epigenomics

6-MONTH REPORT

JANUARY 1 – JUNE 30

6M 2016

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

in EUR thousand (except where indicated)	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Statement of Profit or Loss					
Revenue	487	471	757	295	1,260
Gross profit	240	163	266	263	426
EBIT	-2,568	-2,530	-1,002	-4,625	-3,485
EBITDA	-2,370	-2,394	-876	-4,501	-3,400
Net loss for the period	-2,459	-2,411	-951	-4,325	-3,295
Balance Sheet (at the respective reporting dates)					
Non-current assets	1,971	1,842	1,822	2,054	2,270
Current assets	13,093	12,414	10,776	10,802	15,553
Non-current liabilities	2,118	1,372	217	665	641
Current liabilities	4,290	5,488	5,283	7,020	7,939
Equity	8,656	7,396	7,098	5,171	9,243
Equity ratio (in %)	57.5	51.9	56.3	40.2	51.9
Total assets	15,064	14,256	12,598	12,856	17,823
Statement of Cash Flows					
Cash flow from operating activities	-2,364	-2,970	-550	-2,342	-1,663
Cash flow from investing activities	-29	-25	258	-52	-239
Cash flow from financing activities	6,697	2,184	-891	1,993	7,009
Net cash flow	4,304	-811	-1,183	-401	5,107
Cash consumption	-2,393	-2,995	-292	-2,394	-1,902
Cash and cash equivalents at the end of the period	9,773	8,962	7,779	7,388	12,482
Stock					
Weighted-average number of shares issued	16,947,163	17,816,484	18,088,384	18,700,159	20,065,342
Earnings per share (basic and diluted, in EUR)	-0.15	-0.14	-0.05	-0.23	-0.16
Share price at the end of the period (in EUR)	5.40	4.85	2.22	5.34	4.99
Number of employees at the end of the period	38	40	39	36	43

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EPIGENOMICS AG – REPORT ON THE FIRST SIX MONTHS OF 2016

LETTER TO THE SHAREHOLDERS FROM THE CHIEF EXECUTIVE OFFICER

DEAR SHAREHOLDERS,

I am delighted to introduce myself as the new CEO of Epigenomics AG. It is an incredible opportunity for me to lead and serve this great company and contribute to its future success. Epigenomics' blood-based cancer tests have shown real potential to radically improve early cancer detection worldwide. Alongside my inspirational and experienced colleagues at Epigenomics, I will relish the opportunity and strive to truly achieve this target, for the benefit of patients and our shareholders.

First of all, I want to share some background on myself and what inspires and motivates me. I have over 20 years of management experience in the U.S. molecular diagnostics, manufacturing and professional service industries. Previously, I was Chief Executive Officer and Director of AltheaDx Inc., Chief Operating Officer and Chief Financial Officer of Enigma Diagnostics Inc., Vice President of Operations and Finance at Third Wave Technologies Inc., and Vice President of Operations at Hologic Inc. Through my career I have been responsible for multiple FDA-cleared products, including a Human Papilloma Virus (HPV) High Risk Screening assay and the first-ever cleared HPV genotyping assay. I hold an MBA from the University of Chicago and a Bachelor of Science in Finance from Purdue University.

Initial impressions, albeit in the short period since I started, abound with passion and dedication from the whole team. The tremendous efforts of this team led to the global recognition of Epigenomics' unique and proprietary technology platform, which relies on DNA methylation, a fundamental biological phenomenon to choose highly informative and disease-specific biomarkers for use in its diagnostic tests. Our lead product, Epi proColon®, is the first CE-marked, blood-based cancer detection test approved by the U.S. Food and Drug Administration (FDA) and the China Food and Drug Administration (CFDA), and it has respectively been made available in Europe, China and the U.S. Furthermore, Epi proLung®, a diagnostic test for the detection of lung cancer, currently under development as a blood-based test, represents another significant opportunity for the Company.

In April 2016, Epi proColon® was commercially launched in the U.S. just two weeks after we received clearance by the FDA for the test for colorectal cancer (CRC) screening in average-risk patients who are non-compliant to other screening tests such as colonoscopy and fecal immunochemical testing (FIT). The test was made available in the U.S. under a joint commercialization agreement with Polymedco, Inc. It was extremely positive news for Epigenomics when Laboratory Corporation of America Holdings (LabCorp), the world's leading healthcare diagnostics company, became the first laboratory network in the U.S. to offer Epi proColon®. LabCorp is a pioneer in commercializing new diagnostic technologies and is improving people's health by delivering a combination of world-class diagnostics, drug development services and technology-enabled solutions. We are proud to work alongside the leaders in the healthcare diagnostics field.

Following the favorable FDA approval decision, and subsequently a speedy launch of the test in the U.S., the Epigenomics team was pleased when Epi proColon® was included in the United States Preventive Task Force's (USPSTF) new recommendation statement for CRC screening, published in the Journal of the American Medical Association (JAMA) in June. USPSTF was the first U.S. guideline body to recognize the Company's novel CRC screening test after its recent FDA approval. In the recommendation, USPSTF named Epi proColon® ("SEPT9 DNA test") as one of several screening tests for the detection of early-stage CRC. In this new guideline, USPSTF is not emphasizing or recommending specific screening approaches but rather focuses on the importance of patient participation in CRC screening, which has been stagnant over the past years. We are excited to hear that USPSTF recognized the potential role of our novel blood-based test in CRC screening, especially in driving patient compliance of individuals who are reluctant to collect stool samples or undergo a colonoscopy. The inclusion of Epi proColon® in the new USPSTF recommendation for CRC screening emphasizes the need for additional screening options and will help to drive medical adoption and support reimbursement coverage of Epi proColon® in the U.S. market.

