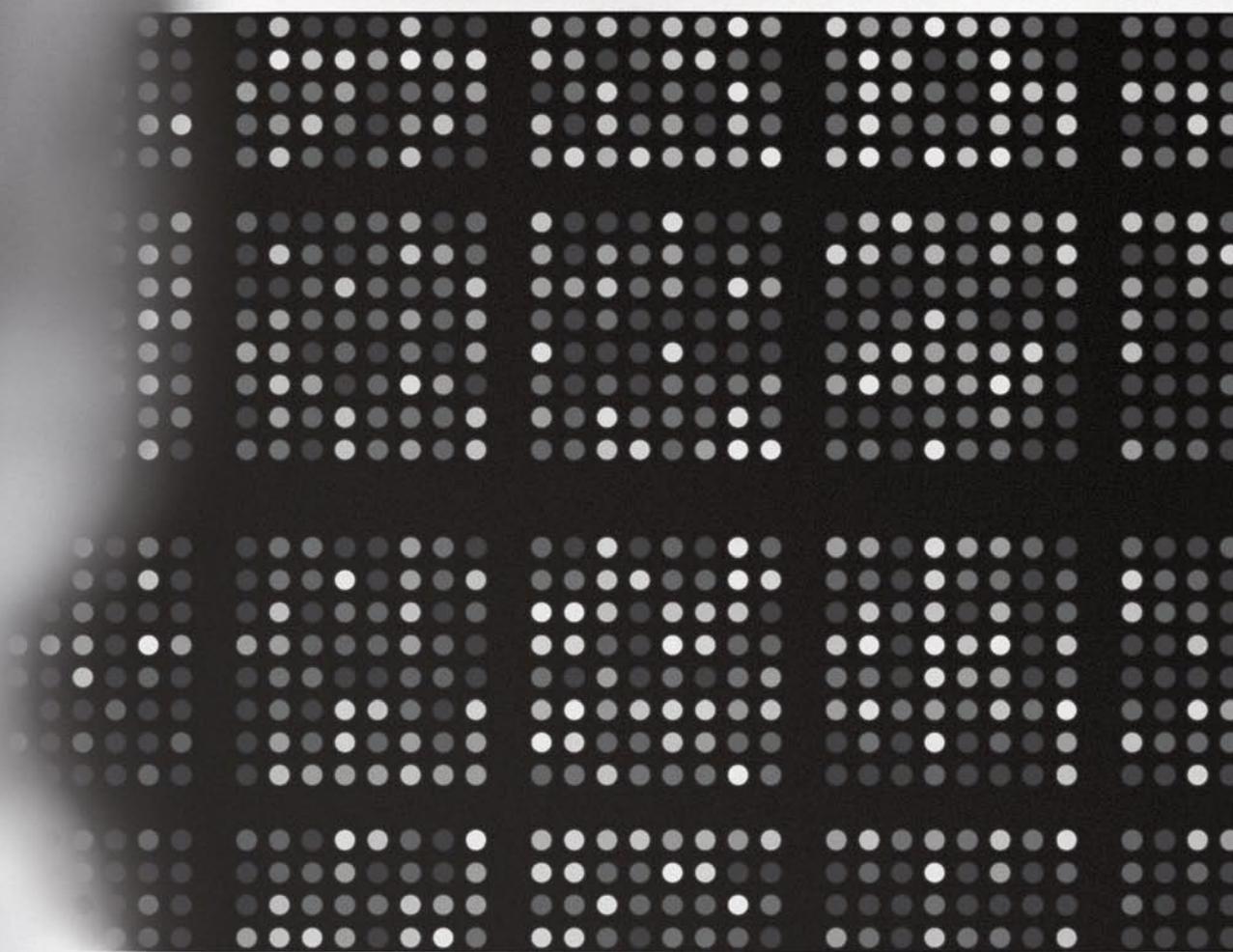


INTERIM REPORT ON THE
First Quarter of 2006



Key Figures

EUR thousand unless stated otherwise	Q1 2006 (unaudited)	Q1 2005 (unaudited)
Revenue	468	1,849
Research and development costs	1,924	2,104
Earnings before interest and taxes (EBIT)	-4,010	-2,851
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-3,708	-2,464
Net loss for the period	-3,888	-2,557
Average number of shares issued (notional par value: EUR 1 each)	16,421,428	16,338,250
Earnings per share (in EUR)	-0.24	-0.16
Cash flow from operating activities	-3,479	-2,831
Cash flow from investing activities	219	-101
Cash flow from financing activities	209	28
Cash flow total (incl. currency adjustments)	-3,046	-2,851

