INTERIM REPORT ON THE

First Half

of 2005

epigenomics

Key Figures

EUR thousand if not otherwise indicated	Q2 2005 3 months (unaudited)	Q2 2004 3 months (unaudited)	H1 2005 6 months (unaudited)	H1 2004 6 months (unaudited)
Revenue	1,780	1,539	3,629	2,765
Research and development costs	2,052	1,760	4,156	3,717
Earnings before interest and taxes (EBIT)	–3,043	–2,826	–5,894	–6,140
Earnings before interest, taxes, depreciation and amortization (EBITDA)	–2,618	–2,498	–5,083	–5,388
Net loss for the period	–2,857	–2,875	–5,414	–6,248
Average number of shares issued (notional par value : EUR 1)	16,361,119	11,352,903	16,349,685	11,352,903
Net loss for the period per share (in EUR)	–0.17	–0.25	–0.33	–0.55
Cash flow from operating activities			–4,071	–5,425
Cash flow from investing activities			–1,934	–4,290
Cash flow from financing activities			95	–615
Cash flow total (incl. currency adjustments)			–5,613	–10,287

	Jun 30, 2005 (unaudited)	Dec 31, 2004 (unaudited)
Liquid assets at balance sheet date (incl. marketable securities)	37,176	41,039
Total equity at balance sheet date	42,482	47,739
Equity ratio (in %)	87.7	89.6
Total assets at balance sheet date	48,460	53,284
Share price at balance sheet date (in EUR)	6.60	8.67
Number of employees at balance sheet date	147	146

Management Discussion & Analysis as of June 30, 2005

THE SECOND QUARTER OF 2005 – OVERVIEW

Revenue in Q2 2005 amounted to EUR 1,780 thousand, a more than 15% increase over the same quarter in 2004. Costs continued to be tightly controlled, such that our EBIT for Q2 2005 of EUR –3,043 thousand was in line with our expectations and guidance given for the full year. Half-year EBIT of EUR –5,894 thousand showed an improvement of 4% versus H1 2004. Short-term liquidity at June 30, 2005, amounted to EUR 37.2 million, down EUR 3.8 million from the end of 2004.

During Q2 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). Execution of our current partnerships was ongoing at full capacity and on track.

Also in Q2 2005, we signed a strategic multi-year alliance with Qiagen, a leading provider of DNA-based pre-analytics and research solutions. The primary goal of the collaboration is to jointly develop and introduce a gold-standard preanalytic solution portfolio for DNA methylation analysis. Under this collaborative agreement, Epigenomics and Qiagen will develop a bisulfite kit as well as MethyLight-based real-time PCR kits for the research market. Qiagen will manufacture, market and sell all of these products worldwide. Products will be labelled jointly by Qiagen and Epigenomics and we expect the first products to be launched by Qiagen in early 2006. Epigenomics has received an upfront payment and will be entitled to royalties on Qiagen's sales of research products. Also, there is an option for Epigenomics to make Qiagen its supplier of preanalytic solutions for approved IVD kits, thereby significantly advancing its own product development efforts. Epigenomics sees this alliance as a key step towards setting a standard for DNA methylation analysis around its technologies and

proprietary assay formats, initially for researchers but ultimately for the molecular diagnostics industry.

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:

