

epigenomics



6-MONTH REPORT

JANUARY 1 – JUNE 30

6M 2017

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

in EUR thousand (except where indicated)	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Statement of Profit or Loss					
Revenue	1,260	864	1,782	281	246
Gross profit	426	265	1,613	251	160
EBIT	-3,485	-2,615	-1,587	-2,693	-4,563
EBITDA	-3,400	-2,544	-1,511	-2,618	-4,487
EBITDA before share-based payment costs	-3,461	-2,494	-1,498	-2,353	-3,424
Net loss for the period	-3,295	-2,338	-1,205	-2,370	-4,103
Balance Sheet (at the respective reporting dates)					
Non-current assets	2,270	2,624	3,019	3,238	3,602
Current assets	15,553	9,780	15,203	12,105	9,245
Non-current liabilities	641	700	89	103	155
Current liabilities	7,939	4,855	3,709	2,973	4,222
Equity	9,243	6,849	14,424	12,267	8,470
Equity ratio (in %)	51.9	55.2	79.2	80.0	65.9
Total assets	17,823	12,404	18,222	15,343	12,847
Statement of Cash Flows					
Cash flow from operating activities	-1,663	-4,099	-5,232	-1,335	-2,945
Cash flow from investing activities	-239	-439	349	-283	-87
Cash flow from financing activities	7,009	-1,365	9,785	-45	0
Net cash flow	5,107	-5,903	-4,957	-1,663	-3,032
Cash consumption	-1,902	-4,538	-4,828	-1,618	-3,032
Cash and cash equivalents at the end of the period	12,482	6,589	11,531	9,867	6,802
Stock					
Weighted-average number of shares issued	20,065,342	20,544,009	21,777,758	22,735,260	22,735,260
Earnings per share (basic and diluted, in EUR)	-0.16	-0.11	-0.05	-0.10	-0.18
Share price at the end of the period (in EUR)	4.99	4.99	4.55	4.98	7.23
Number of employees at the end of the period					
	43	45	45	43	44

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EPIGENOMICS AG – REPORT ON THE FIRST SIX MONTHS OF 2017

DEAR SHAREHOLDERS,

Activity in the first half of 2017 was dominated by Summit Hero Holding GmbH's voluntary takeover offer for Epigenomics AG, which was made public on April 26 of this year. The bidder, in which our longstanding partner BioChain also holds an equity interest, had submitted what we considered to be an attractive cash offer of EUR 7.52 per share to our shareholders. The Executive Board and Supervisory Board of Epigenomics AG expressed their support for the offer in a public statement, as it would have directly created value for our shareholders while simultaneously strengthening the long-term prospects for Epigenomics.

Completion of the offer was subject, inter alia, to the condition that a minimum acceptance threshold of 75% of all of Epigenomics' shares be reached. Acceptance fell short of this threshold by the end of the acceptance period on July 7, meaning that the offer was unfortunately not successful.

As the Executive Board, our objective is now to lead Epigenomics to success even without a financially strong dominating majority shareholder. We remain resolutely confident of the market opportunities for our products and the potential of our biomarker pipeline. However, securing our success going forward requires further investment, for instance in commercialization, marketing, clinical expertise and research and development activities. All of these activities require more robust financing.

Our revenue was relatively low in the first six months of 2017. We do not expect any tangible improvement in this area until the payers on the U.S. healthcare market begin reimbursing for Epi proColon. For this reason, at the beginning of July we reduced our revenue and earnings outlook for the current fiscal year.

Epigenomics aims to achieve key milestones in the second half of 2017. These include Epi proLung's planned CE certification in Europe as well as potentially far-reaching decisions with respect to the previously mentioned reimbursement for Epi proColon in the United States. We also expect to make progress in further developing our product pipeline.

After the Centers of Medicare & Medicaid Services (CMS) granted our reconsideration request in relation to the reimbursement price of USD 83 which had been set for Epi proColon in 2016, on July 31, 2017 we again presented to the CMS our reasoning behind why we consider a higher reimbursement price (approximately USD 160) to be justified. We expect a preliminary decision on the matter in September, and a final determination to be made in November of this year.

We will keep you posted on the Company's continued development over the coming weeks and months.

