Quarterly Report Q2 2004
(6-Months-Report)

Key Financials

in T€ if not otherwise indicated	Q2 2004 3 months unaudited	Q2 2003 3 months unaudited	H1 2004 6 months unaudited	H1 2003 6 months unaudited
Revenues	**1.539**	**3.146**	**2.765**	**4.940**
Earnings before interest and taxes (EBIT)	**-2.705**	**-1.164**	**-5.901**	**-3.461**
Loss of the period	**-2.754**	**-1.128**	**-6.009**	**-3.525**
average number of shares issued (nominal value : 1 €)	**11.352.903**	**8.443.145**	**11.352.903**	**8.443.145**
Loss per share (in €)	**-0,24**	**-0,13**	**-0,53**	**-0,42**
Cash flow from operating activities			**-5.425**	**-4.547**
Cash flow from investing activities			**-4.290** [1]	**-645**
Cash flow from financing activities			**-615**	**20.639**
Cash flow total (incl. currency adjustment)			**-10.287**	**15.202**

	30.06.2004 unaudited	31.12.2003 audited
Cash and cash equiv. at balance sheet date	**8.132**	**18.419**
Total equity at balance sheet date	**11.658**	**17.713**
Equity ratio in %	**46,8%**	**56,6%**
Total assets at balance sheet date	**24.898**	**31.307**

[1] Therof investments in securities and financial investments: T€ 4.017.

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Epigenomics AG, 2nd quarter 2004

Despite the fact that Epigenomics was still a private company at the end of Q2-2004 and will issue Q3 quarterly financials on November 3rd 2004, in order to comply with 'administrative practice' of the Frankfurt Stock Exchange we are today issuing Q2-2004 (H1-2004) results. This will provide all shareholders with the most complete picture on a continuing basis during the transition from a privately held company to being a public company as of 19th July 2004.

1 The second Quarter – Overview

The second quarter 2004 (and H1-04) saw all partnered product development programs progressing on track. Our R&D efforts as well as business development activities were in line with expectations. Epigenomics was granted several patents in Q2-04.

The status of the product development pipeline as of 30th June 2004 is adequately and fully depicted in the IPO prospectus. Corporate financing efforts were fully focused on the preparation and execution of the proposed IPO on Frankfurt Stock Exchange.

Epigenomics received BMBF grant

Epigenomics AG on 27th April 2004 announced the receipt of BMBF (German Ministry for Education and Research) funding for a three-year project to design and develop new techniques for high-throughput early cancer screening based on DNA methylation, a natural "switch" that controls gene expression.

Epigenomics presented clinical data on Tamoxifen response test at ASCO

Epigenomics AG announced on 7th June positive results from clinical studies showing that its proprietary DNA methylation markers can identify the likelihood of disease recurrence in women following breast cancer surgery. Currently most hormone-receptor positive, node negative breast cancer patients, the largest group of newly diagnosed breast cancer patients, are classified at high risk when their disease is assessed by standard prognostic factors such as age, tumor size and tumor grade. For these patients chemotherapy is usually recommended in addition to endocrine therapy (tamoxifen). Epigenomics' data show that about 50% of these women can potentially be considered as being at a low risk of disease recurrence and may have an excellent treatment outcome with endocrine therapy (tamoxifen) alone. The results of these studies were presented at the 40th annual American Society of Clinical Oncology.

2 Our Stock

n/a as Epigenomics was not public in Q2-2004

3 Major Events since end of period under review

IPO Successfully completed

On July 19th Epigenomics AG successfully completed its initial public offering on Frankfurt Stock Exchange, Prime Standard. Shares from our initial public offering on the Frankfurt Stock Exchange have been priced at €9.00 per share. 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 million new shares sold and a free-float of 29%.

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

Repayment and conversion of silent partnership loans

As disclosed in the IPO prospectus a total of Mio. € 2.5 plus a contractual final payout of Mio. € 0.9 was repaid to tbg and the respective silent partnership agreements ended.

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.

4 Outlook

For the second half of 2004 the Company expects to achieve 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 might occur only in 2005. Hence, for the full year the Company expects losses which are significantly in excess of 2003 losses but in line with guidance given during the IPO process and prospectus. Overall the second half of 2004 is expected to be noticeably better in terms of top-line revenues as well as earnings compared to the first half.

