epigenomics

6-MONTH REPORT

JANUARY 1 – JUNE 30

H1 2014

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

EUR thousand (except where indicated)	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Statement of Profit or Loss					
Revenue	343	263	627	407	405
Gross profit	227	168	462	210	237
EBIT	-1,607	-1,855	-2,114	-2,000	-1,616
EBITDA	-1,407	-1,657	-1,916	-1,809	-1,429
Net loss for the period	-1,639	-1,877	-2,179	-2,240	-1,823
Balance Sheet (at the respective reporting dates)					
Non-current assets	2,621	2,403	2,167	1,977	1,937
Current assets	4,593	3,592	8,914	9,492	7,991
Non-current liabilities	0	108	542	699	596
Current liabilities	1,850	2,076	4,080	4,022	4,406
Equity	5,364	3,811	6,459	6,748	4,926
Equity ratio in %	74.4	63.6	58.3	58.8	49.6
Total assets	7,214	5,995	11,081	11,469	9,928
Cash Flow Statement					
Cash flow from operating activities	-2,014	-1,396	-1,333	-1,475	-1,622
Cash flow from investing activities	-1	-18	-1	0	-43
Cash flow from financing activities	0	371	6,601	1,866	-4
Net cash flow	-2,015	-1,043	5,267	391	-1,669
Cash consumption	-2,015	-1,414	-1,334	-1,475	-1,665
Cash and cash equivalents at the end of the period	2,983	1,939	7,207	7,598	5,929
Stock					
Weighted-average number of shares issued	11,967,847	11,992,858	12,761,325	13,261,225	13,510,892
Earnings per share (basic and diluted) (in EUR)	-0.14	-0.16	-0.17	-0.17	-0.13
Share price at the end of the period (in EUR)	1.57	3.65	6.12	5.40	3.47
Number of employees at the end of the period	32	34	34	37	38

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS

EPIGENOMICS AG – INTERIM REPORT ON THE FIRST HALF OF 2014

DEAR SHAREHOLDERS,

The second quarter of 2014 was characterized by the pending decision of the U.S. Food and Drug Administration (FDA) in relation to the premarket approval (PMA) application for our convenient blood-based colorectal cancer (CRC) screening test Epi proColon®. Following the meeting of the Molecular and Clinical Genetics Panel of FDA's Medical Devices Advisory Committee ("Advisory Committee") end of March 2014, in which the members in their majority voted positively that the benefits of Epi proColon® outweigh the risks of the test for use in screening eligible patients, we continued to diligently collaborate with FDA. A follow-on meeting with FDA's PMA review team was held in April 2014 to define an approval path to launch Epi proColon® in the United States. This meeting focused on detailed discussions regarding submitted data, product labeling and design of the proposed post-approval study as well as on topics raised at the recent Advisory Committee meeting.

In June 2014, we received the awaited response letter from the FDA. In this letter, the agency determined that whilst the studies performed so far have established the clinical performance characteristics of the test, the PMA application does not yet contain sufficient evidence to warrant an approval for Epi proColon®. The main item stressed revolved around the need for additional data demonstrating that the blood-based Epi proColon® test will increase compliance to CRC screening in the intended use population, i.e. in those patients who today do not undergo CRC screening by guideline-recommended methods such as colonoscopy or stool-based Fecal Immunochemical Tests (FIT). However, the FDA provided helpful guidance on how to amend our PMA to make it approvable. An additional study to demonstrate increased compliance and adherence of patients to blood-based CRC testing will be needed to address FDA's outstanding requests.

In a meeting between the Company and the FDA at the end of June, details regarding the design of this clinical study were specified. We proposed to conduct a study to demonstrate that Epi proColon® will increase participation in CRC screening programs in patients being offered the blood-based test as compared to those being offered a stool-based FIT test. The trial is intended to be conducted in a population that is non-compliant to CRC screening according to current screening guidelines and may include patients actively managed by CRC screening programs within healthcare systems, which would lead to an increased speed of enrollment, given the possibility to access large amounts of patients meeting the specified criteria. We already started discussions with several healthcare organizations to participate in such a study. The proposed study design could allow early completion of the trial if statistical significance is met ahead of its finalization. We foresee that conducting the study can likely be done with a reasonable number of patients that could be enrolled in a matter of a few months. Even considering the time that will need to be allocated for study initiation and logistics, we are aiming to submit study data to complete our PMA application before the end of this year or shortly thereafter.

