

6-MONTH REPORT
JANUARY 1 – JUNE 30

H1 2011

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GROUP KEY FIGURES

	Q2 2010	Q2 2011	H1 2010	H1 2011
EUR thousand (unless stated otherwise)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	351	364	972	985
Research and development costs	-1,708	-1,428	-3,572	-3,007
Earnings before interest and taxes (EBIT)	-2,828	-2,975	-5,433	-5,715
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-2,678	-2,789	-5,128	-5,368
Net loss for the period	-2,795	-3,011	-5,384	-5,901
Weighted-average number of shares issued (notional par value: EUR 1.00 each)	44,092,085	44,092,085	36,743,405	44,092,085
Earnings per share (basic and diluted) in EUR	-0.06	-0.07	-0.15	-0.13
Cash flow from operating activities			-3,995	-5,252
Cash flow from investing activities			71	-570
Cash flow from financing activities			30,468	-9
Cash flow total			26,544	-5,831

	Dec 31, 2010	June 30, 2011
EUR thousand (unless stated otherwise)	(audited)	(unaudited)
Liquid assets at balance sheet date (incl. marketable securities)	26,369	20,650
Total equity at balance sheet date	31,295	25,591
Equity ratio in %	92.5	90.5
Total assets at balance sheet date	33,838	28,291
Share price at balance sheet date in EUR (Xetra)	2.05	1.19
Number of employees at balance sheet date	82	84

INTERIM CONSOLIDATED MANAGEMENT REPORT

FIRST HALF OF 2011 – OVERVIEW

During the first half of 2011, we continued to follow the strategy of further establishing our Company as a commercially-driven international cancer molecular diagnostics company. During the first half of 2011 a focus of our activities also remained in the further development of our products. Early in 2011, we announced the completion of the feasibility phase of our improved second-generation test for the early detection of colorectal cancer (CRC) and subsequently embarked on the development of the Epi *proColon*® 2.0 product, which is being developed simultaneously for the requirements of the U.S. market and as a second generation product for the European and other markets.

Although we continued our efforts to increase market acceptance and sales of the existing version of our blood-based Septin9 test Epi *proColon*® in Europe, the business increased slower than our originally set expectations. Also therefore, the main focus of the organization remained on the development of the second generation Epi *proColon*® 2.0 test with the goal to submit a Premarket Approval (PMA) application to the U.S. Food and Drug Administration (FDA) and on the European launch of this improved test as a CE-marked IVD product expected later in 2011. We also worked intensively with our partners in assisting them with commercialization efforts for their own Septin9-based CRC tests. In particular, our partner Quest Diagnostics continues to see substantial uptake of its laboratory-developed Septin9 test ColoVantage™ with several thousand tests sold every month in the United States. In March, we also announced the signing of a collaboration agreement for the development of a CRC test with Qiagen, adding to the existing licenses with Abbott and another option agreement with Japan's Sysmex Corporation. Under the terms of the agreement, Qiagen received an option on a worldwide non-exclusive commercial license to our technology for the development of an in vitro diagnostic (IVD) test for the detection of CRC in blood. Qiagen can exercise the option within a period of two years.

Furthermore, we engaged in preparations to strengthen our presence in the United States, especially from the second quarter of 2011 onwards. To support the achievement of this objective, in May 2011, we hired Mr. Noel Doheny as the new CEO of our U.S. subsidiary Epigenomics, Inc. Mr. Doheny brings 30+ years of experience in the field of diagnostics to the Company, having spent over 20 years in senior management positions in the industry. His main goal is the development and implementation of the commercial strategy as well as the preparation of a successful launch of Epi *proColon*® 2.0 after FDA approval in the United States.

In May 2011, we reported the presentation of the results of an independent health economic analysis of potential future colorectal cancer screening with Septin9 blood tests by Dr. Uri Ladabaum (Associate Professor in the Department of Gastroenterology and Hepatology at the School of Medicine of Stanford University) at the *Digestive Disease Week 2011*¹. The study concluded that screening for CRC using Septin9 tests is a medically beneficial and advantageous strategy from health economic standpoint if the currently unscreened population is addressed, which would be possible on the basis of a higher acceptance of such a test.

On June 28, 2011, we held our this year's Annual General Shareholders' Meeting which approved all decision proposals with vast majorities.

RESEARCH AND DEVELOPMENT (R&D)

During the second quarter of 2011, the development of our improved second generation Epi *proColon*® 2.0 product remained in the focus of our R&D activities. Following the successful completion of the feasibility phase in the beginning of 2011, we began with the formal development of Epi *proColon*® 2.0 for the U.S. market as well as a follow-on product to the first generation Epi *proColon*® for the European market and other markets.

¹ Ladabaum, Uri; Allen, John I.; Wandell, Michael; Ramsey, Scott: Screening for Colorectal Cancer with a Blood Test: Projected Effectiveness and Cost-Effectiveness of a Novel Plasma Methylated Septin-9 DNA (mSEPT9) Assay. Oral presentation at Digestive Disease Week 2011, May 7-10, 2011, Chicago, IL, U.S.A. (Abstract #220)

While the new test will measure the same epigenetic information within the SEPT9 gene that is analyzed by the already marketed first generation Epi *proColon*® test, we have implemented design changes to the assay based on the findings in the more recent studies performed by us and our partners. We also took into consideration feedback from customers in Europe and implemented improvements based on market surveys conducted in the United States.

The new test will use reagents manufactured under cGMP (current Good Manufacturing Practice) standard and will be performed on a real-time PCR platform that has previously been cleared by the FDA for use with diagnostic assays. Performing the assay will require fewer components and handling steps and results can be generated within a typical laboratory work shift of eight hours rather than after two days as with the existing product. Furthermore, the new assay is more readily amenable to automation. In a feasibility study including 97 CRC patients and 159 colonoscopy-confirmed controls, the improved assay had sensitivity for cancer of 91% at 87% specificity. In this study, the test was able to identify 21 out of 27 stage I cancer cases (78%) and 25 out of 25 stage II cancer cases (100%). This is particularly relevant, as early clinical interventions are effective in improving survival of the concerned persons. Patients with CRC stage I and II, upon appropriate treatment, have a combined five-year survival rate of about 90%.