Epigenomics expects to enter into new specific product as well as platform collaborations, thereby 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.

Also, in line with the disclosure made in the IPO prospectus Epigenomics expects to have repaid and terminated the remaining silent partnership by year-end as well as have converted one of the tbg silent partnerships into equity (Mio. € 3.2 into 359,477 shares) at the IPO price of EUR 9,00 per share.

Segment Report

Segment Results	Q2 2004	Q2 2003	H1 2004	H1 2003
T€	unaudited	unaudited	unaudited	unaudited
SBU Diagnostics				
Revenues	**1.135**	**3.070**	**2.044**	**4.770**
Cost of sales	-1.247	-1.133	-2.496	-2.206
Gross profit on sales	**-111**	**1.938**	**-451**	**2.564**
Gross margin	***-10%***	***63%***	***-22%***	***54%***
Other income	31	70	61	103
Research & development costs	-373	-397	-829	-641
Marketing and business development costs	-121	-140	-195	-273
Other expenses	0	-56	-76	-112
Segment contribution Diagnostics	**-574**	**1.415**	**-1.491**	**1.640**

SBU Pharma Technology				
Revenues	**403**	**75**	**720**	**170**
Cost of sales	-346	-49	-612	-257
Gross profit on sales	**57**	**26**	**109**	**-86**
Gross margin	***14%***	***35%***	***15%***	***-51%***
Other income	1	41	5	65
Research & development costs	-277	-779	-576	-1.410
Marketing and business development costs	-155	-147	-338	-295
Other expenses	0	0	0	0
Segment contribution Diagnostics	**-374**	**-859**	**-801**	**-1.726**

Group Income Statement

in T€	Notes	Q2 2004 3 months unaudited	Q2 2003 3 months unaudited	H1 2004 6 months unaudited	H1 2003 6 months unaudited
Revenues	**B 1**	**1.539**	**3.146**	**2.765**	**4.940**
Cost of sales	**B 2**	**-1.593**	**-1.182**	**-3.108**	**-2.463**
Gross profit on sales		**-54**	**1.964**	**-343**	**2.477**
Other income	**B 3**	**211**	**457**	**504**	**782**
Research and development costs	**B 4**	**-1.719**	**-2.224**	**-3.634**	**-4.055**
Marketing and business development costs	**B 5**	**-336**	**-336**	**-636**	**-678**
General administration costs	**B 5**	**-742**	**-685**	**-1.553**	**-1.560**
Other expenses	**B 7**	**-66**	**-339**	**-239**	**-427**
- thereof: Goodwill	B 8	0	-56	-56	-112
Operating result	**B 9**	**-2.705**	**-1.164**	**-5.901**	**-3.461**
Financial result	**B 10**	**-37**	**24**	**-86**	**-64**
Result before taxes		**-2.742**	**-1.140**	**-5.987**	**-3.525**
Taxes	**B 11**	**-12**	**12**	**-22**	**0**
Loss of the period		**-2.754**	**-1.128**	**-6.009**	**-3.525**
Loss per share in €	***B 12***	***-0,24***	***-0,13***	***-0,53***	***-0,42***

Group Balance Sheet

in T€	Notes		
ASSETS		**30.6.2004**	**31.12.2003**
		unaudited	audited
Non-Current Assets	**C 1**		
1) Intangible assets		**5.663**	**5.859**
thereof: Goodwill		2.625	2.681
2) Tangible assets		**2.491**	**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		**9.966**	**8.430**
Current Assets	**C 2**		
1) Inventory		**217**	**166**
2) Trade payables		**305**	**1.940**
3) Securities available for sale		**3.206**	**984**
4) Cash and cash equivalents		**8.132**	**18.419**
5) Other non-current assets		**3.072**	**1.368**
Total Current Assets		**14.932**	**22.877**
Total Assets		**24.898**	**31.307**
LIABILITIES		**30.6.2004**	**31.12.2003**
		unaudited	audited
Equity	**C 3**		
1) Share capital		**11.353**	**11.353**
2) Capital reserves		**13.077**	**13.077**
3) Losses carried forward		**-12.720**	**-6.710**
4) Other comprehensive income		**-52**	**-7**
Total Equity		**11.658**	**17.713**
Non-Current Liabilities	**C 4**		
1) Silent partnerships		**5.243**	**6.038**
2) Warrants		**0**	**3**
3) Liabilities from leasing contracts		**67**	**16**
4) Provisions		**358**	**319**
Total Non-Current Liabilities		**5.668**	**6.376**
Current Liabilities	**C 5**		
1) Trade payables		**2.191**	**958**
2) Silent partnerships		**831**	**0**
3) Liabilities from leasing contracts		**56**	**13**
4) Deferred income		**3.189**	**5.152**
5) Other liablities		**527**	**444**
6) Provisions		**778**	**651**
Total Current Liabilities		**7.572**	**7.218**
Total Liabilities		**24.898**	**31.307**

