epigenomics

6-MONTH REPORT

JANUARY 1 – JUNE 30

6M 2018

QUARTERLY DEVELOPMENT OF KEY FIGURES (UNAUDITED)

EUR thousand (unless indicated otherwise)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Statement of Profit or Loss					
Revenue	246	346	991	309	462
Gross profit	160	273	934	274	337
EBIT	-4,563	-1,199	-1,834	-3,250	-2,578
EBITDA	-4,487	-1,120	-1,721	-3,175	-2,502
EBITDA before share-based payment expenses	-3,424	-2,047	-1,545	-3,185	-2,200
Net loss for the period	-4,103	-1,139	-2,623	-3,220	-2,554
Balance Sheet (at the respective reporting dates)					
Non-current assets	3,602	3,835	2,914	2,992	3,189
Current assets	9,245	18,549	16,859	13,703	10,977
Non-current liabilities	155	99	43	43	43
Current liabilities	4,222	9,280	9,153	8,967	9,083
Equity	8,470	13,005	10,577	7,685	5,040
Equity ratio (in %)	65.9	58.1	53.5	46.0	35.6
Total assets	12,847	22,384	19,773	16,695	14,166
Statement of Cash Flows					
Cash flow from operating activities	-2,945	-2,376	-2,920	-2,383	-1,763
Cash flow from investing activities	-87	-296	118	-41	7
Cash flow from financing activities	0	11,898	-354	-72	-2
Net cash flow	-3,032	9,226	-3,156	-2,496	-1,758
Cash consumption	-3,032	-2,672	-2,802	-2,424	-1,756
Cash and cash equivalents at the end of the period	6,802	15,993	12,826	10,316	8,579
Stock					
Weighted average number of shares issued	22,735,260	23,161,627	24,014,360	24,014,360	24,014,360
Earnings per share (basic and diluted, in EUR)	-0.18	-0.05	-0.11	-0.13	-0.11
Share price at the end of the period (in EUR)	7.23	4.72	4.25	3.60	2.21
Number of employees at the end of the period	44	45	46	44	42

CONTENTS

INTERIM GROUP MANAGEMENT REPORT

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

EPIGENOMICS AG – REPORT ON THE FIRST SIX MONTHS OF 2018

DEAR SHAREHOLDERS,

After an eventful first half of 2018, we turn an optimistic eye to the future as we continue to pursue the objective of Medicare coverage in the U.S.A..

➛ **REIMBURSEMENT OF EPI PROCOLON IN THE U.S.A.** Our primary objective is to obtain an appropriate reimbursement coverage for Epi proColon – our blood-based test used for colorectal cancer screening – from the Medicare program in the U.S.A.. This involves establishing an appropriate final reimbursement rate as well as the upcoming decision by Medicare as to whether or not it will assume the costs for the test.

In June, we celebrated a major milestone in this process: Medicare provisionally set a reimbursement rate of USD 192 per Epi proColon test – a rate which we believe to be appropriate. The Medicare rate is considered a key benchmark in the healthcare sector in the U.S.A., and is therefore a crucial element for successfully marketing the test. The final rate is expected to be published in November 2018 and will take effect January 1, 2019.

There are two ways to achieve Medicare coverage, legislation or a National Coverage Decision (NCD) by the Centers for Medicare and Medicaid Services (CMS). The majority of screening tests covered by Medicare occurred via legislation. Currently, there are bipartisan bills through both chambers of congress in the U.S.A. mandating Medicare coverage for FDA approved blood tests for colorectal cancer (CRC) screening. We continue to see progress in the legislation efforts as evidenced by the recently released House Appropriations bill that specifically urges CMS to cover FDA approved blood tests for CRC.

CMS has indicated that inclusion in medical guidelines maybe an important part in the NCD process. To that end and contrary to our expectations, we were not included in the recently published guidelines of the American Cancer Society (ACS). As with any new technology, guideline inclusion can be a time-consuming process as there is no long-term data on such technology and there is no ability to infer the data from existing technologies. In this regard, we are working on solutions such as an advanced simulation model to overcome the barriers new technologies present to guidelines groups. We will continue to work with ACS and other guideline groups for potential future inclusion.

➛ INNOVATIVE LIVER CANCER TEST WITH PROMISING DATA – INTERNATIONAL ROLL-OUT PLANNED In April, promising results from two independent clinical studies were published in a prestigious journal demonstrating a high level of accuracy on the part of our mSEPT9 biomarker in identifying liver cancer in patients suffering from cirrhosis of the liver.