	Mar 31, 2006 (unaudited)	Dec 31, 2005 (audited)
Liquid assets at balance sheet date (incl. marketable securities)	29,301	32,692
Total equity at balance sheet date	35,800	39,375
Equity ratio (in %)	86.6	87.5
Total assets at balance sheet date	41,322	44,997
Share price at balance sheet date (in EUR)	6.38	6.45
Number of employees at balance sheet date	141	141

Management Discussion & Analysis as of March 31, 2006

THE FIRST QUARTER OF 2006 – OVERVIEW

Successful clinical study data presented; business plan execution on track

Revenue in Q1 2006 amounted to EUR 468 thousand, a significant decrease over the same quarter in 2005 due to higher Roche R&D revenue recognition in the previous year's period. EBIT for Q1 2006 of EUR –4.0 million was in line with our expectations and compared to EBIT for Q1 2005 of EUR –2,9 million. Short-term liquidity as of March 31, 2006, amounted to EUR 29.3 million, down EUR 3.4 million from year-end 2005.

During Q1 2006, Epigenomics made progress on its product development pipeline in both tissue-based molecular pathology tests as well as blood-based screening tests. The Company continued to execute on its current partnerships with Roche, Qiagen, and Philip Morris ac-

ording to plan. Importantly, on March 22, 2006, Epigenomics and Roche extended their R&D collaboration by 18 months until September 30, 2007. The extended deal covers the continued development of blood-based cancer screening tests for colon, prostate and breast cancers.

Earlier in the quarter, Epigenomics obtained full worldwide rights to two of its tissue-based molecular pathology tests. This successfully addressed the Company's goal to build a clinical stage pipeline of proprietary products that are not partnered in the areas of prostate cancer classification and breast cancer relapse prediction testing. Also, in a clinical study of almost 400 anthracycline-treated breast cancer patient tissue samples, the Company independently validated its proprietary breast cancer biomarker PITX2 as well as other markers. This was the sixth larger clinical study in Epigenomics' breast cancer treatment response and relapse prediction program. PITX2 as a DNA methylation biomarker had previously been validated by Epigenomics in over 600 prostate cancer tissue samples in a clinical study demonstrating additional value and benefit beyond currently used clinical staging and grading information.

In March and April 2006, the Company presented clinical study results and novel data on both its tissue-based prostate cancer classification product as well as the colon cancer screening test at the MD Anderson Tumour Biomarker Conference and at the AACR.

The launch of our DNA methylation preanalytics kit EpiTect in April 2006 by Qiagen marked a major milestone for Epigenomics making available its first product to researchers around the world.

Throughout the first quarter, Epigenomics continued to find ways to forward integrate and access elements of the value chain needed for the future commercialization of its own products. To that end, the Company finalized due diligence and partnering discussions aimed at providing Epigenomics with access to a testing platform independent of Roche's by mid-year. Furthermore, in January 2006 James Douglas joined Epigenomics as Senior Vice President Marketing & Sales, completing the senior management team that will develop and ultimately commercialize the Company's own tissue-based products.

SEGMENT REPORTING

Both strategic business units delivering on expectations

SBU Diagnostics. During the first three months of 2006, the SBU Diagnostics generated revenue of EUR 290 thousand (Q1 2005: EUR 1,192 thousand) and a gross profit of EUR –609 thousand (Q1 2005: EUR +17 thousand). Cost of sales of EUR 899 thousand during Q1 2006 compared to EUR 1,175 thousand in the same period of 2005 and reflect the continued commitment put into the development for the Roche cancer screening programs. Net contribution of the segment at EUR –1,952 thousand for Q1 2006 compared to EUR –843 thousand for the same period in 2005 mirrors the heavy emphasis on our tissue-based product development in prostate and breast cancer indications during Q1 2006. To that end, R&D costs for the segment at EUR 1,452 thousand were up by over 80% during Q1 2006 (Q1 2005: EUR 797 thousand).

