City, UT, U.S.A., has launched a laboratory-developed test for the blood-based detection of colorectal cancer on July 20, 2010. The test is based on our proprietary Septin9 biomarker and DNA methylation technologies non-exclusively licensed to ARUP in August 2009. The launch of ARUP's Septin9 test marks another important milestone in our dual business strategy of direct commercialization and non-exclusive licensing and partnering of our proprietary biomarkers and technologies for cancer molecular diagnostics. According to ARUP, their independently developed and validated Septin9 test identifies nine out of ten people with previously undetected colorectal cancer, including those with early-stage disease.

CORPORATE GOVERNANCE

Effective March 31, 2010, Mr. Heino von Prondzynski resigned from his Supervisory Board position at Epigenomics AG, due to taking over an additional mandate as chairman of a Supervisory Board of another company at the beginning of this year.

Epigenomics' ordinary Annual General Shareholders' Meeting (AGM) took place in Berlin, Germany, on June 8, 2010, with over 53% of the shares present or represented at the meeting.

Shareholders at our AGM approved with a great majority the election of Mr. Joseph Anderson, Ph.D., Partner at Abingworth LLP – a main investor in our Company, – to a member of the Supervisory Board. The term of his office will expire with the end of the AGM in 2012.

The resolutions taken at the AGM were registered with the commercial register (Handelsregister) on July 1, 2010.

OPPORTUNITIES AND RISKS

In the first half of 2010, the short- to medium-term financial risks the Company is facing have been significantly reduced, due to the successful completion of the capital increase in March 2010. Further opportunities and risks listed below, which we are exposed to, have not changed significantly as described in the management report published with the consolidated financial statements 2009.

We are still exposed to the opportunities and risks, which result from the following categories:

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

For a comprehensive overview on all risk factors, reference is made to the prospectus published as part of our rights issue in March 2010, which is available for download on our website.

PROGNOSIS REPORT FOR 2010

We intend to build on the encouraging first half of 2010 with EUR 33.1 million gross proceeds from the financing transaction completing the transformation from an R&D-driven organization into a market-driven diagnostics industry player. Focus will be on the commercial execution by our partners and licensees as well as on driving direct product sales in the home markets (Germany, Austria, Switzerland).

We anticipate traction of all Septin9-based tests that are commercially available to increase sales gradually during 2010 and to accelerate our product business in 2011 and beyond. Furthermore, we expect to maintain a solid base of R&D collaboration, licensing- and partnering-based revenue generation which assumes the closing of one additional IVD partnership in 2010. Royalty income from sales of the Abbott RealT*ime m*S9 colorectal cancer assay and Quest's ColoVantage™ testing service should also gradually start to contribute to revenue in 2010 with accelerated growth anticipated for 2011 and beyond. The launch of ARUP's LDT and the expected launch of Warnex's Septin9 testing services in 2010 should also add to royalty income going forward.

The Company intends to market and sell its Epi*pro*Lung test directly in its home markets and work with distributors in other countries. The Company also plans to initiate its own campaign for regulatory approval of the Epi*pro*Colon test in the U.S.A. using the PRESEPT cohort in H2 2010. To that end, Epigenomics has retained the services of DOCRO, Inc., a leading regulatory affairs group and a contract research organization with a proven track record of successful client submissions for both 510k clearance and PMA approvals of molecular diagnostics and oncology products. We also expect our partner Abbott to progress their clinical trial for regulatory approval of their RealT*ime m*S9 colorectal cancer test and to seek such regulatory approval for the United States by 2011.

R&D going forward will focus on enhancement and additional clinical use of our Epi*pro*Colon product. Further, R&D in the colorectal cancer program focuses on enhanced clinical characteristics for colorectal cancer early detection as well as on expansion of the clinical utility into disease monitoring and adenoma detection. Also, Epigenomics strives to develop a next generation biomarker discovery tool based on its proprietary DMH (differential methylation hybridization) array. This new generation would provide significant improvements in terms of number of features analyzed as well as sensitivity for subtle methylation differences.