Yours sincerely,

Gregory Hamilton
(CEO)

Dr. Uwe Staub
(COO)

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	equinet Bank AG (Marietta Miemietz) First Berlin Equity Research GmbH (Simon Scholes) goetzpartners (Martin Brunninger)

Market data (XETRA/Frankfurt)	June 30, 2016	Sept 30, 2016	Dec 31, 2016	Mar 31, 2017	June 30, 2017
Number of shares outstanding	20,544,009	20,544,009	22,735,260	22,735,260	22,735,260
Closing price (in EUR)	4.99	4.99	4.55	4.98	7.23
Market capitalization (in EUR)	102,514,605	102,514,605	103,445,433	113,221,595	164,375,930

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Average daily trading volume (units)	157,300	43,749	51,510	53,972	157,543
Highest closing price (in EUR)	6.58	5.11	5.70	5.42	7.36
Lowest closing price (in EUR)	4.30	4.50	4.25	4.51	4.95

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

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

In 6M 2017, cash outflow from operating activities increased by EUR 275 thousand from EUR 4,006 thousand in 6M 2016 to EUR 4,281 thousand. This increase was attributable to payments in connection with exercised phantom stock rights (EUR 148 thousand) and marketing activities for Epi proColon in the United States.

Cash flow from investing activities changed by EUR -79 thousand to an outflow of EUR 369 thousand in 6M 2017 compared to an outflow of EUR 290 thousand in 6M 2016. This change was due primarily to increased payments of EUR 338 thousand for the development of our blood-based Epi proLung product (6M 2016: EUR 199 thousand).

Cash outflow from financing activities in 6M 2017 amounted to EUR 45 thousand (6M 2016: cash inflow of EUR 9,002 thousand).

Our net cash flow in the first six months of 2017 was EUR -4,695 thousand (6M 2016: EUR 4,706 thousand). Cash consumption increased to EUR 4,650 thousand in 6M 2017, compared to EUR 4,296 thousand in the comparable period of the previous year. Cash and cash equivalents amounted to EUR 6,802 thousand at the reporting date (December 31, 2016: EUR 11,531 thousand).

RESULTS OF OPERATIONS

In Q2 2017 we recognized revenue in the amount of EUR 246 thousand – a 80% decrease compared to Q2 2016 (EUR 1,260 thousand). In the first six months of 2017, overall revenue fell by 66% from EUR 1,556 thousand in 6M 2016 to EUR 527 thousand. In the second quarter of the previous year, our joint U.S. commercialization partner Polymedco had initially stocked up on large inventories of Epi proColon following the product's FDA approval. This resulted in a relatively high revenue figure for the quarter. However, delays in reimbursement decisions in the United States caused Polymedco's order volume in 6M 2017 to fall behind the previous year's figure.

Product revenue fell by 88%, from EUR 1,209 thousand in Q2 2016 to EUR 151 thousand in Q2 2017. Licensing income increased from EUR 7 thousand in the second quarter of 2016 to EUR 95 thousand in the second quarter of 2017; that figure increased from EUR 111 thousand to EUR 298 thousand for the first six months of 2016 and 2017, respectively. This increase was due primarily to contractual minimum license fees, which we now receive from our Chinese licensing partner. At the same time, in contrast to the first half of the previous year, no income from R&D services was generated (6M 2016: EUR 50 thousand).

Cost of sales amounted to EUR 86 thousand in Q2 2017 (Q2 2016: EUR 834 thousand) and EUR 116 thousand in the first six months of 2017 (6M 2016: EUR 867 thousand). Our gross margin increased from 34% in Q2 2016 and 44% in 6M 2016 to 65% in Q2 2017 and 78% in 6M 2017, primarily as a result of the increased share of revenue attributable to the high-margin licensing business.

Other income of EUR 459 thousand in Q2 2017 (Q2 2016: EUR 151 thousand) was mainly attributable to the reversal of provisions and the reversal of write-downs on receivables.

R&D costs increased from EUR 1,216 thousand in Q2 2016 to EUR 1,447 thousand in Q2 2017. This was due to higher personnel costs relating to share-based payments, since at the end of the reporting period our sharply rising share price resulted in an accordingly high valuation of the outstanding phantom stock rights (PSR) and stock options. During the first six months of the year, R&D costs declined from EUR 3,350 thousand in the previous year to EUR 2,513 thousand in fiscal year 2017. This was mainly due to the capitalization of development costs for the Epi proLung test, which was significantly increased in the first six months of 2017 vis-a-vis the comparative period.