Product Pipeline	Clinical Marker Discovery	Clinical Marker Validation	Transfer & Test Kit Development	Clinical Trial	Regulatory Approval	Marketing & Sales
Blood Screening Tests						
Colon Cancer Screening Test						Roche
Prostate Cancer Screening Test						Roche
Breast Cancer Screening Test						Roche
Own Products Tissue Tests						
Prostate Cancer Classification Test						not partnered
Breast Cancer Classification Test/ Tamoxifen Treatment Response Test						not partnered

Status: As of March 31, 2006

SBU Clinical Solutions. During the first three months of 2006, the SBU Clinical Solutions saw its revenue decrease to EUR 129 thousand (Q1 2005: EUR 657 thousand). This is largely due to the fact that 2005 figures included significant revenue from the breast cancer treatment response test (Tamoxifen) then conducted as part of the Roche partnership. Gross profit of EUR –158 thousand for Q1 of 2006 compared to EUR +356 thousand in Q1 2005. Cost of sales during Q1 2006 was EUR 287 thousand (Q1 2005: EUR 301 thousand). Net contribution of the segment dropped to EUR –479 thousand in Q1 2006 (Q1 2005: EUR –126 thousand).

Execution of our ongoing partnerships was on track and within expectations for the first quarter. Business development activities are driven by important additions to our offers such as the new microarray-based methylation discovery services and enhanced offers of pre-validated markers in oncology.

FINANCIALS

Continued strong financial position; revenue and earnings in line with guidance

Financial position and cash flow. Epigenomics' cash flow and financial position in Q1 2006 were mainly affected by the continued net cash consumption from operations. Overall, the financial position has developed in line with expectations with liquid assets amounting to EUR 29.3 million as of March 31, 2006, compared to EUR 32.7 million as of December 31, 2005.

Total net cash flow (currency-adjusted) in Q1 2006 was negative at EUR –3.0 million. Cash outflow from operating activities in Q1 2006 amounting to EUR 3.5 million was partly compensated by cash inflows from investing (EUR 0.2 million) and financing activities (EUR 0.2 million).

In Q1 2006, cash outflow for investments in tangible and intangible assets amounted to not more than EUR 58 thousand compared to planned capital expenditure of more than EUR 1.5 million for the full year of 2006.

The cash inflow from financing activities of EUR 0.2 million resulted from stock option exercises at the beginning of the first trading window in 2006.

Results of operations. Compared to Q1 2005 (EUR 1.8 million), revenue in the reporting quarter decreased significantly by 75% to a total of EUR 0.5 million. However, the decrease in both SBUs (Diagnostics: EUR –0.9 million and Clinical Solutions: EUR –0.5 million) was still in line with expectations and mainly due to reduced R&D payments and reimbursements. Cost of sales for the execution of partnered programs decreased by only 15% to EUR 1.3 million leading to a gross profit on sales of EUR –0.8 million compared to EUR +0.4 million in Q1 2005. The operating activities mirrored by these cost of sales – especially in Diagnostics – are expected to pay off later in 2006, e.g. by significant success-based milestone revenue and new collaborative agreements.

Other income grew to EUR 0.5 million compared to EUR 0.4 million in Q1 2005, mainly resulting from higher income from granted projects and the release of provisions.

In Q1 2006, EBIT dropped to EUR –4.0 million, significantly below the Q1 2005 EBIT of EUR –2.9 million; this was better than expectations as it was possible to keep the operating costs at the level of the comparable quarter in 2005. Costs for R&D dropped slightly from EUR 2.1 million in Q1 2005 to EUR 1.9 million while general and administrative costs remained fairly constant at EUR 1.0 million. Marketing and business development costs increased from almost EUR 0.4 million in Q1 2005 to EUR 0.6 million.