PRODUCT DEVELOPMENT PIPELINE

After the launch of our CE-marked lung cancer molecular diagnostic test Epi *proLung*® BL Reflex Assay in mid 2010, we are now present with two products on the market.

Epi *proColon*® 2.0 is currently in advanced stages of development for Europe and the United States, where we possibly expect to submit an application for Premarket Approval to the FDA before the end of this year. This test features improved clinical performance, easier handling and improved ability for automation as well as a shorter time to results. The test is manufactured under cGMP standard for the U.S. market. We also intend to launch Epi *proColon*® 2.0 in Europe as a CE-marked in vitro diagnostics (IVD) test later in 2011, after completion of the required validation studies.

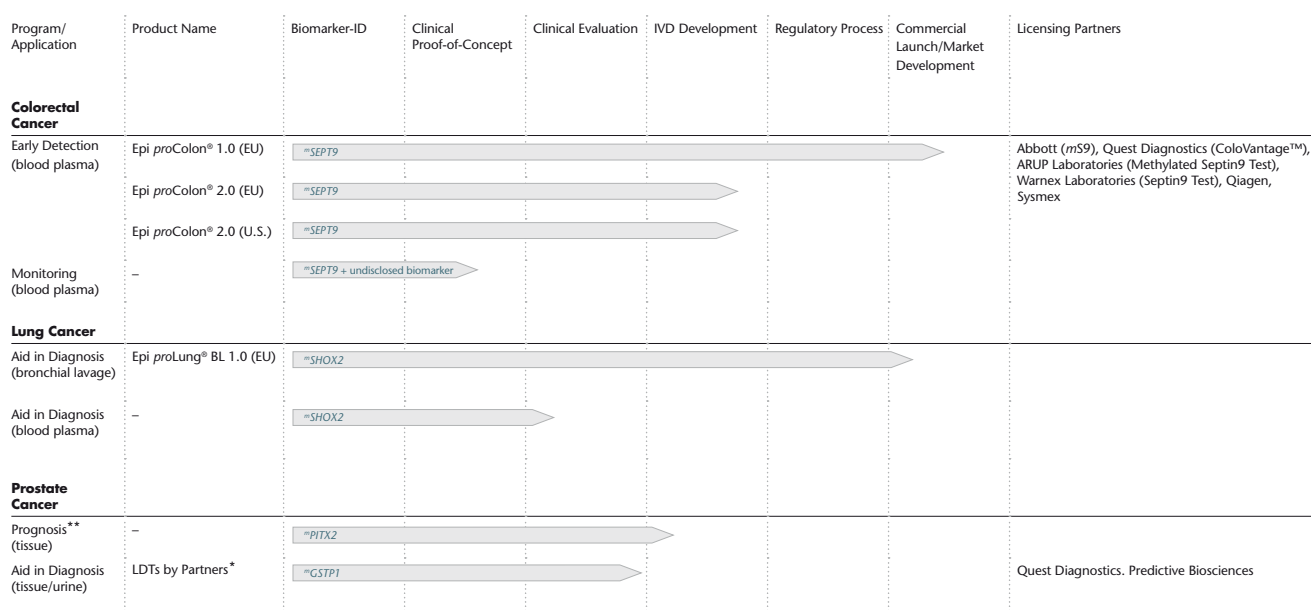
Furthermore, we have active research programs in CRC monitoring and potentially prognosis as possible future expansions of our CRC blood testing program.

Our second product, Epi *proLung*® BL Reflex Assay, targeting our *m*SHOX2 biomarker and used to test bronchial lavage samples, is marketed in Europe as a CE-marked IVD test. Several clinical studies are currently being pursued with academic partners in order to drive market acceptance.

In parallel, we are establishing whether the *m*SHOX2 biomarker can also be detected in further sample types, such as pleural effusions or blood plasma samples. This could broaden the utility of this biomarker as an aid in the differential diagnosis of lung cancer. For the further development, in parallel we are considering to partner the program to advance our R&D efforts in this field.

Our program in prostate cancer focuses on the biomarker *m*PITX2, for which a convenient real-time PCR assay has been established for use on surgical samples of patients that underwent prostatectomy as well as for prostate biopsies. This assay is a requirement for assessing the prognosis of an individual cancer patient as early as possible in the diagnostic work-up and could enable the urologist to make a more informed treatment decision. For this program, we are also looking for a strong partner with whom to advance the development and commercialize the test. In addition, we have out-licensed *m*GSTP1 to Quest Diagnostics and Predictive Biosciences for use in laboratory-developed tests that potentially augment the initial diagnosis of prostate cancer on biopsy material (e.g. taken as a follow-up to a positive PSA test).

An overview of our product development pipeline is depicted in the following figure.



* IVD development not planned by Epigenomics

** Development on Affymetrix GeneChip™ platform discontinued; in development as real-time PCR assay

as of June 30, 2011

KEY FINANCIAL DEVELOPMENT

REVENUE

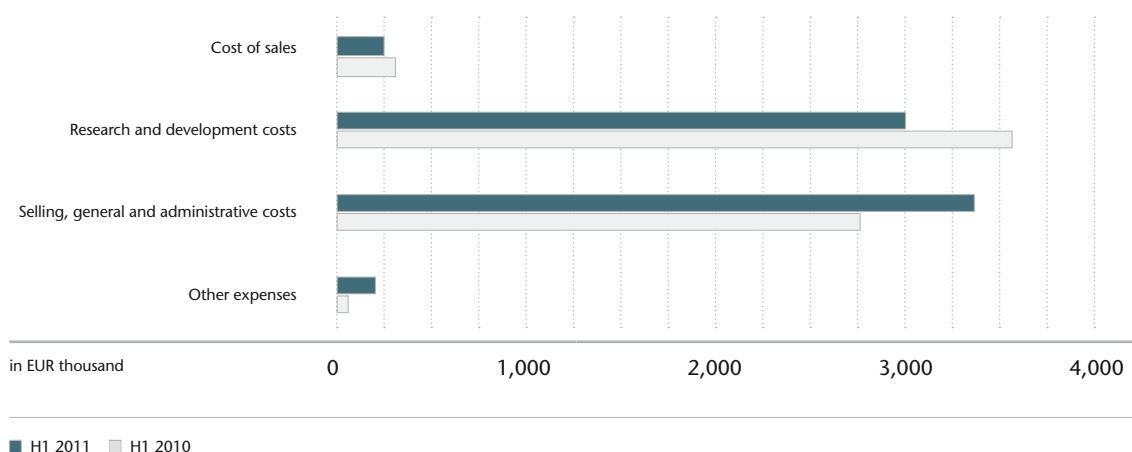
Revenue for the first six months of 2011 increased slightly to EUR 985 thousand, from EUR 972 thousand in the comparable period in 2010. Revenue was generated from product sales of our Epi proColon® kits as well as from collaborations and licensing agreements in the form of R&D payments, licensing fees and royalty income.