Financials for the fiscal year 2010 are expected to be characterized by continued fiscal discipline and focus on commercialization. Contrary to our previous expectations we now anticipate 2010 revenue to be below 2009 revenue. For 2010, EBIT is expected to be lower than 2009 at around EUR -12 million. Cash consumption will be closely monitored and should be around EUR 11 to 12 million for 2010.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2010

GROUP INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2010

UNAUDITED

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Revenue	835	351	2,077	972
Cost of sales	-527	-140	-1,478	-310
Gross profit	**308**	**211**	**599**	**662**
Other income	139	168	392	305
Research and development costs	-1,632	-1,708	-3,391	-3,572
Selling, general and administrative costs	-1,066	-1,445	-2,115	-2,767
Other expenses	-205	-54	-252	-61
Earnings before interest and taxes (EBIT)	**-2,456**	**-2,828**	**-4,767**	**-5,433**
Interest income	68	48	132	75
Interest expenses	-1	0	-8	0
Other financial result	3	-7	14	-8
Net loss for the period before taxes on income	**-2,386**	**-2,787**	**-4,629**	**-5,366**
Taxes on income	-7	-8	-184	-18
Net loss for the period	**-2,393**	**-2,795**	**-4,813**	**-5,384**
Earnings per share (basic and diluted) in EUR	-0.08	**-0.06**	**-0.17**	**-0.15**

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN GROUP EQUITY

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2010

UNAUDITED

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Net loss for the period	-2,393	-2,795	-4,813	-5,384
Fair value adjustment of securities	216	-80	253	117
Total income and expenses recognized in Group equity	**216**	**-80**	**253**	**117**
Total comprehensive income	**-2,177**	**-2,875**	**-4,560**	**-5,267**

GROUP BALANCE SHEET AS OF JUNE 30, 2010

UNAUDITED

ASSETS EUR thousand	Dec 31, 2009	June 30, 2010
Non-current assets		
Intangible assets	4,753	4,964
thereof goodwill	*2,625*	*2,625*
Tangible assets	572	569
Deferred taxes	391	458
Total non-current assets	**5,716**	**5,991**
Current assets		
Inventories	160	81
Trade receivables	1,993	377
Marketable securities	2,182	1,793
Cash and cash equivalents	3,954	30,498
Other current assets	2,349	1,381
Total current assets	**10,638**	**34,130**
Total assets	**16,354**	**40,121**

EQUITY AND LIABILITIES EUR thousand	Dec 31, 2009	June 30, 2010
Equity		
Subscribed capital	29,395	44,092
Capital reserve	6,227	21,934
Retained earnings	-12,271	-22,494
Net loss for the period	-10,223	-5,384
Other comprehensive income	-1,044	-927
Total equity	**12,084**	**37,221**
Non-current liabilities		
Liabilities from leasing contracts	9	0
Total non-current liabilities	**9**	**0**
Current liabilities		
Trade payables	2,091	831
Liabilities from leasing contracts	28	24
Deferred income	720	429
Other liabilities	851	817
Provisions	571	799
Total current liabilities	**4,261**	**2,900**
Total equity and liabilities	**16,354**	**40,121**