Other expenses in Q1 2006 (EUR 0.2 million) remained at the same level as in Q1 2005.

The financial result of Q1 2006 (EUR 0.2 million) was slightly below the first quarter of 2005. The impact of a decreased average liquidity balance was partly compensated by increased interest rates.

Our net loss for the period rose by 52% from Q1 2005 (EUR 2.6 million) to EUR 3.9 million in the reporting period. The difference can be explained almost completely by the decrease in revenue.

Net assets position. Epigenomics’ balance sheet total decreased from EUR 45.0 million as of December 31, 2005, to a total of EUR 41.3 million as of March 31, 2006. Key driver was again the net consumption of liquidity by operations.

Total non-current assets decreased during the reporting period from EUR 9.5 million to EUR 9.2 million at the end of March 2006. Tangible assets decreased during the reporting quarter from EUR 2.0 million to EUR 1.8 million while intangible assets remained nearly constant at EUR 5.1 million. As mentioned before, an increase in investing activities is expected for the next quarters of 2006.

Total current assets decreased from EUR 35.5 million to EUR 32.2 million, due to the cash outflow from operations.

Our subscribed capital increased by 54,749 shares at a notional par value of EUR 1 each due to exercises of stock options in the first trading window of 2006. These exercises partly caused the increase of the capital reserve in Q1 2006 from EUR 32.1 million to EUR 32.3 million. This effect was countered by expensed stock options. Together with the net loss for the period of EUR 3.9 million the equity ratio of 86.6% remained at a high level.

Total current liabilities added up to EUR 5.5 million at the end of Q1 2006, nearly unchanged compared to EUR 5.6 million at year-end 2005.

OUR STOCK

Liquidity in Epigenomics’ shares continues to grow

Trading volume in Epigenomics’ stock increased again during Q1 2006, averaging over 29,000 shares a day, compared to approximately 17,000 per day in Q1 2005. The share price was relatively stable during Q1 2006. The closing price on March 31, 2006, was EUR 6.38 per share on XETRA compared to EUR 6.45 per share at year-end.

During Q1 2006, a total of 54,749 new shares was created from exercised stock options. The free float increased to 51.1 % at the end of Q1 2006.

Ticker:	ECX
Exchange:	Frankfurt (Prime Standard)
Security Code:	A0BVT9
ISIN:	DE000A0BVT96
Shares Outstanding:	16,457,927
Price range in Q1 2006:	EUR 5.39 – 6.49 (XETRA closing prices)
Analyst Coverage	
DZ Bank:	Dr. Patrick Fuchs
Lehman Brothers:	Philippa Gardner
Morgan Stanley:	Dan Mahony, Ph.D.
(as of March 31, 2006)	

PROGNOSIS REPORT FOR 2006

Tissue tests enter clinical development; Further data on screening tests; new licensees and partnerships

Tissue tests. Epigenomics expects to move its first product, a prostate cancer classification test working on tissue samples from radical prostatectomies, into formal clinical development by mid 2006. This test addresses the need for better understanding relapse probability for prostate cancer patients who have undergone surgical removal of their prostate in order to add valuable information in the selection of their future treatment. Approximately 100,000 prostatectomies are performed in the U.S. alone each year. Since around one million prostate biopsies are done in the U.S. annually, a very attractive market opportunity for Epigenomics arises by moving from prostatectomy samples to biopsies as a follow-on product. In combination with the several hundred thousand new cases of breast cancer that are diagnosed in major market countries, Epigenomics addresses a significant market potential of several hundred million euros market potential.

Our clinical development and regulatory approval strategy is aimed at getting independent FDA approvals for the preanalytics kits, the diagnostics device platform as well as our in-vitro diagnostics test kits for prostate cancer. This strategy also includes a prostate cancer test working on biopsy samples and a number of tissue-based tests in the breast cancer field.

Our goals in tissue-based molecular pathology testing are to:

- successfully complete concordance studies on our platform during 2006;
- start and complete pivotal trials for the prostate cancer tissue test (prostatectomy samples) in 2007;
- file for FDA approval of the prostate cancer classification test by the end of 2007;
- have the first Epigenomics IVD product (prostate cancer tissue test) on the market by 2008;
- establish marketing and commercialization partnerships based on geography as needed.

