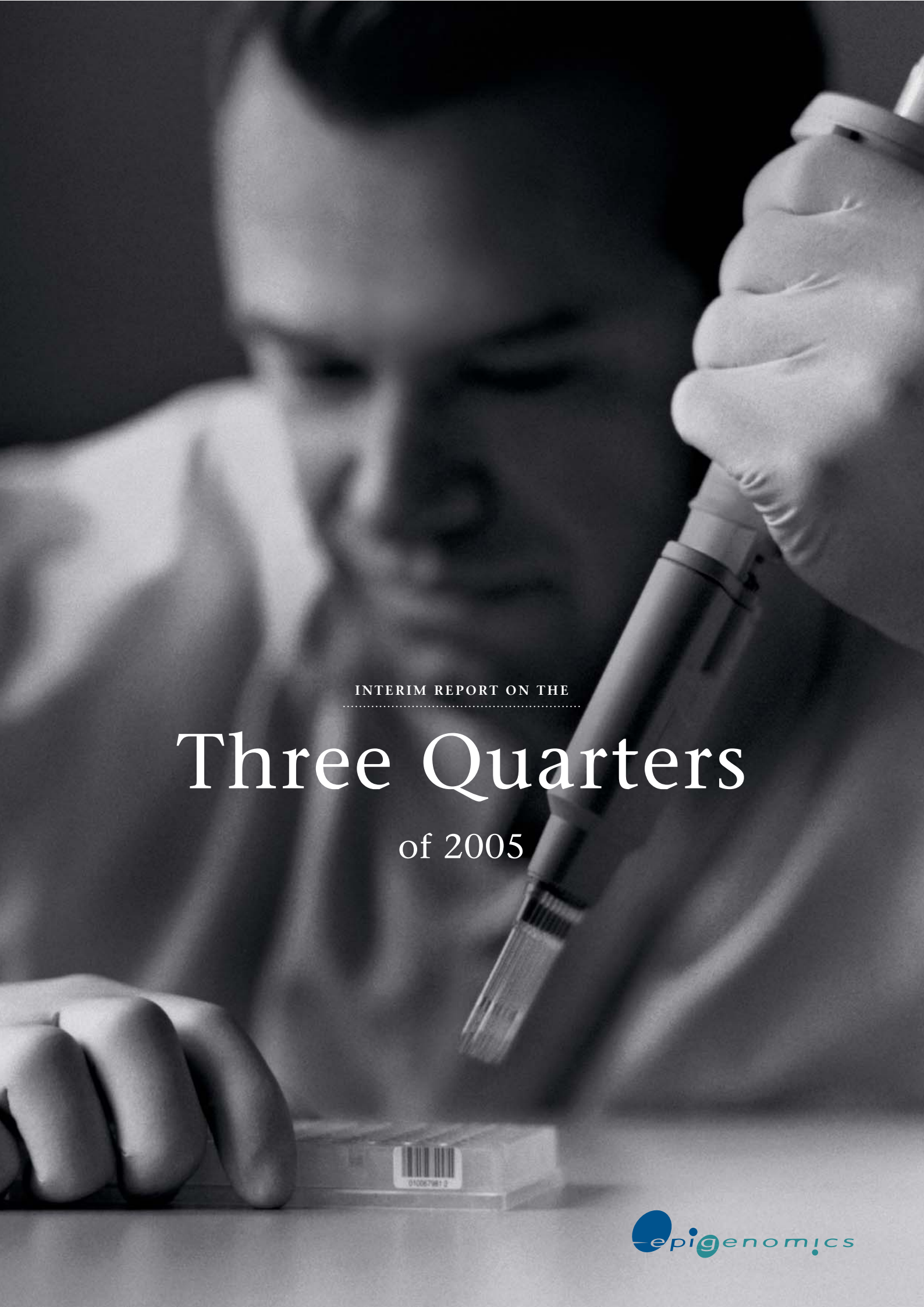


INTERIM REPORT ON THE

Three Quarters

of 2005

epigenomics

Key Figures

EUR thousand if not otherwise indicated	Q3 2005 3 months (unaudited)	Q3 2004 3 months (unaudited)	9M 2005 9 months (unaudited)	9M 2004 9 months (unaudited)
Revenue	2,110	2,919	5,739	5,684
Research and development costs	–2,002	–2,086	–6,158	–5,803
Earnings before interest and taxes (EBIT)	–3,026	–1,796	–8,922	–7,936
Earnings before interest, taxes, depreciation and amortization (EBITDA)	–2,215	–1,471	–7,785	–6,811
Net loss for the period	–2,774	–2,607	–8,189	–8,855
Average number of shares issued (notional par value: EUR 1)	16,393,595	16,094,578	16,364,321	12,933,461
Net loss for the period per share (in EUR)	–0.17	–0.16	–0.50	–0.68
Cash flow from operating activities			–7,091	–7,545
Cash flow from investing activities			–3,020	–8,561
Cash flow from financing activities			232	35,169
Cash flow total (incl. currency adjustments)			–9,577	19,121