OPERATING COSTS

Overall, operating costs during the first six months of 2011 amounted to EUR 6.8 million, a slight increase to the comparable period in 2010 (EUR 6.7 million). While R&D costs decreased by nearly 16%, selling, general and administrative costs (SG&A costs) increased significantly by 22% from EUR 2.8 million to EUR 3.4 million. This was mainly as a result of increased market preparatory efforts for the U.S. market.

A detailed overview of our operating cost can be found in the graph below:

OPERATING COSTS



EBIT/NET LOSS

EBIT for H1 2011 amounted to EUR -5.7 million and thus deteriorated by 5% compared to EBIT for the corresponding period in 2010 of EUR -5.4 million, while the net loss of the reporting period increased by 10% to EUR 5.9 million (H1 2010: EUR 5.4 million).

tion for operating and investing activities. Cash consumption in H1 2011 amounted to EUR 5.8 million, a substantial increase compared to previous year's EUR 4.4 million in the same period, although H1 2010 was strongly influenced by a significant cash inflow from a collaboration partner.

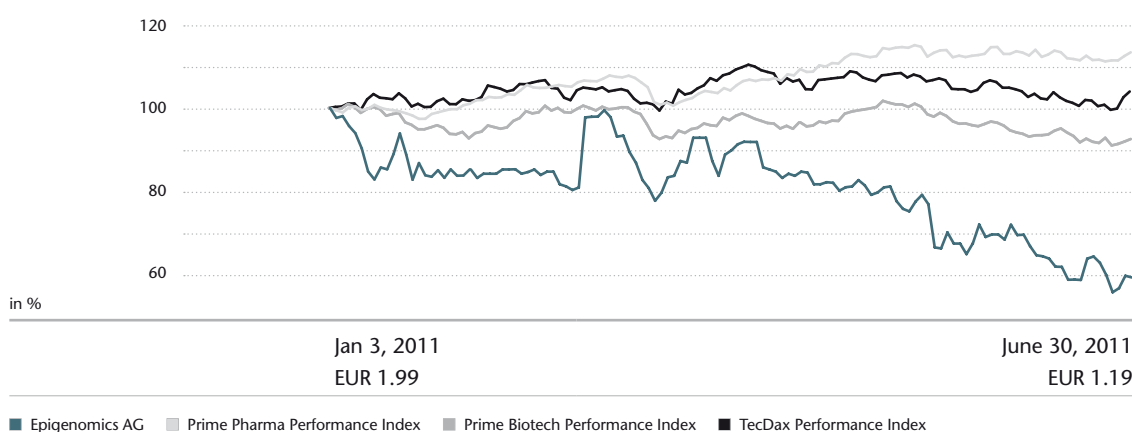
SHORT-TERM LIQUIDITY/CASH CONSUMPTION

Short-term liquidity as of June 30, 2011, amounted to EUR 20.7 million, a decrease of EUR 5.7 million from the EUR 26.4 million at year-end 2010 due to net cash consump-

OUR STOCK

Epigenomics' stock performance is shown in the chart below.

EPIGENOMICS' STOCK PERFORMANCE



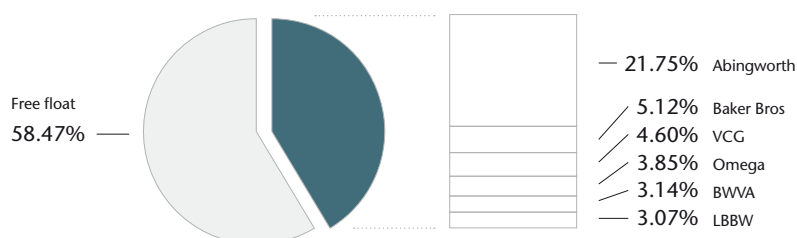
Average trading volume in our stock during Q2 2011 amounted to approximately 45,500 shares per trading day. After a volatile first half of 2011, the share price closed at a disap-

pointingly low price of EUR 1.19 (Xetra) on June 30, 2011, with a peak price of EUR 1.99 per share during the first half year of 2011 and compared to EUR 2.05 at year-end 2010.

KEY DATA ON EPIGENOMICS' STOCK (JANUARY 1–JUNE 30, 2011)

ISIN	DE000A0BVT96
Security code number	A0BVT9
Stock exchange abbreviation	ECX
Reuters	ECXG.DE
Stock exchange	Frankfurt Stock Exchange Regulated Market (Prime Standard)
1 st day of trading	July 19, 2004
Designated sponsors	ICF Kursmakler AG Wertpapierhandelsbank equinet Bank AG
Analyst coverage	Edison Investment Research (Jacob Plieth, Robin Davison) Midas Research (Thomas Schießle) equinet Bank AG / ESN (Edouard Aubery, Martin Possienke)
Number of shares	44,092,085
Average daily trading volume (in shares) (January 1–June 30, 2011)	70,249
Weighted average number of shares issued	44,092,085
Market capitalization (June 30, 2011)	EUR 52,469,581
Price at the beginning of the year	EUR 1.99
Closing price at the end of the period	EUR 1.19
Highest price	EUR 1.99
Lowest price	EUR 1.12
Free float (according to Deutsche Börse AG)	75.3%

SHAREHOLDER STRUCTURE*



in %

* as per the latest shareholder notification by the individual investors

FINANCIALS

FINANCIAL POSITION AND CASH FLOW

During the first half of 2011, our financial position was affected by the still ongoing cash consumption from operating and investing activities. However, the cash flow from operating and investing activities in H1 2011 has developed according to plan and liquid assets amounted to EUR 20.7 million as of June 30, 2011, compared to EUR 26.4 million as of December 31, 2010.