What inspires and motivates me is the ability to lead a Company offering this simple test which represents a tremendous opportunity to patients to detect the CRC early so that treatment can be administered to prevent these individuals from progressing to later stages of the disease. Unfortunately, CRC remains the second-leading cause of cancer deaths in the United States. According to the American Cancer Society, there are projected to be over 134,000 new diagnosed CRC cases and almost 50,000 deaths from this horrible disease in 2016. Although screening and early detection of CRC can save lives, about 35% of eligible U.S. patients are not being regularly screened. I believe the simplicity and effectiveness of Epi proColon®, which makes it possible for patients to be tested without undergoing any special preparations – it only requires a simple blood sample to be drawn as part of a routine visit at a healthcare provider and does not involve any dietary restrictions or alterations in medication – would help to increase the compliance and therefore to reduce colon cancer deaths in the U.S.

Our Company's solid foundation is to try and change the world through our developments. We endeavor to provide commercially successful molecular diagnostic tests - from addressing relevant clinical challenges for accurate development and validation of biomarkers, to IVD test kit development and finally marketing and sales of our products to laboratories, physicians and patients.

We are convinced, that the Company's focus on cancer detection through proprietary molecular diagnostic tests presents a significant opportunity to create value for customers, patients, and shareholders. The most important item on our agenda now is to push forward with the commercialization of our blood-based CRC test Epi proColon® in the U.S. market and, together with Polymedco, to receive favorable reimbursement decisions for this product throughout the U.S. We will also work closely with guideline bodies, expert groups, and medical societies, in order to promote the availability and the clinical utility of our test. The recent designation of a tier-1 current procedural terminology (CPT) code specific to Epi proColon® was one of the major milestones leading to broad reimbursement coverage. The code will come into effect with the updated coding handbook in January 2017. In the meantime, Epi proColon® is reimbursed through an existing tier-2 CPT code.

To strengthen the positioning of our test in the U.S. and to address the typical FDA requirement following the approval of new screening test, the Company will initiate a post-approval study to show the long-term benefit of blood-based CRC screening using Epi proColon®.

We will continue to take care of manufacturing high-quality products, of medical marketing, and will establish the basis for adequate reimbursement in the future. At the same time, we will keep supporting partners in their efforts to build additional markets. Most notably, we are working closely together with our partner BioChain for the Chinese market in order to support them in their efforts to introduce Septin9 blood-based testing for CRC into China.

We are focused on continuing to build upon Epigenomics' culture of success. Our team shares the dedication and passion to radically improve cancer diagnosis worldwide through our high-quality products – for doctors as well as their patients. Together we have all the elements required to succeed: experience, resources, and perseverance

Yours sincerely,

Greg Hamilton
Chief Executive Officer

OUR STOCK

Epigenomics AG – Common Shares	Frankfurt Stock Exchange, Regulated Market (Prime Standard)
ISIN	DE000A11QW50
Security code number	A11QW5
Ticker symbol	ECX
Reuters	ECXG.DE
Bloomberg	ECX:GR
Designated sponsor	equinet Bank AG
Analyst coverage	Edison Investment Research Limited (Juan Pedro Serrate, Linda Pomeroy) equinet Bank AG (Marietta Miemietz) First Berlin Equity Research GmbH (Simon Scholes) goetzpartners (Martin Brunninger) Maxim Group LLC (Jason Kolbert)

Market Data (Xetra/Frankfurt)	June 30, 2015	Sept 30, 2015	Dec 31, 2015	Mar 31, 2016	**June 30, 2016**
Number of shares outstanding	17,476,609	17,884,459	18,088,384	18,904,084	20,544,009
Closing price (in EUR)	5.40	4.85	2.22	5.34	4.99
Market capitalization (in EUR)	94,321,259	86,757,511	40,156,212	100,947,809	102,514,605

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	**Q2 2016**
Average daily trading volume (units)	48,914	46,675	110,157	134,831	157,300
Highest closing price (in EUR)	5.78	6.20	5.10	5.39	6.58
Lowest closing price (in EUR)	5.20	3.98	1.80	2.13	4.30

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/PAL	BNY Mellon

BUSINESS DEVELOPMENT

The first half of the year 2016 was marked by the approval of our lead product Epi proColon® by the U.S. Food and Drug Administration (FDA) on April 13, 2016. Together with our commercialization partner Polymedco, we placed highest priority on the swift market introduction of our test, which started only two weeks later (April 30). Since then, our activities have focused on the training of the marketing and sales teams, on the training of laboratory staff and on establishing the delivery processes from manufacturing to Polymedco's customers. Polymedco has initially stocked up our kits, in order to serve the demand from ordering laboratories.

In May 2016, we were very pleased to announce that Laboratory Corporation of America Holdings (LabCorp), one of the world's leading healthcare diagnostics companies, was the first laboratory to offer our test nationwide in the U.S.A. Since then, other renowned laboratories have started to order our test and to implement the testing procedures into their laboratory workflows. Together with Polymedco, we continue to focus our marketing efforts on winning new accounts in order to penetrate the laboratory market as quickly as possible. Reference labs, integrated networks, and medical centers as well as high-volume clients of Polymedco are key acquisition targets.