	Sep 30, 2005 (unaudited)	Dec 31, 2004 (audited)
Liquid assets at balance sheet date (incl. marketable securities)	34,216	41,039
Total equity at balance sheet date	39,938	47,739
Equity ratio (in %)	88.1	89.6
Total assets at balance sheet date	45,338	53,284
Share price at balance sheet date (in EUR)	8.15	8.67
Number of employees at balance sheet date	144	146

Management Discussion & Analysis as of September 30, 2005

THE THIRD QUARTER OF 2005 – OVERVIEW

Revenue in Q3 2005 amounted to EUR 2,110 thousand, a nearly 28% decrease over the same quarter in 2004 due to milestone-driven one-off revenue recognition in that period in 2004. Costs continued to be tightly controlled, such that our EBIT for Q3 2005 of EUR –3,026 thousand was in line with our expectations and guidance given for the full year. Nine-month EBIT of EUR –8,922 thousand showed a drop of 12% versus 9M 2004. Short-term liquidity at September 30, 2005, amounted to EUR 34.2 million, down EUR 6.8 million from the end of 2004.

During Q3 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 such as Roche, Qiagen, Philip Morris, Biogen Idec and Pfizer was ongoing at full capacity and according to plans.

By the end of Q3 2005, we have successfully extended the R&D collaboration with Roche Diagnostics by a minimum of 6 months with an option to further extend and possibly expand for another 18 months in 2006. This gives both partners the flexibility to agree on a win-win scenario for moving the product development into the future based on expected clinical validation results in Q4 2005 for two of our lead products.

Due to the announcement in Q3 2005 of the retirement of Gary Schweikhardt (Head of SBU Diagnostics) at year-end 2005 and the departure of Aron Braun (COO) for personal reasons from the Executive Board of Epigenomics AG on October 31, 2005, the Executive Board will consist of five members from November 1, 2005, onwards and of only four members after December 31, 2005. Responsibilities

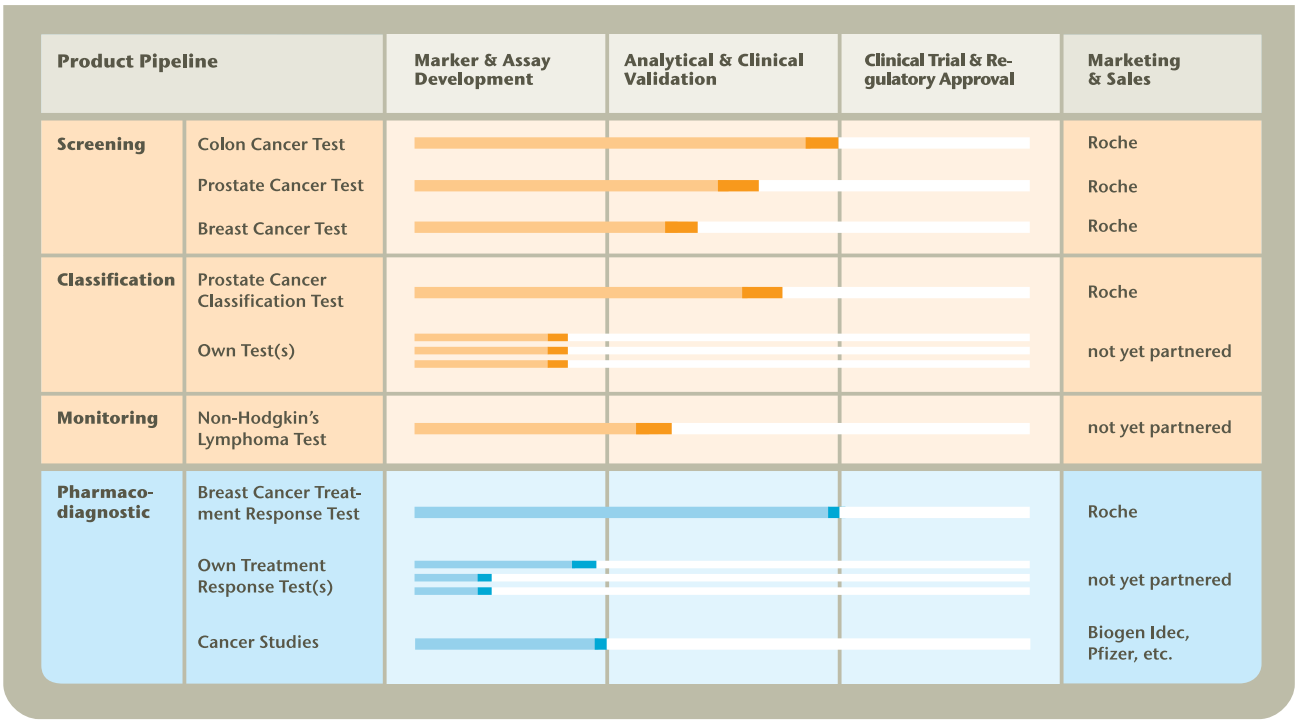
have already been assigned with Christian Piepenbrock becoming COO and Head of SBU Diagnostics in 2006. All partnered product development programs as well as all of our own tissue-based test development projects will be managed as part of SBU Diagnostics. The Pharma Technology SBU will be headed by Christina Dahlström from 2006 onwards and focus on offering integrated solutions to our pharma and biotech partners with no own product development activities. Christina Dahlström will report directly to CEO Alexander Olek. Oliver Schacht (CFO) will take over as CEO of Epigenomics, Inc. in Seattle from January 2006 and Dr. Kurt Berlin (CSO) will head all licensing and business development activities.