Cash outflow from operating activities in H1 2011 totaled EUR 5.3 million. The cash outflow from investing activities of EUR 0.6 million comprised EUR 0.4 million in payments related to the development of our Epi proColon® 2.0 product. Cash outflow from financing activities amounted to EUR 9 thousand. Overall, net cash flow in the first half year of 2011 amounted to EUR -5.8 million compared to a net cash flow of EUR 26.5 million in the corresponding period of 2010, which was strongly affected by the capital increase in March 2010.

RESULTS OF OPERATIONS

Revenue

In the second quarter of 2011, revenue increased by 4% from EUR 351 thousand to EUR 364 thousand compared with Q2 2010. During Q2 2011, our product sales and commercial R&D activities contributed EUR 212 thousand to revenue, whereas revenue of EUR 152 thousand was generated from out-licensing activities.

Cost of sales

Cost of sales in Q2 2011 decreased by 29% to EUR 100 thousand from EUR 140 thousand in the corresponding period of 2010. Gross profit amounted to EUR 264 thousand, an increase of 25% compared to EUR 211 thousand in Q2 2010. Our gross margin rose from 60% in Q2 2010 to around 73% in Q2 2011.

Other income

Other income decreased by 59% to EUR 69 thousand in Q2 2011 from EUR 168 thousand in Q2 2010, fully attributable to lower foreign exchange rate gains.

Research and development (R&D) costs

In the second quarter of 2011, R&D costs decreased from EUR 1,708 thousand in Q2 2010 to EUR 1,428 thousand. This decrease is mainly attributable to the capitalization of development costs in accordance with IFRS standards. The vast majority of our remaining R&D expenditure in the reporting period was still spent on our CRC programs as well as for the maintenance of our own and in-licensed intellectual property portfolio.

Sales, general and administrative (SG&A) costs

SG&A costs increased by 22% from EUR 1,445 thousand in Q2 2010 to EUR 1,767 thousand in Q2 2011, mainly due to intensified activities in connection with the preparation of the U.S. market with regard to the expected FDA approval for our Epi proColon® 2.0 test.

Other expenses

In the reporting period, other expenses increased significantly to EUR 113 thousand compared to EUR 54 thousand in the same period of the previous year, due to considerable higher foreign exchange rate losses.

EBIT

EBIT decreased by 5% in Q2 2011 and amounted to EUR -2,975 thousand (Q2 2010: EUR -2,828 thousand).

Financial result

The financial result in Q2 2011 of EUR 16 thousand suffered from valuation losses from derivative instruments following the weakness of the U.S. dollar. Interest income of EUR 54 thousand remained nearly unchanged compared to Q2 2010 (EUR 48 thousand).

Profit/loss for the period

Net loss for the period increased by 8% from EUR 2,795 thousand in Q2 2010 to EUR 3,011 thousand in Q2 2011.

NET ASSETS POSITION

Assets

The total value of non-current assets has increased slightly during the first six months of 2011 from EUR 5.5 million at the year-end 2010 to EUR 5.6 million at the end of June 2011, as regular depreciation and amortization were overcompensated by the capitalization of development costs for our second generation product Epi *proColon*® 2.0.

During H1 2011, total current assets decreased from EUR 28.4 million as of December 31, 2010, to EUR 22.7 million, mainly due to the cash outflow from operating activities of EUR 5.3 million. In connection with the positive development of the global financial markets over the last quarters, the value of our marketable securities increased

from EUR 1.8 million at year-end 2010 to EUR 1.9 million at the end of June 2011.

Total assets

Epigenomics' total assets declined from EUR 33.8 million as of December 31, 2010, to EUR 28.3 million as of June 30, 2011, almost exclusively a consequence of the net cash consumption by operations.

Equity

As of June 30, 2011, our subscribed capital remained unchanged compared to year-end 2010 and amounted to EUR 44.1 million.

The equity ratio decreased from 92.5% at the end of 2010 to 90.5% as of June 30, 2011.

EMPLOYEES

	Berlin	Seattle	Total
Number of employees as of June 30, 2011	69	15	84
Number of employees as of December 31, 2010	69	13	82
Number of employees as of June 30, 2010	66	15	81

The Berlin headcount of 69 comprises of 41 employees in the R&D departments and 28 employees in commercial and general administration including one apprentice. At our headquarters in Berlin, we have maintained a strong product development team focusing on our IVD kit development activities, a small manufacturing group as well as our research team, the intellectual property department and the quality control functions.

The Seattle headcount of 15 comprises of 11 employees in R&D functions and 4 employees in commercial and general administration. In Seattle, we have started to realign the organization over the last months on future tasks such as regulatory affairs in our ambitions towards obtaining an FDA approval for our Epi *proColon*® 2.0 product, the preparation of future commercialization activities once approval is granted and the conducting of clinical case control studies for various purposes.

During the second quarter of 2011, we hired Mr. Noel Doheny as new CEO of our subsidiary Epigenomics, Inc. His main goal is the development and implementation of the commercial strategy as well as the preparation of a successful launch of Epi *proColon*® 2.0 after FDA approval in the United States. Mr. Doheny brings in 30+ years of experience in the field of diagnostics, with over 20 years in senior management positions in different companies such as OpGen, Affymetrix Inc., Qiagen as well as BioStar Inc. He has been responsible for the successful launch of several innovative diagnostic products throughout his career.

For the first half of 2011, the Group's personnel costs totaled EUR 3.4 million, compared to EUR 3.6 million during the corresponding period in 2010, a decrease of 5%. This decrease is mainly attributable to lower payroll and stock option expenses. In the first half of 2011, personnel remuneration totaled EUR 2.9 million (H1 2010: EUR 3.0 million), social security expenses amounted to EUR 0.4 million (H1 2010: EUR 0.4 million) and stock option expenses amounted to EUR 0.1 million (H1 2010: EUR 0.2 million).

SUPPLEMENTARY REPORT

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

On July 7, 2011, we reported results from two surveys in Europe and the United States indicating that patients believe in blood tests for regular colorectal cancer screening. According to a survey conducted at europacolons' first European CRC patient conference, The Power of Patient Voice 2011, more than 50% had previously heard of the possibility of CRC blood testing and more than 70% thought that using a blood test would encourage more people to participate in regular screening for colorectal cancer. Some of the most often mentioned reasons that survey participants gave for preferring blood tests were ease-of-use and simplicity, not having to handle stool samples as necessary for conventional non-invasive testing, and overall fit with other routine blood tests.