GROUP CASH FLOW STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2010

UNAUDITED

EUR thousand	H1 2009	H1 2010
Cash and cash equivalents at the beginning of the period	**9,814**	**3,954**
Operating activities		
Net loss before taxes on income	**-4,629**	**-5,366**
Corrections for:		
Depreciation on tangible assets	181	137
Amortization of intangible assets	118	168
Losses from the disposal of assets	1	1
Stock option expenses	62	146
Foreign currency exchange gains	0	-68
Interest income	-132	-75
Interest expenses	8	0
Taxes	-46	-44
Operating result before changes in net current assets	**-4,437**	**-5,101**
Changes in trade receivables and other current assets	-885	-2,892
Changes in inventories	15	79
Changes in current liabilities from operating activities	-150	3,805
Liquidity earned from operating activities	**-5,457**	**-4,109**
Interest received	169	114
Cash flow from operating activities	**-5,288**	**-3,995**
Investing activities		
Payments for investments in tangible assets	-106	-97
Payments for investments in intangible assets	-12	-42
Additions to capitalized development costs	0	-290
Proceeds from the sale of marketable securities	500	500
Cash flow from investing activities	**382**	**71**
Financing activities		
Payments for the creation of new shares	-26	-2,588
Proceeds from the issue of new shares	5,182	33,069
Payments for lease financing	-14	-13
Cash flow from financing activities	**5,142**	**30,468**
Cash flow total	**236**	**26,544**
Cash and cash equivalents at the end of the period	**10,050**	**30,498**

STATEMENT OF CHANGES IN GROUP EQUITY AS OF JUNE 30, 2010

UNAUDITED

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**

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2009	**29,395**	**6,227**	**-22,494**	**0**	**-1,044**	**12,084**
Total comprehensive income	**0**	**0**	**0**	**-5,384**	**117**	**-5,267**
Stock-based compensation	0	146	0	0	0	146
Capital increase from issue of shares	14,697	0	0	0	0	14,697
Premium from issue of shares	0	18,372	0	0	0	18,372
Financing costs	0	-2,811	0	0	0	-2,811
June 30, 2010	**44,092**	**21,934**	**-22,494**	**-5,384**	**-927**	**37,221**

NOTES TO THE H1 2010 CONSOLIDATED FINANCIAL STATEMENTS

1. 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, 2010, 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, amendments to IAS 1: *Presentation of Financial Statements*, IAS 7: *Cash Flow Statements*, IAS 17: *Leases*, IAS 32: *Financial Instruments: Presentation*, IAS 36: *Impairment of Assets*, IAS 38: *Intangible Assets, IAS 39: Financial Instruments: Recognition and Measurement,* IFRS 1: *First-time Adoption of International Financial Reporting Standards,* IFRS 2: *Share-based Payment,* IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* and IFRS 8: *Operating Segments* have become effective on January 1, 2010. The adoption of these amendments does not have a significant impact on the Group's accounting principles.

The reporting period as defined in these consolidated financial statements is the period from January 1, 2010, to June 30, 2010. 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, 2009, 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, 2009. 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 upon consolidation.

CHANGES IN DISCLOSURE

In the first quarter of 2010, we summarized marketing and business development costs together with general and administrative costs into a new position selling, general and administrative costs ("SG&A"). This disclosure is compatible with industry standards. The reason for this summarization was among others to achieve a better comparability with the financial statements of other international life sciences companies and competitors as well as the development of Epigenomics from a research-focused to a product-driven company. Furthermore, the summary solves the problem of proper cost allocation since the line between marketing and business development costs on the one hand and general and administrative costs on the other is sometimes not clear.

Thus, SG&A costs include:

- all direct personnel and material expenses,
- depreciation and amortization,
- other direct expenses, and
- the pro rata overheads of the sales, marketing, business development, and the other administrative departments as well as the Company's statutory costs.

The comparable numbers of the previous year have been adjusted accordingly.

CURRENCY TRANSLATION

Applied foreign currency exchange rates in the reporting period:

Reporting date rates

	Dec 31, 2009	June 30, 2010
EUR/USD	1.4406	1.2271
EUR/GBP	0.88810	0.81745

Average rates

	H1 2009	H1 2010
EUR/USD	1.3379	1.3151
EUR/GBP	0.89002	0.86424

2. NOTES TO THE GROUP INCOME STATEMENT

REVENUE

	Q2 2009		Q2 2010		H1 2009		H1 2010	
	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %	EUR thousand	in %
Licensing and royalty income	306	36.6	230	65.5	657	31.6	708	72.8
Product sales and other	65	7.8	117	33.3	120	5.8	199	20.5
R&D payments	464	55.6	4	1.2	1,300	62.6	65	6.7
Total revenue	**835**	**100.0**	**351**	**100.0**	**2,077**	**100.0**	**972**	**100.0**