Group Cash Flow Statement

in T€	Notes	H1 2004 unaudited	H1 2003 unaudited
Cash and cash equivalents at the beginning of the period	E	**18.419**	**6.561**
a) Operating activities			
Result before taxes		**-5.987**	**-3.525**
Corrections for:			
* Depreciation on tangible assets		533	436
* Depreciation on intangible assets		219	240
* Losses from the disposal of assets		1	4
* Income from capitalization of own services		-12	0
* Foreign currency exchange losses		14	61
* Other financing expenses		98	318
* Interest income		-186	-165
* Interest expenses		235	228
* Taxes		-79	1
* Other invalid payment expenses		-18	0
Operating result before changes in net current assets		**-5.183**	**-2.401**
* Decrease in trade payables and other current assets		121	-312
* Korrektur der sonstigen kurzfristigen Vermögensgegenstände		0	-60
* Increase in inventory		-51	-77
* Increase in current liablities		-360	-1.656
* Increase in long-term provisions		0	-97
			0
Liquidity earned from operating activities		**-5.474**	**-4.602**
* Interest received		49	56
Net cash flow from operating activities		**-5.425**	**-4.547**
b) Investing activities			
* Payments for investments in tangible assets		-382	-631
* Proceeds from investment grants		160	93
* Payments for investments in intangible assets		-51	-89
* Payments for investments in financial assets		-1.750	-19
* Payments for purchase of available for sale securities		-2.267	0
Cash flow from investing activities		**-4.290**	**-645**
c) Financing activities			
* Payments for collection of warrants issued		-3	0
* Interest payments for silent partnerships		-273	-205
* Payments for leasing financing		-24	-8
* Payments for the creation of new shares		-314	-150
* Proceeds from the issue of shares		0	21.002
Cash flow from financing activities		**-615**	**20.639**
Net cash flow		**-10.330**	**15.447**
* Currency adjustment		43	-246
Cash and cash equivalents at the end of the period		**8.132**	**21.762**

Changes in Shareholder's Equity

T €	share capital	capital reserves	other compreh. income	losses carried forward	total equity
H1-2004 unaudited					
31 Dec 2003	**11.353**	**13.077**	**-7**	**-6.710**	**17.713**
Fair value adjustments of afs securities	0	0	17	0	**17**
Net loss Q1-04	0	0	0	-3.255	**-3.255**
31 Mar 2004	**11.353**	**13.077**	**10**	**-9.965**	**14.474**
Fair value adjustments of afs securities	0	0	-62	0	**-62**
Net loss Q2-04	0	0	0	-2.754	**-2.754**
30 Jun 2004	**11.353**	**13.077**	**-52**	**-12.720**	**11.658**

H1-2003 unaudited					
31 Dec 2002	**11.078**	**6.368**	**0**	**-13.867**	**3.578**
Income for orderly capital increase	11.639	0	0	0	**11.639**
Premium from issue of shares	0	9.363	0	0	**9.363**
Financing costs	0	-150	0	0	**-150**
Net loss H1-03	0	0	0	-3.525	**-3.525**
30 Jun 2003	**22.717**	**15.580**	**0**	**-17.393**	**20.904**

Notes to the Q2-04 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. In the reporting period IFRS 3 ("Business Combinations") was applied for the first time (see also under A 3). A critical review of this quarterly report was performed by the auditors of the Company.