Independently of the europacolons survey, in June, our U.S.-partner Quest Diagnostics, in collaboration with the U.S. non-profit organization Colon Cancer Alliance, announced, the results of a jointly conducted U.S. national telephone survey of more than 1,300 men and women 50 years of age and older. In this survey, 31% of the participants reported that they had never been screened for CRC. Of the respondents between 60 and 70 years of age that had previously participated in screening, 33% stated that they had only been screened once in the past. These results demonstrate widespread lack of adherence to national guidelines in the United States, which recommend regular screening by colonoscopy in combination with other tests for colorectal cancer for all men and women aged 50 and older. When asked about the option of a blood test, 78% of the participants said that they were to take a blood test for colorectal cancer screening and 75% said

they were to get screened more frequently if a blood test was offered to them. The survey results were presented during the Colon Cancer Alliance's national conference "Family Matters: What You and Your Family Need to Know about Colon Cancer", which was held on June 23 to 25, 2011, in Denver, CO, U.S.A.

CORPORATE GOVERNANCE

Effective March 31, 2011, Epigenomics' co-founder and CFO Oliver Schacht, Ph.D., left the Company. Dr. Thomas Taapken was appointed to the Company's Executive Board as Chief Financial Officer effective April 1, 2011. Dr. Taapken joined Epigenomics from Biotie Therapies Corp. (Finland), where he held the position of CFO and was a member of the Executive Management Team.

Our ordinary Annual General Shareholders' Meeting (AGM) took place in Berlin on June 28, 2011, with over 50% of the shares present or represented at the meeting.

99.9% of the shareholders present or represented at the AGM approved the creation of the new Authorized Capital 2011/I. Hence, by consent of the Supervisory Board, the Executive Board is now authorized to increase the share capital of the Company once or in tranches by up to EUR 4.4 million against contribution in cash and/or in kind by issuing new non-par value bearer shares until June 27, 2016.

97.7% of the shareholders present or represented at the AGM approved the creation of the new Authorized Capital 2011/II. Hence, by consent of the Supervisory Board, the Executive Board is now authorized to increase the share capital of the Company once or in tranches by up to EUR 17.6 million against contribution in cash and/or in kind by issuing new non-par value bearer shares until June 27, 2016.

99.98% of the shareholders present or represented at the AGM approved the revocation of the Conditional Capital III, which is no longer needed since its purpose was the creation of stock option rights under the Stock Option Program 01-05. Since January 1, 2008, no new options under the Stock Option Program 01-05 can be issued.

88.4% of the shareholders present or represented at the AGM approved the authorization to issue stock options in connection with the Stock Option Program 11-15 and the creation of the new Conditional Capital VIII in order to be able to deliver shares upon exercise of the stock options issued under this program.

99.82% of the shareholders present or represented at the AGM approved the resolution on the reduction of the share capital of Epigenomics AG by way of a simplified capital reduction in accordance with §§229 et seq. of the German Stock Corporation Act (AktG) to cover accumulated losses. The share capital of the Company will thus be reduced by EUR 35.3 million to EUR 8.8 million. The existing 44,092,085 shares will be combined in a reverse stock split at a ratio of 5:1. Concomitantly, the new resolved Authorized Capitals 2011/I and 2011/II, the Conditional Capital VIII as well as the existing Conditional Capitals IV, V and VII will be reduced at the same ratio of 5:1 and all stock option programs will be adjusted accordingly.

All resolutions and the voting results can be inspected in the Internet at www.epigenomics.com/news-investors/investors/annual-general-shareholder-meeting.html.

The resolutions taken at the AGM had not yet been registered with the commercial register (Handelsregister) as of the date of this report.

OPPORTUNITIES AND RISKS

In the second quarter of 2011, the types of opportunities and risks, which we are exposed to, have not changed significantly in composition and weight as described in the management report published with the consolidated financial statements 2010.

Our opportunities and risks result from the following categories:

- business-related opportunities and risks
- opportunities and risks related to intellectual property rights
- regulatory opportunities and risks
- financial opportunities and risks
- other opportunities and risks

PROGNOSIS REPORT FOR 2011

The Company's strategy will continuously focus on further driving market acceptance and sales of our Epi *proColon*® and Epi *proLung*® tests as well as all our partners' Septin9-based CRC tests worldwide. As an important milestone in our operational execution in 2011, we will focus on finalizing development and clinical validation of Epi *proColon*® 2.0 necessary to gain regulatory approval in the United States. Subsequently, we will be compiling all necessary supplemental material as might be necessary to allow us to submit a Premarket Approval (PMA) application to the FDA before the end of 2011. We will also assist our partner Abbott in completing their own clinical trial required to file with the FDA for approval of their IVD kit for the U.S. market.

With respect to our commercial operations we strive to broaden the number of laboratories in Europe as well as in other countries where Septin9 testing is offered. A major focus for commercial execution remains on driving sales of Epi *proColon*® in Germany, Austria, and Switzerland while also expanding the geographic coverage via agents and distributors to simultaneously start selling in other major European markets and significant markets outside Europe. Since the revenue generated through the sale of own products has so far not met our own expectations, we will closely monitor the resource allocation devoted to these activities and, if deemed necessary, accordingly adjust our strategy in this respect.

Another element for the implementation of our corporate strategy for broad market penetration will be to enter into additional non-exclusive licensing agreements for Septin9 as well as for further biomarkers and our technologies in 2011 and beyond. This will be a cornerstone of our business development efforts going forward whilst, simultaneously, we will take great care to optimize the value of our assets through careful timing of such additional collaborations.

During the next months, we expect to complete our own FDA approval trial for a blood-based CRC test within 2011 in order to subsequently obtain regulatory approval by the FDA for the U.S. market. Furthermore, we are looking into possible improvements and the broadening of the utility of our validated biomarkers in their respective indication areas. The goal is to establish Epigenomics as a cancer molecular diagnostics player with proprietary products in the market via direct sales and marketing activities and through partners and distributors.