In June 2016, the United States Preventive Task Force (USPSTF) included Epi proColon® in its new recommendation statement for CRC screening, published in the Journal of the American Medical Association (JAMA). In the recommendation, the USPSTF names Epi proColon® ("SEPT9 DNA test") as one of several screening tests for the detection of early-stage CRC. The use of screening tests such as Epi proColon® is recommended in the population of adults in the age group between 50 and 75. USPSTF is the first U.S. guideline body to recognize our novel CRC screening test after its recent FDA approval.

Securing reimbursement for Epi proColon® is one of the key tasks in our efforts to support our customers. After the designation of a tier-1 current procedural terminology (CPT) code specific to Epi proColon®, we have initiated further steps for securing laboratory reimbursement for our test.

In April 2016, the Chinese Food and Drug Administration (CFDA) named the blood-based Septin9 CRC test, as successfully developed and introduced into the Chinese markets by our strategic partner BioChain, an "innovative medical product". According to the recently published "2015 Medical Device Registration Annual Report", only nine out of 7,530 approved medical devices received this label from the Chinese regulators.

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

In 6M 2016, cash outflow from operating activities decreased by EUR 601 thousand from EUR 4,607 thousand in 6M 2015 to EUR 4,006 thousand. This decrease was mainly attributable to the absence of any ongoing clinical studies in 6M 2016, while we had some significant cash outflows for our "ADMIT" study in the first half of the previous year and a stronger increase of trade payables and other liabilities as of the reporting date in 2016 compared to 2015.

Cash flow from investing activities changed by EUR 400 thousand to an outflow of EUR 290 thousand in 6M 2016 compared to an inflow of EUR 110 thousand in 6M 2015. The main reason for this change were received proceeds from an investment grant of EUR 184 thousand in 2015, while in the reporting period such inflows amounted only to EUR 3 thousand, and payments for the development of our blood based Epi proLung® product of EUR 199 thousand.

Cash inflow from financing activities in 6M 2016 amounted to EUR 9,002 thousand (6M 2015: EUR 7,555 thousand), mainly attributable to cash inflows from the conversion of five convertible notes between January and April 2016, and our capital increase in May 2016 by the issuance of 1.4 million new shares, which led to gross inflows of EUR 6,835 thousand.

Our net cash flow in the first six months of 2016 was EUR 4,706 thousand (6M 2015: EUR 3,058 thousand). Cash consumption decreased to EUR 4,296 thousand in 6M 2016, down from EUR 4,497 thousand in the comparable period of 2015. Cash and cash equivalents amounted to EUR 12,482 thousand at the reporting date (Dec 31, 2015: EUR 7,779 thousand).

RESULTS OF OPERATIONS

In Q2 2016 we recognized revenue in the amount of EUR 1,260 thousand – a 159% increase compared to Q2 2015 (EUR 487 thousand). In the first six months of 2016, overall revenue grew by 82% from EUR 854 thousand in 6M 2015 to EUR 1,556 thousand.

Product revenue sharply increased by 319% from EUR 289 thousand in Q2 2015 to EUR 1,209 thousand in Q2 2016, as a consequence of the start of our sales activities in the U.S.A. following the FDA approval for Epi proColon® in April 2016. North America accounted for 54% of our total revenue in Q2 2016 (EUR 685 thousand) and Asia for 37% (EUR 460 thousand). Looking at the first six months of 2016, both regions accounted for nearly 82% of our total revenue, compared to a mere 26% in the first half of 2015. Simultaneously, income from licensing and R&D services is losing significance and amounted to a combined EUR 51 thousand in Q2 2016 and EUR 161 thousand in 6M 2016, respectively (Q2 2015: EUR 198 thousand, 6M 2015: EUR 396 thousand).

Cost of sales amounted to EUR 834 thousand in Q2 2016 (Q2 2015: EUR 247 thousand) and accumulated to EUR 867 thousand in the first six months of 2016 (6M 2015: EUR 376 thousand). Product revenue in the U.S.A. was generated initially through sales to our commercialization partner Polymedco, and did not yet include our share in their resales to the final customers. Consequently, our gross margin was still rather low at 33.8% in Q2 2016 and 44.3% in 6M 2016. It is expected to improve significantly, once our contractual share in Polymedco's revenue is credited to us.

Other income of EUR 151 thousand in Q2 2016 (Q2 2015: EUR 86 thousand) was mainly attributable to the release of provisions (EUR 56 thousand), to foreign exchange gains (EUR 40 thousand) and to income from third-party research grants (EUR 33 thousand).

Our R&D costs decreased from EUR 1,632 thousand in Q2 2015 to EUR 1,216 thousand in Q2 2016. This decrease is attributable to the absence of study-related costs compared to Q2 2015. In the six month period, R&D costs dropped from EUR 3,846 thousand in the previous year to EUR 3,350 in 2016, mainly due to the same reason.

Our selling, general and administrative (SG&A) costs rose in Q2 2016 to EUR 2,826 thousand from EUR 1,230 thousand in the comparable period of 2015. This increase by EUR 1,596 thousand was partly attributable to legal costs in connection with a lawsuit filed against us by Maxim Group LLC ("Maxim"). Maxim asserts claims for breach of contract, unjust enrichment, and quantum meruit. Maxim seeks damages of approximately USD 834 thousand allegedly owed due to Maxim's role as a placement agent in connection with our 2013 convertible bond offering and the subsequent conversion of those bonds into ordinary shares. We intend to move to dismiss the suit in its entirety and otherwise contest that we have any liability to Maxim. No decision on the planned motion to dismiss is expected until late 2016. Furthermore, SG&A costs were impacted by expenses in connection with the resignation of the Company's former CEO, Dr. Thomas Taapken, and by legal and consulting expenses for the pursuit of strategic objectives with regard to the future financing of the Company.

