epigenomics

6-MONTH REPORT

JANUARY 1 – JUNE 30

H1 2012

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

in EUR thousand (unless stated otherwise)	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Income Statement					
Revenue	364	257	195	243	156
Gross profit	264	204	140	194	131
EBIT	-2,975	-5,032	-4,498	-2,301	-3,442
EBITDA	-2,789	-3,829	-1,742	-2,006	-3,230
Net loss for the period	-3,011	-4,816	-4,858	-2,338	-3,386
Balance Sheet (at the respective reporting date)					
Non-current assets	5,598	5,352	4,042	3,735	3,526
Investments in non-current assets[1]	61	197	35	12	4
Current assets	22,693	19,395	15,421	12,815	10,226
Current liabilities	2,700	4,126	3,277	2,541	3,112
Equity	25,591	20,621	16,186	14,009	10,640
Equity ratio in %	90.5	83.3	83.2	84.7	77.4
Total assets	28,291	24,747	19,463	16,550	13,752
Cash Flow Statement					
Cash flow from operating activities	-2,416	-2,019	-1,840	-2,543	-2,207
Cash flow from investing activities	-388	-1,002	-1,270	-12	-6
Cash flow from financing activities	-2	-46	11	-25	-159
Net cash flow	-2,806	-3,067	-3,099	-2,580	-2,372
Cash consumption	-2,804	-3,021	-3,398	-2,555	-2,214
Cash and cash equivalents at period's end	18,723	15,656	12,557	9,977	7,605
Stock[2]					
Weighted average number of shares issued	8,818,417	8,818,417	8,818,417	8,818,417	8,818,417
Earnings per share (basic and diluted) in EUR	-0.35	-0.55	-0.52	-0.27	-0.38
Share price at period's end in EUR	5.95	4.26	1.30	2.22	1.52
Number of employees at period's end	84	77	61	46	44

[1] *Excluding capitalized development costs.*

[2] *In order to ensure comparability, the figures for Q2 2011 have been adjusted retroactively in a 5:1 ratio.*

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EPIGENOMICS AG – INTERIM REPORT ON THE FIRST HALF OF 2012

DEAR SHAREHOLDERS,

We continued to make steady progress with our key product Epi proColon® during the second quarter of 2012 according to our plans. During this period, our activities clearly centered around the remaining steps necessary to gain U.S. regulatory approval for our colorectal cancer (CRC) screening test Epi proColon®. In April, we started a head-to-head comparative study against fecal immunochemical testing (FIT) as required by the U.S. Food and Drug Administration (FDA) with the goal of showing non-inferiority to the established stool-based tests. The study is progressing on schedule with completion expected in the fourth quarter of the year. Furthermore, in June, we submitted the third module of our Premarket Approval (PMA) application relating to analytical validation of the product to the FDA. The final module, containing all clinical data, is scheduled for submission in the fourth quarter of 2012.

In terms of commercialization, we also reached two encouraging milestones. In June, we signed an additional non-exclusive licensing agreement with Companion Dx Reference Lab LLC, Houston, TX, USA ("Companion Dx"). Companion Dx will establish and commercialize a blood-based, laboratory-developed test (LDT) using methylated Septin9 as a biomarker for the detection of CRC. Regionally focused Companion Dx is a strong partner to effectively serve the Texas cancer testing market ahead of FDA approval and the targeted launch of our proprietary product. As reported in our previous quarterly report, Septin9 testing already has received its own code in the 2013 CPT coding document issued by the American Medical Association, which is an essential prerequisite for reimbursement once the currently established reimbursement system for laboratory diagnostics will undergo a revision at the beginning of 2013.

In July, after period-end, we announced that Swiss Life, France's third-largest private health insurance company, will reimburse the costs of the Septin9 blood-based test for early detection of CRC proportionately to its insured persons as part of a preventive health program. We are extremely pleased about this positive decision, which clearly confirms our recently implemented commercialization approach in Europe – working closely with key players in the healthcare system. Since Epi proColon® 2.0 CE has recently become commercially available in France, we are now able to expand into the French market. Together with Swiss Life, we share the view that providing Septin9-based testing for the targeted detection of CRC will help physicians to improve the health outcomes of patients and decrease the rising costs associated with CRC treatment.

In summary, we are making solid progress towards our primary goal – to introduce Septin9 as an IVD diagnostic test into the USA, the world's largest commercial market for molecular diagnostics, without losing sight of the European market.

Meanwhile, we are working hard to secure the future of our business and the funds necessary to execute Epigenomics' plans. We therefore continue to evaluate all options available to the Company, including the option to secure additional financial resources through a possible capital market transaction.