COST OF SALES / GROSS PROFIT / GROSS MARGIN

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Revenue	835	351	2,077	972
Cost of sales	527	140	1,478	310
Gross profit	308	211	599	662
Gross margin in %	**36.9**	**60.1**	**28.8**	**68.1**

OTHER INCOME

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Currency exchange gains	10	116	223	183
Third-party research grants	21	21	21	70
Corrections of invoices of the previous year	67	28	80	45
Recoveries and refunds	4	1	15	4
Income from the sale of assets	31	0	31	0
Income from subleasing	5	0	21	0
Other	1	2	1	3
Total other income	**139**	**168**	**392**	**305**

PERSONNEL COSTS AND NUMBER OF EMPLOYEES

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Personnel remuneration	1,340	1,527	2,719	3,029
Stock option expenses	33	58	62	146
Social security expenses	189	208	395	425
Total personnel costs	**1,562**	**1,793**	**3,176**	**3,600**
Average number of employees	82	83	82	85

COST ANALYSIS

Q2 2009

EUR thousand	Cost of sales	R & D costs	SG & A costs	Total
Materials / consumables	177	151	16	344
Depreciation and amortization	21	107	16	144
Personnel costs	65	930	567	1,562
Other costs	264	444	467	1,175
Capitalized development costs	0	0	0	0
Total	**527**	**1,632**	**1,066**	**3,225**

Q2 2010

EUR thousand	Cost of sales	R & D costs	SG & A costs	**Total**
Materials / consumables	24	129	13	166
Depreciation and amortization	36	99	15	150
Personnel costs	20	1,050	723	1,793
Other costs	60	583	707	1,350
Capitalized development costs	0	-153	-13	-166
Total	**140**	**1,708**	**1,445**	**3,293**

H1 2009

EUR thousand	Cost of sales	R & D costs	SG & A costs	Total
Materials / consumables	363	354	23	740
Depreciation and amortization	50	216	33	299
Personnel costs	151	1,886	1,139	3,176
Other costs	914	935	920	2,769
Capitalized development costs	0	0	0	0
Total	**1,478**	**3,391**	**2,115**	**6,984**

H1 2010

EUR thousand	Cost of sales	R & D costs	SG & A costs	**Total**
Materials / consumables	46	436	19	501
Depreciation and amortization	73	202	30	305
Personnel costs	45	2,157	1,398	3,600
Other costs	146	1,102	1,333	2,581
Capitalized development costs	0	-325	-13	-338
Total	**310**	**3,572**	**2,767**	**6,649**

OTHER EXPENSES

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Currency exchange losses	204	54	250	59
Other	1	0	2	2
Total other expenses	**205**	**54**	**252**	**61**

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

EUR thousand	Q2 2009	Q2 2010	Variance in %	H1 2009	H1 2010	Variance in %
EBIT	**-2,456**	**-2,828**	**-15.1**	**-4,767**	**-5,433**	**-14.0**
Depreciation	86	66	23.3	181	137	24.3
Amortization	58	84	-44.8	118	168	-42.4
EBITDA	**-2,312**	**-2,678**	**-15.8**	**-4,468**	**-5,128**	**-14.8**

FINANCIAL RESULT

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Interest and related income	68	48	132	75
Other financial income	4	0	27	0
Total financial income	**72**	**48**	**159**	**75**
Interest expenses	-1	0	-8	0
Other financial expenses	-1	-7	-13	-8
Total financial expenses	**-2**	**-7**	**-21**	**-8**
Total financial result	**70**	**41**	**138**	**67**

TAXES ON INCOME

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Current tax expenses	7	8	15	18
Deferred tax expenses	0	0	169	0
Total tax expenses	**7**	**8**	**184**	**18**

EARNINGS PER SHARE

The earnings per share (basic and diluted) are calculated by dividing the Group's net loss for the period by the weighted-average number of shares issued and admitted to trading in the respective period.