Our blood-based test achieved a high sensitivity rate of 90.6% with a specificity of 87.2%. In addition, our test had a higher degree of diagnostic accuracy than the currently used alpha-fetoprotein test.

Based on these positive results, we plan to take the next steps towards international marketing of our new liver cancer test in Europe, China and the U.S.A.. Firstly, we aim to obtain CE marking for the product in Europe by the end of the current financial.

Moreover, we plan to launch a prospective trial in the U.S.A. in 2019 for subsequent submission to the Food and Drug Administration (FDA). At the same time, we are examining our options for accelerated approval by the China Food and Drug Administration (CFDA) in China.

The global demand for a powerful blood test for liver cancer is extremely high. According to the World Health Organization (WHO), cancer of the liver is the second-most common cause of cancer deaths around the world. Despite major progress in imaging methods, the reliable diagnosis of liver cancer remains a significant medical challenge. A suitable blood test could help to diagnose liver cancer earlier and more reliably than before, thus saving the lives of many patients as a result of earlier treatment.

Patients suffering from cirrhosis of the liver have an especially high risk of developing liver cancer. In many countries, these patients are therefore subject to continuous diagnostic monitoring. We estimate that the global market for liver cancer surveillance among patients with cirrhosis covers more than 10 million tests annually with a market potential of EUR 3 billion. In Europe, cirrhosis of the liver leads to more than 170,000 deaths and Epigenomics estimates that in Western Europe alone, approximately three million patients could be considered for diagnostic monitoring of liver cirrhosis. The resulting market potential is roughly EUR 1 billion by our estimate.

With our new liver cancer test, we have an excellent opportunity to establish ourselves in the market for therapy management for severe illnesses. It is easier to obtain reimbursements for medical services in the area of therapy management compared to diagnostic screening, which creates a more attractive market opportunity for Epigenomics. In addition, monitoring liver cancer surveillance is generally carried out in a few specialized liver centers. This renders it possible for us to focus our distribution efforts and target key marketing activities.

With a liquidity position of EUR 9.4 million at the end of the first half of 2018, and given our projected cash consumption, financial resources are sufficient to support the Company's operations beyond 2018 – still based on the assumption, that the convertible notes maturing as of December 31, 2018 will be converted with no adverse effect on liquidity, or potentially will be extended. It is clear, however, that we will need additional financial resources in the future. We are currently investigating most appropriate capital measures for the second half of 2018.

Dear shareholders, we expect to achieve key milestones for the development of Epigenomics in the second half of 2018. We look forward to keeping you informed of the progress we make.

Yours sincerely,

Greg Hamilton
(CEO)

Jorge Garces
(CSO)

Albert Weber
(EVP Finance)

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 (Dennis Berzhanin) First Berlin Equity Research GmbH (Simon Scholes) goetzpartners (Martin Brunninger)

Market data (Xetra/Frankfurt)	**Jun 30, 2017**	**Sep 30, 2017**	**Dec 31, 2017**	**Mar 31, 2018**	**Jun 30, 2018**
Number of shares outstanding	22,735,260	24,014,360	24,014,360	24,014,360	24,014,360
Closing price (in EUR)	7.23	4.72	4.25	3.60	2.21
Market capitalization (in EUR)	164,375,930	113,347,779	102,061,030	86,451,696	53,071,736

	Q2 2017	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**
Average daily trading volume (units)	157,543	132,096	30,722	29,234	57,687
Highest closing price (in EUR)	7.36	7.42	4.71	4.82	4.16
Lowest closing price (in EUR)	4.95	4.06	3.61	3.52	1.81

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 2018, cash outflow from operating activities fell by EUR 134 thousand from EUR 4,281 thousand in 6M 2017 to EUR 4,147 thousand.

Cash flow from investing activities changed by EUR -336 thousand to an outflow of EUR 33 thousand in 6M 2018 compared to an outflow of EUR 369 thousand in 6M 2017. This change was due primarily to the fact that payments were no longer made for the development of our blood-based Epi proLung product (6M 2017: EUR 338 thousand).

Cash outflow from financing activities in 6M 2018 amounted to EUR 73 thousand (6M 2017: of EUR 45 thousand).