Our R&D efforts will especially focus on the current product pipeline, especially in colorectal cancer, with the goal to develop future generations of our current lead product with even higher performance as well as line extensions to broaden the scope of our proprietary biomarkers in related clinical applications. While we aim to maintain our leadership in DNA methylation technologies and provide selected partners access to our know-how, expertise and IP in this field via licenses and services, we will closely monitor resource spending devoted to R&D activities and potentially make adjustments to achieve greater overall cost efficiency as deemed necessary.

Financial results for fiscal year 2011 are expected to be influenced by our focus on commercialization efforts while maintaining and even enhancing fiscal discipline. Epigenomics still anticipates 2011 revenue from sales of our own products and from partnering activities in diagnostics at a similar or marginally higher level compared to 2010. Key drivers of revenue should be our Epi *proColon*® IVD kit sales in Europe as well as the growing royalty income from our current partners' sales of Septin9-based tests worldwide (Abbott, Quest, ARUP, Warnex) as well as prospective additional licensing partners. For 2011, EBIT is expected to be at a similar level to 2010, since we anticipate significant expenditures for commercialization activities as well as for driving inclusion into colorectal cancer screening guidelines through studies and publications

of our and our partners' Septin9 tests and by providing sufficient evidence for health insurances and other payer organizations to cover the costs of our tests. Cash consumption will be closely monitored and is expected to remain around EUR 10 million to EUR 12 million for 2011 and should start to decrease gradually from 2013 as revenue growth is expected to have a positive impact on cash flow from operations. We plan to fund the FDA-required clinical trials for our planned U.S. version of Epi *proColon*® 2.0 and make investments in automation development for higher throughput in the application of our CRC test as well as selectively in R&D activities towards next-generation products. Given ongoing and potential future losses and the currently unsatisfactory revenue development, management is constantly evaluating adjustments in strategy and resource deployment and will potentially make adjustments to reduce costs with the aim to optimize cash preservation while advancing the business. If such measures were to be adopted, onetime costs from potential adjustments would be incurred, which could have a negative impact on our liquidity and operating result for 2011.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2011

GROUP INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2011 (UNAUDITED)

EUR thousand	Q2 2010	Q2 2011	H1 2010	H1 2011
Revenue	351	364	972	985
Cost of sales	-140	-100	-310	-249
Gross profit	211	264	662	736
Other income	168	69	305	129
Research and development costs	-1,708	-1,428	-3,572	-3,007
Selling, general and administrative costs	-1,445	-1,767	-2,767	-3,370
Other expenses	-54	-113	-61	-203
Earnings before interest and taxes (EBIT)	-2,828	-2,975	-5,433	-5,715
Interest income	48	54	75	109
Other financial result	-7	-38	-8	-214
Net loss for the period before taxes on income	-2,787	-2,959	-5,366	-5,820
Taxes on income	-8	-52	-18	-81
Net loss for the period	-2,795	-3,011	-5,384	-5,901
Earnings per share (basic and diluted) in EUR	-0.06	-0.07	-0.15	-0.13

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN GROUP EQUITY FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2011 (UNAUDITED)

EUR thousand	Q2 2010	Q2 2011	H1 2010	H1 2011
Net loss for the period	-2,795	-3,011	-5,384	-5,901
Fair value adjustment of securities	-80	-29	117	112
Total income and expenses recognized in Group equity	-80	-29	117	112
Total comprehensive income	-2,875	-3,040	-5,267	-5,789

GROUP BALANCE SHEET

AS OF JUNE 30, 2011 (UNAUDITED)

ASSETS EUR thousand	Dec 31, 2010	June 30, 2011
<i>Non-current assets</i>		
Intangible assets	4,498	4,733
<i>thereof: goodwill</i>	2,625	2,625
Tangible assets	544	537
Deferred taxes	421	328
Total non-current assets	5,463	5,598
<i>Current assets</i>		
Inventories	162	128
Trade receivables	476	389
Marketable securities	1,815	1,927
Cash and cash equivalents	24,554	18,723
Other current assets	1,368	1,526
Total current assets	28,375	22,693
Total assets	33,838	28,291

EQUITY AND LIABILITIES EUR thousand	Dec 31, 2010	June 30, 2011
<i>Equity</i>		
Subscribed capital	44,092	44,092
Capital reserve	22,078	22,163
Retained earnings	-22,494	-33,970
Net loss for the period	-11,476	-5,901
Other comprehensive income	-905	-793
Total equity	31,295	25,591
<i>Current liabilities</i>		
Trade payables	1,134	982
Liabilities from leasing contracts	9	0
Deferred income	240	189
Other liabilities	890	975
Provisions	270	554
Total current liabilities	2,543	2,700
Total equity and liabilities	33,838	28,291

GROUP CASH FLOW STATEMENT

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2011 (UNAUDITED)

EUR thousand	H1 2010	H1 2011
Cash and cash equivalents at the beginning of the period	3,954	24,554
<i>Operating activities</i>		
Net loss before taxes on income	-5,366	-5,820
Corrections for:		
Depreciation on tangible assets	137	136
Amortization of intangible assets	168	211
Losses from the disposal of assets	1	0
Stock option expenses	146	85
Foreign currency exchange results	-68	32
Interest income	-75	-109
Taxes	-44	-16
Operating result before changes in net current assets	-5,101	-5,481
Changes in trade receivables and other current assets	-2,892	-3,686
Changes in inventories	79	34
Changes in current liabilities from operating activities	3,805	3,780
Liquidity earned from operating activities	-4,109	-5,353
Interest received	114	101
Cash flow from operating activities	-3,995	-5,252
<i>Investing activities</i>		
Payments for investments in tangible assets	-97	-105
Proceeds from the sale of tangible assets	0	5
Payments for investments in intangible assets	-42	-53
Additions to capitalized development costs	-290	-417
Proceeds from the sale of marketable securities	500	0
Cash flow from investing activities	71	-570
<i>Financing activities</i>		
Payments for the creation of new shares	-2,588	0
Proceeds from the issue of new shares	33,069	0
Payments for lease financing	-13	-9
Cash flow from financing activities	30,468	-9
Cash flow total	26,544	-5,831
Cash and cash equivalents at the end of the period	30,498	18,723

STATEMENT OF CHANGES IN GROUP EQUITY

AS OF JUNE 30, 2011 (UNAUDITED)

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

NOTES TO THE H1 2011 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, 2011, 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.

