

Quarterly Report Q3 2004

*3 months ended September 30, 2004 and 2003 and
9 months ended September 30, 2004 and 2003*

Key Financials

in T€ if not otherwise indicated	Q3 2004 3 months (unaudited)	Q3 2003 3 months (unaudited)	9M 2004 9 months (unaudited)	9M 2003 9 months (unaudited)
Revenues	2,919	2,544	5,684	7,484
Earnings before interest and taxes (EBIT)	-1,674	-1,772	-7,575	-5,233
Loss of the period	-2,485	-2,079	-8,494	-5,604
average number of shares issued (nominal value : 1 €)	16,094,578	8,443,145	12,933,461	8,443,145
Loss per share (in €)	-0.15	-0.25	-0.66	-0.66
Cash flow from operating activities			-7,545	-6,017
Cash flow from investing activities ¹			-8,561	-1,895
Cash flow from financing activities			35,169	20,587
Cash flow total (incl. currency adjustment)			19,121	12,395

	09.30.2004 (unaudited)	31.12.2003 (audited)
Short-term liquidity at balance sheet date ²	44,870	19,403
Total equity at balance sheet date	49,764	17,713
Equity ratio in %	87.0%	56.6%
Total assets at balance sheet date	57,187	31,307

¹ Thereof investments in securities (available for sale and held to maturity): T€ 8,107 (9M-04) and T€ 1,010 (9M-03)

² Short-term liquidity includes cash & cash equivalents and marketable securities, held for treasury purposes.

Index

Management Discussion & Analysis as of September 30, 2004	4
1 The 3rd Quarter – Overview	4
2 The Stock	7
3 Major Events since End of Reporting Period	8
4 Outlook.....	9
Condensed Interim Group Financial Statements as of September 30, 2004	10
* Segment Report	11
* Group Income Statement.....	12
* Group Balance Sheet.....	13
* Group Cash Flow Statement.....	14
* Changes in Shareholders Equity.....	15
Notes to the Condensed Q3-04 Group Financial Statements	16
A Basic Principles and Methods.....	16
B Notes to the Income Statement.....	17
C Notes to the Assets Position.....	19
D Segment Details	21
E Notes to the Financial Position	22
Addresses / Contact Information	23

Epigenomics AG | 3rd Quarter 2004

This quarterly financial statement is the first one of Epigenomics AG as a public company, following its IPO on the Frankfurt Stock Exchange (FSE) (Prime Standard) on July 19, 2004.

1 THE THIRD QUARTER – OVERVIEW

During Q3-2004 Epigenomics has successfully started to deliver on its promises to its shareholders in terms of **Roche milestone achievement** and the generation of a **new pharma partnership**.

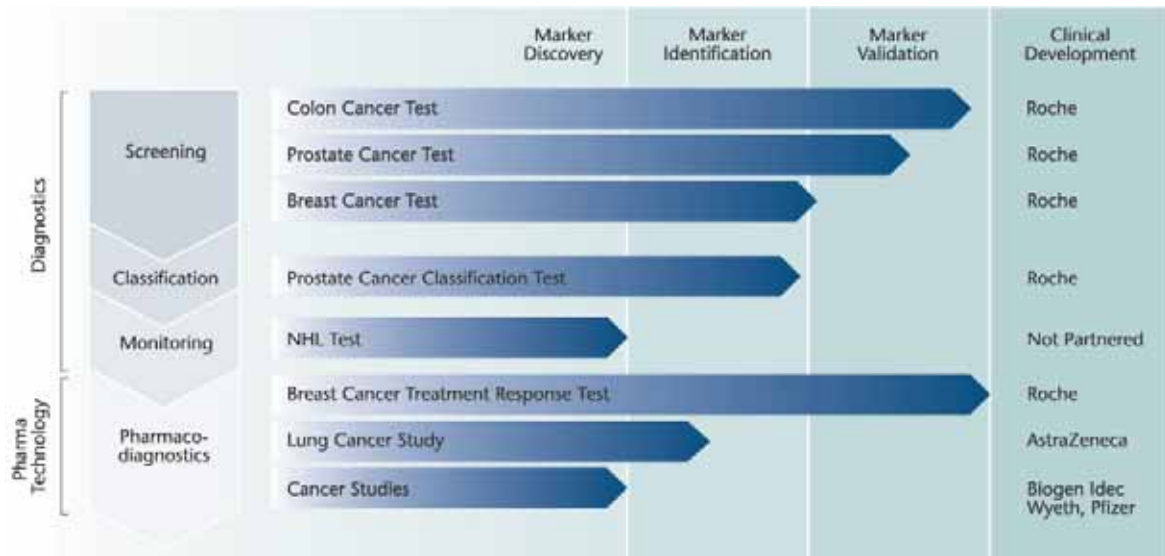
Revenues in Q3 totalled more than the entire first half of 2004 and were up by over 14% compared to the same quarter in 2003. For the first nine months, however, the total revenue was € 5.7 million compared to € 7.5 million for the first three quarters in 2003. Cash burn from operating and investing activities (excluding financial investments for treasury purposes) totalled € 8.0 million in the first nine months of 2004 in line with expectations.