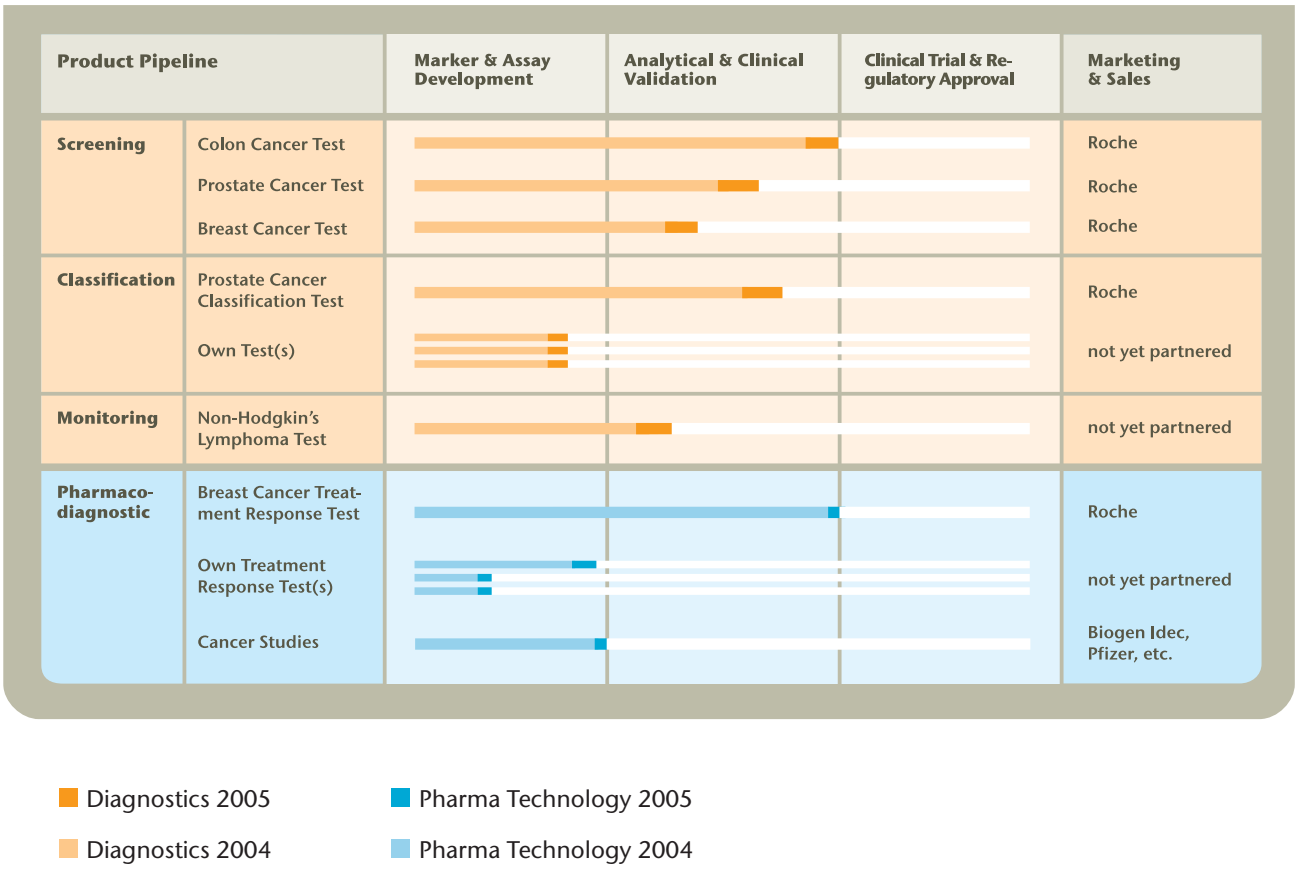
1. Continued Partnering
2. Own Product Development
3. Gradual Forward Integration

Significant progress was made on all three fronts and several of our Roche programs as well as our Pharma Technology partnerships have moved along on track. Negotiations are ongoing with several pharmaceutical and biotech companies for possible future deals. We have significantly advanced the definition and product selection for our own product development pipeline in the area of tissue-based testing. A further pharmacodiagnostic test for a major marketed oncology drug started development during H1 2005.

The systematic effort to find ways to gradually forward integrate and access elements of the value chain needed for commercialisation of our own products continued during Q2 2005. To that end we are looking at gaining access to a testing platform independent of our Roche collaboration. Two such potential platforms were extensively tested during H1 2005. We have also strengthened our medical/sample management team, hired an experienced pathologist, and initiated recruiting processes for additions to the senior management team for clinical/regulatory affairs and other downstream functions.