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 on 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 31 December 2003 and the quarterly financial statements for the period 01 January 2004 – 31 March 2004 which are part of the IPO prospectus dated 14 July 2004. The consolidation, accounting and valuation principles presented in those statements were still valid during the reporting period unless explicitly mentioned below:

Furthermore effective 01 April 2004 the Company has decided to use 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 U.S. Dollar, the only major foreign currency in the consolidated annual financial statement, changed during the reporting quarter as follows:

Reporting rates	30.06.04	30.06.03	31.12.03
US-$ / €	1.2155	1.1427	1.2630

Average rates	Q2-04	Q2-03	H1-04	H1-03
US-$ / €	1.2116	1.1460	1.2229	1.1146

B Notes to the Income Statement

1 Revenues

Revenues of the reporting period added up to T€ 1,539 (Q2-04) and T€ 2,765 (H1-04), respectively. The revenues shown for the comparable periods Q2-03 and H1-03, respectively, of T€ 3,146 and T€ 4,940 contained special effects in the form of recognized milestone revenues of T€ 1,400 and T€ 2,100, respectively, as well as a one-off gain in Q2-03 of T€ 250, both for the benefit of the business unit Diagnostics. Cleared by those effects, the revenues of Q2-04 and H1-04 are essentially comparable to the revenues of the reporting periods of the previous years. Nevertheless, a shift between the business units for the benefit of the Pharma Technology unit took place.

2 Cost of sales

Cost of sales rose in Q2-04 up to T€ 1,593 following T€ 1,182 in Q2-03 and up to T€ 3,108 (H1-04) following T€ 2,463 (H1-03), respectively. This is attributable to increasing costs for the deal execution in the Pharma Technology unit.

3 Other Income

Other income in Q2-04 added up to T€ 211 following T€ 457 in Q2-03 and to T€ 504 (H1-04) following T€ 782 (H1-03). The decrease is attributable to a lack of special effects in 2004, which took place in 2003 however, as well as to the expiry of granted projects.

4 Research and Development Costs (R&D Costs)

R&D costs in Q2-04 and H1-04, respectively, were down by T€ 505 to T€ 1,719 and by T€ 421 to T€ 3,634 compared to the previous year periods. This is attributable to the increased integration of existing resources into the execution of the commercial collaborations, which corresponds with the aforementioned increase of cost of sales.

5 Marketing and Business Development Costs / General Administration Costs

Costs for Marketing and Business Development of T€ 336 in Q2-04 reached exactly the same level as in Q2-03 and were even down to T€ 636 for H1-04, following T€ 678 in H1-03. At the same time General Administration costs climbed from T€ 685 (Q2-03) to T€ 742 (Q2-04), but in the semi-annual comparison they remained nearly unchanged at T€ 1,553 in H1-04 (H1-03: T€ 1,560).

6 Personnel Expenses and Staff Numbers

The staff number as of 30 June 2004 read 144 (30 June 2003: 145), split 109:35 between the locations Berlin and Seattle (30 June 2003: 113:32). Personnel expenses in Q2-04 of T€ 2,201 were therefore nearly at the same level as in Q2-03 (T€ 2,181). For the first half year of 2004 personnel expenses amounted to T€ 4,370, slightly above the previous year's number of T€ 4,285 for the same period.

7 Other Expenses

Other expenses in Q2-04 of T€ 66 (Q2-03: T€ 339) include mainly foreign currency exchange losses from consolidation and special costs for a granted project related to the previous year. Expenses for the first half year 2004 of T€ 239 (H1-03: T€ 427) also include write-offs on receivables and amortization of the goodwill.

8 Depreciation and Amortization

In Q2-04 and H1-04, respectively, depreciation and amortization amounted to T€ 326 and T€ 751 (Q2-03: T€ 354, H1-03: T€ 676). The decrease in Q2-04 compared to the previous year number can be explained mainly by the discontinued amortization of the capitalized goodwill, effective 01 April 2004. Previously the Diagnostics unit amortized an amount of T€ 56 per quarter of the goodwill.

9 EBIT / EBITDA

Earnings before interest and taxes (EBIT) in Q2-04 dropped to T€ -2,705 (Q2-03: T€ -1,164) and added up in the first half year of 2004 to T€ -5,901 (H1-03: T€ -3,416). EBIT cleared by depreciation and amortization (EBITDA) read T€ -2,379 for Q2-04 (Q2-03: T€ -811) and T€ -5,150 for H1-04 (H1-03: T€ -2,795). 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 half year 2003 were not repeated with similar income in 2004. However, the operating costs in H1-04 could be reduced slightly compared to the previous year.

