REPORT ON THE

First Quarter

of 2005

epigenomics

Key Figures

EUR thousand if not indicated otherwise	Q1 2005 (unaudited)	Q1 2004[1] (unaudited)
Revenue	1,849	1,226
Research and development costs	2,104	1,957
Earnings before interest and taxes (EBIT)	–2,851	–3,314
Earnings before interest, taxes, depreciation and amortization (EBITDA)	–2,464	–2,890
Net loss for the period	–2,557	–3,373
Average number of shares issued (notional par value: EUR 1)	16,338,250	11,352,903
Net loss for the period per share (in EUR)	–0.16	–0.30
Cash flow from operating activities	–2,831	–2,190
Cash flow from investing activities	–101	–4,263
Cash flow from financing activities	28	–94
Cash flow total (incl. currency adjustments)	–2,851	–6,546

	Mar 31, 2005 (unaudited)	Dec 31, 2004 (audited)
Liquid assets at balance sheet date (incl. marketable securities)	38,650	41,039
Total equity at balance sheet date	45,122	47,739
Equity ratio in %	87.5	89.6
Total assets at balance sheet date	51,576	53,284
Share price at balance sheet date (in EUR)	6.60	8.67
Number of employees at balance sheet date	147	146

[1] Q1 2004 figures restated after first-time application of IFRS 2.

Management Discussion & Analysis as of March 31, 2005

THE FIRST QUARTER OF 2005 – OVERVIEW

Revenue in Q1 2005 amounted to EUR 1,849 thousand, a 51% increase over the same quarter in 2004. Costs continued to be tightly controlled, such that our EBIT for Q1 2005 of EUR –2,851 thousand. This was in line with our expectations and guidance given for the full year and is an improvement of 14% versus Q1 2004. Short-term liquidity at March 31, 2005, amounted to EUR 38.7 million, down EUR 2.4 million from the end of 2004. As planned and announced with our guidance for 2005, the first quarters will be lower on revenue and earnings given the lumpiness of milestone-based revenue, expected timing of such milestones, as well as new business generation expected for H2 2005.

During Q1 2005, Epigenomics progressed its product development pipeline in both tissue tests as well as blood-based tests in our two SBUs (Diagnostics and Pharma Technology). Whilst there were no new deals to be announced during the first quarter, execution of our current partnerships was ongoing at full capacity and on track. As described in our annual report 2004, the first as a public company, which was presented on March 23, 2005, the strategy going forward builds on three key elements:

1. Continued Partnering
2. Own Product Development
3. Gradual Forward Integration

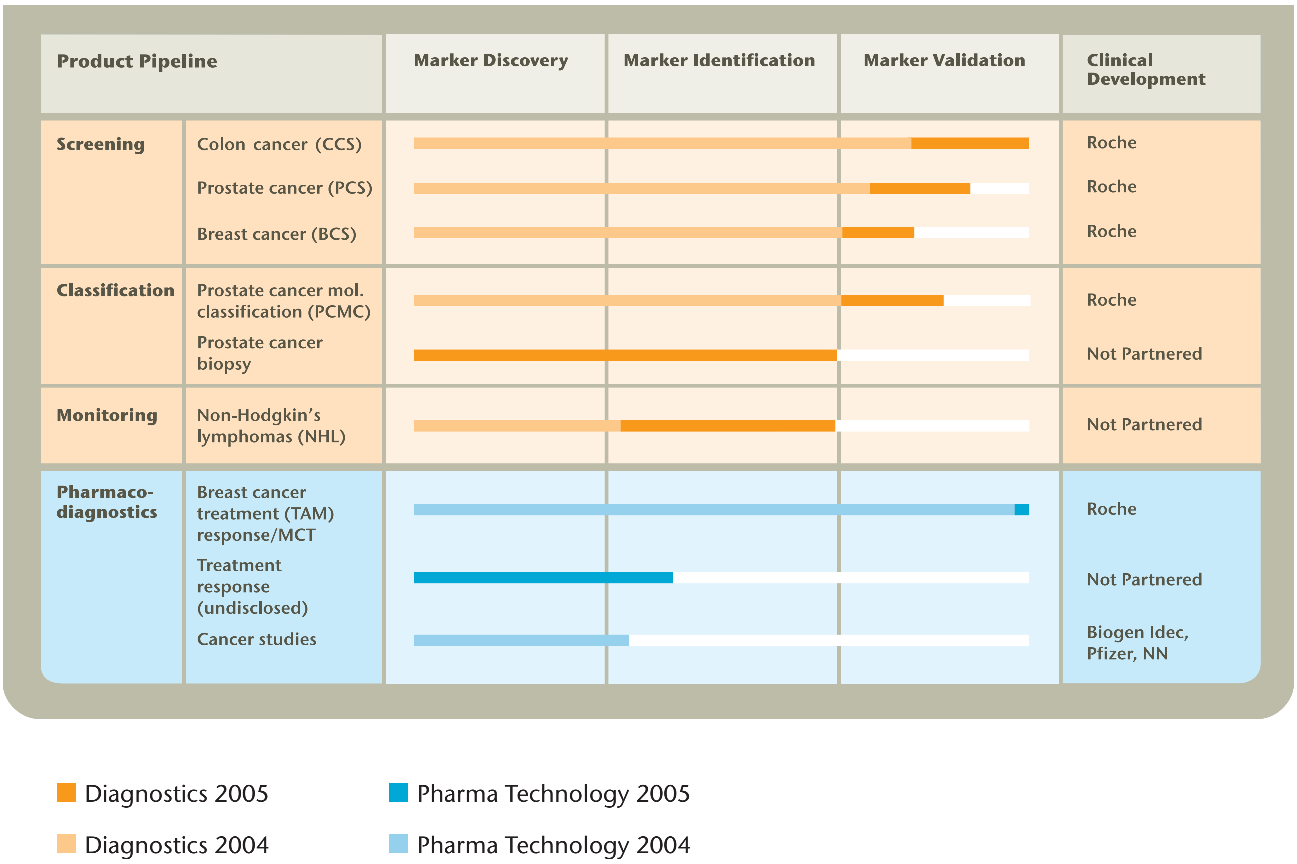
Significant progress was made on all three fronts and several of our Roche programs as well as our Pharma Technology partnerships have moved along as scheduled. Negotiations are ongoing with several pharmaceutical and biotech companies for possible future deals. We have significantly expanded our own product development pipeline in the area of tissue testing with a prostate biopsy test under intense evaluation for clinical development and a further pharmacodiagnostic test for a major marketed oncology drug started during Q1 2005.

A systematic effort was initiated to build Epigenomics' own tissue testing strategy and product pipeline and to find ways to gradually forward integrate and access elements of the value chain needed for commercialisation of our own products. To that end, we are looking at gaining access to a testing platform independent of our Roche collaboration, as well as finding the right partner for a preanalytic component for our tests under development.

During Q1 2005, as expected and described in our IPO prospectus, three members of our Supervisory Board tendered their resignations. Dr. Klaus Stöckemann (3i Group), Dr. Jörg Neermann (DVC) and Dr. Michael Steinmetz (MPM), all served on our Supervisory Board for several years and helped progress the Company to its current stage. Highly qualified candidates with relevant diagnostics, pharmaceutical, and commercial backgrounds have already been identified as possible candidates for the Supervisory Board and will run as candidates in our upcoming Annual General Shareholders' Meeting on June 28, 2005.

The expansion of our Hackescher Markt facility in Berlin, for which we have been able to secure a very favorable multi-year lease, was well underway in Q1 2005 and we expect to have moved all Berlin operations into the expanded facility by the end of Q2 2005.

Expected Progress in Product Development in 2005



OUR STOCK

Q1 2005 saw the expiry of the post-IPO lock-up period for all our VC investors. Subsequently, however, all of the major VCs entered into an agreement with Morgan Stanley to coordinate all potential selling of shares through that channel. Also, following our fiscal 2004 financials press conference, the first trading window for our employees and former employees, as well as founders and individual US shareholders holding shares in Epigenomics since our merger with Orca Biosciences in 2000 opened up on March 24, 2005, resulting in an elevated volume of sales. Since all former employees who still held vested stock options had to exercise them in that first window or forfeit them without compensation, much of that was anticipated.