The systematic effort to find ways to gradually forward integrate and access elements of the value chain needed for commercialization of our own products continued in Q3 2005. To that end we are still looking at gaining access to a testing platform independent of our Roche collaboration. Such potential platforms were extensively tested by us during the first nine months of 2005.

With the hire of Dr. Michael Wandell as Group Vice President Clinical, Regulatory and Quality Affairs we have brought on board a highly experienced and accomplished senior manager. Dr. Wandell has started building a team in Q3 2005 to enable Epigenomics to enter into product development and clinical testing with the first own products over the next few quarters.

In Seattle, we successfully negotiated and signed an extension to our lease agreement for the Seneca Street facility in downtown Seattle, where going forward we will concentrate all blood-based screening test development.

Expected Progress in Product Development in 2005



OUR STOCK

Trading volume in Epigenomics' stock increased again during Q3 2005, averaging slightly over 20,000 shares a day, compared to approximately 17,000 per day in Q2 2005. The share price increased significantly during Q3 2005 following a softness in the price during Q1 and a stable stock price during Q2. The closing price on September 30, 2005, of EUR 8.15 per share on XETRA represents a 23% increase compared to the closing price of Q2 2005 (EUR 6.60 per share).

During Q3 2005, a total of 35,640 new shares were created from exercised stock options. The free float remained constant at 41% at the end of Q3 2005 compared to the end of Q2 2005. No trades were executed under the voluntary agreement between the VC shareholders and Morgan Stanley during the first nine months of 2005.

During Q3 2005, Epigenomics executives Alexander Olek (CEO) and Gary Schweikhardt (Head of SBU Diagnostics) reported several 'Directors' Dealings' transactions totalling 206,080 shares.

Ticker:	ECX
Exchange:	Frankfurt (Prime Standard)
Security Code:	A0BVT9
ISIN:	DE000A0BVT96
Shares Outstanding:	16,402,127
Price range in Q3 2005:	EUR 6.15 – 8.23 (XETRA closing prices)

Analyst Coverage

DZ Bank:	Dr. Thomas Höger
Lehman Brothers:	Sam Williams, Ph.D.
Morgan Stanley:	Dan Mahoney, Ph.D.

(as of September 30, 2005)

MAJOR EVENTS SINCE END OF REPORTING PERIOD

Unexpected and inconclusive Tamoxifen study results

Following the timely completion of the blinded test set study for the Tamoxifen treatment response test the candidate markers could not be independently validated as the study results were inconclusive for technical reasons.

Irregularities have been observed with sample quality and input DNA concentrations leading to an unusually high rate of sample dropouts in this study. This as well as the fact that when samples with low concentrations of input DNA are excluded the markers can be seen again, strongly point towards issues with the technical protocols followed rather than problems with the markers themselves. A body of strong clinical data strengthens this notion, since the PITX2 marker has previously been identified and validated in a number of independent studies, totalling approximately 1,200 patients.