Blood tests. In blood-based screening, the management team expects the completion of several clinical research studies in 2006, e.g. in prostate cancer early detection (body-fluid-based). In addition, Epigenomics hopes to complete its colorectal cancer early detection data set based on enhanced assays and workflows with the potential of including complementary methylation markers. Also, Epigenomics has initiated a lung cancer screening test development program with the first data from this program expected in 2006 from marker discovery studies. This is another blood-based test addressing a major market opportunity in the hundreds of millions of euros. All rights to this lung cancer test are owned by Epigenomics although it anticipates to partner this test for further development and commercialization at a later stage. One of the developmental goals for the blood-based screening tests is to establish one or more of the assays and have DNA methylation workflow in a major U.S. reference laboratory by 2007.

Clinical Solutions & Licensing. In our SBU Clinical Solutions we are expecting to expand upon existing collaborations as well as start new partnerships throughout 2006. Our licensing business aims to establish a de-facto standard for DNA methylation testing by making available research use as well as development and IVD licenses to some of our proprietary core technologies. To that end, Epigenomics had entered into a first licensing deal with Qiagen in 2005. In April of 2006, the launch of the first research product – EpiTect, a preanalytics bisulfite treatment kit – from this strategic collaboration marked a major achievement. It sets the tone for further product launches expected going forward from future licensees of our technologies.

Overall. Management expects full-year 2006 revenue in the range of EUR 7.5 to 9 million, EBIT of EUR –12.5 to –14.0 million and liquidity at the end of 2006 between EUR 18 and 20 million. We believe our major drivers to be the continued success of our Roche Diagnostics collaboration, significant investment in the clinical development of our tissue-based product pipeline, the establishment of new pharmaceutical and biotech partnerships in our SBU Clinical Solutions and the successful start of our out-licensing campaign. In sum, Epigenomics is very excited about the progress it has made over the reporting quarter. We remain committed to delivering on our goals and milestones, and in the process, building shareholder value.

Interim Consolidated Financial Statements as of March 31, 2006

Group Income Statement

EUR thousand (unaudited)	Q1 2006	Q1 2005
Revenue	468	1,849
Cost of sales	-1,278	-1,476
Gross profit	-810	373
Other income	497	360
Research and development costs	-1,924	-2,104
Marketing and business development costs	-595	-350
General and administrative costs	-1,023	-993
Other expenses	-155	-137
Operating result (EBIT)	-4,010	-2,851
Financial result	213	305
Net loss for the period before taxes on income	-3,797	-2,546
Taxes on income	-91	-11
Net loss for the period	-3,888	-2,557
Earnings per share (basic) in EUR	-0.24	-0.16

Group Balance Sheet

Assets

EUR thousand	Mar 31, 2006 (unaudited)	Dec 31, 2005 (audited)
Non-current assets		
Intangible assets	5,136	5,183
<i>thereof goodwill</i>	2,625	2,625
Tangible assets	1,817	2,000
Financial assets	1,000	1,000
Deferred taxes	1,184	1,258
Other non-current assets	29	30
Total non-current assets	9,166	9,471
Current assets		
Inventories	259	208
Trade and other receivables	562	734
Marketable securities	8,828	9,173
Cash and cash equivalents	20,473	23,519
Other current assets	2,034	1,892
Total current assets	32,156	35,526
Total assets	41,322	44,997

Equity and Liabilities

EUR thousand	Mar 31, 2006 (unaudited)	Dec 31, 2005 (audited)
Equity		
Subscribed capital	16,458	16,403
Capital reserve	32,324	32,072
Retained earnings	-8,788	0
Net loss for the period	-3,888	-8,788
Other comprehensive income	-306	-312
Total equity	35,800	39,375
Non-current liabilities		
Liabilities from leasing contracts	0	4
Total non-current liabilities	0	4
Current liabilities		
Trade payables	1,393	1,060
Liabilities from leasing contracts	34	40
Deferred income	2,144	2,168
Other liabilities	1,259	1,553
Provisions	692	797
Total current liabilities	5,522	5,618
Total equity and liabilities	41,322	44,997