Corporate financing efforts were fully focused on the preparation and execution of the IPO on Frankfurt Stock Exchange as well as the post IPO infrastructure required to operate successfully as a public company. Based on the AGM held on June 22, 2004, all relevant IPO decisions were successfully implemented in Q3 and registered by October 13, 2004. Epigenomics significantly strengthened its financial position, raised € 41.6 million gross to initiate and expand own product development programs over the next several years, and repay or convert all silent partnership loans either in Q3 or by year-end. Also, as part of the IPO process Epigenomics' shareholders approved a total of € 6 million in authorized capital for potential future M&A activity.

Also, a dedicated effort to build and strengthen investor relations was initiated to create investor confidence in Epigenomics and its management team to deliver on the business plan outlined during the IPO preparations.

All partnered diagnostics product development programs progressing in line with anticipated changes and expansion of the early product development phases. Epigenomics' pharmacodiagnostic projects were also well on track to deliver results to our partners. Our R&D efforts were focused mainly on further improvements to our core technologies in order to support the partnered product development programs in the areas of colon, prostate and breast cancer. Epigenomics was granted thirteen own patents in Q3-04 in at least one country and filing as well as prosecution activity continued at high levels.

In Epigenomics' product development pipeline as of September 30, 2004 all ongoing product development programs have progressed with the "Marker Identification" phase successfully completed for the Breast Cancer early Detection Program. The Colon Cancer Early Detection Test has been moved into large studies in blood samples involving well over a thousand patient samples over the next several quarters.



pic. 1: product development pipeline

IPO successfully completed

On July 19 Epigenomics AG successfully completed its initial public offering on Frankfurt Stock Exchange (FSE), Prime Standard. Shares from the initial public offering on the Frankfurt Stock Exchange have been priced at € 9.00 each. Epigenomics' shares were admitted to trading on the Official Market (Amtlicher Markt) - Prime Standard of the Frankfurt Stock Exchange on July 14, 2004. The subscription period for the offering ran from July 5 to 16, 2004.

The Company's shares were admitted to trading on the official market (Prime Standard segment) of the Frankfurt Stock Exchange on July 14, 2004 and trading commenced on July 19, 2004 under the ticker symbol ECX. The gross proceeds to Epigenomics from the offering were approximately € 41.6 million with 4,621,849 new shares sold and a free-float of 29%.

The stabilization period with regard to its initial public offering ended on August 18. Morgan Stanley acted as stabilization manager. A press release detailing that was issued on August 24.

Epigenomics met key milestone in its breast cancer screening product development program.

Based on studies conducted using breast cancer tissue samples, Epigenomics has successfully identified several DNA methylation markers (biomarkers) that can potentially enable the early detection of breast cancer. Biomarkers are substances found in blood or tissues that indicate the presence of disease. In this case, specific DNA methylation biomarkers allow detection of breast cancer using Epigenomics' proprietary technologies. Achieving this milestone triggered a payment to Epigenomics from its development and commercialisation partner, Roche Diagnostics.

Epigenomics will work to incorporate these DNA methylation markers into PCR assays (tests) and initiate a study of a large number of clinical blood samples, taken from breast cancer patients, over the next several quarters. The breast cancer tests being developed will attempt to measure these biomarkers in blood to differentiate between breast cancer and benign or normal breast conditions.

New Pharma Partnership closed

In Q3-2004 Epigenomics Pharma Technology SBU added **Pfizer** to its list of customers in oncology pharmacodiagnosics beyond **Astra Zeneca** and **Wyeth**. The initial project is aimed at demonstrating the value and potential of DNA Methylation in a pharmacodiagnostic setting.

Supervisory Board Changes

In its first supervisory board meeting post IPO on September 1 2004 Bruce Carter (CEO Zymo-genetics) was elected vice chairman as successor of Joerg Neermann (DVC) who had held that position since May 2003. This has been a first step in strengthening the supervisory board's independent i.e. non-VC directorship. Over the course of the next several quarters a series of experienced candidates will be identified to take the supervisory board positions to be vacated by the VC representatives in early to mid 2005 in line with the IPO prospectus.

Repayment and conversion of silent partnership loans

As disclosed in the IPO prospectus a total of € 2.5 million plus a contractual final payout of € 0.8 million was repaid to tbg and the respective silent partnership agreements ended.