In May, our Annual General Shareholders' Meeting (AGM) took place in Berlin. The AGM elected Mr. Heino von Prondzynski into our Supervisory Board where he assumed the role of its chairman. We are convinced that his expertise and experience will prove to be very valuable to the Company. In this context, we would also like to take the opportunity to thank our long-standing Supervisory Board members Mr. Joe Anderson, Ph.D., Prof. Dr. Dr. Dr. h. c. Uwe Bicker, Mr. Günter Frankenne and especially our former Chairman Prof. Dr. Dr. h. c. Rolf Krebs on behalf of the entire Company and the Supervisory Board for their outstanding contributions over the past many years.

Yours sincerely

Geert Walther Nygaard
CEO

Dr. Thomas Taapken
CFO

MAIN EVENTS DURING Q2/2012

U.S. REGULATORY PROCESS FOR EPI PROCOLON®: FIT STUDY SUCCESSFULLY STARTED

After having initiating the process of gaining U.S. regulatory approval for our CRC screening test Epi proColon® late last year, we started a head-to-head comparative study in the second quarter of 2012 with the goal of demonstrating non-inferiority of Epi proColon® to fecal immunochemical testing (FIT) as an integral part of the clinical module of our PMA submission filed with the FDA. In April 2012, we announced the inclusion of the first study subject and progressed significantly since then. We have included numerous clinical sites so far and the sample collection process is well underway. It is anticipated that this study will be completed in the fourth quarter of 2012. In June 2012, the third module of this process, relating to analytical validation, has been submitted to the FDA. The final module, containing all clinical data, is scheduled for submission before the end of the year, which will then formally complete our regulatory submission documentation.

The clinical module of the PMA submission will encompass the results of the ongoing head-to-head comparative study, previously announced data from a clinical validation study in a cohort of prospectively collected samples and other clinical study results generated during the development of Epi proColon®. Simultaneously, we are extending our network in the medical expert community in order to gain support for our product with key opinion leaders in the field and have started our preparations for a potential advisory panel meeting which we expect to become part of the review process by the FDA.

NON-EXCLUSIVE LICENSING AGREEMENT FOR SEPTIN9 WITH COMPANION DX REFERENCE LAB SIGNED

In June 2012, we announced that we signed a non-exclusive licensing agreement for our proprietary DNA methylation biomarker Septin9 with Companion Dx, an emerging leader in pharmacogenomic testing and cancer companion diagnostics. Under the terms of the agreement, Companion Dx has obtained rights to establish and commercialize a blood-based LDT using methylated Septin9 as biomarker for the detection of colorectal cancer. Epigenomics is entitled to double-digit royalties on sales.

Based on the growing uptake of the Septin9 assay through our LDT licensees, we are excited to add regionally focused Companion Dx to the list of our partners as we recognize their ability to effectively serve the Texas cancer testing market and reach incremental subpopulations who should be but are not yet screened according to guidelines. Colorectal cancer is the second leading cause of cancer-related deaths in the USA. Companion Dx believes that the blood-based method to detect colorectal cancer in the currently non-compliant patient population will improve participation in screening. They share our objective of providing tests that will help physicians to improve the health outcomes for patients through accurate detection of colorectal cancer and to potentially decrease the rising costs associated with colorectal cancer in the USA. With this licensing agreement, we continue to execute on our commercialization strategy, well ahead of the launch of a proprietary diagnostic product approved by the FDA.

The agreement with Companion Dx complements our LDT agreements with Quest Diagnostics, ARUP Laboratories and Gamma-Dynacare Medical Laboratories (formerly: Warnex Medical Laboratories) in North America. Furthermore, Abbott Molecular has a worldwide, non-exclusive license to develop and commercialize IVD test kit products while Qiagen and Sysmex have acquired options to do so.

EPIGENOMICS WELCOMES REIMBURSEMENT OF THE SEPTIN9 BLOOD-BASED COLORECTAL CANCER TEST BY SWISS LIFE IN FRANCE (AFTER REPORTING PERIOD'S END)

In July 2012, we announced that Swiss Life, France's third-largest private health insurance company, with nearly two million policyholders, will recommend the Septin9 blood-based test for the early CRC detection as part of a preventive health program. As the first French insurance company to provide the Septin9 test, Swiss Life is now offering up to 50% reimbursement of this test at a cost of EUR 95. Currently, French Social Security does not cover the Septin9 test. With this decision, Swiss Life France is demonstrating its strong commitment to the improved prevention of CRC for its policyholders. Furthermore, the decision underpins its pioneering approach to disease prevention. Since 2005, Swiss Life has offered its policyholders an optional preventive health package, approved by a committee of medical experts, which is integrated into Swiss Life's health insurance contracts. With 17,000 deaths annually in France and 17 million people eligible to be screened, colorectal cancer is a major public health issue for which Swiss Life has agreed reimbursement of this innovative test.