Group Cash Flow Statement

EUR thousand	Q1 2006 (unaudited)	Q1 2005 (unaudited)
Cash and cash equivalents at the beginning of the period	23,519	32,166
Operating activities		
Net loss for the period before taxes on income	-3,797	-2,546
Corrections for:		
Depreciation on tangible assets	235	322
Amortization of intangible assets	66	64
Gains from the disposal of assets	0	-1
Stock option expenses	61	74
Foreign currency exchange losses (Q1 2005: gains)	55	-47
Price losses of securities	55	3
Interest income	-331	-291
Interest expenses	8	1
Taxes	-90	-63
Operating result before changes in net current assets	-3,737	-2,483
Increase in trade receivables and other current assets	-208	-1,491
Increase in inventories	-51	-2
Increase in current liabilities	140	916
Liquidity earned from operating activities	-3,856	-3,060
Interest received	377	229
Cash flow from operating activities	-3,479	-2,831
Investing activities		
Payments for investments in tangible assets	-37	-145
Payments for investments in intangible assets	-21	-90
Proceeds from divestments of financial assets	0	750
Proceeds from the sale of marketable securities	1,275	1,637
Payments for the purchase of marketable securities	-997	-2,253
Cash flow from investing activities	219	-101
Financing activities		
Interest payments for silent partnerships	0	-13
Payments for lease financing	-12	-8
Proceeds from the exercise of stock options	221	49
Cash flow from financing activities	209	28
Net cash flow	-3,051	-2,904
Currency adjustments	5	53
Cash and cash equivalents at the end of the period	20,473	29,315

Statement of Changes in Group Equity

EUR thousand (unaudited)	Subscribed capital	Capital reserve	Retained earnings	Net loss for the period	Other compreh. income	Group equity
Dec 31, 2005	16,403	32,072	-8,788	0	-312	39,375
Net loss for Q1 2006	0	0	0	-3,888	0	-3,888
Fair value adjustments of securities	0	0	0	0	6	6
Total comprehensive income	0	0	0	-3,888	6	-3,882
Exercise of stock options	55	191	0	0	0	246
Stock-based compensation	0	61	0	0	0	61
Mar 31, 2006	16,458	32,324	-8,788	-3,888	-306	35,800

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
Net loss for Q1 2005	0	0	0	-2,557	0	-2,557
Fair value adjustments of securities	0	0	0	0	-182	-182
Total comprehensive income	0	0	0	-2,557	-182	-2,739
Exercise of stock options	12	36	0	0	0	48
Stock-based compensation	0	74	0	0	0	74
Mar 31, 2005	16,346	42,474	-11,009	-2,557	-132	45,122

Notes to the Interim Consolidated Financial Statements as of March 31, 2006

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.

The reporting period as defined in these consolidated financial statements is the period from January 1, 2006, to March 31, 2006. The reporting currency is the euro.

The income statement has been prepared using the cost of sales method.

Consolidation group. The consolidation group remained unchanged compared to the one as of December 31, 2005, and comprises the two companies Epigenomics AG (Berlin, Germany) and Epigenomics, Inc. (Seattle, U.S.A.).

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, 2005. The consolidation, accounting and valuation principles presented in those statements were still valid during the reporting period unless explicitly mentioned otherwise below.

Intercompany results, revenue, expenses, profits, receivables and payables between the Group companies are eliminated.

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

	Mar 31, 2006	Dec 31, 2005
EUR/USD	1.2104	1.1797

Average rates

	Q1 2006	Q1 2005
EUR/USD	1.2032	1.3085

NOTES TO THE GROUP INCOME STATEMENT

Revenue. Service orders not yet completely fulfilled as of the reporting date account for the major portion of revenue in Q1 2006. The decrease of 75 % in revenue compared to Q1 2005 was attributable to both business units.

Cost of sales/Gross margin. Cost of sales include the material and personnel expenses, IP costs, depreciation and amortization that can be directly allocated to the sales revenue, as well as pro-rata overheads.