Ticker:	ECX
Exchange:	Frankfurt (Prime Standard)
Security Code:	A0BVT9
ISIN:	DE000A0BVT96
Shares Outstanding:	16,346,291
Price range in Q1 2005:	EUR 8.60 – 6.60 (XETRA closing prices)
Analyst Coverage	
DZ Bank:	Dr. Thomas Höger
Lehman Brothers:	Sam Williams, Ph.D.
Morgan Stanley:	Dan Mahoney, Ph.D.

(as of March 31, 2005)

MAJOR EVENTS SINCE END OF REPORTING PERIOD

Epigenomics has presented highly successful clinical study results from two of its tissue-based products in development at the AACR annual meeting (April 16–20, 2005) in the US. Data from both, the prostate cancer molecular classification test as well as the breast cancer treatment response (Tamoxifen) and molecular classification test, highlight the potential benefits of molecular diagnostic testing for taking treatment decisions in oncology.

The resignations of Dr. Jörg Neermann and Dr. Michael Steinmetz from our Supervisory Board became effective on April 9, 2005. On April 18, 2005, 90 days after his resignation, the Executive Board of Epigenomics asked the Commercial Register Court (Amtsgericht) Charlottenburg for the appointment of a substitute Supervisory Board Member for Dr. Klaus Stöckemann who had resigned in January 2005.

The first trading window following the post-IPO lock-up period for employees closed as scheduled on April 22, 2005.

OUTLOOK

Management expects full-year revenue of EUR 8.5 to 10 million, EBIT of EUR –10.5 to –12.0 million and liquidity at the end of 2005 between EUR 28 and 30 million. Major drivers of this are expected to be the successful validation and transfer of the tissue-based breast cancer treatment response (Tamoxifen) and molecular classification tests to Roche by fall of 2005 as well as the anticipated successful completion of the 1,400-patient sample study in blood for the colon cancer screening program by the end of 2005. Furthermore, we expect to continue our partnership with Roche beyond the initial three-year term ending on September 30, 2005, and plan to have relevant agreements in place by the end of Q3 2005 at the latest.

Also, continued execution of our ongoing partnerships with Biogen Idec and Pfizer as well as the conclusion of additional partnerships in our Pharma Technology business are planned. The goal remains to be the extension of some of these initial partnerships into product development alliances.

By the end of 2005, Epigenomics also expects to have put in place the aforementioned partnerships to access critical components of our future tissue-based own products, i.e. the preanalytics component as well as platform access. Partnering activities as well as our own tissue test pipeline of products are expected to continue on track throughout 2005 and 2006.

Interim Consolidated Financial Statements as of March 31, 2005

Group Income Statement

EUR thousand (unaudited)	Q1 2005	Q1 2004 after IFRS 2 application	Q1 2004 before IFRS 2 application	Q1 2004 variance
Revenue	**1,849**	**1,226**	**1,226**	**0**
Cost of sales	–1,476	–1,525	–1,515	–10
Gross profit	**373**	**–299**	**–289**	**–10**
Other income	360	292	292	0
Research and development costs	–2,104	–1,957	–1,916	–41
Marketing and business development costs	–350	–337	–300	–37
General and administrative costs	–993	–841	–811	–30
Other expenses	–137	–173	–173	0
thereof: amortization of goodwill	0	–56	–56	0
Operating result (EBIT)	**–2,851**	**–3,314**	**–3,196**	**–118**
Financial result	305	–50	–50	0
Net loss before taxes on income	**–2,546**	**–3,363**	**–3,245**	**–118**
Taxes on income	–11	–10	–10	0
Net loss for the period	**–2,557**	**–3,373**	**–3,255**	**–118**
Earnings per share in EUR (basic)	–0.16	–0.30	–0.29	–0.01

Group Balance Sheet

Assets

EUR thousand	Mar 31, 2005 (unaudited)	Dec 31, 2004 (audited)
Non-current assets		
Intangible assets	5,563	5,534
thereof: goodwill	2,625	2,625
Tangible assets	2,259	2,350
Financial assets	1,013	1,763
thereof: shares in associated companies	13	13
Other non-current assets	30	30
Total non-current assets	**8,865**	**9,677**
Current assets		
Inventories	115	115
Trade and other receivables	2,263	752
Marketable securities	9,335	8,873
Cash and cash equivalents	29,315	32,166
Other current assets	1,682	1,702
Total current assets	**42,711**	**43,607**
Total assets	**51,576**	**53,284**