Our version of the test, Epi proColon® 2.0 CE, has recently become commercially available in France and we look forward to working with healthcare pioneers like Swiss Life to increase compliance to CRC screening in order to improve health outcomes.

ANNUAL GENERAL SHAREHOLDERS' MEETING IN MAY 2012

On May 2, 2012, we held our Annual General Shareholders' Meeting 2012 in Berlin. All proposed resolutions were approved by our shareholders with vast majorities. Among these resolutions was the proposed reduction of the size of the Supervisory Board from six to three members. In the forefront of this meeting, our long-standing Chairman of the Supervisory Board, Prof. Dr. Dr. h. c. Rolf Krebs, had announced that for personal reasons he would not stand for re-election. Likewise, our long-time Supervisory Board members Joe Anderson, Ph.D., Prof. Dr. Dr. Dr. h. c. Uwe Bicker and Günter Frankenne had previously announced that they would not stand for re-election. Thereupon, the AGM re-elected Ann Clare Kessler, Ph.D, and Prof. Dr. Günther Reiter to the Supervisory Board and elected Heino von Prondzynski for the remaining seat in this Board. Immediately after the AGM, the new Supervisory Board held its constitutive meeting and elected Heino von Prondzynski as its new Chairman.

Mr. von Prondzynski (62) is an internationally recognized expert and accomplished business leader in the field of molecular diagnostics with an extensive network of contacts in the United States and in Europe among others. Beside other career accomplishments, he has been CEO of the diagnostics division of F. Hoffmann-La Roche Ltd., Basel, Switzerland, and a member of the Group Executive Committee of Roche. He is intimately acquainted with Epigenomics, having been a member of its Supervisory Board from May 2007 until March 2010.

OUR STOCK

In order to ensure comparability, market data as shown below has been adjusted retroactively with regard to the 5:1 consolidation of shares in August 2011.

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 sponsors	ICF Kursmakler AG Wertpapierhandelsbank equinet AG
Analyst coverage	Edison Investment Research (Jacob Plieth, Robin Dawson) equinet AG/ESN (Edouard Aubery)

Market data	June 30, 2011	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	**June 30, 2012**
Number of shares outstanding	8,818,417	8,818,417	8,818,417	8,818,417	8,818,417
Closing price (in EUR)	5.95	4.26	1.30	2.22	1.52
Market capitalization (in EUR)	52,469,581	37,566,456	11,463,942	19,576,886	13,403,994

	Q2 2011	Q3 2011	Q4 2011	Q1 2012	**Q2 2012**
Average daily trading volume (units)	9,103	6,536	13,483	32,733	13,823
Highest price (in EUR)	9.15	6.65	4.62	3.55	2.30
Lowest price (in EUR)	5.60	3.41	1.30	1.21	1.40

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

Cash outflow from operating activities was EUR 4.8 million in H1 2012 – a decrease of EUR 0.5 million compared to H1 2011. This outflow still included another EUR 0.3 million payments related to the restructuring process in 2011 as well as payments in connection with our ongoing clinical trial and the FDA approval process. In this context, payments were mainly made for consulting and regulatory services as well as for the clinical sites, which are participating in the ongoing FIT comparative study. While no significant payments for investing activities were made in H1 2012 (H1 2011: EUR 0.6 million), we recognized EUR 0.2 million of payments for financing activities to evaluate strategic options for the future financing of our Company (H1 2011: EUR 0.0 million). Therefore, total net cash flow in the first six months of 2012 added up to EUR -5.0 million (H1 2011: EUR -5.8 million).

RESULTS OF OPERATIONS

Revenue in Q2 2012 of EUR 156 thousand was significantly lower than the comparable number of previous year (Q2 2011: EUR 364 thousand), as no R&D income was recognized (Q2 2011: EUR 131 thousand) and product sales and licensing income lagged behind their comparables for the previous year. The shortfall in product revenue over the six-month period 2012 can be explained by our strategic decision to redirect our sales focus in Europe towards selected key accounts. The reduction in licensing income is mainly due to licensing contracts which have been paid off in the meantime.

Other income of EUR 157 thousand in Q2 2012 (Q2 2011: EUR 69 thousand) was largely attributable to exchange rate gains, reversal of provisions and accruals and recognized income from research grants.