Other expenses of EUR 20 thousand in the reporting quarter (Q2 2015: EUR 32 thousand) were nearly exclusively attributable to foreign exchange rate losses.

Altogether, our operating costs amounted to EUR 4.9 million in Q2 2016, up from EUR 3.1 million in the comparable period of 2015. The main driver for this development was the aforementioned increase in SG&A costs. In the six month comparison, total operating costs increased from EUR 6.8 million to EUR 10.2 million.

We closed Q2 2016 with a net loss of EUR 3.3 million (Q2 2015: EUR 2.5 million) which added up to EUR 7.6 million for 6M 2016 (6M 2015: EUR 5.6 million). The net loss per share for this period increased only slightly from EUR 0.15 in Q2 2015 to EUR 0.16, and from EUR 0.35 for the six month period 2015 to EUR 0.39 for the six month period 2016. It must be emphasized that the significant increase in net loss compared to last year's six month is partially due to the fact that the non-cash expenses for share-based payment rose sharply by EUR 2.2 million in 2016 – with the bulk of this in the first quarter of 2016 – as a consequence of the high volatility of our share between November 2015 and January 2016. Apart from this extraordinary one-off effect, our net loss in 6M 2016 was at the nearly same level as in 6M 2015.

NET ASSET POSITION

At the reporting date, total non-current assets increased from EUR 1.8 million as of December 31, 2015, to EUR 2.3 million, mainly due to a higher valuation of deferred tax assets. Current assets increased from EUR 10.8 million at the beginning of the reporting period, to EUR 15.6 million at June 30, 2016, mainly due to our capital increase in May 2016 with a net cash inflow of EUR 6.4 million.

The increase in subscribed capital (up by EUR 2.5 million) and the capital reserve (up by EUR 7.4 million) in the first six months of 2016 was attributable to the conversion of five convertible notes and the aforementioned capital increase in May 2016. Offset against the net loss of EUR 7.6 million in the first six months of 2016, this led to an increase in total equity of EUR 2.1 million to EUR 9.2 million at the reporting date (December 31, 2015: EUR 7.1 million). Nevertheless, the equity ratio decreased to 51.9% at the reporting date (Dec 31, 2015: 56.3%).

Compared to the closing balance of 2015, non-current liabilities increased by EUR 0.4 million to EUR 0.6 million as of June 30, 2016 (Dec 31, 2015: EUR 0.2 million) and mainly consisted of provisions for outstanding phantom stock rights. The higher value of these provisions is attributable to the increase in our share price from the beginning of the year to the reporting date.

Current liabilities increased from EUR 5.3 million at December 31, 2015, to EUR 7.9 million at June 30, 2016, mainly due to a strong increase in provisions from EUR 0.9 million as of December 31, 2015, to EUR 3.3 million at the reporting date, resulting from the share price movement in the first half year of 2016 as mentioned above and a larger amount provided for outstanding invoices. An opposite effect came from a decrease of issued convertible notes due to five conversions in the first six months of 2016, as well as from a reduction of deferred income from EUR 0.6 million at the beginning of the year to EUR 0.2 million at the reporting date.

EMPLOYEES

The total headcount of the Company as of June 30, 2016, was 43 (December 31, 2015: 39) and comprised 22 employees in R&D and 21 employees in SG&A functions.

OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's business operations are described in detail in the management report published with our 2015 consolidated financial statements which are available on the Company's website (*www.epigenomics.com*). There were two significant changes in the overall opportunities and risks situation in the reporting period. On the one hand, the risk from the Maxim lawsuit as described in our "results of operations" (see above) was added, but on the other hand, we no longer face the major risk of a non-approval for Epi proColon® in the U.S.A. after the agency's positive decision in April 2016. Nevertheless, this introduces a new risk for us, as we will have to start the post-approval study as requested by the FDA in the second half of the year. Once we have a final agreement with the agency on the design and the magnitude of this study, we will evaluate the risk associated with its conduct and will report on that in our subsequent financial report.

OUTLOOK

We confirm our revenue outlook for the current financial year, forecasting full-year revenue in the range of EUR 3.0 to 7.0 million with the bulk generated in the second half of the year. Adjusted for non-cash expenses related to phantom stock programs, we expect our EBITDA to be in the range of EUR -9.5 to -11.5 million. The change (previously: EUR -8.5 to -10.5 million) is mainly due to our investments in commercial efforts, legal and consulting expenses in relation to the exploration of available strategic options and due to changes in the management board.

Going forward, Epigenomics will continue to provide forecasts based on revenue and EBITDA (adjusted for non-cash expenses related to phantom stock programs; those expenses depend on Epigenomics' share price development and, hence, are not subject of the Company's operational performance and planning).

Epigenomics expects its liquid assets (incl. marketable securities) of EUR 13.2 million to be sufficient to fund operations well into 2017.