Equity and Liabilities

EUR thousand	Mar 31, 2005 (unaudited)	Dec 31, 2004 (audited)
Equity[2]		
Subscribed capital	16,346	16,334
Capital reserve	42,474	42,364
Retained earnings	–11,009	0
Net loss for the period	–2,557	–11,009
Other comprehensive income	–132	50
Total equity	**45,122**	**47,739**
Non-current liabilities		
Liabilities from leasing contracts	33	41
Total non-current liabilities	**33**	**41**
Current liabilities		
Trade payables	1,495	1,105
Silent partnerships	0	13
Liabilities from leasing contracts	42	43
Deferred income	3,805	3,187
Other liabilities	405	345
Provisions	674	811
Total current liabilities	**6,421**	**5,504**
Total equity and liabilities	**51,576**	**53,284**

[2] The restatement of the Company's equity effective January 1, 2005, (following the first-time application of IFRS 2) is shown under the notes to these consolidated financial statements. This effect has not been audited yet.

Group Cash Flow Statement

EUR thousand	Q1 2005 (unaudited)	Q1 2004[3] (unaudited)
Cash and cash equivalents at the beginning of the period	**32,166**	**18,419**
Operating activities		
Net loss before taxes on income	**–2,546**	**–3,363**
Corrections for:		
Depreciation on tangible assets	322	289
Amortization of intangible assets	64	135
Gains from the disposal of assets	–1	0
Income from capitalization of own services	0	–12
Stock option expenses	74	118
Foreign currency exchange gains (Q1 2004: losses)	–47	13
Price losses of securities	3	0
Other financing expenses	0	78
Interest income	–291	–87
Interest expenses	1	117
Taxes	–63	–90
Operating result before changes in net current assets	**–2,483**	**–2,800**
Increase (Q1 2004: decrease) in trade receivables and other current assets	–1,491	1,914
Changes in inventories	–2	32
Increase (Q1 2004: decrease) in current liabilities	916	–1,360
Liquidity earned from operating activities	**–3,060**	**–2,215**
Interest received	229	25
Net cash flow from operating activities	**–2,831**	**–2,190**
Investing activities		
Payments for investments in tangible assets	–145	–218
Payments for investments in intangible assets	–90	–28
Proceeds from the sale of/ Payments for investments in financial assets	750	–1,750
Proceeds from the sale of marketable securities	1,637	0
Payments for purchase of marketable securities	–2,253	–2,267
Cash flow from investing activities	**–101**	**–4,263**
Financing activities		
Interest payments for silent partnerships	–13	–90
Payments for lease financing	–8	–4
Proceeds from exercise of stock options	49	0
Cash flow from financing activities	**28**	**–94**
Net cash flow	**–2,904**	**–6,546**
Currency adjustments	53	79
Cash and cash equivalents at the end of the period	**29,315**	**11,952**

[3] Restatement including the effect of the first-time application of IFRS 2.

Statement of Changes in Group Equity[4]

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2004	**16,334**	**42,364**	**–11,009**	**0**	**50**	**47,739**
Excercise of stock options	12	36	0	0	0	48
Stock-based compensation	0	74	0	0	0	74
Fair value adjustments of securities	0	0	0	0	–182	–182
Net loss for Q1 2005	0	0	0	–2,557	0	–2,557
Mar 31, 2005	**16,346**	**42,474**	**–11,009**	**–2,557**	**–132**	**45,122**
Dec 31, 2003	**11,353**	**13,112**	**–6,745**	**0**	**–7**	**17,713**
Stock-based compensation	0	118	0	0	0	118
Fair value adjustments of securities	0	0	0	0	17	17
Net loss for Q1 2004	0	0	0	–3,373	0	–3,373
Mar 31, 2004	**11,353**	**13,230**	**–6,745**	**–3,373**	**10**	**14,475**

[4] Restatement including the effect of the first-time application of IFRS 2.

Notes to the Q1 2005 Consolidated Financial Statements

BASIC PRINCIPLES AND METHODS

General principles. The unaudited, interim consolidated financial statements of Epigenomics AG are prepared according to the International Financial Reporting Standards (IFRSs) 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 interim report was performed by the Company's auditor.