As expected, research and development costs (R&D costs) increased notably in Q2 2012 from EUR 1,428 thousand in Q2 2011 to EUR 2,138 thousand following the start of our FIT comparative study and increased activities towards our FDA approval process. Costs were mainly attributable to consulting services for regulatory advice and by manifold site initiation processes for clinical sites which are participating in the FIT comparative study. Moreover, a capitalization of development costs in the amount of EUR 302 thousand in Q2 2011 has to be considered in the comparison to last year's numbers since such capitalized development costs did not impact profit and loss at that time. In accordance with IFRS accounting rules, we have not capitalized any development costs in 2012 since the second-generation product was now introduced into the EU market.

The restructuring measures in our marketing and sales departments were mainly the cause for the year-over-year decrease in our SG&A costs from EUR 1,767 thousand in Q2 2011 to EUR 1,515 thousand in Q2 2012.

Other expenses of EUR 77 thousand in the reporting period (Q2 2011: EUR 113 thousand) are attributable to late effects from the 2011 restructuring process and to foreign exchange rate losses.

EBIT for Q2 2012 amounted to EUR -3,442 thousand – a deterioration of 15.7% compared to Q2 2011 (EUR -2,975 thousand). However, EBIT for the first six months of 2012 amounted to EUR -5,742 thousand, only slightly worse than the amount of EUR -5,715 thousand in the comparable period of 2011, when expenses of EUR 417 thousand were capitalized as development costs.

Our financial result improved to EUR 83 thousand and EUR 81 thousand in the Q2 and H1 period of 2012, respectively – up from EUR 16 thousand and EUR -105 thousand in last year's reporting periods.

Net loss for Q2 2012 amounted to EUR 3,386 thousand (Q2 2011: EUR 3,011 thousand) and for H1 2012 to EUR 5,724 thousand (H1 2011: EUR 5,901 thousand).

NET ASSETS POSITION

During H1 2012, non-current assets decreased from EUR 4.0 million at December 31, 2011, to EUR 3.5 million at the reporting date due to scheduled and unscheduled depreciation and amortization without significant new capital expenditures at the same time. Simultaneously, current assets dropped from EUR 15.4 million at the end of 2011 to EUR 10.2 million at June 30, 2012. This decrease is mainly attributable to our cash consumption during the first six months of 2012. Therefore, total assets added up to EUR 13.8 million by the end of H1 2012 (December 31, 2011: EUR 19.5 million).

Total equity dropped to EUR 10.6 million as of June 30, 2012 – down from EUR 16.2 million in our opening balance 2012 – as a result of our net loss for the reporting period. Current

liabilities slightly decreased from EUR 3.3 million at the end of 2011 to EUR 3.1 million at June 30, 2012, and include an amount of more than EUR 0.6 million still related to our restructuring process in 2011. It is expected that these restructuring liabilities will be settled to a large extent by the end of the third quarter of 2012.

EMPLOYEES

	Berlin	Seattle	Total
Number of employees as of June 30, 2012	**37**	**7**	**44**
Number of employees as of December 31, 2011	51	10	61
Number of employees as of June 30, 2011	69	15	84

The total headcount of 44 at the reporting date comprises of 23 employees in R&D and 21 employees in selling, general and administration including one apprentice.

OPPORTUNITIES AND RISKS

Opportunities and risks in relation to the Company's operations are described in detail in the management report published with the consolidated financial statements 2011 which are available on the Company's website (www.epigenomics.com). There were no significant changes in the current reporting period.

PROGNOSIS REPORT FOR 2012

In line with our previous guidance, product sales from our IVD diagnostic products remained at a modest level during the first half of 2012. While we continue seeking potential licensing partners in the United States and distribution partners as well as key account customers in the rest of the world, we expect our product-derived revenue to maintain at low levels prior to the potential U.S. approval of Epi proColon® by the FDA, likely in the course of 2013. A major increase in revenue can only be expected once we are able to sell Epi proColon® directly in the U.S. market. While we expect an improved EBIT and a narrowed net loss in 2012 in comparison to 2011 due to the effect from the restructuring plan implemented in the previous year, the necessity to invest into the further clinical trials ahead of completion of our FDA submission will force us to secure additional financial resources to secure the continuation of our business. Our current financial resources are not sufficient to support the Company's operations beyond the first quarter of 2013. Since at the current time it is not anticipated that we will be able to generate sufficient cash flows from licensing income or from product sales in the short term, we will diligently explore all strategic options available to the Company. These options include a capital market transaction. However, given the volatility of the financial markets and the development of Epigenomics' share price, we are also exploring other strategic options for the further development of Epigenomics.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2012