Our net cash flow in the first six months of 2018 was EUR -4,253 thousand (6M 2017: EUR -4,695 thousand). Cash consumption fell to EUR 4,180 thousand in 6M 2018, compared to EUR 4,650 thousand in the comparable period of the previous year. Cash and cash equivalents amounted to EUR 8,579 thousand at the reporting date (December 31, 2017: EUR 12,826 thousand).

RESULTS OF OPERATIONS

In Q2 2018 we recognized revenue in the amount of EUR 462 thousand – an increase of 88% compared to Q2 2017 (EUR 246 thousand). In the first six months of 2018, overall revenue rose by 46% from EUR 527 thousand in 6M 2017 to EUR 771 thousand. This was due to higher revenue in the U.S.A. and license payments made by our partner in China.

Product revenue increased by 65%, from EUR 151 thousand in Q2 2017 to EUR 250 thousand in Q2 2018. Looking at the first six months of the year, they climbed from EUR 229 thousand in 2017 to EUR 358 thousand in 2018. Licensing income increased from EUR 95 thousand in the second quarter of 2017 to EUR 212 thousand in the second quarter of 2018; that figure increased from EUR 298 thousand to EUR 413 thousand for the first six months of 2017 and 2018, respectively. This increase was due primarily to license fees we received from our Chinese licensing partner.

Cost of sales amounted to EUR 125 thousand in Q2 2018 (Q2 2017: EUR 86 thousand) and EUR 160 thousand in the first six months of 2018 (6M 2017: EUR 116 thousand). Our gross margin increased from 65% in Q2 2017 and from 78% in 6M 2017 to 73% in Q2 2018 and 79% in 6M 2018, primarily as a result of the increased share of revenue attributable to the high-margin licensing business.

Other income of EUR 482 thousand in Q2 2018 (Q2 2017: EUR 459 thousand) was mainly attributable to the reversal of provisions and exchange rate gains from currency translation.

R&D costs increased marginally from EUR 1,447 thousand in Q2 2017 to EUR 1,497 thousand in Q2 2018. During the first six months of the year, R&D costs increased from EUR 2,513 thousand in the previous year to EUR 3,043 thousand in fiscal year 2018 due to the costs associated with the post-approval study for Epi proColon in the U.S.A.. In the second quarter of 2018, costs were reduced by lower expenses resulting from share-based payments as against the second quarter of 2017 due to the lower share price.

Our selling, general and administrative (SG&A) costs fell in Q2 2018 to EUR 2,069 thousand from EUR 3,427 thousand in the comparable period of 2017. Within this context, it is important to bear in mind that the legal consultancy costs incurred in the previous year were unusually high due to the takeover offer received at that time from a Chinese consortium of bidders. In addition, the drop in the price of our shares in 2018 resulted in lower costs for share-based payments.

Altogether, our operating costs fell to EUR 3.5 million in Q2 2018 for the reasons set out above, down from EUR 5.3 million in the comparable period of 2017. In the six month comparison, total operating costs fell from EUR 8.3 million to EUR 7.1 million.

The reported tax income of EUR 161 thousand in Q2 2018 (Q2 2017: EUR 456 thousand) and EUR 328 thousand in 6M 2018 (6M 2017: EUR 776 thousand) related exclusively to deferred taxes on loss carry-forwards recognized by the U.S. subsidiary.

We closed Q2 2018 with a net loss of EUR 2.6 million (Q2 2017: EUR 4.1 million) which added up to a net loss of EUR 5.8 million for 6M 2018 (6M 2017: EUR 6.5 million). The net loss per share for this period was down year on year from EUR 0.18 to EUR 0.11 and fell to EUR 0.24 for the first half of 2018 (6M 2017: EUR 0.28).

NET ASSET POSITION

At the reporting date, total non-current assets increased from EUR 2.9 million as of December 31, 2017, to EUR 3.2 million, due to an increase in deferred tax assets. Current assets fell from EUR 16.9 million at the beginning of the period to EUR 11.0 million as of June 30, 2018 – 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 5.6 million to EUR 5.0 million at the reporting date (December 31, 2017: EUR 10.6 million). The equity ratio decreased to 35.6% at the reporting date (December 31, 2017: 53.5%).

Non-current liabilities at the reporting date were unchanged as against December 31, 2017, amounting to EUR 43 thousand.