Also, in line with the disclosure made in the IPO prospectus Epigenomics expects to have repaid and terminated the remaining silent partnership (Innofonds of T€ 767) by year-end. All steps were taken by Epigenomics and tbg to convert the remaining tbg silent partnerships into equity (€ 3.2 million into 359,477 shares) at the IPO price of € 9.00 per share. Filing with the commercial register took place on September 9 and the necessary preparation for registering the newly created shares with the FSE were all taken. However, as of September 30 the registration had not been completed.

2 THE STOCK

On July 19, 2004 Epigenomics shares started trading on the Frankfurt Stock Exchange (FSE) under the ticker symbol ECX. Given a very tough market environment and continuing price sensitivity in IPOs the share price dropped from its IPO price of € 9.00 per share to less than € 6.00 in August before recovering and stabilizing between € 7.50 and 8.00 towards the end of Q3-2004, closing at € 7.80 on September 30, 2004 (XETRA).

As was to be expected given the continued positions of all venture capital shareholders during the lock up period, liquidity in the stock declined significantly during Q3 and averaged 43,065 shares daily over the entire quarter but only 11,469 shares daily in September.

Epigenomics AG Stock Price



(as of September 30, 2004)

Ticker:	ECX
Exchange:	Frankfurt (Prime Standard)
Security Code:	A0BVT9
ISIN:	DE000A0BVT96
Shares Outstanding:	15,974,752 (excl. the 359,477 shares to be created from tbg convertible)
Price Range since IPO:	€ 9,00 – 5,75 (IPO price and XETRA closing prices)
Analyst Coverage	
DZ Bank:	Dr. Thomas Höger
Lehman Brothers:	Sam Williams, PhD
Morgan Stanley:	Dan Mahoney, PhD

3 MAJOR EVENTS SINCE END OF REPORTING PERIOD

Epigenomics and Biogen Idec announce pharmacodiagnostic collaboration

Epigenomics on October 7, 2004 announced that it has entered into a research collaboration with Biogen Idec (Nasdaq: BILB) to identify potential biomarkers for use with an oncology program.

Epigenomics will use its proprietary DNA methylation technology to examine candidate biomarkers that may predict responsiveness to the drug. DNA methylation is a biological process responsible for controlling genetic activity that occurs in distinct patterns in cells. Changes in these patterns can act as a marker for diseases such as cancer and for predicting response to drug treatment. Under the terms of the agreement, Epigenomics will receive R&D funding and has an opportunity to participate in the development of a potential pharmacodiagnostic product.

Registration of new shares from tbg convertible

On October 13, 2004 the converted remaining tbg silent partnership into equity (€ 3.2 million into 359,477 shares) at the IPO price of € 9.00 per share was duly registered by the Commercial Register (Handelsregister) and the new shares were admitted on October 26, 2004, to trading on the FSE.

4 OUTLOOK

For the rest of 2004 the Company expects to achieve significant progress towards important milestones in the ongoing research collaboration agreements, which would result in additional payments and revenues from them. However, depending on the exact timing of the confirmation of milestones by its partners, the revenue recognition and cash flows are likely to occur only in 2005. Also, the acquisition of certain patient samples will be shifted into early parts of 2005, leading to both, lower revenues as well as lower costs.

Hence, for the full year the Company expects revenues to lag substantially behind 2003 revenues due to the "lumpiness" of milestone driven revenue recognition and losses, which will also be significantly in excess of 2003 losses but in line with previous guidance given during the IPO process and prospectus. In line with the guidance given in the IPO prospectus, Epigenomics expects to generate full-year 2004 revenues between €7.0 and €9.0 million in FY 2004. Also in line with expectations and previous guidance, EBIT for FY 2004 is expected to be between € (9.0) and (11.0) million for FY 2004. Also, the bottom line is impacted by costs of converting the tbg silent partnership to the amount of T€ 485 in a one-time charge upon conversion, which did, however, not lead to any incremental cash outflow.

Epigenomics over the next several quarters expects to enter into new specific product as well as platform collaborations, thereby further diversifying its revenue generation. The Company anticipates its revenues for the remainder of 2004 to consist almost entirely of up-front and milestone payments, research and development funding as well as reimbursements.



Condensed Interim Group Financial Statements

as of September 30, 2004

Segment Report

Segment Results

	Q3 2004	Q3 2003	9M 2004	9M 2003
T€	(unaudited)	(unaudited)	(unaudited)	(unaudited)

SBU Diagnostics

Revenues	2,399	2,410	4,443	7,180
Costs of sales	-1,070	-1,003	-3,566	-3,209
Gross profit on sales	1,329	1,407	877	3,971
<i>Gross margin</i>	55%	58%	20%	55%
Other income	33	50	94	152
Research & development costs	-401	-229	-1,230	-870
Marketing and business development costs	-100	-124	-296	-397
Other expenses	0	-56	-76	-168
Segment contribution Diagnostics	860	1,048	-631	2,689