GROUP INCOME STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2012 (UNAUDITED)

EUR thousand	Q2 2011	Q2 2012	H1 2011	H1 2012
Revenue	364	156	985	399
Cost of sales	-100	-25	-249	-73
Gross profit	**264**	**131**	**736**	**326**
Gross margin in %	*72%*	*84%*	*75%*	*82%*
Other income	69	157	129	643
Research and development costs	-1,428	-2,138	-3,007	-3,585
Selling, general and administrative costs	-1,767	-1,515	-3,370	-2,900
Other expenses	-113	-77	-203	-226
Operating result (EBIT)	**-2,975**	**-3,442**	**-5,715**	**-5,742**
Interest income	54	33	109	74
Other financial result	-38	50	-214	7
Net loss for the period before taxes on income	**-2,959**	**-3,359**	**-5,820**	**-5,661**
Taxes on income	-52	-27	-81	-63
Net loss for the period	**-3,011**	**-3,386**	**-5,901**	**-5,724**
Earnings per share (basic and diluted) in EUR[1]	**-0.34**	**-0.38**	**-0.67**	**-0.65**

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN GROUP EQUITY
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2012 (UNAUDITED)

EUR thousand	Q2 2011	Q2 2012	H1 2011	H1 2012
Net loss for the period	**-3,011**	**-3,386**	**-5,901**	**-5,724**
Fair value adjustment of securities	-29	-30	112	84
Total income and expenses recognized in Group equity	**-29**	**-30**	**112**	**84**
Total comprehensive income	**-3,040**	**-3,416**	**-5,789**	**-5,640**

[1] *In order to ensure comparability, the earnings per share for 2011 have been adjusted retroactively following the 5:1 consolidation of shares in connection with the Company's capital decrease in August 2011.*

GROUP BALANCE SHEET
AS OF JUNE 30, 2012 (UNAUDITED)

ASSETS EUR thousand	**Dec 31, 2011**	**June 30, 2012**
Non-current assets		
Intangible assets	3,322	2,917
Tangible assets	506	420
Deferred taxes	214	189
Total non-current assets	**4,042**	**3,526**
Current assets		
Inventories	283	102
Trade receivables	211	150
Marketable securities	1,428	1,512
Cash and cash equivalents	12,557	7,605
Other current assets	942	857
Total current assets	**15,421**	**10,226**
Total assets	**19,463**	**13,752**

EQUITY AND LIABILITIES EUR thousand	**Dec 31, 2011**	**June 30, 2012**
Equity		
Subscribed capital	8,818	8,818
Capital reserve	22,212	22,306
Retained earnings	1,303	-14,272
Net loss for the period	-15,575	-5,724
Other comprehensive income	-572	-488
Total equity	**16,186**	**10,640**
Current liabilities		
Trade payables	1,228	1,057
Deferred income	0	352
Other liabilities	1,013	1,030
Provisions	1,036	673
Total current liabilities	**3,277**	**3,112**
Total equity and liabilities	**19,463**	**13,752**

GROUP CASH FLOW STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2012 (UNAUDITED)

EUR thousand	H1 2011	H1 2012
Cash and cash equivalents at the beginning of the period	**24,554**	**12,557**
Operating activities		
Net loss for the period before taxes on income	**-5,820**	**-5,661**
Corrections for:		
Depreciation on tangible assets	136	93
Amortization of intangible assets	211	414
Losses from the disposal of assets	0	1
Stock option expenses	85	94
Foreign currency exchange results	32	-5
Interest income	-109	-74
Taxes	-16	-34
Operating result before changes in net current assets	**-5,481**	**-5,172**
Changes in trade receivables and other current assets	-3,686	154
Changes in inventories	34	181
Changes in current liabilities from operating activities	3,780	21
Liquidity earned from operating activities	**-5,353**	**-4,816**
Interest received	101	66
Cash flow from operating activities	**-5,252**	**-4,750**
Investing activities		
Payments for investments in tangible assets	-105	-9
Proceeds from sales of tangible assets	5	0
Payments for investments in intangible assets	-53	-9
Additions to capitalized development costs	-417	0
Cash flow from investing activities	**-570**	**-18**
Financing activities		
Payments for lease financing	-9	0
Other financing-related payments	0	-184
Cash flow from financing activities	**-9**	**-184**
Cash flow total	**-5,831**	**-4,952**
Cash and cash equivalents at the end of the period	**18,723**	**7,605**