Other income

EUR thousand	Q1 2006	Q1 2005
Third-party research grants	356	220
Income from liquidation of provisions	84	19
Recoveries and refunds	51	0
Exchange gains from currency conversion	0	70
Income from option exercises	0	48
Other	6	3
Total	497	360

Research and development costs. The following are recorded as research and development costs:

- the direct personnel and material expenses of the R&D divisions;
- the depreciation and amortization of the R&D divisions;
- the other direct expenses of the R&D divisions;
- the pro-rata overheads of the R&D divisions.

Marketing and business development costs. The following are recorded as marketing and business development expenses:

- the direct personnel and material expenses of the M&BD divisions;
- the depreciation and amortization of the M&BD divisions;
- the other direct expenses of the M&BD divisions;
- the pro-rata overheads of the M&BD divisions.

General and administrative costs. The following are recorded as general and administrative costs:

- the direct personnel and material expenses of the administrative divisions;
- the depreciation and amortization of the administrative divisions;
- the other direct expenses of the administrative divisions;
- the pro-rata overheads of the administrative divisions,

if the costs listed are not carried forward as internal services. The administrative divisions comprise the business departments and systems administration.

Cost analysis

Q1 2006

EUR thousand	Cost of sales	R&D costs	M&BD costs	G&A costs	Total
Materials / consumables	349	303	0	0	652
Depreciation and amortization	52	181	27	41	301
Staff costs	529	1,087	265	413	2,294
Other costs	348	353	303	569	1,573
Total	1,278	1,924	595	1,023	4,820

Q1 2005

EUR thousand	Cost of sales	R&D costs	M&BD costs	G&A costs	Total
Materials / consumables	423	270	0	0	693
Depreciation and amortization	39	203	1	142	385
Staff costs	603	1,107	185	421	2,316
Other costs	411	524	164	430	1,529
Total	1,476	2,104	350	993	4,923

Personnel expenses and headcount

EUR thousand	Q1 2006	Q1 2005
Wages and salaries	1,900	1,928
Stock option compensation expenses	61	74
Social security expenses	333	314
Total personnel expenses	2,294	2,316

The number of employees at March 31, 2006, amounted to 141 (Dec 31, 2005: 141 and Mar 31, 2005: 147).

Operating result (EBIT) and EBITDA. The operating result (EBIT) of Q1 2006 amounted to EUR –4,010 thousand, a 41 % increase compared to Q1 2005 (EUR –2,851 thousand). EBITDA of Q1 2006 was EUR –3,708 thousand (Q1 2005: EUR –2,465 thousand).

Financial result

EUR thousand	Q1 2006	Q1 2005
Interest and related income	331	291
Interest and related expenses	–8	–2
Other financial income	7	56
Other financial expenses	–117	–40
Total financial result	213	305

Taxes on income. Income taxes of EUR 91 thousand had to be recorded exclusively for the U.S. subsidiary Epigenomics, Inc. in Q1 2006 (Q1 2005: EUR 11 thousand). The amount comprised U.S. federal (deferred) taxes of EUR 74 thousand as well as state and local taxes of EUR 17 thousand.

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.

	Q1 2006	Q1 2005
Net loss for the period in EUR thousand	–3,888	–2,557
Weighted-average number of shares issued	16,421,428	16,338,250
Earnings per share in EUR (basic)	–0.24	–0.16

The outstanding stock options granted by the Company are antidilutive according to IAS 33.41 and IAS 33.43. Therefore, the earnings per share (diluted) equal the earnings per share (basic). The number of shares issued as of the balance sheet date amounted to 16,457,927.

NOTES TO THE GROUP BALANCE SHEET

Non-current assets. Non-current assets decreased during the reporting quarter by EUR 305 thousand mainly due to capital expenditure of EUR 69 thousand (Q1 2005: EUR 161 thousand) below depreciation and amortization of EUR 301 thousand (Q1 2005: EUR 385 thousand).

Deferred tax assets decreased to EUR 1,184 thousand (Dec 31, 2005: EUR 1,258 thousand). This effect is attributable to reduced tax loss carryforwards of the U.S.-based subsidiary Epigenomics, Inc.