Although the FDA's response to our PMA submission in the United States was unexpected to us, we are convinced that following the productive dialog with the agency, we now have specified an appropriate path forward towards U.S. market approval and to bring the test to market in a reasonable period of time. Our joint U.S. commercialization partner Polymedco remains fully committed to begin commercialization once our product is approved. All completed U.S. launch preparations, which were well underway ahead of FDA's response, will be useful for a later U.S. commercial start once approval is received. We are also well underway in gearing up our manufacturing capabilities, in order to be able to supply the demand once the product will be on the market. Given the unexpected delay on our path to U.S. approval, we will carefully consider our options regarding additional funding in order to ensure a sufficiently strong financial position on our final steps towards the completion of the U.S. regulatory pathway.

More than ever we are convinced that the approval of our patient-friendly blood-based test for CRC screening is very likely and ultimately a matter of time to complete the additional data request from the FDA. This is especially the case, since the FDA has indicated to us that only those issues addressed in their June response letter are to be considered as open, which to us implies that all other aspects of our PMA application can be considered as resolved.

We are very pleased that the results from our U.S. clinical validation study for Epi proColon® as well as from its head-to-head comparative study with FIT have been published in two renowned scientific peer-reviewed journals respectively, Clinical Chemistry *(www.clinchem.org)* and PLOS ONE *(www.plosone.org)*. This is of particular importance as payers, policymakers, medical societies and guideline bodies will rely on this information for their decision-making process.

In China, our partner BioChain, a leading clinical diagnostics company in cancer and genetic tests in China and the United States, has completed sooner than anticipated a major clinical validation study with Epi proColon®. The results, confirming the excellent clinical performance of our test, and the filing for regulatory approval of Epi proColon® with the Chinese regulatory authority (CFDA) are significant milestones towards commercialization of this sophisticated CRC screening test also in the Chinese market. This was the first study to demonstrate the clinical utility of the Septin9 assay in China. In accordance with internationally accepted guidelines, nearly 290 million people are currently eligible for CRC screening in China and effective testing methods that are accepted by patients are needed.

As a side notice, we also would like to inform our shareholders, that in the month of August, we will complete the relocation of our Berlin headquarters to a new facility within the city, which is more adept to efficiently house our operations and better allows flexibility for our long-term planning. The most recent address information for inquiries to the Company can be found on our website.

CRC has a very good prognosis if detected in early stages. Regular screening and early detection of cancers therefore is highly desirable. We are convinced that a blood-based test like Epi proColon® could significantly increase participation rates, considering that blood testing is routine and well accepted for many other health conditions. We are proud to contribute to the future of CRC screening with a convenient blood test that has the potential to significantly improve uptake and adherence and ultimately reduce CRC incidence and mortality as well as resulting healthcare cost.

Yours sincerely,

Dr. Thomas Taapken
(CEO/CFO)

Dr. Uwe Staub
(COO)

OUR STOCK

Epigenomics AG – Common shares	Frankfurt Stock Exchange, Regulated Market (Prime Standard)
ISIN	DE000A1K0516
Security code number	A1K051
Stock exchange abbreviation	ECX
Reuters	ECXG.DE
Bloomberg	ECX:GR
Designated sponsor	equinet Bank AG
Analyst coverage	Edison Investment Research (Hans Bostrom) equinet Bank AG (Marietta Miemietz) First Berlin Equity Research (Jens Hasselmeier) Kempen & Co. (Sachin Soni, Mark Pospisilik) Maxim Group (Bryan Brokmeier)

Market data (Xetra/Frankfurt)	June 30, 2013	Sept 30, 2013	Dec 31, 2013	Mar 31, 2014	**June 30, 2014**
Number of shares outstanding	11,967,847	12,042,881	13,082,892	13,510,892	13,510,892
Closing price (in EUR)	1.57	3.65	6.12	5.40	3.47
Market capitalization (in EUR)	18,789,520	43,944,473	80,067,299	72,958,817	46,882,795

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	**Q2 2014**
Average daily trading volume (units)	12,448	60,638	87,769	112,069	118,516
Highest closing price (in EUR)	1.98	3.92	7.72	8.25	7.14
Lowest closing price (in EUR)	1.56	1.44	3.75	5.18	3.39

Epigenomics AG – American Depositary Receipts (ADRs)	OTCQX Trading
Structure	Sponsored Level 1 ADR
Ratio	1 ADR = 5 shares
Ticker symbol	EPGNY
CUSIP	29428N102
ISIN	US29428N1028
Depositary Bank	BNY Mellon
Investment Bank PAL	BNY Mellon

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 3.1 million in H1 2014 – a significant decrease of EUR 0.7 million compared to H1 2013 (EUR 3.8 million) which was mainly attributable to the changes in current and non-current liabilities from operations. Cash inflow from financing activities amounted to EUR 1.9 million and was mainly due to the issuance of 428,000 new shares in context with the conversion of four convertible notes. Cash and cash equivalents amounted to EUR 5.9 million at the reporting date (Dec 31, 2013: EUR 7.2 million).