STATEMENT OF CHANGES IN GROUP EQUITY
AS OF JUNE 30, 2012 (UNAUDITED)

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other comprehensive income	**Group equity**
Dec 31, 2010	**44,092**	**22,078**	**-22,494**	**-11,476**	**-905**	**31,295**
Total comprehensive income	**0**	**0**	**0**	**-5,901**	**112**	**-5,789**
Transfer of net loss for the year 2010 to retained earnings	0	0	-11,476	11,476	0	0
Stock-based compensation	0	85	0	0	0	85
June 30, 2011	**44,092**	**22,163**	**-33,970**	**-5,901**	**-793**	**25,591**
Dec 31, 2011	**8,818**	**22,212**	**1,303**	**-15,575**	**-572**	**16,186**
Total comprehensive income	**0**	**0**	**0**	**-5,724**	**84**	**-5,640**
Transfer of net loss for the year 2011 to retained earnings	0	0	-15,575	15,575	0	0
Stock-based compensation	0	94	0	0	0	94
June 30, 2012	**8,818**	**22,306**	**-14,272**	**-5,724**	**-488**	**10,640**

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, 2012, as mandatory applicable in the European Union. Further, these statements are in accordance with German Accounting Standards (GASs) under consideration of GAS 16 *Interim Financial Reporting.* New standards adopted by the IASB and/or the German Accounting Standards Committee (GASC) apply from the date on which they came into effect. A critical review of this interim report was performed by the Company's auditor.

Amendments to the following Standards were mandatorily adopted during the reporting period:

- IFRS 1: *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation, Fixed Dates,*
- IFRS 7: *Financial Instruments – Disclosures: Transfers of Financial Assets,*
- IAS 12: *Income Taxes: Recovery of Underlying Assets.*

The adoption of these amendments 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, 2012, to June 30, 2012. The reporting currency is the euro (EUR).

The Group Income Statement has been prepared using the cost of sales method.

CONSOLIDATION GROUP

The consolidation group remained unchanged compared to the one as of December 31, 2011, 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, 2011. 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, 2011	June 30, 2012
EUR/USD	1.2939	1.2590
EUR/GBP	0.83530	0.80680
EUR/CAD	1.3215	1.2871

Average rates	H1 2011	H1 2012
EUR/USD	1.4239	1.3030
EUR/GBP	0.87728	0.82209
EUR/CAD	1.3840	1.3057

NOTES TO THE GROUP INCOME STATEMENT

REVENUE

Revenue source by revenue type:

	Q2 2011		Q2 2012	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third party)	81	22.1	73	46.8
Licensing income	152	41.8	83	53.2
R&D income	131	36.1	0	0.0
Total revenue	**364**	**100.0**	**156**	**100.0**

	H1 2011		H1 2012	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third party)	235	23.9	198	49.5
Licensing income	607	61.6	197	49.4
R&D income	143	14.5	4	1.1
Total revenue	**985**	**100.0**	**399**	**100.0**

Revenue source by geographical market:

	Q2 2011		Q2 2012	
	EUR thousand	in %	EUR thousand	in %
Europe	283	77.9	115	73.5
North America	68	18.7	41	26.5
Rest of the world	13	3.4	0	0.0
Total revenue	**364**	**100.0**	**156**	**100.0**

	H1 2011		H1 2012	
	EUR thousand	in %	EUR thousand	in %
Europe	738	74.9	252	63.0
North America	180	18.3	117	29.3
Rest of the world	67	6.8	30	7.7
Total revenue	**985**	**100.0**	**399**	**100.0**

OTHER INCOME

EUR thousand	Q2 2011	Q2 2012	H1 2011	H1 2012
Income from the reversal of provisions	4	41	9	423
Currency exchange gains	33	58	39	101
Income from the sale of assets	8	1	17	42
Third-party research grants	19	36	47	36
Recoveries and refunds	2	21	3	22
Income from option exercises	0	0	6	18
Corrections of invoices of previous periods	3	0	7	0
Other	0	0	1	1
Total other income	**69**	**157**	**129**	**643**

COST ANALYSIS

Q2 2011
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	14	96	10	120
Depreciation and amortization	12	140	34	186
Personnel costs	23	934	784	1,741
Other costs	51	560	939	1,550
Capitalized development costs	0	-302	0	-302
Total	**100**	**1,428**	**1,767**	**3,295**

Q2 2012
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	10	356	19	385
Depreciation and amortization	1	185	26	212
Personnel costs	0	506	684	1,190
Other costs	14	1,091	786	1,891
Capitalized development costs	0	0	0	0
Total	**25**	**2,138**	**1,515**	**3,678**