Current liabilities fell slightly from EUR 9.2 million as of December 31, 2017 to EUR 9.1 million as of June 30, 2018.

EMPLOYEES

The total headcount of the Company as of June 30, 2018, was 42 (December 31, 2017: 46) and comprised 20 employees in R&D and 22 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 2017 consolidated financial statements, which are available on the Company's website (*www.epigenomics.com*). During the reporting period there were no significant changes to the opportunities and risks described therein. Nevertheless, we would like to point out once again that we have currently only limited financial resources available to continue our business operations and our liquidity will only be secured until early 2019, if the convertible bond issued in 2017 does not have to be redeemed at December 31, 2018. Securing of our liquidity even beyond that date and avoiding prior over-indebtedness of the German single entity – taking into account, in particular, said convertible bond – are therefore at the top of our current agenda. In this context we will continue to examine all reasonable strategic options for our further development, including the possibility of further capital increases.

OUTLOOK

We confirm our outlook for fiscal year 2018, as presented in the Group management report section of the Annual Report 2017:

Revenue: between EUR 2.0 million and EUR 4.0 million.

EBITDA before share-based payment expenses/cash consumption: between EUR -11.5 million and EUR -14.0 million.

CORPORATE GOVERNANCE

ANNUAL GENERAL SHAREHOLDERS' MEETING 2018

Epigenomics AG held this year's Annual General Shareholders' Meeting (AGM) in Berlin on May 30, 2018. Of the share capital, 27% was represented. The shareholders approved the management's proposals on all items on the agenda. The actions of the members of the Company's Executive Board and the Supervisory Board in the 2017 fiscal year were ratified. In addition, all four Supervisory Board members were re-elected to their positions.

AUTHORIZED AND CONDITIONAL CAPITAL

As part of the AGM resolutions, the Company's Authorized Capital 2017/I and 2017/II were revoked and Authorized Capital 2018/I and 2018/II were newly created. Conditional Capital IX and X were amended. For further details on these resolutions, reference is made to the invitation to the 2018 AGM and the documentation regarding the amended resolution proposals put forward by the Executive Board and the Supervisory Board with respect to agenda items 6, 7 and 8, which are published on the Company's website (*www.epigenomics.com/news-investors/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 2017	Q2 2018	6M 2017	6M 2018
Revenue	**246**	**462**	**527**	**771**
Cost of sales	-86	-125	-116	-160
Gross profit	**160**	**337**	**411**	**611**
Gross margin (in %)	*65.0*	*72.9*	*78.0*	*79.2*
Other income	459	482	543	492
Research and development costs	-1,447	-1,497	-2,513	-3,043
Selling, general and administrative costs	-3,427	-2,069	-5,365	-3,883
Other expenses	-308	169	-333	-6
Operating result/earnings before interest and taxes (EBIT)	**-4,563**	**-2,578**	**-7,257**	**-5,829**
Interest income	4	4	9	9
Interest expenses	0	-141	0	-281
Other financial result	0	0	-2	-1
Net loss for the period before taxes on income	**-4,559**	**-2,715**	**-7,250**	**-6,102**
Taxes on income	456	161	776	328
Net loss for the period	**-4,103**	**-2,554**	**-6,474**	**-5,774**
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of available-for-sale securities	15	-116	128	-124
Foreign currency effect from consolidation	185	-317	179	-198
Other comprehensive income for the period	**200**	**-433**	**307**	**-322**
Total comprehensive income for the period	**-3,903**	**-2,987**	**-6,167**	**-6,096**
Earnings per share (basic and diluted, in EUR)	**-0.18**	**-0.11**	**-0.28**	**-0.24**

CONSOLIDATED BALANCE SHEET
AS OF JUNE 30 (UNAUDITED)

ASSETS EUR thousand	**Dec 31, 2017**	**Jun 30, 2018**
Non-current assets		
Intangible assets	668	560
Property, plant and equipment	720	713
Deferred tax assets	1,526	1,916
Total non-current assets	**2,914**	**3,189**
Current assets		
Inventories	293	358
Trade receivables	937	529
Marketable securities	905	781
Cash and cash equivalents	12,826	8,579
Other current assets	1,898	730
Total current assets	**16,859**	**10,977**
Total assets	**19,773**	**14,166**