RESULTS OF OPERATIONS

In Q2 2014, we recognized revenue in the amount of EUR 405 thousand – a 18% increase compared to Q2 2013 (EUR 343 thousand). While licensing income decreased compared to the second quarter of 2013 due to terminated licensing agreements, product revenue in Q2 2014 increased by 29% year on year (from EUR 164 thousand to EUR 212 thousand). For the first six months of 2014, overall revenue grew by 16% from EUR 698 thousand in H1 2013 to EUR 812 thousand.

Cost of sales increased from EUR 116 thousand in Q2 2013 to EUR 168 thousand in Q2 2014. The decrease of the gross margin from 66% in Q2 2013 to 59% in Q2 2014 is mainly attributable to a lower share of high-margin licensing and royalty income.

Other income of EUR 56 thousand in Q2 2014 (Q2 2013: EUR 148 thousand) was mainly attributable to income from third-party research grants.

Our R&D costs in Q2 2014 decreased to EUR 885 thousand from EUR 1,047 thousand in the comparable quarter of the previous year. This decrease can be explained by an uneven distribution of costs for international patent protection, which led to higher costs in Q1 2014, and by reduced activities for our PMA application for Epi proColon® compared to 2013 while waiting for the FDA decision. Selling, general and administrative (SG&A) costs in Q2 2014 increased from EUR 912 thousand to EUR 983 thousand quarter on quarter.

Altogether, our operating costs amounted to EUR 2.1 million in Q2 2014, and thus remained nearly unchanged to the comparable period of 2013. In the six-month comparison, the operating costs climbed from EUR 4.3 million to EUR 4.6 million mainly due to an increased usage of materials and higher costs for patent protection and legal advice. Correspondingly to this increase in operating costs, EBIT for H1 2014 amounted to EUR -3.6 million (H1 2013: EUR -3.3 million).

Interest expenses in Q2 2014 in the amount of EUR 207 thousand (Q2 2013: EUR 0 thousand) incurred in connection with the issued convertible notes.

In total, this led to a net loss in Q2 2014 of EUR 1.8 million (Q2 2013: EUR 1.6 million) and of EUR 4.1 million for H1 2014 (H1 2013: EUR 3.4 million). Due to the increased number of shares outstanding at the end of Q2 2014, net loss per share for this period dropped slightly to EUR 0.13 (Q2 2013: EUR 0.14) and increased only marginally from EUR 0.29 to EUR 0.30 per share for the six-month period.

NET ASSET POSITION

In the first six months of 2014, total non-current assets decreased to EUR 1.9 million (Dec 31, 2013: EUR 2.2 million). Current assets decreased from EUR 8.9 million at the end of 2013 to EUR 8.0 million at the reporting date mainly due to our constant utilization of liquidity for operating activities.

The aforementioned issuance of new shares following the conversion of four convertible notes was also the cause for the increase in the subscribed capital (up by EUR 0.4 million) and the capital reserve (up by EUR 2.0 million). Simultaneously, our net loss for the first six months of 2014 amounted to EUR 4.1 million, thus total equity decreased to EUR 4.9 million (Dec 31, 2013: EUR 6.5 million), reducing our equity ratio to 49.6% at the reporting date (Dec 31, 2013: 58.3%).

Non-current liabilities amounting to EUR 596 thousand are attributable to provisions due to phantom stock rights issued to staff and Board members.

Current liabilities increased from EUR 4.1 million at December 31, 2013, to EUR 4.4 million at June 30, 2014, mainly due to the accrued interest expenses, increasing the fair value of outstanding convertible notes.

EMPLOYEES

The total headcount of the Company as of June 30, 2014, increased to 38 from 34 at year-end 2013 and comprises 21 employees in R&D and 17 employees in SG&A.

SUPPLEMENTARY REPORT

No events of any significance occurred after the balance sheet date which might have a material impact on the financial situation or the risk assessment of the Company.

OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's business operations are described in detail in the management report published with the consolidated financial statements 2013 which are available on the Company's website *(www.epigenomics.com)*. Due to the delay in connection with the FDA decision, unplanned costs will now incur and put additional pressure on our financial situation before we can achieve significant product revenue in the U.S.A. As a result of the drop in our share price in Q2 2014, the likelihood of the expected cash inflows from the conversion payments (as provided in the terms and conditions of our convertible bonds issued in 2013) before the end of fiscal 2014 has decreased considerably compared to the beginning of the year. Also, there is a risk of an early redemption of the bonds according to the terms and conditions after August 1, 2014, which could lead to unplanned cash outflows. Against this backdrop, it may become necessary to raise additional funds at the capital markets.