During the reporting period, Amendments to IAS 1: *Presentation of Financial Statements*, IAS 24: *Related Party Disclosures*, IAS 34: *Interim Financial Reporting*, IFRS 1: *First-time Adoption of International Financial Reporting Standards*, IFRS 7: *Financial Instruments: Disclosures*, have become effective on January 1, 2011. The adoption of these amendments does 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, 2011, to June 30, 2011. 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, 2010, 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, 2010. 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, 2010	June 30, 2011
EUR/USD	1.3362	1.4453
EUR/GBP	0.86075	0.90255
EUR/CAD	1.3322	1.3951

Average rates	H1 2010	H1 2011
EUR/USD	1.3151	1.4239
EUR/GBP	0.86424	0.87728
EUR/CAD	1.3688	1.3840

NOTES TO THE GROUP INCOME STATEMENT

REVENUE

	Q2 2010		Q2 2011	
	EUR thousand	in %	EUR thousand	in %
Licensing and royalty income	230	65.5	152	41.8
Product sales and other	117	33.3	81	22.1
R&D payments	4	1.2	131	36.1
Total revenue	351	100.0	364	100.0

	H1 2010		H1 2011	
	EUR thousand	in %	EUR thousand	in %
Licensing and royalty income	708	72.8	607	61.6
Product sales and other	199	20.5	235	23.9
R&D payments	65	6.7	143	14.5
Total revenue	972	100.0	985	100.0

COST OF SALES / GROSS PROFIT / GROSS MARGIN

EUR thousand	Q2 2010	Q2 2011	H1 2010	H1 2011
Revenue	351	364	972	985
Cost of sales	-140	-100	-310	-249
Gross profit	211	264	662	736
Gross margin in %	60.1	72.5	68.1	74.7

OTHER INCOME

EUR thousand	Q2 2010	Q2 2011	H1 2010	H1 2011
Third-party research grants	21	19	70	47
Currency exchange gains	116	33	183	39
Income from the sale of assets	0	8	0	17
Income from the reversal of provisions	0	4	0	9
Corrections of invoices of previous periods	28	3	45	7
Income from option exercises	0	0	0	6
Recoveries and refunds	1	2	4	3
Other	2	0	3	1
Total other income	168	69	305	129

COST ANALYSIS

Q2 2010

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

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

H1 2010

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

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

OTHER EXPENSES

EUR thousand	Q2 2010	Q2 2011	H1 2010	H1 2011
Currency exchange losses	54	112	59	202
Other	0	1	2	1
Total other expenses	54	113	61	203

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

EUR thousand	Q2 2010	Q2 2011	Change in %
EBIT	-2,828	-2,975	-5.2
Depreciation	66	70	-6.1
Amortization	84	116	-38.1
EBITDA	-2,678	-2,789	-4.1

EUR thousand	H1 2010	H1 2011	Change in %
EBIT	-5,433	-5,715	-5.2
Depreciation	137	136	0.7
Amortization	168	211	-25.6
EBITDA	-5,128	-5,368	-4.7

FINANCIAL RESULT

EUR thousand	Q2 2010	Q2 2011	H1 2010	H1 2011
Interest and related income	48	54	75	109
Total financial income	48	54	75	109
Other financial expenses	-7	-38	-8	-214
Total financial expenses	-7	-38	-8	-214
Total financial result	41	16	67	-105

Other financial expenses in the reporting period of EUR 214 thousand are attributable to a valuation adjustment for a currency forward contract.

TAXES ON INCOME

EUR thousand	Q2 2010	Q2 2011	H1 2010	H1 2011
Current tax expenses	8	8	18	20
Deferred tax expenses	0	44	0	61
Total taxes on income	8	52	18	81

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.

	Q2 2010	Q2 2011	H1 2010	H1 2011
Net loss in EUR thousand	-2,795	-3,011	-5,384	-5,901
Weighted-average number of shares issued	44,092,085	44,092,085	36,743,405	44,092,085
Earnings per share (basic and diluted) in EUR	-0.06	-0.07	-0.15	-0.13

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 44,092,085 (June 30, 2010: 44,092,085).

NOTES TO THE GROUP BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2010	June 30, 2011
Software	203	204
Licenses, patents	1,098	1,020
Goodwill	2,625	2,625
Development costs	572	884
Total intangible assets	4,498	4,733
Fixtures, leasehold improvements	9	8
Technical equipment	496	491
Other fixed assets	39	36
Prepayments and assets under construction	0	2
Total tangible assets	544	537
Deferred tax assets	421	328
Total non-current assets	5,463	5,598

CURRENT ASSETS

EUR thousand	Dec 31, 2010	June 30, 2011
Inventories	162	128
Trade receivables	476	389
Marketable securities	1,815	1,927
Cash and cash equivalents	24,554	18,723
Prepaid expenses	901	1,096
Receivables from tax authorities	233	189
Claims based on granted projects	89	136
– thereof: claims against public authorities	89	136
Interest receivables	38	38
Advance payments	9	23
Excess payments	13	1
Other	85	43
– thereof with a maturity of > 1 year	38	38
Total other current assets	1,368	1,526
Total current assets	28,375	22,693

EQUITY

Equity decreased in the first half year by EUR 5.7 million, mainly due to the net loss for the period. As of June 30, 2011, the share capital of EUR 44,092,085 remained unchanged compared to the year-end 2010.

The capital reserve was increased by EUR 85 thousand to EUR 22.2 million in H1 2011 resulting completely from stock option expenses.

Other comprehensive income improved from EUR -0.9 million as of December 31, 2010, to EUR -0.8 million as of the reporting date following the fair value adjustment of financial instruments available for sale.

CURRENT LIABILITIES

Deferred income

EUR thousand	Dec 31, 2010	June 30, 2011
Payments from commercial partners	214	163
Payments for granted projects	26	26
Total deferred income	240	189

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

Other liabilities

EUR thousand	Dec 31, 2010	June 30, 2011
Liabilities from derivative instruments	144	357
Payables due to staff	384	303
Payables due to tax authorities	196	102
Accrued Supervisory Board fees	17	88
Accrued audit fees	107	85
Payables due to social security institutions	26	30
Down payments received	3	0
Other	13	10
Total other liabilities	890	975

Provisions

EUR thousand	Dec 31, 2010	June 30, 2011
Contract-related provisions	188	188
Payroll provisions	4	300
Other provisions	78	66
Total provisions	270	554

The increase in payroll provisions is mainly attributable to bonus claims of the Company's management staff.