Consolidation group. The consolidation group remained unchanged compared to the one as of December 31, 2004.

Consolidation, accounting and valuation principles. The presented interim consolidated financial statements should be read in connection with the audited consolidated financial statements of Epigenomics AG for the year ended December 31, 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.

Effective January 1, 2005, the Company has adopted the new standard IFRS 2 ("Share-based Payment"). The first-time application of this standard also requires a retrospective recording of expenses for stock options that were granted by the Company between November 7, 2002, and December 31, 2004, none of which were exercisable as of January 1, 2005. This leads to a restatement of the opening balance sheets of the Company as of January 1, 2004, and 2005, respectively.

Currency translation. The exchange rate of the US Dollar, the only major foreign currency in the consolidated financial statements, changed during the reporting quarter as follows:

Reporting date rates

	Mar 31, 2005	Mar 31, 2004	Dec 31, 2004
EUR / USD	1.2964	1.2224	1.3621

Average rates

	Q1 2005	Q1 2004
EUR / USD	1.3085	1.2342

NOTES TO THE GROUP INCOME STATEMENT

Revenue. Revenue in Q1 2005 increased by nearly 51% compared to Q1 2004 from EUR 1,226 thousand to EUR 1,849 thousand mainly due to increased R&D payments as against the comparable quarter in the Diagnostics unit.

Cost of sales. Cost of sales include the material and personnel expenses and depreciation that can be directly allocated to the sales revenue, as well as pro-rata personnel overheads. A decrease in the cost of sales from EUR 1,525 thousand (Q1 2004) to EUR 1,476 thousand (Q1 2005) led to a significantly increased gross margin of 20% in the reporting quarter (Q1 2004: –24%).

Other income. In Q1 2005, other income increased compared to Q1 2004 from EUR 292 thousand to EUR 360 thousand, mainly due to higher income from granted projects and gains from the liquidation of provisions.

Research and development costs. Higher research and development costs of EUR 2,104 thousand in Q1 2005, compared to EUR 1,957 thousand in Q1 2004, were mainly due to the initialisation of own product development activities, especially in the Diagnostics unit. Depreciation and amortization included in those figures amounted to EUR 203 thousand (Q1 2005) and EUR 183 thousand (Q1 2004), respectively.

Marketing and business development costs. Marketing and business development costs rose from EUR 337 thousand in Q1 2004 to EUR 350 thousand in Q1 2005. This increase was attributable to higher marketing and public relations activities as a consequence of being a publicly listed company.

General and administrative costs. General and administrative costs rose from EUR 841 thousand in Q1 2004 to EUR 993 thousand in Q1 2005. This increase was attributable to higher requirements in terms of corporate governance, legal and/or statutory-related affairs as well as audit services while being a publicly listed company.

Other expenses. Other expenses in Q1 2005 of EUR 137 thousand (Q1 2004: EUR 173 thousand) mainly reflected a part of the overall incentive fees for the Company's IPO syndicate banks.

Personnel expenses and headcount

EUR thousand	Q1 2005	Q1 2004
Wages and salaries	1,928	1,871
Stock option compensation expenses[5]	74	118
Social security expenses	314	299
Total personnel expenses	**2,316**	**2,288**

The number of employees at March 31, 2005, increased to 147 (December 31, 2004: 146 and March 31, 2004: 145).

Operating result (EBIT). Losses before interest and taxes added up to EUR 2,851 thousand in Q1 2005 and were therefore significantly smaller than in the comparable quarter of 2004 (EUR –3,314 thousand).

Financial result. Due to the increased liquidity of the Company after the IPO in July 2004 and the subsequent repayment of all long-term debt, the financial result improved sharply in Q1 2005 to EUR 305 thousand (Q1 2004: EUR –50 thousand).

Taxes on income. The income taxes in the amount of EUR 11 thousand (Q1 2004: EUR 10 thousand) resulted from the US subsidiary in Seattle and were imposed by the State of Washington.

Earnings per share. The earnings per share (basic) are calculated by dividing the Group's net loss for the period by the weighted-average number of shares issued in the respective first quarters.