CORPORATE GOVERNANCE

ANNUAL GENERAL SHAREHOLDERS' MEETING 2016

Epigenomics AG held this year's Annual General Shareholders' Meeting (AGM) in Berlin on May 25, 2016. All agenda items were agreed to with significant majorities, including the increase of the number of Supervisory Board members from three to four. Thereupon, the independent management consultant, Dr. Helge Lubenow, Langenfeld (Rhld.)/ Germany, has been elected by the AGM for the next two years as additional new member of the Supervisory Board and accepted her election.

AUTHORIZED AND CONDITIONAL CAPITAL

As part of the AGM resolutions, the Company's Authorized Capitals 2015/I and 2015/II have been revoked and Authorized Capital 2016/I and Authorized Capital 2016/II have been newly created. Conditional Capital X has been amended. Furthermore, Conditional Capital XI has been newly created in order to allow the Company to establish a new stock option program for its Executive Board members and staff. From October 2016 until April 2018, such stock option rights can now be granted to the beneficiaries. For further details on these resolutions and the stock option program, 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*).

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

EUR thousand	Q2 2015	Q2 2016	6M 2015	6M 2016
Revenue	**487**	**1,260**	**854**	**1,556**
Cost of sales	-247	-834	-376	-867
Gross profit	**240**	**426**	**478**	**689**
Gross margin (in %)	*49*	*34*	*56*	*44*
Other income	86	151	208	570
Research and development costs	-1,632	-1,216	-3,846	-3,350
Selling, general and administrative costs	-1,230	-2,826	-2,513	-5,970
Other expenses	-32	-20	-60	-48
Operating result/Earnings before interest and taxes (EBIT)	**-2,568**	**-3,485**	**-5,733**	**-8,109**
Interest income	4	4	9	9
Other financial result	0	0	-1	0
Net loss for the period before taxes on income	**-2,564**	**-3,481**	**-5,725**	**-8,100**
Taxes on income	105	186	102	482
Net loss for the period	**-2,459**	**-3,295**	**-5,623**	**-7,618**
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of available-for-sale securities	-87	42	84	-66
Foreign currency effect from consolidation	0	1	0	-5
Other comprehensive income for the period	**-87**	**43**	**84**	**-71**
Total comprehensive income for the period	**-2,546**	**-3,252**	**-5,539**	**-7,689**
Earnings per share (basic and diluted, in EUR)	**-0.15**	**-0.16**	**-0.35**	**-0.39**

CONSOLIDATED BALANCE SHEET
AS OF JUNE 30 (UNAUDITED)

ASSETS (EUR thousand)	**Dec 31, 2015**	**June 30, 2016**
Non-current assets		
Intangible assets	792	784
Tangible assets	684	652
Deferred tax assets	346	834
Total non-current assets	**1,822**	**2,270**
Current assets		
Inventories	1,077	664
Trade receivables	177	307
Marketable securities	784	718
Cash and cash equivalents	7,779	12,482
Other current assets	959	1,382
Total current assets	**10,776**	**15,553**
Total assets	**12,598**	**17,823**

EQUITY AND LIABILITIES (EUR thousand)	**Dec 31, 2015**	**June 30, 2016**
Equity		
Subscribed capital	18,088	20,544
Capital reserve	40,945	48,323
Retained earnings	-42,734	-51,719
Net loss for the period	-8,985	-7,618
Other comprehensive income	-216	-287
Total equity	**7,098**	**9,243**
Non-current liabilities		
Provisions	217	641
Total non-current liabilities	**217**	**641**
Current liabilities		
Trade payables	1,923	2,645
Deferred income	635	170
Convertible notes issued	1,070	535
Other liabilities	761	1,278
Provisions	894	3,311
Total current liabilities	**5,283**	**7,939**
Total equity and liabilities	**12,598**	**17,823**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30 (UNAUDITED)

EUR thousand	6M 2015	6M 2016
Cash and cash equivalents at the beginning of the period	**6,715**	**7,779**
Operating activities		
Net loss for the period	**-5,623**	**-7,618**
Adjustments for:		
Depreciation of tangible assets	95	60
Amortization of intangible assets	311	149
Foreign currency exchange results	-4	0
Financial income	-9	-9
Taxes	-98	-482
Operating result before changes in operating assets and liabilities	**-5,328**	**-7,900**
Inventories	-708	413
Trade receivables	-1	-130
Other current assets	-284	-423
Non-current and current provisions	888	2,842
Trade payables and other liabilities	900	1,468
Deferred income	-50	-271
Tax paid	-24	-5
Cash flow from operating activities	**-4,607**	**-4,006**
Investing activities		
Payments to acquire intangible fixed assets	-8	-88
Payments to acquire tangible fixed assets	-84	-24
Payments related to capitalized development costs	0	-199
Proceeds from investment grants received	184	3
Interest received	18	18
Cash flow from investing activities	**110**	**-290**

EUR thousand	6M 2015	6M 2016
Financing activities		
Proceeds from the issue of new shares	5,000	6,835
Payments for the issue of new shares	-50	-438
Proceeds from the conversion of convertible notes	2,605	2,605
Cash flow from financing activities	**7,555**	**9,002**
Total net cash flow	**3,058**	**4,706**
Currency translation effects	0	-3
Cash and cash equivalents at the end of the period	**9,773**	**12,482**

At the reporting date, EUR 24 thousand of cash and cash equivalents included restricted cash.