PROGNOSIS REPORT FOR 2014

With regard to the earnings prognosis for the current business year, we expect no significant changes compared to our statements in the consolidated management report for 2013. Although the approval for Epi proColon® in the U.S.A. is affected by a delay, our earnings prognosis for 2014 remains unaltered, as the initial guidance did not include any significant product revenue from the U.S. market. The financial prognosis would be adjusted accordingly in case of further conversions of issued convertible notes or if redemptions of these occur. After the first conversions of such notes in the first quarter of 2014, our liquidity was EUR 6.8 million at June 30, 2014. These conversions have not only given us some more financial leeway but as well reduced the redemption amount in a non-conversion scenario. However, we will continue to diligently explore and potentially execute all strategic options available to the Company. These options explicitly include further capital market transactions that would provide sufficient funds to the Company until U.S. approval of Epi proColon®.

CORPORATE GOVERNANCE

ANNUAL GENERAL SHAREHOLDERS' MEETING 2014

Epigenomics AG held this year's Annual General Shareholders' Meeting (AGM) in Berlin on June 3, 2014. The presence at the voting was noted at 2,886,943 individual shares, equivalent to 21.368% of the share capital. All agenda items were agreed to with vast majorities and as of July 22, 2014, all resolutions have been recorded in the commercial register.

AUTHORIZED AND CONDITIONAL CAPITAL

As part of the AGM resolutions, the Company's Authorized Capitals 2013/I and 2013/II as well as the Conditional Capitals IV, V and VIII have been revoked and the Authorized Capitals 2014/I and 2014/II as well as Conditional Capital X have been newly created. Conditional Capitals VII and IX have been amended. For further details on these resolutions, reference is made to the invitation to this AGM which is published on the Company's website *(www.epigenomics.com/en/news-investors/investors/annual-general-shareholder-meeting.html)*.

CONVERSION OF BEARER SHARES INTO REGISTERED SHARES

As agenda item 12, our aforementioned AGM passed a resolution on the conversion of the Company's non-par value bearer shares into registered non-par value shares ("Namensaktien"). Currently, the Company's shares are solely bearer shares. Registered shares offer improved opportunities for the Company regarding information and communication towards the financial markets. Thus, it is expected that the conversion will improve the Company's investor relations activities. Furthermore, registered shares are more customary in various international capital markets than bearer shares. Insofar, such a conversion reflects the internationally oriented activities of the Company and will improve communication especially with foreign investors. As a consequence of this resolution, the conversion had to be initiated without further delay. All necessary steps have been taken over the last weeks and we expect the conversion to become effective in August 2014. No further activities are required by our shareholders – they will be notified by their depositary banks once the conversion has taken place. All individual rights attached to the shares remain unchanged.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2014

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

EUR thousand	Q2 2013	Q2 2014	H1 2013	H1 2014
Revenue	**343**	**405**	**698**	**812**
Cost of sales	-116	-168	-226	-365
Gross profit	**227**	**237**	**472**	**447**
Gross margin in %	*66*	*59*	*68*	*55*
Other income	148	56	296	168
Research and development costs	-1,047	-885	-2,097	-2,162
Selling, general and administrative costs	-912	-983	-1,926	-2,020
Other expenses	-23	-41	-64	-49
Operating result/Earnings before interest and taxes (EBIT)	**-1,607**	**-1,616**	**-3,319**	**-3,616**
Interest income	5	5	10	10
Interest expenses	0	-207	0	-445
Other financial result	-5	0	22	0
Net loss for the period before taxes on income	**-1,607**	**-1,818**	**-3,287**	**-4,051**
Taxes on income	-32	-5	-67	-12
Net loss for the period	**-1,639**	**-1,823**	**-3,354**	**-4,063**
Items that may be reclassified subsequently to profit or loss				
Fair value adjustment of available-for-sale securities	50	1	73	75
Other comprehensive income for the period	**50**	**1**	**73**	**75**
Total comprehensive income for the period	**-1,589**	**-1,822**	**-3,281**	**-3,988**
Earnings per share (basic and diluted) (in EUR)	**-0.14**	**-0.13**	**-0.29**	**-0.30**

GROUP BALANCE SHEET
AS OF JUNE 30 (UNAUDITED)

ASSETS (EUR thousand)	**Dec 31, 2013**	**June 30, 2014**
Non-current assets		
Intangible assets	1,920	1,598
Tangible assets	247	339
Total non-current assets	**2,167**	**1,937**
Current assets		
Inventories	275	620
Trade receivables	258	243
Marketable securities	750	825
Cash and cash equivalents	7,207	5,929
Other current assets	424	374
Total current assets	**8,914**	**7,991**
Total assets	**11,081**	**9,928**