SBU Pharma Technology

Revenues	520	134	1,241	304
Costs of sales	-319	-359	-931	-616
Gross profit on sales	202	-225	310	-312
<i>Gross margin</i>	39%	-169%	25%	-103%
Other income	1	26	5	92
Research & development costs	-332	-612	-908	-2,022
Marketing and business development costs	-174	-212	-512	-507
Other expenses	0	0	0	0
Segment contribution Pharma Technology	-304	-1,024	-1,105	-2,749

Group Income Statement

	Notes	Q3 2004 3 months (unaudited)	Q3 2003 3 months (unaudited)	9M 2004 9 months (unaudited)	9M 2003 9 months (unaudited)
in T€					
Revenues	B 1	2,919	2,544	5,684	7,484
Cost of sales	B 2	-1,389	-1,362	-4,497	-3,825
Gross profit on sales		1,530	1,182	1,188	3,659
Other income		375	345	879	1,127
Research and development costs	B 3	-2,044	-1,949	-5,678	-6,004
Marketing and business development costs	B 4	-400	-369	-1,035	-1,047
General administration costs	B 4	-1,110	-905	-2,663	-2,465
Other expenses	B 6	-26	-76	-265	-502
- thereof: amortization of goodwill	B 7	0	-56	-56	-168
Operating result	B 8	-1,674	-1,772	-7,575	-5,233
Financial result	B 9	-800	-307	-886	-371
Result before taxes		-2,474	-2,079	-8,461	-5,604
Taxes	B 10	-11	0	-33	0
Loss of the period		-2,485	-2,079	-8,494	-5,604
Loss per share in €	B 11	-0.15	-0.25	-0.66	-0.66

Group Balance Sheet

in T€	Notes	09.30.2004 (unaudited)	12.31.2003 (audited)
ASSETS			
Non-Current Assets	C 1		
1) Intangible assets		5,595	5,859
thereof: Goodwill		2,625	2,681
2) Tangible assets		2,454	2,508
3) Financial assets		1,782	32
thereof: shares in associated companies		13	13
4) Other non-current assets		30	31
Total Non-Current Assets		9,861	8,430
Current Assets	C 2		
1) Inventory		214	166
2) Trade payables		663	1,940
3) Securities available for sale		7,330	984
4) Cash and cash equivalents		37,540	18,419
5) Other non-current assets		1,579	1,368
Total Current Assets		47,326	22,877
Total Assets		57,187	31,307
LIABILITIES			
Equity	C 3		
1) Share capital		16,334	11,353
2) Capital reserves		48,633	13,077
3) Losses carried forward		-15,204	-6,710
4) Other comprehensive income		1	-7
Total Equity		49,764	17,713
Non-Current Liabilities			
1) Silent partnerships		0	6,038
2) Warrants		0	3
3) Liabilities from leasing contracts		55	16
4) Provisions		0	319
Total Non-Current Liabilities		55	6,376
Current Liabilities	C 4		
1) Trade payables		2,439	958
2) Silent partnerships		811	0
3) Liabilities from leasing contracts		55	13
4) Deferred income		2,624	5,152
5) Other liabilities		491	444
6) Provisions		948	651
Total Current Liabilities		7,368	7,218
Total Liabilities		57,187	31,307

Group Cash Flow Statement

in T€	Notes	9M 2004 (unaudited)	9M 2003 (unaudited)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	E	18,419	6,561
OPERATING ACTIVITIES			
Net loss before taxes		-8,461	-5,604
Corrections for:			
* Depreciation on tangible assets		837	673
* Depreciation on intangible assets		288	366
* Losses from the disposal of assets		1	8
* Income from capitalization of own services		-12	-62
* Foreign currency exchange losses		5	52
* Other financing expenses		603	319
* Interest income		-442	-278
* Interest expenses		271	343
* Taxes		-122	4
* Other invalid payment expenses		0	-52
Operating result before changes in net current assets		-7,030	-4,229
* Decrease (2003: increase) in trade payables and other current assets		1,066	-2,809
* Correction item for other current assets		-1,467	9
* Increase in inventory		-48	-84
* Increase (2003: decrease) in current liabilities		-330	674
* Increase in long-term provisions		0	299
Liquidity earned from operating activities		-7,809	-6,140
* Interest received		264	123
NET CASH FLOW FROM OPERATING ACTIVITIES		-7,545	-6,017
INVESTING ACTIVITIES			
* Payments for investments in tangible assets		-624	-822
* Proceeds from investment grants		221	93
* Payments for investments in intangible assets		-51	-157
* Payments for investments in financial assets		-1,750	-19
* Payments for purchase of available for sale securities		-6,357	-991
CASH FLOW FROM INVESTING ACTIVITIES		-8,561	-1,895
FINANCING ACTIVITIES			
* Payments for collection of warrants issued		-3	0
* Repayments of silent partnerships		-3,079	0
* Interest payments for silent partnerships		-536	-250
* Payments for lease financing		-29	-14
* Payments for the creation of new shares		-2,781	-150
* Proceeds from the issue of shares		41,597	21,002
CASH FLOW FROM FINANCING ACTIVITIES		35,169	20,587
NET CASH FLOW		19,063	12,674
* Currency adjustment		59	-279
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		37,540	18,956