Our selling, general and administrative (SG&A) costs rose in Q2 2017 to EUR 3,427 thousand from EUR 2,826 thousand in the comparable period of 2016. This EUR 601 thousand increase was due in large part to increased commercialization activities in the United States and increased costs for share-based payments in Q2 2017.

Altogether, our operating costs amounted to EUR 5.3 million in Q2 2017, up from EUR 4.9 million in the comparable period of 2015. While the decrease in cost of materials – caused by the reduction in revenue – was virtually neutralized by the effect from the significant overall increase in personnel expenses resulting from share-based payments, the costs for managing our portfolio of patents and licenses also fell. However, in the six month comparison, total operating costs fell sharply from EUR 10.2 million to EUR 8.3 million. This was caused primarily by the decrease in cost of materials (-EUR 0.8 million) and personnel costs (-EUR 1.0 million) and the effect from capitalized development costs (+EUR 0.5 million).

The reported tax income of EUR 456 thousand in Q2 2017 (Q2 2016: EUR 186 thousand) and EUR 776 thousand in 6M 2017 (6M 2016: EUR 482 thousand) related exclusively to deferred taxes on loss carry-forwards recognized by the U.S. subsidiary.

We closed Q2 2017 with a net loss of EUR 4.1 million (Q2 2016: EUR 3.3 million) which added up to EUR 6.5 million for 6M 2017 (6M 2016: EUR 7.6 million). The net loss per share for this period increased slightly year on year from EUR 0.16 to EUR 0.18 and fell to EUR 0.28 for the first half of 2017 (6M 2016: EUR 0.39).

NET ASSET POSITION

At the reporting date, total non-current assets increased from EUR 3.0 million as of December 31, 2016 to EUR 3.6 million, mainly due to an increase in deferred tax assets. Current assets fell from EUR 15.2 million at the beginning of the period to EUR 9.2 million as of June 30, 2017 – this was due for the most part to cash consumption during that period.

Due to the net loss for the period, total equity fell by EUR 5.9 million to EUR 8.5 million at the reporting date (December 31, 2016: EUR 14.4 million). The equity ratio decreased to 65.9% at the reporting date (December 31, 2016: 79.2%).

Compared to the balance at the beginning of the year, non-current liabilities increased by EUR 66 thousand to EUR 155 thousand as of June 30, 2017 (December 31, 2016: EUR 89 thousand) 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 3.7 million at December 31, 2016 to EUR 4.2 million at June 30, 2017, mainly due to an increase in provisions from EUR 1.9 million as of December 31, 2016 to EUR 2.6 million at the reporting date. The increase in provisions for current claims under PSRs by EUR 0.8 million was partially offset by the reversal of other provisions amounting to EUR 0.3 million. In Q2 2017, a total of 54,850 PSRs were exercised

EMPLOYEES

The total headcount of the Company as of June 30, 2017 was 44 (December 31, 2016: 45) and comprised 23 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 2016 consolidated financial statements which are available on the Company's website (www.epigenomics.com). There were no significant changes to the opportunities and risks during the reporting period.

OUTLOOK

On July 6, 2017, after the end of the reporting period, we adjusted our outlook for the second half of the year in an ad-hoc disclosure. Due to the fact that revenue remained below expectations in the first half of 2017 (approximately EUR 0.5 million) and the fact that there would be most likely no Medicare reimbursement in the U.S. market over the remainder of the year, we now expect revenue to amount to between EUR 1.0 million and EUR 1.5 million in fiscal year 2017 (previously: approximately EUR 2.5 million). Based on the reduced revenue forecast and due to potential additional costs, adjusted EBITDA (excluding expenses in relation to share-based payments) is now expected to range between EUR -12.5 million and EUR -14.0 million at the end of the year (previously: EUR -12.0 to EUR -13.5 million).