EQUITY AND LIABILITIES (EUR thousand)	**Dec 31, 2013**	**June 30, 2014**
Equity		
Subscribed capital	13,083	13,511
Capital reserve	27,506	29,533
Retained earnings	-26,469	-33,880
Net loss for the period	-7,411	-4,063
Other comprehensive income	-250	-175
Total equity	**6,459**	**4,926**
Non-current liabilities		
Provisions	542	596
Total non-current liabilities	**542**	**596**
Current liabilities		
Trade payables	1,030	1,085
Deferred income	67	184
Convertible notes issued	1,932	2,176
Other liabilities	416	436
Provisions	635	525
Total current liabilities	**4,080**	**4,406**
Total equity and liabilities	**11,081**	**9,928**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30 (UNAUDITED)

EUR thousand	H1 2013	H1 2014
Cash and cash equivalents at the beginning of the period	**2,205**	**7,207**
Operating activities		
Net loss for the period	**-3,354**	**-4,063**
Corrections for:		
Depreciation of tangible assets	67	55
Amortization of intangible assets	336	323
Stock option expenses	-11	0
Foreign currency exchange results	-1	0
Interest income	-10	-10
Interest expenses	0	445
Taxes	46	12
Operating result before changes in net current assets	**-2,927**	**-3,238**
Changes in trade receivables and other current assets	267	74
Changes in inventories	-193	-345
Changes in non-current liabilities	0	54
Changes in current liabilities from operating activities	-942	370
Liquidity earned from operating activities	**-3,795**	**-3,085**
Interest received/paid	19	0
Tax received/paid	0	-12
Cash flow from operating activities	**-3,776**	**-3,097**
Investing activities		
Payments for investments in tangible assets	-1	-43
Payments for investments in intangible assets	0	0
Cash flow from investing activities	**-1**	**-43**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30 (UNAUDITED)

EUR thousand	H1 2013	H1 2014
Financing activities		
Proceeds from the issue of new shares	4,976	0
Proceeds from the issue of convertible notes	0	200
Proceeds from the conversion of convertible notes	0	2,085
Payments for the creation of new shares	-421	0
Payments for the issue of convertible notes	0	-423
Cash flow from financing activities	**4,555**	**1,862**
Total net cash flow	**778**	**-1,278**
Cash and cash equivalents at the end of the period	**2,983**	**5,929**

At the balance sheet date, an amount of EUR 109 thousand of cash and cash equivalents was restricted cash.

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

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehen-sive income	**Group equity**
December 31, 2012	**8,818**	**22,299**	**-14,272**	**-12,197**	**-491**	**4,158**
Total comprehensive income for the period	**0**	**0**	**0**	**-3,354**	**73**	**-3,281**
Capital increase from the issue of shares	3,150	0	0	0	0	3,150
Premium from the issue of shares	0	1,827	0	0	0	1,827
Costs for the creation of new shares	0	-478	0	0	0	-478
Transfer of net loss for the year 2012 to retained earnings	0	0	-12,197	12,197	0	0
Stock option expenses	0	-11	0	0	0	-11
June 30, 2013	**11,968**	**23,637**	**-26,469**	**-3,354**	**-418**	**5,364**
December 31, 2013	**13,083**	**27,506**	**-26,469**	**-7,411**	**-250**	**6,459**
Total comprehensive income for the period	**0**	**0**	**0**	**-4,063**	**75**	**-3,988**
Capital increase from the conversion of convertible notes	428	2,027	0	0	0	2,455
Transfer of net loss for the year 2013 to retained earnings	0	0	-7,411	7,411	0	0
June 30, 2014	**13,511**	**29,533**	**-33,880**	**-4,063**	**-175**	**4,926**

NOTES

to the Interim Consolidated Financial Statements

BASIC INFORMATION, PRINCIPLES AND METHODS

GENERAL PRINCIPLES

The presented unaudited interim consolidated financial statements of Epigenomics AG were 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, 2014, as mandatorily 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 auditor.

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

IFRS 10 and subsequent amendments to IFRS 10	Investment Entities
IFRS 11 and amendments to IAS 28	Joint Arrangements and Investments in Associates and Joint Ventures
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

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

The reporting period as defined in these interim consolidated financial statements is the period from January 1, 2014, to June 30, 2014. The reporting currency is the euro (EUR).

The Group statement of profit or loss has been prepared using the cost of sales method.

CONSOLIDATION GROUP

The consolidation group remained unchanged compared to the one as of December 31, 2013, 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, 2013. 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 were eliminated in full upon consolidation.