Current assets. Current assets decreased during the reporting quarter by EUR 3,370 thousand. This decrease mainly mirrors the Group's consumption of liquid assets in Q1 2006 of EUR 3,390 thousand, partly compensated by an increase in other current assets from EUR 1,892 thousand at December 31, 2005 to EUR 2,034 thousand at March 31, 2006.

Trade and other receivables listed in the amount of EUR 562 thousand (Dec 31, 2005: EUR 734 thousand) are comprised predominantly of trade receivables due from two customers. There were no reasons for value adjustments of individual receivables at balance sheet date.

Current liabilities. Deferred income decreased to EUR 2,144 thousand at March 31, 2006, (Dec 31, 2005: EUR 2,168 thousand) and includes income from commercial cooperations amounting to EUR 1,633 thousand and income from granted projects amounting to EUR 511 thousand.

Notes to the stock option plans. In the first quarter of 2006, a total number of 104,000 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 6.93. The aggregate proceeds to the Company if these options are exercised and shares are issued will amount to EUR 721 thousand.

In the reporting quarter, 54,749 stock options have been exercised. The weighted-average exercise price of those options was EUR 4.50. The options that forfeited during the reporting period had an exercise price of EUR 4.53. The number of all outstanding options as of March 31, 2006, increased to 791,832.

Option holder	Options issued as of Dec 31, 2005	Options issued in Q1 2006	Options forfeited in Q1 2006	Options exercised in Q1 2006	Options issued as of Mar 31, 2006
Alexander Olek, Ph.D.	86,613	0	0	0	86,613
Dr. Kurt Berlin	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
Total Executive Board	269,202	0	0	0	269,202
Other	476,867	104,000	3,488	54,749	522,630
Total options	746,069	104,000	3,488	54,749	791,832

The consolidated financial statements for 2005 showed a total number of options issued to Executive Board members as of December 31, 2005, of 400,845. This number included 131,643 options issued to the former Executive Board members R. Gary Schweikhardt and Aron Braun. In the table above these options have now been reclassified as options issued to “Other”.

Terms of options outstanding:

Expiry date	Exercise price in EUR	Mar 31, 2006 number	Dec 31, 2005 number
2008	1.76	12,750	12,750
	1.94	6,086	6,791
	4.53	18,228	35,920
2009	4.53	31,140	32,929
2010	4.53	82,538	97,264
2011	4.53	501,570	521,895
	7.15	9,500	9,500
2012	7.29	22,340	25,340
	8.13	3,680	3,680
2013	6.93	104,000	0
Total		791,832	746,069

NOTES TO THE GROUP CASH FLOW STATEMENT

Operating activities. Cash flow from operations is derived indirectly on the basis of the net loss for the period before taxes on income. Cash comprises bank deposits and cash in hand. Cash equivalents are defined as instruments being convertible on a short-term basis to a known amount of cash and carrying a very low risk of changes in value.

Investing activities. Cash flow from investing activities is ascertained in respect of payment.

Financing activities. Cash flow from financing activities is ascertained in respect of payment.

 SEGMENT REPORTING

Segment results

EUR thousand (unaudited)	Diagnostics		Clinical Solutions		Other		Epigenomics Total	
	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005
Revenue	290	1,192	129	657	49	0	468	1,849
Cost of sales	-899	-1,175	-287	-301	-92	0	-1,278	-1,476
Gross profit	-609	17	-158	356	-43	0	-810	373
Gross margin in %	-210	1	-122	54			-173	20
Other income	320	40	2	0	175	320	497	360
Research and development costs	-1,452	-797	-169	-310	-303	-997	-1,924	-2,104
Marketing and business development costs	-199	-102	-152	-172	-244	-76	-595	-350
General and administrative costs	0	0	0	0	-1,023	-993	-1,023	-993
Other expenses	-12	-1	-2	0	-141	-136	-155	-137
Segment results	-1,952	-843	-479	-126	-1,579	-1,882	-4,010	-2,851

Corporate Calendar

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.

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