EUR thousand	Q2 2009	Q2 2010	H1 2009	H1 2010
Net loss in EUR thousand	-2,393	-2,795	-4,813	-5,384
Weighted-average number of shares issued	29,394,724	44,092,085	28,949,543	36,743,405
Earnings per share (basic and diluted) in EUR	-0.08	-0.06	-0.17	-0.15

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 reporting date amounted to 44,092,085 (June 30, 2009: 29,394,724).

3. NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2009	June 30, 2010
Software	79	120
Licenses, patents	1,668	1,579
Development costs	381	640
Goodwill	2,625	2,625
Total intangible assets	**4,753**	**4,964**
Fixtures, leasehold improvements	17	9
Technical equipment	521	529
Other fixed assets	34	31
Total tangible assets	**572**	**569**
Deferred tax assets	**391**	**458**
Total non-current assets	**5,716**	**5,991**

The increase in deferred tax assets can be explained by exchange rate effects as of the reporting date.

CURRENT ASSETS

Inventories

EUR thousand	Dec 31, 2009	June 30, 2010
Consumables, raw materials, supplies	123	56
Finished goods	37	25
Total inventories	**160**	**81**

Other current assets

EUR thousand	Dec 31, 2009	June 30, 2010
Prepaid expenses	923	1,041
Receivables from tax authorities	389	189
Claims based on granted projects	59	77
Interest receivables	59	19
Excess payments	18	9
Advance payments	13	5
Deferred financing costs	843	0
Other	45	41
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**2,349**	**1,381**

EQUITY

The capital increase in H1 2010 utilized the entire authorized capital of EUR 14.7 million available to increase the Company's share capital to EUR 44.1 million as of the reporting date.

EUR	Dec 31, 2009	June 30, 2010
Share capital	29,394,724	44,092,085
Conditional capital	2,925,964	2,925,964
Authorized capital	14,697,361	0

The capital reserve was increased by EUR 15.7 million to EUR 21.9 million in H1 2010 resulting from the aforementioned financing transaction.

Other comprehensive income decreased from EUR -1.0 million as of December 31, 2009, to EUR -0.9 million as of the reporting date following a revaluation of the financial instruments available for sale.

CURRENT LIABILITIES

Deferred income

EUR thousand	Dec 31, 2009	June 30, 2010
Advanced payments from commercial partners	660	397
Advanced payments for granted projects	60	32
Total deferred income	**720**	**429**

There are no repayment obligations for the Company resulting from the deferred income. Deferred income in the amount of EUR 24 thousand as of June 30, 2010 (Dec 31, 2009: EUR 53 thousand), which will be recognized as revenue, has a duration exceeding twelve months. This corresponds to the Company's usual licensing business cycle.

Other liabilities

EUR thousand	Dec 31, 2009	June 30, 2010
Payables due to staff	416	377
Accrued audit fees	119	183
Payables due to tax authorities	234	78
Accrued Supervisory Board fees	0	76
Down payments received	45	0
Payables due to social security institutions	21	12
Other	16	91
Total other liabilities	**851**	**817**

4 NOTES TO THE GROUP CASH FLOW STATEMENT

OPERATING ACTIVITIES

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

INVESTING ACTIVITIES

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

FINANCING ACTIVITIES

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

CASH CONSUMPTION

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

EUR thousand	June 30, 2009	June 30, 2010
Cash flow from operating activities	-5,288	-3,995
Cash flow from investing activities	382	71
Net proceeds from transactions in securities	-500	-500
Cash consumption	**-5,406**	**-4,424**

5 OTHER INFORMATION

NOTES TO STOCK OPTIONS

No stock options were exercised in H1 2010. In January and February 2010, a total of 140,000 stock options were granted to the members of the Executive Board of the Company under the stock option program 09-13 and 245,000 stock options were granted to employees of the Company, thereof 20,000 under the stock option program 06-10 and 225,000 under the stock option program 09-13. The total number of stock options held by the members of the Executive Board as of June 30, 2010, aggregated to 530,000 and the total number of stock options held by other beneficiaries aggregated to 893,725.

INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

Except for the transactions described below in Directors' Dealings no other transactions with related parties took place.

DIRECTORS' DEALINGS

The following declared securities transactions took place during the first half year of 2010:

Members of the Executive Board	Transaction date	Type	Total number of shares traded	Transaction value in EUR
Geert Walther Nygaard, CEO	Jan 21, 2010	buy	20,000	44,200
Geert Walther Nygaard, CEO	Mar 29, 2010	buy	10,002	22,505
Oliver Schacht, CFO	Mar 29, 2010	buy	10,000	22,500

As of June 30, 2010, CEO Geert Walther Nygaard owned 50,000 shares of the Company and CFO Oliver Schacht, Ph.D., owned 127,050 shares of the Company. The Supervisory Board member Ann Clare Kessler, Ph.D., owned 14,000 shares of the Company.

This interim report has been approved and cleared for publication by the Executive Board of the Company on August 2, 2010.

Berlin, August 2, 2010
The Executive Board

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, 2010, 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, August 2, 2010

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 balance sheet, the Group statement of comprehensive income (Group income statement and statement of income and expenses recognized in Group equity), statement of changes in Group equity, Group cash flow statement, 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, 2010 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 aspects, 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 aspects, in accordance with the provisions of the WpHG applicable to interim group management discussion and analysis.

Berlin, August 3, 2010

UHY Deutschland AG
Wirtschaftsprüfungsgesellschaft

(Lauer)
Wirtschaftsprüfer
[German Public Auditor]

(ppa. Kulla)
Wirtschaftsprüferin
[German Public Auditor]

DISCLAIMER

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

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

Corporate Calendar 2010

9-Month Report 2010
January 1 – September 30
Tuesday, November 9, 2010

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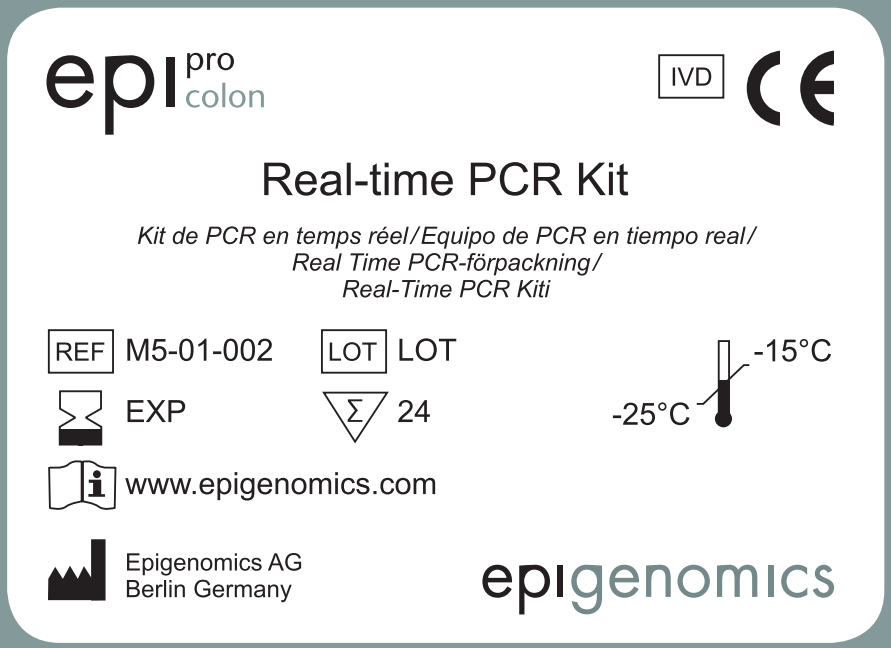
This interim report is also available on the Company's website (www.epigenomics.com) in both a German and an English version.



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