CURRENCY TRANSLATION

Applied foreign currency exchange rates in the reporting period:

Reporting date rates	Dec 31, 2013	June 30, 2014
EUR/USD	1.3791	1.3658
EUR/GBP	0.83370	0.80150

Average rates	H1 2013	H1 2014
EUR/USD	1.3107	1.3705
EUR/GBP	0.85346	0.81890

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

REVENUE

Revenue source by revenue type:

	Q2 2013		Q2 2014	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	164	47.8	212	52.4
Licensing income	59	17.1	43	10.7
R&D income	120	35.1	150	36.9
Total revenue	**343**	**100.0**	**405**	**100.0**

	H1 2013		H1 2014	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	327	46.9	427	52.6
Licensing income	125	17.9	98	12.1
R&D income	246	35.2	287	35.3
Total revenue	**698**	**100.0**	**812**	**100.0**

Revenue source by geographical market:

	Q2 2013		Q2 2014	
	EUR thousand	in %	EUR thousand	in %
Europe	233	67.8	319	78.7
North America	43	12.6	25	6.2
Rest of the world	67	19.6	61	15.1
Total revenue	**343**	**100.0**	**405**	**100.0**

	H1 2013		H1 2014	
	EUR thousand	in %	EUR thousand	in %
Europe	523	74.9	580	71.5
North America	93	13.4	57	7.0
Rest of the world	82	11.7	175	21.5
Total revenue	**698**	**100.0**	**812**	**100.0**

OTHER INCOME

EUR thousand	Q2 2013	Q2 2014	H1 2013	H1 2014
Third-party research grants	24	50	48	124
Income from the reversal of provisions	15	0	15	24
Recoveries and refunds	4	2	86	10
Foreign exchange rate gains	1	3	36	6
Correction of deferred liabilities	101	0	108	3
Other	3	1	3	1
Total other income	**148**	**56**	**296**	**168**

COST ALLOCATION BY FUNCTION

Q2 2013

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	54	26	6	0	86
Depreciation and amortization	1	178	21	0	200
Personnel costs	43	287	388	0	718
Other costs	18	556	497	23	1,094
Total	**116**	**1,047**	**912**	**23**	**2,098**

Q2 2014

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

H1 2013

EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	95	28	7	0	130
Depreciation and amortization	2	359	42	0	403
Personnel costs	90	633	891	0	1,614
Other costs	39	1,077	986	64	2,166
Total	**226**	**2,097**	**1,926**	**64**	**4,313**

H1 2014

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

PERSONNEL COSTS

EUR thousand	Q2 2013	Q2 2014	H1 2013	H1 2014
Personnel remuneration	652	658	1,422	1,327
Share-based payment income/expenses	-12	-212	-11	-84
Social security expenses	78	101	203	171
Total personnel costs	**718**	**547**	**1,614**	**1,414**

OTHER EXPENSES

EUR thousand	Q2 2013	Q2 2014	H1 2013	H1 2014
Foreign exchange rate losses	17	4	57	12
Bad debt allowance	6	0	6	0
Other	0	37	1	37
Total other expenses	**23**	**41**	**64**	**49**

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q2 2013	Q2 2014	H1 2013	H1 2014
Operating result/Earnings before interest and taxes (EBIT)	**-1,607**	**-1,616**	**-3,319**	**-3,616**
Depreciation of tangible assets	32	27	67	55
Amortization of intangible assets	168	160	336	323
EBIT before depreciation and amortization (EBITDA)	**-1,407**	**-1,429**	**-2,916**	**-3,238**

FINANCIAL RESULT

EUR thousand	Q2 2013	Q2 2014	H1 2013	H1 2014
Interest from available-for-sale securities	4	5	9	10
Interest from cash and cash equivalents	1	0	1	0
Total interest income	**5**	**5**	**10**	**10**
Interest expenses for convertible notes	0	-207	0	-445
Total interest expenses	**0**	**-207**	**0**	**-445**
Fair value adjustment for derivative instruments	0	0	27	0
Other financial income	*0*	*0*	*27*	*0*
Fair value adjustment for derivative instruments	-5	0	-5	0
Other financial expenses	*-5*	*0*	*-5*	*0*
Total other financial result	**-5**	**0**	**22**	**0**
Total financial result	**0**	**-202**	**32**	**-435**

TAXES ON INCOME

EUR thousand	Q2 2013	Q2 2014	H1 2013	H1 2014
Current tax expenses	7	5	21	12
Deferred tax expenses	25	0	46	0
Total taxes on income	**32**	**5**	**67**	**12**

EARNINGS PER SHARE

The earnings per share (basic and diluted) are calculated by dividing the Group's net loss for the period by the weighted-average number of shares issued and admitted to trading in the respective period. The outstanding stock options and convertible notes issued by the Company are anti-dilutive according to IAS 33.41 and 33.43. Therefore, the earnings per share (diluted) equal the earnings per share (basic).