	Q1 2005	Q1 2004
Net loss for the period (in EUR thousand)	–2,557	–3,373
Weighted-average number of shares issued	16,338,250	11,352,903
Earnings per share in EUR (basic)	**–0.16**	**–0.30**

Because of the net loss to be posted for both Q1 2005 and Q1 2004, the earnings per share (diluted) are not shown. The number of shares issued as of the reporting date amounted to 16,346,291.

[5] Q1 2004 figure was restated following the first-time application of IFRS 2.

NOTES TO THE GROUP BALANCE SHEET

Non-current assets. Intangible assets including goodwill remained nearly unchanged at EUR 5,563 thousand at balance sheet date (Dec 31, 2004: EUR 5,534 thousand). Tangible assets were down in Q1 2005 from EUR 2,350 thousand (Dec 31, 2004) to EUR 2,259 thousand at March 31, 2005, mainly because of the disposal of some technical equipment.

A contractual premature repayment of a long-term mortgage bond by the issuer led to the reduction of the capitalized financial assets from EUR 1,763 thousand (Dec 31, 2004) to EUR 1,013 thousand (Mar 31, 2005).

Current assets. Trade and other receivables increased to EUR 2,263 thousand at reporting date (Dec 31, 2004: EUR 752 thousand) including mainly unmatured receivables of the Diagnostics unit. There were no reasons for fair value adjustments of individual receivables as of balance sheet date.

Marketable securities at balance sheet date amounted to EUR 9,335 thousand (Dec 31, 2004: EUR 8,873 thousand). The structure of the portfolio was not significantly changed during Q1 2005 compared to year-end 2004. All positions are still rated “investment grade”.

Cash and cash equivalents declined to EUR 29,315 thousand at balance sheet date (Dec 31, 2004: EUR 32,166 thousand). This mirrors a net cash outflow of EUR 2,851 thousand in the reporting quarter.

Equity

Equity adjustment after first-time application of IFRS 2. The first-time application of IFRS 2 (“Share-based Payment”) by the Company in the reporting quarter according to IFRS 2.55 has led to an adjustment of the opening balance sheets as of January 1, 2004, and 2005, respectively. As no stock options have been granted between November 7, 2002, and December 31, 2002, the opening balance as of January 1, 2003, remained unchanged.

During the financial years 2003 and 2004, the Company has granted 690,733 stock options to Executive Board members and employees. Compensation expense recorded in 2003 and 2004 in connection with stock options was EUR 482 thousand for 2004 and EUR 35 thousand for 2003, respectively.

This calculation has consequences for the Company’s equity structure described as follows:

The fair value of the granted stock options was calculated using the Black-Scholes option pricing model. For all grant dates in 2003 and 2004, a risk-free interest rate of 3.00% and a volatility of 35% was assumed. The expected option term ranges from two to four years. Due to the lack of historic values to determine an individual volatility of the Epigenomics stock, a relevant sector index was applied. After the Company’s IPO, the individual volatility of the Epigenomics stock was checked on a trial basis and it became obvious that the sector index gave a realistic picture for the valuation of Epigenomics’ stock options. All stock options to be granted from Q2 2005 onwards will be measured with the individual volatility of the Epigenomics stock based on the maximum term available each time, as long as the trading history of the Epigenomics stock is shorter than the expected exercise period of four years. No dividend yield is expected for the valuation period.

The weighted-average exercise price of all stock options reads EUR 4.53 for all stock options granted in 2003 and EUR 4.57 for all stock options granted in 2004. This reflects that the majority of those options was granted prior to the Company’s IPO. In these cases, the relevant option plans fixed an exercise price, which equaled the market price at grant date increased by 10%. The share price prior to the IPO was determined by the last private financing round of the Company in March 2003 at EUR 4.12. To calculate the stock option expenses according to IFRS 2, an almost linear increase of the share price between March 2003 and July 2004 was assumed.