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

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehen-sive income	**Consolidated equity**
December 31, 2014	**15,480**	**33,582**	**-33,880**	**-8,854**	**-220**	**6,108**
Total comprehensive income	**0**	**0**	**0**	**-5,623**	**84**	**-5,539**
Transfer of net loss for the year 2014 to retained earnings	0	0	-8,854	8,854	0	0
Conversion of convertible notes	1,020	2,121	0	0	0	3,141
Capital increase with pre-emptive rights	977	0	0	0	0	977
Premium from the capital increase with pre-emptive rights	0	4,023	0	0	0	4,023
Costs for the capital increase with pre-emptive rights	0	-54	0	0	0	-54
June 30, 2015	**17,477**	**39,672**	**-42,734**	**-5,623**	**-136**	**8,656**
December 31, 2015	**18,088**	**40,945**	**-42,734**	**-8,985**	**-216**	**7,098**
Total comprehensive income	**0**	**0**	**0**	**-7,618**	**-71**	**-7,689**
Transfer of net loss for the year 2015 to retained earnings	0	0	-8,985	8,985	0	0
Conversion of convertible notes	1,020	2,121	0	0	0	3,141
Capital increase without pre-emptive rights	1,436	0	0	0	0	1,436
Premium from the capital increase without pre-emptive rights	0	5,399	0	0	0	5,399
Costs for the capital increase without pre-emptive rights	0	-142	0	0	0	-142
June 30, 2016	**20,544**	**48,323**	**-51,719**	**-7,618**	**-287**	**9,243**

NOTES

to the Interim Consolidated Financial Statements

BASIC INFORMATION, PRINCIPLES AND METHODS

CORPORATE INFORMATION AND DESCRIPTION OF BUSINESS ACTIVITY

Epigenomics ("Epigenomics" or the "Company") was founded as a limited liability company (GmbH) in 1998 and has its headquarters in Berlin, Germany. In 2000, the Company was converted into a stock corporation (AG) and entered into the commercial register ("Handelsregister") Charlottenburg under HRB 75861. Since July 19, 2004, it is listed in the Prime Standard segment of the Frankfurt Stock Exchange (ticker symbol: ECX).

In accordance with its Articles of Association, the object of the Company is the development and marketing of procedures and devices for the production in quantity of particular epigenetic parameters such as DNA methylation patterns as well as the information technology bases necessary for their procurement and evaluation. Epigenomics AG is a molecular diagnostics company developing and commercializing a pipeline of proprietary products for screening, early detection and diagnosis of cancer.

GENERAL PRINCIPLES

The present unaudited interim report for the Epigenomics Group comprises Condensed Interim Consolidated Financial Statements and an Interim Group Management Report in accordance with Section 37w (3) of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG). The Condensed Interim Financial Statements have been prepared according to the International Financial Reporting Standards (IFRSs) issued by 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* as adopted by the European Union (EU), applicable and effective at the closing date June 30, 2016. Further, these interim Financial Statements are in accordance with German Accounting Standards (GASs) under consideration of GAS 16 *Interim Financial Reporting*, applicable and effective at the closing date June 30, 2016.

The reporting period as defined in these Condensed Interim Consolidated Financial Statements is the period from January 1, 2016, to June 30, 2016. The reporting currency is the euro (EUR).

This interim report should be read in conjunction with the Annual Report for fiscal 2015, which presents a more detailed analysis of the Group's business and a comprehensive disclosure of the Group's accounting principles and methods, which have been applied accordingly in the reporting period.

A critical review of this interim report was performed by the Company's auditor.

APPLICATION OF NEW STANDARDS IN THE REPORTING PERIOD

In the reporting period, the Group has applied the following new and revised IFRSs and Interpretations issued by the IASB and endorsed by the EU that are mandatorily effective for an accounting period that begins on or after January 1, 2016. Generally, the amendments mentioned above require prospective application.

Annual Improvements to IFRSs (2010–2012 Cycle)
IAS 19 – Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs (2012–2014 Cycle)
IFRS 14 – Regulatory Deferral Accounts
IFRS 11 – Accounting for Acquisition of Interests in Joint Operations
IAS 1 – Disclosure Initiative
IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization
IAS 16 and IAS 41 – Agriculture: Bearer Plants
IAS 27 – Equity Method in Separate Financial Statements

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

SCOPE OF CONSOLIDATION

The scope of consolidation remained unchanged compared to December 31, 2015, and comprises the two companies Epigenomics AG, Berlin, Germany, and Epigenomics, Inc., Seattle, WA, U.S.A.

FAIR VALUE MEASUREMENT

These consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or their fair values at the end of each reporting period.

For determining and disclosing the fair value of financial instruments, the Company uses the following hierarchy in accordance with IFRS 13 *Fair Value Measurement*:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs)

The carrying amounts of financial assets and liabilities such as cash and cash equivalents, marketable securities, trade receivables, trade payables, convertible notes and other current liabilities approximate their fair values due to their short-term maturities. The fair value of marketable securities is based on quoted market prices (level 1). There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the reporting period.