OUTLOOK

Epigenomics and Roche Diagnostics are jointly conducting data analysis and additional experiments. Epigenomics expects to need no more than a few months to investigate the technical issues and then successfully run a further study within another six to nine months to resolve the situation.

Epigenomics' management strongly believes in the product potential of the Tamoxifen markers. Evidence confirming PITX2 is based on several successful studies completed over the past two years, and the odds of the marker having been validated erroneously in several independent clinical studies are small.

The current study does nothing to change our belief in the opportunity to turn our Tamoxifen test into a best-in-class product, in line with our strategy to develop and commercialise tissue-based tests for molecular pathology. Epigenomics is firmly committed to continue development of the marker panel under any circumstances, that is to say regardless of any possible negative decision by Roche Diagnostics to license our markers in November.

Roche and Epigenomics are negotiating the optimal way forward with the collaborative development of this product. We expect to announce the outcome of these discussions during November 2005.

Management still expects full-year revenue to be in the range 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 milestone and licensing decision by Roche Diagnostics on the tissue-based breast cancer treatment response (Tamoxifen) and molecular classification tests in Q4 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. These upcoming milestones are key drivers of 2005 top-line and bottom-line financial performance. The milestones are also believed to have a bearing on the expected further development of our products with Roche in the field of screening tests (e.g. breast and prostate cancer) as well as tissue tests (prostate cancer molecular classification test) and are expected to drive the further extension and possible expansion of the Roche R&D collaboration beyond the end of Q1 2006.

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 as well as a comprehensive offering of biomarker solutions to our pharma and biotech partners. Epigenomics expects the launch by Qiagen and its first revenue from royalties on product sales of the Qiagen/Epigenomics research kits in early 2006.

Epigenomics also expects to have put in place in due course 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 Q4 2005 and into 2006.

Furthermore, Epigenomics plans to strengthen its strive towards setting standards in DNA methylation analysis and technologies by initiating a proactive out-licensing program of several proprietary key technologies to leverage the lead in intellectual property and market acceptance of Epigenomics' methods world-wide.

Interim Consolidated Financial Statements as of September 30, 2005

Group Income Statement

EUR thousand (unaudited)	Q3 2005	Q3 2004 after IFRS 2 application	Q3 2004 before IFRS 2 application	Q3 2004 var.	9M 2005	9M 2004 after IFRS 2 application	9M 2004 before IFRS 2 application	9M 2004 var.
Revenue	**2,110**	**2,919**	**2,919**	**0**	**5,739**	**5,684**	**5,684**	**0**
Cost of sales	–2,067	–1,400	–1,389	–11	–5,355	–4,530	–4,497	–33
Gross profit	**43**	**1,519**	**1,530**	**–11**	**384**	**1,154**	**1,187**	**–33**
Other income	363	375	375	0	1,211	879	879	0
Research and development costs	–2,002	–2,086	–2,044	–42	–6,158	–5,803	–5,678	–125
Marketing and business development costs	–509	–437	–400	–37	–1,226	–1,147	–1,035	–112
General and administrative costs	–877	–1,141	–1,110	–31	–2,949	–2,754	–2,663	–91
Other expenses	–44	–26	–26	0	–184	–265	–265	0
thereof: amortization of goodwill	*0*	*0*	*0*	*0*	*0*	*–56*	*–56*	*0*
Operating result (EBIT)	**–3,026**	**–1,796**	**–1,675**	**–121**	**–8,922**	**–7,936**	**–7,575**	**–361**
Financial result	263	–800	–800	0	767	–886	–886	0
Net loss before taxes on income	**–2,763**	**–2,596**	**–2,475**	**–121**	**–8,155**	**–8,822**	**–8,461**	**–361**
Taxes of income	–11	–11	–11	0	–34	–33	–33	0
Net loss for the period	**–2,774**	**–2,607**	**–2,486**	**–121**	**–8,189**	**–8,855**	**–8,494**	**–361**
Earnings per share (basic) in EUR	–0.17	–0.16	–0.15	–0.01	–0.50	–0.68	–0.66	–0.02