H1 2011
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	91	256	22	369
Depreciation and amortization	15	272	60	347
Personnel costs	37	1,870	1,516	3,423
Other costs	106	1,026	1,772	2,904
Capitalized development costs	0	-417	0	-417
Total	**249**	**3,007**	**3,370**	**6,626**

H1 2012
EUR thousand

	Cost of sales	R&D costs	SG&A costs	Total
Materials and consumables	36	496	40	572
Depreciation and amortization	2	451	54	507
Personnel costs	4	1,047	1,426	2,477
Other costs	31	1,591	1,380	3,002
Capitalized development costs	0	0	0	0
Total	**73**	**3,585**	**2,900**	**6,558**

OTHER EXPENSES

EUR thousand	Q2 2011	Q2 2012	H1 2011	H1 2012
Unscheduled amortization	0	0	0	78
Restructuring expenses	0	42	0	62
Foreign exchange rate losses	112	35	202	50
Corrections for former periods	0	0	0	33
Other	1	0	1	3
Total other expenses	**113**	**77**	**203**	**226**

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

EUR thousand	Q2 2011	Q2 2012	Variance in %
EBIT	**-2,975**	**-3,442**	**-15.7**
Depreciation	70	44	36.4
Amortization	116	168	-44.7
EBITDA	**-2,789**	**-3,230**	**-15.8**

EUR thousand	H1 2011	H1 2012	Variance in %
EBIT	**-5,715**	**-5,742**	**-0.4**
Depreciation	136	93	31.1
Amortization	211	414	-95.7
EBITDA	**-5,368**	**-5,235**	**2.5**

FINANCIAL RESULT

EUR thousand	Q2 2011	Q2 2012	H1 2011	H1 2012
Interest and related income	54	33	109	73
Income from derivative instruments	0	50	0	50
Total financial income	**54**	**83**	**109**	**123**
Other financial expenses	-38	0	-214	-42
Total other financial expenses	**-38**	**0**	**-214**	**-42**
Total financial result	**16**	**83**	**-105**	**81**

TAXES ON INCOME

EUR thousand	Q2 2011	Q2 2012	H1 2011	H1 2012
Current tax expenses	8	13	20	34
Deferred tax expenses	44	14	61	29
Total taxes on income	**52**	**27**	**81**	**63**

EARNINGS PER SHARE[2]

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.

	Q2 2011	Q2 2012
Net loss for the period in EUR thousand	-3,011	-3,386
Weighted-average number of shares issued	8,818,417	8,818,417
Earnings per share (basic and diluted) in EUR	-0.34	-0.38

	H1 2011	H1 2012
Net loss for the period in EUR thousand	-5,901	-5,724
Weighted-average number of shares issued	8,818,417	8,818,417
Earnings per share (basic and diluted) in EUR	-0.67	-0.65

The outstanding stock options granted 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). The number of shares issued as of the reporting date amounted to 8,818,417 (June 30, 2011: 8,818,417).

[2] *In order to ensure comparability, the number of shares and consequently the earnings per share for 2011 have been adjusted retroactively following the 5:1 consolidation of shares in August 2011.*

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2011	June 30, 2012
Software	173	151
Licenses, patents	296	269
Development costs	2,853	2,497
Total intangible assets	**3,322**	**2,917**
Fixtures	7	7
Technical equipment	462	381
Other fixed assets	37	32
Total tangible assets	**506**	**420**
Deferred tax assets	**214**	**189**
Total non-current assets	**4,042**	**3,526**

CURRENT ASSETS

EUR thousand	Dec 31, 2011	June 30, 2012
Inventories	**283**	**102**
Trade receivables	**211**	**150**
Marketable securities	**1,428**	**1,512**
Cash and cash equivalents	**12,557**	**7,605**
Prepaid expenses	576	423
Receivables from tax authorities	205	300
Claims based on granted projects	84	51
– thereof: claims against public authorities	*84*	*51*
Interest receivables	27	36
Advance payments	8	0
Derivative instruments	0	6
Other	42	41
– thereof with a maturity of > 1 year	*38*	*38*
Total other current assets	**942**	**857**
Total current assets	**15,421**	**10,226**

EQUITY

Equity decreased in the first six months by EUR 5.5 million, mainly due to the net loss for the period. As of June 30, 2012, the share capital of EUR 8,818,417 remained unchanged compared to the year-end 2011.

CURRENT LIABILITIES

Deferred income

EUR thousand	Dec 31, 2011	June 30, 2012
Payments from commercial partners	0	4
Payments for granted projects	0	348
Total deferred income	**0**	**352**

There are no repayment obligations for the Company resulting from deferred income.