During Q2 2005, Professor Dr. Dr. Uwe Bicker was appointed by the court (Amtsgericht Charlottenburg) as Supervisory Board member of Epigenomics AG until the AGM on June 28, 2005. At the AGM, he along with Dr. Ann Clare Kessler, Professor Dr. Günther Reiter and John Berriman

Expected Progress in Product Development in 2005



were elected members of the Supervisory Board. The newly elected Supervisory Board members hold the following other supervisory board seats or equivalent:

Professor Dr. Dr. Uwe Bicker
Dade Behring Marburg GmbH (Chairman)
Future Capital AG, Cambridge
Antibody Technologies Ltd.
Aventis Foundation
Definiens AG

Dr. Ann Clare Kessler
no other supervisory board seat or equivalent

Professor Dr. Günther Reiter
Actium Beteiligungs AG

John Berriman
Ablynx NV
Alnylam Pharmaceuticals Inc.
Micromet AG
Algeta ASA (Chairman)

This has significantly strengthened the investor-independent industry and commercial expertise on our Supervisory Board. All decisions at the AGM were approved as proposed by the Company with overwhelming majority of the 10,362,768 shares (63.32% of voting capital) that were present or represented at the AGM. Other decisions at the AGM included several housekeeping issues regarding the corporate charter as well as the abolishment of various conditional and authorized capitals, respectively, all of which had lost their justification and have led to a total decrease of the potential for dilution. Specifically, the following decisions were approved in that regard:

- Abolishment of the Conditional Capital II by up to EUR 68,000
- Abolishment of the Authorized Capital I by up to EUR 1,021,761
- Abolishment of the remaining Authorized Capital II of EUR 140,523

The expansion of our Hackescher Markt facility in Berlin, for which we have been able to secure a very favorable multi-year lease, was successfully completed in Q2 2005. Since the end of May 2005, our entire Berlin staff and all operations are now at Hackescher Markt.

OUR STOCK

Trading volume in Epigenomics' stock increased during Q2 2005, averaging approximately 17,000 shares a day, compared to 8,400 per day in Q1 2005. The share price stabilized during Q2 2005 following a softness in the price during the previous period. The closing price on June 30, 2005 of EUR 6.60 per share on XETRA represents no change compared to the closing price of Q1 2005.

During Q2 2005, a total of 20,196 new shares were created from exercised stock options and the free float increased from 39% at the end of Q1 2005 to approximately 41% at the end of Q2 2005. No trades were executed under the voluntary agreement between the VC shareholders and Morgan Stanley during H1 2005.

Ticker:	ECX
Exchange:	Frankfurt (Prime Standard)
Security Code:	A0BVT9
ISIN:	DE000A0BVT96
Shares Outstanding:	16,366,487
Price range in Q2 2005:	EUR 5.45 – 6.87 (XETRA closing prices)
Analyst Coverage	
DZ Bank:	Dr. Thomas Höger
Lehman Brothers:	Sam Williams, Ph.D.
Morgan Stanley:	Dan Mahoney, Ph.D.

(as of June 30, 2005)

MAJOR EVENTS SINCE END OF REPORTING PERIOD

New Pharma Technology Collaboration Agreement Signed

In July 2005, Epigenomics and Philip Morris Research Laboratories GmbH have entered into a collaboration to apply Epigenomics' proprietary DNA methylation technologies in tobacco-related research and development. This further expands the list of collaboration partners using Epigenomics' proprietary DNA methylation approaches.

Directors' Dealings

On July 22, 2005, Alexander Olek, CEO of Epigenomics AG, informed the Company and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) of a sale of 64,000 Epigenomics shares over a period between July 15 and 21, 2005, at a weighted-average price of EUR 6.5616 per share. No other transactions have taken place.

Dr. Michael Wandell joins as Group Vice President Clinical, Regulatory and Quality Affairs

As part of the Company's forward integration plans it has hired Dr. Michael Wandell as Group Vice President Clinical, Regulatory and Quality Affairs. Mike has extensive experience in diagnostics, medical devices as well as therapeutics and a track record of obtaining regulatory approval for biologic and diagnostic products with the FDA as well as European regulatory agencies. The Company is very pleased to have attracted a very experienced candidate with a proven track record to support its strategy of own product development going forward. Mike has previously held relevant positions with companies such as Genetics Systems, Bristol-Myers Squibb, Home Access Health, Syntex, LipoSonix and most recently the Benaroya Research Institute.

OUTLOOK

Management still 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 R&D partnership with Roche beyond the initial three-year term ending on September 30, 2005, and plan to have relevant agreements in place by Q4 2005.

Also, continued execution of our ongoing partnerships with Qiagen, Biogen Idec, Pfizer and Philip Morris as well as the conclusion of additional partnerships e.g. in our Pharma Technology business are planned. The goal remains to be the extension of some of these initial partnerships into product development alliances. Epigenomics expects its first revenue from royalties on product sales of the Qiagen/Epigenomics research kits in 2006.