Group Balance Sheet

Assets

EUR thousand	Sep 30, 2005 (unaudited)	Dec 31, 2004 (audited)
Non-current assets		
Intangible assets	5,471	5,534
thereof: goodwill	*2,625*	*2,625*
Tangible assets	2,313	2,350
Financial assets	1,000	1,763
therof: shares in associated companies	*0*	*13*
Other non-current assets	29	30
Total non-current assets	**8,813**	**9,677**
Current assets		
Inventories	117	115
Trade and other receivables	652	752
Marketable securities	11,627	8,873
Cash and cash equivalents	22,589	32,166
Other current assets	1,540	1,702
Total current assets	**36,525**	**43,607**
Total assets	**45,338**	**53,284**

Equity and liabilities

EUR thousand	Sep 30, 2005 (unaudited)	Dec 31, 2004 (audited)
Equity		
Subscribed capital	16,402	16,334
Capital reserve	42,780	42,364
Balance sheet loss	–11,010	0
Net loss for the period	–8,189	–11,009
Other comprehensive income	–45	50
Total equity	**39,938**	**47,739**
Non-current liabilities		
Liabilities from leasing contracts	15	41
Total non-current liabilities	**15**	**41**
Current liabilities		
Trade payables	1,605	1,105
Silent partnerships	0	13
Liabilities from leasing contracts	40	43
Deferred income	2,035	3,187
Other liabilities	595	345
Provisions	1,110	811
Total current liabilities	**5,385**	**5,504**
Total equity and liabilities	**45,338**	**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[1]

EUR thousand	9M 2005 (unaudited)	9M 2004 (unaudited)
Cash and cash equivalents at the beginning of the period	**32,166**	**18,419**
Operating activities		
Net loss before taxes on income	**–8,155**	**–8,822**
Corrections for:		
Depreciation on tangible assets	867	837
Amortization of intangible assets	270	288
Losses from the disposal of assets	4	1
Income from capitalization of own services	0	–12
Stock option expenses	206	361
Foreign currency exchange gains (9M 2004: losses)	–289	5
Price losses of securities	95	0
Other financing expenses	31	603
Interest income	–923	–442
Interest expenses	18	271
Taxes	–81	–122
Inflows not affecting net income	105	0
Operating result before changes in net current assets	**–7,852**	**–7,030**
Decrease (9M 2004: increase) in trade receivables and other current assets	121	–401
Increase in inventories	–4	–48
Increase in current liabilities (9M 2004: decrease)	3	–330
Liquidity earned from operating activities	**–7,732**	**–7,809**
Interest received	641	264
Net cash flow from operating activities	**–7,091**	**–7,545**
Investing activities		
Payments for investments in tangible assets	–905	–624
Proceeds from investment grants	213	221
Payments for investments in intangible assets	–193	–51
Proceeds from the sale of / Payments for investments in financial assets	750	–1,750
Proceeds from the sale of marketable securities	3,385	0
Payments for the purchase of marketable securities	–6,270	–6,357
Cash flow from investing activities	**–3,020**	**–8,561**
Financing activities		
Payments for the collection of warrants issued	0	–3
Repayment of silent partnerships	0	–3,079
Interest payments for silent partnerships	–13	–536
Payments for lease financing	–33	–29
Payments for the creation of new shares	0	–2,781
Proceeds from the issue of new shares	0	41,597
Proceeds from the exercise of stock options	278	0
Cash flow from financing activities	**232**	**35,169**
Net cash flow	**–9,879**	**19,062**
Currency adjustments	302	59
Cash and cash equivalents at the end of the period	**22,589**	**37,540**

[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	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**
Exercise of stock options	68	210	0	0	0	278
Stock-based compensation	0	206	0	0	0	206
Fair value adjustments of securities	0	0	0	0	–95	–95
Net loss for 9M 2005	0	0	0	–8,189	0	–8,189
Sep 30, 2005	**16,402**	**42,780**	**–11,010**	**–8,189**	**–45**	**39,938**
Dec 31, 2003	**11,353**	**13,112**	**–6,745**	**0**	**–7**	**17,713**
Capital increase from issue of shares	4,622	0	0	0	0	4,622
Premium from issue of shares	0	36,975	0	0	0	36,975
Stock-based compensation	0	361	0	0	0	361
Financing costs	0	–4,295	0	0	0	–4,295
Conversion of silent partnership into shares	359	2,876	0	0	0	3,235
Fair value adjustments of securities	0	0	0	0	8	8
Net loss for 9M 2004	0	0	0	–8,855	0	–8,855
Sep 30, 2004	**16,334**	**49,029**	**–6,745**	**–8,855**	**1**	**49,764**

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

Notes to the Q3/9M 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

	Sep 30, 2005	Sep 30, 2004	Dec 31, 2004
EUR/USD	1.2042	1.2409	1.3621

Average rates

	9M 2005	9M 2004	2004
EUR/USD	1.2552	1.2215	1.2466

NOTES TO THE GROUP INCOME STATEMENT

Revenue. Revenue in Q3 2005 decreased by EUR 809 thousand compared with Q3 2004 from EUR 2,919 thousand (including a milestone recognition) to EUR 2,110 thousand. Therefore, total revenue of the first nine months of 2005 added up to EUR 5,739 thousand, still slightly exceeding the comparative number of 2004 (EUR 5,684 thousand).