Changes in Shareholders' Equity

T €	9M-2004 (unaudited)	share capital	capital reserves	profit reserves	other compreh. income	losses carried forward	total equity
12.31.2003		11,353	13,077	0	-7	-6,710	17,713
Fair value adjustments of afs securities		0	0	0	17	0	17
Net loss Q1-04		0	0	0	0	-3,255	-3,255
03.31.2004		11,353	13,077	0	10	-9,965	14,474
Fair value adjustments of afs securities		0	0	0	-62	0	-62
Net loss Q2-04		0	0	0	0	-2,754	-2,754
06.30.2004		11,353	13,077	0	-52	-12,720	11,658
Fair value adjustments of afs securities		0	0	0	53	0	53
Capital increase from issue of shares		4,622	0	0	0	0	4,622
Premium from issue of shares		0	36,975	0	0	0	36,975
Financing costs		0	-4,295	0	0	0	-4,295
Conversion of silent partnership into share capital		359	2,876	0	0	0	3,235
Net loss Q3-04		0	0	0	0	-2,485	-2,485
09.30.2004		16,334	48,633	0	1	-15,204	49,764
T €	9M-2003 (unaudited)						
12.31.2002		11,078	6,368	0	0	-13,867	3,578
Income for orderly capital increase		11,639	0	0	0	0	11,639
Premium from issue of shares		0	9,363	0	0	0	9,363
Income from redemption of shares		-11	11	0	0	0	0
Financing costs		0	-150	0	0	0	-150
Net loss Q1-03		0	0	0	0	-2,397	-2,397
03.31.2003		22,706	15,591	0	0	-16,264	22,033
Net loss Q2-03		0	0	0	0	-1,128	-1,128
06.30.2003		22,706	15,591	0	0	-17,393	20,904
Fair value adjustments of afs securities		0	0	0	-2	0	-2
Capital decrease		-11,353	0	11,353	0	0	0
Net loss Q3-03		0	0	0	0	-2,079	-2,079
09.30.2003		11,353	15,591	11,353	-2	-19,472	18,823

Notes to the Condensed Q3-04 Group Financial Statements

A BASIC PRINCIPLES AND METHODS

1 General Principles

The unaudited, quarterly financial statements of Epigenomics AG are prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) under consideration of IAS 34. New standards adopted by the IASB apply from the date on which they came into effect. A critical review of this quarterly report was performed by the Company's auditors.

2 Consolidation Group

The consolidated group includes Epigenomics AG as the parent company (principal office: Kleine Praesidentenstrasse 1, 10178 Berlin, Germany), and Epigenomics Inc. (principal office: Suite 300, 1000 Seneca Street, Seattle, WA 98101, USA).

For materiality reasons Epigenomics (France) SARL, which is wholly owned by Epigenomics AG, was not included in the consolidated group as the French company has not yet started its operations. Consequently, the French subsidiary remains below the materiality limit as of the reporting date as does the unconsolidated 24.85% investment in Epiontis GmbH, resulting from a lack of significant revenues, total assets and number of employees.

3 Consolidation, Accounting and Valuation Principles

The present quarterly financial statements should be read in connection with the audited annual financial statements of Epigenomics AG for the year ending December 31, 2003 and the quarterly financial statements for the period January 1, 2004 – March 31, 2004 which are part of the IPO prospectus dated July 14, 2004. The consolidation, accounting and valuation principles presented in those statements were still valid during the reporting period unless explicitly mentioned below. All significant intercompany transactions have been eliminated in consolidation.

Furthermore effective April 1, 2004 the Company has decided to make use of the possibility of an early adoption of IFRS 3 ("Business Combinations"), a standard recently released by the IASB in conjunction with the amended standards IAS 36 („Impairment of Assets“) and IAS 38 („Intangible Assets“). Therefore, the regular amortization of the capitalized goodwill as done in previous periods is discontinued now and will be replaced by an impairment test of the goodwill to be performed at least once a year. The first-time application of this impairment test should be done by the end of the fourth quarter 2004, subsequent to the annual budgeting process of the Company.