Given that acceptance of Summit Hero's takeover offer to the shareholders of our Company was insufficient, the Company now faces an uncertain situation with respect to its liquidity, as the available liquid funds as of June 30, 2017 are only expected to last until the first quarter of 2018 based on the current cash consumption. We will continue to carefully examine all available strategic options for securing the continued existence of the Company in this phase of uncertainty. These options explicitly include further capital market transactions aimed at procuring additional funds.

CORPORATE GOVERNANCE

ANNUAL GENERAL SHAREHOLDERS' MEETING 2017

Epigenomics AG held this year's Annual General Shareholders' Meeting (AGM) in Berlin on May 30, 2017. All proposed resolutions by the Executive Board and the Supervisory Board were approved by a large majority. The actions of the members of the Company's Executive Board and the Supervisory Board in the 2016 fiscal year were ratified.

AUTHORIZED AND CONDITIONAL CAPITAL

As part of the AGM resolutions, the Company's Authorized Capital 2016/I and 2016/II were revoked and Authorized Capital 2017/I and 2017/II were newly created. Conditional Capital IX and X were amended. Furthermore, Conditional Capital XII was newly created in order to allow the Company to establish a new stock option program for its Executive Board members and staff. From October 2017 until April 2019, 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 of the 2017 AGM which is published on the Company's website (www.epigenomics.com/news-investors/annual-general-shareholder-meeting/).

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

EUR thousand	Q2 2016	Q2 2017	6M 2016	6M 2017
Revenue	1,260	246	1,556	527
Cost of sales	-834	-86	-867	-116
Gross profit	426	160	689	411
<i>Gross margin (in %)</i>	33.8	65.0	44.3	78.0
Other income	151	459	570	543
Research and development costs	-1,216	-1,447	-3,350	-2,513
Selling, general and administrative costs	-2,826	-3,427	-5,970	-5,365
Other expenses	-20	-308	-48	-333
Operating result/earnings before interest and taxes (EBIT)	-3,485	-4,563	-8,109	-7,257
Interest income	4	4	9	9
Other financial result	0	0	0	-2
Net loss for the period before taxes on income	-3,481	-4,559	-8,100	-7,250
Taxes on income	186	456	482	776
Net loss for the period	-3,295	-4,103	-7,618	-6,474
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of available-for-sale securities	42	15	-66	128
Foreign currency effect from consolidation	1	185	-5	179
Other comprehensive income for the period	43	200	-71	307
Total comprehensive income for the period	-3,252	-3,903	-7,689	-6,167
Earnings per share (basic and diluted, in EUR)	-0.16	-0.18	-0.39	-0.28

CONSOLIDATED BALANCE SHEET AS OF JUNE 30 (UNAUDITED)

ASSETS EUR thousand	Dec 31, 2016	June 30, 2017
<i>Non-current assets</i>		
Intangible assets	755	735
Tangible assets	713	676
Deferred tax assets	1,551	2,191
Total non-current assets	3,019	3,602
<i>Current assets</i>		
Inventories	257	293
Trade receivables	2,248	430
Marketable securities	753	880
Cash and cash equivalents	11,531	6,802
Other current assets	414	840
Total current assets	15,203	9,245
Total assets	18,222	12,847

EQUITY AND LIABILITIES EUR thousand	Dec 31, 2016	June 30, 2017
<i>Equity</i>		
Subscribed capital	22,735	22,735
Capital reserve	54,873	55,086
Retained earnings	-51,719	-62,880
Net loss for the period	-11,161	-6,474
Other comprehensive income	-305	2
Total equity	14,424	8,470
<i>Non-current liabilities</i>		
Provisions	89	155
Total non-current liabilities	89	155
<i>Current liabilities</i>		
Trade payables	1,089	1,021
Deferred income	302	0
Other liabilities	466	632
Provisions	1,852	2,569
Total current liabilities	3,709	4,222
Total equity and liabilities	18,222	12,847