By the end of 2005, Epigenomics also expects to have put in place the aforementioned partnership to access a diagnostic testing platform. 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 June 30, 2005

Group Income Statement

EUR thousand (unaudited)	Q2 2005	Q2 2004 after IFRS 2 application	Q2 2004 before IFRS 2 application	Q2 2004 var.	H1 2005	H1 2004 after IFRS 2 application	H1 2004 before IFRS 2 application	H1 2004 var.
Revenue	**1,780**	**1,539**	**1,539**	**0**	**3,629**	**2,765**	**2,765**	**0**
Cost of sales	–1,811	–1,605	–1,593	–12	–3,287	–3,130	–3,108	–22
Gross profit	**–31**	**–66**	**–54**	**–12**	**342**	**–365**	**–343**	**–22**
Other income	489	211	211	0	848	504	504	0
Research and development costs	–2,052	–1,760	–1,719	–41	–4,156	–3,717	–3,634	–83
Marketing and business development costs	–367	–373	–336	–37	–717	–710	–636	–74
General and administrative costs	–1,079	–772	–742	–30	–2,072	–1,613	–1,553	–60
Other expenses	–3	–66	–66	0	–140	–239	–239	0
thereof: amortization of goodwill	*0*	*0*	*0*	*0*	*0*	*–56*	*–56*	*0*
Operating result (EBIT)	**–3,043**	**–2,826**	**–2,706**	**–120**	**–5,894**	**–6,140**	**–5,901**	**–239**
Financial result	198	–37	–37	0	503	–86	–86	0
Net loss before taxes on income	**–2,846**	**–2,863**	**–2,743**	**–120**	**–5,391**	**–6,226**	**–5,987**	**–239**
Taxes of income	–11	–12	–12	0	–23	–22	–22	0
Net loss for the period	**–2,857**	**–2,875**	**–2,755**	**–120**	**–5,414**	**–6,248**	**–6,009**	**–239**
Earnings per share (basic) in EUR	–0.17	–0.25	–0.24	–0.01	–0.33	–0.55	–0.53	–0.02

Group Balance Sheet

Assets

EUR thousand	Jun 30, 2005 (unaudited)	Dec 31, 2004 (audited)
Non-current assets		
Intangible assets	5,520	5,534
thereof: goodwill	*2,625*	*2,625*
Tangible assets	2,479	2,350
Financial assets	1,013	1,763
therof: shares in associated companies	*13*	*13*
Other non-current assets	30	30
Total non-current assets	**9,042**	**9,677**
Current assets		
Inventories	143	115
Trade and other receivables	505	752
Marketable securities	10,623	8,873
Cash and cash equivalents	26,553	32,166
Other current assets	1,594	1,702
Total current assets	**39,418**	**43,607**
Total assets	**48,460**	**53,284**

Equity and liabilities

EUR thousand	Jun 30, 2005 (unaudited)	Dec 31, 2004 (audited)
Equity		
Subscribed capital	16,366	16,334
Capital reserve	42,600	42,364
Balance sheet loss	–11,010	0
Net loss for the period	–5,414	–11,009
Other comprehensive income	–60	50
Total equity	**42,482**	**47,739**
Non-current liabilities		
Liabilities from leasing contracts	24	41
Total non-current liabilities	**24**	**41**
Current liabilities		
Trade payables	1,676	1,105
Silent partnerships	0	13
Liabilities from leasing contracts	43	43
Deferred income	2,923	3,187
Other liabilities	378	345
Provisions	934	811
Total current liabilities	**5,954**	**5,504**
Total equity and liabilities	**48,460**	**53,284**