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 2010	H1 2011
Cash flow from operating activities	-3,995	-5,252
Cash flow from investing activities	71	-570
Net proceeds from transactions in securities	-500	0
Cash consumption	-4,424	-5,822

The significant increase in cash consumption in H1 2011 compared to H1 2010 can be explained to a large extent by a major cash inflow from collaborations in the previous year's first half and the lack of equivalent payments in H1 2011.

OTHER INFORMATION

INFORMATION ON OTHER TRANSACTIONS WITH RELATED PARTIES

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

SHAREHOLDINGS OF THE BOARDS OF EPIGENOMICS AG (AS OF JUNE 30, 2011)

	Number of shares	Number of stock options
Executive Board	61,000	385,000
Geert Walther Nygaard	60,000	285,000
Dr. Thomas Taapken	1,000	100,000
Supervisory Board	14,000	0
Ann Clare Kessler, Ph.D.	14,000	0

CHANGES IN STOCK OPTIONS

No stock options were exercised during H1 2011. In April 2011, a total of 100,000 stock options have been granted to the Company's new CFO, Dr. Thomas Taapken, under the stock option program 09-13. The total number of stock options held by the members of the Executive Board as of June 30, 2011, amounted to 385,000 and the total number of stock options held by other beneficiaries amounted to 1,134,273.

Options granted to the Executive Board members as of December 31, 2010, amounted to 530,000. This number included 245,000 options held by the former Executive Board member Oliver Schacht, Ph.D. These options are now presented under "stock options held by other beneficiaries".

DIRECTORS' DEALINGS

The following declared securities transactions took place and were published during the first half year of 2011:

Members of the Executive Board	Transaction Date	Type	Total number of shares traded	Transaction value in EUR
Geert Walther Nygaard	April 7, 2011	Buy	10,000	17,100

This interim report has been approved and cleared for publication by the Executive Board of the Company on August 1, 2011.

Berlin, August 1, 2011

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 1, 2011

The Executive Board

REVIEW REPORT

To Epigenomics Aktiengesellschaft, Berlin

We have reviewed the consolidated interim financial statements (short form) – comprising the Group balance sheet, the Group statement of comprehensive income (Group income statement and statement of income and expenses recognized in Group equity), statement of changes in Group equity, Group cash flow statement, and selected explanatory notes to the financial statements – and the interim Group management discussion and analysis (short form) of Epigenomics AG for the period from January 1 to June 30, 2011 which are part of half-year financial report in accordance with Article 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). The preparation of the consolidated interim financial statements (short form) in accordance with IFRSs for interim reporting as adopted by the EU, and of the interim Group management discussion and analysis in accordance with the provisions of the WpHG applicable to interim Group management report is the responsibility of Epigenomics Aktiengesellschaft's management. Our responsibility is to issue a review report on the consolidated interim financial statements (short form) and on the interim Group management discussion and analysis based on our review.

We conducted our review of the consolidated interim financial statements (short form) and the interim Group management discussion and analysis in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the review to obtain a certain level of assurance that nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are not presented fairly, in all material aspects, in accordance with the IFRSs to interim reporting as adopted by the EU, and that the interim Group management discussion and analysis is not presented fairly, in all material aspects, in accordance with the provisions of the WpHG applicable to interim Group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus does not provide the assurance for an affirmative audit opinion obtainable from an audit of financial statements. In accordance with our engagement, we have not performed a financial statement audit and, accordingly, cannot express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are not presented fairly, in all material aspects, in accordance with the IFRSs for interim reporting as adopted by the EU, or that the interim Group management discussion and analysis is not presented fairly, in all material aspects, in accordance with the provisions of the WpHG applicable to interim group management discussion and analysis.

Berlin, August 2, 2011

UHY Deutschland AG
Wirtschaftsprüfungsgesellschaft

(Lauer)
Wirtschaftsprüfer
[German Public Auditor]

(ppa. Kulla)
Wirtschaftsprüferin
[German Public Auditor]

DISCLAIMER

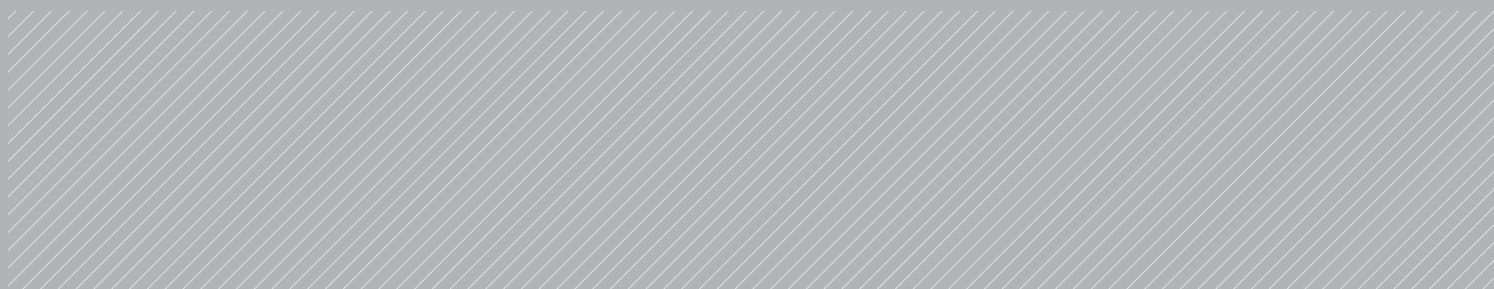
This interim report expressly or implicitly contains certain forward-looking statements concerning Epigenomics AG and its business. Such statements are not historical facts and sometimes are expressed by the words “will”, “believe”, “expect”, “predict”, “plan”, “want”, “assume” or similar expressions.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

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

CORPORATE CALENDAR 2011

9-Month Report 2011

January 1 – September 30, 2011 Wednesday, November 9, 2011



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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.