4 Exchange rate

The exchange rate of the US-\$, the only major foreign currency in the consolidated annual financial statement, changed during the reporting quarter as follows:

Reporting rates	9.30.04	9.30.03	12.31.03	
US-\$ / €	1.2409	1.1652	1.2630	
Average rates	Q3-04	Q3-03	9M-04	9M-03
US-\$ / €	1.2186	1.1299	1.2215	1.1197

B NOTES TO THE INCOME STATEMENT

1 Revenues

Revenues of the reporting period added up to T€ 2,919 (Q3-04) and T€ 5,684 (9M-04), respectively. The revenues shown for the comparable periods Q3-03 and 9M-03, respectively, were T€ 2,544 and T€ 7,484. The 9M-03 number contained significantly higher effects in the form of recognized milestone revenues, as well as a one-off gain of T€ 250, both for the benefit of the business unit Diagnostics. Cleared by those effects, the revenues of Q3-04 and 9M-04 are essentially comparable to the revenues of the reporting periods of the previous year. Nevertheless, a shift between the business units towards higher shares of revenue of the Pharma Technology unit took place.

2 Cost of sales

Cost of sales in Q3-04 mounted up to T€ 1,389 following T€ 1,362 in Q3-03 and up to T€ 4,497 (9M-04) following T€ 3,825 (9M-03), respectively. The increase in the 9M view is attributable mainly to rising costs for the deal execution in both business units.

3 Research and Development Costs (R&D Costs)

R&D costs in Q3-04 of T€ 2,044 were nearly at the same level as in Q3-03 (T€ 1,949) but on a nine month basis they are down by T€ 326 to T€ 5,678 (9M-03: T€ 6,004). This decrease is attributable to the increased integration of existing resources into the execution of the commercial collaborations, which corresponds to the aforementioned increase in cost of sales.

4 Marketing and Business Development Costs / General Administration Costs

Costs for Marketing and Business Development of T€ 1,035 in 9M-04 reached nearly the same level as in 9M-03 (T€ 1,047). At the same time General Administration costs climbed from T€ 905 (Q3-03) to T€ 1,110 (Q3-04) and from T€ 2,465 (9M-03) to T€ 2,663 (9M-04). Increasing demands from being a public company are the key driving factor and will lead to a higher level of these costs in the future as well.

5 Personnel Expenses and Headcount

The headcount as of September 30, 2004 read 145 (September 30, 2003: 146), split 111:34 between the locations Berlin and Seattle (September 30, 2003: 113:33). Personnel expenses in Q3-04 of T€ 2,079 were therefore nearly at the same level as in Q3-03 (T€ 2,126). For the first nine months of 2004 personnel expenses amounted to T€ 6,450 (9M-03: T€ 6,411).

6 Other Expenses

Other expenses in Q3-04 of T€ 26 (Q3-03: T€ 76) include mainly foreign currency exchange losses from consolidation. Expenses for the first nine months 2004 of T€ 265 (9M-03: T€ 502) also include write-offs on receivables and amortization of the goodwill ending with Q1-04.

7 Depreciation and Amortization

In Q3-04 and 9M-04, respectively, depreciation and amortization amounted to T€ 374 and T€ 1,125 (Q3-03: T€ 364, 9M-03: T€ 1,030).

8 EBIT / EBITDA

Earnings before interest (including financial result) and taxes (EBIT) in Q3-04 of T€ -1,674 were slightly better than in Q3-03 (T€ -1,772) but significantly below previous year's level in the cumulative view (9M-04: T€ -7,575 vs. 9M-03: T€ -5,233).

EBIT cleared by depreciation and amortization (EBITDA) read T€ -1,300 for Q3-04 (Q3-03: T€ -1,408) and T€ -6,450 for 9M-04 (9M-03: T€ -4,203). The deterioration of earnings in 2004 is almost exclusively attributable to the reduced revenues and income compared to the previous year. The aforementioned milestone revenues and one-off effects in the first nine months 2003 were not repeated with similar income in 2004. However, the operating costs in 9M-04 could be reduced slightly compared to the previous year, partly a result of the more favourable FX rate given the significant US-\$ cost base.

9 Financial Result

Interest income in Q3-04 jumped as a result of higher liquidity to T€ 257 compared to T€ 107 in Q3-03 and to T€ 444 (9M-04) from T€ 272 (9M-03).

Interest expenses of T€ 35 (Q3-04) and T€ 269 (9M-04) stem almost completely from the silent partnerships and were significantly lower than those of the comparable periods (Q3-03: T€ 115, 9M-03: T€ 344) as a result of the termination of most of the silent partnerships during Q3-04.

Other financial expenses in Q3-04 mounted to T€ 1,061 (Q3-03: T€ 299) resulting partly from additional allotments for profit payouts (T€ 438), which were paid upon the termination of the silent partnerships and partly from a contractually agreed upon increase in the silent partnership that was converted into equity (T€ 485), both of which are 100% in line with the disclosure in the IPO prospectus. The latter expense item did not, however, in any way affect cash outflows and is purely an accounting charge.