Other liabilities

EUR thousand	Dec 31, 2011	June 30, 2012
Payables for onerous rental agreements	251	619
Payables due to staff	390	185
Accrued audit fees	105	82
Payables due to tax authorities	218	64
Accrued Supervisory Board fees	4	58
Down payments received	35	16
Payables due to social security institutions	2	6
Liabilities from derivative instruments	2	0
Other	6	0
Total other liabilities	**1,013**	**1,030**

Payables for onerous rental agreements are resulting exclusively from the restructuring process in 2011 and are expected to be largely settled by the end of Q3 2012.

Provisions

EUR thousand	Dec 31, 2011	June 30, 2012
Payroll provisions	97	263
Other contract-related provisions	188	188
Provisions for onerous rental agreements	704	149
Provision for pending action	0	50
Provision for Annual General Shareholders' Meeting	40	12
Other provisions	7	11
Total provisions	**1,036**	**673**

NOTES TO THE GROUP CASH FLOW STATEMENT

OPERATING ACTIVITIES

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

INVESTING ACTIVITIES

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

FINANCING ACTIVITIES

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

CASH CONSUMPTION

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

EUR thousand	H1 2011	H1 2012
Cash flow from operating activities	-5,252	-4,750
Cash flow from investing activities	-570	-18
Net proceeds from transactions in securities	0	0
Cash consumption	**-5,822**	**-4,768**

OTHER INFORMATION

INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties took place during H1 2012.

INFORMATION ON SHARE TRANSACTIONS AND STOCK OPTIONS

Changes in shareholdings of the Executive Board members of Epigenomics AG ("Directors Dealings") in the reporting period:

Date	Executive Board member	Transaction type	Number of shares	Share price (in EUR)	Transaction value (in EUR)
Apr 4, 2012	Dr. Thomas Taapken	Purchase	2,000	2.25	4,500
Apr 16, 2012	Dr. Thomas Taapken	Purchase	1,000	2.18	2,180

Changes in stock options

In the reporting period, a total number of 60,000 stock options was granted to the Company's Executive Board members Geert Walther Nygaard and Dr. Thomas Taapken and another 80,000 stock options were granted to employees of the Company. No stock options were exercised during the first six months of 2012. The total number of outstanding stock options as of June 30, 2012, amounted to 486,325.

Share and option holdings of the Board members of Epigenomics AG (as of June 30, 2012)

All numbers of shares and stock options were adjusted to the share capital after the capital decrease.

	Number of shares	Number of stock options
Executive Board	**17,000**	**217,000**
Geert Walther Nygaard	12,000	137,000
Dr. Thomas Taapken	5,000	80,000
Supervisory Board	**14,900**	**0**
Heino von Prondzynski	12,100	0
Ann Clare Kessler, Ph.D.	2,800	0

This interim report has been approved and cleared for publication by the Executive Board of the Company on July 31, 2012.

Berlin, July 31, 2012

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, 2012

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 comprehensive income (Group income statement and statement of income and expenses recognized in Group equity), statement of changes in Group equity, Group cash flow statement, and selected explanatory notes to the financial statements – and the interim consolidated management report (short form) of Epigenomics AG for the period from January 1 to June 30, 2012 which are part of half-year financial report in accordance with Article 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). The preparation of the interim consolidated financial statements (short form) in accordance with IFRSs 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 report 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 IFRSs 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 IFRSs 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. The Executive Board notes in the prognosis report of the interim consolidated management report as of June 30, 2012 that the liquidity for the following two years is not secured.The Executive Board derives the positive prognosis for the Group's continued existence from a detailed financial and earnings plan for the business years 2012 and 2013 with the result that the Group will most probably be able to continue its business activity during the present and coming business year, with adherence to the payment obligations.

The continued existence prognosis is tainted with uncertainties due to the maintenance of the ability to pay, since strategic options as capital market transactions are integrated in the corporate planning. The Group will be reliant in the allocation of financial resources in the first quarter 2013 at the latest, since the liquid resources on June 30, 2012 will be used in total by losses from operating business at this time.

Berlin, July 31, 2012

UHY Deutschland AG
Wirtschaftsprüfungsgesellschaft

(ppa. Kulla)
Wirtschaftsprüferin
[German Public Auditor]

(Dr. Peters)
Wirtschaftsprüferin
[German Public Auditor]

CORPORATE CALENDAR 2012

9-Month Report 2012
January 1 – September 30 ..... Wednesday, November 7, 2012

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