EQUITY AND LIABILITIES EUR thousand	**Dec 31, 2017**	**Jun 30, 2018**
Equity		
Subscribed capital	24,014	24,014
Capital reserve	59,509	60,067
Retained earnings	-62,880	-73,114
Net loss for the period	-10,235	-5,774
Other comprehensive income	169	-153
Total equity	**10,577**	**5,040**
Non-current liabilities		
Provisions	43	43
Total non-current liabilities	**43**	**43**
Current liabilities		
Trade payables	952	944
Deferred income	0	65
Convertible notes issued	6,536	6,815
Other liabilities	562	692
Provisions	1,103	567
Total current liabilities	**9,153**	**9,083**
Total equity and liabilities	**19,773**	**14,166**

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

EUR thousand	6M 2017	6M 2018
Cash and cash equivalents at the beginning of the period	**11,531**	**12,826**
Operating activities		
Net loss for the period	**-6,474**	**-5,774**
Adjustments for:		
Depreciation of property, plant and equipment	59	55
Amortization of intangible assets	93	96
Stock option expenses	213	558
Financial income	-9	-9
Financial expenses	2	282
Taxes	-776	-328
Operating result before changes in operating assets and liabilities	**-6,892**	**-5,120**
Inventories	-36	-65
Trade receivables	1,778	413
Other current assets	-429	1,171
Non-current and current provisions	827	-541
Trade payables and other liabilities	480	-62
Deferred income	-6	65
Tax paid	-3	-8
Cash flow from operating activities	**-4,281**	**-4,147**
Investing activities		
Payments to acquire intangible assets	-22	-3
Payments to acquire property, plant and equipment	-43	-48
Payments related to capitalized development costs	-338	0
Proceeds from investment grants received	16	0
Interest received	18	18
Cash flow from investing activities	**-369**	**-33**

EUR thousand	6M 2017	6M 2018
Financing activities		
Payments for the issue of new shares	-45	-71
Payments for the conversion of convertible notes	0	-2
Cash flow from financing activities	**-45**	**-73**
Net cash flow	**-4,695**	**-4,253**
Currency translation effects	-34	6
Cash and cash equivalents at the end of the period	**6,802**	**8,579**

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 comprehensive income	**Consolidated equity**
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
Jun 30, 2017	**22,735**	**55,086**	**-62,880**	**-6,474**	**2**	**8,470**
Dec 31, 2017	**24,014**	**59,509**	**-62,880**	**-10,235**	**169**	**10,577**
Total comprehensive income	**0**	**0**	**0**	**-5,774**	**-322**	**-6,096**
Transfer of net loss for the year 2017 to retained earnings	0	0	-10,235	10,235	0	0
Share-based payment expenses	0	558	0	0	0	558
Jun 30, 2018	**24,014**	**60,067**	**-73,114**	**-5,774**	**-153**	**5,040**

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 115 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, 2018. 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, 2018.

The reporting period as defined in these Condensed Interim Consolidated Financial Statements is the period from January 1, 2018, to June 30, 2018. The reporting currency is the euro (EUR).

This interim report should be read in conjunction with the Annual Report for fiscal 2017, 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 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, 2018. Generally, the amendments mentioned below require prospective application.

- IFRS 9 *Financial Instruments* (as revised in 2014)
- IFRS 15 *Revenue from Contracts with Customers* including the *Modifications to IFRS 15 – Effective Date of IFRS 15* and *the Clarifications to IFRS 15 – Revenue from Contracts with Customers*
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 applying IFRS 9 *Financial Instruments* with IFRS 4 Insurance Contracts
- Amendments to IAS 40 *Transfers of Investment Property*
- Annual Improvements to IFRSs (2014–2016 Cycle) – Amendments to IFRS 1, IFRS 12 and IAS 28
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The application of the new IFRS 15 – as with the first-time application of all other new or amended standards – has not had any significant impact on the Company's accounting to date as expected, as the Company's business model is based on standardized product sales and royalty income which are not significantly affected by the new requirements. The application of all new and amended standards is not expected to have any significant impact on the Company's accounting in the future either.