CURRENCY TRANSLATION

Foreign currency exchange rates applied in the reporting period are as follows:

Reporting date rates	Dec 31, 2015	June 30, 2016
EUR/USD	1.0887	1.1102

Average rates	6M 2015	6M 2016
EUR/USD	1.1113	1.1142

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

REVENUE

Revenue by type:

	Q2 2015		Q2 2016	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	289	59.4	1,209	96.0
Licensing income	12	2.5	7	0.5
R&D income	186	38.1	44	3.5
Total revenue	**487**	**100.0**	**1,260**	**100.0**

	6M 2015		6M 2016	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	458	53.6	1,395	89.7
Licensing income	53	6.2	111	7.1
R&D income	343	40.2	50	3.2
Total revenue	**854**	**100.0**	**1,556**	**100.0**

Revenue by geographical market:

	Q2 2015		Q2 2016	
	EUR thousand	in %	EUR thousand	in %
Europe	291	59.7	115	9.2
North America	27	5.5	685	54.3
Rest of the world	169	34.8	460	36.5
Total revenue	**487**	**100.0**	**1,260**	**100.0**

	6M 2015		6M 2016	
	EUR thousand	in %	EUR thousand	in %
Europe	631	73.9	287	18.5
North America	54	6.3	760	48.8
Rest of the world	169	19.8	509	32.7
Total revenue	**854**	**100.0**	**1,556**	**100.0**

OTHER INCOME

EUR thousand	Q2 2015	Q2 2016	6M 2015	6M 2016
Third-party research grants	32	33	118	312
Correction of deferred liabilities	6	18	10	112
Income from the reversal of provisions	0	56	0	65
Foreign exchange rate gains	31	40	60	47
Recoveries and refunds	17	4	18	32
Other	0	0	2	2
Total other income	**86**	**151**	**208**	**570**

COST ALLOCATION BY FUNCTION

Q2 2015
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	131	228	16	0	375
Depreciation and amortization	1	173	24	0	198
Personnel costs	79	508	538	0	1,125
Other costs	36	723	652	32	1,443
Total	**247**	**1,632**	**1,230**	**32**	**3,141**

Q2 2016
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	747	301	8	0	1,056
Depreciation and amortization	1	72	13	0	86
Personnel costs	5	404	1,073	0	1,482
Other costs	81	439	1,732	20	2,272
Total	**834**	**1,216**	**2,826**	**20**	**4,896**

6M 2015
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	169	275	17	0	461
Depreciation and amortization	2	352	52	0	406
Personnel costs	159	1,214	1,243	0	2,616
Other costs	46	2,005	1,201	60	3,312
Total	**376**	**3,846**	**2,513**	**60**	**6,795**

6M 2016
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	765	417	13	0	1,195
Depreciation and amortization	2	182	25	0	209
Personnel costs	5	1,873	2,912	0	4,790
Other costs	95	878	3,020	48	4,041
Total	**867**	**3,350**	**5,970**	**48**	**10,235**

Personnel costs in Q2 2016 include share-based payment expenses of EUR -61 thousand (Q2 2015: EUR 153 thousand) and in 6M 2016 of EUR 2,224 thousand (6M 2015: EUR 780 thousand).

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q2 2015	Q2 2016	6M 2015	6M 2016
Operating result/Earnings before interest and taxes (EBIT)	**-2,568**	**-3,485**	**-5,733**	**-8,109**
Depreciation of tangible assets	43	56	95	60
Amortization of intangible assets	155	29	311	149
EBIT before depreciation and amortization (EBITDA)	**-2,370**	**-3,400**	**-5,327**	**-7,900**

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 2015	Q2 2016	6M 2015	6M 2016
Net loss for the period (in EUR thousand)	-2,459	-3,295	-5,623	-7,618
Weighted-average number of shares issued	16,947,163	20,065,342	16,281,768	19,382,751
Earnings per share (basic and diluted, in EUR)	-0.15	-0.16	-0.35	-0.39

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2015	June 30, 2016
Software	8	143
Licenses, patents	118	101
Development costs	666	540
Total intangible assets	**792**	**784**
Fixtures/leasehold improvements	468	446
Technical equipment	176	164
Other fixed assets	40	42
Total tangible assets	**684**	**652**
Deferred tax assets	**346**	**834**
Total non-current assets	**1,822**	**2,270**

The useful life of the capitalized developments costs for Epi proColon® has been reassessed during Q2 2016 in an impairment testing following the positive market approval decision by the FDA, and has now been extended from six to ten years. Hence, the monthly amortization of this asset decreases from EUR 28 thousand to EUR 9 thousand.

CURRENT ASSETS

EUR thousand	Dec 31, 2015	June 30, 2016
Inventories	**1,077**	**664**
Trade receivables	**177**	**307**
Marketable securities	**784**	**718**
Cash and cash equivalents	**7,779**	**12,482**
Deferred expenses	303	612
Prepaid expenses	209	287
Receivables from tax authorities	156	259
Receivables from granted projects	69	96
Advance payments	152	70
Deposits	20	20
Interest receivables	9	0
Creditors with debt accounts	3	0
Other	38	38
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**959**	**1,382**
Total current assets	**10,776**	**15,553**

EQUITY

As of June 30, 2016, the share capital of Epigenomics AG exclusively comprised 20,544,009 no-par value ordinary registered shares. In 6M 2016, total equity increased by EUR 2.1 million to EUR 9.2 million at the reporting date (Dec 31, 2015: EUR 7.1 million).

NON-CURRENT LIABILITIES

Provisions

In former periods, the Company has issued phantom stock rights to its Executive Board members and to its staff which can be exercised by the beneficiaries under certain conditions from 2016 on.[1] If these conditions are met and the beneficiaries exercise their rights, the Company has the obligation to settle the debt from these rights in cash. The non-current portion of the provision for this potential obligation has been calculated in the amount of EUR 603 thousand as of June 30, 2016 (Dec 31, 2015: EUR 181 thousand), using the binomial model of Cox, Ross and Rubinstein.