10 Financial Result

Interest income in Q2-04 dropped due to a lower level of liquidity and lower interest rates from T€ 138 (Q2-03) down to T€ 100, but in the half year comparison they rose from T€ 165 (H1-03) to T€ 186 (H1-04).

Interest expenses of T€ 116 (Q2-04) and T€ 235 (H1-04) stem almost completely from the silent partnerships and were nearly identical to those of the comparable periods (Q2-03: T€ 114, H1-03: T€ 228).

Other financial expenses (Q2-04: T€ 20, H1-04: T€ 40) result from additional allotments for profit payouts, which were accrued on a pro rata basis for the silent partners. These expenses are based on the maximum contractual term of ten years (i.e. end of 2009). During the first half year of 2003 there was no need for such an accrual.

11 Taxes

The listed income taxes in Q2-04 of T€ 12 (Q2-03: T€ -12) and in H1-04 of T€ 22 (H1-03: T€ 0) resulted from the US subsidiary in Seattle and were levied by the State of Washington.

12 Earnings per Share

The loss per share (basic) in Q2-04 of € 0.24 (Q2-03: € 0.13) and in H1-04 of € 0.53 (H1-03: € 0.42) was calculated by dividing the consolidated loss by the weighted average number of shares issued. Because of the losses to be posted for both quarters 2004 as well as for the comparable period 2003 the results per share (diluted) are not shown. The number of shared issued as of 30 June 2004 amounted to 11,352,903 and remained unchanged compared to 31 Dec 2003.

C Notes to the Assets Position

1 Non-Current Assets

The non-current assets of the Company increased during the first half year of 2004 by T€ 1,536 to T€ 9,966. 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 30 June 2004, the goodwill is valued at T€ 2,625 (31 Dec 2003: T€ 2,681).

2 Current Assets

The current assets of the company were reduced in the first half year of 2004 by T€ 7,945 down to T€ 14,932. The decrease of the line item „cash and cash equivalents“ from T€ 18,419 as of the beginning of the financial year to now T€ 8,132 as of 30 June 2004 is attributable on the one hand to shifts within the current assets and from current to non-current assets on the other hand. The value of securities available for sale rose in the first half year 2004 by T€ 2,222 to T€ 3,206 and the aforementioned financial assets were increased by T€ 1,750. On top of that, however, a net outflow of liquidity out of the Company of T€ 6,311must be recorded.

As of 30 June 2004 expenditures in connection with the IPO of the Company, totalling T€ 1,435, which followed in July 2004, were capitalized. Those will be offset in Q3-04 against the capital reserves as financing costs.

3 Share Capital and Reserves

As of the reporting date 30 June 2004 the listed equity of the Company declined to T€ 11,658 following a number of T€ 17,713 at the beginning of the year. The equity ratio was therefore down at 46.8% from 56.6%.

3.1 Notes to the Share Categories

As of 30 June 2004, share capital of Epigenomics AG was divided into the following four different share categories with a nominal value of € 1 each: common stock and preferred stock of the Series A, B and C. Preferred shares of the Series A, B and C were preferred in the case of a possible capital repayment. In this context, preferred shares of the Series C had priority over Series B which in turn were preferred over series A. For more detailed information on the (pre IPO) capital structure of the Company, reference should be made to the IPO prospectus of the Company. The IPO of the Company, which took place after the reporting period, led to a standardization of all aforementioned share categories to only common shares with equal rights.

3.2 Authorized Capital

As of 30 June 2004 there was authorized capital amounting to 29,917 shares of a nominal value of € 1 each.

3.3 Notes to Stock Option Plans

As of 30 June 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 3,500 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 been expensed. The first time adoption of IFRS 2 („share-based payments") by the Company will be effective 01 Jan 2005 the latest.

4 Long-term Liabilities

Regarding detailed information on the disclosed silent partnerships reference is made to the IPO prospectus of the Company.

The warrants of T€ 3 as disclosed in the balance sheet as of 31 Dec 2003 have been fully repaid in connection with the IPO preparations of the Company during Q2-04.