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	H1 2005 (unaudited)	H1 2004[1] (unaudited)
Cash and cash equivalents at the beginning of the period	**32,166**	**18,419**
Operating activities		
Net loss before taxes on income	**–5,391**	**–6,226**
Corrections for:		
Depreciation on tangible assets	608	533
Amortization of intangible assets	204	219
Gains (in H1 2004: losses) from disposal of assets	–1	1
Income from capitalization of own services	0	–12
Stock option expenses	143	239
Foreign currency exchange gains (H1 2004: losses)	–284	14
Price losses of securities	81	0
Other financing expenses	31	98
Interest income	–634	–186
Interest expenses	7	235
Taxes	–85	–79
Inflows not affecting net income	104	0
Other non-cash income	0	–18
Operating result before changes in net current assets	**–5,217**	**–5,183**
Decrease in trade receivables and other current assets	356	121
Changes in inventories	–29	–51
Increase (H1 2004: decrease) in current liabilities	373	–360
Liquidity earned from operating activities	**–4,517**	**–5,474**
Interest received	446	49
Net cash flow from operating activities	**–4,071**	**–5,425**
Investing activities		
Payments for investments in tangible assets	–597	–382
Proceeds from investment grants	0	160
Payments for investments in intangible assets	–181	–51
Proceeds from sale of/Payments for investments in financial assets	750	–1,750
Proceeds from sale of marketable securities	2,363	0
Payments for purchase of marketable securities	–4,269	–2,267
Cash flow from investing activities	**–1,934**	**–4,290**
Financing activities		
Payments for collection of warrants issued	0	–3
Interest payments for silent partnerships	–13	–273
Payments for lease financing	–17	–24
Proceeds from exercise of stock options	125	0
Payments for the creation of new shares	0	–314
Cash flow from financing activities	**95**	**–615**
Net cash flow	**–5,910**	**–10,330**
Currency adjustments	297	43
Cash and cash equivalents at the end of the period	**26,553**	**8,132**

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

Statement of Changes in Group Equity[2]

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Balance sheet loss	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2004	**16,334**	**42,364**	**–11,009**	**0**	**50**	**47,739**
Exercise of stock options	32	93	0	0	0	125
Stock-based compensation	0	143	0	0	0	143
Fair value adjustments of securities	0	0	0	0	–110	–110
Net loss for H1 2005	0	0	0	–5,414	0	–5,414
Jun 30, 2005	**16,366**	**42,600**	**–11,010**	**–5,414**	**–60**	**42,482**
Dec 31, 2003	**11,353**	**13,112**	**–6,745**	**0**	**–7**	**17,713**
Stock-based compensation	0	239	0	0	0	239
Fair value adjustments of securities	0	0	0	0	–45	–45
Net loss for H1 2004	0	0	0	–6,248	0	–6,248
Jun 30, 2004	**11,353**	**13,351**	**–6,745**	**–6,248**	**–52**	**11,659**

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

Notes to the Q2/H1 2005 Interim 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 "Interim Financial Reporting". 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 with 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 U.S. Dollar, the only major foreign currency in the interim consolidated financial statements, changed during the reporting period as follows:

Reporting date rates

	Jun 30, 2005	Jun 30, 2004	Dec 31, 2004
EUR/USD	1.2092	1.2155	1.3621

Average rates

	H1 2005	H1 2004	2004
EUR/USD	1.2773	1.2229	1.2466

NOTES TO THE GROUP INCOME STATEMENT

Revenue. Revenue in Q2 2005 increased by more than 15% compared with Q2 2004 from EUR 1,539 thousand to EUR 1,780 thousand mainly due to the new Qiagen collaboration. Therefore, total revenue of the first six months of 2005 added up to EUR 3,629 thousand and exceeded the comparative number of 2004 (EUR 2,765 thousand) by 31%.

Cost of sales/Gross margin. 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. An increase in the cost of sales from EUR 1,605 thousand (Q2 2004) to EUR 1,811 thousand (Q2 2005) led to a slightly negative albeit better gross margin of –2% in the reporting quarter compared with the same period last year (Q2 2004: –4%). This effect can be explained by the continued effort put into the later stages of validation studies for some of the Roche programs and is attributable solely to the Diagnostics unit. For H1 2005, this means a significant increase in the Company's gross margin to +9% from –13% in H1 2004.

Other income. A strong increase in other income from EUR 211 thousand (Q2 2004) and EUR 504 thousand (H1 2004) to EUR 489 thousand (Q2 2005) and EUR 848 thousand (H1 2005) is partly due to exchange rate gains resulting from the strengthening of the U.S. Dollar towards the Euro within the last few months. Further, the half-year number includes an income of EUR 144 thousand related to previous years. However, the biggest portion of other income stems from grants for research projects.