SCOPE OF CONSOLIDATION

The scope of consolidation remained unchanged compared to December 31, 2017, 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:

Closing rates	Dec 31, 2017	Jun 30, 2018
EUR/USD	1.1993	1.1658

Average rates	6M 2017	6M 2018
EUR/USD	1.0934	1.2071

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

REVENUE

Revenue by type:

	Q2 2017		Q2 2018	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	151	61.4	250	54.1
Licensing income	95	38.6	212	45.9
Total revenue	**246**	**100.0**	**462**	**100.0**

	6M 2017		6M 2018	
	EUR thousand	in %	EUR thousand	in %
Product sales (own and third-party)	229	43.4	358	46.5
Licensing income	298	56.6	413	53.5
Total revenue	**527**	**100.0**	**771**	**100.0**

Revenue by geographical market:

	Q2 2017		Q2 2018	
	EUR thousand	in %	EUR thousand	in %
Europe	94	38.3	60	12.9
North America	41	16.6	200	43.2
Rest of the world	111	45.1	202	43.9
Total revenue	**246**	**100.0**	**462**	**100.0**

	6M 2017		6M 2018	
	EUR thousand	in %	EUR thousand	in %
Europe	142	27.1	128	16.6
North America	79	14.9	247	32.0
Rest of the world	306	58.0	396	51.4
Total revenue	**527**	**100.0**	**771**	**100.0**

OTHER INCOME

EUR thousand	Q2 2017	Q2 2018	6M 2017	6M 2018
Foreign exchange rate gains	2	247	2	247
Income from the reversal of provisions	278	183	291	183
Third-party research grants	-42	24	0	26
Correction of deferred liabilities	0	20	1	20
Recoveries and refunds	12	1	40	9
Adjustment	0	3	0	3
Reversal of write-downs on receivables	209	0	209	0
Other	0	4	0	4
Total other income	**459**	**482**	**543**	**492**

COST ALLOCATION BY FUNCTION

Q2 2017 EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	64	201	3	0	268
Depreciation, amortization and impairment	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**

Q2 2018 EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	Total
Materials and consumables	121	53	2	0	176
Depreciation, amortization and impairment	0	55	21	0	76
Personnel costs	0	708	1,069	0	1,777
Other costs	4	681	977	-169	1,493
Total	**125**	**1,497**	**2,069**	**-169**	**3,522**

6M 2017 EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	**Total**
Materials and consumables	81	286	8	0	375
Depreciation, amortization and impairment	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**

6M 2018 EUR thousand	Cost of sales	R&D costs	SG&A costs	Other expenses	**Total**
Materials and consumables	153	213	3	0	369
Depreciation, amortization and impairment	0	110	41	0	151
Personnel costs	0	1,318	1,959	0	3,277
Other costs	7	1,402	1,880	6	3,295
Total	**160**	**3,043**	**3,883**	**6**	**7,092**

Personnel costs in Q2 2018 included share-based payment expenses of EUR 302 thousand (Q2 2017: EUR 1,063 thousand) and in 6M 2018 of EUR 293 thousand (6M 2017: EUR 1,328 thousand).

OPERATING RESULT (EBIT) AND EBITDA

EUR thousand	Q2 2017	Q2 2018	6M 2017	6M 2018
Operating result/earnings before interest and taxes (EBIT)	**-4,563**	**-2,578**	**-7,257**	**-5.829**
Depreciation of property, plant and equipment	29	28	59	55
Amortization of intangible assets	47	48	93	96
EBIT before depreciation and amortization (EBITDA)	**-4,487**	**-2,502**	**-7,105**	**-5,678**
Share-based payment expenses	1,063	302	1,328	293
EBITDA before share-based payment expenses	**-3,424**	**-2,200**	**-5,777**	**-5,385**

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 2017	Q2 2018	6M 2017	6M 2018
Net loss for the period (in EUR thousand)	-4,103	-2,554	-6,474	-5,774
Weighted average number of shares issued	22,735,260	24,014,360	22,735,260	24,014,360
Earnings per share (basic and diluted, in EUR)	-0.18	-0.11	-0.28	-0.24

NOTES TO THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

EUR thousand	Dec 31, 2017	Jun 30, 2018
Software	161	143
Licenses, patents	43	27
Development costs	464	390
Total intangible assets	**668**	**560**
Fixtures/leasehold improvements	383	362
Technical equipment	291	308
Other fixed assets	46	43
Total property, plant and equipment	**720**	**713**
Deferred tax assets	**1,526**	**1,916**
Total non-current assets	**2,914**	**3,189**