[1] *Please refer to the Company's 2015 annual financial statements for further details.*

CURRENT LIABILITIES

Convertible notes issued

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 thousand. In the course of 6M 2016, five notes of the total issuance were converted by their holders into 1,019,625 new shares of the Company. The five convertible notes remaining are recognized at fair value as liabilities as of June 30, 2016.

Other liabilities

EUR thousand	Dec 31, 2015	June 30, 2016
Payables due to staff	205	935
Accrued audit fees	199	162
Accrued Supervisory Board remuneration	0	120
Payables due to financial/tax authorities	76	46
Payables to social security institutions	0	7
Down payments received from customers	276	0
Other	5	9
Total other liabilities	**761**	**1,278**

Provisions

EUR thousand	Dec 31, 2015	June 30, 2016
Provisions for claims from phantom stock rights	601	2,452
Provisions for legal costs/litigation	0	390
Contract-related provisions	51	323
Payroll provisions	192	121
Statutory provisions	0	9
Other provisions	50	16
Total provisions	**894**	**3,311**

Primary financial instruments

EUR thousand	Valuation principle	Fair value hierarchy level	as of Dec 31, 2015 Carrying amount	as of Dec 31, 2015 Fair value	as of June 30, 2016 Carrying amount	as of June 30, 2016 Fair value
Assets						
Loans and receivables	AC		316	316	462	462
Trade receivables			*177*	*177*	*307*	*307*
Other current assets			*139*	*139*	*155*	*155*
Financial assets available for sale	FV Rec. Eq.		784	784	718	718
Marketable securities		1	*784*	*784*	*718*	*718*
Cash and cash equivalents	n/a		*7,779*	*7,779*	12,482	12,482
Liabilities						
Financial liabilities measured at amortized cost	AC		3,306	3,306	4,192	4,192
Trade payables			*1,923*	*1,923*	*2,636*	*2,636*
Convertible notes			*1,070*	*1,070*	*535*	*535*
Other current liabilities			*255*	*255*	*1,021*	*1,021*

AC = Amortized Cost
FV Rec. Eq. = Fair Value Recognized in Equity
FV Rec. PL = Fair Value Recognized in Profit or Loss

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash comprises bank deposits and cash in hand. Cash equivalents are defined as instruments convertible to a known amount of cash on a short-term basis and carrying a very low risk of changes in value.

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

Cash flow from investing activities is based on actual payments.

Cash flow from financing activities is based on actual payments.

Due to a slightly amended area allocation, the numbers for the previous year according to this report are only to a limited extent comparable to those published in the Q2 report for 2015 at that time.

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”. It amounted to EUR 4.3 million in the first six months of 2016 (6M 2015: EUR 4.5 million).

OTHER INFORMATION

INFORMATION ON STOCK OPTIONS

No new stock options were granted in the reporting period. Furthermore, no options were exercised, cancelled or forfeited. The total number of stock options still outstanding as of June 30, 2016, amounted to 21,065 with an average strike price of EUR 15.65.

INFORMATION ON PHANTOM STOCK PROGRAMS

No further phantom stock rights were issued in the reporting period.

The number of outstanding phantom stock rights from the Company's phantom stock programs amounted to 108,000 from PSP 2015, 331,633 from PSP 2014, 714,000 from PSP 2013 and to 188,879 from PSP 03–15.

INFORMATION ON "DIRECTORS' DEALINGS"

No "Directors' Dealings" announcements were published by the Company in the reporting quarter.

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

(in units as of June 30, 2016)	Shares	Phantom stock rights
Dr. Thomas Taapken (CEO/CFO)	57,652	282,333
Dr. Uwe Staub (COO)	5,000	237,800
Executive Board total	**62,652**	**520,133**
Heino von Prondzynski (Chairman)	129,000	0
Ann Clare Kessler, Ph.D. (Vice Chairwoman)	7,800	0
Dr. Helge Lubenow	1,000	0
Supervisory Board total	**137,800**	**0**

REPORT ON POST-REPORTING DATE EVENTS

On July 1, 2016, after the end of the reporting period, the Company's new Chief Executive Officer (CEO), Mr. Greg Hamilton, took up his work for the Company. He succeeds Dr. Thomas Taapken who resigned from his positions as CEO and Chief Financial Officer of the Company as of June 30, 2016.

This interim report was approved and cleared for publication by the Executive Board of the Company on August 9, 2016.

Berlin, August 9, 2016

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, August 9, 2016

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 the current plans, estimates, forecasts 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 position, 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 place undue reliance on 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 AG, Berlin

We have reviewed the condensed interim consolidated financial statements – comprising the condensed statement of comprehensive income (statement of profit or loss and other comprehensive income), condensed balance sheet, the condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – together with the interim group management report of Epigenomics AG, Berlin, for the period from January 1, 2016 to June 30, 2016 that are part of the consolidated half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS as adopted by the EU and of the interim group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's legal representatives. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim management report of the Group based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports.

Munich, August 9, 2016

Baker Tilly Roelfs AG
Wirtschaftsprüfungsgesellschaft

Weissinger	Muggenthaler
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

CORPORATE CALENDAR 2016

Interim Statement 2016 – January 1–September 30, 2016 ..... Wednesday, November 9, 2016

CONTACT

Epigenomics AG
Peter Vogt
Vice President
Corporate Communications &
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.