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

EUR thousand	6M 2016	6M 2017
Cash and cash equivalents at the beginning of the period	7,779	11,531
<i>Operating activities</i>		
Net loss for the period	-7,618	-6,474
Adjustments for:		
Depreciation of tangible assets	60	59
Amortization of intangible assets	149	93
Stock option expenses	0	213
Financial income	-9	-9
Financial expenses	0	2
Taxes	-482	-776
Operating result before changes in operating assets and liabilities	-7,900	-6,892
Inventories	413	-36
Trade receivables	-130	1,778
Other current assets	-423	-429
Non-current and current provisions	2,842	827
Trade payables and other liabilities	1,468	480
Deferred income	-271	-6
Tax paid	-5	-3
Cash flow from operating activities	-4,006	-4,281
<i>Investing activities</i>		
Payments to acquire intangible fixed assets	-88	-22
Payments to acquire tangible fixed assets	-24	-43
Payments related to capitalized development costs	-199	-338
Proceeds from investment grants received	3	16
Interest received	18	18
Cash flow from investing activities	-290	-369

EUR thousand	6M 2016	6M 2017
<i>Financing activities</i>		
Proceeds from the issue of new shares	6,835	0
Payments for the issue of new shares	-438	-45
Proceeds from the conversion of convertible notes	2,605	0
Cash flow from financing activities	9,002	-45
Net cash flow	4,706	-4,695
Currency translation effects	-3	-34
Cash and cash equivalents at the end of the period	12,482	6,802

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 com- prehensive income	Consolidated equity
Dec 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
Dec 31, 2016	22,735	54,873	-51,719	-11,161	-305	14,424
Total comprehensive income	0	0	0	-6,474	307	-6,167
Transfer of net loss for the year 2016 to retained earnings	0	0	-11,161	11,161	0	0
Share-based payment expenses	0	213	0	0	0	213
June 30, 2017	22,735	55,086	-62,880	-6,474	2	8,470

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. It has been listed in the Prime Standard segment of the Frankfurt Stock Exchange since July 19, 2004 (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), (4) 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, 2017. Furthermore, 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, 2017.

The reporting period as defined in these Condensed Interim Consolidated Financial Statements is the period from January 1, 2016, to June 30, 2017. The reporting currency is the Euro (EUR).

This interim report should be read in conjunction with the Annual Report for fiscal year 2016, 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 applied the following new and revised IFRSs and Interpretations issued by the IASB and endorsed by the EU that are effective for accounting periods beginning on or after January 1, 2017. Generally, the amendments mentioned below require prospective application.

- Amendments to IAS 7 *Disclosure Initiative*
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*
- Annual Improvements to IFRSs (2014–2016 Cycle) – Amendments to IFRS 12

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, 2016, 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, 2016	June 30, 2017
EUR/USD	1.0541	1.1412

Average rates	6M 2016	6M 2017
EUR/USD	1.1142	1.0934

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

REVENUE

Revenue by type:

	Q2 2016		Q2 2017	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	1,209	96.0	151	61.4
Licensing income	7	0.5	95	38.6
R&D income	44	3.5	0	0
Total revenue	1,260	100.0	246	100.0

	6M 2016		6M 2017	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	1,395	89.7	229	43.4
Licensing income	111	7.1	298	56.6
R&D income	50	3.2	0	0
Total revenue	1,556	100.0	527	100.0

Revenue by geographical market:

	Q2 2016		Q2 2017	
	EUR thousand	in %	EUR thousand	in %
Europe	115	9.2	94	38.3
North America	685	54.3	41	16.6
Rest of the world	460	36.5	111	45.1
Total revenue	1,260	100.0	246	100.0

	6M 2016		6M 2017	
	EUR thousand	in %	EUR thousand	in %
Europe	287	18.5	142	27.1
North America	760	48.8	79	14.9
Rest of the world	509	32.7	306	58.0
Total revenue	1,556	100.0	527	100.0

OTHER INCOME

EUR thousand	Q2 2016	Q2 2017	6M 2016	6M 2017
Income from the reversal of provisions	56	278	65	291
Reversal of write-downs on receivables	0	209	0	209
Recoveries and refunds	4	12	32	40
Foreign exchange rate gains	40	2	47	2
Correction of deferred liabilities	18	0	112	1
Third-party research grants	33	-42	312	0
Other	0	0	2	0
Total other income	151	459	570	543

COST ALLOCATION BY FUNCTION

Q2 2016 EUR thousand	Cost of sales	R&D costs	Selling, general and administra- tive 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

Q2 2017 EUR thousand	Cost of sales	R&D costs	Selling, general and administra- tive costs	Other expenses	Total
Materials and consumables	64	201	3	0	268
Depreciation and amortization	4	53	19	0	76
Personnel costs	1	908	1,325	0	2,234
Other costs	17	285	2,080	308	2,690
Total	86	1,447	3,427	308	5,268