Opening balance as of Jan 1, 2004

EUR thousand	before adjustment of 2003 option expenses acc. to IFRS 2	after adjustment of 2003 option expenses acc. to IFRS 2 (EUR 35 thousand)	change
Subscribed capital	11,353	11,353	0
Capital reserve	13,077	13,112	35
Net loss for the year	–6,710	–6,745	–35
Other comprehensive income	–7	–7	0
Total equity	**17,713**	**17,713**	**0**

Opening balance as of Jan 1, 2005

EUR thousand	before adjustment of option expenses acc. to IFRS 2	after adjustment of 2003 option expenses acc. to IFRS 2 (EUR 35 thousand)	after adjustment of 2004 option expenses acc. to IFRS 2 (EUR 482 thousand)	change
Subscribed capital	16,334	16,334	16,334	0
Capital reserve	41,848	41,883	42,365	517
Net loss for the year	–10,493	–10,528	–11,010	–517
Other comprehensive income	50	50	50	0
Total equity	**47,739**	**47,739**	**47,739**	**0**

Notes to the stock option plans. In the reporting quarter, a total number of 3,680 stock options was granted under the Company's stock option plan 03–07. Each option right entitles the holder to subscribe to one bearer share of common stock with a par value of EUR 1 in return for payment of the exercise price. This exercise price for each of the new rights was fixed at the average 20 previous trading days' closing price at EUR 8.13. The aggregate proceeds to the Company if these options will be exercised and shares be issued amount to EUR 30 thousand.

After the end of the "lock-up period" following the Company's IPO, the first option rights have been exercised by employees as well as former employees. The weighted-average exercise price of those options was EUR 4.04. The options that forfeited during the reporting quarter had an exercise price of EUR 4.53. The number of all outstanding options as of March 31, 2005, decreased to 821,041.

Option holder	Issued options as of Dec 31, 2004	Options issued in Q1 2005	Options forfeited in Q1 2005	Options exercised in Q1 2005	Issued options as of Mar 31, 2005
Alexander Olek, Ph.D.	86,613	0	0	0	86,613
Dr. Kurt Berlin	56,613	0	0	0	56,613
Aron Braun	56,613	0	0	0	56,613
Christian Piepenbrock	56,613	0	0	0	56,613
Oliver Schacht, Ph.D.	69,363	0	0	0	69,363
R. Gary Schweikhardt	106,643	0	0	0	106,643
Total Executive Board	**432,458**	**0**	**0**	**0**	**432,458**
Employees	416,448	3,680	19,483	12,062	388,583
Total options	**848,906**	**3,680**	**19,483**	**12,062**	**821,041**

Terms of options outstanding at March 31, 2005:

Expiry date	Exercise price in EUR	Mar 31, 2005 number	Dec 31, 2004 number
2008	1.76	12,750	12,750
	1.94	16,192	18,470
	4.53	62,529	66,973
2009	4.53	54,990	59,980
2010	4.53	104,620	105,703
2011	4.53	556,780	575,530
	7.15	9,500	9,500
2012	8.13	3,680	0
Total		**821,041**	**848,906**

Other comprehensive income. Resulting from particular weakness in the international bond markets, the securities portfolio of the Company suffered some unrealized price losses. Therefore, the other comprehensive income decreased during Q1 2005 from EUR 50 thousand (Dec 31, 2004) to EUR –132 thousand (Mar 31, 2005).

Current liabilities. Deferred income increased to EUR 3,805 thousand at balance sheet date (Dec 31, 2004: EUR 3,187 thousand). This amount included received payments from commercial cooperations (EUR 3,653 thousand) and from granted projects (EUR 152 thousand). There is no repayment obligation for any of the received payments.

Provisions were down from EUR 811 thousand (Dec 31, 2004) to EUR 674 thousand at March 31, 2005. This amount included payroll provisions of EUR 358 thousand as well as provisions for the Annual General Shareholders' Meeting, the Supervisory Board's compensation and audit services of EUR 253 thousand.

NOTES TO THE GROUP CASH FLOW STATEMENT

In Q1 2005, cash and cash equivalents decreased to EUR 29,315 thousand from EUR 32,166 thousand at the beginning of the year. The net cash outflow of EUR 2,904 thousand (Q1 2004: EUR 6,546 thousand) was almost completely attributable to cash outflow from operating activities (Q1 2005: EUR 2,831 thousand; Q1 2004: EUR 2,190 thousand).

From investing activities, a cash outflow of EUR 101 thousand was recorded (Q1 2004: EUR 4,263 thousand). This figure includes an outflow for tangible and intangible assets of EUR 235 thousand (Q1 2004: EUR 246 thousand) partly offset by a cash inflow from financial investments of EUR 28 thousand (Q1 2004: outflow of EUR 94 thousand).