Research and development costs. Research and development costs improved slightly in Q2 2005 to EUR 2,052 thousand compared with the first quarter of 2005 but were up by EUR 292 thousand as against Q2 2004. The six months' comparison shows an increase from EUR 3,717 thousand in H1 2004 to EUR 4,156 thousand in H1 2005. Depreciation and amortization included in those figures amount to EUR 134 thousand (Q2 2005) and EUR 276 thousand (H1 2005), respectively.

Marketing and business development costs. Marketing and business development costs remained virtually constant to date in 2005 at EUR 367 thousand in Q2 2005 (Q2 2004: EUR 373 thousand) and EUR 717 thousand over the six months' period (H1 2004: EUR 710 thousand).

General and administrative costs. General and administrative costs rose from EUR 772 thousand in Q2 2004 to EUR 1,079 thousand in Q2 2005. This increase is 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. It is also mirrored in the comparison of H1 2005 (EUR 2,072 thousand) and H1 2004 (EUR 1,613 thousand).

Personnel expenses and headcount

EUR thousand	H1 2005	H1 2004	Var. in %
Wages and salaries	3,890	3,786	3
Stock option compensation expenses[3]	143	239	–40
Social security expenses	678	597	14
Total personnel expenses	**4,711**	**4,622**	**2**

The number of employees at June 30, 2005, amounted to 147 (December 31, 2004: 146 and June 30, 2004: 144).

Operating result (EBIT). Losses before interest and taxes added up to EUR 3,043 thousand in Q2 2005 and EUR 5,894 thousand in H1 2005 (Q2 2004: loss of EUR 2,826 thousand and H1 2004: loss of EUR 6,140 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 Q2 2005 to EUR 198 thousand (Q2 2004: EUR –37 thousand) and to EUR 503 thousand in H1 2005 (H1 2004: EUR –86 thousand).

To achieve its treasury goals, the Company has entered a constant maturity swap (CMS) agreement with one of its principal banks in line with external advice with a five-year term on an underlying amount of EUR 1 million, which is the maximum amount allowed under the Company's investment policy. A CMS is a variation of the fixed-rate-for-floating-rate interest rate swap. The rate on one side of the constant maturity swap is fixed. The constant maturity side, which gives the swap its name, is reset each period relative to a regularly available fixed maturity market rate. This constant maturity rate is the yield on an instrument with a longer life than the length of the reset period, so the parties to a constant maturity swap have exposure to changes in a longer-term market rate. The risk is limited for the Company to 10.5 % over the total term of the agreement. The Company can terminate the agreement at any time on a short-term basis by paying a compensatory price to the bank. The bank's quotation of this compensation is taken as the contract's fair value. Changes in the fair value of this CMS are recognized through profit and loss.

Taxes on income. The income taxes in the amount of EUR 11 thousand in Q2 2005 and EUR 23 thousand in H1 2005, respectively, (Q2 2004: EUR 12 thousand and H1 2004: EUR 22 thousand) resulted from the U.S. subsidiary in Seattle and were imposed by the State of Washington.

[3] H1 2004 number was restated following the first-time application of IFRS 2.

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 periods.

	Q2 2005	Q2 2004	H1 2005	H1 2004
Net loss for the period in EUR thousand	–2,857	–2,875	–5,414	–6,248
Weighted-average number of shares issued	16,361,119	11,352,903	16,349,685	11,352,903
Earnings per share in EUR (basic)	**–0.17**	**–0.25**	**–0.33**	**–0.55**

Because of the net loss to be posted for all quarters under report, the earnings per share (diluted) are not shown. The number of shares issued as of the reporting date amounted to 16,366,487.

NOTES TO THE GROUP BALANCE SHEET

Non-current assets. Intangible assets including goodwill remained nearly unchanged at EUR 5,520 thousand at balance sheet date (Dec 31, 2004: EUR 5,534 thousand). Tangible assets were up in H1 2005 from EUR 2,350 thousand (Dec 31, 2004) to EUR 2,479 thousand at June 30, 2005, mainly because of investments in leasehold improvements in the Company's Berlin headquarter.

A callable long-term mortgage bond was called in Q1 2005 by the issuer before its maturity date and led to the reduction of the capitalized financial assets from EUR 1,763 thousand (Dec 31, 2004) to EUR 1,013 thousand (Jun 30, 2005).