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. A sharp increase in the cost of sales from EUR 1,400 thousand (Q3 2004) to EUR 2,067 thousand (Q3 2005) led to a still slightly positive gross margin of 2% in the reporting quarter. The decrease in comparison to the same period last year (Q3 2004: 52%) can mainly be explained by milestone recognition in Q3 2004 which has no equivalent in the reporting quarter. Further, it shows 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 9M 2005 this means a decrease in the Company's gross margin to +7% from +20% in 9M 2004.

Other income. In Q3 2005, the Group's other income amounted to EUR 363 thousand (Q3 2004: EUR 375 thousand), bringing the nine-month number up to EUR 1,211 thousand (9M 2004: EUR 879 thousand). This amount included income from granted projects of EUR 451 thousand, foreign exchange rate gains of EUR 340 thousand and income from the exercise of stock options of EUR 333 thousand (paid premiums for shares created during the acquisition of Orca Biosciences by Epigenomics AG in 2001).

Research and development costs. Research and development costs at EUR 2,002 thousand in Q3 2005 were nearly unchanged compared with EUR 2,086 thousand in Q3 2004. The nine-month comparison still showed an increase from EUR 5,803 thousand in 9M 2004 to EUR 6,158 thousand in 9M 2005. Depreciation and amortization included in those figures amounted to EUR 218 thousand (Q3 2005) and EUR 703 thousand (9M 2005), respectively (Q3 2004: EUR 241 thousand, 9M 2004: EUR 622 thousand).

Marketing and business development costs. Marketing and business development costs increased to EUR 509 thousand in Q3 2005 (Q3 2004: EUR 437 thousand) and EUR 1,226 thousand over the nine-month period (9M 2004: EUR 1,147 thousand).

General and administrative costs. General and administrative costs decreased from EUR 1,141 thousand in Q3 2004 to EUR 877 thousand in Q3 2005. The nine-month comparison showed still an increase from EUR 2,754 thousand (9M 2004) to EUR 2,949 thousand (9M 2005).

Personnel expenses and headcount

EUR thousand	9M 2005	9M 2004	Var. in %
Wages and salaries	6,051	5,648	7
Stock option compensation expenses[3]	206	360	–43
Social security expenses	1,041	905	15
Total personnel expenses	**7,298**	**6,913**	**6**

The number of employees at September 30, 2005, amounted to 144 (Dec 31, 2004: 146 and Sep 30, 2004: 145).

Operating result (EBIT). Losses before interest and taxes added up to EUR 3,026 thousand in Q3 2005 and EUR 8,922 thousand in 9M 2005 (Q3 2004: loss of EUR 1,796 thousand and 9M 2004: loss of EUR 7,936 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 Q3 2005 to EUR 263 thousand (Q3 2004: EUR –800 thousand) and to EUR 767 thousand in 9M 2005 (9M 2004: EUR –886 thousand).

Taxes on income. The income taxes in the amount of EUR 11 thousand in Q3 2005 and EUR 34 thousand in 9M 2005, respectively, (Q3 2004: EUR 11 thousand and 9M 2004: EUR 33 thousand) resulted from the U.S. 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 periods.

	Q3 2005	Q3 2004	9M 2005	9M 2004
Net loss for the period in EUR thousand	–2,774	–2,607	–8,189	–8,855
Weighted-average number of shares issued	16,393,595	16,094,578	16,364,321	12,933,461
Earnings per share in EUR (basic)	**–0.17**	**–0.16**	**–0.50**	**–0.68**

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 16,402,127.

[3] 9M 2004 number 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 5,471 thousand at the balance sheet date (Dec 31, 2004: EUR 5,534 thousand). Tangible assets were down in 9M 2005 from EUR 2,350 thousand (Dec 31, 2004) to EUR 2,313 thousand at September 30, 2005, mainly because of received investment grants reducing the net book values of the subsidized assets. In 2005, the Group has so far received a total of EUR 213 thousand in governmental investment grants.