10 Taxes

The listed income taxes in Q3-04 of T€ 11 (Q3-03: T€ 0) and in 9M-04 of T€ 33 (9M-03: T€ 0) resulted from the US subsidiary in Seattle and were levied by the State of Washington.

11 Earnings per Share

The loss per share (basic) in Q3-04 of € 0.15 (Q3-03: € 0.25) and in 9M-04 of € 0.66 (9M-03: € 0.66) was calculated by dividing the consolidated loss by the weighted average number of shares issued. The reduced loss per share in Q3-04 (compared to previous year) must be seen in the light of the IPO and the associated increase in number of shares issued. Because of the losses to be posted for the nine months 2004 as well as for the comparable period 2003 the results per share (diluted) are not shown. The number of shares issued as of September 30, 2004 amounted to 16,334,229 increasing from 11,352,903 at the beginning of the year and June 30, 2004. This increased number already includes the shares converted from the silent partnership of tbg, that were registered for trading by the Frankfurt Stock Exchange after balance sheet date in October 2004.

C NOTES TO THE ASSETS POSITION

1 Non-Current Assets

The non-current assets of the Company increased during the first nine months of 2004 by T€ 1,431 to T€ 9,861. While tangible and intangible assets declined slightly, the financial assets climbed by T€ 1,750 to T€ 1,782 as a result of investing liquidity in low-risk securities held to maturity.

As mentioned before, the capitalized goodwill – which is allocated completely to the SBU Diagnostics as “cash generating unit” (CGU) – is no longer amortized on a regular basis according to IFRS 3. As of balance sheet date September 30, 2004, the goodwill is valued at T€ 2,625 (31 Dec 2003: T€ 2,681).

2 Current Assets

The current assets of the company increased during the first nine months of 2004 by T€ 24,449 up to T€ 47,326. This increase is mainly attributable to Epigenomics' IPO in July 2004 and the related extraordinary cash inflow. Trade receivables of T€ 663 as of September 30 include receivables from collaboration partners of both business units.

A sharp decrease in other current assets in Q3-2004 from T€ 3,072 to T€ 1,579 can be explained by the offsetting of IPO costs against the capital reserves in Q3 which had been capitalized prior to the IPO as of June 30, 2004.

3 Share Capital and Reserves

As of the reporting date September 30, 2004 the share capital of the Company increased to T€ 16,334 reflecting the issuing of 4.6 million shares in the IPO process and the conversion of a silent partnership from Technologie-Beteiligungsgesellschaft mbH into 359,477 additional shares in conjunction with the IPO. The premium on those new shares led to an increase of the capital reserves to T€ 48,633 as of reporting date. The simultaneous repayment of other silent partnerships raised the equity ratio to 87.0%.

3.1 Notes to the Share Categories

As of June 30, 2004, share capital of Epigenomics AG was divided into four different share categories with a nominal value of € 1 each. The IPO of the Company has led to a standardization of all shares to only common shares with no further preferences attached anymore. Of the total share capital some 69.5% are bound by the lock-up provisions disclosed in the IPO and can not be traded before January 19, 2005. The lock-up periods for the management of the Company are even longer and extend to 12, 18 and 24 months post IPO for a third of their shares, respectively.

3.2 Authorized Capital

As of June 30, 2004 there had been authorized capital amounting to 29,917 shares of a nominal value of € 1 each. This authorized capital has been revoked in July 2004 and two new tranches have been agreed during the reporting period. Thereof, the authorized capital II of T€ 500 was registered by the commercial register (Handelsregister) already in July 2004 and used by T€ 359,477 for the conversion

of the silent partnership into shares (see also 3.0). The authorized capital III of € 6 million was registered by the commercial register after the end of the reporting period.

3.3 Notes to Stock Option Plans

As of September 30, 2004 the Epigenomics group (via Epigenomics AG) had three fixed stock option plans. For details reference is made to the IPO prospectus of the Company.

In the reporting period 9,500 stock options (each option authorizing for the purchase of 1 share) from stock option plan 03-07 were issued. No stock options were issued to executive board members in the reporting period.

Of the option rights issued to date, none are exercisable nor have any been exercised.

In accordance with IAS 19.145 none of the issued option rights have so far been expensed. The first time adoption of IFRS 2 („share-based payments“) by the Company will become effective January 1, 2005 and will have a negative impact on earnings due to expensing past as well as future stock option grants. However, there will be no negative cash flow implications whatsoever from the new accounting rules.

4 Short-term Liabilities

The unusually high level of trade payables as of reporting date (T€ 2,439 vs. Dec 31, 2003: T€ 958) can mainly be explained by IPO related invoices of about € 1.5 million, which were paid in October 2004.

96% of deferred income of T€ 2,624 as of September 30, 2004 (Dec 31, 2003: T€ 5,152) comes from the Company's commercial partners. On top of that, received prepayments of T€ 107 for granted projects were included.