6M 2016 EUR thousand	Cost of sales	R&D costs	Selling, general and administra- tive 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

6M 2017 EUR thousand	Cost of sales	R&D costs	Selling, general and administra- tive costs	Other expenses	Total
Materials and consumables	81	286	8	0	375
Depreciation and amortization	4	109	39	0	152
Personnel costs	1	1,516	2,294	0	3,811
Other costs	30	602	3,024	333	3,989
Total	116	2,513	5,365	333	8,327

Personnel costs in Q2 2017 included share-based payment expenses of EUR 1,063 thousand (Q2 2016: EUR -61 thousand) and in 6M 2017 of EUR 1,328 thousand (6M 2016: EUR 2,224 thousand).

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q2 2016	Q2 2017	6M 2016	6M 2017
Operating result/earnings before interest and taxes (EBIT)	-3,485	-4,563	-8,109	-7,257
Depreciation of tangible assets	29	29	60	59
Amortization of intangible assets	56	47	149	93
EBIT before depreciation and amortization (EBITDA)	-3,400	-4,487	-7,900	-7,105
Share-based payment expenses	-61	1,063	2,224	1,328
EBITDA before share-based payment costs	-3,461	-3,424	-5,676	-5,777

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 2016	Q2 2017	6M 2016	6M 2017
Net loss for the period (in EUR thousand)	-3,295	-4,103	-7,618	-6,474
Weighted-average number of shares issued	20,065,342	22,735,260	19,382,751	22,735,260
Earnings per share (basic and diluted, in EUR)	-0.16	-0.18	-0.39	-0.28

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2016	June 30, 2017
Software	164	177
Licenses, patents	83	63
Development costs	508	495
Total intangible assets	755	735
Fixtures/leasehold improvements	427	405
Technical equipment	231	220
Other fixed assets	55	51
Total tangible assets	713	676
Deferred tax assets	1,551	2,191
Total non-current assets	3,019	3,602

CURRENT ASSETS

EUR thousand	Dec 31, 2016	June 30, 2017
Inventories	257	293
Trade receivables	2,248	430
Marketable securities	753	880
Cash and cash equivalents	11,531	6,802
Prepaid expenses	239	319
Receivables from granted projects	0	269
Receivables from tax authorities	43	183
Deposits	20	19
Creditors with debt accounts	35	11
Advance payments	28	0
Interest receivables	9	0
Other	40	39
– thereof: with a prospective maturity > 1 year	38	38
Total other current assets	414	840
Total current assets	15,203	9,245

EQUITY

As of June 30, 2017, the share capital of Epigenomics AG exclusively comprised 22,735,260 no-par value ordinary registered shares. In 6M 2017, total equity decreased by EUR 5.9 million to EUR 8.5 million at the reporting date (December 31, 2016: EUR 14.4 million).

NON-CURRENT LIABILITIES

Provisions

In earlier reporting periods, the Company had issued phantom stock rights to the members of its Executive Board and staff. The beneficiaries have been able to exercise those rights under certain conditions since 2016.¹ If these conditions have been met and the beneficiaries exercise their rights, the Company is required to settle its obligations arising from its commitments in cash. The non-current portion of the provision for this potential obligation has been calculated in the amount of EUR 118 thousand as of June 30, 2017 (December 31, 2016: EUR 50 thousand), using the binomial model of Cox, Ross and Rubinstein.

CURRENT LIABILITIES

Other liabilities

EUR thousand	Dec 31, 2016	June 30, 2017
Payables due to staff	202	445
Accrued audit fees	146	93
Payables due to financial/tax authorities	114	86
Payables to social security institutions	0	8
Other	4	0
Total other liabilities	466	632

Provisions

EUR thousand	Dec 31, 2016	June 30, 2017
Provisions for claims from phantom stock rights	1,072	1,845
Contract-related provisions	323	431
Payroll provisions	431	251
Statutory provisions	0	26
Other provisions	26	16
Total provisions	1,852	2,569

¹ For further information, please refer to the 2016 consolidated financial statements.