Current assets. Trade and other receivables decreased to EUR 505 thousand at reporting date (Dec 31, 2004: EUR 752 thousand). There were no reasons for value adjustments of individual receivables as of balance sheet date.

Marketable securities at balance sheet date amounted to EUR 10,623 thousand (Dec 31, 2004: EUR 8,873 thousand). The structure of the portfolio was not significantly changed during H1 2005 compared with year-end 2004. Two positions which lost their "investment grade" rating have been reduced significantly in conformity to the Company's investment policy. The attributable price losses have been recognized through profit and loss.

Cash and cash equivalents declined to EUR 26,553 thousand at balance sheet date (Dec 31, 2004: EUR 32,166 thousand). This mirrors a net cash outflow of EUR 5,910 thousand in the first half of 2005 before currency adjustments from consolidation.

Equity adjustment after first-time application of IFRS 2. The first-time application of IFRS 2 ("Share-based Payment") by the Company in the Q1 2005 according to IFRS 2.55 has led to an adjustment of the opening balance sheets as of January 1, 2004, and 2005. As no stock options have been granted between November 7, 2002, and December 31, 2003, 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% were 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 were granted prior to the Company's IPO. In these cases the relevant option plans fixed an exercise price, which equalled 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 first half of 2005, a total number of 3,680 stock options were granted under the Company's stock option plan 03-07, all of those in Q1 2005. 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 are exercised and shares will 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 3.86. The options that forfeited during the reporting period had an exercise price of EUR 4.53. The number of all outstanding options as of June 30, 2005, decreased to 800,590.

Option holder	Issued options as of Dec 31, 2004	Options issued in H1 2005	Options forfeited in H1 2005	Options exercised in H1 2005	Issued options as of Jun 30, 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	19,738	32,258	368,132
Total options	**848,906**	**3,680**	**19,738**	**32.258**	**800,590**

Terms of options outstanding at June 30, 2005:

Expiry date	Exercise price in EUR	Jun 30, 2005 number	Dec 31, 2004 number
2008	1.76	12,750	12,750
	1.94	10,087	18,470
	4.53	57,260	66,973
2009	4.53	46,381	59,980
2010	4.53	104,407	105,703
2011	4.53	556,525	575,530
	7.15	9,500	9,500
2012	8.13	3,680	0
Total		**800,590**	**848,906**

Other comprehensive income. A big portion of the unrealized price losses the Company's securities portfolio had suffered during Q1 2005 was reversed in Q2. Therefore, the other comprehensive income increased during Q2 2005 from EUR –132 thousand (Mar 31, 2005) to EUR –60 thousand (Jun 30, 2005). Compared with Dec 31, 2004, the other comprehensive income is still down by EUR 110 thousand.

Current liabilities. Deferred income decreased to EUR 2,923 thousand at balance sheet date (Dec 31, 2004: EUR 3,187 thousand). This amount included payments received from commercial collaborations (EUR 2,828 thousand) and from granted projects (EUR 95 thousand). There is no repayment obligation for any of the received payments.

Provisions were up from EUR 811 thousand (Dec 31, 2004) to EUR 934 thousand at June 30, 2005. This amount included payroll provisions of EUR 553 thousand as well as provisions for the Annual General Shareholders' Meeting, the Supervisory Board's compensation and audit services of EUR 288 thousand.

NOTES TO THE GROUP CASH FLOW STATEMENT

In H1 2005, cash and cash equivalents decreased to EUR 26,553 thousand from EUR 32,166 thousand at the beginning of the year. The net cash outflow of EUR 5,910 thousand (H1 2004: EUR 10,330 thousand) was mostly attributable to cash outflow from operating activities (H1 2005: EUR 4,071 thousand; H1 2004: EUR 5,425 thousand).

From investing activities, a cash outflow of EUR 1,934 thousand was recorded (H1 2004: EUR 4,290 thousand). This figure includes an outflow for tangible and intangible assets of EUR 778 thousand (H1 2004: EUR 273 thousand, after deduction of investments grants of EUR 160 thousand) and a net cash outflow for financial investments of EUR 1,156 thousand (H1 2004: EUR 4,017 thousand).