The silent partnership of T€ 811, shown as short-term liability as of September 30, 2004, is due for repayment by December 31, 2004 in the basic amount of T€ 767. As of December 31, 2003 it had still been included in the long-term silent partnerships. The additional portion of T€ 44 were unpaid interest to the silent partners.

5 Other Financial Obligations

For details on other financial obligations as of September 30, 2004 reference is made to the IPO prospectus of the Company, which still adequately reflects these.

D SEGMENT DETAILS

1 SBU Diagnostics

The Diagnostics unit recognized revenues of T€ 2,399 in Q3-04 which almost equals the revenues of the comparable quarter 2003 (T€ 2,410). For the nine month period 2004, revenues of the Diagnostics unit add up to T€ 4,443. The shortfall from T€ 7,180 in the nine month period 2003 can be explained nearly completely by a reduced amount of special effects from the Roche collaboration in 2004 (e.g. lumpy milestones).

Cost of sales, i.e. the cost of executing the partnered Roche product development programs, in Q3-04 added up to T€ 1,070 (Q3-03: T€ 1,003), leading to a gross margin of 55% (previous year: +58%). For the nine month period the gross margin is down to 20% from 55% in the nine month period 2003, which can be explained by reduced leverage effects from milestone revenues. Mainly because of increased R&D costs compared to Q3-03 the segment result for Diagnostics dropped to T€ 860 from T€ 1,048 and to T€ -631 from T€ 2,689 on a nine month view.

Due to the more advanced stage of product development, larger clinical patient sample numbers in these advanced studies, significantly expanded pre validation and transfer procedures within the Roche collaboration, SBU Diagnostics expects full year revenues for 2004 significantly below the number of the previous year. The segment contribution is also expected to remain well below previous year's results.

2 SBU Pharma Technology

The SBU Pharma Technology could again grow its revenues in Q3-04 to T€ 520 following a previous year comparable of T€ 134. Revenues in 9M-04 add up now to T€ 1,241 (9M-03: T€ 304). The gross margin for Q3-04 / 9M-04 amounted to 39% / 25% (Q3-03: -169%, 9M-03: -103%). A further increase of revenues and gross margin can be expected for Q4-04 resulting from new business and an increasing revenue share for the Tamoxifen response test from the Roche collaboration.

While attributable R&D costs in Q3-04 and 9M-04 of T€ 332 and T€ 908 remained significantly below the previous year's number (Q3-03: T€ 612, 9M-03: T€ 2,022), costs for marketing and business development decreased to T€ 174 in Q3-04 (Q3-03: T€ 212). This led to a significant reduction in the negative segment contribution of T€ 304 in Q3-04 (contribution in Q3-03: T€ -1,024). For the nine month period 2004 the segment contribution dropped to T€ -1,105 from T€ -2,749 in the comparable period in 2003.

The Company expects for the rest of the financial year that total revenues and segment contribution of the Pharma Technology unit will end significantly better than previous year's numbers.

3 Geographical Segment Split

The revenues recognized in Q3-04 and 9M-04, respectively, were realized to the extent of 98% with European customers and the remaining 2% North American customers. The revenues in Q3-03 and 9M-03, respectively, were generated from European customers entirely.

E NOTES TO THE FINANCIAL POSITION

Cash and cash equivalents as shown on the balance sheet increased in the third quarter 2004 from T€ 8,132 to T€ 37,540 as of September 30, 2004. Main driver of this increase was the IPO of the company in July 2004, when proceeds from issuing new shares of T€ 41,597 were recorded. This amount was partly offset by T€ 3,079 for the contractual repayments of some silent partnerships and IPO related expenses of T€ 2,781. An additional amount of about T€ 1,500 for IPO related costs will be paid in Q4-2004. The net inflow from financing activities in Q3-2004 added up to T€ 35,783 and to T€ 35,169 on a nine month 2004 view.

The net cash outflow for operating activities in 9M-2004 reads T€ 7,545 and is in line with expectations. It is mainly attributable to the ordinary business activities of the company. A correction item for other current assets of T€ -1,467 reflects capitalized IPO costs that haven't been paid so far but were already offset in the balance sheet against capital reserves. A contrary effect in Q4-2004 will follow after the payment of the underlying invoices.

The net outflow for investments in tangible and intangible assets adds up to only T€ 454 for the first nine months in 2004 (9M-03: T€ 885) and reflects the maturing status of Epigenomics' technical equipment and intellectual property portfolio. The total cash outflow for investing activities amounting to T€ 8,561 includes mainly shifts from cash and cash equivalents to financial securities for treasury purposes. As of September 30, 2004 the company owns marketable securities of T€ 7,330 which could be sold on a short-term basis.

Including the aforementioned marketable securities, Epigenomics' liquidity as of September 30, 2004 reads T€ 44,870.

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