CURRENT ASSETS

EUR thousand	Dec 31, 2017	Jun 30, 2018
Inventories	**293**	**358**
Trade receivables	**937**	**529**
Marketable securities	**905**	**781**
Cash and cash equivalents	**12,826**	**8,579**
Prepaid expenses	709	560
Receivables from tax authorities	307	118
Deposits	19	20
Claims from grant projects	808	4
Creditors with debt accounts	12	0
Interest receivables	9	0
Other	34	28
Total other current assets	**1,898**	**730**
Total current assets	**16,859**	**10,977**

EQUITY

As of June 30, 2018, the share capital of Epigenomics AG exclusively comprised 24,014,360 no-par value ordinary registered shares. In 6M 2018, total equity decreased by EUR 5.6 million to EUR 5.0 million at the reporting date (December 31, 2017: EUR 10.6 million).

CURRENT LIABILITIES

Other liabilities

EUR thousand	Dec 31, 2017	Jun 30, 2018
Payables due to staff	345	472
Payables due to financial/tax authorities	91	73
Accrued audit fees	121	72
Accrued Supervisory Board remuneration	0	32
Advance payments received from customers	0	31
Payables to social security institutions	1	8
Other	4	4
Total other liabilities	**562**	**692**

Provisions

EUR thousand	Dec 31, 2017	Jun 30, 2018
Payroll provisions	385	433
Provisions for claims from phantom stock rights	647	67
Contract-related provisions	50	67
Other provisions	21	0
Total provisions	**1,103**	**567**

Primary financial instruments

EUR thousand	Measure-ment principle	Fair value hierarchy level	as of Dec 31, 2017 Carrying amount	as of Dec 31, 2017 Fair value	as of Jun 30, 2018 Carrying amount	as of Jun 30, 2018 Fair value
Assets						
Loans and receivables	AC		1,814	1,814	572	572
Trade receivables			*937*	*937*	*529*	*529*
Other current assets			*883*	*883*	*43*	*43*
Financial assets available for sale	FV Rec. Eq.		905	905	781	781
Marketable securities		1	*905*	*905*	*781*	*781*
Cash and cash equivalents	n/a		12,826	12,826	8,579	8,579
Liabilities						
Financial liabilities measured at amortized cost	AC		8,283	7,719	8,239	7,954
Trade payables			*952*	*952*	*944*	*944*
Convertible notes			*7,100*	*6,536*	*7,100*	*6,815*
Other current liabilities			*231*	*231*	*195*	*195*

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

Cash flow from operating activities and cash flow from investing activities less transactions in securities is monitored by the Company as "cash consumption". This key figure amounted to EUR 4.2 million in the first six months of 2018 (6M 2017: EUR 4.7 million).

OTHER INFORMATION

INFORMATION ON STOCK OPTIONS

685,000 new stock options were granted in the reporting period. No options were exercised in the reporting period. 2,000 options expired during the period under review. The total number of stock options still outstanding as of June 30, 2018, amounted to 1,385,330 with an average strike price of EUR 4.67.

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 98,400 from PSP 2015, 254,833 from PSP 2014, 43,000 from PSP 2013 and to 40,000 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

(in units as of June 30, 2018)	Shares	Stock options	Phantom stock rights
Greg Hamilton (CEO)	0	291,580	0
Jorge Garces, Ph.D. (CSO)	0	85,000	0
Albert Weber (EVP Finance)	100	100,000	40,000
Total Executive Board	**100**	**476,580**	**40,000**
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
Total Supervisory Board	**170,650**	**0**	**0**

REPORT ON POST-REPORTING DATE EVENTS

No events of special significance occurred after the reporting date that could affect the presentation of the Company's net assets, financial position and results of operations.

This interim report was approved and cleared for publication by the Executive Board of the Company on August 8, 2018.

Berlin, August 8, 2018

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, 2018

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 statement of profit or loss and other comprehensive income, balance sheet, the statement of cash flows, 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, 2018 to June 30, 2018 that are part of the consolidated half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated 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 8th, 2018

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Weissinger	Biersack
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Epigenomics AG, Berlin;
Condensed consolidated interim financial statements of June 30, 2018

Disclaimer
This Document is a respective non-binding English translation of the official signed leading German version.

CORPORATE CALENDAR 2018

Interim Statement 2018 – January 1–September 30, 2018 ..... Wednesday, November 7, 2018

CONTACT

Epigenomics AG
Peter Vogt
Vice President
Corporate Communications &
Investor Relations

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

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