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 by EUR 750 thousand. In Q3 2005, the Group closed down its not consolidated French subsidiary leading to a further reduction of the financial assets by EUR 13 thousand.

Current assets. Trade and other receivables decreased to EUR 652 thousand at the reporting date (Dec 31, 2004: EUR 752 thousand). There were no reasons for value adjustments of individual receivables as of the balance sheet date.

Marketable securities at the balance sheet date amounted to EUR 11,627 thousand (Dec 31, 2004: EUR 8,873 thousand). The structure of the portfolio was not significantly changed during 9M 2005 compared with year-end 2004.

A credit risk occurred after the reporting date due to severe financial difficulties at German real estate bank AHBR. The Company holds two AHBR positions in its portfolio: a bearer bond (EUR 1 million) and a subordinated participation rights bond (EUR 925 thousand) while the latter now bears a high impairment risk. However, under the Company's investment policy this risk will be closely observed in cooperation with the Company's house bank and relevant decisions and disclosure are expected for Q4 2005.

Cash and cash equivalents declined to EUR 22,589 thousand at the balance sheet date (Dec 31, 2004: EUR 32,166 thousand). This mirrors a net cash outflow of EUR 9,879 thousand in the first three quarters 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 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, 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% 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 Q3 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 nine months of 2005, a total number of 29,020 stock options were 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. The average exercise price for each of the new rights was fixed at the average 20 previous trading days' closing price at EUR 7.40. The aggregate proceeds to the Company if these options are exercised and shares will be issued amount to EUR 215 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 4.08. The options that forfeited during the reporting period had an exercise price of EUR 4.53. The number of all outstanding options as of September 30, 2005, decreased to 781,912.

Option holder	Issued options as of Dec 31, 2004	Options issued in 9M 2005	Options forfeited in 9M 2005	Options exercised in 9M 2005	Issued options as of Sep 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	29,020	28,116	67,898	349,454
Total options	**848,906**	**29,020**	**28,116**	**67,898**	**781,912**

Terms of options outstanding at September 30, 2005:

Expiry date	Exercise price in EUR	Sep 30, 2005 number	Dec 31, 2004 number
2008	1.76	12,750	12,750
	1.94	6,791	18,470
	4.53	36,557	66,973
2009	4.53	33,685	59,980
2010	4.53	104,089	105,703
2011	4.53	549,520	575,530
	7.15	9,500	9,500
2012	7.29	25,340	0
	8.13	3,680	0
Total		**781,912**	**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 and Q3. Therefore, the other comprehensive income increased during Q3 2005 from EUR –60 thousand (Jun 30, 2005) to EUR –45 thousand (Sep 30, 2005). Compared with December 31, 2004, the other comprehensive income is still down by EUR 95 thousand.

Current liabilities. Deferred income decreased to EUR 2,035 thousand at balance sheet date (Dec 31, 2004: EUR 3,187 thousand). This amount included payments received from commercial collaborations (EUR 1,778 thousand) and from granted projects (EUR 257 thousand). There is no repayment obligation for any of the received payments.

Provisions were up from EUR 811 thousand at December 31, 2004, to EUR 1,110 thousand at September 30, 2005. This amount included mainly payroll provisions of EUR 757 thousand as well as provisions for the Annual General Shareholders' Meeting, the Supervisory Board's compensation and audit services of EUR 207 thousand.

NOTES TO THE GROUP CASH FLOW STATEMENT

In 9M 2005, cash and cash equivalents decreased to EUR 22,589 thousand from EUR 32,166 thousand at the beginning of the year. The net cash outflow of EUR 9,879 thousand (9M 2004: EUR 19,062 thousand) was mostly attributable to cash outflow from operating activities (9M 2005: EUR 7,091 thousand; 9M 2004: EUR 7,545 thousand).

From investing activities, a cash outflow of EUR 3,020 thousand was recorded (9M 2004: EUR 8,561 thousand). This figure includes a net cash outflow for tangible and intangible assets of EUR 885 thousand (9M 2004: EUR 454 thousand) after deduction of investments grants and a net cash outflow for financial investments of EUR 2,135 thousand (9M 2004: EUR 8,107 thousand).

Including marketable securities, the Company had access to short-term liquidity of EUR 34,216 thousand at the balance sheet date, down EUR 6,823 thousand for the first nine months of 2005 (Dec 31, 2004: EUR 41,039 thousand).