Primary financial instruments

EUR thousand	Measure- ment principle	Fair value hierarchy level	as of Dec 31, 2016		as of June 30, 2017	
			Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans and receivables	AC		2,353	2,353	768	768
<i>Trade receivables</i>			2,248	2,248	430	430
<i>Other current assets</i>			105	105	338	338
Financial assets available for sale	FV Rec. Eq.		753	753	880	880
<i>Marketable securities</i>		1	753	753	880	880
Cash and cash equivalents	n/a		11,531	11,531	6,802	6,802
Liabilities						
Financial liabilities measured at amortized cost	AC		1,259	1,259	1,320	1,320
<i>Trade payables</i>			1,089	1,089	1,021	1,021
<i>Other current liabilities</i>			170	170	299	299

AC = Amortized Cost
FV Rec. Eq. = Fair Value Recognized in Equity
n/a = not applicable

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash consists of 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 calculated based on actual payments.

Cash flow from financing activities is calculated based on actual payments.

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". This figure amounted to EUR 4.7 million in the first six months of 2017 (6M 2016: EUR 4.3 million).

OTHER INFORMATION

INFORMATION ON STOCK OPTIONS

No new stock options were granted in the reporting period. Furthermore, no options were exercised, canceled or forfeited. 15,065 options expired during the period under review. The total number of stock options still outstanding as of June 30, 2017 amounted to 320,580 with an average strike price of EUR 5.57.

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, 327,133 from PSP 2014, 105,500 from PSP 2013 and to 100,400 from PSP 03–15.

HOLDINGS OF EPIGENOMICS AG'S EQUITY INSTRUMENTS AND PHANTOM STOCK RIGHTS BY MEMBERS OF THE COMPANY'S EXECUTIVE BOARD AND SUPERVISORY BOARD AND DISCLOSURES ON DIRECTORS' DEALINGS

<i>(in units as of June 30, 2017)</i>	Shares	Stock options	Phantom stock rights
Greg Hamilton (CEO)	0	91,580	0
Dr. Uwe Staub (COO)	30,000	90,000	126,400
Executive Board total	30,000	181,580	126,400
Heino von Prondzynski (Chairman)	140,000	0	0
Ann Clare Kessler, Ph.D. (Vice Chairwoman)	24,650	0	0
Dr. Helge Lubenow	6,000	0	0
Supervisory Board total	170,650	0	0

Under Summit Hero Holding GmbH's ("Summit Hero") April 26, 2017 takeover offer for the Company's shares, which was still pending as of June 30, 2017, the members of the Executive Board and Supervisory Board had tendered all such shares to Summit Hero on June 13 and 14, 2017 for EUR 7.52 per share. After it was determined on July 12, 2017 that the conditions of the takeover offer had not been met (i.e., the required minimum acceptance threshold had not been reached), the tender of shares was deemed moot and no sale of the shares by the members of the Executive Board and the Supervisory Board took place.

REPORT ON POST-REPORTING DATE EVENTS

On July 6, 2017 – and hence after the end of the reporting period – the Company issued an ad-hoc disclosure in which it reduced its outlook for the 2017 fiscal year. The change in outlook is discussed in this 6-Month Report under the section entitled “Outlook”.

On July 12, 2017 – and hence after the end of the reporting period – the Company announced that Summit Hero’s April 26, 2017 voluntary public takeover offer had failed. Summit Hero had made the takeover plans contingent upon a minimum threshold of 75% of shares being reached. At the end of the acceptance period on July 7, 2017, only approximately 62% of outstanding Epigenomics shares had been tendered under the takeover offer, held by the bidder or attributed to it.

This interim report was approved and cleared for publication by the Executive Board of the Company on August 8, 2017.

Berlin, August 8, 2017

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 8, 2017

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, 2017 to June 30, 2017 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 8, 2017

Baker Tilly GmbH Wirtschaftsprüfungsgesellschaft
(formerly Baker Tilly AG Wirtschaftsprüfungsgesellschaft)

Weissinger
Wirtschaftsprüfer
(German Public Auditor)

Muggenthaler
Wirtschaftsprüferin
(German Public Auditor)

CORPORATE CALENDAR 2017

Interim Statement 2017 – January 1–September 30, 2017 Wednesday, November 15, 2017



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