



Epigenomics AG Reports Third Quarter 2006 Results

Date: Thursday, 02.11.2006

- ***Business Fundamentals and Product Development well on Track***
- ***Search for CEO under way – completion expected by year-end***
- ***Cash position in line with guidance; revenue and earnings behind expectations***

Press release, Berlin, Germany and Seattle, WA, USA

Epigenomics AG (Frankfurt, Prime Standard: ECX), a molecular diagnostics company developing tests based on DNA methylation, today reported financial results for the third quarter ending September 30, 2006.

Revenue for the third quarter of 2006 was EUR 1.2 million, compared to revenue of EUR 2.1 million in the prior year period, a decrease of 43%. The decrease in revenues were primarily due to significantly higher R&D contributions by Epigenomics' development partner Roche Diagnostics in the prior year period, as well as slower-than-expected new business generation. EBIT for the third quarter was EUR -3.8 million compared to EUR -3.0 million in the comparable period in 2005, a decrease of 25%. The decrease in EBIT resulted mostly from the drop in revenue as operating costs remained similar to the previous year's level. Research and development expenses increased by 10% to EUR 2.2 million for the third quarter of 2006 from EUR 2.0 million in the prior year period. General and administrative costs also increased by 11% to EUR 1.0 million in the reporting quarter from EUR 0.9 million in Q3 2005. Marketing and business development costs increased by 40% to EUR 0.7 million from approximately EUR 0.5 million in Q3 2005.

Key events in the third quarter 2006

- Epigenomics conducted an initiative to focus its product development efforts on later stage programs in oncology to maximize its future growth potential and to enforce financial discipline. These programs have been identified as the company's key value drivers and greatest commercial opportunities. The partnership with Roche Diagnostics as well as Epigenomics' own tissue test development programs will continue as planned. As part of the restructuring program, which will lead to expected annual cost savings of EUR 3 million, Epigenomics' Berlin-based workforce will be reduced by 34 positions. Financial effects are expected to impact earnings by Q1 of 2007.
- Epigenomics' co-founder and CEO Alexander Olek left the Company in August 2006.
- Epigenomics made significant progress in the colon cancer screening test program with Roche Diagnostics. Results of an important blinded clinical study combining the "anchor" biomarker Septin 9 with additional marker(s) are expected by year-end 2006 as scheduled. These results are considered decision-critical for further development and commercialization of a first blood-based colon cancer screening test.
- Initial study of markers for prostate cancer screening in body fluid (blood plasma and urine) are well under way with data expected by year-end 2006.
- Development of the first tissue test product in prostate cancer is on track with the transfer of biomarkers onto the newly acquired Affymetrix platform is ongoing. Epigenomics introduced the product concept to the FDA in an encouraging early collaboration meeting and has started recruiting sites for the pivotal clinical trial in

2007.

- Affymetrix became a shareholder of Epigenomics by means of a contribution in kind. The resulting capital increase has strengthened the collaboration between the two companies.
- Epigenomics successfully completed the first step towards the development of a lung cancer screening test with the discovery of numerous candidate biomarkers.

Commenting on Epigenomics' performance in the third quarter 2006, Oliver Schacht, the company's CFO, said: "Based on strong fundamental progress in our leading product development programs we have also strengthened our organisational focus on these core value drivers and our financial discipline around these programs. "The management team and the entire company are committed to building shareholder value by delivering in each of our product development programs."

First 9 Months 2006

In the first nine months ending September 30, 2006, revenues totaled EUR 2.3 million compared to EUR 5.7 million at the end of the same period in 2005, a decrease of 60%. EBIT for the first nine months was EUR -12.2 million, 37% below the EBIT of EUR -8.9 million in the same period of the prior year. Research and development expenditure was EUR 6.5 million for the first nine months of the year, an increase of 5.7% compared to EUR 6.2 million in the first nine months of 2005. General and administrative expenses were EUR 3.1 million, a 4.8% increase compared to EUR 2.9 million in the same period of 2005. Marketing and business development costs totaled EUR 1.9 million, an increase of 54%, compared to EUR 1.2 million at the end of Q3 in 2005. Net loss for the first nine months of 2006 was EUR 11.9 million, a 43% increase compared to EUR 8.2 million in the same period in 2005; basic loss per share was EUR 0.72 compared to EUR 0.50 at the end of Q3 2005, an increase of 44%. Short-term liquidity as of September 30, 2006, amounted to EUR 21.2 million, down from EUR 32.7 million at year-end 2005.

Outlook

Management expects liquidity at year-end at around EUR 18 million. Due to timing and structure of the expected deal flow in the second half of 2006, the associated revenue and consequently EBIT are expected to be well below 2005 and lower than the original guidance for 2006.

Epigenomics has initiated a process to identify the best possible candidate for the CEO position. A short list of potential internal as well as external candidates is currently being evaluated by the Supervisory Board. Epigenomics expects to complete this search and present a new CEO by year-end.

Note to editors

The full Q3 report is available at the 'Investor Relations/Financial Information' section of Epigenomics' website (www.epigenomics.com)

In a conference call for financial analysts and media representatives today, Epigenomics' executive board will comment on the Q3 financials and will be available for questions.

Conference Call Details

Date/Time: November 2, 2006 / 3 pm CET / 15:00 MEZ

Dial-in Germany: +49 (0) 6103 485 3001
Dial-in USA: +1 480 293 1744

The conference call will be recorded and afterwards made available at the download section on our website.

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About Epigenomics

Epigenomics is a molecular diagnostic company with a focus on the development of novel products for cancer. Using DNA methylation markers, Epigenomics' tests can potentially diagnose disease at an early stage and help guide physicians to select an appropriate therapy. Epigenomics collaborates with Roche Diagnostics on the development of several diagnostic products for the early detection of colon, prostate and breast cancer. Epigenomics also works with Qiagen (pre-analytics) and Affymetrix (diagnostic platform) as strategic partners for its molecular pathology products. The company has its headquarters in Berlin, Germany, and a wholly owned subsidiary in Seattle, USA. For more information, please visit Epigenomics' website at www.epigenomics.com.

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