SEGMENT REPORTING

Segment Results

EUR thousand (unaudited)	Diagnostics Q3 2005	Diagnostics Q3 2004	Pharma Technology Q3 2005	Pharma Technology Q3 2004	Other Q3 2005	Other Q3 2004	Epigenomics Total Q3 2005	Epigenomics Total Q3 2004
Revenue	**1,269**	**2,399**	**841**	**520**	**0**	**0**	**2,110**	**2,919**
Cost of sales	–1,760	–1,079	–279	–321	–28	0	–2,067	–1,400
Gross profit	**–491**	**1,320**	**562**	**199**	**–28**	**0**	**43**	**1,519**
Gross margin	*–39%*	*55%*	*67%*	*38%*			*2%*	*52%*
Other income	43	33	0	1	320	341	363	375
Research and development costs	–635	–417	–255	–338	–1,112	–1,331	–2,002	–2,086
Marketing and business development costs	–288	–128	–138	–184	–83	–125	–509	–437
General and administrative costs	0	0	0	0	–877	–1,141	–877	–1,141
Other expenses	–7	0	0	0	–37	–26	–44	–26
Segment results	**–1,378**	**808**	**169**	**–322**	**–1,817**	**–2,282**	**–3,026**	**–1,796**

EUR thousand (unaudited)	Diagnostics 9M 2005	Diagnostics 9M 2004	Pharma Technology 9M 2005	Pharma Technology 9M 2004	Other 9M 2005	Other 9M 2004	Epigenomics Total 9M 2005	Epigenomics Total 9M 2004
Revenue	**3,502**	**4,443**	**2,227**	**1,241**	**10**	**0**	**5,739**	**5,684**
Cost of sales	–4,354	–3,593	–952	–937	–49	0	–5,355	–4,530
Gross profit	**–852**	**850**	**1,275**	**304**	**–39**	**0**	**384**	**1,154**
Gross margin	*–24%*	*19%*	*57%*	*24%*			*7%*	*20%*
Other income	123	94	0	5	1,088	780	1,211	879
Research and development costs	–2,064	–1,275	–872	–927	–3,222	–3,601	–6,158	–5,803
Marketing and business development costs	–498	–376	–475	–543	–253	–228	–1,226	–1,147
General and administrative costs	0	0	0	0	–2,949	–2,754	–2,949	–2,754
Other expenses	–8	–76	0	0	–176	–189	–184	–265
Segment results	**–3,299**	**–783**	**–72**	**–1,161**	**–5,367**	**–5,992**	**–8,922**	**–7,936**

SBU Diagnostics. During the first nine months of 2005, the SBU Diagnostics generated revenue of EUR 3,502 thousand (9M 2004: EUR 4,443 thousand) and a gross profit of EUR –852 thousand (9M 2004: EUR 850 thousand). Cost of sales of EUR 4,354 thousand during 9M 2005 compared to EUR 3,593 thousand in the same period of 2004 reflect the continued effort put into the later stages of validation studies for the Roche colon cancer screening program. Net contribution of the segment at EUR –3,299 thousand for 9M 2005 compared to EUR –783 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. Several key studies involving hundreds of blood samples not only from colon cancer patients and healthy individuals but also many so-called 'critical controls' such as other cancers, potentially confounding inflammatory disorders etc., were completed on time and are expected to contribute significantly towards the validation of overall clinical and analytical performance by year-end.

Also, several tissue-based tests for breast cancer management and prostate cancer as well as a diagnostic test for Endometriosis are under evaluation for own product development.

SBU Pharma Technology. During the first nine months of 2005, the SBU Pharma Technology increased its revenue by nearly 80% to EUR 2,227 thousand (9M 2004: EUR 1,241 thousand) at a gross profit of EUR 1,275 thousand (9M 2004: EUR 304 thousand). Cost of sales of EUR 952 thousand during 9M 2005 compared to EUR 937 thousand in 9M 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, Philip Morris and Biogen Idec projects. Net contribution of the segment at EUR –72 thousand for 9M 2005 compared favorably to the EUR –1,161 thousand for the same period in 2004.

Corporate Calendar

March 24, 2006
Annual Report 2005
Press conference and Analyst meeting

May 3, 2006
Interim report March 31, 2006

July 10, 2006
Annual general shareholders' meeting

August 3, 2006
Interim report June 30, 2006

November 2, 2006
Interim report September 30, 2006

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This interim report is also available in German.