The long-term provisions listed as of 30 June 2004 in the amount of T€ 358 (31 Dec 2003: T€ 319) were recorded for possible profit payouts in favour of the silent partners. A future utilization was depending at that time from the uncertain date of the repayment and from the future trend of earnings of the Company. Those factors of uncertainty also justify having not yet discounted this provision.

5 Short-term Liabilities

The increase of trade payables from T€ 958 at the beginning of the financial year to T€ 2,191 as of 30 June 2004 is connected mostly with received services for the preparation of the IPO of the Company.

95% of deferred income of T€ 3,189 as of 30 June 2004 (31 Dec 2003: T€ 5,152) comes from the Company's commercial partners. On top of that, received prepayments of T€ 155 for granted projects were included.

The silent partnership of T€ 831, shown as short-term liability as of 30 June 2004, is due for repayment by 31 Dec 2004. As of 31 Dec 2003 it was still included in the long-term silent partnerships.

6 Other Financial Obligations

For details on other financial obligations as of 30 June 2004 reference is made to the IPO prospectus of the Company.

D Segment Details

1 SBU Diagnostics

The Diagnostics unit recognized revenues of T€ 1,135 in Q2-04 which is significantly less than in the comparable quarter 2003 (T€ 3.070). However, one must consider, that in Q2-03 several special effects resulting from the Roche collaboration and amounting to T€ 1,650 were included in the Diagnostics revenues (e.g. lumpy one-off milestones).

Cost of sales in Q2-04 added up to T€ 1,247 (Q2-03: T€ 1,133), leading to a negative gross margin of –10% (previous year: +63%). At the same time, R&D costs and business development costs were reduced below plans so that the negative segment contribution of T€ -574 (Q2-03: T€ 1,415) was within expectations. The same can be said about the negative half year result of the unit of T€ -1,491 (H1-03: T€ 1,640).

Due to 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 below previous year's results.

2 SBU Pharma Technology

The SBU Pharma Technology could again grow its revenues in Q2-04 to T€ 403 following a previous year comparable of T€ 75. Revenues in H1-04 add up now to T€ 720 (H1-03: T€ 170). The gross margin for Q2-04 / S1-04 amounted to 14% / 15% (Q2-03: 35%, H1-03: -51%) and was dampened by an increase in costs.

While attributable R&D costs in Q2-04 and H1-04 of T€ 277 and T€ 576 remained significantly below the previous year's number (Q1-03: T€ 779, H1-03: T€ 1,410), costs for marketing and business development increased slightly to T€ 155 (Q2-04) and T€ 338 (H1-04) versus T€ 147 (Q2-03) and T€ 295 (H1-03). This led to a negative segment contribution of T€ -374 in Q2-04 and of T€ -801 in H1-04 (Q2-03: T€ -859, H1-03: T€ -1,726).

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

3 Geographical Segment Split

The revenues recognized in Q2-04 and H1-04, respectively, of T€ 1,539 and T€ 2,765 were realized to the extent of 97% and 96% with European customers and the remaining 3% and 4% with North American customers. The revenues in Q1-03 and H1-03, respectively, of T€ 3,146 and T€ 4,940 were generated from European customers entirely.

E Notes to the Financial Position

Cash and cash equivalents as shown on the balance sheet dropped in H1-04 from T€ 18,419 to now T€ 8,132 as of 30 June 2004. It is important to consider, that from the opening balance of liquidity an amount of T€ 4,017 was shifted into securities for treasury performance targets (thereof T€ 1,750 in securities held to maturity). Further an amount of T€ 314 was spent in Q2-04 for the IPO preparation. Cleared by those effects, a net cash outflow in H1-04 of T€ 5,996 remains which is only slightly higher than the comparable net cash outflow in H1-03 (T€ 5,651 after deducting the net inflow of the Company's third financing round in Q2-03).

The cash outflow is mainly attributable to the operating activities and the resulting losses. Due to reduced investing activities in 2004 only an amount of T€ 273 spent on tangible and intangible assets.

After a tendency of weakness of the Euro towards the US Dollar in Q1-04 some signs of a recovery of the Company's currency were observed in Q2-04 and only small corrections for currency effects of T€ 43 were necessary in H1-04..

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