	Q2 2013	Q2 2014
Net loss for the period (in EUR thousand)	-1,639	-1,823
Weighted-average number of shares issued	11,967,847	13,510,892
Earnings per share (basic and diluted) (in EUR)	-0.14	-0.13

	H1 2013	H1 2014
Net loss for the period (in EUR thousand)	-3,354	-4,063
Weighted-average number of shares issued	11,442,943	13,386,059
Earnings per share (basic and diluted) (in EUR)	-0.29	-0.30

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2013	June 30, 2014
Software	69	41
Licenses, patents	187	170
Development costs	1,664	1,387
Total intangible assets	**1,920**	**1,598**
Technical equipment	229	182
Other fixed assets	18	15
Advance payments and assets under construction	0	142
Total tangible assets	**247**	**339**
Total non-current assets	**2,167**	**1,937**

CURRENT ASSETS

EUR thousand	Dec 31, 2013	June 30, 2014
Inventories	**275**	**620**
Trade receivables	**258**	**243**
Marketable securities	**750**	**825**
Cash and cash equivalents	**7,207**	**5,929**
Prepaid expenses	162	165
Receivables from tax authorities	188	156
Interest receivables	11	0
Deposits	11	13
Deferred payment plan	10	0
Advance/excess payments	2	1
Other	40	39
– thereof with a prospective maturity of > 1 year	*38*	*38*
Total other current assets	**424**	**374**
Total current assets	**8,914**	**7,991**

EQUITY

As of June 30, 2014, the share capital of Epigenomics AG comprised exclusively of 13,510,892 common shares with equal rights and a par value of EUR 1.00 each. In Q2 2014, the Company's subscribed capital and the capital reserve remained unchanged compared to March 31, 2014, and total equity decreased by EUR 1.8 million to EUR 4.9 million at the reporting day.

NON-CURRENT LIABILITIES

Provisions

The Company has issued phantom stock rights to its Executive Board members and to its staff which can be executed by the beneficiaries under certain conditions from August 2016 on. If these conditions are met and the beneficiaries execute their rights, the Company has the obligation to settle the debt from these rights in cash. The provision for this potential obligation has been calculated in the amount of EUR 596 thousand as of June 30, 2014, using the binomial model of Cox, Ross and Rubinstein.

CURRENT LIABILITIES

Deferred income

Deferred income in the amount of EUR 184 thousand at June 30, 2014 (Dec 31, 2013: EUR 67 thousand), comprised predominantly of payments received in advance for projects granted by public authorities (EUR 169 thousand; Dec 31, 2013: EUR 50 thousand). As of the balance sheet date, there where no repayment obligations for the Company resulting from deferred income.

Convertible notes issued

In Q2 2014, the Company has not issued further convertible bonds under the agreement with YA Global Master SPV Ltd. ("YA Global"). For details on this agreement, reference is made to the notes to the Company's consolidated financial statements 2013. The Company may still issue up to eight further tranches to YA Global before the end of the term of the agreement (August 17, 2015).

In December 2013, the Company had issued 25 convertible notes each denominated at EUR 107 thousand with an issue price of EUR 100 thousand each and an aggregate principal amount of EUR 2.675 million. In the course of H1 2014, four notes of the total issuance were converted by their holders into 428,000 new shares of the Company. The remainder of 21 convertible notes is still recorded as liabilities as of June 30, 2014.

Other liabilities

EUR thousand	Dec 31, 2013	June 30, 2014
Payables due to staff	249	177
Accrued Supervisory Board remuneration	0	125
Payables due to financial/tax authorities	84	55
Accrued audit fees	65	49
Down payments received	10	7
Payables to social security institutions	0	6
Other	8	17
Total other liabilities	**416**	**436**

Provisions

EUR thousand	Dec 31, 2013	June 30, 2014
Payroll provisions	388	300
Contract-related provisions	188	188
Statutory provisions	40	29
Other provisions	19	8
Total provisions	**635**	**525**

NOTES TO THE GROUP CASH FLOW STATEMENT

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.

OPERATING ACTIVITIES

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

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. It amounted to EUR 3.1 million in the first six months of 2014 (H1 2013: EUR 3.8 million).

OTHER INFORMATION

INFORMATION ON STOCK OPTIONS

In the reporting period, no new stock options were granted. 6,666 stock options with a strike price of EUR 2.51 each were exercised by their holder and 6,666 stock options with a strike price of EUR 6.90 each forfeited. The total number of stock options still outstanding as of June 30, 2014, amounted to 21,065 with an average strike price of EUR 15.65.