Including marketable securities, the Company had access to short-term liquidity at the balance sheet date of EUR 38,650 thousand (Dec 31, 2004: EUR 41,039 thousand), down EUR 2,389 thousand for the quarter.

SEGMENT REPORTING

Segment results[6]

	Diagnostics		Pharma Technology		Other		Epigenomics Total	
EUR thousand (unaudited)	Q1 2005	Q1 2004	Q1 2005	Q1 2004	Q1 2005	Q1 2004	Q1 2005	Q1 2004
Revenue	**1,192**	**909**	**657**	**317**	**0**	**0**	**1,849**	**1,226**
Cost of sales	–1,175	–1,257	–301	–268	0	0	–1,476	–1,525
Gross profit	**17**	**–348**	**356**	**49**	**0**	**0**	**373**	**– 299**
Gross margin	*1%*	*–38%*	*54%*	*15%*			*20%*	*–24%*
Other income	40	30	0	3	320	259	360	292
Research and development costs	–797	–470	–310	–306	–997	–1,181	–2,104	–1,957
Marketing and business development costs	–102	–101	–172	–193	–76	–43	–350	–337
General and administrative costs	0	0	0	0	–993	–841	–993	–841
Other expenses	–1	–76	0	0	–136	–97	–137	–173
Segment results	**–843**	**–965**	**–126**	**–447**	**–1,882**	**–1,903**	**–2,851**	**–3,314**

SBU Diagnostics. During Q1 2005, the SBU Diagnostics generated revenue of EUR 1,192 thousand (Q1 2004: EUR 909 thousand) and a gross profit of EUR 17 thousand (Q1 2004: EUR –348 thousand). The cost of sales of EUR 1,175 thousand during Q1 2005 compared to EUR 1,257 thousand in Q1 2004 reflect the continued effort put into the later stages of validation studies for some of the Roche programs. Net contribution of the segment at EUR –843 thousand for Q1 2005 compared to EUR –965 thousand for the same period in 2004.

[6] Restatement including the effect of the first-time application of IFRS 2.

The SBU Diagnostics has progressed its colon cancer screening program on track for a completion of the validation in approximately 1,400 blood samples by the end of 2005. Key challenge for all programs remains the timely access to sufficient numbers of high-quality patient samples from clinical centers around the world. Also, a tissue-based test for analysing prostate biopsies is under evaluation for fast-track development. Our non-Hodgkin's lymphomas (NHL) project advanced into marker identification after successful completion of biomarker discovery in Q1 2005.

SBU Pharma Technology. During Q1 2005, the SBU Pharma Technology more than doubled its revenue to EUR 657 thousand (Q1 2004: EUR 317 thousand) at a gross profit of EUR 356 thousand (Q1 2004: EUR 49 thousand). The cost of sales of EUR 301 thousand during Q1 2005 compared to EUR 268 thousand in Q1 2004 reflect the tremendous effort put into the later stages of validation studies for the Roche breast cancer treatment response (Tamoxifen) test program, as well as the workload associated with the ongoing Pfizer and Biogen Idec projects. Net contribution of the segment at EUR –126 thousand for Q1 2005 compared favorably to the EUR –447 thousand for the same period in 2004.

The continued success of the tissue-based breast cancer treatment response (Tamoxifen) test program with Roche is reflected in several important meetings in the US where successful clinical data from various studies involving hundreds of patient samples each will be presented during Q2 2005 (AACR and ASCO).

Corporate Calendar

June 28, 2005
Annual general shareholders' meeting

August 3, 2005
Interim report June 30, 2005

November 2, 2005
Interim report September 30, 2005

Contact

Germany
Epigenomics AG
Kleine Präsidentenstrasse 1
10178 Berlin
Phone: +49-30-24345-0
Fax: +49-30-24345-555
contact@epigenomics.com

U.S.A.
Epigenomics, Inc.
Suite 300, 1000 Seneca Street
98101 Seattle, Washington
Phone: +1-206-883-2900
Fax: +1-206-254-9151
contact@us.epigenomics.com

IR Contact
Hong Thieu
Vice President Corporate Affairs
Phone: +49-30-24345-0
ir@epigenomics.com

This interim report is also available in German.