Including marketable securities, the Company had access to short-term liquidity of EUR 37,176 thousand at the balance sheet date, down EUR 3,863 thousand for the first six months of 2005 (Dec 31, 2004: EUR 41,039 thousand).

SEGMENT REPORTING

Segment Results[4]

EUR thousand (unaudited)	Diagnostics Q2 2005	Diagnostics Q2 2004	Pharma Technology Q2 2005	Pharma Technology Q2 2004	Other Q2 2005	Other Q2 2004	Epigenomics Total Q2 2005	Epigenomics Total Q2 2004
Revenue	**1,041**	**1,135**	**729**	**403**	**10**	**1**	**1,780**	**1,539**
Cost of sales	–1,419	–1,256	–371	–348	–21	–1	–1,811	–1,605
Gross profit	**–378**	**–121**	**358**	**55**	**–11**	**0**	**–31**	**–66**
Gross margin	*–36%*	*–11%*	*49%*	*14%*			*–2%*	*–4%*
Other income	40	31	0	1	449	179	489	211
Research and development costs	–632	–388	–308	–283	–1,112	–1,089	–2,052	–1,760
Marketing and business development costs	–108	–148	–165	–166	–94	–59	–367	–373
General and administrative costs	0	0	0	0	–1,079	–772	–1,079	–772
Other expenses	0	0	0	0	–3	–66	–3	–66
Segment results (EBIT)	**–1,078**	**–626**	**–115**	**–393**	**–1,850**	**–1,807**	**–3,043**	**–2,826**

EUR thousand (unaudited)	Diagnostics H1 2005	Diagnostics H1 2004	Pharma Technology H1 2005	Pharma Technology H1 2004	Other H1 2005	Other H1 2004	Epigenomics Total H1 2005	Epigenomics Total H1 2004
Revenue	**2,233**	**2,044**	**1,386**	**720**	**10**	**1**	**3,629**	**2,765**
Cost of sales	–2,594	–2,514	–672	–616	–21	0	–3,287	–3,130
Gross profit	**–361**	**–470**	**714**	**104**	**–11**	**1**	**342**	**–365**
Gross margin	*–16%*	*–23%*	*51%*	*14%*			*9%*	*–13%*
Other income	80	61	0	5	768	438	848	504
Research and development costs	–1,429	–858	–617	–589	–2,109	–2,270	–4,156	–3,717
Marketing and business development costs	–210	–248	–337	–359	–170	–103	–717	–710
General and administrative costs	0	0	0	0	–2,071	–1,613	–2,071	–1,613
Other expenses	–1	–76	–1	0	–139	–163	–140	–239
Segment results (EBIT)	**–1,921**	**–1,591**	**–241**	**–839**	**–3,732**	**–3,710**	**–5,894**	**–6,140**

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

SBU Diagnostics. During the first half of 2005, the SBU Diagnostics generated revenue of EUR 2,233 thousand (H1 2004: EUR 2,044 thousand) and a gross profit of EUR –361 thousand (H1 2004: EUR –470 thousand). Cost of sales of EUR 2,594 thousand during H1 2005 compared to EUR 2,514 thousand in H1 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 –1,921 thousand for H1 2005 compared to EUR –1,591 thousand for the same period in 2004.

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. Successful clinical data was presented at the AACR annual meeting in Q2 2005 for the prostate cancer molecular classification test under development for Roche. Key challenge for all programs remains the timely access to sufficient numbers of high-quality patient samples from clinical centers around the world. Also, several tissue-based tests for prostate, colon and breast cancer are under evaluation for own product development.

SBU Pharma Technology. During H1 2005, the SBU Pharma Technology increased its revenue by 92% to EUR 1,386 thousand (H1 2004: EUR 720 thousand) at a gross profit of EUR 714 thousand (H1 2004: EUR 104 thousand). Cost of sales of EUR 672 thousand during H1 2005 compared to EUR 616 thousand in H1 2004 reflect the continued work 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 Qiagen, Pfizer and Biogen Idec projects. Net contribution of the segment at EUR –241 thousand for H1 2005 compared favorably to the EUR –839 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 U.S. during Q2 2005, including AACR and ASCO, where Epigenomics successfully presented clinical data from various studies involving hundreds of patient samples each.

Corporate Calendar

November 2, 2005
Interim report nine months 2005

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This interim report is also available in German.