INFORMATION ON PHANTOM STOCK PROGRAMS

In the course of Q2 2014, the total number of outstanding phantom stock rights remained unchanged and amounted to 740,000 from the Company's phantom stock program PSP 2013 and to 195,545 from PSP 03–15.

INFORMATION ON "DIRECTORS' DEALINGS"

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

Date	Board member	Transaction type	Number of shares	Share price (in EUR)	Transaction value (in EUR)
April 4, 2014	Ann Clare Kessler, Ph.D.	Purchase	5,000	5.4096	27,048
June 25, 2014	Heino von Prondzynski	Purchase	10,000	3.600	36,000
June 30, 2014	Dr. Thomas Taapken	Purchase	5,000	3.521	17,605

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

(in units as of June 30, 2014)

	Shares	Phantom stock rights
Dr. Thomas Taapken (CEO/CFO)	43,000	150,000
Dr. Uwe Staub (COO)	5,000	153,800
Executive Board total	**48,000**	**303,800**
Heino von Prondzynski (Chairman)	100,100	0
Ann Clare Kessler, Ph.D. (Vice Chairwoman)	7,800	0
Supervisory Board total	**107,900**	**0**

This interim report has been approved and cleared for publication by the Executive Board of the Company on July 31, 2014.

Berlin, July 31, 2014

The Executive Board

RESPONSIBILITY STATEMENT

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

Berlin, July 31, 2014

The Executive Board

DISCLAIMER

This interim report expressly or implicitly contains certain forward-looking statements concerning Epigenomics AG and its business. Such statements are not historical facts and sometimes are expressed by the words “will”, “believe”, “expect”, “predict”, “plan”, “want”, “assume” or similar expressions. Forward-looking statements are based on 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.

REVIEW REPORT

To Epigenomics Aktiengesellschaft, Berlin

We have reviewed the interim consolidated financial statements (short form) – comprising the Group Balance Sheet, the Group Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Group Equity, Group Cash Flow Statement and selected explanatory notes to the financial statements – and the interim consolidated management report (short form) of Epigenomics AG for the period from January 1 to June 30, 2014 which are part of the half-year financial report in accordance with Article 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). The preparation of the interim consolidated financial statements (short form) in accordance with IFRS for interim reporting as adopted by the EU, and of the interim consolidated management report in accordance with the provisions of the WpHG applicable to interim consolidated management reports is the responsibility of Epigenomics Aktiengesellschaft´s management. Our responsibility is to issue a review report on the interim consolidated financial statements (short form) and on the interim consolidated management report based on our review.

We conducted our review of the interim consolidated financial statements (short form) and the interim consolidated management report 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 interim consolidated financial statements (short form) are not presented fairly, in all material aspects, in accordance with the IFRS to interim reporting as adopted by the EU, and that the interim consolidated management report 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 interim consolidated financial statements (short form) are not presented fairly, in all material aspects, in accordance with the IFRS for interim reporting as adopted by the EU, or that the interim consolidated management report is not presented fairly, in all material aspects, in accordance with the provisions of the WpHG applicable to interim consolidated management reports.

Furthermore, not intended to qualify our review, we point out that the interim consolidated financial statements (short form) are prepared on a going concern basis of the Group.

However, based on the current budget and projected income the available liquidity at June 30, 2014 is not sufficient to sustain the Group's operations over the following 24 months. According to the Company's detailed financial and earnings plan fresh funds must be raised to avoid illiquidity according to the Company's plans. In case this required fund raising would not be realized, it might be necessary for the Epigenomics AG to file for insolvency in 2015.

In this regard, we refer to the explanations regarding financial risks in the Consolidated Management Report of the business year at December 31, 2013, in particular to the sections "Financial opportunities and risks" and "Outlook on financial situation". In consideration of available liquidity of EUR 6.8 million (cash in hand, balance at banks and marketable securities) at balance sheet date and a planned cash consumption of up to EUR 8.0 million in 2014, the Company considers the financial resources as sufficient to finance Epigenomics' operations beyond the year 2014 by means of already contractually secured inflows of funds by issuing further convertible notes of up to EUR 3.8 million.

Berlin, July 31, 2014

UHY Deutschland AG

Wirtschaftsprüfungsgesellschaft

(ppa. Kulla)	(Dr. Peters)
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

CORPORATE CALENDAR 2014

9-Month Report 2014 – January 1–September 30, 2014 ..... Tuesday, Nov 11, 2014

CONTACT

Epigenomics AG
Antje Zeise, CIRO
Manager Investor Relations

Phone:+49 30 24345-0
Fax: +49 30 24345-555
ir@epigenomics.com

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